



## Westwood Holdings Group Reports Fourth Quarter and Full Year 2021 Results

February 9, 2022

### Competitive performance across key strategies Double-digit revenue growth powers return to full year profitability

DALLAS, Feb. 09, 2022 (GLOBE NEWSWIRE) -- Westwood Holdings Group, Inc. (NYSE: WHG) today reported fourth quarter earnings. Significant items include:

- Fourth quarter revenues of \$19.4 million compared with \$17.9 million in the third quarter and \$17.1 million a year ago.
- Net income of \$2.8 million compared with \$1.9 million in the third quarter and \$2.8 million in the fourth quarter of 2020.
- Net income totaled \$9.8 million in 2021 versus a net loss of \$8.9 million in the previous year.
- Our LargeCap Value, SmallCap Value, Alternative Income and Select Equity strategies beat their primary benchmarks for the quarter.
- SmallCap Value achieved a top quartile peer ranking, and LargeCap Value, Alternative Income and Select Equity ranked in the top third of their peer groups for the quarter.
- Westwood held \$80.2 million in cash and short-term investments at December 31, 2021, up \$3.6 million from September 30, 2021.
- Stockholders' equity at December 31, 2021 was \$117.9 million and we continue to have no debt.
- Non-GAAP Economic Earnings of \$4.7 million compared with \$3.7 million in the third quarter and \$4.6 million in the fourth quarter of 2020.
- We declared a cash dividend of \$0.15 per common share, payable on April 1, 2022 to stockholders of record on March 4, 2022.

Brian Casey, Westwood's President and CEO, commented, "The fourth quarter's accomplishments built upon our many substantial achievements reported earlier last year. Our investment teams delivered solid performance and competitive peer rankings in key products while our sales teams generated positive fund flows across many products, enabling assets under management ("AUM") to grow from \$13.0 billion to \$14.5 billion by year end. Revenues grew 13% from 2020's fourth quarter, which powered a 27% increase in economic earnings and a 50% jump in diluted EPS from 2021's third quarter. We launched three mutual funds and achieved strong client retention in Wealth Management while adding new accounts along with a new client portal to enhance the investor experience. I am very pleased to report that our businesses performed very well last year: we restored dividends and paid a special dividend, we bought back stock, and, best of all, we returned Westwood to profitability!"

Revenues of \$19.4 million increased \$2.3 million from 2020's fourth quarter principally due to higher average AUM. Revenues rose \$1.5 million versus the third quarter principally on higher average AUM and higher performance fees.

AUM of \$14.5 billion at December 31, 2021 rose from \$13.8 billion at September 30, 2021 principally due to market appreciation.

Fourth quarter net income of \$2.8 million exceeded the third quarter's \$1.9 million due to higher revenues and unrealized appreciation on private investments, partially offset by one-time expenses related to administrative reorganization of our mutual funds. Diluted earnings per share ("EPS") of \$0.36 compared to \$0.24 per share for the third quarter. Non-GAAP Economic Earnings were \$4.7 million, or \$0.59 per share, compared to the third quarter's \$3.7 million, or \$0.47 per share.

Fourth quarter net income of \$2.8 million was consistent with the prior year's fourth quarter as revenues and expenses increased at the same pace. Diluted EPS of \$0.36 repeated 2020's fourth quarter. Non-GAAP Economic Earnings of \$4.7 million, or \$0.59 per share, rose from \$4.6 million, or \$0.58 per share, in 2020's fourth quarter.

2021 net income of \$9.8 million compared to 2020's net loss of \$8.9 million on higher revenues, higher realized gains on private investments and the

impact of non-recurring items during 2020, partially offset by higher income taxes and mutual fund expenses. Diluted EPS was \$1.23 per share compared with a loss of \$1.12 per share for 2020. Economic EPS of \$2.20 compared with \$0.91 in 2020.

Economic earnings and 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 fourth quarter and fiscal year 2021 results and other business matters at 4:30 p.m. Eastern time today. To join the conference call, dial 877-303-6235 (U.S. and Canada) or 631-291-4837 (international). The conference call can also be accessed via our Investor Relations page at [westwoodgroup.com](http://westwoodgroup.com) and will be available for replay through February 16, 2022 by dialing 855-859-2056 (U.S. and Canada) or 404-537-3406 (international) and entering the passcode 9074885.

## ABOUT WESTWOOD HOLDINGS GROUP

Westwood Holdings Group, Inc. is an investment management boutique and wealth management firm. Westwood offers high-conviction equity and outcome-oriented solutions to institutional investors, private wealth clients and financial intermediaries. The firm specializes in the following distinct investment capabilities: U.S. Value Equity, Multi-Asset, and Liquid Alternatives, available through separate accounts, the Westwood Funds<sup>®</sup> family of mutual 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, Westwood also maintains offices in Houston.

For more information on Westwood, please visit [westwoodgroup.com](http://westwoodgroup.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," "believe," "expect," "could," 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 AUM; our ability to maintain our fee structure in light of competitive fee pressures; our stockholder rights agreement may make it more difficult for others to obtain control over us, even if it would be beneficial to our stockholders; risks associated with actions of activist stockholders; distributions to our common stockholders have included and may in the future include a return of capital; inclusion of foreign company investments in our AUM; regulations adversely affecting the financial services industry; our ability to maintain effective cyber security; litigation risks; our ability to develop and market new investment strategies successfully; our reputation and our relationships with current and potential customers; our ability to attract and retain qualified personnel; our ability to perform operational tasks; our ability to select and oversee third-party vendors; our dependence on the operations and funds of our subsidiaries; our ability to maintain effective information systems; our ability to prevent misuse of assets and information in the possession of our employees and third-party vendors, which could damage our reputation and result in costly litigation and liability for our clients and us; our stock is thinly traded and may be subject to volatility; in addition to our stockholder rights agreement, our organizational documents contain provisions that may prevent or deter another group from paying a premium over the market price to our stockholders to acquire our stock; competition in the investment management industry; our ability to avoid termination of client agreements and the related investment redemptions; the significant concentration of our revenues in a small number of customers; our relationships with investment consulting firms; the impact of the COVID-19 pandemic; our ability to identify and execute on our strategic initiatives; our ability to declare and pay dividends; our ability to fund future capital requirements on favorable terms; 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; and the other risks detailed from time to time in Westwood's SEC filings, including, but not limited to, its annual report on Form 10-K for the year ended December 31, 2020 and its quarterly report on Form 10-Q for the quarters ended March 31, 2021, June 30, 2021 and September 30, 2021. 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.

SOURCE: Westwood Holdings Group, Inc.

(WHG-G)

CONTACT:

Westwood Holdings Group, Inc.

Terry Forbes

Chief Financial Officer and Treasurer

(214) 756-6900

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

| Three Months Ended   |                       |                      |
|----------------------|-----------------------|----------------------|
| December 31,<br>2021 | September 30,<br>2021 | December 31,<br>2020 |

### REVENUES:

Advisory fees:

|  |    |           |    |           |    |           |
|--|----|-----------|----|-----------|----|-----------|
| Asset-based  | \$ | 12,081    | \$ | 12,011    | \$ | 8,751     |
| Performance-based  |    | 1,376     |    | —         |    | 1,400     |
| Trust fees   |    | 5,797     |    | 5,952     |    | 6,168     |
| Trust performance-based  |    | 101       |    | —         |    | 289       |
| Other, net   |    | 36        |    | (103)     |    | 505       |
| Total revenues   |    | 19,391    |    | 17,860    |    | 17,113    |
| <b>EXPENSES:</b>   |    |           |    |           |    |           |
| Employee compensation and benefits   |    | 10,479    |    | 10,268    |    | 9,171     |
| Sales and marketing  |    | 388       |    | 292       |    | 248       |
| Westwood mutual funds  |    | 1,084     |    | 814       |    | 311       |
| Information technology   |    | 1,971     |    | 1,937     |    | 1,892     |
| Professional services  |    | 920       |    | 726       |    | 1,054     |
| General and administrative   |    | 2,181     |    | 1,779     |    | 2,111     |
| Loss on foreign currency transactions  |    | —         |    | —         |    | 12        |
| Total expenses   |    | 17,023    |    | 15,816    |    | 14,799    |
| <b>Net operating income</b>  |    | 2,368     |    | 2,044     |    | 2,314     |
| Net change in unrealized appreciation (depreciation) on private investments  |    | 327       |    | (13)      |    | 198       |
| Investment income  |    | 306       |    | 131       |    | (21)      |
| Other income   |    | 212       |    | 198       |    | 33        |
| Foreign currency translation adjustments to net income upon liquidation of a foreign subsidiary                                |    | —         |    | —         |    | 24        |
| <b>Income before income taxes</b>  |    | 3,213     |    | 2,360     |    | 2,548     |
| Provision for income taxes   |    | 400       |    | 481       |    | (267)     |
| <b>Net income</b>  | \$ | 2,813     | \$ | 1,879     | \$ | 2,815     |
| Other comprehensive income (loss), net of tax:   |    |           |    |           |    |           |
| Foreign currency translation adjustments   |    | —         |    | —         |    | 24        |
| Reclassification of cumulative foreign currency translation adjustments to net income upon liquidation of a foreign subsidiary |    | —         |    | —         |    | (24)      |
| <b>Total comprehensive income</b>  | \$ | 2,813     | \$ | 1,879     | \$ | 2,815     |
| <b>Earnings per share:</b>   |    |           |    |           |    |           |
| Basic  | \$ | 0.36      | \$ | 0.24      | \$ | 0.36      |
| Diluted  | \$ | 0.36      | \$ | 0.24      | \$ | 0.36      |
| <b>Weighted average shares outstanding:</b>  |    |           |    |           |    |           |
| Basic  |    | 7,842,867 |    | 7,887,259 |    | 7,830,115 |
| Diluted  |    | 7,910,673 |    | 7,956,081 |    | 7,838,504 |
| Economic Earnings  | \$ | 4,654     | \$ | 3,706     | \$ | 4,571     |
| Economic EPS   | \$ | 0.59      | \$ | 0.47      | \$ | 0.58      |
| <b>Dividends declared per share</b>  | \$ | 0.15      | \$ | 2.60      | \$ | 0.00      |

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

|                         | <u>Year Ended December 31,</u> |             |
|-------------------------|--------------------------------|-------------|
|                         | <u>2021</u>                    | <u>2020</u> |
| <b>REVENUES:</b>        |                                |             |
| Advisory fees:          |                                |             |
| Asset-based             | \$                             | 45,927      |
| Performance-based       |                                | 3,335       |
| Trust fees              |                                | 24,030      |
| Trust performance-based |                                | 101         |
| Other, net              |                                | (339)       |
| Total revenues          |                                | 73,054      |
|                         |                                | 65,111      |

**EXPENSES:**

|   |           |            |
|---|-----------|------------|
| Employee compensation and benefits  | 42,532    | 42,141     |
| Sales and marketing   | 1,280     | 1,194      |
| Westwood mutual funds   | 2,657     | 1,681      |
| Information technology  | 8,161     | 8,111      |
| Professional services   | 4,391     | 4,271      |
| General and administrative  | 8,074     | 8,941      |
| Impairment expense  | —         | 3,403      |
| Gain on foreign currency transactions   | —         | (1,184)    |
| Total expenses  | 67,095    | 68,558     |
| <b>Net operating income (loss)</b>  | 5,959     | (3,447)    |
| Realized gains on private investments   | 8,371     | —          |
| Net change in unrealized depreciation on private investments  | (1,797)   | (711)      |
| Investment income   | 868       | 604        |
| Other income  | 602       | 135        |
| Foreign currency translation adjustments to net income (loss) upon liquidation of a foreign subsidiary                                | —         | (4,169)    |
| <b>Income (loss) before income taxes</b>  | 14,003    | (7,588)    |
| Provision for income taxes  | 4,240     | 1,359      |
| <b>Net income (loss)</b>  | \$ 9,763  | \$ (8,947) |
| Other comprehensive income (loss), net of tax:  |           |            |
| Foreign currency translation adjustments  | —         | (1,226)    |
| Reclassification of cumulative foreign currency translation adjustments to net income (loss) upon liquidation of a foreign subsidiary | —         | 4,169      |
| <b>Total comprehensive income (loss)</b>  | \$ 9,763  | \$ (6,004) |
| <b>Earnings (loss) per share:</b>   |           |            |
| Basic   | \$ 1.24   | \$ (1.12)  |
| Diluted   | \$ 1.23   | \$ (1.12)  |
| <b>Weighted average shares outstanding:</b>   |           |            |
| Basic   | 7,875,395 | 7,987,554  |
| Diluted   | 7,927,972 | 7,987,554  |
| Economic Earnings   | \$ 17,458 | \$ 7,284   |
| Economic EPS  | \$ 2.20   | \$ 0.91    |
| <b>Dividends declared per share</b>   | \$ 2.95   | \$ 0.43    |

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

|  | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|--|------------------------------|------------------------------|
| <b>ASSETS</b>  |                              |                              |
| Current Assets:  |                              |                              |
| Cash and cash equivalents  | \$ 15,206                    | \$ 13,016                    |
| Accounts receivable  | 11,152                       | 9,450                        |
| Investments, at fair value   | 65,024                       | 69,542                       |
| Income taxes receivable  | 233                          | 1,700                        |
| Other current assets   | 2,246                        | 2,606                        |
| Total current assets   | 93,861                       | 96,314                       |
| Investments  | 4,455                        | 8,154                        |
| Noncurrent investments at fair value   | 4,513                        | 3,527                        |
| Goodwill   | 16,401                       | 16,401                       |
| Deferred income taxes  | 848                          | 1,468                        |
| Operating lease right-of-use assets  | 4,868                        | 6,103                        |
| Intangible assets, net   | 11,911                       | 13,535                       |
| Property and equipment, net of accumulated depreciation of \$8,637 and \$8,056 | 2,114                        | 3,186                        |
| Other long-term assets   | 634                          | 464                          |
| Total long-term assets   | 45,744                       | 52,838                       |

|  |            |            |
|--|------------|------------|
| <b>Total assets</b>  | \$ 139,605 | \$ 149,152 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |            |            |
| Current Liabilities:   |            |            |
| Accounts payable and accrued liabilities   | \$ 2,637   | \$ 1,627   |
| Dividends payable  | 1,800      | 810        |
| Compensation and benefits payable  | 9,530      | 7,448      |
| Operating lease liabilities  | 1,409      | 1,718      |
| Income taxes payable   | 466        | 191        |
| Total current liabilities  | 15,842     | 11,794     |
| Accrued dividends  | 1,133      | 526        |
| Noncurrent operating lease liabilities   | 4,724      | 6,121      |
| Total long-term liabilities  | 5,857      | 6,647      |
| <b>Total liabilities</b>   | 21,699     | 18,441     |
| Stockholders' Equity:  |            |            |
| Common stock, \$0.01 par value, authorized 25,000,000 shares, issued 10,658,644 and outstanding 8,253,491 shares at December 31, 2021; issued 10,500,549 and outstanding 8,326,948 shares at December 31, 2020 | 107        | 105        |
| Additional paid-in capital   | 195,187    | 210,268    |
| Treasury stock, at cost – 2,405,154 shares at December 31, 2021; 2,173,559 shares at December 31, 2020   | (81,750)   | (77,967)   |
| Retained earnings (accumulated deficit)  | 4,362      | (1,695)    |
| <b>Total stockholders' equity</b>  | 117,906    | 130,711    |
| <b>Total liabilities and stockholders' equity</b>  | \$ 139,605 | \$ 149,152 |

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

|  | Year ended December 31, |            |
|--|-------------------------|------------|
|  | 2021                    | 2020       |
| <b>Cash flows from operating activities:</b>   |                         |            |
| Net income (loss)  | \$ 9,763                | \$ (8,947) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                         |            |
| Depreciation   | 750                     | 921        |
| Amortization of intangible assets  | 1,624                   | 1,721      |
| Net change in unrealized (appreciation) depreciation on investments                                | 1,845                   | 1,056      |
| Realized gains on private investments  | (8,371)                 | —          |
| Stock-based compensation expense   | 5,835                   | 6,701      |
| Deferred income taxes  | 620                     | 754        |
| Loss on asset disposition  | —                       | 48         |
| Gain on asset disposition  | (148)                   | —          |
| Non-cash lease expense   | 1,235                   | 1,500      |
| Impairment of goodwill   | —                       | 3,403      |
| Currency translation adjustment reclassification   | —                       | 4,169      |
| Changes in operating assets and liabilities:   |                         |            |
| Net (purchases) sales of investments – trading securities  | 4,513                   | (19,562)   |
| Accounts receivable  | (1,702)                 | 3,683      |
| Other current assets   | 189                     | (170)      |
| Accounts payable and accrued liabilities   | 1,009                   | (526)      |
| Compensation and benefits payable  | 2,042                   | (2,270)    |
| Income taxes payable   | 1,750                   | (690)      |
| Other liabilities  | (1,569)                 | (1,561)    |
| Net cash provided by (used in) operating activities  | 19,385                  | (9,770)    |
| <b>Cash flows from investing activities:</b>   |                         |            |
| Sale of investments  | 9,258                   | —          |
| Purchases of investments   | (15)                    | —          |
| Purchases of property and equipment  | (178)                   | (93)       |
| Proceeds on sale of property and equipment   | 501                     | 89         |
| Net cash provided by (used in) investing activities  | 9,566                   | (4)        |
| <b>Cash flows from financing activities:</b>   |                         |            |

|   |                  |                  |
|---|------------------|------------------|
| Purchases of treasury stock                                 | (2,990)          | (12,952)         |
| Purchases of treasury stock for employee stock plans        | —                | (697)            |
| Restricted stock returned for payment of taxes              | (884)            | (1,120)          |
| Cash dividends  | (22,932)         | (11,043)         |
| Net cash used in financing activities                       | (26,806)         | (25,812)         |
| Effect of currency rate changes on cash                     | 45               | (1,164)          |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>2,190</b>     | <b>(36,750)</b>  |
| <b>Cash and cash equivalents, beginning of period</b>       | <b>13,016</b>    | <b>49,766</b>    |
| <b>Cash and cash equivalents, end of period</b>             | <b>\$ 15,206</b> | <b>\$ 13,016</b> |

Supplemental cash flow information:

|  |          |          |
|--|----------|----------|
| Cash paid during the period for income taxes | \$ 1,858 | \$ 1,271 |
| Accrued dividends                            | \$ 2,933 | \$ 1,336 |

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**

**Reconciliation of Net Income (Loss) to Economic Earnings  
(in thousands, except per share and share amounts)  
(unaudited)**

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 (loss) and earnings (loss) per share, which are reported on a GAAP basis. Our management and Board of Directors review Economic Earnings and Economic EPS to evaluate our ongoing performance, allocate resources, and review our dividend policy. We believe that these non-GAAP performance measures, while not substitutes for GAAP net income (loss) or earnings (loss) per share, are useful for management and investors when evaluating our underlying operating and financial performance and our 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 (loss) plus non-cash stock-based compensation expense, impairment expense, amortization of intangible assets, currency translation adjustment reclassification 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.

|   | <b>Three Months Ended</b>    |                               |                              |
|---|------------------------------|-------------------------------|------------------------------|
|   | <b>December 31,<br/>2021</b> | <b>September 30,<br/>2021</b> | <b>December 31,<br/>2020</b> |
| <b>Net Income</b>                                     | \$ 2,813                     | \$ 1,879                      | \$ 2,815                     |
| Add: Stock-based compensation expense                 | 1,375                        | 1,362                         | 1,292                        |
| Add: Intangible amortization                          | 406                          | 406                           | 428                          |
| Add: Currency translation adjustment reclassification | —                            | —                             | (24)                         |
| Add: Tax benefit from goodwill amortization           | 60                           | 59                            | 60                           |
| <b>Economic Earnings</b>                              | <b>\$ 4,654</b>              | <b>\$ 3,706</b>               | <b>\$ 4,571</b>              |
| Diluted weighted average shares                       | 7,910,673                    | 7,956,081                     | 7,838,504                    |
| <b>Economic EPS</b>                                   | <b>\$ 0.59</b>               | <b>\$ 0.47</b>                | <b>\$ 0.58</b>               |

|   | <b>Year Ended December 31,</b> |                 |
|---|--------------------------------|-----------------|
|   | <b>2021</b>                    | <b>2020</b>     |
| <b>Net Income (Loss)</b>                              | \$ 9,763                       | \$ (8,947)      |
| Add: Stock-based compensation expense                 | 5,834                          | 6,701           |
| Add: Impairment expense                               | —                              | 3,403           |
| Add: Intangible amortization                          | 1,624                          | 1,721           |
| Add: Currency translation adjustment reclassification | —                              | 4,169           |
| Add: Tax benefit from goodwill amortization           | 237                            | 237             |
| <b>Economic Earnings</b>                              | <b>\$ 17,458</b>               | <b>\$ 7,284</b> |
| Diluted weighted average shares                       | 7,927,972                      | 7,987,554       |
| <b>Economic EPS</b>                                   | <b>\$ 2.20</b>                 | <b>\$ 0.91</b>  |



Source: Westwood Holdings Group Inc