

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 28, 2020

WESTWOOD HOLDINGS GROUP, INC.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction
of incorporation)

001-31234
(Commission File Number)

75-2969997
(IRS Employer Identification No.)

200 Crescent Court, Suite 1200
Dallas, Texas 75201
(Address of principal executive offices)

(214) 756-6900
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of Each Class</u> | <u>Trading Symbol(s)</u> | <u>Name of Each Exchange on Which Registered</u> |
|--|--------------------------|--|
| Common stock, par value \$0.01 per share | WHG | New York Stock Exchange |

Indicate by checkmark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02: RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On October 28, 2020, Westwood Holdings Group, Inc. (“Westwood”) announced its financial results for the quarter ended September 30, 2020, a copy of which is furnished with this Current Report on Form 8-K as Exhibit 99.1.

The information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), as amended, or otherwise subject to the liabilities of that Section, nor shall it be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise expressly stated in such filing.

ITEM 9.01: FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits: The following exhibit is furnished with this report:

| Exhibit Number | Description |
|----------------|--|
| 99.1 | Press Release dated October 28, 2020 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 28, 2020

WESTWOOD HOLDINGS GROUP, INC.

By: /s/ Murray Forbes III

Murray Forbes III

Chief Financial Officer and Treasurer



Westwood Holdings Group, Inc. Reports Third Quarter 2020 Results

Strong investment performance across multiple strategies

Earnings impacted by non-cash and non-recurring items

U.S. cash position strengthened with funds repatriated from Canadian operation

Dallas, TX, October 28, 2020 – Westwood Holdings Group, Inc. (NYSE: WHG) today reported third quarter 2020 earnings. Significant items include:

- Income Opportunity, AllCap Value, SmidCap, Total Return, High Income, Alternative Income, and Global Convertibles strategies all beat their primary benchmarks for the quarter.
- Total Return strategy achieved a top quartile peer ranking while our SmidCap, AllCap Value, and High Income strategies posted top 40% peer rankings.
- Westwood held \$77.6 million in cash and short-term investments at September 30, 2020, up \$3.4 million from June 30, 2020. Stockholders' equity was \$126.5 million and no debt.
- Revenues of \$15.5 million compared with \$15.9 million in the second quarter of 2020 and \$19.9 million a year ago.
- Net loss of \$10.3 million compared with a net loss of \$2.6 million in the second quarter of 2020 and net income of \$1.1 million a year ago.
- The third quarter was negatively impacted by several one-time items, including:
 - \$4.2 million non-cash reclassification of foreign currency translation adjustments from Accumulated Other Comprehensive Income (Loss) to Net Income (Loss), with no impact on Stockholder's Equity, following the closure of Westwood International Advisors.
 - \$1.1 million in incremental Canadian withholding taxes (net of U.S. federal tax deduction) paid to repatriate more than \$37.0 million from Westwood International Advisors to the U.S.
 - \$3.4 million non-cash write-off of historical Advisory goodwill to reflect lower market capitalization and Advisory net outflows.
- Non-GAAP economic loss of \$1.7 million, compared with economic earnings of \$0.2 million in the second quarter of 2020 and \$3.9 million a year ago.

Brian Casey, Westwood's President and CEO, commented, "As part of the ongoing execution of our strategic plan that we communicated to you last quarter, Westwood International Advisors has now ceased operations and a significant amount of cash has been moved from Canada to the U.S. for deployment in business initiatives that we consider more attractive over the long-term. These decisive actions, along with the write-off of historical goodwill in our Advisory business, contributed to a loss for the quarter, however the associated accounting effects were primarily non-cash and non-recurring in nature. We have recently celebrated several institutional and retail wins that will fund later this year or early in the New Year.

Consultant approval ratings continue to move up, our pipeline for new business opportunities is at its highest level in over five years and we have recently been invited to present in finals for several large mandates. Our investment performance is competitive across our wide range of strategies and I am particularly pleased to report that our investment teams weathered the recent market volatility very well. Our new client portal, developed in partnership with InvestCloud, will be released to Westwood Wealth clients over the next few weeks. We are excited to bring this digital experience to our customers and look forward to announcing additional technology platform ventures in the months ahead."

Revenues were somewhat lower than the second quarter due to closing Emerging Markets strategies, which slightly reduced our average fee rate. Revenues were lower than last year's third quarter principally as a result of lower average assets under management ("AUM").

AUM of \$12.0 billion at September 30, 2020 rose slightly from \$11.9 billion at June 30, 2020. The increase reflected market appreciation offset by net outflows mainly in our closed Emerging Markets products while our MLP strategies experienced drawdowns.

The third quarter net loss of \$10.3 million exceeded the second quarter's \$2.6 million net loss primarily due to the one-time items noted above, partially offset by lower operating expenses and lower foreign currency transaction losses. Diluted earnings per share ("EPS") was a loss of \$1.31 compared with a loss of \$0.33 for the second quarter. Non-GAAP economic losses of \$1.7 million, or \$0.22 per share, compared with earnings of \$0.2 million, or \$0.03 per share, in the second quarter.

The third quarter net loss of \$10.3 million compared unfavorably with net income of \$1.1 million in the third quarter of 2019 primarily due to the one-time items noted above, partially offset by lower operating expenses, particularly employee compensation and benefits. Diluted EPS was a loss of \$1.31 compared with earnings of \$0.13 for the third quarter of 2019. Non-GAAP economic losses were \$1.7 million, or \$0.22 per share, compared with earnings of \$3.9 million, or \$0.46 per share for the third quarter of 2019.

Economic earnings (loss) 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 third quarter 2020 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 and will be available for replay through November 5, 2020 by dialing 855-859-2056 (U.S. and Canada) or 404-537-3406 (international) and entering the passcode 2732349.

ABOUT WESTWOOD HOLDINGS GROUP

Westwood Holdings Group, Inc. is a focused 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 several distinct investment capabilities: U.S. Value Equity, Multi-Asset, Convertibles and Liquid Alternatives, available through separate accounts, the Westwood Funds[®] 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 Boston and Houston.

For more information on Westwood, please visit 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; the impact of the COVID-19 pandemic; the significant concentration of our revenues in a small number of customers; our ability to avoid termination of client agreements and the related investment redemptions; regulations adversely affecting the financial services industry; competition in the investment management industry; our ability to develop and market new investment strategies successfully; our AUM include investments in foreign companies; our reputation and our relationships with current and potential customers; our ability to attract and retain qualified personnel; our ability to maintain effective cyber security; our ability to perform operational tasks; our ability to identify and execute on our strategic initiatives; our ability to maintain effective information systems; our ability to select and oversee third-party vendors; litigation risks; 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; our stock is thinly traded and may be subject to volatility; 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; we are a holding company dependent on the operations and funds of our subsidiaries; our relationships with investment consulting firms; 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, 2019 and its quarterly report on Form 10-Q for the quarters ended March 31, 2020, June 30, 2020 and September 30, 2020. 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.

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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 (LOSS)
(in thousands, except per share and share amounts)
(unaudited)

| | Three Months Ended | | |
|---|--------------------|-------------------|--------------------|
| | September 30, 2020 | June 30, 2020 | September 30, 2019 |
| REVENUES: | | | |
| Advisory fees: | | | |
| Asset-based | \$ 8,847 | \$ 9,328 | \$ 13,164 |
| Performance-based | 713 | 695 | 154 |
| Trust fees | 5,787 | 5,657 | 6,281 |
| Trust performance-based fees | 37 | 40 | — |
| Other, net | 70 | 155 | 293 |
| Total revenues | <u>15,454</u> | <u>15,875</u> | <u>19,892</u> |
| EXPENSES: | | | |
| Employee compensation and benefits | 9,515 | 10,787 | 12,072 |
| Sales and marketing | 215 | 253 | 506 |
| Westwood mutual funds | 421 | 434 | 916 |
| Information technology | 2,158 | 2,030 | 2,017 |
| Professional services | 1,033 | 991 | 940 |
| General and administrative | 2,333 | 2,191 | 2,317 |
| Impairment expense | 3,403 | — | — |
| (Gain) loss on foreign currency transactions | 419 | 1,323 | (402) |
| Total expenses | <u>19,497</u> | <u>18,009</u> | <u>18,366</u> |
| Net operating income (loss) | <u>(4,043)</u> | <u>(2,134)</u> | <u>1,526</u> |
| Unrealized gains (losses) on private investments | (73) | 159 | — |
| Investment income (expense) | (43) | 124 | — |
| Other income | 34 | 34 | 33 |
| Foreign currency translation adjustments to net income (loss) upon liquidation of a foreign subsidiary | (4,193) | — | — |
| Income (loss) before income taxes | <u>(8,318)</u> | <u>(1,817)</u> | <u>1,559</u> |
| Income tax expense | 1,971 | 758 | 442 |
| Net income (loss) | <u>\$ (10,289)</u> | <u>\$ (2,575)</u> | <u>\$ 1,117</u> |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | 621 | 1,371 | (482) |
| Reclassification of cumulative foreign currency translation adjustments to net income (loss) upon liquidation of a foreign subsidiary | 4,193 | — | — |
| Total comprehensive income (loss) | <u>\$ (5,475)</u> | <u>\$ (1,204)</u> | <u>\$ 635</u> |
| Earnings (loss) per share: | | | |
| Basic | \$ (1.31) | \$ (0.33) | \$ 0.13 |
| Diluted | \$ (1.31) | \$ (0.33) | \$ 0.13 |
| Weighted average shares outstanding: | | | |
| Basic | 7,829,478 | 7,879,698 | 8,432,598 |
| Diluted | 7,829,478 | 7,879,698 | 8,470,673 |
| Economic Earnings (Loss) | \$ (1,711) | \$ 224 | \$ 3,871 |
| Economic EPS | \$ (0.22) | \$ 0.03 | \$ 0.46 |
| Dividends declared per share | \$ 0.00 | \$ 0.00 | \$ 0.72 |

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

| | Nine Months Ended | |
|---|--------------------|--------------------|
| | September 30, 2020 | September 30, 2019 |
| REVENUES: | | |
| Advisory fees: | | |
| Asset-based | \$ 29,277 | \$ 44,265 |
| Performance-based | 1,408 | 454 |
| Trust fees | 17,395 | 19,264 |
| Trust performance-based fees | 77 | — |
| Other, net | (159) | 1,480 |
| Total revenues | <u>47,998</u> | <u>65,463</u> |
| EXPENSES: | | |
| Employee compensation and benefits | 32,970 | 38,060 |
| Sales and marketing | 946 | 1,550 |
| Westwood mutual funds | 1,370 | 2,423 |
| Information technology | 6,219 | 6,276 |
| Professional services | 3,217 | 3,258 |
| General and administrative | 6,830 | 7,153 |
| Impairment expense | 3,403 | — |
| (Gain) loss on foreign currency transactions | (1,196) | 1,142 |
| Total expenses | <u>53,759</u> | <u>59,862</u> |
| Net operating income (loss) | <u>(5,761)</u> | <u>5,601</u> |
| Unrealized losses on private investments | (909) | — |
| Investment income | 625 | — |
| Other income | 102 | 110 |
| Foreign currency translation adjustments to net income (loss) upon liquidation of a foreign subsidiary | (4,193) | — |
| Income (loss) before income taxes | <u>(10,136)</u> | <u>5,711</u> |
| Income tax expense | 1,626 | 2,341 |
| Net income (loss) | <u>\$ (11,762)</u> | <u>\$ 3,370</u> |
| Other comprehensive income (loss): | | |
| Foreign currency translation adjustments | (1,250) | 1,084 |
| Reclassification of cumulative foreign currency translation adjustments to net income (loss) upon liquidation of a foreign subsidiary | 4,193 | — |
| Total comprehensive income (loss) | <u>\$ (8,819)</u> | <u>\$ 4,454</u> |
| Earnings (loss) per share: | | |
| Basic | \$ (1.46) | \$ 0.40 |
| Diluted | \$ (1.46) | \$ 0.40 |
| Weighted average shares outstanding: | | |
| Basic | 8,040,417 | 8,414,317 |
| Diluted | 8,040,417 | 8,467,823 |
| Economic Earnings | \$ 2,713 | \$ 12,761 |
| Economic EPS | \$ 0.34 | \$ 1.51 |
| Dividends declared per share | \$ 0.43 | \$ 2.16 |

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

| | September 30, 2020 | December 31, 2019 |
|---|--------------------|-------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 15,593 | \$ 49,766 |
| Accounts receivable | 9,492 | 13,177 |
| Investments, at fair value | 61,993 | 50,324 |
| Prepaid income taxes | 511 | 1,150 |
| Other current assets | 2,211 | 2,544 |
| Total current assets | 89,800 | 116,961 |
| Investments | 8,154 | 8,154 |
| Noncurrent investments at fair value | 3,328 | 4,238 |
| Goodwill | 16,401 | 19,804 |
| Deferred income taxes | 2,398 | 2,216 |
| Operating lease right-of-use assets | 6,364 | 7,562 |
| Intangible assets, net | 13,963 | 15,256 |
| Property and equipment, net of accumulated depreciation of \$8,056 and \$7,395 | 3,532 | 4,152 |
| Other long-term assets | 444 | 364 |
| Total assets | \$ 144,384 | \$ 178,707 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 2,097 | \$ 2,145 |
| Dividends payable | 873 | 7,362 |
| Compensation and benefits payable | 5,938 | 9,975 |
| Operating lease liabilities | 1,695 | 1,584 |
| Income taxes payable | 195 | 289 |
| Total current liabilities | 10,798 | 21,355 |
| Accrued dividends | 575 | 1,303 |
| Noncurrent operating lease liabilities | 6,519 | 7,762 |
| Total long-term liabilities | 7,094 | 9,065 |
| Total liabilities | 17,892 | 30,420 |
| Stockholders' Equity: | | |
| Common stock, \$0.01 par value, authorized 25,000,000 shares, issued 10,542,571 and outstanding 8,366,811 shares at September 30, 2020; issued 10,306,570 and outstanding 8,881,086 shares at December 31, 2019 | 106 | 103 |
| Additional paid-in capital | 209,060 | 203,441 |
| Treasury stock, at cost - 2,175,758 shares at September 30, 2020; 1,425,483 shares at December 31, 2019 | (78,050) | (63,281) |
| Accumulated other comprehensive (income) loss | — | (2,943) |
| Retained earnings (accumulated deficit) | (4,624) | 10,967 |
| Total stockholders' equity | 126,492 | 148,287 |
| Total liabilities and stockholders' equity | \$ 144,384 | \$ 178,707 |

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

| | Nine Months Ended September 30, | |
|--|---------------------------------|--------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ (11,762) | \$ 3,370 |
| Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities: | | |
| Depreciation | 697 | 662 |
| Amortization of intangible assets | 1,293 | 1,281 |
| Unrealized (gains) losses on investments | 1,132 | (501) |
| Stock-based compensation expense | 5,409 | 7,932 |
| Deferred income taxes | (191) | 1,572 |
| Non-cash lease expense | 1,253 | 852 |
| Impairment of goodwill | 3,403 | — |
| Currency translation adjustment reclassification | 4,193 | — |
| Changes in operating assets and liabilities: | | |
| Net (purchases) sales of investments – trading securities | (11,891) | 23,438 |
| Accounts receivable | 3,634 | 5,673 |
| Other current assets | 246 | (361) |
| Accounts payable and accrued liabilities | (47) | (482) |
| Compensation and benefits payable | (3,769) | (8,100) |
| Income taxes payable | 492 | (668) |
| Other liabilities | (1,174) | (1,057) |
| Net cash (used in) provided by operating activities | (7,082) | 33,611 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (92) | (516) |
| Purchases of investments | — | (3,020) |
| Additions to internally developed software | — | (584) |
| Net cash used in investing activities | (92) | (4,120) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Purchases of treasury stock | (12,952) | (1,258) |
| Purchases of treasury stock for employee stock plans | (697) | (981) |
| Restricted stock returned for payment of taxes | (1,120) | (2,385) |
| Cash dividends | (11,043) | (19,979) |
| Net cash used in financing activities | (25,812) | (24,603) |
| Effect of currency rate changes on cash | (1,187) | 1,035 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (34,173) | 5,923 |
| Cash and cash equivalents, beginning of period | 49,766 | 52,449 |
| Cash and cash equivalents, end of period | \$ 15,593 | \$ 58,372 |
| Supplemental cash flow information: | | |
| Cash paid during the period for income taxes | \$ 1,294 | \$ 1,431 |
| Accrued dividends | \$ 1,448 | \$ 8,390 |

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
Reconciliation of Net Income (Loss) to Economic Earnings (Loss)
(in thousands, except per share and share amounts)
(unaudited)

| | Three Months Ended | | |
|---|--------------------|---------------|--------------------|
| | September 30, 2020 | June 30, 2020 | September 30, 2019 |
| Net income (loss) | \$ (10,289) | \$ (2,575) | \$ 1,117 |
| Add: Stock-based compensation expense | 488 | 2,305 | 2,249 |
| Add: Impairment expense | 3,403 | — | — |
| Add: Intangible amortization | 435 | 435 | 445 |
| Add: Currency translation adjustment reclassification | 4,193 | — | — |
| Add: Tax benefit from goodwill amortization | 59 | 59 | 60 |
| Economic Earnings (Loss) | \$ (1,711) | \$ 224 | \$ 3,871 |

| | | | |
|---------------------------------|------------------|----------------|----------------|
| Diluted weighted average shares | 7,829,478 | 7,879,698 | 8,470,673 |
| Economic EPS | \$ (0.22) | \$ 0.03 | \$ 0.46 |

| | Nine Months Ended | |
|---|--------------------|--------------------|
| | September 30, 2020 | September 30, 2019 |
| Net income (loss) | \$ (11,762) | \$ 3,370 |
| Add: Stock-based compensation expense | 5,409 | 7,932 |
| Add: Impairment expense | 3,403 | — |
| Add: Intangible amortization | 1,293 | 1,281 |
| Add: Currency translation adjustment reclassification | 4,193 | — |
| Add: Tax benefit from goodwill amortization | 177 | 178 |
| Economic Earnings | \$ 2,713 | \$ 12,761 |

| | | |
|---------------------------------|----------------|----------------|
| Diluted weighted average shares | 8,040,417 | 8,467,823 |
| Economic EPS | \$ 0.34 | \$ 1.51 |

As supplemental information, we are providing non-GAAP performance measures that we refer to as Economic Earnings (Loss) 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 (Loss) 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 (Loss) as net income (loss) plus non-cash equity-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 (Loss) 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 (Loss) for tax deductions related to restricted stock expense or amortization of intangible assets. Economic EPS represents Economic Earnings (Loss) divided by diluted weighted average shares outstanding.