



Rating
Hold

North America
United States

Financial
Brokers, Asset Managers
& Exchanges

Company
**WisdomTree
Investments**

Reuters WETF.OQ Bloomberg WETF US Exchange NMS Ticker WETF

Date
26 October 2018

Results

Price at 24 Oct 2018 (USD)	6.64
Price Target	7.00
52-week range	13.23 - 6.64

WETF 3Q18 Initial Thoughts

WETF 3Q adjusted EPS of \$0.09 in line with Consensus

WETF's adjusted diluted 3Q18 EPS of \$0.09 was in line with Consensus but beat our \$0.08 est. We initially view core EPS at ~\$0.09 as well. The beat to our estimate was from better core operating expenses (ex-acquisition payments & restructuring charges) of \$50.4mn vs. our \$51.8mn est., an adjusted effective tax rate of 27.6% better than our 29.5% est., & total operating revenue of \$72.6mn slightly ahead of our \$72.2mn est.

Key takeaway: solid 3Q results but 4Q trends more important for stock

We view 3Q results as solid given good cost control, favorable near-term guidance, relatively flat flows excluding the 3 largest ETFs (PHAU, DXJ, HEDJ), & 4QTD flows trending positive so far thru 10/19, which should be a positive for the stock today. With this said, we think mgmt's 9am conference call will be a more important driver for the stock today, especially around any commentary on how the franchise has performed this past week amidst recent equity market volatility, as well as any insight into continued modest fee rate pressure & traction on initiatives to boost core ETF flows (on non-transaction fee platforms & thru model portfolios).

Key positives in 3Q results

Key positives were: 1) adjusted pre-tax margin of 30.5% up from 30.0% Q/Q & better than our 28.3% est., 2) US business segment pre-tax margin of 33.5% up from 32.4% Q/Q & 32.9% Y/Y, 3) 4QTD net inflows of \$0.4bn driven by positive fixed income, commodity & currency, & US equity flows, 4) expects FY18 US segment compensation ratio in the lower half of 27-29% prior guidance, & 5) expects near-term effective tax rate of 26-27%.

Key negatives to monitor

Key negatives were: 1) \$1.2bn of total outflows in 3Q, driven primarily by \$1.3bn of international developed market equity outflows & \$0.4bn of commodity & currency outflows, partially offset by modest fixed income & US equity inflows & 2) average advisory fee of 48bps in line Q/Q but down from 51bps Y/Y & 4QTD average advisory fee trending at 47bps.

Reiterate Hold Rating & \$7 PT

We will review our model after mgmt's 9:00am conference call. Our PT is driven by our view for WETF to trade at an overall 30% P/E premium to the S&P 500, given its differentiated business model in the fast growing ETF industry. Downside risks are: 1) weakening US dollar that could spur HEDJ and DXJ outflows; 2) sharp

Valuation & Risks

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	-18.2	-28.1	-42.2
S&P 500 INDEX	-9.0	-5.8	3.4

Source: Deutsche Bank

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market downturn that materially reduces AuM; 3) increased pricing competition in smart beta ETF products; & 4) investor perception that WETF will remain independent in perpetuity. Upside risks are: 1) a pickup in smart beta industry flows relative to pure beta products, 2) a strengthening US dollar that could spur HEDJ and DXJ inflows, 3) increased flows from expanded international distribution channel through ETF Securities acquisition, & 4) any indication from other management teams of interest in acquiring an ETF provider.

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Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
WisdomTree Investments	WETF.OQ	6.91 (USD) 25 Oct 2018	NA

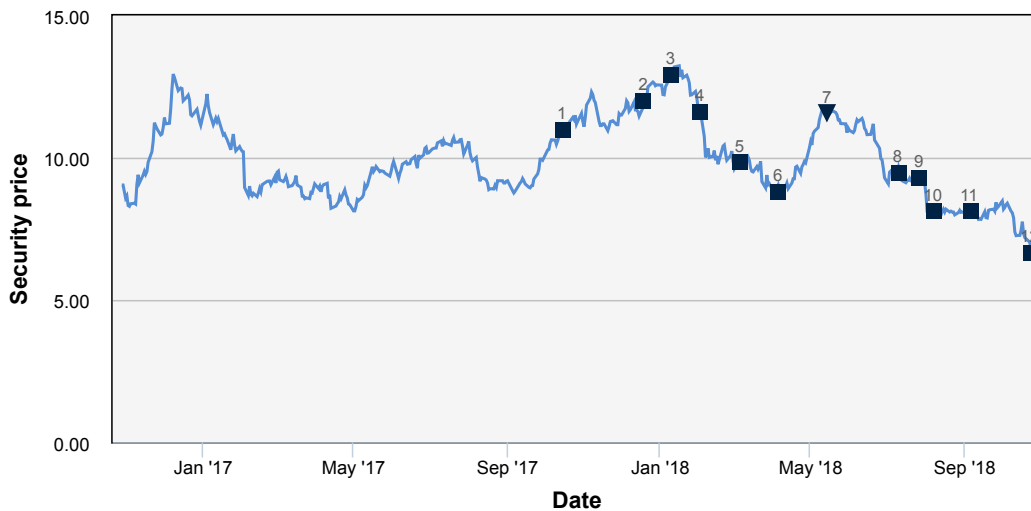
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Historical recommendations and target price. WisdomTree Investments (WETF.OQ)

(as of 10/25/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

1.	10/16/2017	Buy, Target Price Change USD 13.00 David Unger, CFA**	7.	05/15/2018	Downgraded to Hold, Target Price Change USD 12.00 Brian Bedell
2.	12/19/2017	Buy, Target Price Change USD 14.00 Brian Bedell	8.	07/11/2018	Hold, Target Price Change USD 11.00 Brian Bedell
3.	01/10/2018	Buy, Target Price Change USD 15.00 Brian Bedell	9.	07/27/2018	Hold, Target Price Change USD 10.00 Brian Bedell
4.	02/02/2018	Buy, Target Price Change USD 14.00 David Unger, CFA**	10.	08/08/2018	Hold, Target Price Change USD 9.00 Brian Bedell
5.	03/06/2018	Buy, Target Price Change USD 13.00 Brian Bedell	11.	09/06/2018	Hold, Target Price Change USD 8.00 Brian Bedell
6.	04/06/2018	Buy, Target Price Change USD 12.00 Brian Bedell	12.	10/24/2018	Hold, Target Price Change USD 7.00 Brian Bedell

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Equity Rating Key

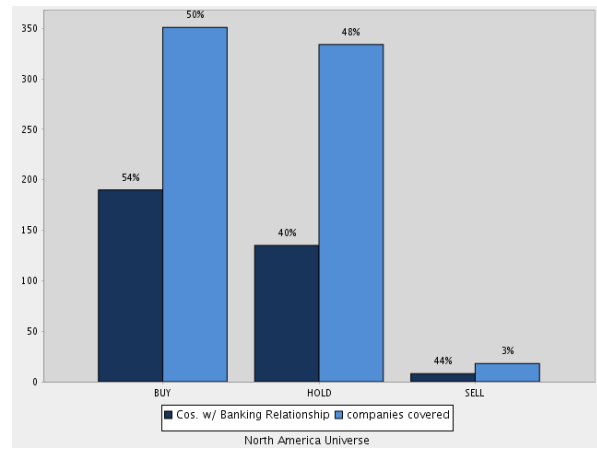
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

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Equity rating dispersion and banking relationships



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