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

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 1-31234

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**WESTWOOD HOLDINGS GROUP, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

**75-2969997**

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

**200 CRESCENT COURT, SUITE 1200**

**75201**

**DALLAS, Texas**

(Zip Code)

(Address of principal executive office)

**(214) 756-6900**

(Registrant's telephone number, including area code)

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**(Former name, former address and former fiscal year, if changed since last report)**

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

Title of Each Class

Trading Symbol

Name of Each Exchange on Which Registered

Common stock, par value \$0.01 per share

WHD

New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Shares of common stock, par value \$0.01 per share, outstanding as of October 24, 2023: 9,145,663.

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**WESTWOOD HOLDINGS GROUP, INC.**

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,178	\$ 23,859
Accounts receivable	13,174	13,900
Investments, at fair value	31,312	15,342
Prepaid income taxes	423	446
Other current assets	4,129	4,645
Total current assets	66,216	58,192
Investments	7,247	4,455
Equity method investments	4,256	6,574
Noncurrent investments at fair value	259	3,027
Goodwill	39,501	35,732
Deferred income taxes	1,110	1,762
Operating lease right-of-use assets	3,758	4,976
Intangible assets, net	25,846	28,952
Property and equipment, net of accumulated depreciation of \$9,903 and \$9,277	1,576	1,828
Other long-term assets	982	929
Total long-term assets	84,535	88,235
<b>Total assets</b>	<b>\$ 150,751</b>	<b>\$ 146,427</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,523	\$ 5,678
Dividends payable	1,436	1,745
Compensation and benefits payable	7,261	8,689
Operating lease liabilities	1,286	1,502
Total current liabilities	16,506	17,614
Accrued dividends	784	701
Contingent consideration	10,246	12,901
Noncurrent operating lease liabilities	3,412	4,563
Total long-term liabilities	14,442	18,165
<b>Total liabilities</b>	<b>30,948</b>	<b>35,779</b>
Commitments and contingencies (Note 11)		
<b>Stockholders' Equity:</b>		
Common stock, \$0.01 par value, authorized 25,000,000 shares, issued 11,896,172 and outstanding 9,180,195 shares at September 30, 2023; issued 11,527,544 and outstanding 8,881,831 shares at December 31, 2022	119	115
Additional paid-in capital	201,424	199,914
Treasury stock, at cost - 2,715,977 shares at September 30, 2023; 2,645,713 shares at December 31, 2022	(85,990)	(85,128)
Retained earnings (accumulated deficit)	2,212	(4,253)
<b>Total Westwood Holdings Group, Inc. stockholders' equity</b>	<b>117,765</b>	<b>110,648</b>
<b>Noncontrolling interest in consolidated subsidiary</b>	<b>2,038</b>	<b>—</b>
<b>Total equity</b>	<b>119,803</b>	<b>110,648</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 150,751</b>	<b>\$ 146,427</b>

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>REVENUES:</b>				
Advisory fees:				
Asset-based	\$ 16,902	\$ 10,474	\$ 50,734	\$ 33,244
Performance-based	—	—	555	—
Trust fees	5,063	5,177	15,118	16,257
Other, net	(85)	(245)	145	(1,276)
Total revenues	<u>21,880</u>	<u>15,406</u>	<u>66,552</u>	<u>48,225</u>
<b>EXPENSES:</b>				
Employee compensation and benefits	12,661	9,526	40,551	28,993
Sales and marketing	676	335	2,180	1,326
Westwood mutual funds	872	270	2,350	1,311
Information technology	2,334	1,939	7,283	5,615
Professional services	1,009	1,536	3,893	3,888
General and administrative	3,298	2,181	9,579	6,569
(Gain) loss from change in fair value of contingent consideration	2,483	—	(2,655)	—
Acquisition expenses	—	701	209	1,588
Total expenses	<u>23,333</u>	<u>16,488</u>	<u>63,390</u>	<u>49,290</u>
<b>Net operating income (loss)</b>	<u>(1,453)</u>	<u>(1,082)</u>	<u>3,162</u>	<u>(1,065)</u>
Net change in unrealized appreciation (depreciation) on private investments	—	(249)	24	(511)
Net investment income (loss)	247	104	630	93
Other income	5,265	206	5,876	598
<b>Income (loss) before income taxes</b>	<u>4,059</u>	<u>(1,021)</u>	<u>9,692</u>	<u>(885)</u>
Income tax provision	(316)	154	1,704	618
<b>Net income (loss)</b>	<u>\$ 4,375</u>	<u>\$ (1,175)</u>	<u>\$ 7,988</u>	<u>\$ (1,503)</u>
<b>Total comprehensive income (loss)</b>	<u>\$ 4,375</u>	<u>\$ (1,175)</u>	<u>\$ 7,988</u>	<u>\$ (1,503)</u>
Less: Comprehensive income (loss) attributable to noncontrolling interest	1,019	—	1,044	—
<b>Comprehensive income (loss) attributable to Westwood Holdings Group, Inc.</b>	<u>\$ 3,356</u>	<u>\$ (1,175)</u>	<u>\$ 6,944</u>	<u>\$ (1,503)</u>
<b>Earnings (loss) per share:</b>				
Basic	\$ 0.42	\$ (0.15)	\$ 0.87	\$ (0.19)
Diluted	\$ 0.41	\$ (0.15)	\$ 0.86	\$ (0.19)
<b>Weighted average shares outstanding:</b>				
Basic	8,002,537	7,794,060	7,949,773	7,867,555
Diluted	8,116,747	7,794,060	8,072,739	7,867,555

See Notes to Condensed Consolidated Financial Statements.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**For the Three Months Ended September 30, 2023 and 2022**  
 (In thousands, except share amounts)  
 (Unaudited)

	Common Stock, Par		Additional Paid-In Capital	Treasury Stock	Retained Earnings		Noncontrolling Interest	Total
	Shares	Amount			(Accumulated Deficit)	\$ (959)		
<b>Balance, June 30, 2023</b>	9,182,770	\$ 119	\$ 200,885	\$ (85,965)	\$ (959)	\$ 1,019	\$ 115,099	
Net income	—	—	—	—	3,356	1,019	4,375	
Issuance of restricted stock, net of forfeitures	(54)	—	—	—	—	—	—	—
Dividends declared (\$0.15 per share)	—	—	(1,200)	—	(185)	—	(1,385)	
Stock-based compensation expense	—	—	1,739	—	—	—	1,739	
Restricted stock returned for payment of taxes	(2,521)	—	—	(25)	—	—	(25)	
<b>Balance, September 30, 2023</b>	<b>9,180,195</b>	<b>\$ 119</b>	<b>\$ 201,424</b>	<b>\$ (85,990)</b>	<b>\$ 2,212</b>	<b>\$ 2,038</b>	<b>\$ 119,803</b>	

	Common Stock, Par		Additional Paid-In Capital	Treasury Stock	Retained Earnings		Noncontrolling Interest	Total
	Shares	Amount			(Accumulated Deficit)	\$ 1,493		
<b>Balance, June 30, 2022</b>	8,511,014	\$ 111	\$ 198,084	\$ (83,970)	\$ (1,493)	\$ —	\$ 115,718	
Net loss	—	—	—	—	(1,175)	—	(1,175)	
Issuance of restricted stock, net of forfeitures	(911)	(1)	1	—	—	—	—	—
Dividends declared (\$0.15 per share)	—	—	—	—	(1,288)	—	(1,288)	
Stock-based compensation expense	—	—	1,509	—	—	—	1,509	
Purchases of treasury stock	(99,444)	—	—	(1,257)	—	—	(1,257)	
<b>Balance, September 30, 2022</b>	<b>8,410,659</b>	<b>\$ 110</b>	<b>\$ 199,594</b>	<b>\$ (85,227)</b>	<b>\$ (970)</b>	<b>\$ —</b>	<b>\$ 113,507</b>	

See Notes to Condensed Consolidated Financial Statements.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**For the Nine Months Ended September 30, 2023 and 2022**  
 (In thousands, except share amounts)  
 (Unaudited)

	Common Stock, Par		Additional Paid-In Capital	Treasury Stock	Retained Earnings		Noncontrolling Interest	Total
	Shares	Amount			(Accumulated Deficit)	\$ (4,253)		
<b>Balance, December 31, 2022</b>	8,881,831	\$ 115	\$ 199,914	\$ (85,128)	\$ (4,253)	\$ —	\$ 110,648	
Net income	—	—	—	—	6,944		1,044	7,988
Acquisition	—	—	—	—	—		994	994
Issuance of restricted stock, net of forfeitures	368,628	4	(4)	—	—		—	—
Dividends declared (\$0.45 per share)	—	—	(3,597)	—	(479)		—	(4,076)
Stock-based compensation expense	—	—	5,111	—	—		—	5,111
Restricted stock returned for payment of taxes	(70,264)	—	—	(862)	—		—	(862)
<b>Balance, September 30, 2023</b>	<b>9,180,195</b>	<b>\$ 119</b>	<b>\$ 201,424</b>	<b>\$ (85,990)</b>	<b>\$ 2,212</b>	<b>\$ 2,038</b>	<b>\$ 119,803</b>	

	Common Stock, Par		Additional Paid-In Capital	Treasury Stock	Retained Earnings		Noncontrolling Interest	Total
	Shares	Amount			(Accumulated Deficit)	\$ 4,362		
<b>Balance, December 31, 2021</b>	<b>8,253,491</b>	<b>\$ 107</b>	<b>\$ 195,187</b>	<b>\$ (81,750)</b>	<b>\$ (1,503)</b>	<b>\$ —</b>	<b>\$ 117,906</b>	
Net loss	—	—	—	—	(1,503)		—	(1,503)
Issuance of restricted stock, net of forfeitures	400,292	3	(3)	—	—	—	—	—
Dividends declared (\$0.45 per share)	—	—	—	—	(3,829)		—	(3,829)
Stock-based compensation expense	—	—	4,410	—	—	—	—	4,410
Purchases of treasury stock	(205,521)	—	—	(2,851)	—	—	—	(2,851)
Restricted stock returned for payment of taxes	(37,603)	—	—	(626)	—	—	—	(626)
<b>Balance, September 30, 2022</b>	<b>8,410,659</b>	<b>\$ 110</b>	<b>\$ 199,594</b>	<b>\$ (85,227)</b>	<b>\$ (970)</b>	<b>\$ —</b>	<b>\$ 113,507</b>	

See Notes to Condensed Consolidated Financial Statements.

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

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 7,988	\$ (1,503)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	511	488
Amortization of intangible assets	3,106	1,218
Net change in unrealized (appreciation) depreciation on investments	(499)	1,822
Stock-based compensation expense	5,111	4,410
Deferred income taxes	652	(252)
Non-cash lease expense	844	800
Loss on asset disposition	69	—
Gain on remeasurement of lease liabilities	(119)	—
Fair value change of contingent consideration	(2,655)	—
Gain on insurance settlement	(5,000)	—
Change in operating assets and liabilities:		
Net (purchases) sales of trading securities	(15,626)	12,149
Accounts receivable	1,355	1,862
Other current assets	1,101	(562)
Accounts payable and accrued liabilities	(55)	246
Compensation and benefits payable	(1,428)	(3,622)
Income taxes payable	25	(810)
Other liabilities	(1,064)	(927)
Net cash provided by (used in) operating activities	(5,684)	15,319
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition, net of cash acquired	(741)	—
Purchase of property and equipment	(119)	(123)
Insurance settlement proceeds	5,000	—
Net cash provided by (used in) investing activities	4,140	(123)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Purchases of treasury stock	—	(2,851)
Restricted stock returned for payment of taxes	(863)	(626)
Cash dividends paid	(4,274)	(4,459)
Net cash used in financing activities	(5,137)	(7,936)
Effect of currency rate changes on cash	—	4
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents, beginning of period	23,859	15,206
Cash and cash equivalents, end of period	<u>\$ 17,178</u>	<u>\$ 22,470</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the period for income taxes	\$ 1,024	\$ 1,807
Accrued dividends	\$ 2,220	\$ 2,280
Additional operating lease right-of-use assets	\$ —	\$ 1,217

See Notes to Condensed Consolidated Financial Statements.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. DESCRIPTION OF THE BUSINESS**

Westwood Holdings Group, Inc. ("Westwood", "the Company", "we", "us" or "our") was incorporated under the laws of the State of Delaware on December 12, 2001. Westwood manages investment assets and provides services for its clients through its wholly-owned subsidiaries, Westwood Management Corp., Westwood Advisors, L.L.C. Salient Advisors, LP ("Salient") and its majority-owned subsidiary Broadmark Asset Management LLC ("Broadmark"), (referred to hereinafter together as "Westwood Management"), and Westwood Trust.

Westwood Management provides investment advisory services to institutional clients, a family of mutual funds called the Westwood Funds®, other mutual funds, individual investors and clients of Westwood Trust. Westwood Trust provides trust and custodial services and participation in self-sponsored common trust funds ("CTFs") to institutions and high net worth individuals. Revenue is largely dependent on the total value and composition of assets under management ("AUM") and assets under advisement ("AUA"), and fluctuations in financial markets and in the composition of AUM and AUA impact our revenues and results of operations.

Westwood Management is registered with the Securities and Exchange Commission ("SEC") as an investment adviser ("RIA") under the Investment Advisers Act of 1940. Westwood Trust is chartered and regulated by the Texas Department of Banking.

**Acquisition of Broadmark Asset Management LLC**

In January 2023 we acquired an additional 32% interest in Broadmark for \$ 1.2 million (net of cash acquired), increasing our ownership of Broadmark to approximately 80%, which represents a controlling interest for financial statement consolidation purposes (the "Broadmark Acquisition"). Broadmark is a San Francisco-based RIA managing and/or sub-advising mutual funds, retail and institutional separately-managed accounts.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying Condensed Consolidated Financial Statements are unaudited and are presented in accordance with the requirements for quarterly reports on Form 10-Q and consequently do not include all of the information and footnote disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). The Company's Condensed Consolidated Financial Statements reflect all adjustments (consisting only of normal recurring adjustments) necessary in the opinion of management to present fairly our interim financial position and results of operations and cash flows for the periods presented. The accompanying Condensed Consolidated Financial Statements are presented in accordance with GAAP and the rules and regulations of the SEC.

The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with our Consolidated Financial Statements, and notes thereto, included in our Annual Report on Form 10-K for the year ended December 31, 2022. Operating results for the periods in these Condensed Consolidated Financial Statements are not necessarily indicative of results for any future period. The accompanying Condensed Consolidated Financial Statements include the accounts of Westwood and its subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

**3. BUSINESS COMBINATIONS**

**Broadmark**

Westwood completed the Broadmark Acquisition in January 2023, giving Westwood a controlling interest and requiring an allocation of the Broadmark Acquisition purchase price. The total consideration recorded for accounting purposes consisted of \$1.2 million in cash (net of cash acquired).

Prior to the Broadmark Acquisition, Westwood had a \$ 2.4 million equity method investment in Broadmark, the fair value of which was estimated using recent market transactions. Westwood's equity method investment was derecognized without gain or loss following the Broadmark Acquisition, however there was a corresponding increase to goodwill.

The Broadmark Acquisition was accounted for using the acquisition method of accounting. Accordingly, the purchase price was allocated to tangible assets acquired and liabilities assumed based on their estimated fair values as of the

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

acquisition date. The total consideration of \$1.6 million has been allocated based on valuations of acquired assets and assumed liabilities in connection with the acquisition.

The allocation of the Broadmark Acquisition purchase price was as follows (in thousands):

	(in thousands)
Cash consideration	\$ 1,570
Cash acquired	(402)
<b>Total consideration, net of cash acquired</b>	<b>\$ 1,168</b>
Fair value of Westwood's investment in Broadmark before the business combination	2,417
Fair value of noncontrolling interest in Broadmark	994
<b>Assets</b>	
Accounts receivable	\$ 629
Other current assets	150
Property and equipment	11
Other long-term assets	511
<b>Liabilities</b>	
Accounts payable and accrued liabilities	919
<b>Total Identifiable Net Assets</b>	<b>\$ 382</b>
<b>Goodwill</b>	<b>\$ 4,197</b>

Westwood owns approximately 80% of Broadmark's equity and recognized approximately \$ 1.0 million of a noncontrolling interest in a consolidated subsidiary. Fair value of this interest was estimated using recent market transactions.

At the time of the Broadmark Acquisition, the Company believed that its expanded operational opportunities, enhanced range of investment strategies and expected realization of synergies were the primary factors that contributed to a total purchase price that resulted in the recognition of goodwill. Goodwill arising from the Broadmark acquisition is not expected to be deductible for tax purposes.

For the three months ended September 30, 2023, the Company has included \$ 1.1 million of revenue and \$ 4.0 million of net income related to Broadmark in its Condensed Consolidated Statements of Comprehensive Income (Loss). For the nine months ended September 30, 2023, the Company has included \$3.4 million of revenue and \$4.1 million of net income related to Broadmark in its Condensed Consolidated Statements of Comprehensive Income (Loss).

#### Pro Forma Financial Information

The following unaudited pro forma results of operations for the three and nine months ended September 30, 2023 and 2022 assume the Broadmark Acquisition had occurred as of January 1, 2022. This unaudited pro forma information should not be relied upon as being necessarily indicative of historical results that would have been obtained had the Broadmark Acquisition actually occurred on that date, nor of results that may be obtained in the future.

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Total revenues	\$ 21,880	\$ 16,492	\$ 66,552	\$ 51,608
Net income	\$ 3,952	\$ 4,576	\$ 7,565	\$ 7,173

#### 4. REVENUE

##### Revenue Recognition

Revenues are recognized when the performance obligation (the investment management and advisory or trust services provided to the client) defined by the investment advisory or sub-advisory agreement is satisfied. For each performance obligation, we determine at contract inception whether the revenue satisfies over time or at a point in time. We derive our revenues from investment advisory fees, trust fees and other sources of revenues such as gains and losses from our seed

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

money investments into new investment strategies. The "Other, net" revenues on our Condensed Consolidated Statements of Comprehensive Income (Loss) are the unrealized gains and losses on our seed money investments, and our seed money investments are included in "Investments, at fair value" on our Condensed Consolidated Balance Sheets. Advisory and trust fees are calculated based on a percentage of AUM or AUA, as applicable, and the performance obligation is realized over the current calendar quarter. Once clients receive our investment advisory services, we have an enforceable right to payment.

**Advisory Fee Revenues**

Our advisory fees are generated by Westwood Management which manages client accounts under investment advisory and sub-advisory agreements. Advisory fees are typically calculated based on a percentage of AUM and AUA and are paid in accordance with the terms of the agreements. Advisory fees are paid quarterly in advance based on AUM on the last day of the preceding quarter, quarterly in arrears based on AUM on the last day of the quarter just ended or are based on a daily or monthly analysis of AUM for the stated period. We recognize advisory fee revenues as services are rendered. Since our advance paying clients' billing periods coincide with the calendar quarter to which such payments relate, revenue is recognized within the quarter and our Condensed Consolidated Financial Statements contain no deferred advisory fee revenues. Advisory clients typically consist of institutional and mutual fund accounts.

Institutional investors include separate accounts of (i) corporate pension and profit sharing plans, public employee retirement funds, Taft-Hartley plans, endowments, foundations and individuals; (ii) sub-advisory relationships where Westwood provides investment management services for funds offered by other financial institutions; (iii) pooled investment vehicles, including collective investment trusts; and (iv) managed account relationships with brokerage firms and other RIAs that offer Westwood products to their customers.

Mutual funds include the Westwood Funds®, a family of mutual funds for which Westwood Management serves as advisor. These funds are available to individual investors, as well as offered as part of our suite of investment strategies for institutional investors and wealth management accounts.

**Arrangements with Performance-Based Obligations**

A limited number of our advisory clients have a contractual performance-based fee component in their contracts, which generates additional revenues if we outperform a specified index over a specific period of time, and a limited number of our mutual fund offerings have fees that generate additional revenues if we outperform specified indices over specific periods of time.

The revenue is based on future market performance and is subject to many factors outside our control. We cannot conclude that a significant reversal in the cumulative amount of revenue recognized will not occur during the measurement period, and therefore the revenue is recorded at the end of the measurement period when the performance obligation has been satisfied.

**Trust Fee Revenues**

Our trust fees are generated by Westwood Trust pursuant to trust or custodial agreements. Trust fees are separately negotiated with each client and are generally based on a percentage of AUM. Westwood Trust also provides trust services to a small number of clients on a fixed fee basis. The fees for most of our trust clients are calculated quarterly in arrears, based on a daily average of AUM for the quarter, or monthly, based on the month-end value of AUM. Since billing periods for most of Westwood Trust's clients coincide with the calendar quarter, revenue is fully recognized within the quarter and our Condensed Consolidated Financial Statements contain no deferred fee revenues.

**Revenue Disaggregated**

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

Sales taxes are excluded from revenues. The following table presents our revenue disaggregated by account type (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Advisory Fees:</b>				
Institutional	\$ 9,319	\$ 6,247	\$ 28,365	\$ 19,928
Mutual Funds	7,275	4,029	21,554	12,718
Wealth Management	308	198	815	598
Performance-based	—	—	555	—
Trust Fees	5,063	5,177	15,118	16,257
Other, net	(85)	(245)	145	(1,276)
<b>Total revenues</b>	<b>\$ 21,880</b>	<b>\$ 15,406</b>	<b>\$ 66,552</b>	<b>\$ 48,225</b>

We serve clients primarily in the United States, as well as in certain international locations. The following table presents our revenue disaggregated by our clients' geographical locations (in thousands):

Three Months Ended September 30, 2023	Advisory	Trust	Other	Total
Canada	\$ 278	\$ —	\$ —	\$ 278
United States	16,624	5,063	(85)	21,602
<b>Total</b>	<b>\$ 16,902</b>	<b>\$ 5,063</b>	<b>\$ (85)</b>	<b>\$ 21,880</b>
<b>Three Months Ended September 30, 2022</b>				
Three Months Ended September 30, 2022	Advisory	Trust	Other	Total
Canada	\$ 285	\$ —	\$ —	\$ 285
United States	10,189	5,177	(245)	15,121
<b>Total</b>	<b>\$ 10,474</b>	<b>\$ 5,177</b>	<b>\$ (245)</b>	<b>\$ 15,406</b>
<b>Nine Months Ended September 30, 2023</b>				
Nine Months Ended September 30, 2023	Advisory	Trust	Other	Total
Canada	\$ 846	\$ —	\$ —	\$ 846
United States	50,443	15,118	145	65,706
<b>Total</b>	<b>\$ 51,289</b>	<b>\$ 15,118</b>	<b>\$ 145</b>	<b>\$ 66,552</b>
<b>Nine Months Ended September 30, 2022</b>				
Nine Months Ended September 30, 2022	Advisory	Trust	Other	Total
Canada	\$ 879	\$ —	\$ —	\$ 879
United States	32,365	16,257	(1,276)	47,346
<b>Total</b>	<b>\$ 33,244</b>	<b>\$ 16,257</b>	<b>\$ (1,276)</b>	<b>\$ 48,225</b>

## 5. SEGMENT REPORTING

We operate two segments: Advisory and Trust. These segments are managed separately based on the types of products and services offered and their related client bases. The Company's segment information is prepared on the same basis that management reviews the financial information for operational decision-making purposes.

Westwood's chief operating decision maker, our Chief Executive Officer, evaluates the performance of our segments based primarily on fee revenues and Economic Earnings, a non-GAAP measurement. We define Economic Earnings as net income (loss) 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

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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ultimately require replacement. In addition, we do not adjust Economic Earnings for tax deductions related to restricted stock expense or amortization of intangible assets.

Westwood Holdings Group, Inc., the parent company of Advisory and Trust, does not have revenues and is the entity in which we record typical holding company expenses including employee compensation and benefits for holding company employees, directors' fees and investor relations costs. All segment accounting policies are the same as those described in the summary of significant accounting policies. Intersegment balances that eliminate in consolidation have been applied to the appropriate segment.

**Advisory**

Our Advisory segment provides investment advisory services to (i) corporate pension and profit sharing plans, public employee retirement funds, Taft-Hartley plans, endowments, foundations and individuals, (ii) sub-advisory relationships where Westwood provides investment management services to the Westwood Funds®, funds offered by other financial institutions and funds offered by our Trust segment and (iii) pooled investment vehicles, including collective investment trusts. Westwood Management, Salient and Broadmark provide investment advisory services to similar clients and are included in our Advisory segment.

**Trust**

Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals. Westwood Trust is included in our Trust segment.

(in thousands)	Advisory	Trust	Westwood Holdings		Eliminations	Consolidated		
<b>Three Months Ended</b>								
<b>September 30, 2023</b>								
Net fee revenues from external sources	\$ 16,902	\$ 5,063	\$ —	\$ —	\$ —	\$ 21,965		
Net intersegment revenues	1,564	66	—	—	(1,630)	—		
Other, net	(85)	—	—	—	—	(85)		
<b>Total revenues</b>	<b>\$ 18,381</b>	<b>\$ 5,129</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (1,630)</b>	<b>\$ 21,880</b>		
 September 30, 2023 segment assets								
September 30, 2023 segment goodwill	\$ 23,100	\$ 16,401	\$ —	\$ —	\$ —	\$ 39,501		
 <b>Three Months Ended</b>								
<b>September 30, 2022</b>								
Net fee revenues from external sources	\$ 10,474	\$ 5,177	\$ —	\$ —	\$ —	\$ 15,651		
Net intersegment revenues	450	83	—	—	(533)	—		
Other, net	(245)	—	—	—	—	(245)		
<b>Total revenues</b>	<b>\$ 10,679</b>	<b>\$ 5,260</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (533)</b>	<b>\$ 15,406</b>		
 September 30, 2022 segment assets								
September 30, 2022 segment goodwill	\$ —	\$ 16,401	\$ —	\$ —	\$ —	\$ 16,401		

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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(in thousands)	Advisory	Trust	Westwood Holdings	Eliminations	Consolidated
<b>Nine Months Ended September 30, 2023</b>					
Net fee revenues from external sources	\$ 51,289	\$ 15,118	\$ —	\$ —	\$ 66,407
Net intersegment revenues	4,813	220	—	(5,033)	—
Other, net	145	—	—	—	145
<b>Total revenues</b>	<b>\$ 56,247</b>	<b>\$ 15,338</b>	<b>\$ —</b>	<b>\$ (5,033)</b>	<b>\$ 66,552</b>
<b>Nine Months Ended September 30, 2022</b>					
Net fee revenues from external sources	\$ 33,244	\$ 16,257	\$ —	\$ —	\$ 49,501
Net intersegment revenues	1,563	261	—	(1,824)	—
Other, net	(1,276)	—	—	—	(1,276)
<b>Total revenues</b>	<b>\$ 33,531</b>	<b>\$ 16,518</b>	<b>\$ —</b>	<b>\$ (1,824)</b>	<b>\$ 48,225</b>

## 6. INVESTMENTS

The Company has made strategic investments to enhance the services we provide to our customers. Each of these investments is discussed below.

**InvestCloud.** We made a strategic investment during 2018 in InvestCloud, which is included in "Investments" on our Condensed Consolidated Balance Sheets. This investment represents an equity interest in a private company without a readily determinable fair value. The Company has elected to apply the measurement alternative of cost minus impairment, if any, plus or minus changes resulting from observable price changes. Following InvestCloud's recapitalization in the first quarter of 2021, we re-invested \$4.4 million of our proceeds into newly-issued shares of InvestCloud.

**Charis.** Our investment in Charis was included in "Noncurrent investments at fair value" on our December 31, 2022 Condensed Consolidated Balance Sheets and was measured at fair value on a recurring basis. On April 3, 2023, Charis was acquired by Vista Bank ("Vista") in a transaction in which the Company traded its shares in Charis for shares in Vista.

**Vista.** Our investment in Vista is included in "Investments" on our Condensed Consolidated Balance Sheets. This investment represents an equity interest in a private company without a readily determinable fair value. The Company has elected to apply the measurement alternative of cost minus impairment, if any, plus or minus changes resulting from observable price changes.

**Private Equity Funding.** In 2019, we made a \$0.3 million investment in Westwood Hospitality. Our investment is included in "Noncurrent investments at fair value" on our Condensed Consolidated Balance Sheets and is measured at fair value on a recurring basis using net asset value ("NAV") as a practical expedient.

**Zarvona Energy Fund GP, L.P. and Zarvona Energy Fund II-A, L.P.** These investments represent ownership interests in non-controlled partnerships. These investments are included in "Equity method investments" on our Condensed Consolidated Balance Sheets and are measured based on our share of the net earnings or losses of the investees.

**Broadmark Asset Management LLC.** This investment represented a 47.5% ownership interest in a non-controlled corporation prior to the Broadmark Acquisition in 2023. This investment is included in "Equity method investments" on our Condensed Consolidated Balance Sheets at December 31, 2022. In January 2023, as a result of the Broadmark Acquisition, we acquired additional equity interests in Broadmark and subsequently have accounted for that investment as a consolidated subsidiary.

All other investments are carried at fair value on a recurring basis and are accounted for as trading securities.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

Investments carried at fair value are presented in the table below (in thousands):

	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
<b>September 30, 2023:</b>				
U.S. Government and Government agency obligations	\$ 23,429	\$ —	\$ (254)	\$ 23,175
Money market funds	4,259	111	—	4,370
Equity funds	3,580	83	(371)	3,292
Equities	371	—	(43)	328
Exchange-traded bond funds	164	—	(17)	147
Total trading securities	<u>31,803</u>	<u>194</u>	<u>(685)</u>	<u>31,312</u>
Private investment fund	265	7	(13)	259
<b>Total investments carried at fair value</b>	<b><u>\$ 32,068</u></b>	<b><u>\$ 201</u></b>	<b><u>\$ (698)</u></b>	<b><u>\$ 31,571</u></b>
<b>December 31, 2022:</b>				
U.S. Government and Government agency obligations	\$ 5,728	\$ —	\$ (389)	\$ 5,339
Money market funds	4,093	111	—	4,204
Equity funds	4,863	32	(446)	4,449
Equities	1,278	—	(65)	1,213
Exchange-traded bond funds	159	—	(22)	137
Total trading securities	<u>16,121</u>	<u>143</u>	<u>(922)</u>	<u>15,342</u>
Private investment fund	265	—	(30)	235
Private equity	3,475	—	(683)	2,792
<b>Total investments carried at fair value</b>	<b><u>\$ 19,861</u></b>	<b><u>\$ 143</u></b>	<b><u>\$ (1,635)</u></b>	<b><u>\$ 18,369</u></b>

The investments shown below are included in our Condensed Consolidated Balance Sheets as Equity method investments, as follows (in thousands):

	<b>September 30, 2023</b>		<b>December 31, 2022</b>	
	<b>Carrying value</b>	<b>Ownership</b>	<b>Carrying value</b>	<b>Ownership</b>
Zarvona Energy Fund GP, L.P.	\$ 3,537	50.0 %	\$ 3,438	50.0 %
Zarvona Energy Fund II-A, L.P.	700	0.5 %	700	0.5 %
Broadmark Asset Management LLC	—	— %	2,417	47.5 %
Salient MLP Total Return Fund, L.P.	11	— %	11	— %
Salient MLP Total Return TE Fund, L.P.	<u>8</u>	<u>0.2 %</u>	<u>8</u>	<u>0.2 %</u>
<b>Total</b>	<b><u>\$ 4,256</u></b>		<b><u>\$ 6,574</u></b>	

## 7. FAIR VALUE MEASUREMENTS

ASC 820, Fair Value Measurements, defines fair value, establishes a framework for measuring fair value and requires disclosures regarding certain fair value measurements. ASC 820 establishes a three-tier hierarchy for measuring fair value, as follows:

- Level 1 – quoted market prices in active markets for identical assets
- Level 2 – inputs other than quoted prices that are directly or indirectly observable
- Level 3 – significant unobservable inputs where there is little or no market activity

Our strategic investments in InvestCloud and Vista, discussed in Note 6 “Investments,” are excluded from the recurring fair value table shown below because we have elected to apply the measurement alternative for those investments.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Unaudited)**

The following table summarizes the values of our investments measured at fair value on a recurring basis within the fair value hierarchy as of the dates indicated (in thousands):

	Investments Measured at NAV						(1)	Total
	Level 1	Level 2	Level 3					
<b>As of September 30, 2023:</b>								
Investments in trading securities	\$ 31,312	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 31,312
Private investment fund	—	—	—	—	—	—	259	259
Total assets measured at fair value	<u>\$ 31,312</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 259</u>	<u>\$ 31,571</u>	<u>\$ 31,571</u>
Salient Acquisition contingent consideration	—	—	—	10,246	—	—	—	10,246
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,246</u>	<u>\$ 10,246</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,246</u>	<u>\$ 10,246</u>
<b>As of December 31, 2022:</b>								
Investments in trading securities	\$ 15,342	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 15,342
Private investment fund	—	—	—	—	—	—	235	235
Private equity	—	—	—	2,792	—	—	—	2,792
Total assets measured at fair value	<u>\$ 15,342</u>	<u>\$ —</u>	<u>\$ 2,792</u>	<u>\$ 2,792</u>	<u>\$ —</u>	<u>\$ 235</u>	<u>\$ 235</u>	<u>\$ 18,369</u>
Salient Acquisition contingent consideration	—	—	—	12,901	—	—	—	12,901
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,901</u>	<u>\$ 12,901</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,901</u>	<u>\$ 12,901</u>

(1) Comprised of certain investments measured at fair value using NAV as a practical expedient. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on our Condensed Consolidated Balance Sheets.

Prior to our exchange of Charis shares for shares in Vista, our investment in Charis was included within Level 3 of the fair value hierarchy as we valued it utilizing inputs not observable in the market. Historically, our investment was measured at fair value on a recurring basis using a market approach based on either a price to tangible book value multiple range determined to be reasonable in the current environment, or on market transactions. On April 3, 2023, Charis was acquired by Vista in a transaction in which the Company exchanged its shares in Charis for shares in Vista.

The following table summarizes the changes in Level 3 investments measured at fair value on a recurring basis for the periods presented (in thousands):

	Fair Value using Significant Unobservable Inputs (Level 3)							
	Three Months Ended September 30,		Nine Months Ended September 30,		2023	2022		
	2023	2022	2023	2022				
<b>Beginning balance</b>	\$ —	\$ 4,024	\$ 2,792	\$ 4,369	\$ —	\$ —		
Exchange of shares	—	—	(2,792)	—	—	—		
Unrealized gains (losses) on private investments	—	(248)	—	(593)	—	—		
<b>Ending balance</b>	<u>\$ —</u>	<u>\$ 3,776</u>	<u>\$ —</u>	<u>\$ 3,776</u>	<u>\$ —</u>	<u>\$ —</u>		

The following table summarizes the changes in Level 3 liabilities measured at fair value on a recurring basis for the periods presented (in thousands):

	Fair Value using Significant Unobservable Inputs (Level 3)							
	Three Months Ended September 30,		Nine Months Ended September 30,		2023	2022		
	2023	2022	2023	2022				
<b>Beginning balance</b>	\$ 7,763	\$ —	\$ 12,901	\$ —	\$ 12,901	\$ —		
Total (gains) losses included in earnings	2,483	—	(2,655)	—	—	—		
<b>Ending balance</b>	<u>\$ 10,246</u>	<u>\$ —</u>	<u>\$ 10,246</u>	<u>\$ —</u>	<u>\$ 10,246</u>	<u>\$ —</u>		

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
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The September 30, 2023 contingent consideration fair value of \$ 10.2 million was valued based upon updated revenue growth projections and financial inputs. The fair value of contingent consideration related to both the revenue retention earn-out and the growth earn-out is measured using the Monte Carlo simulation model, which considered assumptions including revenue growth projections, revenue volatility, risk free rates and discount rates. The projected contingent payment is discounted to the current period using a discounted cash flow model. Increases or decreases in projected revenues, probabilities of payment, discount rates, projected payment dates and other inputs may result in significantly higher or lower fair value measurements.

The following table represents the range of the unobservable inputs utilized in the fair value measurement of the contingent consideration classified as level 3:

Earn-out	Unobservable Input	Range		Weighted Average Rate
		Low	High	
Revenue Retention earn-out	Discount rate	13.5%	14.5%	14.00%
	Volatility	15.0%	25.0%	20.00%
Growth earn-out	Discount rate	13.5%	14.5%	14.00%
	Volatility	15.0%	25.0%	20.00%

## 8. INCOME TAXES

Our effective income tax rate differed from the 21% statutory rate for the three and nine months ended September 30, 2023 and 2022 due to permanent differences between book and tax restricted stock expense based on a decrease in our stock price between the restricted stock grant and vesting dates and, for 2023, the discrete impact of life insurance proceeds received in the third quarter of 2023.

## 9. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per common share is computed by dividing comprehensive income (loss) attributable to Westwood Holdings Group, Inc. by the weighted average number of shares outstanding for the applicable period. Diluted earnings (loss) per share is computed based on the weighted average number of shares outstanding plus the effect of any dilutive shares of restricted stock granted to employees and non-employee directors.

There were approximately 56,000 and 150,000 anti-dilutive restricted shares outstanding for the three months ended September 30, 2023 and September 30, 2022, respectively. There were approximately 90,000 and 108,000 anti-dilutive restricted shares outstanding for the nine months ended September 30, 2023 and September 30, 2022, respectively.

The following table sets forth the computation of basic and diluted earnings (loss) per share (in thousands, except per share and share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Comprehensive income (loss)</b> attributable to Westwood Holdings Group, Inc.	\$ 3,356	\$ (1,175)	\$ 6,944	\$ (1,503)
<b>Weighted average shares outstanding -</b> <b>basic</b>	8,002,537	7,794,060	7,949,773	7,867,555
Dilutive potential shares from unvested restricted shares	114,210	—	122,966	—
<b>Weighted average shares outstanding -</b> <b>diluted</b>	8,116,747	7,794,060	8,072,739	7,867,555
<b>Earnings (loss) per share:</b>				
Basic	\$ 0.42	\$ (0.15)	\$ 0.87	\$ (0.19)
Diluted	\$ 0.41	\$ (0.15)	\$ 0.86	\$ (0.19)

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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**10. GOODWILL AND OTHER INTANGIBLE ASSETS**

**Goodwill**

Goodwill represents the excess of the cost of acquired assets over the fair value of the underlying identifiable assets at the date of acquisition. Goodwill is not amortized but is reviewed for impairment annually, or between annual assessments if a triggering event occurs or circumstances change that would more likely than not result in the fair value of a reporting unit below its carrying amount. We completed our most recent annual goodwill impairment assessment during the third quarter of 2023 and determined that no goodwill impairment related to the Advisory or Trust segment was required. There was no goodwill impairment during the three and nine months ended September 30, 2023 or September 30, 2022.

Changes in goodwill were as follows (in thousands):

	Three Months Ended	Nine Months Ended	
	September 30, 2023	\$	\$
Beginning balance	\$ 39,501	\$ 35,732	
Broadmark Acquisition <sup>1</sup>	—	4,197	
Salient Acquisition Adjustment <sup>2</sup>	—	(428)	
Ending balance	<u>\$ 39,501</u>	<u>\$ 39,501</u>	

<sup>1</sup> The \$4.2 million of acquired goodwill is attributable to the Advisory segment.

<sup>2</sup> Represents subsequent purchase price adjustments for the 2022 Salient Acquisition.

**Other Intangible Assets**

Our intangible assets represent the acquisition date fair value of acquired client relationships, trade names, non-compete agreements and internally developed software and are reflected net of amortization. In valuing these assets, we made significant estimates regarding their useful lives, growth rates and potential attrition. We periodically review intangible assets for events or circumstances that would indicate impairment. No intangible asset impairments were recorded during the three and nine months ended September 30, 2023 or September 30, 2022.

**11. LEASES**

As of September 30, 2023 there have been no material changes outside the ordinary course of business to our leases since December 31, 2022. For information regarding our leases, refer to Note 12 "Leases" in Part IV, Item 15. "Exhibits, Financial Statement Schedules" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

**12. STOCKHOLDERS' EQUITY**

**Share Repurchase Program**

As of September 30, 2023, there are \$1.9 million of shares that may yet be repurchased under our plan.

During the three and nine months ended September 30, 2023, the Company did not repurchase any shares of our common stock.

During the three months ended September 30, 2022, the Company repurchased 99,444 shares of our common stock at an average price of \$ 12.64 per share, including commissions, for an aggregate purchase price of \$1.3 million under our share repurchase plan. During the nine months ended September 30, 2022, the Company repurchased 169,630 shares of our common stock at an average price of \$ 13.47 per share, including commissions, for an aggregate purchase price of \$2.3 million under our share repurchase plan, and 35,891 shares of our common stock at an average price of \$ 15.75 per share, including commissions, for an aggregate purchase price of \$0.6 million on the open market.

**13. VARIABLE INTEREST ENTITIES**

We evaluated (i) our relationship as sponsor of the Common Trust Funds ("CTFs") and managing member of the private equity funds Westwood Hospitality and Westwood Technology Opportunities Fund I, LP (collectively the "Private Funds"), (ii) our advisory relationships with the Westwood Funds® and (iii) our investments in InvestCloud, Vista, Zarvona Energy Fund GP and Zarvona Energy Fund II-A as discussed in Note 6 "Investments" ("Private Equity") to determine whether each of these entities is a variable interest entity ("VIE") or voting ownership entity ("VOE").

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
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Based on our analyses, we determined that the CTFs, Private Funds and Zarvona Energy Fund II-A were VIEs, as the at-risk equity holders do not have the ability to direct the activities that most significantly impact the entities' economic performance, and the Company and its representatives have a majority control of the entities' respective boards of directors and can influence the respective entities' management and affairs. As we do not qualify as primary beneficiaries for those entities, we have not consolidated our investments in those entities for the periods ending September 30, 2023 and December 31, 2022.

Based on our analyses, we determined the Westwood Funds®, InvestCloud, Vista and Zarvona Energy Fund GP (i) have sufficient equity at risk to finance the entities' activities independently, (ii) have the obligation to absorb losses, the right to receive residual returns and the right to direct the activities of the entities that most significantly impact the entities' economic performance and (iii) are not structured with disproportionate voting rights and are VOEs. As we do not own controlling financial interests in those entities, we have not consolidated our investments in those entities for the periods ending September 30, 2023 and December 31, 2022.

We recognized fee revenue from the Westwood VIEs and Westwood VOEs as follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Fee Revenues</b>	\$ 8.1	\$ 4.9	\$ 24.0	\$ 15.7

The following table displays the AUM and the risk of loss in each vehicle (in millions):

	As of September 30, 2023			
	Assets			
	Under Management	Corporate Investment	Amount at Risk	
<b>VIEs/VOEs:</b>				
Westwood Funds®	\$ 3,924	\$ —	\$ —	\$ —
Common Trust Funds	644	—	—	—
Private Funds	21	11.5	11.5	11.5
Private Equity	—	0.3	0.3	0.3
All other assets:				
Wealth Management	3,126			
Institutional	6,697			
<b>Total Assets Under Management</b>	<b>\$ 14,412</b>			

#### 14. RELATED PARTY TRANSACTIONS

The Company engages in transactions with its affiliates in the ordinary course of business. Westwood Management provides investment advisory services to the Westwood Funds®. Under the terms of the investment advisory agreements, the Company earns quarterly fees paid by clients of the fund or by the funds directly. The fees are based on negotiated fee schedules applied to AUM. For the three and nine months ended September 30, 2023 and September 30, 2022, the Company earned immaterial fees from the affiliated funds.

One of our directors serves as a consultant to the Company under a consulting agreement. We recorded immaterial expenses related to this agreement for the three and nine months ended September 30, 2023 and September 30, 2022.

#### 15. SUBSEQUENT EVENTS

*Dividend Declared*

On October 31, 2023, the Board of Directors declared a quarterly cash dividend of \$ 0.15 per share of common stock payable on January 3, 2024 to stockholders of record on December 1, 2023.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

Statements in this report and the Annual Report to Stockholders 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," "plan," "estimate," "expect," "intend," "should," "could," "goal," "potentially," "may," "designed" 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 risks described under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 and those risks set forth below:

- the composition and market value of our AUM and AUA;
- our ability to maintain our fee structure in light of competitive fee pressures;
- 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;
- 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;
- we have made and may continue to make business combinations as a part of our business strategy, which may present certain risks and uncertainties;
- our relationships with investment consulting firms;
- 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; and
- our ability to maintain an effective system of internal controls.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. We are not obligated and do not undertake an obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events or otherwise.

## **Overview**

We manage investment assets and provide services for our clients through our subsidiaries, Westwood Management Corp., Westwood Advisors, L.L.C., Salient Advisors, LP and Broadmark Asset Management LLC (each of which is an SEC-registered investment advisor ("RIA") and referred to hereinafter together as "Westwood Management") and Westwood Trust.

Westwood Management provides investment advisory services to institutional investors, a family of mutual funds called the Westwood Funds®, other mutual funds, individuals and clients of Westwood Trust. Westwood Trust provides trust and custodial services and participation in common trust funds to institutions and high net worth individuals.

In January 2023 we acquired an additional 32% interest in Broadmark for \$1.6 million, increasing our ownership of Broadmark to approximately 80%. Broadmark's tactical absolute return strategies offer us an established client base and provide future growth potential. Prior to the Broadmark acquisition, we had a \$2.4 million equity method investment in Broadmark, which we derecognized upon acquiring a controlling interest in January 2023.

Our revenues are generally derived from fees based on a percentage of AUM and AUA, and Westwood Management and Westwood Trust collectively had AUM of approximately \$14.4 billion and AUA of approximately \$1.1 billion at September 30, 2023. We have established a track record of delivering competitive, risk-adjusted returns for our clients.

With respect to most of our client AUM, we utilize a "value" investment style focused on achieving superior long-term, risk-adjusted returns by investing in companies with high levels of free cash flow, improving returns on equity and strengthening balance sheets that are well positioned for growth but whose value is not fully recognized in the marketplace. This investment approach is designed to limit downside during unfavorable periods and provide superior real returns over the long term. Our investment teams have significant industry experience, with an average of over twenty years of investment experience among members.

We have built a foundation in terms of personnel and infrastructure to support a much larger business and we have developed investment strategies that we believe will be sought after within our target institutional, wealth management and intermediary markets. Developing new products and growing the organization has resulted in our incurring expenses that, in some cases, have not yet generated significant offsetting revenues. We believe that investors will recognize the potential for new revenue streams inherent in these products and services; however, there is no guarantee that they will occur.

## ***Revenues***

We derive our revenues from investment advisory fees, trust fees and other revenues. Our advisory fees are generated by Westwood Management, which manages client accounts under investment advisory and sub-advisory agreements. Advisory fees are typically calculated based on a percentage of AUM and AUA and are paid in accordance with the terms of the agreements. Advisory fees are paid quarterly in advance based on AUM on the last day of the preceding quarter, quarterly in arrears based on AUM on the last day of the quarter just ended or are based on a daily or monthly analysis of AUM for the stated period. We recognize advisory fee revenues as services are rendered. Certain of our clients have a contractual performance-based fee component in their contracts, which generates additional revenues if we outperform a specified index over a specific period of time. We record revenue for performance-based fees at the end of the measurement period. Since our advance paying clients' billing periods coincide with the calendar quarter to which such payments relate, revenue is recognized within the quarter, and our Condensed Consolidated Financial Statements contain no deferred advisory fee revenues.

Our trust fees are generated by Westwood Trust pursuant to trust or custodial agreements. Trust fees are separately negotiated with each client and are generally based on a percentage of AUM. Westwood Trust also provides trust services to a small number of clients on a fixed fee basis. Trust fees are primarily calculated quarterly in arrears based on a daily average of AUM for the quarter. Since billing periods for most of Westwood Trust's clients coincide with the calendar quarter, revenue is fully recognized within the quarter, and our Condensed Consolidated Financial Statements contain no deferred advisory fee revenues.

Our other revenues primarily consist of investment income from seed money investments into new investment strategies.

#### *Employee compensation and benefits*

Employee compensation and benefits costs generally consist of salaries, sales commissions, incentive compensation, stock-based compensation expense and benefits.

#### *Sales and marketing*

Sales and marketing costs relate to our marketing efforts, including travel and entertainment, direct marketing and advertising costs.

#### *Westwood mutual funds*

Expenses for Westwood mutual funds relate to our marketing, distribution and administration of the Westwood Funds ®.

#### *Information technology*

Information technology expenses include costs associated with proprietary investment research tools, maintenance and support, computing hardware, software licenses, telecommunications and other related costs.

#### *Professional services*

Professional services expenses generally consist of costs associated with sub-advisory fees, audit, legal and other professional services.

#### *General and administrative*

General and administrative expenses generally consist of costs associated with the lease of office space, amortization, depreciation, insurance, custody expense, Directors' fees, investor relations, licenses and fees, office supplies and other miscellaneous expenses.

#### *(Gain) loss from change in fair value of contingent consideration*

(Gain) loss from change in fair value of contingent consideration consists of fair value adjustments related to contingent consideration from our 2022 acquisition of Salient.

#### *Acquisition expense*

Acquisition expense consists of costs related to our 2022 acquisition of Salient.

#### *Net change in unrealized appreciation (depreciation) on private investments*

Net change in unrealized appreciation (depreciation) on private investments includes changes in the value of our private equity investments.

#### *Investment income*

Investment income primarily includes interest and dividend income on fixed income securities and money market funds.

#### *Other income*

Other income primarily consists of income from the sublease of a portion of our corporate offices and the receipt of insurance proceeds.

### **Firm-wide Assets Under Management**

Firm-wide assets under management of \$15.5 billion at September 30, 2023 consisted of \$14.4 billion of AUM and \$1.1 billion of AUA.

AUM increased \$2.9 billion to \$14.4 billion at September 30, 2023 compared with \$11.5 billion at September 30, 2022. The average of beginning and ending AUM for the third quarter of 2023 was \$14.7 billion compared to \$11.8 billion for the third quarter of 2022.

The following table displays AUM as of September 30, 2023 and 2022 (in millions):

	As of September 30,		Change
	2023	2022	
Institutional <sup>(1)</sup>	\$ 6,697	\$ 5,510	22 %
Wealth Management <sup>(2)</sup>	3,791	3,528	7
Mutual Funds <sup>(3)</sup>	3,924	2,428	62
<b>Total AUM<sup>(4)</sup></b>	<b>\$ 14,412</b>	<b>\$ 11,466</b>	<b>26 %</b>

- (1) Institutional includes (i) separate accounts of corporate pension and profit sharing plans, public employee retirement funds, Taft-Hartley plans, endowments, foundations and individuals; (ii) sub-advisory relationships where Westwood provides investment management services for funds offered by other financial institutions; (iii) pooled investment vehicles, including collective investment trusts; and (iv) managed account relationships with brokerage firms and other RIAs that offer Westwood products to their customers.
- (2) Wealth Management includes assets for which Westwood Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals pursuant to trust or agency agreements and assets for which Westwood Advisors, L.L.C. provides advisory services to high net worth individuals. Investment sub-advisory services are provided for the common trust funds by Westwood Management and unaffiliated sub-advisors. For certain assets in this category Westwood Trust provides limited custodial services for a minimal or no fee, viewing these assets as potentially converting to fee-generating managed assets in the future.
- (3) Mutual Funds include the Westwood Funds®, a family of mutual funds for which Westwood Management serves as advisor. These funds are available to individual investors, institutional investors and wealth management accounts.
- (4) AUM excludes \$1.1 billion and \$298 million of AUA as of September 30, 2023 and 2022, respectively, related to our model portfolios for which we provide investment advice on a fee basis without having investment management authority.

#### **Roll-Forward of Assets Under Management**

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b><u>Institutional</u></b>				
Beginning of period assets*	\$ 6,969	\$ 5,889	\$ 6,968	\$ 7,037
Inflows	57	60	296	175
Outflows	(173)	(216)	(749)	(476)
Net client flows	(116)	(156)	(453)	(301)
Market appreciation (depreciation)	(156)	(223)	182	(1,226)
Net change	(272)	(379)	(271)	(1,527)
End of period assets	\$ 6,697	\$ 5,510	\$ 6,697	\$ 5,510
<b><u>Wealth Management</u></b>				
Beginning of period assets	\$ 3,851	\$ 3,676	\$ 3,666	\$ 4,420
Inflows	145	145	323	341
Outflows	(140)	(177)	(416)	(466)
Net client flows	5	(32)	(93)	(125)
Market appreciation (depreciation)	(65)	(116)	218	(767)
Net change	(60)	(148)	125	(892)
End of period assets	\$ 3,791	\$ 3,528	\$ 3,791	\$ 3,528
<b><u>Mutual Funds</u></b>				
Beginning of period assets*	\$ 4,169	\$ 2,570	\$ 4,145	\$ 3,046
Inflows	141	182	663	592
Outflows	(319)	(219)	(1,033)	(637)
Net client flows	(178)	(37)	(370)	(45)
Market appreciation (depreciation)	(67)	(105)	149	(573)
Net change	(245)	(142)	(221)	(618)
End of period assets	\$ 3,924	\$ 2,428	\$ 3,924	\$ 2,428
<b><u>Total AUM</u></b>				
Beginning of period assets	\$ 14,989	\$ 12,135	\$ 14,779	\$ 14,503
Inflows	343	387	1,282	1,108
Outflows	(632)	(612)	(2,198)	(1,579)
Net client flows	(289)	(225)	(916)	(471)
Market appreciation (depreciation)	(288)	(444)	549	(2,566)
Net change	(577)	(669)	(367)	(3,037)
End of period assets	\$ 14,412	\$ 11,466	\$ 14,412	\$ 11,466

\* Certain assets under management acquired from Salient were reclassified from Mutual Funds to Institutional as of December 31, 2022 to be consistent with the classification of existing assets.

#### ***Three months ended September 30, 2023 compared to the three months ended September 30, 2022***

The change in AUM for the three months ended September 30, 2023 was due to market depreciation of \$0.3 billion and net outflows of \$0.3 billion. Net outflows were primarily related to our SmallCap strategy.

The \$0.7 billion decrease in AUM for the three months ended September 30, 2022 was due to market depreciation of \$0.4 billion and net outflows of \$0.2 billion. Net outflows were primarily related to our LargeCap Value strategy.

#### ***Nine months ended September 30, 2023 compared to the nine months ended September 30, 2022***

The \$0.4 billion decrease in AUM for the nine months ended September 30, 2023 was due to net outflows of \$0.9 billion offset by market appreciation of \$0.5 billion. Net outflows were primarily related to our Income Opportunity and MLP strategies.

The \$3.0 billion decrease in AUM for the nine months ended September 30, 2022 was due to market depreciation of \$2.6 billion and net outflows of \$0.5 billion. Net outflows were primarily related to our LargeCap Value and Income Opportunity strategies.

**Roll-Forward of Assets Under Advisement**

AUA has historically been disclosed in total due to its relative insignificance to our business. However, following our 2022 acquisition of Salient's asset management business, AUA has become a more meaningful component of our business. Accordingly, we will present further AUA details going forward:

(in millions)	Three Months Ended September 30,	Nine Months Ended September 30,
	2023	2023
<b>Assets Under Advisement</b>		
Beginning of period assets		
Inflows	\$ 1,170	\$ 1,255
Outflows	33	117
Net client flows	(96)	(285)
Market appreciation (depreciation)	(63)	(168)
Net change	2	22
End of period assets	\$ 1,109	\$ 1,109

**Results of Operations**

The following table (dollars in thousands) and discussion of our results of operations are based upon data derived from the Condensed Consolidated Statements of Comprehensive Income (Loss) contained in our Condensed Consolidated Financial Statements and should be read in conjunction with those statements included elsewhere in this report.

	Three Months Ended			Nine Months Ended		
	September 30,		Change	September 30,		Change
	2023	2022		2023	2022	
<b>Revenues:</b>						
Advisory fees: asset-based	\$ 16,902	\$ 10,474	61 %	\$ 50,734	\$ 33,244	53 %
Advisory fees: performance-based	—	—	NM	555	—	NM
Trust fees: asset-based	5,063	5,177	(2)	15,118	16,257	(7)
Other, net	(85)	(245)	(65)	145	(1,276)	(111)
Total revenues	21,880	15,406	42	66,552	48,225	38
<b>Expenses:</b>						
Employee compensation and benefits	12,661	9,526	33	40,551	28,993	40
Sales and marketing	676	335	102	2,180	1,326	64
Westwood mutual funds	872	270	223	2,350	1,311	79
Information technology	2,334	1,939	20	7,283	5,615	30
Professional services	1,009	1,536	(34)	3,893	3,888	0
General and administrative	3,298	2,181	51	9,579	6,569	46
(Gain) loss from change in fair value of contingent consideration	2,483	—	NM	(2,655)	—	NM
Acquisition expenses	—	701	NM	209	1,588	(87)
Total expenses	23,333	16,488	42	63,390	49,290	29
<b>Net operating income (loss)</b>	<b>(1,453)</b>	<b>(1,082)</b>		<b>3,162</b>	<b>(1,065)</b>	
Net change in unrealized appreciation (depreciation) on private investments	—	(249)	(100)	24	(511)	(105)
Net investment income	247	104	138	630	93	577
Other income	5,265	206	2456	5,876	598	883
<b>Income (loss) before income taxes</b>	<b>4,059</b>	<b>(1,021)</b>		<b>9,692</b>	<b>(885)</b>	
Income tax provision	(316)	154	(305)	1,704	618	176
<b>Net income (loss)</b>	<b>\$ 4,375</b>	<b>\$ (1,175)</b>	<b>(472) %</b>	<b>\$ 7,988</b>	<b>\$ (1,503)</b>	<b>(631) %</b>
Less: Comprehensive income (loss) attributable to noncontrolling interest	1,019	—	NM	1,044	—	NM
<b>Comprehensive income (loss) attributable to Westwood Holdings Group, Inc.</b>	<b>\$ 3,356</b>	<b>\$ (1,175)</b>	<b>(386) %</b>	<b>\$ 6,944</b>	<b>\$ (1,503)</b>	<b>(562) %</b>

NM Not meaningful

**Three months ended September 30, 2023 compared to three months ended September 30, 2022**

**Total revenues.** Total revenues increased \$6.5 million, or 42%, to \$21.9 million for the three months ended September 30, 2023 compared with \$15.4 million for the three months ended September 30, 2022. Asset-based advisory fees increased \$6.4 million, or 61%, reflecting higher average AUM following our 2022 acquisition of Salient.

**Employee compensation and benefits.** Employee compensation and benefits increased \$3.2 million to \$12.7 million compared with \$9.5 million for 2022 due to additional headcount resulting from the Salient acquisition.

**Westwood mutual funds.** Westwood mutual funds expenses increased \$0.6 million, or 223%, to \$0.9 million compared with \$0.3 million for 2022 primarily due to an increase in mutual fund placement fees.

**Professional services.** Professional services decreased \$0.5 million, or 34%, to \$1.0 million compared with \$1.5 million for 2022 primarily due to a decrease in various legal and advisory costs.

**General and Administrative.** General and administrative expenses increased \$1.1 million, or 51%, to \$3.3 million compared with \$2.2 million for 2022 primarily due to increased intangible asset amortization following the Salient acquisition.

**(Gain) loss from change in fair value of contingent consideration.** We recorded a loss of \$2.5 million upon the remeasurement of contingent consideration of the 2022 Salient acquisition.

*Other income.* We recorded life insurance proceeds of \$5.0 million in the third quarter of 2023.

*Income tax provision.* Our effective tax rate differed from the 21% statutory rate for the third quarter of 2023 primarily due to permanent differences between book and tax restricted stock expense based on a decrease in our stock price between the restricted stock grant and vesting dates, and the discrete impact of life insurance proceeds received in the third quarter of 2023.

**Nine months ended September 30, 2023 compared to nine months ended September 30, 2022**

*Total revenues.* Total revenues increased \$18.4 million, or 38%, to \$66.6 million for the nine months ended September 30, 2023 compared with \$48.2 million for the nine months ended September 30, 2022. Asset-based advisory fees increased \$17.5 million, or 53%, reflecting higher average AUM following our 2022 acquisition of Salient. Trust fees decreased \$1.2 million, or 7%, primarily related to lower average AUM.

*Employee compensation and benefits.* Employee compensation and benefits increased \$11.6 million to \$40.6 million compared with \$29.0 million for 2022 due to additional headcount resulting from the Salient acquisition.

*Sales and marketing.* Sales and marketing expenses increased \$0.9 million, or 64%, to \$2.2 million compared with \$1.3 million for 2022 due to higher product placement fees for certain Salient funds.

*Westwood mutual funds.* Westwood mutual funds expenses increased \$1.1 million, or 79%, to \$2.4 million compared with \$1.3 million for 2022 primarily due to an increase in mutual fund placement fees.

*Information Technology.* Information technology expenses increased \$1.7 million, or 30%, to \$7.3 million compared with \$5.6 million for 2022 primarily due to additional software licenses and investment research expenses.

*General and Administrative.* General and administrative expenses increased \$3.0 million, or 46%, to \$9.6 million compared with \$6.6 million for 2022 primarily due to increased intangible asset amortization following the Salient acquisition.

*(Gain) loss from change in fair value of contingent consideration.* We recorded a gain of \$2.7 million upon the remeasurement of contingent consideration of the 2022 Salient acquisition.

*Other income.* We recorded life insurance proceeds of \$5.0 million in 2023.

*Income tax provision.* Our effective tax rate for the nine months ended September 30, 2023 differed from the 21% statutory rate for 2023 primarily due to permanent differences between book and tax restricted stock expense based on a decrease in our stock price between the restricted stock grant and vesting dates and the discrete impact of life insurance proceeds received in 2023.

**Supplemental Financial Information**

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, comprehensive income (loss) attributable to Westwood Holdings Group, Inc. 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 comprehensive income (loss) attributable to Westwood Holdings Group, Inc. 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 comprehensive income (loss) attributable to Westwood Holdings Group, Inc. 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. Although gains and losses from changes in the fair value of contingent consideration are non-cash, we do not add or subtract those back when calculating Economic Earnings because gains and losses on changes in the fair value of contingent consideration are considered regular following an acquisition. 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.

The following tables provide a reconciliation of comprehensive income (loss) attributable to Westwood Holdings Group, Inc. to Economic Earnings and Economic Earnings by segment (in thousands, except share and per share amounts):

	Three Months Ended			Nine Months Ended			Change	
	September 30,		Change	September 30,		Change		
	2023	2022		2023	2022			
<b>Comprehensive income (loss) attributable to Westwood Holdings Group, Inc.</b>	\$ 3,356	\$ (1,175)	(386)%	\$ 6,944	\$ (1,503)	(562)%		
Stock-based compensation expense	1,739	1,509	15	5,111	4,410	16		
Intangible amortization	1,043	407	156	3,106	1,218	155		
Tax benefit from goodwill amortization	125	59	112	375	177	112		
<b>Economic Earnings</b>	<b>\$ 6,263</b>	<b>\$ 800</b>	<b>683 %</b>	<b>\$ 15,536</b>	<b>\$ 4,302</b>	<b>261 %</b>		
<b>Earnings (loss) per share</b>	<b>\$ 0.41</b>	<b>\$ (0.15)</b>	<b>(373)%</b>	<b>\$ 0.86</b>	<b>\$ (0.19)</b>	<b>(553)%</b>		
Stock-based compensation expense	0.21	0.19	11	0.63	0.57	11		
Intangible amortization	0.13	0.05	160	0.38	0.15	153		
Tax benefit from goodwill amortization	0.02	0.01	100	0.05	0.02	150		
<b>Economic Earnings per share</b>	<b>\$ 0.77</b>	<b>\$ 0.10</b>	<b>670 %</b>	<b>\$ 1.92</b>	<b>\$ 0.55</b>	<b>249 %</b>		
Diluted weighted average shares outstanding	8,116,747	7,794,060		8,072,739	7,867,555			
<b>Economic Earnings by Segment:</b>								
Advisory	\$ 4,701	\$ 3,590	31 %	\$ 14,441	\$ 11,428	26 %		
Trust	911	769	18	2,576	2,396	8		
Westwood Holdings	651	(3,559)	(118)	(1,473)	(9,522)	(85)		
<b>Consolidated</b>	<b>\$ 6,263</b>	<b>\$ 800</b>	<b>683 %</b>	<b>\$ 15,544</b>	<b>\$ 4,302</b>	<b>261 %</b>		

#### Liquidity and Capital Resources

We fund our operations and cash requirements with cash generated from operating activities. We may also use cash from operations to pay dividends to our stockholders or for deferred contingent consideration payments. We had no debt as of September 30, 2023 and December 31, 2022. The changes in net cash provided by operating activities generally reflect changes in earnings plus the effects of non-cash items and changes in working capital, including liquidation of investments used to cover current liabilities. Changes in working capital, especially accounts receivable and accounts payable, are generally the result of timing differences between collection of fees billed and payment of operating expenses.

We had cash and short-term investments of \$48.5 million and \$39.2 million as of September 30, 2023 and December 31, 2022, respectively. At September 30, 2023 and December 31, 2022, working capital aggregated \$49.7 million and \$40.6 million, respectively.

During the nine months ended September 30, 2023, cash flow used in operating activities was \$5.7 million, which included net purchases of current investments of \$15.6 million and a reduction in compensation and benefits payable of \$1.4 million. During the nine months ended September 30, 2022, cash flow provided by operating activities was \$15.3 million, which included net sales of \$12.1 million of current investments and a \$1.9 million change in accounts receivable, partially offset by a reduction in compensation and benefits payable of \$3.6 million.

Cash flow provided by investing activities during the nine months ended September 30, 2023 was primarily due to the receipt of life insurance proceeds, offset by cash for the Broadmark Acquisition. Cash flow used in investing activities during the nine months ended September 30, 2022 was related to purchases of property and equipment.

Cash flows used in financing activities of \$5.1 million for the nine months ended September 30, 2023 reflected the payment of dividends and restricted stock returned for the payment of taxes. Cash flows used in financing activities of \$7.9 million for the nine months ended September 30, 2022 reflected the payment of dividends, treasury stock repurchases and restricted stock returned for the payment of taxes.

Westwood Trust is required to maintain cash and investments in an amount equal to the minimum restricted capital of \$4.0 million, as required by the Texas Finance Code. Restricted capital is included in Investments in the accompanying Condensed Consolidated Balance Sheets. At September 30, 2023, Westwood Trust had approximately \$11.9 million in excess of its minimum capital requirement.

Our future liquidity and capital requirements will depend upon numerous factors, including our results of operations, the timing and magnitude of capital expenditures or strategic initiatives, our dividend policy and other business and risk factors described under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022. We believe that current cash and short-term investment balances plus cash generated from operations will be sufficient to meet both the operating and capital requirements of our ordinary business operations through at least the next twelve months, however there can be no assurance that we will not require additional financing within this time frame. Failure to raise needed capital on attractive terms, if at all, could have a material adverse effect on our business, financial condition and results of operations.

#### **Contractual Obligations**

As of September 30, 2023, there have been no material changes outside of the ordinary course of business to our contractual obligations since December 31, 2022. For information regarding our contractual obligations, refer to "Contractual Obligations" in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

#### **Critical and Significant Accounting Policies and Estimates**

There have been no significant changes in our critical or significant accounting policies and estimates since December 31, 2022. Information with respect to our critical accounting policies and estimates that we believe could have the most significant effect on our reported consolidated results and require difficult, subjective or complex judgment by management is described under "Critical Accounting Policies and Estimates" in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

#### **Accounting Developments**

Refer to Note 2 "Summary of Significant Accounting Policies" in our Condensed Consolidated Financial Statements included in Part I, Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q for a description of recently issued accounting guidance.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no significant changes in our Quantitative and Qualitative Disclosures about Market Risk from those previously reported in our Annual Report on Form 10-K for the year ended December 31, 2022.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### **Evaluation of Disclosure Controls and Procedures**

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### **Changes in Internal Controls over Financial Reporting**

During the quarter ended September 30, 2023, there were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Due to our significant investments in cloud-based systems, the impact of our employees working remotely did not hinder the execution of our internal control processes and procedures.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

### **ITEM 1A. RISK FACTORS**

Our business and future results may be affected by a number of risks and uncertainties that should be considered carefully. In addition, this report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2022 and the risks set forth below.

There have been no material changes to the risk factors previously disclosed in the Form 10-K. You should carefully consider the following risks and the risks included in the Company's Annual Report on Form 10-K, together with all of the other information in this Quarterly Report on Form 10-Q, including our unaudited condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. The occurrence of any single risk or any combination of risks could materially and adversely affect our business, financial condition, results of operations, cash flows and the trading price of our common stock.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Our share repurchase program has no expiration date and may be discontinued at any time by the Board of Directors. During the three months ended September 30, 2023, the Company did not repurchase any shares of our common stock.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

During the quarter ended September 30, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

**ITEM 6. EXHIBITS**

[ication of Chief Executive Officer Pursuant to Securities Exchange Act Rule 13a-14\(a\)](#)

[ication of Chief Financial Officer Pursuant to Securities Exchange Act Rule 13a-14\(a\)](#)

[ication of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

[ication of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

following financial information from Westwood Holdings Group, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2023, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022; (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2023 and 2022; (iii) Condensed Consolidated Statements of Stockholders' Equity; (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and 2022; and (v) Notes to the Condensed Consolidated Financial Statements.

er Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101)

\* Filed herewith.

\*\* Furnished herewith.

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 thereunto duly authorized.

Dated: October 31, 2023

WESTWOOD HOLDINGS GROUP, INC.

By: /s/ Brian O. Casey  
Brian O. Casey  
Chief Executive Officer

By: /s/ Murray Forbes III  
Murray Forbes III  
Chief Financial Officer and Treasurer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO  
SECURITIES EXCHANGE ACT RULES 13a-14(a)**

I, Brian O. Casey, certify that:

1. I have reviewed this report on Form 10-Q of Westwood Holdings Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 31, 2023

/s/ Brian O. Casey

Brian O. Casey

Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO  
SECURITIES EXCHANGE ACT RULES 13a-14(a)**

I, Murray Forbes III, certify that:

1. I have reviewed this report on Form 10-Q of Westwood Holdings Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 31, 2023

/s/ Murray Forbes III

Murray Forbes III

Chief Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian O. Casey, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 31, 2023

/s/ Brian O. Casey

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Brian O. Casey

Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Westwood Holdings Group, Inc. and will be retained by Westwood Holdings Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Murray Forbes III, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 31, 2023

/s/ Murray Forbes III

Murray Forbes III

Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to Westwood Holdings Group, Inc. and will be retained by Westwood Holdings Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.