



GAMCO
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GAMCO Investors, Inc. Reports First Quarter 2017 Results

- **AUM of \$41.4 billion, up 6.8% year over year**
- **Pretax profits of \$40.1 million**
- **First Quarter Earnings of \$0.82 per diluted share**

Rye, New York, May 3, 2017 – GAMCO Investors, Inc. (“GAMCO”) (NYSE: GBL) today reported financial results for the first quarter including revenues of \$85.9 million, net income of \$24.8 million and earnings of \$0.82 per diluted share.

Financial Highlights

(\$'s in 000's except AUM and per share data)

	First Quarter	
	2017	2016
AUM - end of period (in millions)	\$41,369	\$38,721
AUM - average (in millions)	40,632	37,542
Revenues	85,917	81,385
Income before income taxes	40,120	42,127
Effective tax rate	38.1%	38.2%
Net income	24,820	26,025
Net income per fully diluted share	\$ 0.82	\$ 0.88
Weighted average diluted shares outstanding	31,160	29,684
Shares outstanding at March 31	29,334	29,790

Assets Under Management

	March 31, 2017	December 31, 2016	March 31, 2016	% Change From	
				December 31, 2016	March 31, 2016
Equities:					
Open-end Funds	\$ 13,708	\$ 13,462	\$ 13,807	1.8%	-0.7%
Closed-end Funds	7,315	7,150	6,663	2.3	9.8
Institutional & PWM - direct	13,492	13,441	13,280	0.4	1.6
Institutional & PWM - sub-advisory	5,019 (a)	3,783	3,427	32.7	46.5
SICAV	49	50	38	(2.0)	28.9
Total Equities	39,583	37,886	37,215	4.5	6.4
Fixed Income:					
Money-Market Fund	1,752	1,767	1,474	(0.8)	18.9
Institutional & PWM	34	31	32	9.7	6.3
Total Fixed Income	1,786	1,798	1,506	(0.7)	18.6
Total Assets Under Management	\$ 41,369	\$ 39,684	\$ 38,721	4.2	6.8

Institutional & PWM - direct includes \$292 million, \$290 million and \$271 million of Money Market Fund AUM at March 31, 2017, December 31, 2016 and March 31, 2016, respectively.

(a) Added two sub-advisory entities as of February 27, 2017.

Average AUM were \$40.6 billion for the first quarter of 2017 versus \$39.3 billion for the fourth quarter of 2016 and \$37.5 billion for the first quarter of 2016.

Our first quarter 2017 AUM increased 4.2% to \$41.4 from the \$39.7 billion at December 31, 2016. Market appreciation of \$1.7 billion and net inflows of \$0.1 billion were offset by distributions of \$0.1 billion. The sharp increase in Institutional & PWM – sub-advisory is largely attributable to the inclusion of the \$1.2 billion from the Teton Westwood Mighty MitesSM and Teton Westwood Convertible Securities Funds following our selection (and election) as sub-advisor on February 27, 2017.

Revenues

- Total revenues for the first quarter of 2017 were \$85.9 million, compared with \$81.4 million in the prior year, reflecting an increase of \$4.2 million in investment advisory fees based on a higher level of assets and an increase of \$0.3 million in distribution fees and other income.
- Investment advisory fees were \$75.0 million in the first quarter of 2017 versus \$70.8 million in the first quarter of 2016. Revenues from our open-end and closed-end funds tracked our average AUM in the funds and were \$47.9 million in the first quarter of 2017, an increase from the \$44.4 million in the year ago quarter. Institutional and Private Wealth Management accounted for \$26.2 million of the revenues in 2017 versus \$25.9 million in 2016. SICAV revenues increased to \$0.9 million in 2017 from \$0.5 million in 2016.
- Distribution fees from our open-end equity funds and other income were \$10.9 million for the first quarter 2017, up from the \$10.5 million in the prior year quarter.

Operating Income – First Quarter – Operating margin 49.4% vs. 55.2%

Operating income, which is net of management fee expense was \$42.4 million in the first quarter of 2017 versus \$44.9 million in the prior year period.

As previously reported, the Company has entered into two Restricted Stock Unit (“RSU”) agreements with our Chief Executive Officer, such that all of his compensation for 2016 (“2016 RSU”) and his compensation for the first half of 2017 (“2017 RSU”) is deferred rather than paid in cash. The 2016 RSU vests over four years, and the 2017 RSU vests over eighteen months.

The RSU agreements impact earnings as they vest. As a result, the compensation expense that would have been expensed fully in 2016 had it been paid in cash when earned is instead being amortized over four years in accordance with the vesting. Similarly, the compensation that would have been expensed fully in the first half of 2017 had it been paid in cash when earned will instead be amortized over the eighteen month vesting period.

These two RSU agreements impacted our reported operating income as follows: the RSU agreements increased operating income by \$8.1 million and \$12.6 million in the first quarter of 2017 and 2016, respectively.

After adjusting for removal of these items in the 2017 and 2016 periods, operating income was \$34.3 million and \$32.3 million in the first quarter of 2017 and 2016, respectively. Operating margin after these adjustments increased to 39.9% versus 39.7% in the prior year period.

Operating income before management fee was \$44.6 million in the first quarter 2017 versus \$46.0 million in the first quarter 2016. Operating margin before management fee was 51.9% versus 56.5% in the first quarter of 2016.

See Notes to Non-GAAP measures on page 8 for further information. Further information regarding Non-GAAP measures is provided in Notes on Non-GAAP Financial Measures and Table III included elsewhere herein.

Other expense

We recognized \$2.3 million in net other expenses in the 2017 quarter versus net other expenses of \$2.8 million in the first quarter of 2016. Interest expense decreased by \$0.6 million year over year as debt declined from \$294.2 million at March 31, 2016 to \$224.2 million at March 31, 2017. Investment income for 2017 was \$0.5 million vs. \$0.6 million in 2016.

Income Taxes

The Company’s effective tax rate (“ETR”) for the quarter ended March 31, 2017 was 38.1% versus 38.2% for the quarter ended March 31, 2016.

Deferred compensation

To enhance our liquidity and provide greater financial flexibility GAMCO entered into two deferred compensation agreements with its Chief Executive Officer which had a material impact on our GAAP financial statements. Under GAAP, the total compensation expense is amortized over the vesting periods, which for the 2016 RSU is four years and for the 2017 RSU is eighteen months. As a result, for the 2016 RSU for GAAP, we recognized only 25% of the 2016 RSU expense in 2016 with the remaining 75% to be amortized as expense over 2017, 2018 and 2019.

For the 2017 RSU, the GAAP expense for the first quarter of 2017 is only 33% of the total 2017 RSU expense with the remainder to be amortized as expense over the next fifteen months.

The following table further illustrates the effect that the GAAP accounting for the compensation deferral has had to date and will continue to have on our results for 2017 through 2019. Please see the note regarding forward-looking information on page 13 of this release.

Effect on compensation and management fee expense of recording RSU on a GAAP basis:

	Q1 2016	Q1 2017	Full Year			
			2016	2017	2018	2019
2016 RSU agreement	(12,611)	3,279	(53,516)	12,842	17,123	17,123
2017 RSU agreement	-	(11,405)	-	(11,405)	11,405	-

On an economic basis, there was \$18.6 million of compensation subject to the 2017 RSU deferred compensation agreement for the first quarter of 2017. Of this amount, only \$6.2 million was recorded under GAAP, with the remaining \$12.4 million to be expensed over the vesting period.

Conversely, on an economic basis, the 2016 RSU agreement had the impact of decreasing expense in the first quarter of 2016 by \$12.6 million while increasing expense in the first quarter of 2017 by \$3.5 million.

In addition, in accordance with the deferred compensation agreement, we note that our liability will fluctuate with the price of the GBL stock, with a floor set at the actual compensation expense amount otherwise payable. We recorded a \$1.2 million reduction to the deferred compensation liability at March 31, 2017.

Impact on Balance Sheet from the RSUs

The balance sheet is also impacted; the compensation payable at March 31, 2017 is not reflective of the full amount of the 2016 or 2017 deferred compensation that will be due once the RSUs are fully vested. At March 31, 2017, the amount of unrecognized compensation, which is not reflected on our balance sheet, was \$59.4 million.

The following tables show a reconciliation of our results for the first quarters of 2017 and 2016 and our balance sheet at March 31, 2017 between the GAAP basis and the non-GAAP adjusted basis of the

deferred compensation (the RSU grants) described above. We believe this adjusted measure, which removes the impact of the deferred compensation agreements, may be helpful in evaluating the ongoing operating results and increases the comparability of the results with prior periods.

Deferred Compensation Table I:

	For the three months ended March 31, 2017				
	Reported GAAP	Impact of 2017 RSU Deferred Compensation	Impact of 2016 RSU Deferred Compensation	Non-GAAP	
Total revenues	\$ 85,917	\$ -	\$ -	\$ 85,917	
Compensation costs	25,278	9,540	(2,499)	32,319	
Distribution costs	10,913	-	-	10,913	
Other operating expenses	5,119	-	-	5,119	
Total expenses	41,310	9,540	(2,499)	48,351	
Operating income before management fee	44,607	(9,540)	2,499	37,566	
Other expense, net	(2,323)	-	-	(2,323)	
Income before management fee and income taxes	42,284	(9,540)	2,499	35,243	
Management fee expense	2,164	1,865	(780)	3,249	
Income before income taxes	40,120	(11,405)	3,279	31,994	
Income tax expense	15,300	(4,349)	1,250	12,201	
Net income attributable to GAMCO Investors, Inc.	<u>\$ 24,820</u>	<u>\$ (7,056)</u>	<u>\$ 2,029</u>	<u>\$ 19,793</u>	
Net income per share attributable to GAMCO Investors, Inc.:					
Basic	<u>\$ 0.86</u>	<u>\$ (0.24)</u>	<u>\$ 0.07</u>	<u>\$ 0.68</u>	
Diluted	<u>\$ 0.82</u>	<u>\$ (0.23)</u>	<u>\$ 0.07</u>	<u>\$ 0.66</u>	

Deferred Compensation Table II:

	For the three months ended March 31, 2016		
		Impact of	
		2016 RSU	
	Reported	Deferred	Non-GAAP
	GAAP	Compensation	
Total revenues	\$ 81,385	\$ -	\$ 81,385
Compensation costs	20,274	10,412	30,686
Distribution costs	10,717	-	10,717
Other operating expenses	4,372	-	4,372
Total expenses	35,363	10,412	45,775
Operating income before management fee	46,022	(10,412)	35,610
Other expense, net	(2,815)	-	(2,815)
Income before management fee and income taxes	43,207	(10,412)	32,795
Management fee expense	1,080	2,199	3,279
Income before income taxes	42,127	(12,611)	29,516
Income tax expense	16,102	(4,820)	11,282
Net income attributable to GAMCO Investors, Inc.	\$ 26,025	\$ (7,791)	\$ 18,234
Net income per share attributable to GAMCO Investors, Inc.:			
Basic	\$ 0.89	\$ (0.27)	\$ 0.62
Diluted	\$ 0.88	\$ (0.26)	\$ 0.61

Deferred Compensation Table III:

	March 31, 2017		
		Impact of	
		2016 & 2017 RSU	
	Reported	Deferred	Non-GAAP
	GAAP	Compensation	
ASSETS			
Cash and cash equivalents	\$ 88,230	\$ -	\$ 88,230
Investments	33,190	-	33,190
Receivable from brokers	523	-	523
Other receivables	36,554	-	36,554
Income tax receivable	12,829	22,293	35,122
Other assets	11,196	-	11,196
Total assets	\$ 182,522	\$ 22,293	\$ 204,815
LIABILITIES AND EQUITY			
Compensation payable	\$ 42,295	\$ 59,447	\$ 101,742
Accrued expenses and other liabilities	64,317	-	64,317
Sub-total	106,612	59,447	166,059
5.875% Senior notes (due June 1, 2021)	24,126	-	24,126
4.5% Convertible note (due August 15, 2021)	109,844	-	109,844
4% PIK note (due November 30, 2020)	90,000	-	90,000
Total debt	\$ 223,970	-	\$ 223,970
Total liabilities	330,582	59,447	390,029
GAMCO Investors, Inc.'s stockholders' deficit	(148,060)	(37,154)	(185,214)
Total liabilities and equity	\$ 182,522	\$ 22,293	\$ 204,815

Business and Investment Highlights

- On February 14, 2017, the Company launched the Gabelli Food of all Nations™, its second actively managed, non-transparent exchange traded managed fund (“ETMF”). The fund will invest primarily in domestic and foreign companies in the food and beverage industry, which is a consolidating sector that includes many strong cash generators with pricing power. The fund will capitalize on a segment where we have accumulated and compounded knowledge. Consumer companies have long been a core competency at GAMCO.
- During the first quarter of 2017, the shareholders of the TETON Westwood Mighty MitesSM Fund and the TETON Convertible Securities Fund voted to approve Gabelli Funds, LLC as the sub-advisor. These assets are now included in the Institutional & PWM – sub-advisory segment of our AUM.
- Net debt was reduced from \$194.1 million at December 31, 2016 to \$135.7 million at March 31, 2017.

Balance Sheet

We ended the quarter with cash of \$88.2 million and investments of \$33.2 million and gross debt of \$224 million (excluding RSU payable). We have \$500 million available on our universal shelf registration. Together with earnings from operations, the shelf provides us with flexibility to do acquisitions, lift-outs, seed new investment strategies, and co-invest, as well as to fund shareholder compensation, including share repurchases and dividends.

Shareholder Compensation

During the quarter ended March 31, 2017, we returned \$4.4 million of our earnings to shareholders through dividends and stock repurchases. We repurchased 125,410 shares at an average price of \$30.25 per share for a total investment of \$3.8 million and distributed \$0.6 million in dividends. Since our IPO, in February 1999, we have returned \$1.9 billion in total to shareholders comprised of \$1.0 billion of spin-offs, \$489.2 million in the form of dividends and \$442.6 million through stock buybacks of 10,026,750 shares.

On May 3, 2017, GAMCO’s Board of Directors declared a regular quarterly dividend of \$0.02 per share payable on July 11, 2017 to its Class A and Class B shareholders of record on June 27, 2017.

About GAMCO Investors, Inc.

GAMCO Investors, Inc., through its subsidiaries, manages private advisory accounts (GAMCO Asset Management Inc.) and open-end funds and closed-end funds (Gabelli Funds, LLC).

NOTES ON NON-GAAP FINANCIAL MEASURES

- A. Operating income before management fee expense is used by management to evaluate its business operations. We believe this measure is useful in illustrating the operating results of GAMCO Investors, Inc. (the “Company”) as management fee expense is based on pre-tax income before management fee expense, which includes non-operating items including investment gains and losses from the Company’s proprietary investment portfolio and interest expense. The reconciliation of operating income before management fee expense to operating income is provided in Table III.
- B. Adjusted operating income and adjusted operating income before management fee expense are used by management to evaluate its ongoing business operations. We believe these adjusted measures, which remove these items, are useful in evaluating the ongoing operating results of the Company as the nature of these items reduces the comparability of the results with prior periods and is not indicative of results for future periods.

	1st Quarter	
	2017	2016
Operating income before management fee	\$ 44,607	\$ 46,022
Adjustments:		
Add back: Variable compensation expense from prior year RSU	2,499	-
Deduct: Variable compensation expense from current year RSU	(9,540)	(10,412)
Adjusted operating income before management fee	<u>37,566</u>	<u>35,610</u>
Adjusted operating margin before management fee	<u>43.7%</u>	<u>43.8%</u>

	1st Quarter	
	2017	2016
Operating income	\$ 42,443	\$ 44,942
Adjustments:		
Add back: Variable compensation expense from prior year RSU	3,279	-
Deduct: Variable compensation expense from current year RSU	(11,405)	(12,611)
Adjusted operating income	<u>34,317</u>	<u>32,331</u>
Adjusted operating margin	<u>39.9%</u>	<u>39.7%</u>

The Company reported Assets Under Management as follows (in millions):

Table I: Fund Flows - 1st Quarter 2017

	December 31, 2016	Market appreciation/ (depreciation)	Net cash flows	Fund distributions, net of reinvestments	March 31, 2017
Equities:					
Open-end Funds	\$ 13,462	\$ 622	\$ (365)	\$ (11)	\$ 13,708
Closed-end Funds	7,150	291	(4)	(122)	7,315
Institutional & PWM - direct	13,441	676	(625)	-	13,492
Institutional & PWM - sub-advisory	3,783	74	1,162 (a)	-	5,019
SICAV	50	2	(3)	-	49
Total Equities	37,886	1,665	165	(133)	39,583
Fixed Income:					
Money-Market Fund	1,767	1	(16)	-	1,752
Institutional & PWM	31	-	3	-	34
Total Fixed Income	1,798	1	(13)	-	1,786
Total Assets Under Management	\$ 39,684	\$ 1,666	\$ 152	\$ (133)	\$ 41,369

(a) Includes \$1.2 billion from being approved as the sub-advisor on two sub-advisory entities as of February 27, 2017.

Table II

GAMCO INVESTORS, INC.		
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME		
(Dollars in thousands, except per share data)		
	For the Quarter Ended	
	March 31,	
	2017	2016
Investment advisory and incentive fees	\$ 74,989	\$ 70,848
Distribution fees and other income	10,928	10,537
Total revenues	<u>85,917</u>	<u>81,385</u>
Compensation costs	25,278	20,274
Distribution costs	10,913	10,717
Other operating expenses	5,119	4,372
Total expenses	<u>41,310</u>	<u>35,363</u>
Operating income before management fee	44,607	46,022
Investment income	509	591
Interest expense	(2,832)	(3,406)
Other expense, net	(2,323)	(2,815)
Income before management fee and income taxes	42,284	43,207
Management fee expense	2,164	1,080
Income before income taxes	40,120	42,127
Income tax expense	15,300	16,102
Net income attributable to GAMCO Investors, Inc.	<u>\$ 24,820</u>	<u>\$ 26,025</u>
Net income per share attributable to GAMCO Investors, Inc.:		
Basic	<u>\$ 0.86</u>	<u>\$ 0.89</u>
Diluted	<u>\$ 0.82</u>	<u>\$ 0.88</u>
Weighted average shares outstanding:		
Basic	<u>28,970</u>	<u>29,247</u>
Diluted	<u>31,160</u>	<u>29,684</u>
Actual shares outstanding (a)	<u>29,334</u>	<u>29,790</u>

Notes:

(a) Includes 420,240 and 553,100 of RSAs, respectively.

See GAAP to non-GAAP reconciliation on page 11.

Table III

GAMCO INVESTORS, INC.
UNAUDITED QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)

	2017		2016			
	1st Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Income Statement Data:						
Revenues	\$ 85,917	\$ 81,385	\$ 83,944	\$ 87,721	\$ 99,950	\$353,000
Expenses	41,310	35,363	36,064	38,482	44,777	154,686
Operating income before management fee	44,607	46,022	47,880	49,239	55,173	198,314
Investment income	509	591	605	426	1,483	3,105
Interest expense	(2,832)	(3,406)	(3,168)	(3,155)	(2,945)	(12,674)
Other expense, net	(2,323)	(2,815)	(2,563)	(2,729)	(1,462)	(9,569)
Income before management fee and income taxes	42,284	43,207	45,317	46,510	53,711	188,745
Management fee expense	2,164	1,080	1,133	1,163	3,142	6,518
Income before income taxes	40,120	42,127	44,184	45,347	50,569	182,227
Income tax expense	15,300	16,102	16,641	14,486	17,877	65,106
Net income attributable to GAMCO Investors, Inc.	\$ 24,820	\$ 26,025	\$ 27,543	\$ 30,861	\$ 32,692	\$117,121
Net income per share attributable to GAMCO Investors, Inc.:						
Basic	\$ 0.86	\$ 0.89	\$ 0.94	\$ 1.06	\$ 1.12	\$ 4.01
Diluted	\$ 0.82	\$ 0.88	\$ 0.93	\$ 1.03	\$ 1.07	\$ 3.92
Weighted average shares outstanding:						
Basic	28,970	29,247	29,234	29,185	29,062	29,182
Diluted	31,160	29,684	29,522	30,406	31,241	30,170
Reconciliation of non-GAAP financial measures to GAAP:						
Operating income before management fee	44,607	46,022	47,880	49,239	55,173	198,314
Deduct: management fee expense	2,164	1,080	1,133	1,163	3,142	6,518
Operating income	\$ 42,443	\$ 44,942	\$ 46,747	\$ 48,076	\$ 52,031	\$191,796
Operating margin before management fee	51.9%	56.5%	57.0%	56.1%	55.2%	56.2%
Operating margin after management fee	49.4%	55.2%	55.7%	54.8%	52.1%	54.3%

Table IV

GAMCO INVESTORS, INC.			
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION			
(Dollars in thousands, except per share data)			
	March 31,	December 31,	March 31,
	2017	2016	2016
ASSETS			
Cash and cash equivalents	\$ 88,230	\$ 39,812	\$ 28,045
Investments	33,190	37,285	36,422
Receivable from brokers	523	453	1,135
Other receivables	36,554	50,756	35,961
Income tax receivable	12,829	9,349	2,452
Other assets	11,196	11,574	11,910
Total assets	<u>\$ 182,522</u>	<u>\$ 149,229</u>	<u>\$ 115,925</u>
LIABILITIES AND EQUITY			
Payable to brokers	\$ 10,022	\$ 66	\$ -
Income taxes payable and deferred tax liabilities	19,787	3,815	12,198
Compensation payable	42,295	42,384	19,218
Accrued expenses and other liabilities	34,508	35,656	38,609
Sub-total	106,612	81,921	70,025
5.875% Senior notes (due June 1, 2021)	24,126	24,120	24,103
4.5% Convertible note (due August 15, 2021)	109,844	109,835	-
4% PIK note (due November 30, 2020)	90,000	100,000	250,000
Loan from GGCP (due December 28, 2016)	-	-	20,000
Total debt	223,970	233,955	294,103
Total liabilities	330,582	315,876	364,128
GAMCO Investors, Inc.'s stockholders' deficit	(148,060)	(166,647)	(248,203)
Total liabilities and equity	<u>\$ 182,522</u>	<u>\$ 149,229</u>	<u>\$ 115,925</u>

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

The financial results set forth in this press release are preliminary. Our disclosure and analysis in this press release, which do not present historical information, contain “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements convey our current expectations or forecasts of future events. You can identify these statements because they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning. They also appear in any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance of our products, expenses, the outcome of any legal proceedings, and financial results. Although we believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know about our business and operations, the economy and other conditions, there can be no assurance that our actual results will not differ materially from what we expect or believe. Therefore, you should proceed with caution in relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance.

Forward-looking statements involve a number of known and unknown risks, uncertainties and other important factors, some of which are listed below, that are difficult to predict and could cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements. Some of the factors that could cause our actual results to differ from our expectations or beliefs include a decline in the securities markets that adversely affect our assets under management, negative performance of our products, the failure to perform as required under our investment management agreements, a general downturn in the economy that negatively impacts our operations. We also direct your attention to the more specific discussions of these and other risks, uncertainties and other important factors contained in our Form 10-K and other public filings. Other factors that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We do not undertake to update publicly any forward-looking statements if we subsequently learn that we are unlikely to achieve our expectations whether as a result of new information, future developments or otherwise, except as may be required by law.