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GAMCO Investors, Inc. Reports Fourth Quarter and Full Year Results

- **AUM of \$39.7 billion, up 3% year over year**
- **Fourth Quarter Earnings of \$1.07 per diluted share vs. \$0.67 per diluted share**
- **Operating income was \$191.8 million in 2016 vs. \$147.9 million in 2015**
- **Full Year Earnings of \$3.92 per diluted share**

Rye, New York, February 7, 2017 – GAMCO Investors, Inc. (“GAMCO”) (NYSE: GBL) today reported financial results for the fourth quarter including revenues of \$100 million, net income of \$32.7 million and earnings of \$1.07 per diluted share. Full year revenues were \$353.0 million, net income was \$117.1 million and earnings were \$3.92 per diluted share.

Financial Highlights

| | Fourth Quarter | | Full Year | |
|--|----------------|-----------|-----------|-----------|
| | 2016 (a) | 2015 | 2016 (a) | 2015 |
| (\$'s in 000's except AUM and per share data) | | | | |
| AUM - end of period (in millions) | \$ 39,684 | \$ 38,659 | \$ 39,684 | \$ 38,659 |
| AUM - average (in millions) | 39,328 | 40,324 | 38,878 | 43,246 |
| Revenues | 84,650 | 86,661 | 337,579 | 376,561 |
| Incentive fees | 15,300 | 3,656 | 15,421 | 4,415 |
| Total revenues | \$99,950 | \$90,317 | \$353,000 | \$380,976 |
| Operating income | 52,031 | 33,102 | 191,796 | 147,949 |
| Operating margin | 52.1% | 36.7% | 54.3% | 38.8% |
| Other expense, net | (1,462) | (5,153) | (9,569) | (8,924) |
| Income before income taxes | 50,569 | 27,949 | 182,227 | 139,025 |
| Effective tax rate | 35.4% | 35.9% | 35.7% | 37.2% |
| Income from continuing ops | 32,692 | 17,925 | 117,121 | 87,299 |
| Gain/(loss) from discontinued ops | - | 1,642 | - | (3,887) |
| Net income | 32,692 | 19,567 | 117,121 | 83,412 |
| Net income per fully diluted share - continuing ops | \$ 1.07 | \$ 0.67 | \$ 3.92 | \$ 3.40 |
| Gain/(loss) per fully diluted share - discontinued ops | \$ - | \$ 0.06 | \$ - | (0.15) |
| Net income per fully diluted share | \$ 1.07 | \$ 0.73 | \$ 3.92 | \$ 3.24 |
| Weighted average diluted shares outstanding | 31,241 | 26,813 | 30,170 | 25,711 |
| Shares outstanding at December 31 (b) | 29,463 | 29,821 | 29,463 | 29,821 |

(a) See page 4 for discussion of deferred compensation impact.

(b) Shares outstanding consist of 29,039 non-RSA shares and 424 RSA shares at December 31, 2016 and 29,268 non-RSA shares and 553 RSA shares at December 31, 2015.

Assets Under Management

| | December 31, | | September 30, | | % Change From | |
|------------------------------------|--------------|-----------|---------------|--------|---------------|--|
| | 2016 | 2016 | 2015 | 2016 | 2015 | |
| Equities: | | | | | | |
| Open-end Funds | \$ 13,462 | \$ 13,799 | \$ 13,811 | (2.4%) | (2.5%) | |
| Closed-end Funds | 7,150 | 7,178 | 6,492 | (0.4) | 10.1 | |
| Institutional & PWM - direct | 13,441 | 13,245 | 13,366 | 1.5 | 0.6 | |
| Institutional & PWM - sub-advisory | 3,783 | 3,542 | 3,401 | 6.8 | 11.2 | |
| SICAV | 50 | 42 | 37 | 19.0 | 35.1 | |
| Total Equities | 37,886 | 37,806 | 37,107 | 0.2 | 2.1 | |
| Fixed Income: | | | | | | |
| Money-Market Fund | 1,767 | 1,738 | 1,514 | 1.7 | 16.7 | |
| Institutional & PWM | 31 | 37 | 38 | (16.2) | (18.4) | |
| Total Fixed Income | 1,798 | 1,775 | 1,552 | 1.3 | 15.9 | |
| Total Assets Under Management | \$ 39,684 | \$ 39,581 | \$ 38,659 | 0.3 | 2.7 | |

Institutional & PWM - direct includes \$290 million, \$286 million and \$226 million of Money Market Fund AUM at December 31, 2016, September 30, 2016 and December 31, 2015, respectively.

Average AUM were \$39.3 billion for the fourth quarter of 2016 versus \$39.9 billion for the third quarter of 2016 and \$40.3 billion for the fourth quarter of 2015.

Our fourth quarter 2016 AUM increased slightly to \$39.7 from the \$39.6 billion at September 30, 2016. Market appreciation of \$1.4 billion was offset by net outflows of \$1.1 billion and distributions of \$0.2 billion.

Revenues

- Total revenues for the fourth quarter of 2016 were \$100.0 million, compared with \$90.3 million in the prior year, reflecting an increase in incentive fees of \$11.6 million, offset slightly by a decline of \$2.0 million in investment advisory fees based on a lower level of assets and a decline in distribution fees and other income.
- Investment advisory fees, excluding incentive fees, were \$73.6 million in the fourth quarter of 2016 versus \$75.0 million in the fourth quarter of 2015. Revenues from our open-end and closed-end funds tracked our average AUM in the funds and were \$47.5 million. Institutional and Private Wealth Management accounted for \$25.3 million of the revenues in 2016 versus \$25.4 million in 2015.
- Incentive fees earned were \$15.3 million and \$3.7 million during the fourth quarter ended December 31, 2016 and December 31, 2015, respectively. The majority of the increase was from the \$7.3 million earned on closed-end fund preferred shares in 2016 versus none in 2015.
- Distribution fees from our open-end equity funds and other income were \$11.1 million for the fourth quarter 2016, down from \$11.6 million in the prior year quarter.

Operating Income – Fourth Quarter – Operating margin 52.1% vs. 36.7%

Operating income, which is net of management fee expense, increased 57.1% or \$18.9 million, to \$52.0 million in the fourth quarter of 2016 versus \$33.1 million in the prior year period. An increase of \$11.6 million in incentive fees and reduced variable compensation expense of \$9.8 million were offset by lower non-incentive fee revenues of \$1.5 million. The December 2015 Restricted Stock Units (“RSU”) agreement with our Chief Investment Officer reduced variable compensation by \$14.7 million in the 2016 fourth quarter. There was \$4.2 million of incremental RSA expense in the fourth quarter of 2015 due primarily to the acceleration of certain RSAs. After adjusting for removal of these items in the 2016 and 2015 periods, operating income was \$37.3 million in both the fourth quarter of 2016 and 2015. Operating margin after these adjustments decreased to 37.4% versus 41.3% in the prior year period. See Notes to Non-GAAP measures on page 9 for further information.

Operating income before management fee was \$55.2 million in the fourth quarter 2016 versus \$36.2 million in the fourth quarter 2015. Operating margin before management fee was 55.2% versus 40.1% in the fourth quarter of 2015. After adjusting for the removal of the previously mentioned items in both the 2016 and 2015 periods, operating income before management fee was \$41.5 million in the fourth quarter of 2016 as compared to \$40.5 million in the fourth quarter of 2015 while operating margins before management fee was 41.5% vs. 44.8% in the prior year quarter. See Notes on Non-GAAP measures on page 9 for further information. Further information regarding Non-GAAP measures is provided in Notes on Non-GAAP Financial Measures and Table V included elsewhere herein.

Other expense

We recognized \$1.5 million in net other expenses in the 2016 quarter versus net other expenses of \$5.2 million in the fourth quarter of 2015, principally due to the Company’s participation in the shareholder-designated contribution program in 2015 resulting in an expense of \$6.4 million. In 2016 interest expense increased as the AC 4% PIK Note issued in November 2015 was outstanding for the entire quarter as was the 4.5% convertible note issued in August 2016, offset in part by the tender of \$78 million of the Senior Notes in December 2015. Investment income for 2016 decreased \$2.8 million to \$1.5 million in 2016 vs. \$4.3 million in 2015.

Income Taxes

The Company’s effective tax rate (“ETR”) for the quarter ended December 31, 2016 was 35.4% versus 35.9% for the quarter ended December 31, 2015. On a full year basis, the ETR for 2016 was 35.7% versus 37.2% for 2015. The decrease in the full year ETR was primarily due to the reversal of tax accruals related to the closing out of a state audit.

Deferred compensation

The GAAP-mandated treatment of the December 2015 deferred compensation agreement materially contributed to the year over year fourth quarter 2016 results. In 2016, certain variable compensation was in the form of RSUs determined by the volume-weighted average price of the Company's Class A Stock. Therefore, margins for the fourth quarter 2016 are not comparable with prior year periods. Under GAAP, only 25% of this deferred compensation expense has been recognized in the current year with the remainder amortized as expense in 2017, 2018, and 2019. Expressed another way the 2016 fourth quarter benefited from a reduction of 75% of the compensation, and each of the next three years will, in turn, be impacted by an additional 25% of the deferred compensation from 2016. The Board's decision to grant these RSUs in December 2015 and thereby defer the cash payment of certain 2016 variable compensation until January 1, 2020 was to provide GAMCO with greater financial flexibility.

On an economic basis, there was \$19.7 million of compensation subject to the deferred compensation agreement for the fourth quarter of 2016. Of this amount, only \$4.9 million was recorded under GAAP, with the remaining \$14.8 million to be expensed over the vesting period. Additionally, in accordance with the deferred compensation agreement, the liability will fluctuate with the price of the GBL stock and as such we recorded a \$1.1 million reduction to the deferred compensation liability at December 31, 2016. Absent the deferred compensation arrangement during the fourth quarter of 2016, total compensation costs would have been \$38.2 million, management fee expense was \$4.1 million, income tax expense was \$12.4 million, net income was \$23.5 million and earnings per fully diluted share was \$0.78. On a full year basis, total compensation would have been \$132.3 million, management fee expense would have been \$14.3 million, income tax expense would have been \$45.0 million, net income would have been \$83.7 million and earnings per fully diluted share would have been \$2.81.

The balance sheet is also impacted; the compensation payable at December 31, 2016 is only 25% of the full amount of the 2016 deferred compensation that will be due once the RSUs are fully vested. At December 31, 2016, the amount of unrecognized compensation, which is not reflected on our balance sheet, was \$53.5 million.

The following tables show a reconciliation of our results for the fourth quarter of 2016 and our balance sheet at December 31, 2016 between the GAAP basis and the non-GAAP adjusted basis of the deferred compensation (the RSU grant) described above. We believe this adjusted measure, which removes the impact of the deferred compensation agreement, is useful in evaluating the ongoing operating results of the Company and increases the comparability of the results with prior periods.

Deferred Compensation Table I:

| | For the three months ended December 31, 2016 | | |
|---|---|---------------------|------------------|
| | Reported | Impact of | |
| | GAAP | Deferred | Non-GAAP |
| | | Compensation | |
| Total revenues | \$ 99,950 | \$ - | \$ 99,950 |
| Compensation costs | 24,442 | 13,718 | 38,160 |
| Distribution costs | 11,403 | - | 11,403 |
| Other operating expenses | 8,932 | - | 8,932 |
| Total expenses | 44,777 | 13,718 | 58,495 |
| Operating income before management fee | 55,173 | (13,718) | 41,455 |
| Other expense, net | (1,462) | - | (1,462) |
| Income before management fee and income taxes | 53,711 | (13,718) | 39,993 |
| Management fee expense | 3,142 | 856 | 3,998 |
| Income before income taxes | 50,569 | (14,574) | 35,995 |
| Income tax expense | 17,877 | (5,465) | 12,412 |
| Net income attributable to GAMCO Investors, Inc. | <u>\$ 32,692</u> | <u>\$ (9,109)</u> | <u>\$ 23,583</u> |
| Net income per share attributable to GAMCO Investors, Inc.: | | | |
| Basic | <u>\$ 1.12</u> | <u>\$ (0.31)</u> | <u>\$ 0.81</u> |
| Diluted | <u>\$ 1.07</u> | <u>\$ (0.27)</u> | <u>\$ 0.78</u> |

Deferred Compensation Table II:

| | For the year ended December 31, 2016 | | |
|---|---|---------------------|------------------|
| | Reported | Impact of | |
| | GAAP | Deferred | Non-GAAP |
| | | Compensation | |
| Total revenues | \$ 353,000 | \$ - | \$ 353,000 |
| Compensation costs | 86,572 | 45,734 | 132,306 |
| Distribution costs | 44,189 | - | 44,189 |
| Other operating expenses | 23,925 | - | 23,925 |
| Total expenses | 154,686 | 45,734 | 200,420 |
| Operating income before management fee | 198,314 | (45,734) | 152,580 |
| Other expense, net | (9,569) | - | (9,569) |
| Income before management fee and income taxes | 188,745 | (45,734) | 143,011 |
| Management fee expense | 6,518 | 7,782 | 14,300 |
| Income before income taxes | 182,227 | (53,516) | 128,711 |
| Income tax expense | 65,106 | (20,069) | 45,037 |
| Net income attributable to GAMCO Investors, Inc. | <u>\$ 117,121</u> | <u>\$ (33,447)</u> | <u>\$ 83,674</u> |
| Net income per share attributable to GAMCO Investors, Inc.: | | | |
| Basic | <u>\$ 4.01</u> | <u>\$ (1.15)</u> | <u>\$ 2.87</u> |
| Diluted | <u>\$ 3.92</u> | <u>\$ (1.07)</u> | <u>\$ 2.81</u> |

Deferred Compensation Table III:

| | December 31, 2016 | | |
|---|-------------------|---------------------------------------|-------------------|
| | Reported GAAP | Impact of Deferred Compensation | Non-GAAP |
| ASSETS | | | |
| Other assets | \$ 139,880 | \$ - | \$ 139,880 |
| Income tax receivable | 9,349 | 20,069 | 29,418 |
| Total assets | <u>\$ 149,229</u> | <u>\$ 20,069</u> | <u>\$ 169,298</u> |
| LIABILITIES AND EQUITY | | | |
| Compensation payable | \$ 42,384 | \$ 53,516 | \$ 95,900 |
| Accrued expenses and other liabilities | 39,537 | - | 39,537 |
| Sub-total | 81,921 | 53,516 | 135,437 |
| 5.875% Senior notes (due June 1, 2021) | 24,120 | - | 24,120 |
| 4.5% Convertible note (due August 15, 2021) | 109,835 | - | 109,835 |
| 4% PIK note (due November 30, 2020) | 100,000 | - | 100,000 |
| Total debt | \$ 233,955 | - | \$ 233,955 |
| Total liabilities | 315,876 | 53,516 | 369,392 |
| GAMCO Investors, Inc.'s stockholders' deficit | (166,647) | (33,447) | (200,094) |
| Total liabilities and equity | <u>\$ 149,229</u> | <u>\$ 20,069</u> | <u>\$ 169,298</u> |

The following table further illustrates the effect that the GAAP accounting for the compensation deferral will have on our results for 2017 through 2019. Please see the note regarding forward-looking information on page 15 of this release.

Effect of recording RSU on a GAAP basis:

| | 2016 | 2017 | 2018 | 2019 |
|-------------|----------|--------|--------|--------|
| RSU expense | (53,516) | 17,839 | 17,839 | 17,839 |

On December 23, 2016, it was announced that the Company and Mr. Gabelli agreed to enter into a new deferred compensation agreement for the period of January 1, 2017 to June 30, 2017. Mr. Gabelli's compensation for that period will be in the form of an RSU and will vest on July 1, 2018. For GAAP accounting purposes, the compensation earned from January 1, 2017 to June 30, 2017 will be expensed ratably from January 1, 2017 to June 30, 2018.

Business and Investment Highlights

- On December 1, 2016, the Company launched Gabelli Media Mogul (NYSE: MOGLC), its first in a series of actively managed, non-transparent exchange traded managed funds ("ETMFs"). Gabelli

Media Mogul will invest primarily in the media industry; specifically in companies that were spun-off from Dr. John Malone's Liberty Media Corporation ("Liberty Media") as constituted in 2001, including companies formed through subsequent mergers of those spin-offs and companies in which Liberty Media and its successors have invested.

- On October 4, 2016, the Company announced that Katrina O'Leary joined GAMCO's institutional team as Vice President, head of Consultant Relations. Ms. O'Leary will launch a dedicated effort to develop the firm's relationships with the global consulting community. The role underscores GAMCO's commitment to delivering superior risk adjusted returns and providing best in class client service in a rapidly changing investment environment.
- On August 15, 2016, the Company issued a \$110 million five year convertible note to Cascade Investment, L.L.C. in a private transaction. The note has a coupon of 4.5% and is convertible into GBL Class A common stock at \$55 per share.
- On September 2, 2016, GAMCO completed the initial public offering of The Gabelli Go Anywhere Trust, the Company's 15th closed-end fund. This newly organized closed-end fund initially traded on the NYSE MKT as a \$100 combination consisting of one preferred share at \$40 and three common shares at \$19 each under the symbol GGO.C. This innovative offering demonstrates the flexibility of the closed-end fund structure. Separate trading on the NYSE MKT for the common shares ("GGO") and the Series A Preferred shares ("GGO.A") commenced on November 2, 2016.
- 2016 was the first full year of advising the Bancroft and Ellsworth Growth and Income Funds. The Dinsmore team now manages over \$350 million in AUM across three closed-end funds.
- Net debt improved from \$262.4 million at December 31, 2015 to \$156.9 million at December 31, 2016.

Balance Sheet

We ended the quarter with cash and investments of \$77.1 million and debt of \$234.0 million. 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 December 31, 2016, we returned \$2.4 million of our earnings to shareholders through stock repurchases. We repurchased 81,841 shares at an average price of \$29.18 per share for a total investment of \$2.4 million. Since our IPO, in February 1999, we have returned \$1.9 billion in total to shareholders comprised of \$1.0 billion of spin-offs, \$488.6 million in the form of dividends and \$438.8 million through stock buybacks of 9,901,340 shares.

On February 7, 2017, GAMCO's Board of Directors declared a regular quarterly dividend of \$0.02 per share payable on March 28, 2017 to its Class A and Class B shareholders of record on March 14, 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 V.
- 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.

| | 4th Quarter | | Full Year | |
|--|-------------|-----------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| Operating income before management fee | \$ 55,173 | \$ 36,220 | \$ 198,314 | \$ 163,452 |
| Adjustments: | | | | |
| Add back: Incremental RSA expense | - | 4,244 | - | 5,910 |
| Costs to launch Closed-end fund | - | - | 638 | 1,000 |
| Deduct: Variable compensation reduction from RSU | (13,718) | - | (45,734) | - |
| Adjusted operating income before management fee | 41,455 | 40,464 | 153,218 | 170,362 |
| Adjusted operating margin before management fee | 41.5% | 44.8% | 43.4% | 44.7% |

| | 4th Quarter | | Full Year | |
|--|-------------|-----------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| Operating income | \$ 52,031 | \$ 33,102 | \$ 191,796 | \$ 147,949 |
| Adjustments: | | | | |
| Add back: Incremental RSA expense | - | 4,244 | - | 5,910 |
| Costs to launch Closed-end fund | - | - | 638 | 1,000 |
| Deduct: Variable compensation reduction from RSU | (14,686) | - | (53,628) | - |
| Adjusted operating income | 37,345 | 37,346 | 138,806 | 154,859 |
| Adjusted operating margin | 37.4% | 41.3% | 39.3% | 40.6% |

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

Table I: Fund Flows - 4th Quarter 2016

| | September 30, 2016 | Market appreciation/ (depreciation) | Net cash flows | Fund distributions, net of reinvestments | December 31, 2016 |
|--------------------------------------|-------------------------------|--|---------------------------|---|------------------------------|
| Equities: | | | | | |
| Open-end Funds | \$ 13,799 | \$ 280 | \$ (568) | \$ (49) | \$ 13,462 |
| Closed-end Funds | 7,178 | 94 | 8 | (130) | 7,150 |
| Institutional & PWM - direct | 13,245 | 742 | (546) | - | 13,441 |
| Institutional & PWM - sub-advisory | 3,542 | 294 | (53) | - | 3,783 |
| SICAV | 42 | 1 | 7 | - | 50 |
| Total Equities | 37,806 | 1,411 | (1,152) | (179) | 37,886 |
| Fixed Income: | | | | | |
| Money-Market Fund | 1,738 | 1 | 28 | - | 1,767 |
| Institutional & PWM | 37 | - | (6) | - | 31 |
| Total Fixed Income | 1,775 | 1 | 22 | - | 1,798 |
| Total Assets Under Management | \$ 39,581 | \$ 1,412 | \$ (1,130) | \$ (179) | \$ 39,684 |

Table II: Fund Flows - Full Year 2016

| | December 31, 2015 | Market appreciation/ (depreciation) | Net cash flows | Fund distributions, net of reinvestments | December 31, 2016 |
|--------------------------------------|------------------------------|--|---------------------------|---|------------------------------|
| Equities: | | | | | |
| Open-end Funds | \$ 13,811 | \$ 1,483 | \$ (1,737) | \$ (95) | \$ 13,462 |
| Closed-end Funds | 6,492 | 713 | 445 | (500) | 7,150 |
| Institutional & PWM - direct | 13,366 | 1,646 | (1,571) | - | 13,441 |
| Institutional & PWM - sub-advisory | 3,401 | 608 | (226) | - | 3,783 |
| SICAV | 37 | 5 | 8 | - | 50 |
| Total Equities | 37,107 | 4,455 | (3,081) | (595) | 37,886 |
| Fixed Income: | | | | | |
| Money-Market Fund | 1,514 | 4 | 249 | - | 1,767 |
| Institutional & PWM | 38 | - | (7) | - | 31 |
| Total Fixed Income | 1,552 | 4 | 242 | - | 1,798 |
| Total Assets Under Management | \$ 38,659 | \$ 4,459 | \$ (2,839) | \$ (595) | \$ 39,684 |

Table III

| GAMCO INVESTORS, INC. | | |
|--|------------------------------|------------------|
| UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME | | |
| (Dollars in thousands, except per share data) | | |
| | For the Quarter Ended | |
| | December 31, | |
| | 2016 | 2015 |
| Investment advisory and incentive fees | \$ 88,865 | \$ 78,696 |
| Distribution fees and other income | 11,085 | 11,621 |
| Total revenues | <u>99,950</u> | <u>90,317</u> |
| Compensation costs | 24,442 | 37,195 |
| Distribution costs | 11,403 | 11,897 |
| Other operating expenses | 8,932 | 5,005 |
| Total expenses | <u>44,777</u> | <u>54,097</u> |
| Operating income before management fee | 55,173 | 36,220 |
| Investment income | 1,483 | 4,304 |
| Interest expense | (2,945) | (3,061) |
| Shareholder-designated contribution | - | (6,396) |
| Other expense, net | <u>(1,462)</u> | <u>(5,153)</u> |
| Income before management fee and income taxes | 53,711 | 31,067 |
| Management fee expense | 3,142 | 3,118 |
| Income before income taxes | 50,569 | 27,949 |
| Income tax expense | 17,877 | 10,024 |
| Income from continuing operations | 32,692 | 17,925 |
| Gain from discontinued operations, net of taxes | - | 1,642 |
| Net income attributable to GAMCO Investors, Inc. | <u>\$ 32,692</u> | <u>\$ 19,567</u> |
| Net income per share attributable to GAMCO Investors, Inc.: | | |
| Basic - Continuing operations | \$ 1.12 | \$ 0.68 |
| Basic - Discontinued operations | - | 0.06 |
| Basic - Total | <u>\$ 1.12</u> | <u>\$ 0.74</u> |
| Diluted - Continuing operations | \$ 1.07 | \$ 0.67 |
| Diluted - Discontinued operations | - | 0.06 |
| Diluted - Total | <u>\$ 1.07</u> | <u>\$ 0.73</u> |
| Weighted average shares outstanding: | | |
| Basic | <u>29,062</u> | <u>26,547</u> |
| Diluted | <u>31,241</u> | <u>26,813</u> |
| Actual shares outstanding (a) | <u>29,463</u> | <u>29,821</u> |

Notes:

(a) Includes 424,340 and 553,100 of RSAs, respectively.
See GAAP to non-GAAP reconciliation on page 13.

Table IV

| GAMCO INVESTORS, INC. | | |
|--|---------------------------|------------------|
| UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME | | |
| (Dollars in thousands, except per share data) | | |
| | For the Year Ended | |
| | December 31, | |
| | 2016 | 2015 |
| Investment advisory and incentive fees | \$ 308,459 | \$ 329,965 |
| Distribution fees and other income | 44,541 | 51,011 |
| Total revenues | <u>353,000</u> | <u>380,976</u> |
| Compensation costs | 86,572 | 146,371 |
| Distribution costs | 44,189 | 51,990 |
| Other operating expenses | 23,925 | 19,163 |
| Total expenses | <u>154,686</u> | <u>217,524</u> |
| Operating income before management fee | 198,314 | 163,452 |
| Investment income | 3,105 | 6,108 |
| Interest expense | (12,674) | (8,636) |
| Shareholder-designated contribution | - | (6,396) |
| Other expense, net | <u>(9,569)</u> | <u>(8,924)</u> |
| Income before management fee and income taxes | 188,745 | 154,528 |
| Management fee expense | 6,518 | 15,503 |
| Income before income taxes | 182,227 | 139,025 |
| Income tax expense | 65,106 | 51,726 |
| Income from continuing operations | 117,121 | 87,299 |
| Loss from discontinued operations, net of taxes | - | (3,887) |
| Net income attributable to GAMCO Investors, Inc. | <u>\$ 117,121</u> | <u>\$ 83,412</u> |
| Net income/(loss) per share attributable to GAMCO Investors, Inc.: | | |
| Basic - Continuing operations | \$ 4.01 | \$ 3.43 |
| Basic - Discontinued operations | - | (0.15) |
| Basic - Total | <u>\$ 4.01</u> | <u>\$ 3.28</u> |
| Diluted - Continuing operations | \$ 3.92 | \$ 3.40 |
| Diluted - Discontinued operations | - | (0.15) |
| Diluted - Total | <u>\$ 3.92</u> | <u>\$ 3.24</u> |
| Weighted average shares outstanding: | | |
| Basic | <u>29,182</u> | <u>25,425</u> |
| Diluted | <u>30,170</u> | <u>25,711</u> |
| Actual shares outstanding (a) | <u>29,463</u> | <u>29,821</u> |

Notes:

(a) Includes 424,340 and 553,100 of RSAs, respectively.
See GAAP to non-GAAP reconciliation on page 13.

Table V

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

| | 2016 | | | | 2015 | | | | | |
|---|----------------|----------------|----------------|----------------|-----------|----------------|----------------|----------------|----------------|-----------|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Full Year | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Full Year |
| Income Statement Data: | | | | | | | | | | |
| Revenues | \$ 81,385 | \$ 83,944 | \$ 87,721 | \$ 99,950 | \$353,000 | \$ 99,806 | \$ 98,693 | \$ 92,160 | \$ 90,317 | \$380,976 |
| Expenses | 35,363 | 36,064 | 38,482 | 44,777 | 154,686 | 57,081 | 55,518 | 50,828 | 54,097 | 217,524 |
| Operating income before management fee | 46,022 | 47,880 | 49,239 | 55,173 | 198,314 | 42,725 | 43,175 | 41,332 | 36,220 | 163,452 |
| Investment income | 591 | 605 | 426 | 1,483 | 3,105 | 541 | 638 | 625 | 4,304 | 6,108 |
| Interest expense | (3,406) | (3,168) | (3,155) | (2,945) | (12,674) | (1,905) | (1,855) | (1,815) | (3,061) | (8,636) |
| Shareholder-designated contribution | - | - | - | - | - | - | - | - | (6,396) | (6,396) |
| Other expense, net | (2,815) | (2,563) | (2,729) | (1,462) | (9,569) | (1,364) | (1,217) | (1,190) | (5,153) | (8,924) |
| Income before management fee and income taxes | 43,207 | 45,317 | 46,510 | 53,711 | 188,745 | 41,361 | 41,958 | 40,142 | 31,067 | 154,528 |
| Management fee expense | 1,080 | 1,133 | 1,163 | 3,142 | 6,518 | 4,135 | 4,194 | 4,056 | 3,118 | 15,503 |
| Income before income taxes | 42,127 | 44,184 | 45,347 | 50,569 | 182,227 | 37,226 | 37,764 | 36,086 | 27,949 | 139,025 |
| Income tax expense | 16,102 | 16,641 | 14,486 | 17,877 | 65,106 | 14,078 | 13,989 | 13,635 | 10,024 | 51,726 |
| Income from continuing operations | 26,025 | 27,543 | 30,861 | 32,692 | 117,121 | 23,148 | 23,775 | 22,451 | 17,925 | 87,299 |
| Income/(loss) from discontinued operations, net of taxes | - | - | - | - | - | 1,628 | 326 | (7,483) | 1,642 | (3,887) |
| Net income attributable to GAMCO Investors, Inc. | \$ 26,025 | \$ 27,543 | \$ 30,861 | \$ 32,692 | \$117,121 | \$ 24,776 | \$ 24,101 | \$ 14,968 | \$ 19,567 | \$ 83,412 |
| Net income per share attributable to GAMCO Investors, Inc.: | | | | | | | | | | |
| Basic - Continuing operations | \$ 0.89 | \$ 0.94 | \$ 1.06 | \$ 1.12 | \$ 4.01 | \$ 0.92 | \$ 0.95 | \$ 0.90 | \$ 0.68 | \$ 3.43 |
| Basic - Discontinued operations | - | - | - | - | - | 0.07 | 0.01 | (0.30) | 0.06 | (0.15) |
| Basic - Total | \$ 0.89 | \$ 0.94 | \$ 1.06 | \$ 1.12 | \$ 4.01 | \$ 0.99 | \$ 0.96 | \$ 0.60 | \$ 0.74 | \$ 3.28 |
| Diluted - Continuing operations | \$ 0.88 | \$ 0.93 | \$ 1.03 | \$ 1.07 | \$ 3.92 | \$ 0.91 | \$ 0.94 | \$ 0.89 | \$ 0.67 | \$ 3.40 |
| Diluted - Discontinued operations | - | - | - | - | - | 0.06 | 0.01 | (0.30) | 0.06 | (0.15) |
| Diluted - Total | \$ 0.88 | \$ 0.93 | \$ 1.03 | \$ 1.07 | \$ 3.92 | \$ 0.97 | \$ 0.95 | \$ 0.59 | \$ 0.73 | \$ 3.24 |
| Weighted average shares outstanding: | | | | | | | | | | |
| Basic | 29,247 | 29,234 | 29,185 | 29,062 | 29,182 | 25,132 | 25,065 | 24,947 | 26,547 | 25,425 |
| Diluted | 29,684 | 29,522 | 30,406 | 31,241 | 30,170 | 25,414 | 25,358 | 25,241 | 26,813 | 25,711 |
| Reconciliation of non-GAAP financial measures to GAAP: | | | | | | | | | | |
| Operating income before management fee | 46,022 | 47,880 | 49,239 | 55,173 | 198,314 | 42,725 | 43,175 | 41,332 | 36,220 | 163,452 |
| Deduct: management fee expense | 1,080 | 1,133 | 1,163 | 3,142 | 6,518 | 4,135 | 4,194 | 4,056 | 3,118 | 15,503 |
| Operating income | \$ 44,942 | \$ 46,747 | \$ 48,076 | \$ 52,031 | \$191,796 | \$ 38,590 | \$ 38,981 | \$ 37,276 | \$ 33,102 | \$147,949 |
| Operating margin before management fee | 56.5% | 57.0% | 56.1% | 55.2% | 56.2% | 42.8% | 43.7% | 44.8% | 40.1% | 42.9% |
| Operating margin after management fee | 55.2% | 55.7% | 54.8% | 52.1% | 54.3% | 38.7% | 39.5% | 40.4% | 36.7% | 38.8% |

Table VI

| GAMCO INVESTORS, INC. | | |
|---|---------------------|---------------------|
| UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION | | |
| (Dollars in thousands, except per share data) | | |
| | December 31, | December 31, |
| | 2016 | 2015 |
| ASSETS | | |
| Cash and cash equivalents | \$ 39,812 | \$ 13,719 |
| Investments | 37,285 | 32,979 |
| Receivable from brokers | 453 | 1,091 |
| Other receivables | 50,756 | 37,252 |
| Income tax receivable | 9,349 | 6,787 |
| Other assets | 11,574 | 12,071 |
| Total assets | \$ 149,229 | \$ 103,899 |
| LIABILITIES AND EQUITY | | |
| Payable to brokers | \$ 66 | \$ 12 |
| Income taxes payable and deferred tax liabilities | 3,815 | 4,823 |
| Compensation payable | 42,384 | 24,426 |
| Securities sold short, not yet purchased | - | 129 |
| Accrued expenses and other liabilities | 35,656 | 41,739 |
| Sub-total | 81,921 | 71,129 |
| 5.875% Senior notes (due June 1, 2021) | 24,120 | 24,097 |
| 4.5% Convertible note (due August 15, 2021) | 109,835 | - |
| 4% PIK note (due November 30, 2020) | 100,000 | 250,000 |
| Loan from GGCP (due December 28, 2016) | - | 35,000 |
| Total debt | 233,955 | 309,097 |
| Total liabilities | 315,876 | 380,226 |
| GAMCO Investors, Inc.'s stockholders' deficit | (166,647) | (276,327) |
| Total deficit | (166,647) | (276,327) |
| Total liabilities and equity | \$ 149,229 | \$ 103,899 |

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.