

# Cohen & Steers: Q4 and Full Year 2018 Earnings Presentation

COHEN & STEERS

# Summary of Fourth Quarter and Full Year 2018 Results

## 4<sup>th</sup> Quarter 2018

## Full Year 2018

### Assets Under Management

- December 31, 2018 AUM was \$54.8 billion versus \$60.1 billion at September 30, 2018
- Average AUM was \$57.6 billion for Q4 2018 versus \$60.4 billion for Q3 2018
- December 31, 2018 AUM was \$54.8 billion versus \$62.1 billion at December 31, 2017
- Average AUM was \$59.0 billion in FY 2018 versus \$60.3 billion in FY 2017

### Flows

- Net outflows of \$1.2 billion in Q4 2018 versus net outflows of \$76 million in Q3 2018
- Net inflows in advisory
- Net outflows in subadvisory ex. Japan, Japan subadvisory and open-end funds
- Net outflows of \$1.2 billion in FY 2018 versus net inflows of \$3.9 billion in FY 2017
- Overall, 1.9% organic decay rate in FY 2018 versus 6.7% organic growth rate in FY 2017

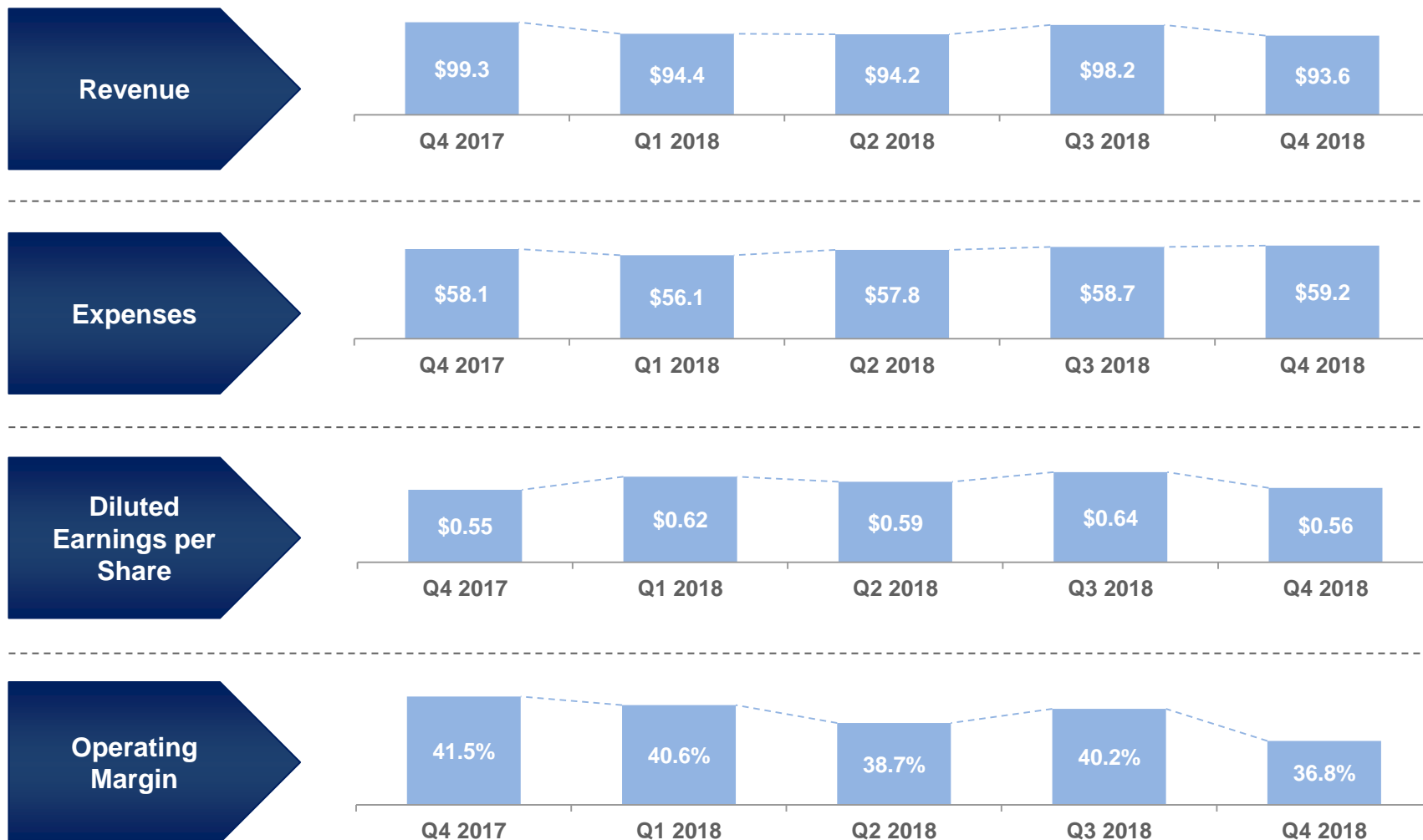
### Financial Results, as adjusted

- Net income was \$26.7 million in Q4 2018 versus \$30.3 million in Q3 2018
- Diluted EPS of \$0.56 in Q4 2018 versus \$0.64 in Q3 2018
- Operating margin was 36.8% in Q4 2018 versus 40.2% in Q3 2018
- Net income was \$113.8 million in FY 2018 versus \$97.0 million in FY 2017
- Diluted EPS of \$2.40 in FY 2018 versus \$2.07 in FY 2017
- Operating margin was 39.1% in FY 2018 versus 40.9% in FY 2017

Please see pages 16-17 of this presentation for a reconciliation of the as adjusted financial measures to their most directly comparable U.S. GAAP financial measures.

# Financial Results, as adjusted

\$ in millions, except earnings per share and percentages

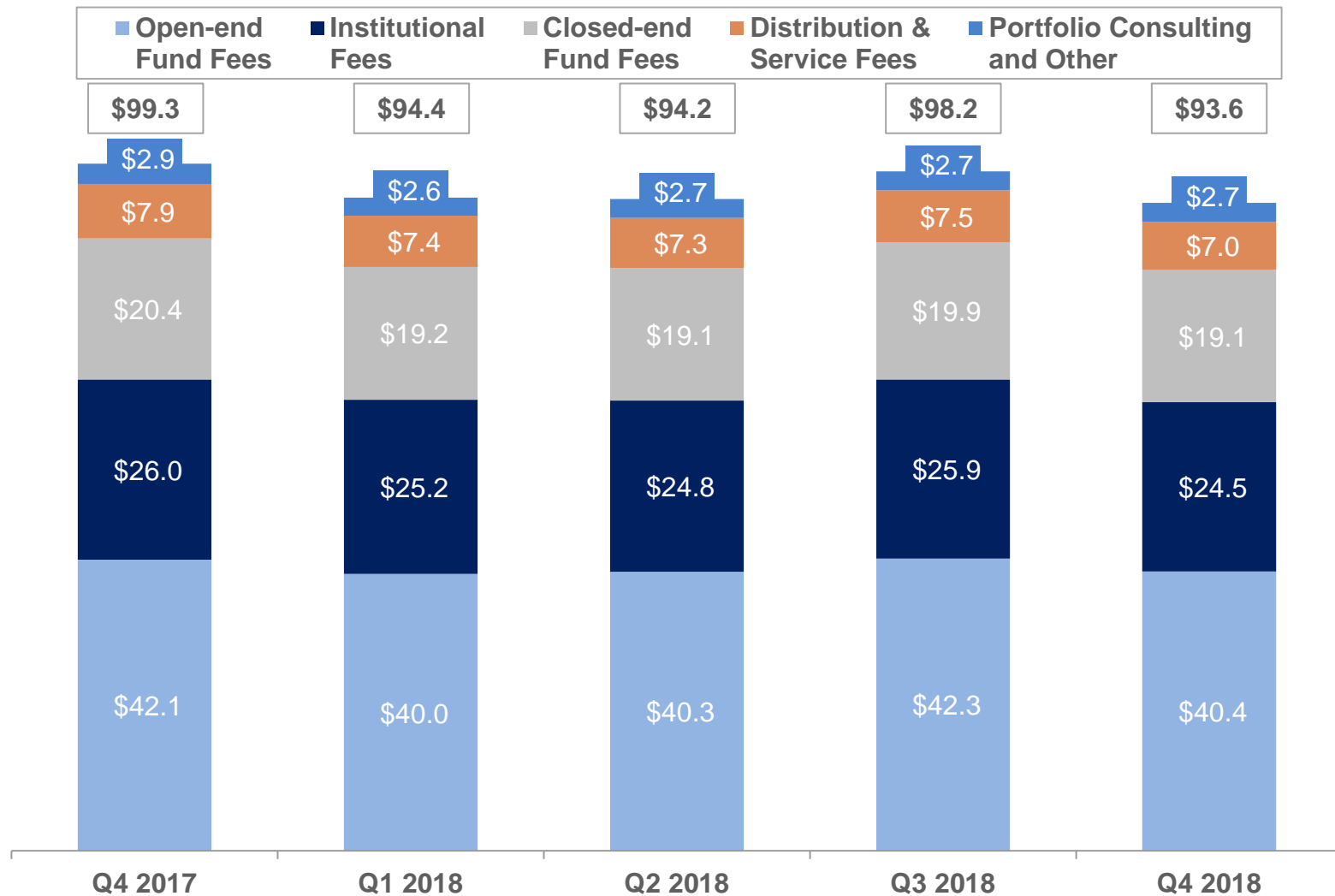


The presentation of 2017 amounts has been recast to reflect the Company's adoption of the new revenue recognition accounting standard on January 1, 2018.

Please see pages 16-17 of this presentation for a reconciliation of the as adjusted financial measures to their most directly comparable U.S. GAAP financial measures.

# Revenue, as adjusted

\$ in millions



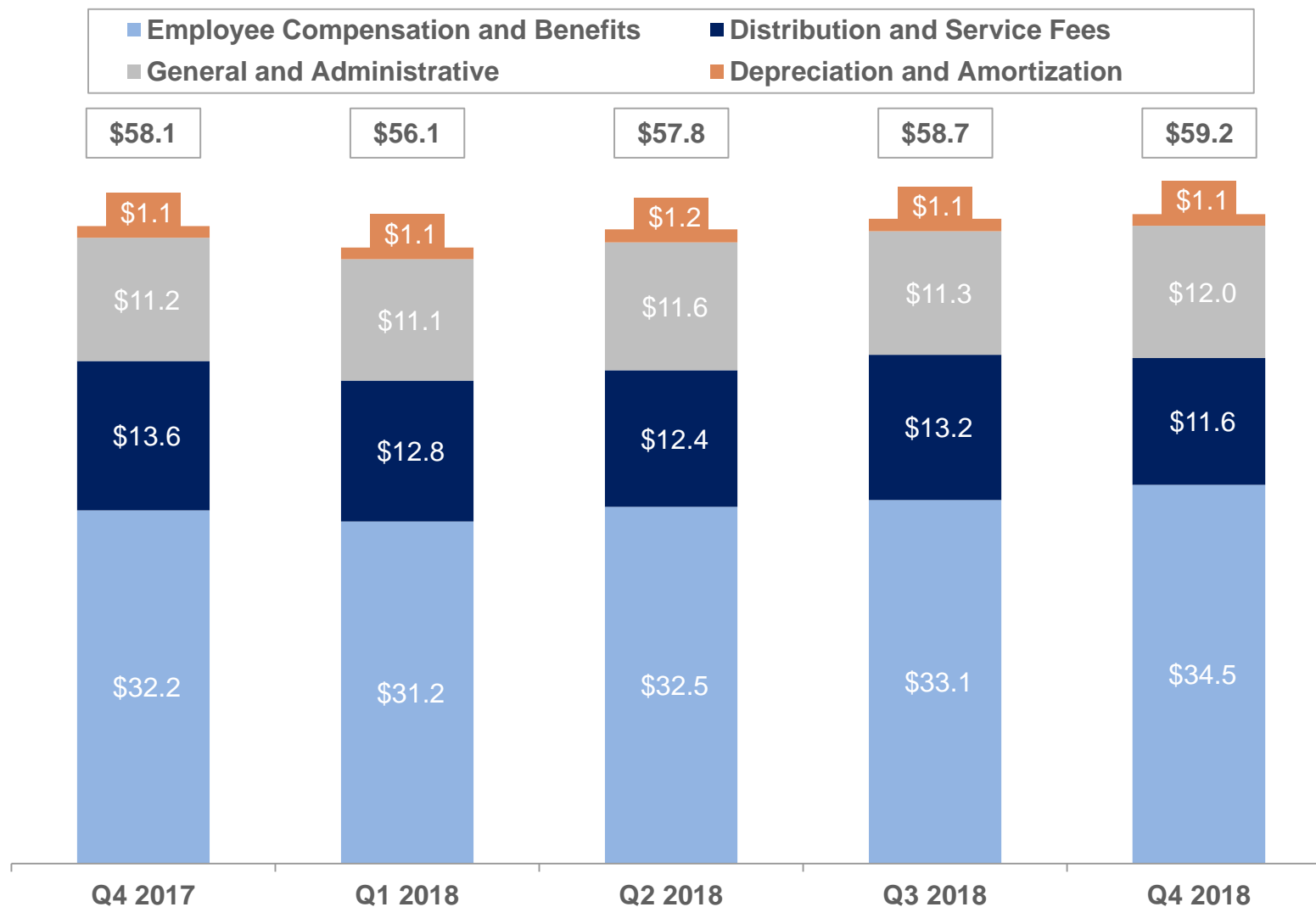
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<sup>4</sup> Totals may not foot due to rounding.

# Expenses, as adjusted

\$ in millions



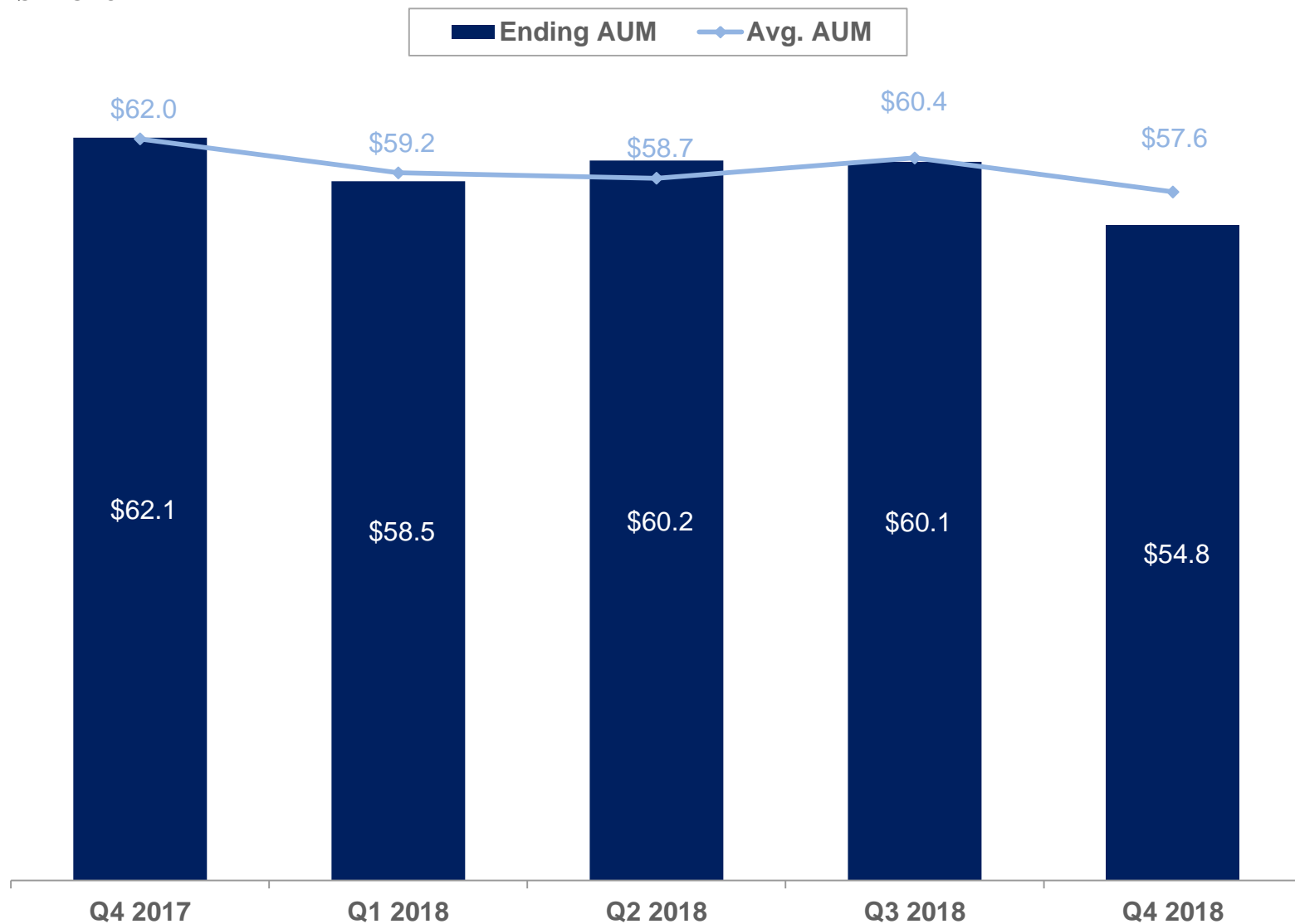
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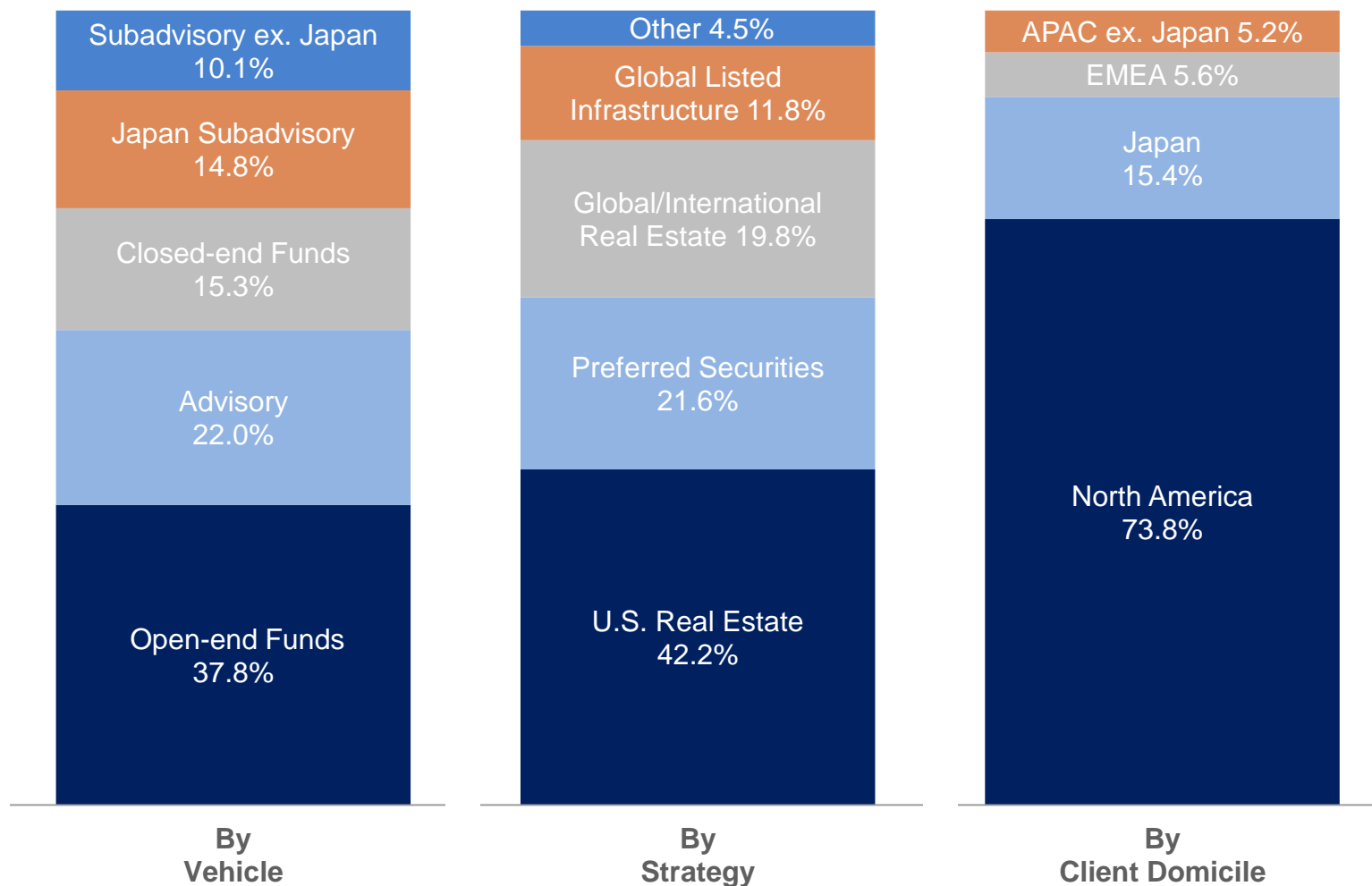
# Assets Under Management

\$ in billions



# Assets Under Management

Across Vehicle, Strategy, and Client Domicile

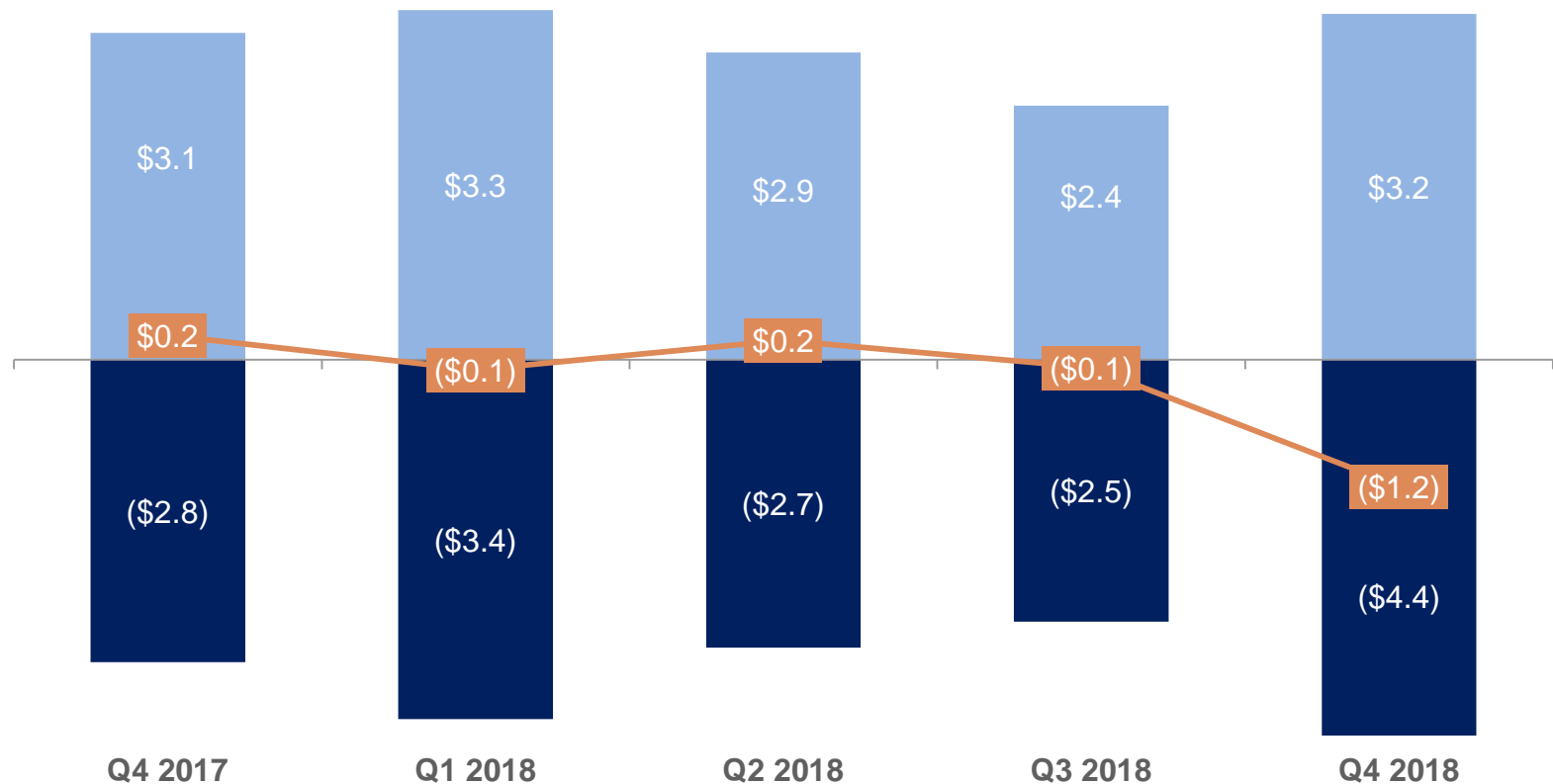


# Total Firm Net Flows

\$ in billions



Organic Growth/  
(Decay)



8 Totals may not foot due to rounding.

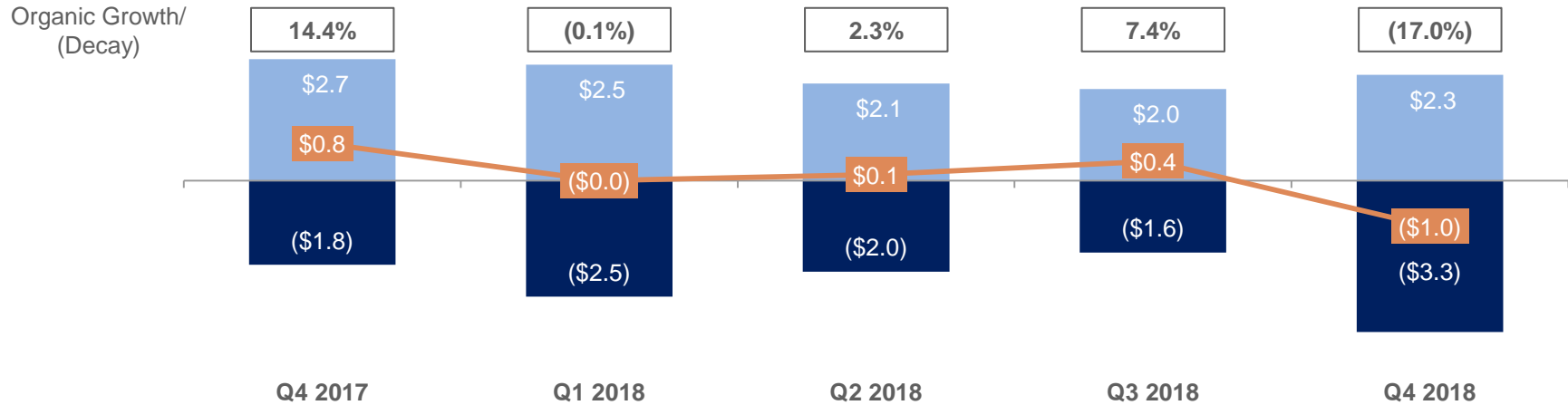


# Net Flows by Investment Vehicle

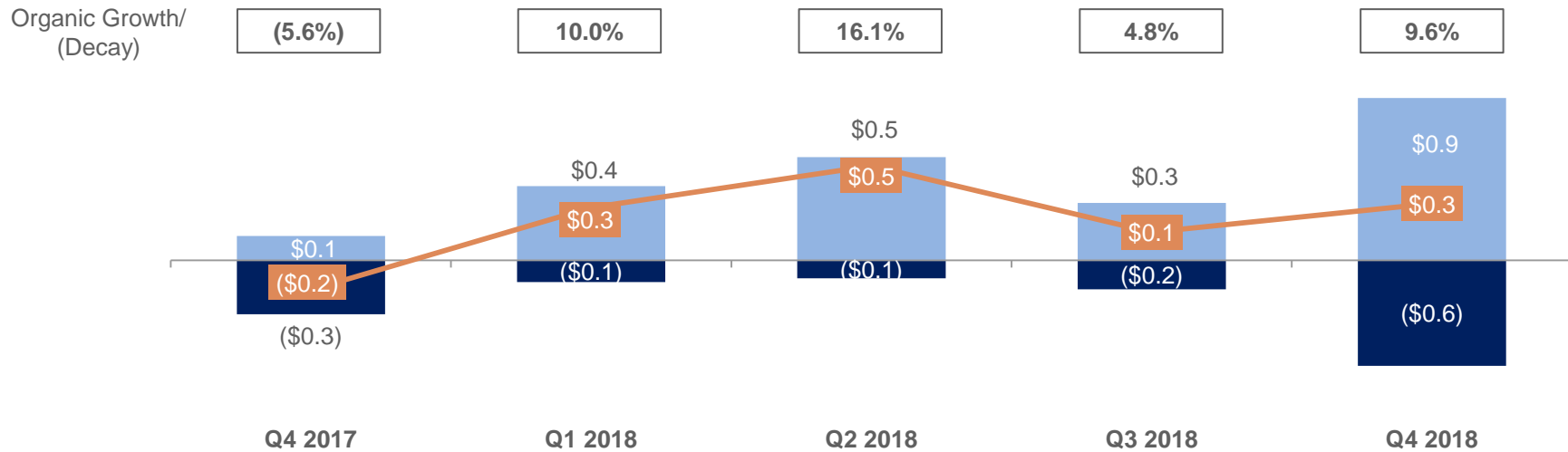
\$ in billions



## Open-end Funds



## Advisory



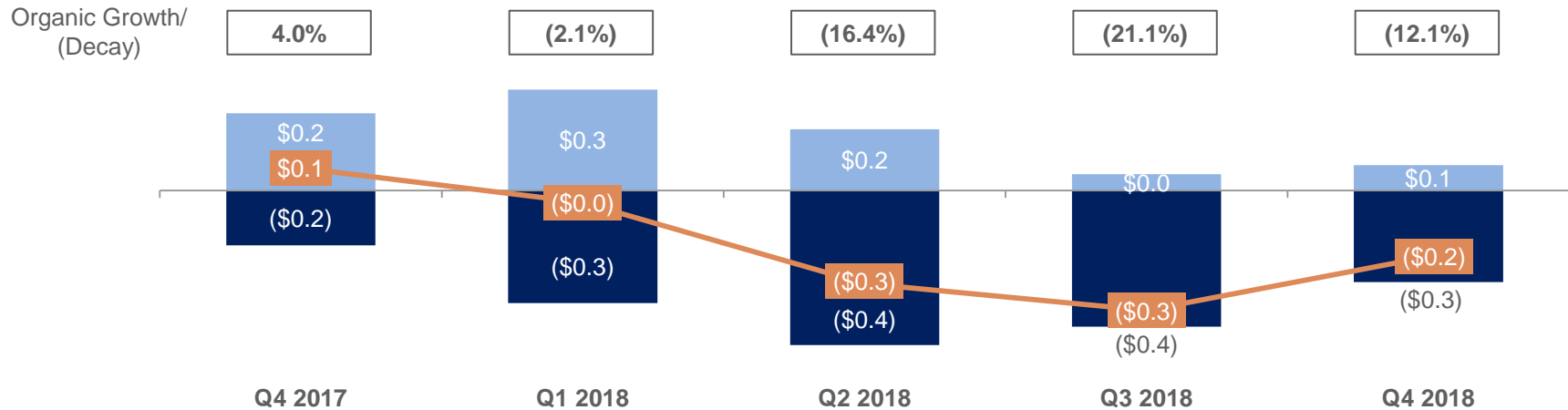
9 Totals may not foot due to rounding.

# Net Flows by Investment Vehicle

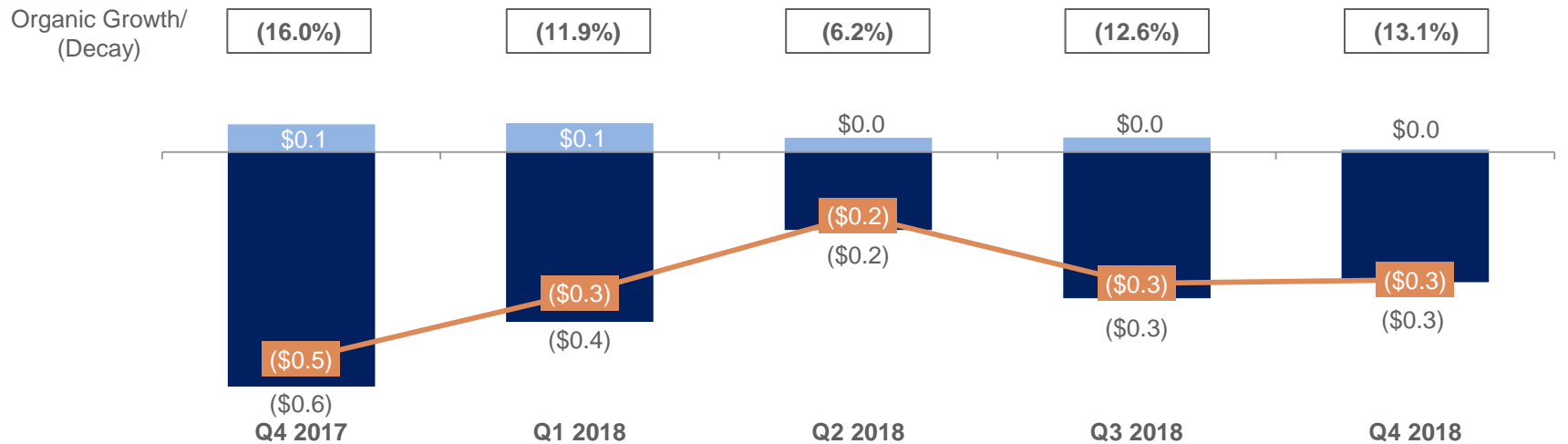
\$ in billions



## Subadvisory ex. Japan



## Japan Subadvisory



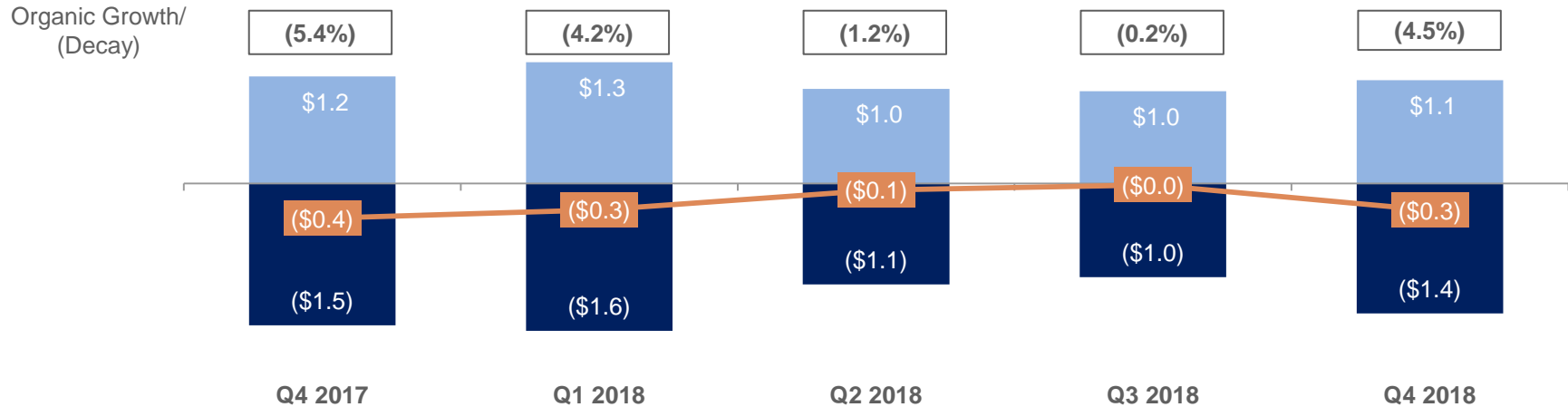
10 Totals may not foot due to rounding.

# Net Flows by Investment Strategy

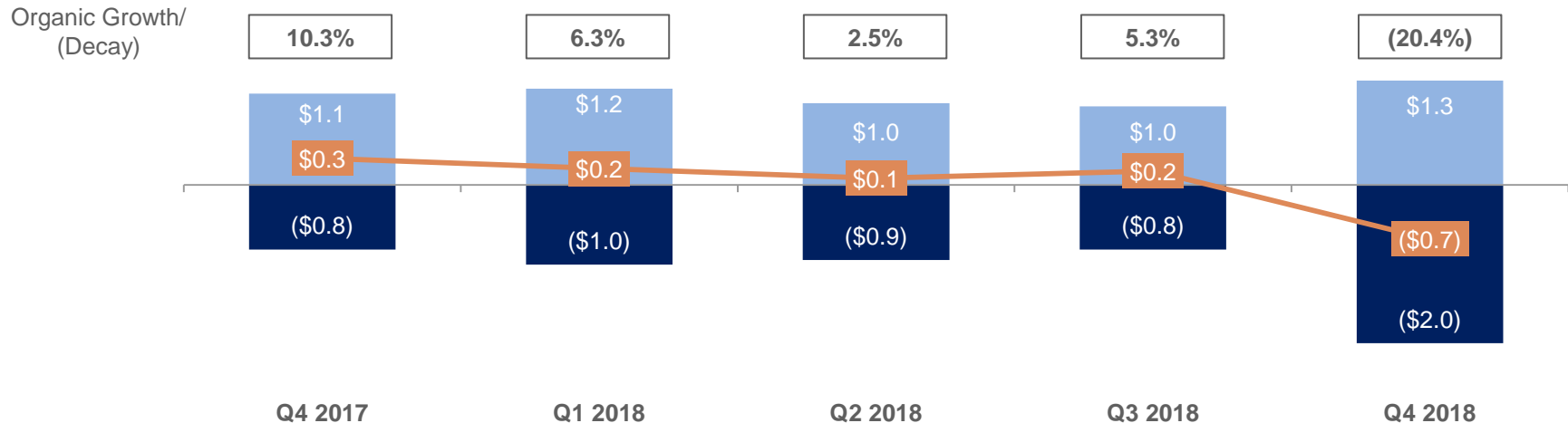
\$ in billions



## U.S. Real Estate



## Preferred Securities



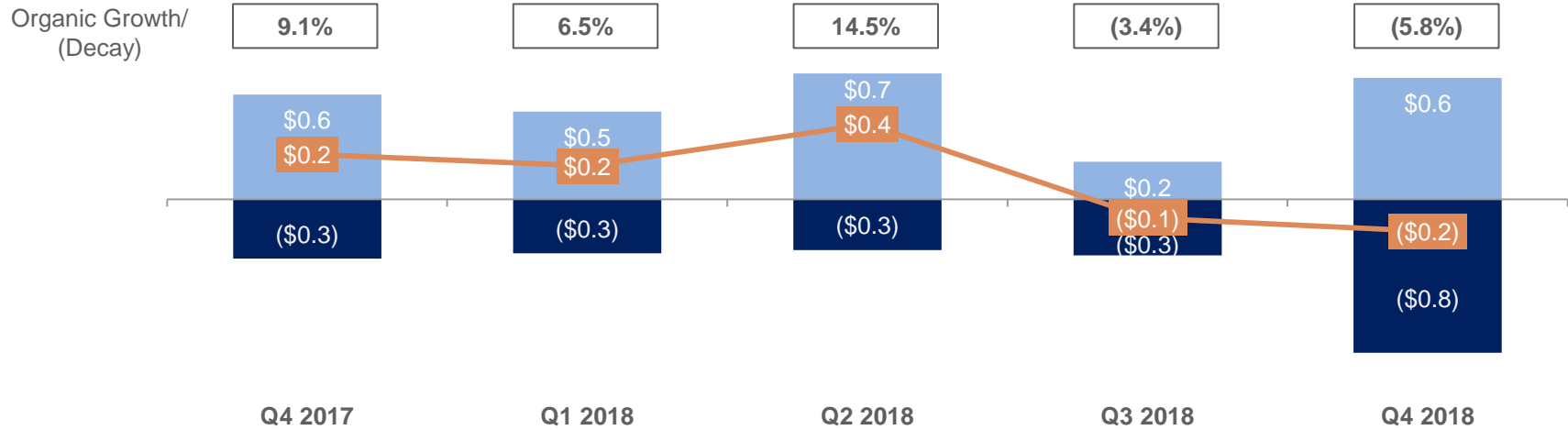
11 Totals may not foot due to rounding.

# Net Flows by Investment Strategy

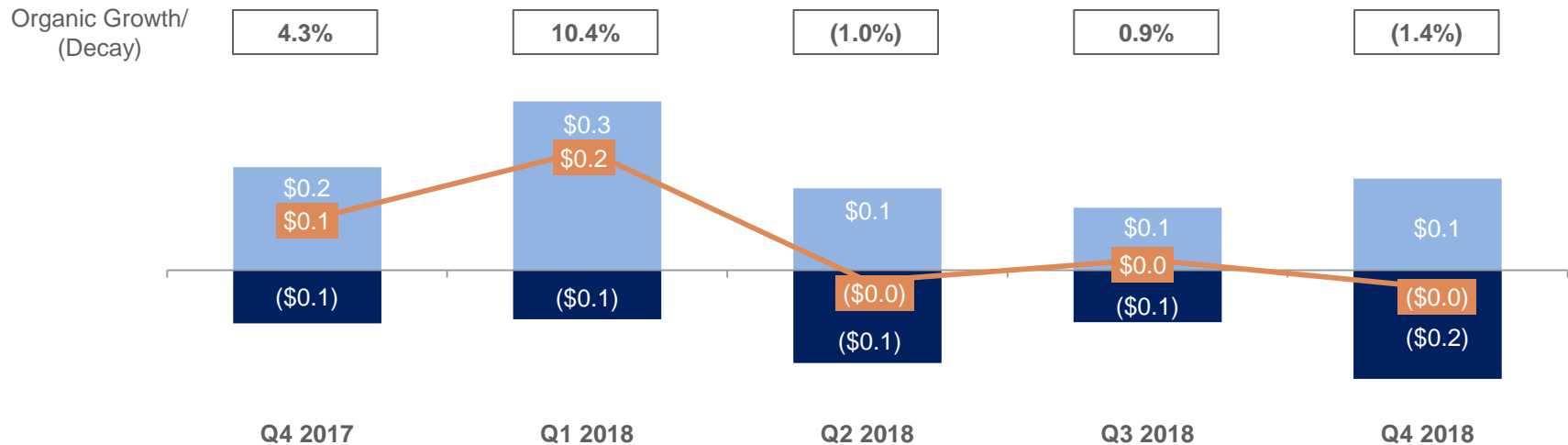
\$ in billions



## Global/International Real Estate



## Global Listed Infrastructure

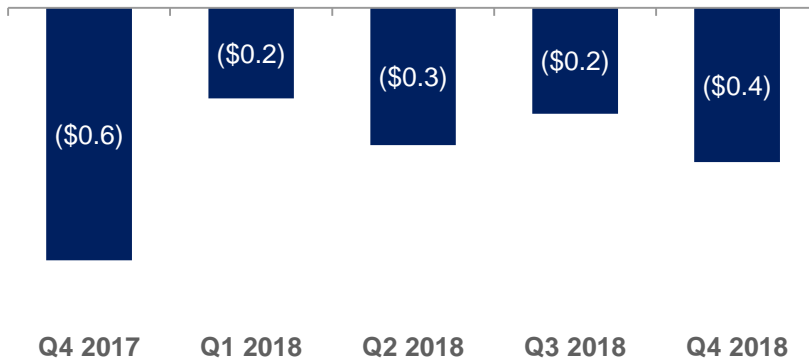


12 Totals may not foot due to rounding.

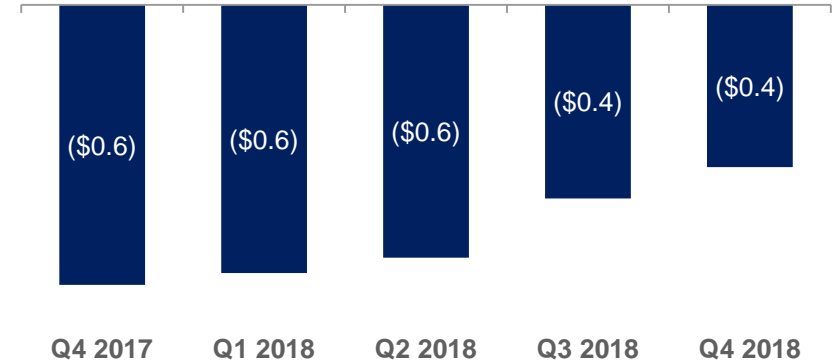
# Distributions by Investment Vehicle

\$ in billions

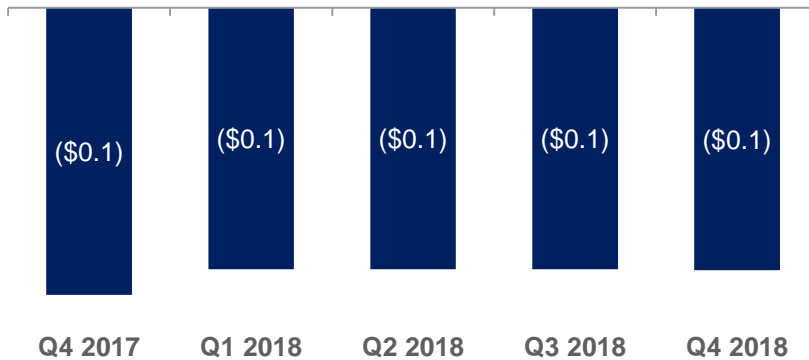
## Open-end Funds



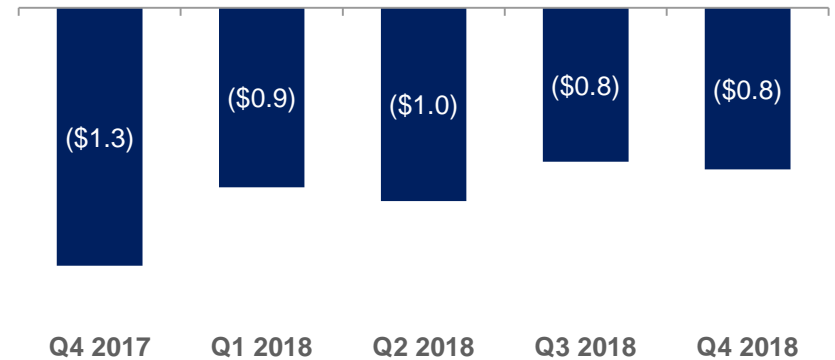
## Japan Subadvisory



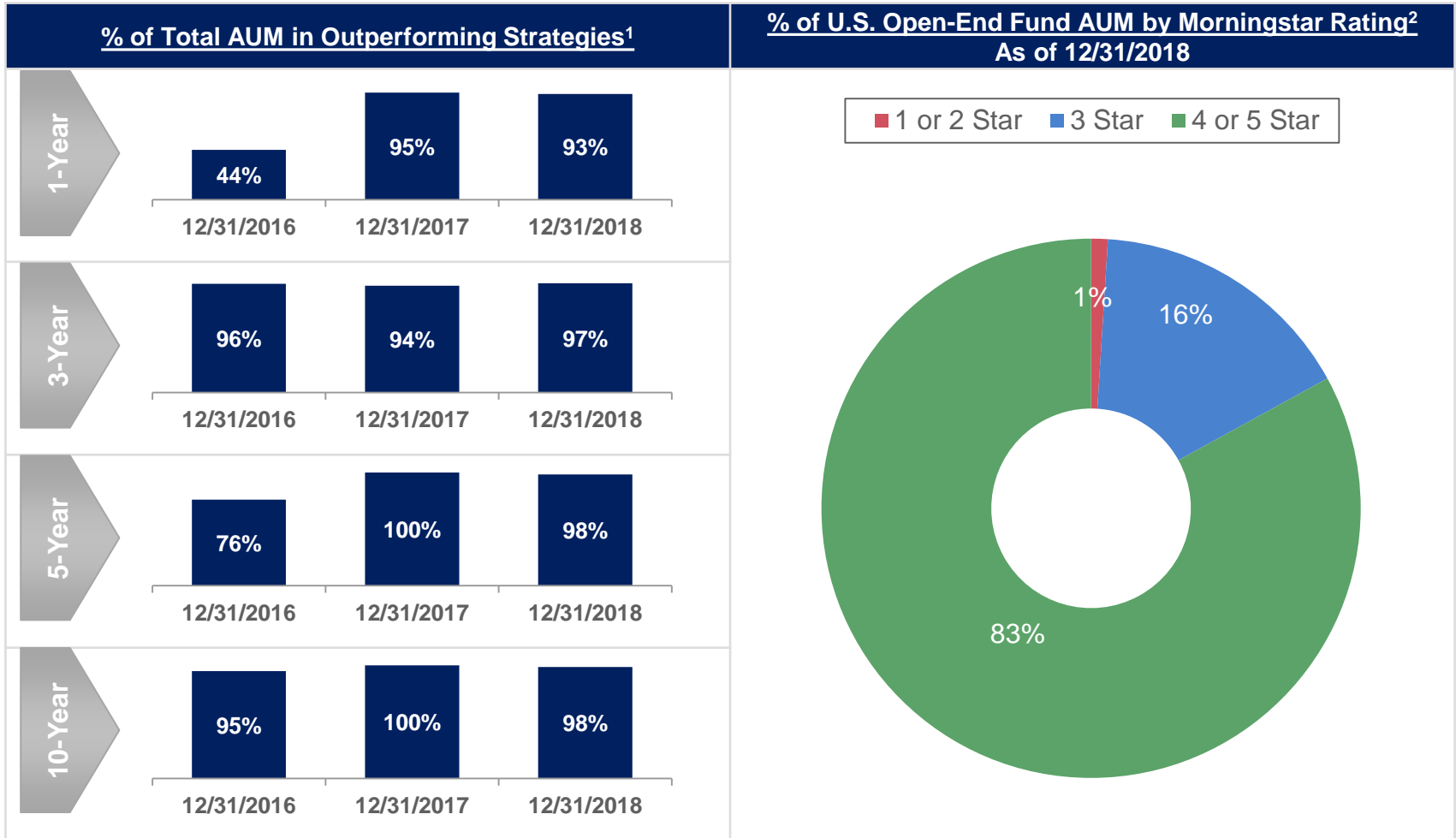
## Closed-end Funds



## Total



# Investment Performance

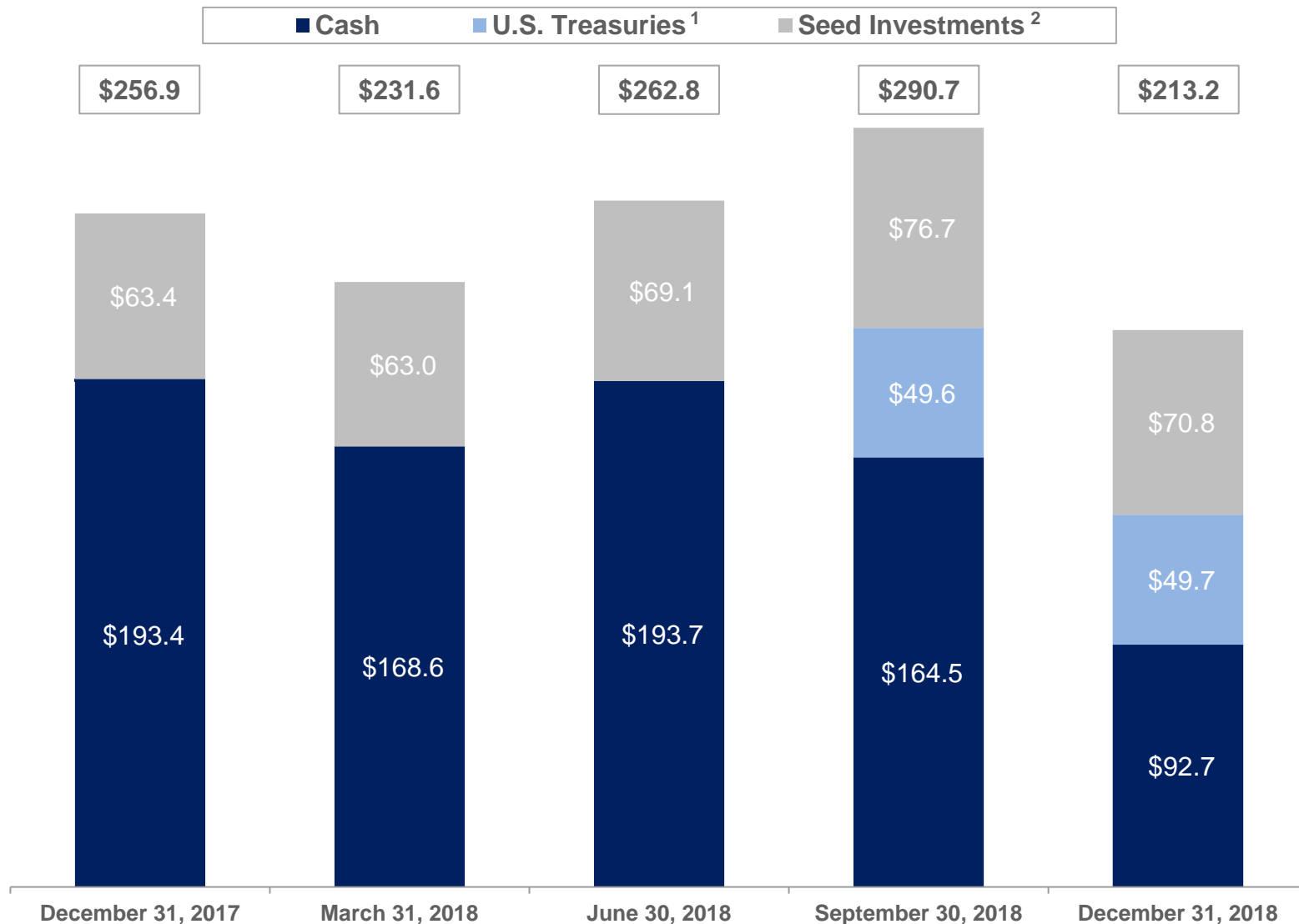


<sup>1</sup>Past performance is no guarantee of future results. Outperformance is determined by annualized investment performance of all accounts in each investment strategy measured gross of fees and net of withholding taxes in comparison to performance of each account's reference benchmark measured net of withholding taxes, where applicable. This is not investment advice and may not be construed as sales or marketing material for any financial product or service sponsored or provided by Cohen & Steers.

<sup>2</sup>Past performance is no guarantee of future results. Based on independent rating by Morningstar, Inc. of investment performance of each Cohen & Steers-sponsored open-end U.S.-registered mutual fund for all share classes for the overall period as of December 31, 2018. Overall Morningstar rating is a weighted average based on the 3-year, 5-year and 10-year Morningstar rating. Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages. This is not investment advice and may not be construed as sales or marketing material for any financial product or service sponsored or provided by Cohen & Steers. See Legal Disclosures on page 18 of this presentation for more information about our investment performance.

# Cash, Cash Equivalents, U.S. Treasuries and Seed Investments

\$ in millions



<sup>1</sup> Classified as held to maturity as of 12/31/18 with maturity dates not exceeding 18 months.

<sup>2</sup> Excludes certain illiquid seed investments.

Totals may not foot due to rounding.

# Non-GAAP Reconciliation

\$ in thousands, except per share data

## Reconciliation of U.S. GAAP Net Income Attributable to Common Stockholders and U.S. GAAP Earnings per Share to Net Income Attributable to Common Stockholders, As Adjusted, and Earnings per Share, As Adjusted

	Three Months Ended					Year Ended	
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	December 31, 2017	December 31, 2018
<b>Net income attributable to common stockholders, U.S. GAAP</b>	<b>\$20,398</b>	<b>\$27,586</b>	<b>\$29,959</b>	<b>\$30,790</b>	<b>\$25,561</b>	<b>\$91,939</b>	<b>\$113,896</b>
Deconsolidation <sup>(1)</sup>	(1,216)	481	485	(63)	2,489	(2,350)	3,392
Results from seed investments <sup>(2)</sup>	(471)	1,774	(2,154)	(551)	3,091	(1,124)	2,160
Accelerated vesting of restricted stock units <sup>(3)</sup>	224	—	—	—	—	522	—
General and administrative <sup>(4)</sup>	—	871	—	—	—	(1,018)	871
Foreign currency exchange gain <sup>(5)</sup>	—	—	(953)	(217)	(1,100)	—	(2,270)
Tax adjustments <sup>(6)</sup>	7,120	(1,703)	528	313	(3,338)	9,068	(4,200)
<b>Net income attributable to common stockholders, as adjusted</b>	<b>\$26,055</b>	<b>\$29,009</b>	<b>\$27,865</b>	<b>\$30,272</b>	<b>\$26,703</b>	<b>\$97,037</b>	<b>\$113,849</b>
<b>Diluted weighted average shares outstanding</b>	<b>47,300</b>	<b>47,152</b>	<b>47,311</b>	<b>47,524</b>	<b>47,562</b>	<b>46,979</b>	<b>47,381</b>
<b>Diluted earnings per share, U.S. GAAP</b>	<b>\$0.43</b>	<b>\$0.59</b>	<b>\$0.63</b>	<b>\$0.65</b>	<b>\$0.54</b>	<b>\$1.96</b>	<b>\$2.40</b>
Deconsolidation <sup>(1)</sup>	(0.03)	0.01	0.01	—*	0.05	(0.05)	0.07
Results from seed investments <sup>(2)</sup>	(0.01)	0.04	(0.04)	(0.01)	0.06	(0.02)	0.05
Accelerated vesting of restricted stock units <sup>(3)</sup>	0.01	—	—	—	—	0.01	—
General and administrative <sup>(4)</sup>	—	0.02	—	—	—	(0.02)	0.02
Foreign currency exchange gain <sup>(5)</sup>	—	—	(0.02)	(0.01)	(0.02)	—	(0.05)
Tax adjustments <sup>(6)</sup>	0.15	(0.04)	0.01	0.01	(0.07)	0.19	(0.09)
<b>Diluted earnings per share, as adjusted</b>	<b>\$0.55</b>	<b>\$0.62</b>	<b>\$0.59</b>	<b>\$0.64</b>	<b>\$0.56</b>	<b>\$2.07</b>	<b>\$2.40</b>

\* Amounts round to less than \$0.01 per share.

(1) Represents amounts related to the deconsolidation of seed investments in Company-sponsored funds.

(2) Represents (i) dividend income and realized (gains) losses on seed investments in Company-sponsored funds, (ii) the Company's proportionate share of the results of operations of seed investments classified as equity method investments, including realized and unrealized (gains) losses, and (iii) realized and unrealized (gains) losses on unconsolidated seed investments.

(3) Represents amounts related to the accelerated vesting of certain restricted stock units due to retirements.

(4) Represents expenses associated with the evaluation of a potential business transaction that the Company did not pursue in the first quarter of 2018 and refunds of foreign withholding taxes in 2017.

(5) Represents net foreign currency exchange gains associated with U.S. dollar-denominated assets and liabilities held by certain foreign subsidiaries. Prior year U.S. GAAP amounts have not been recast to conform with the current period presentation as the impact to results was not material.

(6) Tax adjustments are summarized in the following table:

	Three Months Ended					Year Ended	
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	December 31, 2017	December 31, 2018
Transition tax liability in connection with the Tax Cuts and Jobs Act	\$8,432	\$—	(\$123)	\$—	\$—	\$8,432	(\$123)
Remeasurement of deferred and other tax balances	4,300	—	—	—	—	4,300	—
Reversal of certain liabilities associated with unrecognized tax benefits	(4,737)	—	—	—	(2,758)	(3,772)	(2,758)
Delivery of restricted stock units	—	(1,003)	56	—	—	49	(947)
Tax-effect of non-GAAP adjustments	(49)	(700)	595	313	9	888	217
Other tax related items	(826)	—	—	—	(589)	(829)	(589)
<b>Total tax adjustments</b>	<b>\$7,120</b>	<b>(\$1,703)</b>	<b>\$528</b>	<b>\$313</b>	<b>(\$3,338)</b>	<b>\$9,068</b>	<b>(\$4,200)</b>

16 \*Totals may not foot due to rounding.



# Non-GAAP Reconciliation

\$ in thousands, except percentages

## Reconciliation of U.S. GAAP Operating Income and U.S. GAAP Operating Margin to Operating Income, As Adjusted and Operating Margin, As Adjusted

	Three Months Ended					Year Ended	
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	December 31, 2017	December 31, 2018
<b>Revenue, U.S. GAAP</b> <sup>(1)</sup>	\$99,454	\$94,464	\$94,410	\$98,331	\$93,906	\$378,696	\$381,111
Deconsolidation <sup>(2)</sup>	(148)	(51)	(194)	(180)	(269)	(403)	(694)
Revenue, as adjusted	\$99,306	\$94,413	\$94,216	\$98,151	\$93,637	\$378,293	\$380,417
<b>Expenses, U.S. GAAP</b> <sup>(1)</sup>	\$58,566	\$57,245	\$58,123	\$59,108	\$59,597	\$223,950	\$234,073
Deconsolidation <sup>(2)</sup>	(274)	(251)	(347)	(373)	(437)	(789)	(1,408)
Accelerated vesting of restricted stock units <sup>(3)</sup>	(224)	—	—	—	—	(522)	—
General and administrative <sup>(4)</sup>	—	(871)	—	—	—	1,018	(871)
Expenses, as adjusted	\$58,068	\$56,123	\$57,776	\$58,735	\$59,160	\$223,657	\$231,794
<b>Operating income, U.S. GAAP</b>	\$40,888	\$37,219	\$36,287	\$39,223	\$34,309	\$154,746	\$147,038
Deconsolidation <sup>(2)</sup>	126	200	153	193	168	386	714
Accelerated vesting of restricted stock units <sup>(3)</sup>	224	—	—	—	—	522	—
General and administrative <sup>(4)</sup>	—	871	—	—	—	(1,018)	871
Operating income, as adjusted	\$41,238	\$38,290	\$36,440	\$39,416	\$34,477	\$154,636	\$148,623
<b>Operating margin, U.S. GAAP</b> <sup>(1)</sup>	41.1%	39.4%	38.4%	39.9%	36.5%	40.9%	38.6%
Operating margin, as adjusted	41.5%	40.6%	38.7%	40.2%	36.8%	40.9%	39.1%

(1) The presentation of 2017 amounts has been recast to reflect the Company's adoption of the new revenue recognition accounting standard on January 1, 2018.

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(3) Represents amounts related to the accelerated vesting of certain restricted stock units due to retirements.

(4) Represents expenses associated with the evaluation of a potential business transaction that the Company did not pursue in the first quarter of 2018 and refunds of foreign withholding taxes in 2017.

## Reconciliation of U.S. GAAP Non-operating Income (Loss) to Non-operating Income (Loss), As Adjusted

	Three Months Ended					Year Ended	
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	December 31, 2017	December 31, 2018
<b>Non-operating income (loss), U.S. GAAP</b>	\$2,839	(\$199)	(\$778)	\$1,047	(\$3,329)	\$5,654	(\$3,259)
Deconsolidation <sup>(1)</sup>	(1,750)	(1,057)	4,722	803	2,584	(3,283)	7,052
Results from seed investments <sup>(2)</sup>	(471)	1,774	(2,154)	(551)	3,091	(1,124)	2,160
Foreign currency exchange gain <sup>(3)</sup>	—	—	(953)	(217)	(1,100)	—	(2,270)
Non-operating income (loss), as adjusted	\$618	\$518	\$837	\$1,082	\$1,246	\$1,247	\$3,683

(1) Represents amounts related to the deconsolidation of seed investments in Company-sponsored funds.

(2) Represents (i) dividend income and realized (gains) losses on seed investments in Company-sponsored funds, (ii) the Company's proportionate share of the results of operations of seed investments classified as equity method investments, including realized and unrealized (gains) losses, and (iii) realized and unrealized (gains) losses on unconsolidated seed investments.

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# Legal Disclosures

This presentation and other statements that Cohen & Steers may make may contain 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, which reflect management's current views with respect to, among other things, the Company's operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative versions of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these forward-looking statements. The Company believes that these factors include, but are not limited to, the risks described in the Risk Factors section of the Company's Annual Report on Form 10-K for the year ended December 31, 2017 (Form 10-K), which is accessible on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov) and on the Company's website at [www.cohenandsteers.com](http://www.cohenandsteers.com). These factors are not exhaustive and should be read in conjunction with the other cautionary statements that are included in the Company's Form 10-K and other filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

This presentation contains non-GAAP financial measures that we believe are meaningful in evaluating the Company's performance. For disclosures on these non-GAAP financial measures and their U.S. GAAP reconciliations, you should refer to the Non-GAAP Reconciliation contained on pages 16-17 of this presentation.

## Investment Performance:

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