

# Gabelli Asset Management Inc. ("GAMI") Reports Third Quarter and Nine Month Results

**FOR IMMEDIATE RELEASE**  
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Gabelli Asset Management Inc. (NYSE:GBL) today reported record results for the third quarter and nine months ended September 30, 1999.

For the quarter, total revenues climbed 28% to \$44.1 million from \$34.4 million generated in the third quarter of 1998. Net income jumped 36% to \$10.2 million from \$7.5 million in the prior year period. Earnings were \$0.34 per share for the third quarter of 1999 compared to \$0.29 per share on an adjusted historical basis and \$0.25 per share on a pro forma basis in 1998.

For the first nine months of 1999 total revenues were \$126.4 million, 24% higher than total revenues of \$102.3 million in the same period a year earlier. Net income climbed 43% to \$31.2 million as compared to \$21.9 million in the comparable year earlier period. Year to date earnings were \$1.04 per share (excluding a non-recurring charge discussed below) compared to \$0.85 per share on an adjusted historical basis and to \$0.73 per share on a pro forma basis in 1998.

Assets under management at September 30, 1999 were \$18.6 billion against \$13.9 billion at September 30, 1998 for an increase of \$4.7 billion or 34%.

Operating income climbed 34% to \$19.5 million in the third quarter of 1999 as compared to \$14.5 million in 1998. Operating margin improved to 44.2% in 1999 from 42.3% in the same period a year earlier.

## ***Other Highlights***

Our "Five Star" funds at September 30, 1999, the Gabelli Growth fund (our Domestic Growth product), Gabelli Global Growth<sup>®</sup> fund (our Global Growth fund), the Gabelli Telecommunications fund and the Gabelli Value fund, represented 60% of our "open end" mutual funds. The performance of these funds provides the underpinnings for the Company's continuing solid performance.

During the third quarter we:

- Launched the Gabelli Dividend Growth Fund managed by Barbara Marcin, CFA
- Created the Gabelli Utilities fund managed by Timothy O'Brien, CFA
- Purchased 53,000 shares, at an aggregate cost of \$15.62 per share, as part of our stock buy-back program.

In addition:

- On October 1 GAMI completed our alliance with the Mathers fund (renamed Gabelli Mathers fund) adding \$100 million in assets and 5,000 new shareholders to the Gabelli family of funds.
- GAMI announced it had received Board authorization to introduce multi-class shares to be sold through the full service broker/dealer network for the Gabelli Global series of funds. Introduction of these multi-class share products is expected in March 2000.

Finally, we note that as of September 30, 1999, we repurchased 182,800 shares at a total cost of \$2,864,000. The Board has authorized the repurchase of an additional \$3,000,000 of its Class A common stock.

## ***Organization and Public Offering***

Gabelli Asset Management Inc. was formed in connection with a reorganization of Gabelli Funds, Inc. (renamed Gabelli Group Capital Partners, Inc.) through which GAMI acquired most of the net operating assets of the institutional and retail asset management, mutual fund advisory, underwriting and brokerage business (the "Formation Transactions") in exchange for 24 million shares of Class B Common Stock.

On February 17, 1999, GAMI received proceeds of approximately \$96 million, after fees and expenses, from the sale of 6 million shares of its Class A Common Stock, through underwriters led by Merrill Lynch & Co., Salomon Smith Barney and Gabelli & Company, Inc. at \$17.50 per share.

The pro forma financial information presented herein reflects the results of operations as if all of the following were in effect on January 1, 1998: the Formation Transactions and the resulting impact on income and expenses; the \$50 million note payable; the reduction in management fee from 20% to 10% and the conversion from a Subchapter S Corporation to a "C" Corporation and excludes the nonrecurring charge expensed in the first quarter of 1999 related to the note payable (\$30.9 million, net of tax benefit or \$1.03 per share).

The comparative adjusted historical financial information presented herein reflects the historical results of operations acquired as part of the Formation Transactions as if GAMI had existed as a separate enterprise during such periods and as if the exchange of shares had taken place. Prior to the reorganization these assets had been an integral part of Gabelli Funds, Inc. and did not constitute a separate legal or reporting entity for which separate financial statements were prepared.

### **Assets Under Management – Driver of Growth**

On an historical basis, the Company reported the following:

	Assets Under Management (in millions)					% Increase (decrease) from	
	9/98	12/98	3/99	6/99	9/99	9/98	12/98
	<b>Table I:</b>						
Mutual Funds							
Open end	\$ 4,577	\$ 5,533	\$ 5,903	\$ 6,735	\$ 6,700	46.4	21.1
Closed end	1,471	1,626	1,676	1,809	1,731	17.7	6.5
Fixed income	986	1,038	1,061	1,025	1,172	18.9	12.9
<b>Total Mutual Funds</b>	<b>7,034</b>	<b>8,197</b>	<b>8,640</b>	<b>9,569</b>	<b>9,603</b>	<b>36.5</b>	<b>17.2</b>
Institutional & Separate Accounts:							
Equities	6,187	7,133	7,573	8,475	8,148	31.7	14.2
Fixed Income	533	824	618	594	680	27.6	(17.5)
<b>Total Institutional &amp; Separate Accounts</b>	<b>6,720</b>	<b>7,957</b>	<b>8,191</b>	<b>9,069</b>	<b>8,828</b>	<b>31.4</b>	<b>10.9</b>
Partnerships	147	146	151	165	198	34.7	35.6
<b>Total Assets Under Management</b>	<b>13,901</b>	<b>16,300</b>	<b>16,982</b>	<b>18,803</b>	<b>18,629</b>	<b>34.0</b>	<b>14.3</b>

**Table II: Fund Flows – 3<sup>rd</sup> Quarter 1999 (in millions)**

	Balance June 30, 1999	Net Cash Flows	Market Appreciation (Depreciation)	Balance Sept. 30, 1999
Mutual Funds				
Equities	\$ 8,544	\$ 210	\$ (323)	\$ 8,431
Fixed Income	1,025	145	2	1,172
<b>Total Mutual Funds</b>	<b>9,569</b>	<b>355</b>	<b>(321)</b>	<b>9,603</b>
Institutional and Separate Accounts				
Equities	8,475	( 9)	(318)	8,148
Fixed Income	594	79	7	680
<b>Total Institutional &amp; Separate Accounts</b>	<b>9,069</b>	<b>70</b>	<b>(311)</b>	<b>8,828</b>
Partnerships	165	29	4	198
<b>Total Assets Under Management</b>	<b>\$ 18,803</b>	<b>\$ 454</b>	<b>\$ (628)</b>	<b>\$ 18,629</b>

**Table III**

**Gabelli Asset Management INC.**  
**UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF INCOME**  
(in thousands, except per share data)

For the Three Months Ended September 30,

Adjusted Historical 1998 (a)	Pro forma 1998 (b)	1999	% Increase (Decrease) from Pro forma
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Revenues	\$ 34,350	\$ 34,350	\$ 44,091	28.4
Expenses	19,823	19,823	24,623	24.2
Operating income	14,527	14,527	19,468	34.0
Other income, net	786	36	936	
Income before management fee, income taxes and minority interest	15,313	14,563	20,404	40.1
Management fee	3,062	1,456	2,040	
Income before income taxes and minority interest	12,251	13,107	18,364	40.1
Income taxes	4,859	5,197	7,297	
Minority interest	404	404	830	
<b>Net income</b>	<b>\$ 6,988</b>	<b>\$ 7,506</b>	<b>\$ 10,237</b>	<b>36.4</b>
Net income per share:				
Basic and diluted	0.29	0.25	0.34	36.0
Weighted average shares outstanding: (29,817 actual shares outstanding at September 30, 1999)				
Basic and diluted	24,000	30,000	29,861	

- a. Adjusted historical financial information reflects the historical results of operations acquired as part of the Formation Transactions as if GAMI had existed as a separate enterprise during such periods and was treated as a "C" Corporation for Federal and state income tax purposes and as if the exchange of shares, as part of the Formation Transactions, had taken place.
- b. Pro forma financial information reflects the results of operations as if all of the following were in effect at January 1, 1998: the Formation Transactions; the \$50 million note payable; the reduction in management fee from 20% to 10% and the conversion from a Subchapter S Corporation to a "C" Corporation.

**Table IV**

**Gabelli Asset Management INC.**  
**UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF INCOME**  
(in thousands, except per share data)

	For the Nine Months Ended September 30,			% Increase (Decrease) from Pro Forma
	Adjusted Historical 1998 (a)	Pro forma (b)		
	1998	1998	1999	
Revenues	\$ 102,309	\$ 102,309	\$ 126,405	23.6
Expenses	58,730	58,730	73,361	24.9
Operating income	43,579	43,579	53,044	21.7
Other income (expense), net	832	(1,418)	9,388	
Income before management fee, income taxes and minority interest	44,411	42,161	62,432	48.1
Management fee	8,881	4,215	6,243	
Income before income taxes and minority interest	35,530	37,946	56,189	48.1
Income taxes	14,091	15,044	22,530	
Minority interest	1,043	1,043	2,488	
Income before nonrecurring charge	20,396	21,859	31,171	
Nonrecurring charge, net of tax benefit	-	-	30,895	

<b>Net income</b>	20,396	21,859	276	
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Income per share (basic & diluted):				
Income before non recurring charge	\$ 0.85	\$ 0.73	\$ 1.04	42.5
Net income	\$ 0.85	\$ 0.73	\$ 0.01	
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Weighted average shares outstanding:				
Basic and diluted	24,000	30,000	29,936	
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- a. Adjusted historical financial information reflects the historical results of operations acquired as part of the Formation Transactions as if GAMI had existed as a separate enterprise during such periods and was treated as a "C" Corporation for Federal and state income tax purposes and as if the exchange of shares, as part of the Formation Transactions, had taken place.
- b. Pro forma financial information reflects the results of operations as if all of the following were in effect at January 1, 1998: the Formation Transactions; the \$50 million note payable; the reduction in management fee from 20% to 10% and the conversion from a Subchapter S Corporation to a "C" Corporation.

**Table V**

**UNAUDITED CONSOLIDATED CONDENSED PRO FORMA STATEMENT OF INCOME**  
**For the Three Months Ended September 30, 1998**  
(in thousands, except per share data)

	<u>Actual</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Consolidated</u>
Revenues	\$ 34,350	---	\$ 34,350
Expenses	20,270	(a) 447	19,823
<hr/>			
Operating income	14,080	447	14,527
Other (expense) income, net	(3,791)	(b) 3,827	36
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Income before management fee, income taxes and minority interest	10,289	4,274	14,563
Management fee	2,422	(966)	1,456
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Income before income taxes and minority interest	7,867	5,240	13,107
Income taxes	1,195	(d) 4,002	5,197
Minority interest	404	---	404
<hr/>			
<b>Net income</b>	<b>\$ 6,268</b>	<b>\$ 1,238</b>	<b>\$ 7,506</b>
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Pro forma net income per share:			
Basic and diluted			\$ 0.25
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Pro forma weighted average shares outstanding:			
Basic and diluted			30,000
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Notes to Pro Forma Adjustments:

- a. To reflect reallocation of expenses to new parent company.
- b. To reflect effect on income and expenses of distribution of assets and liabilities and reflect interest on \$50 million note payable.
- c. To reflect change in management fee from 20% to 10%.
- d. To record additional taxes related to conversion from Subchapter S Corporation to "C" Corporation for Federal and state income tax purposes and tax effects of pro forma adjustments.

**Table VI**

**Gabelli Asset Management Inc.**  
**Unaudited Quarterly Consolidated Condensed Statements of Income**  
(in thousands, except per share data)

	1998 Adjusted Historical Results (a)					1999 Pro Forma			
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	1998 Total	(b) 1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	1999 Year to date Total
<b>Income Statement Data:</b>									
Revenues	\$ 31,928	\$ 36,031	\$ 34,350	\$ 35,878	\$ 138,187	\$ 39,691	\$ 42,623	\$ 44,091	\$ 126,405
Expenses	18,430	20,477	19,823	20,242	78,972	22,937	25,801	24,623	73,361
Operating income	13,498	15,554	14,527	15,636	59,215	16,754	16,822	19,468	53,044
Other income (expense), net	1,475	(1,429)	786	2,928	3,760	2,097	6,355	936	9,388
Income before management fee, Income taxes and Minority Interest	14,973	14,125	15,313	18,564	62,975	18,851	23,177	20,404	62,432
Management fee	2,995	2,824	3,062	3,713	12,594	1,885	2,318	2,040	6,243
Income before income taxes and minority interest	11,978	11,301	12,251	14,851	50,381	16,966	20,859	18,364	56,189
Income taxes	4,753	4,479	4,859	5,885	19,976	6,973	8,260	7,297	22,530
Minority interest	392	247	404	667	1,710	714	944	830	2,488
<b>Net Income</b>	<b>6,833</b>	<b>6,575</b>	<b>6,988</b>	<b>8,299</b>	<b>28,695</b>	<b>9,279</b>	<b>11,655</b>	<b>10,237</b>	<b>31,171</b>
Net income per share:									
Basic and diluted	0.28	0.27	0.29	0.35	1.20	0.31	0.39	0.34	1.04
Weighted average shares outstanding:									
Basic and diluted	24,000	24,000	24,000	24,000	24,000	30,000	29,949	29,861	29,936

- Adjusted historical financial information reflects the historical results of operations acquired as part of the Formation Transactions as if GAMI had existed as a separate enterprise during such periods and was treated as a "C" Corporation for Federal and state income tax purposes and as if the exchange of shares, as part of the Formation Transactions, had taken place.
- Pro forma financial information reflects the results of operations as if all of the following were in effect at January 1, 1999: Pro forma results exclude a nonrecurring charge related to the note payable (\$30.9 million, net of tax benefit or \$1.03 per share). After giving effect to this charge, the Company had a net loss of \$0.72 per share in the first quarter of 1999, and net income of \$0.01 per share for the nine months ended September 30, 1998.

Table VII

**Gabelli Asset Management INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
(in thousands)

	February 9, 1999 (a)	September 30, 1999
<b>ASSETS</b>		
Investments (including cash and cash equivalents of \$123,072 and \$115,311, respectively)	\$ 162,186	\$ 185,279
Receivables	15,178	19,916
Deferred tax asset	19,830	19,830
Other assets	12,306	12,724
Total assets	\$ 209,500	\$ 237,749
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Debt	(b) 50,000	(b) 50,000
Compensation payable	6,668	22,740
Accrued expenses and other liabilities	29,020	16,087

Total liabilities	85,688	88,827
Minority interest	13,182	14,066
Stockholders' equity (shares outstanding; 30,000 and 29,817, respectively)	110,630	134,856
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 209,500	\$ 237,749
	<hr/>	<hr/>

- a. Opening balance sheet adjusted to reflect both the Formation Transactions and initial public offering.
- b. This debt, arising from the Formation Transactions, is due January 2, 2002, and will result in a tax benefit of \$19,830 (included as a deferred tax asset above).

## Forward Looking Information

This release contains forward-looking statements about future operations, results and performance, which involve risks and uncertainties that may cause the actual operations, results or performance to differ materially from those expressed in or implied by the forward-looking statements. These risks and uncertainties include the performance of the securities markets and the Company's investment products, future economic conditions, changes in business strategy and other factors. Consequently, no assurance can be given as to future operations, results or performance, and neither the Company nor any other person assumes liability for the accuracy and completeness of the forward-looking statements in this release.