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## Section 1: 8-K (8-K)

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K

### CURRENT REPORT

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

Date of Report (Date of earliest event reported):  
April 26, 2018

## WADDELL & REED FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or Other  
Jurisdiction of  
Incorporation)

001-13913  
(Commission  
File Number)

51-0261715  
(IRS Employer  
Identification No.)

6300 Lamar Avenue  
Overland Park, Kansas 66202  
(Address of Principal Executive Offices) (Zip Code)

(913) 236-2000  
(Registrant's telephone number, including area code)

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(Registrant's Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

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## ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On May 1, 2018, Waddell & Reed Financial, Inc. (the “Company”) issued a press release announcing the Company’s financial results for the fiscal quarter ended March 31, 2018 (the “Press Release”). A copy of the Press Release is furnished as Exhibit 99.1 and incorporated herein by reference.

## ITEM 5.07 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On April 26, 2018, the Company held its 2018 Annual Meeting of Stockholders. The matters listed below were submitted to a vote of the stockholders through the solicitation of proxies, and the proposals are described in detail in the Company’s Proxy Statement filed with the SEC on March 2, 2018. The results of the stockholder vote are as follows:

### Proposal 1 — Election of Directors

The following individuals were elected to serve as Class II directors to hold office until the 2021 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified, or their earlier resignation or removal.

| <u>Nominee</u>       | <u>For</u> | <u>Withheld</u> | <u>Non-Votes</u> |
|----------------------|------------|-----------------|------------------|
| Thomas C. Godlasky   | 66,108,948 | 1,448,092       | 7,115,940        |
| Dennis E. Logue      | 64,185,786 | 3,371,254       | 7,115,940        |
| Michael F. Morrissey | 66,040,337 | 1,516,703       | 7,115,940        |

### Proposal 2 — Advisory Vote on Named Executive Officer Compensation

The stockholders approved, on an advisory basis, the compensation paid to the Company’s named executive officers.

| <u>For</u> | <u>Against</u> | <u>Abstain</u> | <u>Non-Votes</u> |
|------------|----------------|----------------|------------------|
| 61,653,799 | 5,583,708      | 300,944        | 7,115,940        |

### Proposal 3 — Ratification of KPMG LLP as the Company’s Independent Registered Public Accounting Firm

The stockholders ratified the appointment of KPMG LLP to serve as the Company’s independent registered public accounting firm for the 2018 fiscal year.

| <u>For</u> | <u>Against</u> | <u>Abstain</u> | <u>Non-Votes</u> |
|------------|----------------|----------------|------------------|
| 72,843,469 | 1,674,511      | 155,000        | 0                |

## ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u>                              |
|--------------------|---|
| 99.1               | <a href="#">Press Release dated May 1, 2018</a> |

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WADDELL & REED FINANCIAL, INC.

Date: May 1, 2018

By: /s/ Benjamin R. Clouse  
Senior Vice President and  
Chief Financial Officer

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## Section 2: EX-99.1 (EX-99.1)



## News Release

### Waddell & Reed Financial, Inc. Reports First Quarter Results

**Overland Park, KS, May 1, 2018** — Waddell & Reed Financial, Inc. (NYSE: WDR) today reported first quarter 2018 net income<sup>1</sup> of \$46.3 million, or \$0.56 per diluted share, compared to net income of \$29.8 million, or \$0.36 per diluted share, during the prior quarter and net income of \$33.9 million, or \$0.40 per diluted share, during the first quarter of 2017.

Revenues of \$297.6 million during the quarter increased 1% sequentially and 4% compared to the first quarter of 2017. Operating expenses of \$237.7 million during the quarter increased 2% sequentially and 2% compared to the same quarter in 2017. The operating margin was 20.1% during the current quarter, compared to 21.0% and 18.5% during the fourth and first quarters of 2017, respectively.

Assets under management ended the quarter at \$80.2 billion, declining 1% compared to the prior quarter and 1% compared to the first quarter of 2017. Gross sales increased 40% compared to the fourth quarter of 2017 and 30% compared to the first quarter of 2017, while redemptions improved. Net outflows were \$1.5 billion during the current quarter, compared to net outflows of \$2.7 billion during the prior quarter and net outflows of \$3.4 billion during the comparable quarter in 2017.

Broker-dealer assets under administration ended the quarter at \$56.3 billion, declining less than 1% compared to the fourth quarter of 2017 and increasing 5% compared to the same quarter in 2017. Average trailing twelve-month productivity increased to \$285 thousand per advisor during the first quarter of 2018 compared to \$256 thousand and \$230 thousand during the fourth and first quarters of 2017, respectively.

“Over the last 18 months, we have made solid progress in transitioning our business model to one that better positions us for the future,” said Philip J. Sanders, Chief Executive Officer of Waddell & Reed Financial, Inc. “We have made headway on a number of corporate initiatives, including improving investment performance, which we know is key to our long-term success.”

Effective January 1, 2018, we elected to change our accounting policy on how we report indirect underwriting and distribution expenses in the underwriting and distribution caption and certain expenses historically reported as general and administrative. The change in presentation of certain line items in our consolidated statements of income is intended to improve the transparency of our financial statements. Separately, we adopted Accounting Standards Update (“ASU”) 2017-07, “Compensation Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”, which reclassifies net periodic pension costs, other than historical service costs, from compensation and benefits to investment and other income (loss). All reclassifications were applied retrospectively and did not affect net income.

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<sup>1</sup> Net income represents net income attributable to Waddell & Reed Financial, Inc.

## Revenues Analysis

Investment management fee revenues decreased \$2.7 million, or 2%, sequentially as an increase in average assets under management was offset by two fewer days during the current quarter and a decrease in the effective management fee rate. Compared to the first quarter of 2017, fees increased \$3.3 million, or 2%, due to higher average assets under management and an increase in the effective management fee rate. During the current quarter, the effective management fee rate was 65.8 basis points, compared to 66.5 basis points during the fourth quarter of 2017 and 65.0 basis points during the first quarter of 2017. Average assets under management were \$82.4 billion during the current quarter, compared to \$81.3 billion and \$81.4 billion during the fourth and first quarters of 2017, respectively.

Underwriting and distribution fees increased \$5.8 million, or 4%, sequentially. The increase was largely due to payments received from independent financial advisors for office space, compliance oversight and affiliation fees. Prior to 2018, the cost of these services was embedded in commissions. An increase in advisory fee revenues also contributed to the sequential increase in underwriting and distribution fees. Compared to the first quarter of 2017, revenues increased \$9.2 million, or 7%, due to growth in advisory fee revenue and new revenues from independent financial advisors for office space, compliance oversight and affiliation fees, which were partly offset by lower distribution fees to third-party distributors.

## Operating Expenses Analysis

Distribution expenses increased \$6.6 million, or 6%, sequentially due primarily to higher payout rates to independent financial advisors under the new commission structure that became effective on January 1, 2018. Compared to the same quarter in 2017, costs increased \$6.0 million, or 6%, due

to higher commission rates for advisors, which were partly offset by lower commissions to third-party distributors.

Compensation and benefits expenses declined \$0.5 million, or less than 1%, sequentially due to a discretionary 401(k) contribution in the fourth quarter and partially offset by higher payroll taxes during the first quarter. Compared to the first quarter of 2017, expenses increased \$1.8 million, or 3%, primarily due to annual merit increases, which were partly offset by lower pension costs due to the prior year plan freeze.

General and administrative expenses declined \$0.5 million, or 3%, sequentially due to lower business meeting and travel costs and lower usage of contractors and consultants due to the completion of various projects. Compared to the first quarter of 2017, expenses declined \$2.7 million, or 12%, primarily due to a combination of lower usage of contractors and consultants, and lower business meeting and travel costs.

Technology expenses increased \$1.4 million, or 9%, sequentially due to higher data service costs related to fund mergers and cost of service increases, as well as higher technology consulting costs. Compared to the first quarter of 2017, expenses declined \$0.3 million, or 2%.

## Income Taxes

Our effective tax rate during the current quarter was 24.6% and was lower compared to prior periods as a result of the Tax Reform Act, which lowered the statutory rate from 35% to 21%. We expect our effective tax rate to range from 23% to 25%, exclusive of the effects of share-based payments, state tax incentives, unanticipated state tax legislative changes and unanticipated fluctuations in earnings.

## Assets Under Management

(in millions)

|                                 | Three Months Ended |                |                |                |                |
|---------------------------------|--------------------|----------------|----------------|----------------|----------------|
|                                 | Mar. 31,           | Jun. 30,       | Sep. 30,       | Dec. 31,       | Mar. 31,       |
|                                 | 2017               |                |                |                | 2018           |
| <b>Unaffiliated<sup>1</sup></b> |                    |                |                |                |                |
| Beginning assets                | \$ 30,295          | \$ 30,182      | \$ 30,307      | \$ 31,062      | \$ 31,133      |
| Sales <sup>2</sup>              | 1,799              | 2,080          | 1,790          | 1,577          | 2,245          |
| Redemptions                     | (3,707)            | (2,886)        | (2,486)        | (2,912)        | (2,692)        |
| Net exchanges                   | 236                | 235            | 213            | 316            | 247            |
| <b>Net Flows</b>                | <b>(1,672)</b>     | <b>(571)</b>   | <b>(483)</b>   | <b>(1,019)</b> | <b>(200)</b>   |
| Market action                   | 1,559              | 696            | 1,238          | 1,090          | 122            |
| Ending assets                   | \$ 30,182          | \$ 30,307      | \$ 31,062      | \$ 31,133      | \$ 31,055      |
| Annualized organic growth rate  | (22.1)%            | (7.6)%         | (6.4)%         | (13.1)%        | (2.6)%         |
| Annualized redemption rate      | 50.5%              | 39.2%          | 33.0%          | 37.9%          | 35.8%          |
| <b>Institutional</b>            |                    |                |                |                |                |
| Beginning assets                | \$ 7,904           | \$ 7,792       | \$ 7,036       | \$ 6,365       | \$ 6,289       |
| Sales <sup>2</sup>              | 142                | 78             | 68             | 66             | 552            |
| Redemptions                     | (727)              | (1,057)        | (1,139)        | (521)          | (604)          |
| Net exchanges                   | —                  | 6              | —              | —              | —              |
| <b>Net Flows</b>                | <b>(585)</b>       | <b>(973)</b>   | <b>(1,071)</b> | <b>(455)</b>   | <b>(52)</b>    |
| Market action                   | 473                | 217            | 400            | 379            | 212            |
| Ending assets                   | \$ 7,792           | \$ 7,036       | \$ 6,365       | \$ 6,289       | \$ 6,449       |
| Annualized organic growth rate  | (29.6)%            | (49.9)%        | (60.9)%        | (28.6)%        | (3.3)%         |
| Annualized redemption rate      | 37.2%              | 58.7%          | 67.3%          | 32.2%          | 37.8%          |
| <b>Broker-Dealer</b>            |                    |                |                |                |                |
| Beginning assets                | \$ 42,322          | \$ 43,110      | \$ 43,084      | \$ 43,472      | \$ 43,660      |
| Sales <sup>2</sup>              | 978                | 1,142          | 1,024          | 1,077          | 1,001          |
| Redemptions                     | (1,871)            | (1,812)        | (2,049)        | (2,026)        | (1,958)        |
| Net exchanges                   | (236)              | (241)          | (213)          | (316)          | (247)          |
| <b>Net Flows</b>                | <b>(1,129)</b>     | <b>(911)</b>   | <b>(1,238)</b> | <b>(1,265)</b> | <b>(1,204)</b> |
| Market action                   | 1,917              | 885            | 1,626          | 1,453          | 251            |
| Ending assets                   | \$ 43,110          | \$ 43,084      | \$ 43,472      | \$ 43,660      | \$ 42,707      |
| Annualized organic growth rate  | (10.7)%            | (8.5)%         | (11.5)%        | (11.6)%        | (11.0)%        |
| Annualized redemption rate      | 15.1%              | 14.7%          | 16.4%          | 16.1%          | 15.1%          |
| <b>Consolidated Total</b>       |                    |                |                |                |                |
| Beginning assets                | \$ 80,521          | \$ 81,084      | \$ 80,427      | \$ 80,899      | \$ 81,082      |
| Sales <sup>2</sup>              | 2,919              | 3,300          | 2,882          | 2,720          | 3,798          |
| Redemptions                     | (6,305)            | (5,755)        | (5,674)        | (5,459)        | (5,254)        |
| Net exchanges                   | —                  | —              | —              | —              | —              |
| <b>Net Flows</b>                | <b>(3,386)</b>     | <b>(2,455)</b> | <b>(2,792)</b> | <b>(2,739)</b> | <b>(1,456)</b> |
| Market action                   | 3,949              | 1,798          | 3,264          | 2,922          | 585            |
| Ending assets                   | \$ 81,084          | \$ 80,427      | \$ 80,899      | \$ 81,082      | \$ 80,211      |
| Annualized organic growth rate  | (16.8)%            | (12.1)%        | (13.9)%        | (13.5)%        | (7.2)%         |
| Annualized redemption rate      | 30.5%              | 27.9%          | 27.1%          | 25.7%          | 24.8%          |

- (1) Unaffiliated includes National channel (home office and wholesale), Defined Contribution Investment Only “DCIO”, Registered Investment Advisor “RIA” and Variable Annuity “VA”
- (2) Sales is primarily gross sales (net of sales commissions). This amount also includes net reinvested dividends & capital gains and investment income.

| <b>Fund Rankings</b>       | <b>1 Year</b>  | <b>3 Years</b> | <b>5 Years</b> |
|----------------------------|----------------|----------------|----------------|
| <b>Lipper</b>              |                |                |                |
| Funds ranked in top half   | 43%            | 35%            | 43%            |
| Assets ranked in top half  | 52%            | 49%            | 50%            |
| <b>MorningStar</b>         |                |                |                |
| Funds ranked in top half   | 38%            | 35%            | 41%            |
| Assets ranked in top half  | 44%            | 38%            | 48%            |
| <b>MorningStar Ratings</b> |                |                |                |
|                            | <b>Overall</b> | <b>3 Years</b> | <b>5 Years</b> |
| Funds with 4/5 stars       | 38%            | 19%            | 25%            |
| Assets with 4/5 stars      | 58%            | 26%            | 49%            |

Based on class I share, which reflects sales and asset concentrations.

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## Broker-Dealer

| <b>(in millions)</b>   | <b>Three Months Ended</b> |                 |                 |                 |                 |
|--|---------------------------|-----------------|-----------------|-----------------|-----------------|
|  | <b>Mar. 31,</b>           | <b>Jun. 30,</b> | <b>Sep. 30,</b> | <b>Dec. 31,</b> | <b>Mar. 31,</b> |
|  | <b>2017</b>               |                 |                 |                 |                 |
|  | <b>2018</b>               |                 |                 |                 |                 |
| <b>Assets under administration (AUA)</b>                               |                           |                 |                 |                 |                 |
| Advisory assets  | \$ 19,071                 | \$ 19,535       | \$ 20,734       | \$ 21,613       | \$ 22,050       |
| Non-advisory assets  | 34,453                    | 34,373          | 34,856          | 35,073          | 34,216          |
| Total assets under administration                                      | 53,524                    | 53,908          | 55,590          | 56,686          | 56,266          |
| Net new advisory assets <sup>1</sup>                                   | \$ (100)                  | \$ 22           | \$ 420          | \$ 129          | \$ 392          |
| Net new non-advisory assets <sup>1,2</sup>                             | (868)                     | (693)           | (965)           | (1,047)         | (983)           |
| Total net new AUA <sup>1</sup>   | (968)                     | (671)           | (545)           | (918)           | (591)           |
| Annualized advisory AUA growth <sup>3</sup>                            | (2.2)%                    | 0.5%            | 8.6%            | 2.5%            | 7.3%            |
| Annualized AUA growth <sup>3</sup>                                     | (7.4)%                    | (5.0)%          | (4.0)%          | (6.6)%          | (4.2)%          |
| Advisor headcount  | 1,662                     | 1,581           | 1,481           | 1,367           | 1,170           |
| Avg. trailing 12-month revenue per advisor <sup>4</sup> (in thousands) | \$ 230                    | \$ 232          | \$ 240          | \$ 256          | \$ 285          |
| Advisor associates   | 252                       | 254             | 262             | 265             | 327             |

- (1) Net new assets is calculated by taking total client deposits and net transfers less client withdrawals.
- (2) Excludes activity related to products held outside of our platform. These assets represent less than 10% of total AUA.
- (3) Annualized growth is calculated by annualizing the quarterly net new assets divided by beginning assets under administration.
- (4) Production per advisor is calculated as trailing 12-month total underwriting and distribution fees less “other” underwriting and distribution fees divided by the average number of financial advisors. “Other” underwriting and distribution fees predominantly include fees paid by advisors for programs and services.

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## Unaudited Consolidated Statements of Income

(in thousands, except per share data and margin)

|                                    | <b>Three Months Ended</b> |                 |                 | <b>Sequential Qtr.</b> |          | <b>Year-over-Year Qtr.</b> |          |
|------------------------------------|---------------------------|-----------------|-----------------|------------------------|----------|----------------------------|----------|
|                                    | <b>Mar. 31,</b>           | <b>Dec. 31,</b> | <b>Mar. 31,</b> | <b>Change</b>          | <b>%</b> | <b>Change</b>              | <b>%</b> |
|                                    | <b>2018</b>               | <b>2017</b>     | <b>2017</b>     |                        |          |                            |          |
| <b>Revenues:</b>                   |                           |                 |                 |                        |          |                            |          |
| Investment management fees         | \$ 133,692                | \$ 136,387      | \$ 130,436      | \$ (2,695)             | (2.0)%   | \$ 3,256                   | 2.5%     |
| Underwriting and distribution fees | 138,041                   | 132,200         | 128,831         | 5,841                  | 4.4%     | 9,210                      | 7.1%     |
| Shareholder service fees           | 25,882                    | 25,889          | 27,297          | (7)                    | (0.0)%   | (1,415)                    | (5.2)%   |
| Total                              | 297,615                   | 294,476         | 286,564         | 3,139                  | 1.1%     | 11,051                     | 3.9%     |
| <b>Operating expenses:</b>         |                           |                 |                 |                        |          |                            |          |
| Distribution <sup>1</sup>          | 114,470                   | 107,889         | 108,437         | 6,581                  | 6.1%     | 6,033                      | 5.6%     |
| Compensation and benefits          | 68,785                    | 69,273          | 67,035          | (488)                  | (0.7)%   | 1,750                      | 2.6%     |

|  |            |            |            |           |          |           |          |
|--|------------|------------|------------|-----------|----------|-----------|----------|
| General and administrative   | 19,538     | 20,069     | 22,195     | (531)     | (2.6)%   | (2,657)   | (12.0)%  |
| Technology   | 16,644     | 15,282     | 16,977     | 1,362     | 8.9%     | (333)     | (2.0)%   |
| Occupancy  | 6,964      | 7,743      | 7,785      | (779)     | (10.1)%  | (821)     | (10.5)%  |
| Marketing and advertising  | 2,281      | 3,353      | 2,611      | (1,072)   | (32.0)%  | (330)     | (12.6)%  |
| Depreciation   | 5,302      | 5,357      | 5,221      | (55)      | (1.0)%   | 81        | 1.6%     |
| Subadvisory fees   | 3,708      | 3,717      | 2,697      | (9)       | (0.2)%   | 1,011     | 37.5%    |
| Intangible asset impairment  | —          | —          | 600        | —         | N/M      | (600)     | N/M      |
| Total  | 237,692    | 232,683    | 233,558    | 5,009     | 2.2%     | 4,134     | 1.8%     |
| <b>Operating income</b>  | 59,923     | 61,793     | 53,006     | (1,870)   | (3.0)%   | 6,917     | 13.0%    |
| Investment and other income (loss)                                   | 2,816      | (2,218)    | 3,012      | 5,034     | N/M      | (196)     | (6.5)%   |
| Interest expense   | (1,802)    | (2,909)    | (2,786)    | 1,107     | 38.1%    | 984       | 35.3%    |
| Income before provision for income taxes                             | 60,937     | 56,666     | 53,232     | 4,271     | 7.5%     | 7,705     | 14.5%    |
| Provision for income taxes   | 14,966     | 26,380     | 18,881     | (11,414)  | (43.3)%  | (3,915)   | (20.7)%  |
| <b>Net income</b>  | 45,971     | 30,286     | 34,351     | 15,685    | 51.8%    | 11,620    | 33.8%    |
| Net income attributable to redeemable noncontrolling interests       | (366)      | 522        | 480        | (888)     | (170.1)% | (846)     | (176.3)% |
| <b>Net income attributable to Waddell &amp; Reed Financial, Inc.</b> | \$ 46,337  | \$ 29,764  | \$ 33,871  | \$ 16,573 | 55.7%    | \$ 12,466 | 36.8%    |
| Net income per share, basic and diluted:                             | \$ 0.56    | \$ 0.36    | \$ 0.40    |           |          |           |          |
| <b>Weighted average shares outstanding - basic and diluted</b>       | 83,111     | 83,137     | 84,077     |           |          |           |          |
| Operating margin   | 20.1%      | 21.0%      | 18.5%      |           |          |           |          |
| <b>(1) Distribution expense</b>                                      |            |            |            |           |          |           |          |
| Unaffiliated   | 30,354     | 31,395     | 33,908     |           |          |           |          |
| Broker-dealer  | 84,116     | 76,494     | 74,529     |           |          |           |          |
|  | \$ 114,470 | \$ 107,889 | \$ 108,437 |           |          |           |          |

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**Underwriting and distribution fees**  
(in thousands)

|  | Three months ended Mar. 31, 2018 |               |            |
|--|----------------------------------|---------------|------------|
|  | Unaffiliated                     | Broker-Dealer | Total      |
| Fee-based asset allocation product revenues                                    | —                                | \$ 65,516     | \$ 65,516  |
| Rule 12b-1 service and distribution fees                                       | 20,976                           | 18,377        | 39,353     |
| Sales commissions on front-end load mutual funds and variable annuity products | 470                              | 14,427        | 14,897     |
| Sales commissions on other products  | —                                | 8,422         | 8,422      |
| Other revenues   | 185                              | 9,668         | 9,853      |
| <b>Total underwriting and distribution fees</b>                                | \$ 21,631                        | \$ 116,410    | \$ 138,041 |
|  | Three months ended Dec. 31, 2017 |               |            |
|  | Unaffiliated                     | Broker-Dealer | Total      |
| Fee-based asset allocation product revenues                                    | —                                | \$ 63,905     | \$ 63,905  |
| Rule 12b-1 service and distribution fees                                       | 22,123                           | 19,305        | 41,428     |
| Sales commissions on front-end load mutual funds and variable annuity products | 380                              | 13,727        | 14,107     |
| Sales commissions on other products  | —                                | 7,615         | 7,615      |
| Other revenues   | 186                              | 4,959         | 5,145      |
| <b>Total underwriting and distribution fees</b>                                | \$ 22,689                        | \$ 109,511    | \$ 132,200 |
|  | Three months ended Mar. 31, 2017 |               |            |
|  | Unaffiliated                     | Broker-Dealer | Total      |
| Fee-based asset allocation product revenues                                    | —                                | \$ 56,756     | \$ 56,756  |
| Rule 12b-1 service and distribution fees                                       | 24,016                           | 18,655        | 42,671     |
| Sales commissions on front-end load mutual funds and variable annuity products | 447                              | 14,326        | 14,773     |
| Sales commissions on other products  | —                                | 7,237         | 7,237      |
| Other revenues   | 426                              | 6,968         | 7,394      |
| <b>Total underwriting and distribution fees</b>                                | \$ 24,889                        | \$ 103,942    | \$ 128,831 |

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(in thousands)

|  | Mar. 31,<br>2018    | Dec. 31,<br>2017    |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Cash & cash equivalents (unrestricted)                             | \$ 177,630          | \$ 207,829          |
| Investment securities  | 642,237             | 700,492             |
| Other assets   | 228,156             | 241,305             |
| Property and equipment, net  | 82,488              | 87,667              |
| Goodwill and intangible assets                                     | 147,069             | 147,069             |
| <b>Total assets</b>  | <b>\$ 1,277,580</b> | <b>\$ 1,384,362</b> |
| <b>Liabilities, redeemable noncontrolling interests and equity</b> |                     |                     |
| Short-term notes payable   | \$ —                | \$ 94,996           |
| Long-term debt   | 94,801              | 94,783              |
| Other liabilities  | 275,241             | 307,190             |
| Redeemable noncontrolling interests                                | 18,570              | 14,509              |
| <b>Total stockholders' equity</b>                                  | <b>888,968</b>      | <b>872,884</b>      |
| <b>Liabilities, redeemable noncontrolling interests and equity</b> | <b>\$ 1,277,580</b> | <b>\$ 1,384,362</b> |
| <b>Shares outstanding (in millions)</b>                            | <b>82.7</b>         | <b>82.7</b>         |

### Unaudited Condensed Cash Flow

(in thousands)

|                                    | Three Months Ended |                  |                  |
|------------------------------------|--------------------|------------------|------------------|
|                                    | Mar. 31,<br>2018   | Dec. 31,<br>2017 | Mar. 31,<br>2017 |
| <b>Cash (used in) provided by:</b> |                    |                  |                  |
| Operating activities               | \$ 50,265          | \$ 70,519        | \$ 63,565        |
| Investing activities               | 56,272             | (13,415)         | 10,220           |
| Financing activities               | (131,948)          | (75,197)         | (49,320)         |
| Net change during period           | \$ (25,411)        | \$ (18,093)      | \$ 24,465        |

|                                  | Three Months Ended |                  |                  |
|----------------------------------|--------------------|------------------|------------------|
|                                  | Mar. 31,<br>2018   | Dec. 31,<br>2017 | Mar. 31,<br>2017 |
| <b>(in thousands)</b>            |                    |                  |                  |
| <b>Shares repurchased</b>        |                    |                  |                  |
| Number of shares                 | 996,309            | 937,927          | 476,882          |
| Total cost                       | \$ 20,507          | \$ 20,133        | \$ 7,976         |
| Dividend paid                    |                    |                  |                  |
| Rate per share                   | \$ 0.25            | \$ 0.46          | \$ 0.46          |
| Total paid                       | \$ 20,890          | \$ 38,351        | \$ 38,771        |
| Capital returned to stockholders | \$ 41,397          | \$ 58,484        | \$ 46,747        |

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### Earnings Conference Call

Stockholders, members of the investment community and the general public are invited to listen to a live Web cast of our earnings release conference call today at 10:00 a.m. Eastern. During this call, Philip J. Sanders, CEO and CIO, will review our quarterly results. Live access to the teleconference will be available on the "Investor Relations" section of our Web site at [ir.waddell.com](http://ir.waddell.com). A Web cast replay will be made available shortly after the conclusion of the call and accessible for seven days.

### Web Site Resources

We invite you to visit the Investor Relations section of our Web site at [ir.waddell.com](http://ir.waddell.com). Under the "Investor Information" tab you will find a link to presentations as well as to data tables, which include supplemental information schedules.

### Contacts

#### Investor Contact:

Nicole Russell, VP, Investor Relations, (913) 236-1880, [nrussell@waddell.com](mailto:nrussell@waddell.com)

#### Mutual Fund Investor Contact:

Call (888) WADDELL, or visit [www.waddell.com](http://www.waddell.com) or [www.ivyfund.com](http://www.ivyfund.com).

Past performance is no guarantee of future results. Please invest carefully.

### About the Company

Through its subsidiaries, Waddell & Reed Financial, Inc. has provided investment management and financial planning services to clients throughout the United States since 1937. Today, we distribute our investment products through the unaffiliated distribution channel (encompassing broker/dealer, retirement, and registered investment advisors), our broker-dealer channel (through independent financial advisors), and our Institutional channel (including defined benefit plans, pension plans, endowments and subadvisory relationships). For more information, visit [ir.waddell.com](http://ir.waddell.com).

### **Forward-Looking Statements**

This press release contains “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 the current views and assumptions of management with respect to future events regarding our business and industry in general. These forward-looking statements include all statements, other than statements of historical fact, regarding our financial position, business strategy and other plans and objectives for future operations, including statements with respect to revenues and earnings, the amount and composition of assets under management, distribution sources, expense levels, redemption rates, stock repurchases and the financial markets and other conditions. These statements are generally identified by the use of such words as “may,” “could,” “should,” “would,” “believe,” “anticipate,” “forecast,” “estimate,” “expect,” “intend,” “plan,” “project,” “outlook,” “will,” “potential” and similar statements of a future or forward-looking nature. Readers are cautioned that any forward-looking information provided by us or on our behalf is not a guarantee of future performance. Actual results may differ materially from those contained in these forward-looking statements as a result of various factors, including but not limited to those discussed below. If one or more events related to these or other risks, contingencies or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from those forecasted or expected. Certain important factors that could cause actual results to differ materially from our expectations are disclosed in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2017, which include, without limitation:

- The loss of existing distribution relationships or inability to access new distribution relationships;

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- A reduction in assets under our management on short notice, through increased redemptions in our distribution channels or our Funds, particularly those Funds with a high concentration of assets, or investors terminating their relationship with us or shifting their funds to other types of accounts with different rate structures;
- The adverse ruling or resolution of any litigation, regulatory investigations and proceedings, or securities arbitrations by a federal or state court or regulatory body;
- Changes in our business model, operations and procedures, including our methods of distributing our proprietary products, as a result of evolving fiduciary standards;
- The introduction of legislative or regulatory proposals or judicial rulings that change the independent contractor classification of our financial advisors at the federal or state level for employment tax or other employee benefit purposes;
- A decline in the securities markets or in the relative investment performance of our Funds and other investment portfolios and products as compared to competing funds;
- Our inability to reduce expenses rapidly enough to align with declines in our revenues due to various factors, including fee pressure, the level of our assets under management or our business environment.
- Non-compliance with applicable laws or regulations and changes in current legal, regulatory, accounting, tax or compliance requirements or governmental policies;
- Our inability to attract and retain senior executive management and other key personnel to conduct our broker-dealer, fund management and investment advisory business;
- A failure in, or breach of, our operational or security systems or our technology infrastructure, or those of third parties on which we rely; and
- Our inability to implement new information technology and systems, or our inability to complete such implementation in a timely or cost effective manner.

The foregoing factors should not be construed as exhaustive and should be read together with other cautionary statements included in this and other reports and filings we make with the Securities and Exchange Commission, including the information in Item 1 “Business” and Item 1A “Risk Factors” of Part I and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Part II to our Annual Report on Form 10-K for the year ended December 31, 2017 and as updated in our quarterly reports on Form 10-Q for the year ending December 31, 2018. All forward-looking statements speak only as of the date on which they are made and we undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

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