

Non-U.S. GAAP Information and Reconciliations

Management believes that certain non-U.S. GAAP financial measures, specifically, adjusted operating income, adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, while not a substitute for U.S. GAAP financial measures, may be effective indicators of the Company's performance over time. Non-U.S. GAAP financial measures should not be construed to be superior to U.S. GAAP measures. In calculating these non-U.S. GAAP financial measures, operating income, net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share are adjusted to exclude items management deems non-operating or non-recurring in nature, or otherwise outside the ordinary course of business. These adjustments may include, when applicable, the add back of closed-end fund structuring fees, costs associated with debt repayments and tax settlements, the tax impact of stock-based compensation shortfalls or windfalls, impairment charges and non-recurring charges for the effect of tax law changes. The adjusted measures also exclude the impact of consolidated investment entities and other seed capital investments. Management and our Board of Directors, as well as certain of our outside investors, consider the adjusted numbers a measure of the Company's underlying operating performance. Management believes adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share are important indicators of our operations because they exclude items that may not be indicative of, or are unrelated to, our core operating results, and may provide a useful baseline for analyzing trends in our underlying business.

Effective in the second quarter of fiscal 2020, the Company's calculation of non-U.S. GAAP financial measures excludes the impact of consolidated investment entities and other seed capital investments. Adjustments to U.S. GAAP operating income include the add-back of management fee revenue received from consolidated investment entities that are eliminated in consolidation and the non-management expenses of consolidated sponsored funds recognized in consolidation. Adjustments to U.S. GAAP net income attributable to Eaton Vance Corp. shareholders include the after-tax impact of these adjustments to operating income and the elimination of gains (losses) and other investment income (expense) of consolidated investment entities and other seed capital investments included in non-operating income (expense), as determined net of tax and non-controlling and other beneficial interests. All prior period non-U.S. GAAP financial measures have been updated to reflect this change.

Reconciliation of operating income and operating margin to adjusted operating income and adjusted operating margin: (in thousands)

	Three Months Ended					Nine Months Ended		
	July 31, 2020	April 30, 2020	July 31, 2019	% Change Q3 2020 vs. Q2 2020	% Change Q3 2020 vs. Q3 2019	July 31, 2020	July 31, 2019	% Change
Total revenue	\$ 420,819	\$ 405,911	\$ 431,235	4 %	(2) %	\$ 1,279,284	\$ 1,249,512	2 %
Management fees of consolidated sponsored funds and consolidated CLO entities ⁽¹⁾	1,193	1,277	1,813	(7)	(34)	4,396	3,614	22
Adjusted total revenue	\$ 422,012	\$ 407,188	\$ 433,048	4	(3)	\$ 1,283,680	\$ 1,253,126	2
Total expenses	\$ 289,598	\$ 283,955	\$ 294,100	2 %	(2) %	\$ 891,388	\$ 864,074	3 %
Non-management expenses of consolidated sponsored funds ⁽²⁾	(1,014)	(1,144)	(1,297)	(11)	(22)	(3,446)	(4,078)	(15)
Adjusted total expenses	\$ 288,584	\$ 282,811	\$ 292,803	2	(1)	\$ 887,942	\$ 859,996	3
Operating income	\$ 131,221	\$ 121,956	\$ 137,135	8 %	(4) %	\$ 387,896	\$ 385,438	1 %
Management fees of consolidated sponsored funds and consolidated CLO entities ⁽¹⁾	1,193	1,277	1,813	(7)	(34)	4,396	3,614	22
Non-management expenses of consolidated sponsored funds ⁽²⁾	1,014	1,144	1,297	(11)	(22)	3,446	4,078	(15)
Adjusted operating income	\$ 133,428	\$ 124,377	\$ 140,245	7	(5)	\$ 395,738	\$ 393,130	1
Operating margin	31.2 %	30.0 %	31.8 %	4	(2)	30.3 %	30.8 %	(2)
Adjusted operating margin	31.6 %	30.5 %	32.4 %	4	(2)	30.8 %	31.4 %	(2)

Reconciliation of income before income taxes and equity in net income of affiliates to adjusted income before income taxes and equity in net income of affiliates:
(in thousands, except as noted)

	Three Months Ended					Nine Months Ended		
	July 31, 2020	April 30, 2020	July 31, 2019	% Change Q3 2020 vs. Q2 2020	% Change Q3 2020 vs. Q3 2019	July 31, 2020	July 31, 2019	% Change
Income before income taxes and equity in net income (loss) of affiliates	\$ 163,532	\$ 48,592	\$ 142,605	237 %	15 %	\$ 355,212	\$ 408,006	(13) %
Management fees of consolidated sponsored funds and consolidated CLO entities, pre-tax ⁽¹⁾	1,193	1,277	1,813	(7)	(34)	4,396	3,614	22
Non-management expenses of consolidated sponsored funds, pre-tax ⁽²⁾	1,014	1,144	1,297	(11)	(22)	3,446	4,078	(15)
Net (gains) losses and other investment income related to consolidated sponsored funds and other seed capital investments, pre-tax ⁽³⁾	(33,419)	51,489	(12,394)	NM	170	4,258	(27,764)	NM
Other (income) expense of consolidated CLO entities, pre-tax ⁽⁴⁾	(4,528)	16,488	3,488	NM	NM	13,793	(4,589)	NM
Adjusted income before income taxes and equity in net income (loss) of affiliates	\$ 127,792	\$ 118,990	\$ 136,809	7	(7)	\$ 381,105	\$ 383,345	(1)
Income tax expense	\$ 36,899	\$ 22,017	\$ 36,304	68 %	2 %	\$ 91,494	\$ 100,998	(9) %
Management fees of consolidated sponsored funds and consolidated CLO entities ⁽¹⁾	308	330	466	(7)	(34)	1,136	925	23
Non-management expenses of consolidated sponsored funds ⁽²⁾	262	296	333	(11)	(21)	891	1,041	(14)
Net (gains) losses and other investment income related to consolidated sponsored funds and other seed capital investments ⁽³⁾	(1,789)	1,606	(2,474)	NM	(28)	(1,898)	(3,697)	(49)
Other (income) expense of consolidated CLO entities ⁽⁴⁾	(1,170)	4,262	895	NM	NM	3,565	(1,162)	NM
Net excess tax benefits from stock-based compensation plans	176	1,059	637	(83)	(72)	6,095	3,863	58
Adjusted income tax expense	\$ 34,686	\$ 29,570	\$ 36,161	17	(4)	\$ 101,283	\$ 101,968	(1)
Effective income tax rate	22.6 %	45.3 %	25.5 %	(50)	(11)	25.8 %	24.8 %	4
Adjusted effective income tax rate	27.1 %	24.9 %	26.4 %	9	3	26.6 %	26.6 %	-

Reconciliation of net income attributable to Eaton Vance Corp. shareholders to adjusted net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share to adjusted earnings per diluted share:
(in thousands, except per share figures)

	Three Months Ended					Nine Months Ended		
	July 31, 2020	April 30, 2020	July 31, 2019	% Change Q3 2020 vs. Q2 2020	% Change Q3 2020 vs. Q3 2019	July 31, 2020	July 31, 2019	% Change
Net income (loss) attributable to Eaton Vance Corp. shareholders	\$ (1,593)	\$ 72,058	\$ 102,221	NM %	NM %	\$ 174,450	\$ 290,829	(40) %
Management fees of consolidated sponsored funds and consolidated CLO entities, net of tax ⁽¹⁾	885	947	1,348	(7)	(34)	3,260	2,690	21
Non-management expenses of consolidated sponsored funds, net of tax ⁽²⁾	752	848	964	(11)	(22)	2,555	3,037	(16)
Net (gains) losses and other investment income related to consolidated sponsored funds and other seed capital investments, net of tax ⁽³⁾	(5,131)	4,607	(7,161)	NM	(28)	(5,444)	(10,743)	(49)
Other (income) expense of consolidated CLO entities, net of tax ⁽⁴⁾	(3,357)	12,226	2,592	NM	NM	10,227	(3,430)	NM
Net excess tax benefit from stock-based compensation plans	(176)	(1,059)	(637)	(83)	(72)	(6,095)	(3,863)	58
Impairment loss ⁽⁵⁾	100,450	-	-	NM	NM	100,450	-	NM
Adjusted net income attributable to Eaton Vance Corp. shareholders	\$ 91,830	\$ 89,627	\$ 99,327	2	(8)	\$ 279,403	\$ 278,520	-
Earnings (loss) per diluted share	\$ (0.01)	\$ 0.65	\$ 0.90	NM	NM	\$ 1.55	\$ 2.54	(39)
Management fees of consolidated sponsored funds and consolidated CLO entities, net of tax	0.01	0.01	0.01	-	-	0.03	0.02	50
Non-management expenses of consolidated sponsored funds, net of tax	-	0.01	0.01	(100)	(100)	0.02	0.03	(33)
Net (gains) losses and other investment income related to consolidated sponsored funds and other seed capital investments, net of tax	(0.05)	0.04	(0.06)	NM	(17)	(0.05)	(0.09)	(44)
Other (income) expense of consolidated CLO entities, net of tax	(0.03)	0.11	0.02	NM	NM	0.09	(0.04)	NM
Net excess tax benefit from stock-based compensation plans	-	(0.02)	-	(100)	NM	(0.05)	(0.03)	67
Impairment loss	0.90	-	-	NM	NM	0.89	-	NM
Adjusted earnings per diluted share	\$ 0.82	\$ 0.80	\$ 0.88	3	(7)	\$ 2.48	\$ 2.43	2

Notes to Reconciliations:

⁽¹⁾ Represents management fees eliminated upon the consolidation of sponsored funds and CLO entities.

⁽²⁾ Represents expenses of consolidated sponsored funds.

⁽³⁾ Represents gains, losses and other investment income earned on investments in sponsored strategies, whether accounted for as consolidated funds, separate accounts or equity investments, as well as the gains and losses recognized on derivatives used to hedge these investments. Stated amounts are net of non-controlling interests.

⁽⁴⁾ Represents other income and expenses of consolidated CLO entities.

⁽⁵⁾ Represents an impairment loss recognized on the Company's investment in 49 percent-owned affiliate Hexavest.