



First Quarter 2014  
Earnings Results  
May 8, 2014

[www.walkerdunlop.com](http://www.walkerdunlop.com)



# Forward Looking Statements and Non-GAAP Financial Measures

## Forward-Looking Statements

Some of the statements contained in this press release may constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this press release reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause actual results to differ significantly from those expressed or contemplated in any forward-looking statement.

While forward-looking statements reflect our good faith projections, assumptions and expectations, they are not guarantees of future results. Furthermore, we disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by applicable law. Factors that could cause our results to differ materially include, but are not limited to: (1) general economic conditions and multifamily and commercial real estate market conditions, (2) regulatory and or legislative changes to Freddie Mac, Fannie Mae or HUD, (3) our ability to retain and attract loan originators and other professionals, and (4) changes in federal government fiscal and monetary policies, including any constraints or cuts in federal funds allocated to HUD for loan originations.

For a further discussion of these and other factors that could cause future results to differ materially from those expressed or contemplated in any forward-looking statements, see the section entitled "Risk Factors" in our most recent Annual Report on Form 10-K and in our subsequent SEC filings. Such filings are available publicly on our Investor Relations web page at [www.walkeranddunlop.com](http://www.walkeranddunlop.com).

## Non-GAAP Financial Measures

To supplement the financial statements presented in accordance with United States generally accepted accounting principles (GAAP), the Company presents the following non-GAAP financial measures, each of which excludes certain expenses that are not reflective of our ongoing operations: adjusted net income, adjusted diluted earnings per share, adjusted total expenses, adjusted income from operations and adjusted operating margin. These supplemental measures exclude the amortization of customer contracts acquired from CWCapital.

In addition, the Company presents adjusted EBITDA which is not a recognized measurement under GAAP. When analyzing our operating performance, readers should use adjusted EBITDA in addition to, and not as an alternative for, GAAP net income. Adjusted EBITDA represents GAAP net income before income taxes, interest expense on our term loan facility, depreciation and amortization, provision for credit losses, net of write-offs, stock based incentive compensation charges, and removes the benefit of non-cash revenues such as gains attributable to MSRs. In addition, adjusted EBITDA further excludes the impact of the aforementioned amortization of customer contracts. Because not all companies use identical calculations, our presentation of adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, adjusted EBITDA is not intended to be a measure of free cash flow for our management's discretionary use, as it does not reflect certain cash requirements such as tax and debt service payments. The amounts shown for adjusted EBITDA may also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges, that are used to determine compliance with financial covenants.

The Company believes that adjusted net income, adjusted diluted earnings per share, adjusted total expenses, adjusted income from operations and adjusted operating margin facilitate a review of the comparability of the Company's operating performance on a period-to-period basis because the amortization of customer contracts is not, in our view, related to the Company's ongoing operational performance. We use these non-GAAP measures to evaluate the operating performance of our business, for comparison with forecasts and strategic plans, and for benchmarking performance externally against competitors. Since we find these measures to be useful, we believe that investors benefit from seeing results "through the eyes" of management in addition to seeing GAAP results. We believe that these non-GAAP measures, when read in conjunction with the Company's GAAP financials, provide useful information to investors by offering:

- the ability to make more meaningful period-to-period comparisons of the Company's on-going operating results;
- the ability to better identify trends in the Company's underlying business and perform related trend analyses; and
- a better understanding of how management plans and measures the Company's underlying business.

These non-GAAP measures are not in accordance with or an alternative for GAAP, and may be different from non-GAAP measures used by other companies. We believe that these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures. We compensate for the limitations of non-GAAP financial measures by relying upon GAAP results to gain a complete picture of our performance.

For a reconciliation of these non-GAAP financial measures, refer to the appendix of this presentation.



# Strategic Outlook and Market Position

---

## W&D's Market Position

- ▶ Largest Fannie Mae DUS® lender in the United States for the second year in a row
- ▶ Third largest Freddie Mac Program Plus® Seller, up from fourth largest last year
- ▶ Sixth largest HUD lender for the second year in a row<sup>(1)</sup>
- ▶ Moved from 17<sup>th</sup> to 14<sup>th</sup> largest broker of loans in 2013<sup>(1)</sup>

---

## W&D's Breadth of Operations

- ▶ On balance sheet interim loan portfolio grew 185% over Q1'13 to \$185.6 million
- ▶ Fannie Mae and Freddie Mac originations accounted for 52% of total originations, down from 74% in Q1'13
- ▶ Launched CMBS platform during Q1'14
- ▶ Opened office in Tampa, FL during Q1'14 to increase national footprint

---

## Strategic Outlook

- ▶ Expand our origination salesforce and proprietary capital solutions in 2014 to grow and diversify our lending operations
- ▶ Expand Capital Markets with goal to originate \$3 billion - \$5 billion annually through this channel
- ▶ Goal is to have 50% of revenues come from servicing and asset management fees by 2017
- ▶ Grow market share in high margin Agency origination and servicing businesses

---

<sup>(1)</sup> As reported by the Mortgage Bankers Association ("MBA") Annual Originations Rankings



# Q1'14 Financial Highlights

## Loan Origination Volume

- ▶ \$1.6 billion of loans originated in Q1'14, down 9% from Q1'13
- ▶ Originations with the GSEs, 52% of originations, down from 74% of originations in 1Q'13
- ▶ HUD loan originations of \$258 million, up 75% over Q1'13
- ▶ Interim loan originations of \$81.3 million compared to \$0 in Q1'13
- ▶ Brokered originations of \$416 million, up 36% over Q1'13

## Financial Results

- ▶ Total revenues of \$64.8 million, down 6% from Q1'13
- ▶ Gains from mortgage banking activities of \$34.6 million, down 19% from Q1'13
- ▶ Adjusted net income<sup>(1)</sup> of \$7.5 million, or \$0.22 per diluted share, down 12% from Q1'13
- ▶ Adjusted operating margin<sup>(1)</sup> of 19% compared to 20% in Q1'13
- ▶ Adjusted EBITDA<sup>(1)</sup> of \$19.8 million, up 44% over Q1'13

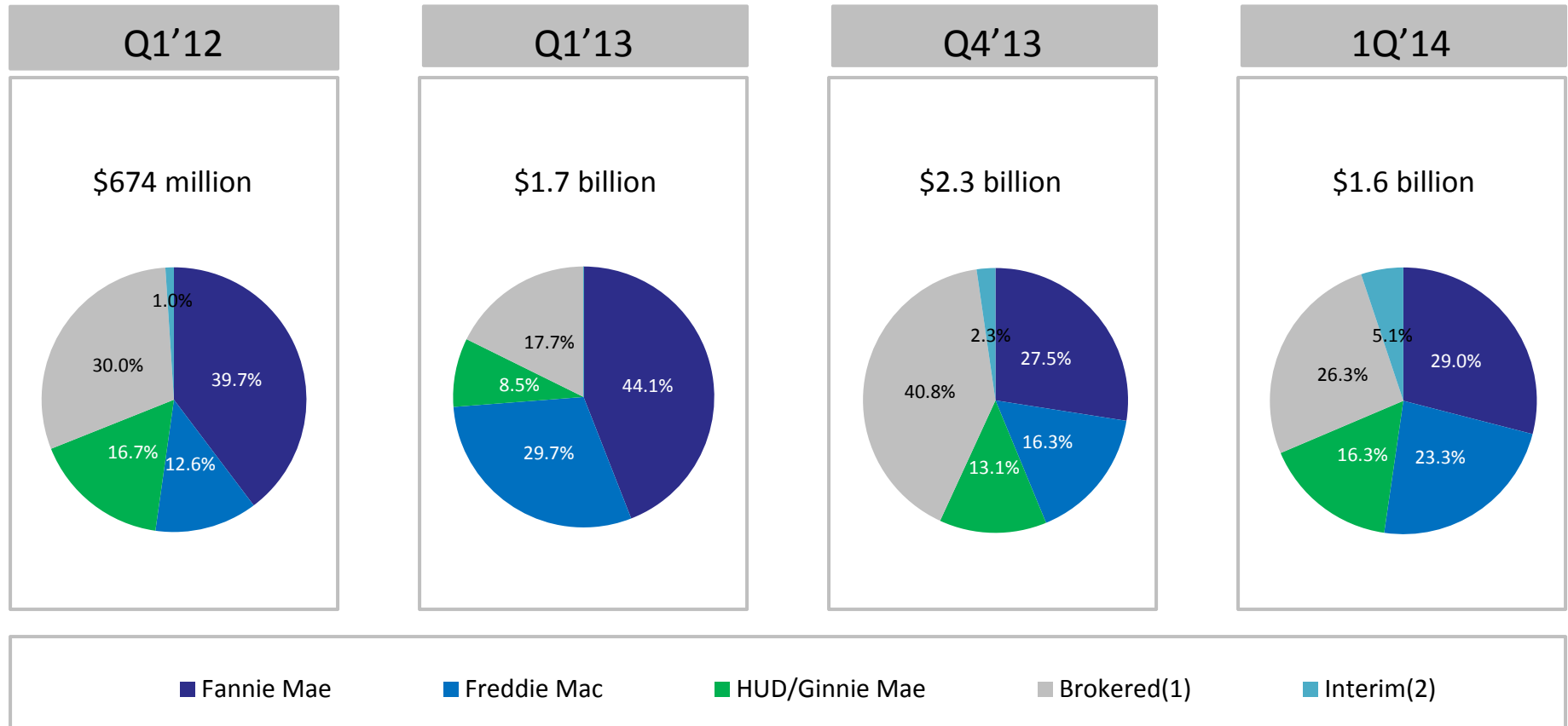
## Servicing Portfolio

- ▶ Servicing fees of \$23.3 million, up 10% over Q1'13 and comprising 36% of total revenues
- ▶ Servicing portfolio totaled \$38.9 billion at March 31, 2014, up 6% over portfolio of \$36.8 billion at March 31, 2013

<sup>(1)</sup> This is a non-GAAP financial measure, which excludes certain items. The Company presents this metric in order to help investors better understand our operating performance. For a reconciliation of the metric to GAAP, refer to the appendix of this presentation.



# Quarterly Loan Originations

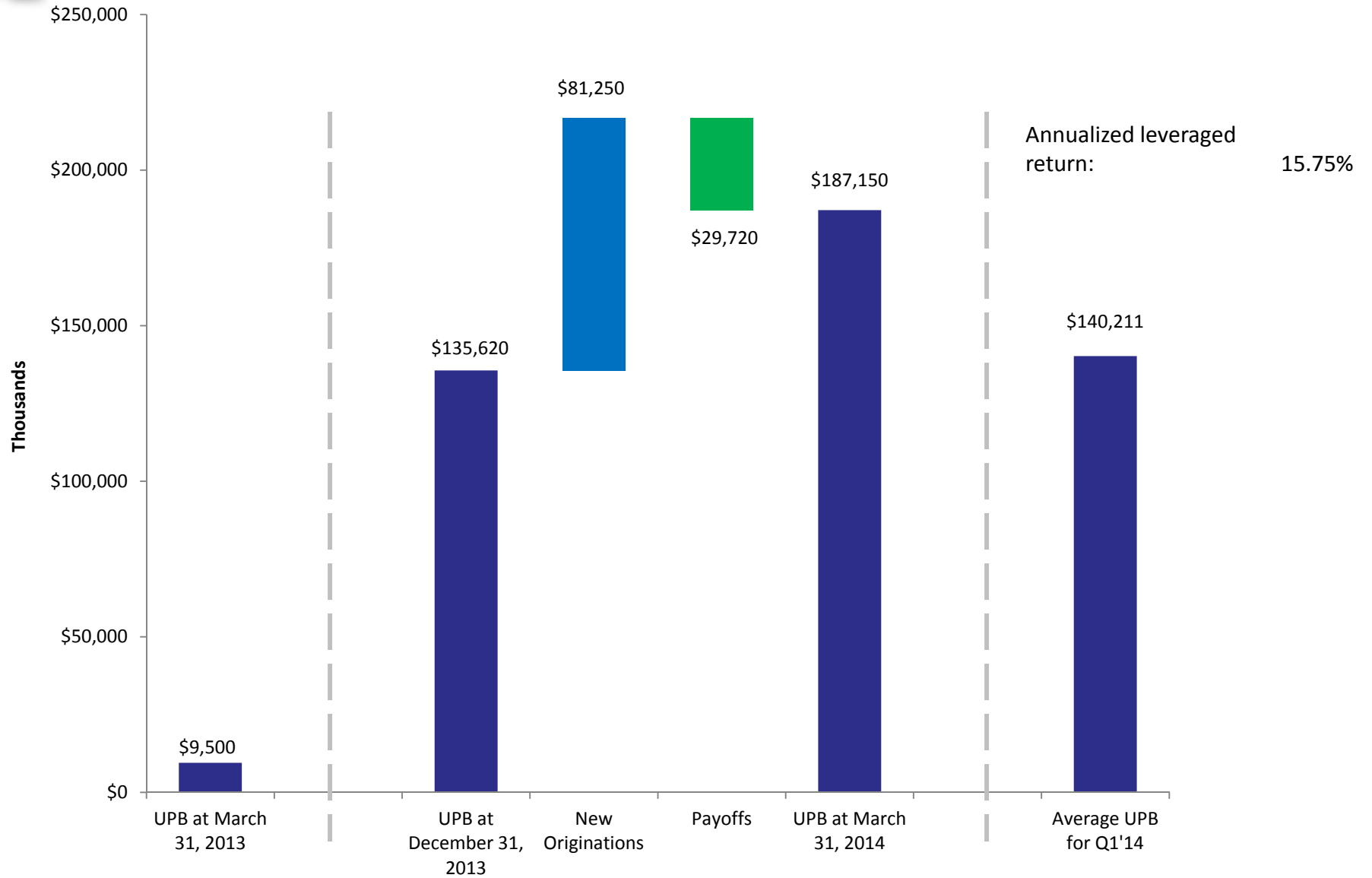


(1) Includes loans brokered to CMBS, life insurance companies and commercial banks

(2) Includes our on-balance sheet interim loans and loans made through our large loan bridge program

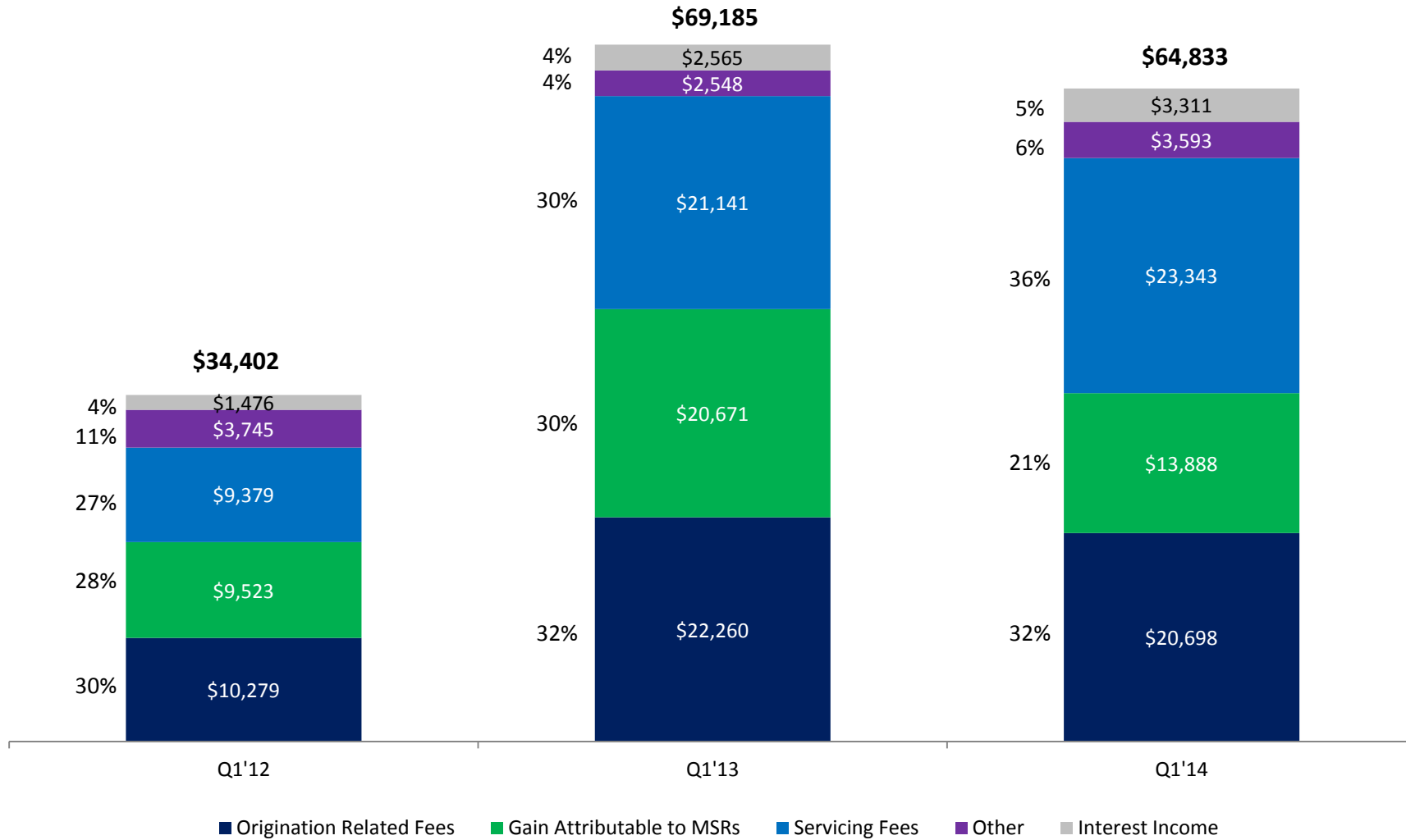


# Loans Held for Investment





# Components of Total Revenues

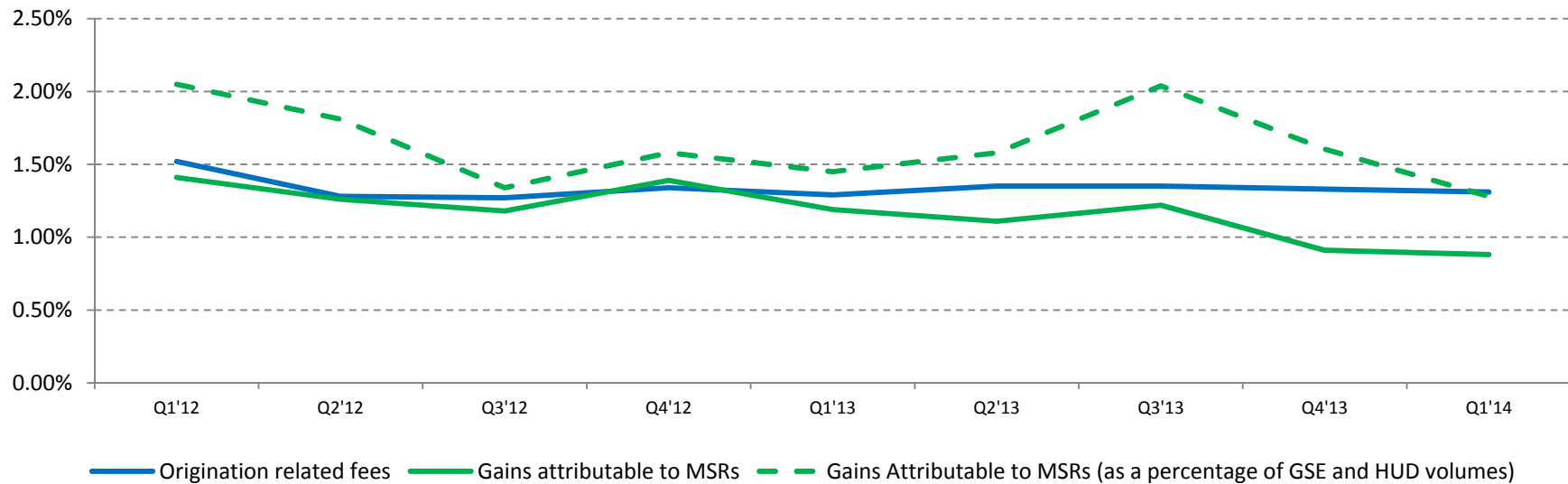


Note: Dollar amounts presented in thousands



# Origination Related Revenues - Historical Trend

## Gains from Mortgage Banking Activities<sup>(1)</sup>



<b>Gains from Mortgage Banking Activities:</b>		<b>Q1'14<sup>(2)</sup></b>	<b>Q1'13<sup>(2)</sup></b>	<b>Q1'14<sup>(1)</sup></b>	<b>Q1'13<sup>(1)</sup></b>
Origination related fees	\$	20,698	\$ 22,260	1.31%	1.29%
Gains attributable to MSRs		13,888	20,671	0.88%	1.19%
Total gain on sale margin	\$	34,586	\$ 42,931	2.19%	2.48%
Gains attributable to MSRs as a % of GSEs and HUD				1.28%	1.45%

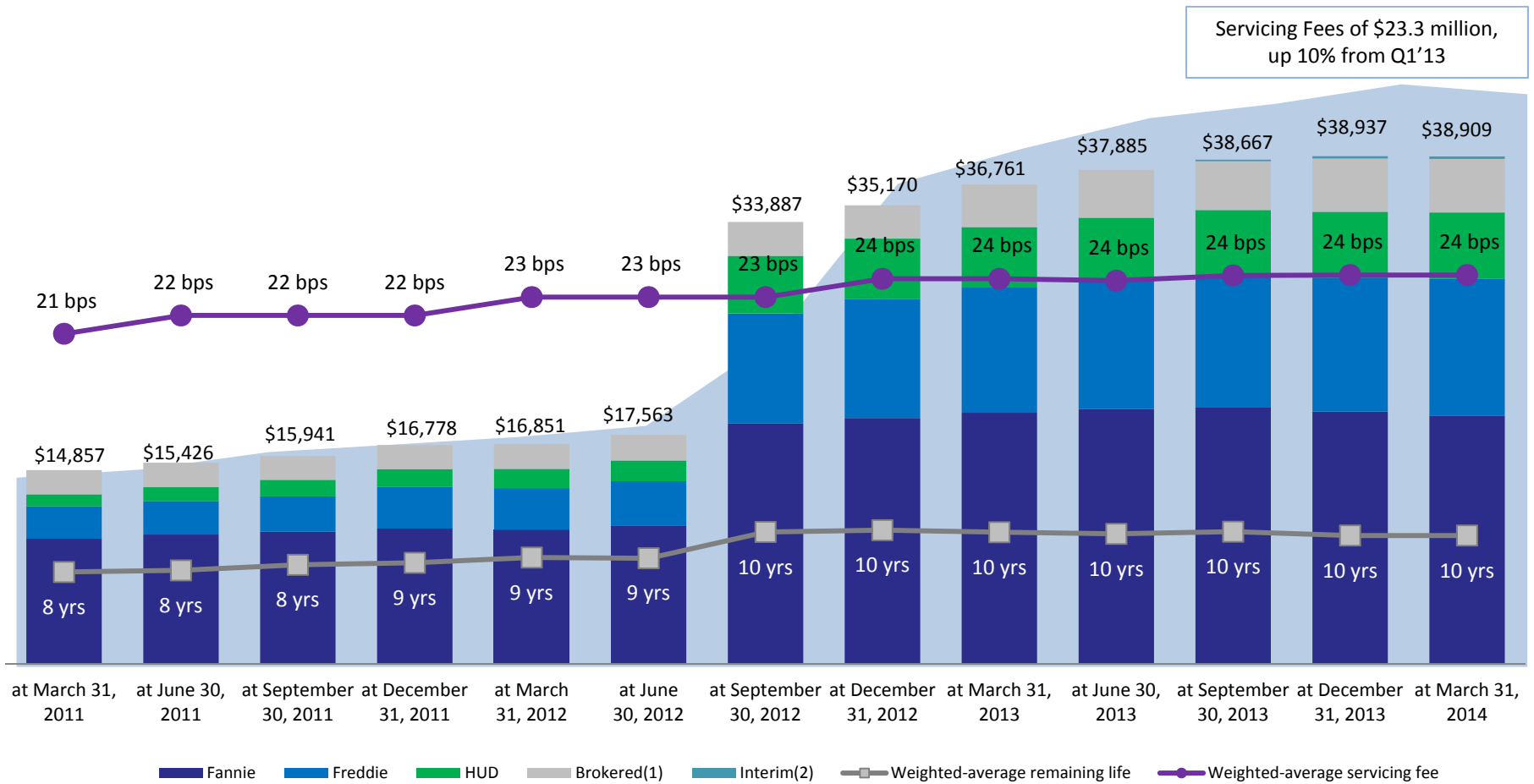
<sup>(1)</sup> Origination related fees and gains attributable to MSRs presented as a percentage of quarterly origination volume

<sup>(2)</sup> In thousands





# Servicing Portfolio & Associated Revenue Growth



Servicing fees are illustrated by the light blue background

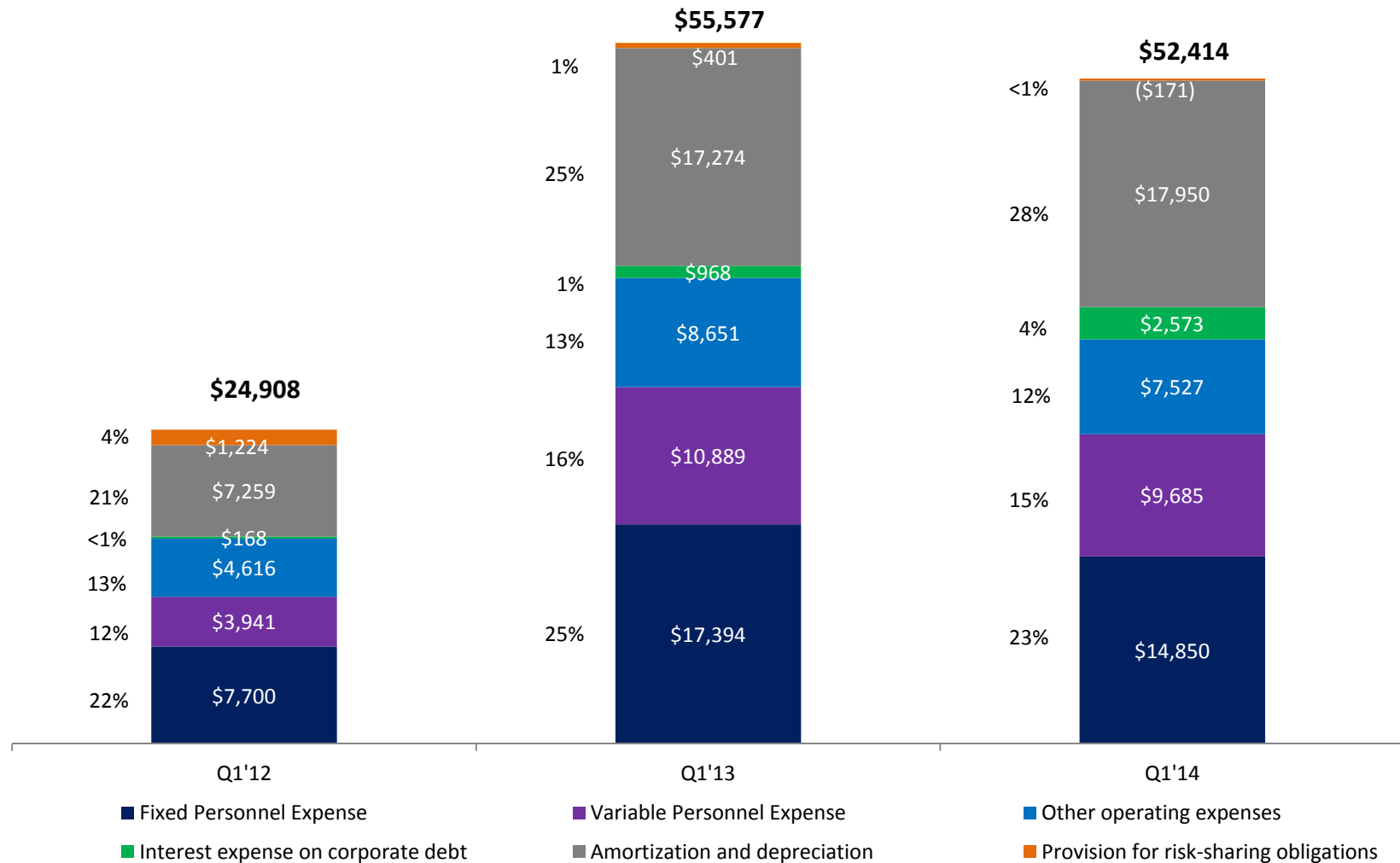
Note: Total servicing portfolio presented in millions

(1) Brokered originations include CMBS, life insurance and commercial banks

(2) Includes our on-balance sheet interim loans and loans made through our large loan bridge program



# Adjusted Total Expenses<sup>(1)</sup> as a % of Total Revenues



Note: Dollar amounts presented in thousands

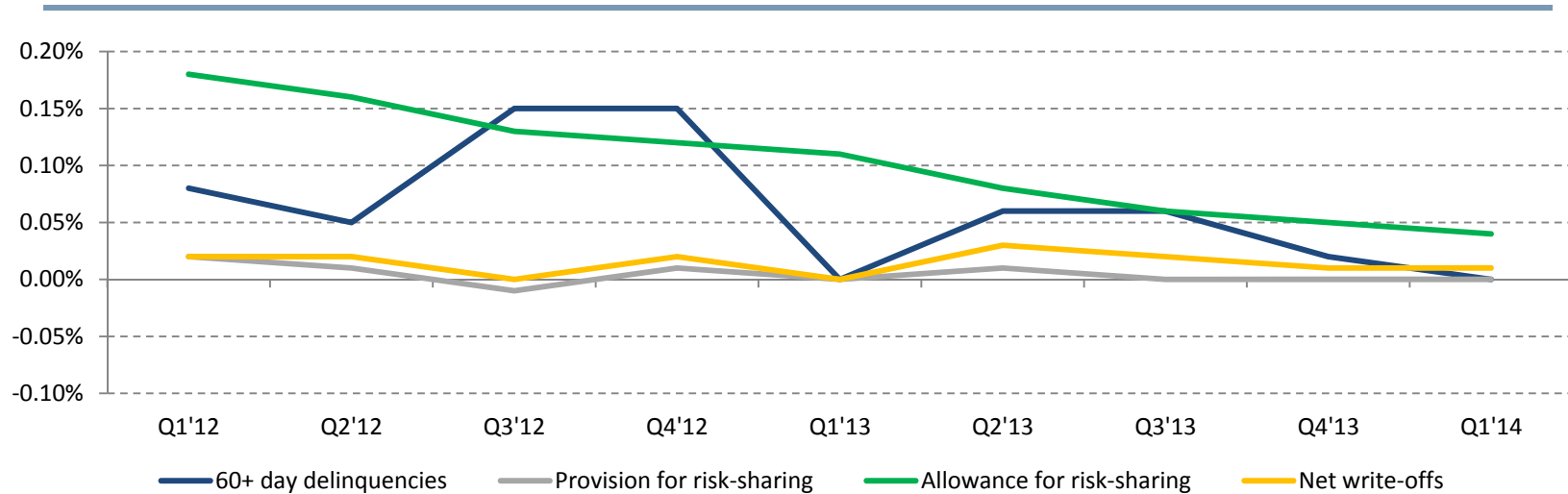
<sup>(1)</sup> This is a non-GAAP financial measure, which excludes certain items. The Company presents this metric in order to help investors better understand our operating performance. For a reconciliation of the metric to GAAP expenses, refer to the appendix of this presentation.



# Key Credit Metrics

## Credit Remains a Strength of W&D

(as of and for the periods then ended)



### Walker & Dunlop Key Credit Metrics<sup>(1)</sup>

(as a percentage of the at risk servicing portfolio)

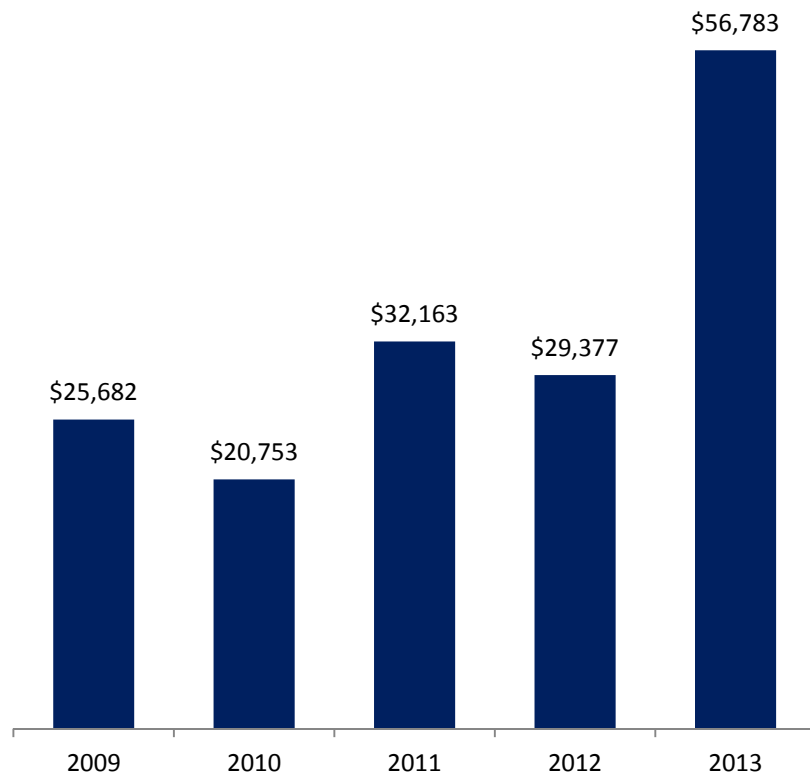
	Q1'13	Q4'13	Q1'14
<b>As of period end:</b>			
60+ day delinquencies	0.00%	0.02%	0.00%
Allowance for risk-sharing	0.11%	0.05%	0.04%
<b>For the period ended:</b>			
Provision for risk-sharing	< 0.01%	0.00%	0.00%
Net write-offs	0.00%	0.01%	0.01%

<sup>(1)</sup>Quarterly data, not annualized

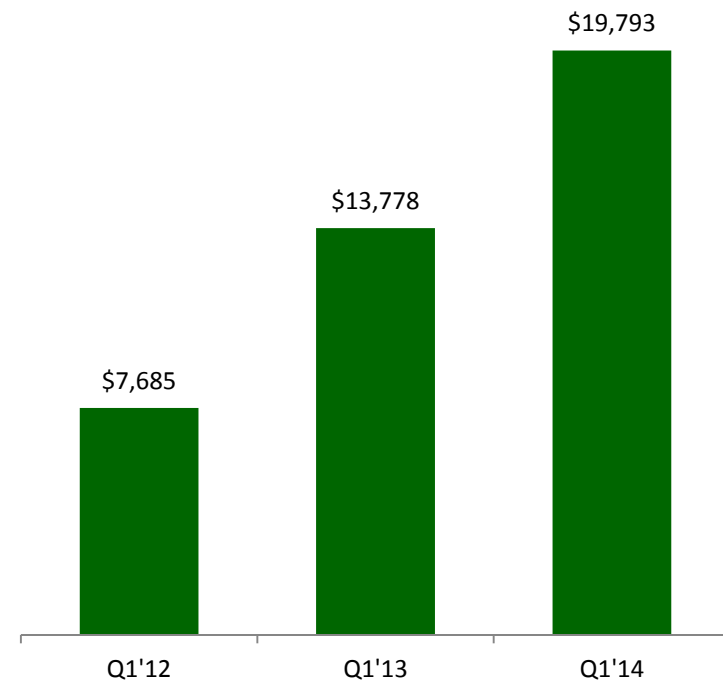


# Adjusted EBITDA<sup>(1)</sup>

Adjusted EBITDA by year



Adjusted EBITDA by quarter



Note: Amounts in thousands.

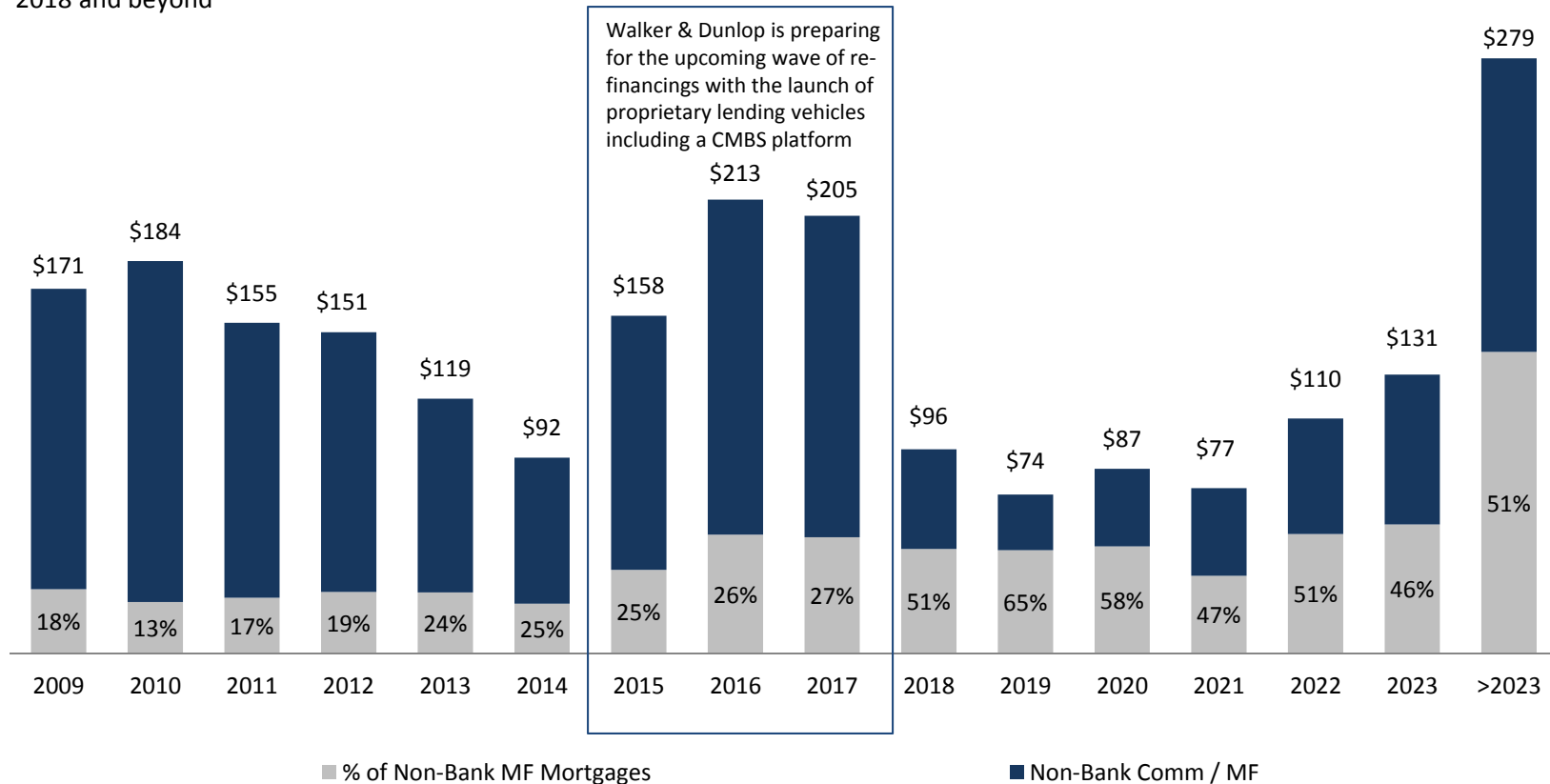
<sup>(1)</sup> This is a non-GAAP financial measure, which excludes certain items. The Company presents this metric in order to help investors better understand our operating performance. For a reconciliation of the metric to GAAP net income, refer to the appendix of this presentation.



# Commercial / MF Mortgage Maturities

Unpaid Principal Balance of Non-Bank Commercial / Multifamily Mortgages, by year of Maturity<sup>(1)</sup>  
(\$ in billions)

- The amount of commercial / multifamily loans maturing in 2015 – 2017 is significantly higher than in the past due to CMBS maturities
- Even after 2017, when the total amount of maturities goes down, multifamily specific maturities as a percentage of total maturities increase in 2018 and beyond



<sup>(1)</sup> Mortgage Bankers Association Survey of Loan Maturity Volumes as of December 31, 2013



**Walker & Dunlop**  
Commercial Real Estate Finance

# Appendix

[www.walkerdunlop.com](http://www.walkerdunlop.com)



# Balance Sheets

(in thousands)	As of March 31, 2014 (unaudited)	As of December 31, 2013
<b>Assets</b>		
Cash and cash equivalents	\$ 72,196	\$ 175,990
Pledged securities, at fair value	52,901	49,651
Loans held for sale, at fair value	361,108	281,477
Loans held for investment, net	185,631	134,656
Mortgage servicing rights	347,976	353,024
Goodwill and other intangibles	61,250	61,777
Other assets	60,496	72,391
<b>Total assets</b>	<b>\$ 1,141,558</b>	<b>\$ 1,128,966</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Note payable	\$ 172,885	\$ 173,258
Warehouse notes payable	427,413	373,107
Allowance for risk-sharing obligations	5,662	7,363
Accounts payable and other liabilities	158,095	172,397
<b>Total liabilities</b>	<b>\$ 764,055</b>	<b>\$ 726,125</b>
<b>Total stockholders' equity</b>	<b>\$ 377,503</b>	<b>\$ 402,841</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,141,558</b>	<b>\$ 1,128,966</b>



# Adjusted Financial Metrics Reconciliation to GAAP

## Reconciliation of GAAP Net Income and GAAP Diluted Earnings Per Share to Adjusted Net Income and Adjusted Diluted Earnings Per Share

*(in thousands, except per share amounts)*

	For the three months ended	
	March 31,	
	2014	2013
GAAP net income	\$ 7,144	\$ 7,726
Shares <sup>(1)</sup>	33,859	34,157
GAAP diluted earnings per share	\$ 0.21	\$ 0.23
GAAP net income	\$ 7,144	\$ 7,726
Adjustments:		
Amortization of intangible assets	509	1,278
Income tax impact of adjustments	(195)	(497)
Adjusted net income	\$ 7,458	\$ 8,507
Shares <sup>(1)</sup>	33,859	34,157
Adjusted diluted earnings per share	\$ 0.22	\$ 0.25

(1) Diluted weighted average shares outstanding





# Adjusted Financial Metrics Reconciliation to GAAP

For the three months ended  
March 31,

## Reconciliation of GAAP Income from Operations and GAAP Operating Margin to

### Adjusted Income from Operations and Adjusted Operating Margin

	2014	2013
GAAP income from operations	\$ 11,910	\$ 12,330
Total revenues	<u>64,833</u>	<u>69,185</u>
GAAP operating margin	<u>18%</u>	<u>18%</u>

GAAP income from operations	\$ 11,910	\$ 12,330
Adjustments:		
Amortization of intangible assets	<u>509</u>	<u>1,278</u>
Adjusted income from operations	\$ 12,419	\$ 13,608
Total revenues	<u>64,833</u>	<u>69,185</u>
Adjusted operating margin	<u>19%</u>	<u>20%</u>

## Reconciliation of GAAP Total Expenses to Adjusted Total Expenses

GAAP total expenses	\$ 52,923	\$ 56,855
Adjustments:		
Amortization of intangible assets	<u>(509)</u>	<u>(1,278)</u>
Adjusted total expenses	<u>\$ 52,414</u>	<u>\$ 55,577</u>



# Adjusted EBITDA Reconciliation to Net Income

<i>(dollars in thousands)</i>	For the three months ended	
	March 31,	
Reconciliation of GAAP Net Income to Adjusted EBITDA	2014	2013
GAAP Net Income	\$ 7,144	\$ 7,726
Recurring Adjustments:		
Income tax expense	4,766	4,604
Interest expense	2,573	968
Amortization and depreciation	18,459	18,552
Provision for credit losses	(171)	401
Net write-offs	(1,361)	-
Stock compensation expense	2,271	2,198
Gains attributable to mortgage servicing rights <sup>(1)</sup>	<u>(13,888)</u>	<u>(20,671)</u>
Adjusted EBITDA	\$ <u>19,793</u>	\$ <u>13,778</u>

(1) Represents the fair value of the expected net cash flows from servicing recognized at commitment, net of the expected guaranty obligation