

Virtus Investment Partners Announces Financial Results for Third Quarter 2023

- Earnings Per Share - Diluted of \$4.19; Earnings Per Share - Diluted, as Adjusted, of \$6.21
- Total Sales of \$5.8B; Net Flows of (\$1.5B); Assets Under Management of \$162.5B

Hartford, CT, October 27, 2023 - Virtus Investment Partners, Inc. (NASDAQ: VRTS) today reported financial results for the three months ended September 30, 2023.

Financial Highlights (Unaudited)

(in millions, except per share data or as noted)

	Three Months Ended			Three Months Ended	
	9/30/2023	9/30/2022	Change	6/30/2023	Change
U.S. GAAP Financial Measures					
Revenues	\$ 219.3	\$ 210.3	4%	\$ 213.5	3%
Operating expenses	\$ 174.4	\$ 166.2	5%	\$ 174.5	—%
Operating income (loss)	\$ 44.9	\$ 44.0	2%	\$ 39.0	15%
Operating margin	20.5%	20.9%		18.3%	
Net income (loss) attributable to Virtus Investment Partners, Inc.	\$ 30.9	\$ 31.7	(3%)	\$ 30.3	2%
Earnings (loss) per share - diluted	\$ 4.19	\$ 4.25	(1%)	\$ 4.10	2%
Weighted average shares outstanding - diluted	7.379	7.463	(1%)	7.385	—%
Non-GAAP Financial Measures (1)					
Revenues, as adjusted	\$ 197.5	\$ 185.7	6%	\$ 190.6	4%
Operating expenses, as adjusted	\$ 130.5	\$ 120.8	8%	\$ 129.0	1%
Operating income (loss), as adjusted	\$ 67.0	\$ 64.9	3%	\$ 61.6	9%
Operating margin, as adjusted	33.9%	35.0%		32.3%	
Net income (loss) attributable to Virtus Investment Partners, Inc., as adjusted	\$ 45.8	\$ 43.0	7%	\$ 40.1	14%
Earnings (loss) per share - diluted, as adjusted	\$ 6.21	\$ 5.76	8%	\$ 5.43	14%
Weighted average shares outstanding - diluted, as adjusted	7.379	7.463	(1%)	7.385	—%

(1) See the information beginning on page 10 for reconciliations to the most directly comparable U.S. GAAP measures and other important disclosures

Earnings Summary

The company presents U.S. GAAP and non-GAAP earnings information in this release. Management believes that the non-GAAP financial measures presented reflect the company's operating results from providing investment management and related services to individuals and institutions and uses these measures to evaluate financial performance. Non-GAAP financial measures have material limitations and should not be viewed in isolation or as a substitute for U.S. GAAP measures. Reconciliations of the non-GAAP financial measures to the most comparable U.S. GAAP measures can be found beginning on page 10 of this earnings release.

Assets Under Management and Asset Flows

(in billions)

	Three Months Ended			Three Months Ended	
	9/30/2023	9/30/2022	Change	6/30/2023	Change
Ending total assets under management	\$ 162.5	\$ 145.0	12%	\$ 168.3	(3%)
Average total assets under management	\$ 167.9	\$ 157.1	7%	\$ 163.0	3%
Total sales	\$ 5.8	\$ 5.7	2%	\$ 7.6	(23%)
Net flows	\$ (1.5)	\$ (3.3)	N/M	\$ —	N/M

N/M - Not Meaningful

Total assets under management of \$162.5 billion at September 30, 2023 declined from \$168.3 billion at June 30, 2023 primarily due to market performance and open-end fund net outflows. In addition, the company provided services to \$2.5 billion of other fee-earning assets.

Total sales of \$5.8 billion decreased from \$7.6 billion in the second quarter as increases in retail separate accounts and open-end funds were more than offset by lower institutional sales. Institutional sales of \$1.3 billion declined from \$3.7 billion in the prior quarter, which included a large fixed income mandate. Retail separate account sales of \$1.8 billion increased 37% from \$1.3 billion reflecting strong sales of small/mid cap. Open-end fund sales of \$2.7 billion increased 5% from \$2.6 billion primarily reflecting higher sales of alternatives and fixed income.

Net flows of (\$1.5) billion compared with breakeven net flows in the second quarter. Institutional net flows of (\$0.4) billion declined from \$2.2 billion in the prior quarter, which included the large mandate. Retail separate account net flows of \$0.3 billion compared with (\$0.1) billion in the prior quarter, with net inflows in both the intermediary sold and private client channels. Open-end fund net flows of (\$1.5) billion compared with (\$2.1) billion in the prior quarter due to higher sales and lower redemptions and included improved net flows in alternatives, fixed income, and domestic equity.

GAAP Results

Operating income of \$44.9 million increased 15% from \$39.0 million in the prior quarter due to an increase in revenues reflecting higher average assets under management. Operating expenses of \$174.4 million were relatively unchanged, with lower employment and other operating expenses compared with the prior quarter, which included fair value adjustments to contingent consideration. Employment and other operating expenses each declined from the prior quarter primarily due to lower acquisition and integration expenses.

Net income attributable to Virtus Investment Partners, Inc. of \$4.19 per diluted share included (\$0.67) of fair value adjustments to affiliate noncontrolling interests and (\$0.30) of acquisition and integration costs. Net income per diluted share of \$4.10 in the prior quarter included (\$0.31) of acquisition and integration costs, (\$0.30) of net realized and unrealized losses on investments, and \$0.21 of fair value adjustments to affiliate noncontrolling interests.

The effective tax rate of 24% decreased from 27% in the prior quarter, primarily reflecting changes in valuation allowances related to marketable securities.

Non-GAAP Results

Revenues, as adjusted, of \$197.5 million increased 4% from \$190.6 million in the prior quarter primarily due to higher average assets under management.

Employment expenses, as adjusted, of \$98.8 million increased from \$95.8 million in the prior quarter due to higher profit-, sales-, and stock performance-based incentive compensation. Other operating expenses, as adjusted, of \$30.1 million declined from \$31.7 million in the prior quarter, which included the annual equity grants to the Board of Directors of \$0.9 million.

Operating income, as adjusted, of \$67.0 million and the related margin of 33.9% increased from \$61.6 million and 32.3% in the prior quarter, respectively, due to higher investment management fees and relatively unchanged operating expenses.

Net income attributable to Virtus Investment Partners, Inc., as adjusted, per diluted share was \$6.21, an increase of \$0.78, or 14%, from \$5.43 in the prior quarter. The increase primarily reflected higher investment management fees.

The effective tax rate, as adjusted, of 27% was unchanged from the prior quarter.

Select Balance Sheet Items (Unaudited)

(in millions)

	As of			As of	
	9/30/2023	9/30/2022	Change	6/30/2023	Change
Cash and cash equivalents	\$ 195.4	\$ 309.2	(37%)	\$ 201.5	(3%)
Gross debt (1)	\$ 279.5	\$ 262.3	7%	\$ 300.2	(7%)
Contingent consideration (2)	\$ 94.4	\$ 133.6	(29%)	\$ 94.4	—%
Redeemable noncontrolling interests (3)	\$ 70.6	\$ 108.3	(35%)	\$ 87.6	(19%)
Total equity exc. noncontrolling interests	\$ 862.1	\$ 799.2	8%	\$ 851.5	1%
Working capital (4)	\$ 73.4	\$ 195.2	(62%)	\$ 124.0	(41%)
Net debt (cash) (5)	\$ 84.1	\$ (47.0)	N/M	\$ 98.7	(15%)

(1) Excludes deferred financing costs of \$5.7 million, \$6.8 million, and \$6.0 million, as of September 30, 2023, September 30, 2022, and June 30, 2023, respectively

(2) Represents estimates of revenue participation and contingent payments

(3) Excludes redeemable noncontrolling interests of consolidated investment products of \$25.7 million, \$16.2 million, and \$22.8 million as of September 30, 2023, September 30, 2022, and June 30, 2023, respectively

(4) Defined as cash and cash equivalents plus accounts receivable, net, less accrued compensation and benefits, accounts payable and accrued liabilities, dividends payable, debt principal payments due over next 12 months and revenue participation amounts earned as of the balance sheet date and due within 12 months

(5) Defined as gross debt less cash and cash equivalents

N/M - Not Meaningful

Working capital of \$73.4 million at September 30, 2023 declined from \$124.0 million at June 30, 2023, as cash earnings were more than offset by return of capital, debt repayment, the issuance of a new collateralized loan obligation (CLO), and an increase in ownership of an affiliate.

During the quarter, the company increased its quarterly dividend by 15% to \$1.90 per share and repurchased 74,015 shares of common stock for \$15.0 million.

The company repaid \$20.0 million of the revolving credit facility during the quarter. Net debt was \$84.1 million, or 0.3x EBITDA, at September 30, 2023.

Conference Call and Investor Presentation

Management will host an investor [conference call](#) and [webcast](#) on Friday, October 27, 2023, at 10 a.m. Eastern to discuss these financial results and related matters. The [presentation](#) that will accompany the conference call is available in the [Investor Relations](#) section of [virtus.com](#). A [replay](#) of the call will be available in the Investor Relations section for at least one year.

About Virtus Investment Partners, Inc.

[Virtus Investment Partners](#) (NASDAQ: VRTS) is a distinctive partnership of boutique investment managers singularly committed to the long-term success of individual and institutional investors. We provide investment management products and services from our [affiliated managers](#), each with a distinct investment style and autonomous investment process, as well as select subadvisers. Investment solutions are available across multiple disciplines and product types to meet a wide array of investor needs. Additional information about our firm, investment partners, and strategies is available at [virtus.com](#).

Investor Relations Contact

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U.S. GAAP Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except per share data)

	Three Months Ended			Three Months Ended		Nine Months Ended		
	9/30/2023	9/30/2022	Change	6/30/2023	Change	9/30/2023	9/30/2022	Change
Revenues								
Investment management fees	\$ 184,869	\$ 172,850	7%	\$ 179,979	3%	\$ 529,326	\$ 564,691	(6%)
Distribution and service fees	14,333	15,746	(9%)	14,132	1%	42,618	52,912	(19%)
Administration and shareholder service fees	19,069	20,563	(7%)	18,240	5%	55,668	66,889	(17%)
Other income and fees	1,000	1,102	(9%)	1,185	(16%)	3,069	3,516	(13%)
Total revenues	219,271	210,261	4%	213,536	3%	630,681	688,008	(8%)
Operating Expenses								
Employment expenses	101,587	88,230	15%	104,694	(3%)	304,895	283,583	8%
Distribution and other asset-based expenses	24,157	26,818	(10%)	25,460	(5%)	73,332	88,247	(17%)
Other operating expenses	30,494	31,096	(2%)	33,483	(9%)	94,707	94,367	—%
Operating expenses of consolidated investment products	553	538	3%	360	54%	1,613	1,927	(16%)
Restructuring expense	691	4,015	(83%)	—	N/M	691	4,015	(83%)
Change in fair value of contingent consideration	—	—	N/M	(6,800)	(100%)	(6,800)	2,900	N/M
Depreciation expense	1,504	938	60%	1,485	1%	4,134	2,835	46%
Amortization expense	15,382	14,609	5%	15,808	(3%)	45,581	43,895	4%
Total operating expenses	174,368	166,244	5%	174,490	—%	518,153	521,769	(1%)
Operating Income (Loss)	44,903	44,017	2%	39,046	15%	112,528	166,239	(32%)
Other Income (Expense)								
Realized and unrealized gain (loss) on investments, net	(1,918)	(2,493)	(23%)	1,717	N/M	2,469	(16,018)	N/M
Realized and unrealized gain (loss) of consolidated investment products, net	(1,013)	(8,440)	(88%)	(4,436)	(77%)	(2,853)	(43,443)	(93%)
Other income (expense), net	128	(659)	N/M	(847)	N/M	(1,062)	199	N/M
Total other income (expense), net	(2,803)	(11,592)	(76%)	(3,566)	(21%)	(1,446)	(59,262)	(98%)
Interest Income (Expense)								
Interest expense	(6,222)	(3,557)	75%	(6,217)	—%	(17,444)	(8,661)	101%
Interest and dividend income	2,872	1,013	184%	2,675	7%	8,785	1,870	370%
Interest and dividend income of investments of consolidated investment products	49,803	28,644	74%	47,884	4%	144,501	71,436	102%
Interest expense of consolidated investment products	(38,218)	(20,356)	88%	(38,732)	(1%)	(112,153)	(46,860)	139%
Total interest income (expense), net	8,235	5,744	43%	5,610	47%	23,689	17,785	33%
Income (Loss) Before Income Taxes	50,335	38,169	32%	41,090	22%	134,771	124,762	8%
Income tax expense (benefit)	12,181	10,754	13%	10,910	12%	31,794	43,969	(28%)
Net Income (Loss)	38,154	27,415	39%	30,180	26%	102,977	80,793	27%
Noncontrolling interests	(7,248)	4,265	N/M	77	N/M	(3,190)	1,348	N/M
Net Income (Loss) Attributable to Virtus Investment Partners, Inc.	\$ 30,906	\$ 31,680	(2%)	\$ 30,257	2%	\$ 99,787	\$ 82,141	21%
Earnings (Loss) Per Share - Basic	\$ 4.26	\$ 4.33	(2%)	\$ 4.14	3%	\$ 13.72	\$ 11.05	24%
Earnings (Loss) Per Share - Diluted	\$ 4.19	\$ 4.25	(1%)	\$ 4.10	2%	\$ 13.50	\$ 10.76	25%
Cash Dividends Declared Per Common Share	\$ 1.90	\$ 1.65	15%	\$ 1.65	15%	\$ 5.20	\$ 4.65	12%
Weighted Average Shares Outstanding - Basic	7,258	7,308	(1%)	7,308	(1%)	7,272	7,434	(2%)
Weighted Average Shares Outstanding - Diluted	7,379	7,463	(1%)	7,385	—%	7,393	7,636	(3%)

N/M - Not Meaningful

Assets Under Management - Product and Asset Class

(in millions)

	Three Months Ended				
	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023
By Product (period end):					
Open-End Funds (1)	\$ 54,454	\$ 53,000	\$ 53,865	\$ 56,828	\$ 54,145
Closed-End Funds	10,146	10,361	10,358	10,166	9,472
Retail Separate Accounts	33,381	35,352	37,397	38,992	38,665
Institutional Accounts (2)	46,993	50,663	53,229	62,330	60,257
Total	\$ 144,974	\$ 149,376	\$ 154,849	\$ 168,316	\$ 162,539
By Product (average) (3)					
Open-End Funds (1)	\$ 60,185	\$ 54,870	\$ 54,141	\$ 56,120	\$ 56,511
Closed-End Funds	10,971	10,389	10,424	10,224	10,001
Retail Separate Accounts	35,248	33,381	35,352	37,397	38,992
Institutional Accounts (2)	50,668	49,981	52,444	59,248	62,368
Total	\$ 157,072	\$ 148,621	\$ 152,361	\$ 162,989	\$ 167,872
By Asset Class (period end):					
Equity	\$ 78,034	\$ 81,894	\$ 87,511	\$ 91,211	\$ 87,984
Fixed Income	36,910	36,903	36,596	38,361	37,352
Multi-Asset (4)	19,364	19,937	20,597	20,914	19,937
Alternatives (5)	10,666	10,642	10,145	17,830	17,266
Total	\$ 144,974	\$ 149,376	\$ 154,849	\$ 168,316	\$ 162,539

Assets Under Management - Average Management Fees Earned (6)

(in basis points)

	Three Months Ended				
	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023
By Product:					
Open-End Funds (1)	46.8	47.2	47.6	49.3	51.1
Closed-End Funds	57.0	57.1	57.1	57.6	58.2
Retail Separate Accounts	42.2	42.6	44.2	44.1	43.3
Institutional Accounts (2)(7)	31.3	32.0	31.8	31.6	30.3
All Products (7)	41.5	41.7	42.0	42.2	42.0

(1) Represents assets under management of U.S. retail funds, global funds, exchange traded funds, and variable insurance funds

(2) Represents assets under management of institutional separate and commingled accounts including structured products

(3) Averages are calculated as follows:

- Funds - average daily or weekly balances

- Retail Separate Accounts - prior-quarter ending balance

- Institutional Accounts - average of month-end balances in quarter

(4) Consists of strategies and client accounts with substantial holdings in at least two of the following asset classes: equity, fixed income, and alternatives

(5) Consists of managed futures, event-driven, real estate securities, infrastructure, long/short, and other strategies

(6) Represents investment management fees, as adjusted, divided by average assets. Investment management fees, as adjusted, exclude the impact of consolidated investment products and are net of revenue-related adjustments. Revenue-related adjustments are based on specific agreements and reflect the portion of investment management fees passed through to third-party client intermediaries for services to investors in sponsored investment products

(7) Includes performance-related fees, in basis points, earned during the three months ended as follows:

	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023
Institutional Accounts	0.2	0.4	0.2	0.2	0.4
All Products	0.1	0.1	0.1	0.1	0.1

Assets Under Management - Asset Flows by Product

(in millions)

	Three Months Ended					Nine Months Ended	
	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023	9/30/2022	9/30/2023
Open-End Funds (1)							
Beginning balance	\$ 59,479	\$ 54,454	\$ 53,000	\$ 53,865	\$ 56,828	\$ 78,706	\$ 53,000
Inflows	2,880	3,029	3,011	2,550	2,687	10,956	8,248
Outflows	(5,689)	(6,839)	(4,792)	(4,692)	(4,137)	(21,710)	(13,621)
Net flows	(2,809)	(3,810)	(1,781)	(2,142)	(1,450)	(10,754)	(5,373)
Market performance	(2,012)	2,806	2,771	2,163	(1,034)	(17,919)	3,900
Other (2)	(204)	(450)	(125)	2,942	(199)	4,421	2,618
Ending balance	\$ 54,454	\$ 53,000	\$ 53,865	\$ 56,828	\$ 54,145	\$ 54,454	\$ 54,145
Closed-End Funds							
Beginning balance	\$ 10,645	\$ 10,146	\$ 10,361	\$ 10,358	\$ 10,166	\$ 12,068	\$ 10,361
Inflows	157	2	4	20	—	189	24
Outflows	—	—	—	—	—	—	—
Net flows	157	2	4	20	—	189	24
Market performance	(531)	631	205	(1)	(504)	(1,977)	(300)
Other (2)	(125)	(418)	(212)	(211)	(190)	(134)	(613)
Ending balance	\$ 10,146	\$ 10,361	\$ 10,358	\$ 10,166	\$ 9,472	\$ 10,146	\$ 9,472
Retail Separate Accounts							
Beginning balance	\$ 35,248	\$ 33,381	\$ 35,352	\$ 37,397	\$ 38,992	\$ 44,538	\$ 35,352
Inflows	1,179	1,221	1,367	1,346	1,849	4,489	4,562
Outflows	(1,418)	(1,651)	(1,288)	(1,434)	(1,524)	(4,789)	(4,246)
Net flows	(239)	(430)	79	(88)	325	(300)	316
Market performance	(1,628)	2,401	1,966	1,683	(652)	(10,857)	2,997
Ending balance	\$ 33,381	\$ 35,352	\$ 37,397	\$ 38,992	\$ 38,665	\$ 33,381	\$ 38,665
Institutional Accounts (3)							
Beginning balance	\$ 50,048	\$ 46,993	\$ 50,663	\$ 53,229	\$ 62,330	\$ 51,874	\$ 50,663
Inflows	1,507	2,999	1,852	3,660	1,274	7,408	6,786
Outflows	(1,930)	(2,162)	(2,047)	(1,478)	(1,648)	(6,585)	(5,173)
Net flows	(423)	837	(195)	2,182	(374)	823	1,613
Market performance	(2,475)	2,976	2,906	2,440	(1,434)	(15,144)	3,912
Other (2)	(157)	(143)	(145)	4,479	(265)	9,440	4,069
Ending balance	\$ 46,993	\$ 50,663	\$ 53,229	\$ 62,330	\$ 60,257	\$ 46,993	\$ 60,257
Total							
Beginning balance	\$ 155,420	\$ 144,974	\$ 149,376	\$ 154,849	\$ 168,316	\$ 187,186	\$ 149,376
Inflows	5,723	7,251	6,234	7,576	5,810	23,042	19,620
Outflows	(9,037)	(10,652)	(8,127)	(7,604)	(7,309)	(33,084)	(23,040)
Net flows	(3,314)	(3,401)	(1,893)	(28)	(1,499)	(10,042)	(3,420)
Market performance	(6,646)	8,814	7,848	6,285	(3,624)	(45,897)	10,509
Other (2)	(486)	(1,011)	(482)	7,210	(654)	13,727	6,074
Ending balance	\$ 144,974	\$ 149,376	\$ 154,849	\$ 168,316	\$ 162,539	\$ 144,974	\$ 162,539

(1) Represents assets under management of U.S. retail funds, global funds, exchange traded funds, and variable insurance funds

(2) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from cash management strategies, and the impact of non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), current income or capital returned by structured products and the use of leverage

(3) Represents assets under management of institutional separate and commingled accounts including structured products

Non-GAAP Information and Reconciliations*(in thousands except per share data)*

The non-GAAP financial measures included in this release differ from financial measures determined in accordance with U.S. GAAP as a result of the reclassification of certain income statement items, as well as the exclusion of certain expenses and other items that are not reflective of the earnings generated from providing investment management and related services. Non-GAAP financial measures have material limitations and should not be viewed in isolation or as a substitute for U.S. GAAP measures.

The following are reconciliations and related notes of the most comparable U.S. GAAP measure to each non-GAAP measure:

	Three Months Ended		
	9/30/2023	9/30/2022	6/30/2023
Revenues			
Total revenues, GAAP	\$ 219,271	\$ 210,261	\$ 213,536
Consolidated investment products revenues (1)	2,337	2,243	2,479
Investment management fees (2)	(9,823)	(11,070)	(11,326)
Distribution and service fees (2)	(14,334)	(15,748)	(14,134)
Total revenues, as adjusted	<u>\$ 197,451</u>	<u>\$ 185,686</u>	<u>\$ 190,555</u>
Operating Expenses			
Total operating expenses, GAAP	\$ 174,368	\$ 166,244	\$ 174,490
Consolidated investment products expenses (1)	(553)	(538)	(360)
Distribution and other asset-based expenses (3)	(24,157)	(26,818)	(25,460)
Amortization of intangible assets (4)	(15,382)	(14,609)	(15,808)
Restructuring expense (5)	(691)	(4,015)	—
Deferred compensation and related investments (6)	278	—	(747)
Acquisition and integration expenses (7)	(3,013)	—	(3,165)
Other (8)	(379)	486	49
Total operating expenses, as adjusted	<u>\$ 130,471</u>	<u>\$ 120,750</u>	<u>\$ 128,999</u>
Operating Income (Loss)			
Operating income (loss), GAAP	\$ 44,903	\$ 44,017	\$ 39,046
Consolidated investment products (earnings) losses (1)	2,890	2,781	2,839
Amortization of intangible assets (4)	15,382	14,609	15,808
Restructuring expense (5)	691	4,015	—
Deferred compensation and related investments (6)	(278)	—	747
Acquisition and integration expenses (7)	3,013	—	3,165
Other (8)	379	(486)	(49)
Operating income (loss), as adjusted	<u>\$ 66,980</u>	<u>\$ 64,936</u>	<u>\$ 61,556</u>
Operating margin, GAAP	20.5 %	20.9 %	18.3 %
Operating margin, as adjusted	33.9 %	35.0 %	32.3 %

Virtus Investment Partners, Inc. 11.

Income (Loss) Before Taxes	Three Months Ended		
	9/30/2023	9/30/2022	6/30/2023
Income (loss) before taxes, GAAP	\$ 50,335	\$ 38,169	\$ 41,090
Consolidated investment products (earnings) losses (1)	(429)	478	283
Amortization of intangible assets (4)	15,382	14,609	15,808
Restructuring expense (5)	691	4,015	—
Deferred compensation and related investments (6)	212	—	(596)
Acquisition and integration expenses (7)	3,013	—	3,165
Other (8)	379	(486)	(49)
Seed capital and CLO investments (gains) losses (9)	(3,146)	5,363	(1,057)
Income (loss) before taxes, as adjusted	<u>\$ 66,437</u>	<u>\$ 62,148</u>	<u>\$ 58,644</u>

Income Tax Expense (Benefit)

Income tax expense (benefit), GAAP	\$ 12,181	\$ 10,754	\$ 10,910
Tax impact of:			
Amortization of intangible assets (4)	4,209	3,939	4,334
Restructuring expense (5)	189	1,082	—
Deferred compensation and related investments (6)	58	—	(163)
Acquisition and integration expenses (7)	824	—	868
Other (8)	276	610	628
Seed capital and CLO investments (gains) losses (9)	441	370	(497)
Income tax expense (benefit), as adjusted	<u>\$ 18,178</u>	<u>\$ 16,755</u>	<u>\$ 16,080</u>

Effective tax rate, GAAP ^A	24.2 %	28.2 %	26.6 %
Effective tax rate, as adjusted ^B	27.4 %	27.0 %	27.4 %

^A Reflects income tax expense (benefit), GAAP, divided by income (loss) before taxes, GAAP

^B Reflects income tax expense (benefit), as adjusted, divided by income (loss) before taxes, as adjusted

Net Income (Loss) Attributable to Virtus Investment Partners, Inc.

Net income (loss) attributable to Virtus Investment Partners, Inc., GAAP	\$ 30,906	\$ 31,680	\$ 30,257
Amortization of intangible assets, net of tax (4)	10,603	9,952	10,775
Restructuring expense, net of tax (5)	502	2,933	—
Deferred compensation and related investments (6)	154	—	(433)
Acquisition and integration expenses, net of tax (7)	2,189	—	2,297
Other, net of tax (8)	5,056	(6,558)	(2,253)
Seed capital and CLO investments (gains) losses, net of tax (9)	(3,587)	4,993	(560)
Net income (loss) attributable to Virtus Investment Partners, Inc., as adjusted	<u>\$ 45,823</u>	<u>\$ 43,000</u>	<u>\$ 40,083</u>
Weighted average shares outstanding - diluted	<u>7,379</u>	<u>7,463</u>	<u>7,385</u>
Earnings (loss) per share - diluted, GAAP	\$ 4.19	\$ 4.25	\$ 4.10
Earnings (loss) per share - diluted, as adjusted	\$ 6.21	\$ 5.76	\$ 5.43

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	Three Months Ended		
	9/30/2023	9/30/2022	6/30/2023
Administration and Shareholder Services Fees			
Administration and shareholder service fees, GAAP	\$ 19,069	\$ 20,563	\$ 18,240
Consolidated investment products fees (1)	(5)	24	33
Administration and shareholder service fees, as adjusted	<u>\$ 19,064</u>	<u>\$ 20,587</u>	<u>\$ 18,273</u>
Employment Expenses			
Employment expenses, GAAP	\$ 101,587	\$ 88,230	\$ 104,694
Deferred compensation and related investments (6)	278	—	(747)
Acquisition and integration expenses (7)	(2,642)	—	(8,183)
Other (8)	(379)	486	49
Employment expenses, as adjusted	<u>\$ 98,844</u>	<u>\$ 88,716</u>	<u>\$ 95,813</u>
Other Operating Expenses			
Other operating expenses, GAAP	\$ 30,494	\$ 31,096	\$ 33,483
Acquisition and integration expenses (7)	(371)	—	(1,782)
Other operating expenses, as adjusted	<u>\$ 30,123</u>	<u>\$ 31,096</u>	<u>\$ 31,701</u>
Total Other Income (Expense), Net			
Total other income (expense), net GAAP	\$ (2,803)	\$ (11,592)	\$ (3,566)
Consolidated investment products (1)	5,262	4,788	4,868
Deferred compensation and related investments (6)	518	—	(1,312)
Seed capital and CLO investments (gains) losses (9)	(3,146)	5,363	(1,057)
Total other income (expense), net as adjusted	<u>\$ (169)</u>	<u>\$ (1,441)</u>	<u>\$ (1,067)</u>
Interest and Dividend Income			
Interest and dividend income, GAAP	\$ 2,872	\$ 1,013	\$ 2,675
Consolidated investment products (1)	3,004	1,197	1,728
Deferred compensation and related investments (6)	(28)	—	(31)
Interest and dividend income, as adjusted	<u>\$ 5,848</u>	<u>\$ 2,210</u>	<u>\$ 4,372</u>
Total Noncontrolling Interests			
Total noncontrolling interests, GAAP	\$ (7,248)	\$ 4,265	\$ 77
Consolidated investment products (1)	429	(478)	(283)
Amortization of intangible assets (4)	(570)	(718)	(699)
Other (8)	4,953	(5,462)	(1,576)
Total noncontrolling interests, as adjusted	<u>\$ (2,436)</u>	<u>\$ (2,393)</u>	<u>\$ (2,481)</u>

Notes to Reconciliations:

Reclassifications:

1. Consolidated investment products - Revenues and expenses generated by operating activities of mutual funds and CLOs that are consolidated in the financial statements. Management believes that excluding these operating activities to reflect net revenues and expenses of the company prior to the consolidation of these products is consistent with the approach of reflecting its operating results from managing third-party client assets.

Other Adjustments:

Revenue Related

2. Investment management/Distribution and service fees - Each of these revenue line items is reduced to exclude fees passed through to third-party client intermediaries who own the retail client relationship and are responsible for distributing company sponsored investment products and servicing the client. The amount of fees fluctuates each period, based on a predetermined percentage of the value of assets under management, and varies based on the type of investment product. The specific adjustments are as follows:

Investment management fees - Based on specific agreements, the portion of investment management fees passed-through to third-party intermediaries for services to investors in sponsored investment products.

Distribution and service fees - Based on distinct arrangements, fees collected by the company then passed-through to third-party client intermediaries for services to investors in sponsored investment products. The adjustment represents all of the company's distribution and service fees that are recorded as a separate line item on the condensed consolidated statements of operations.

Management believes that making these adjustments aids in comparing the company's operating results with other asset management firms that do not utilize third-party client intermediaries.

Expense Related

3. Distribution and other asset-based expenses - Primarily payments to third-party client intermediaries for providing services to investors in sponsored investment products. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that do not utilize third-party client intermediaries.
4. Amortization of intangible assets - Non-cash amortization expense or impairment expense, if any, attributable to acquisition-related intangible assets, including any portion that is allocated to noncontrolling interests. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that have not engaged in acquisitions.
5. Restructuring expense - Certain non-recurring expenses associated with restructuring the business, including lease abandonment-related expenses and severance costs associated with staff reductions that are not reflective of ongoing earnings generation of the business.

6. Deferred compensation and related investments - Compensation expense, gains and losses (realized and unrealized), and interest and dividend income related to market performance of deferred compensation and related balance sheet investments. Market performance of deferred compensation plans and related investments can vary significantly from period to period. Management believes that making this adjustment aids in comparing the Company's operating results with prior periods.
7. Acquisition and integration expenses - Expenses that are directly related to acquisition and integration activities. Acquisition expenses include certain transaction related employment expenses, transaction closing costs, change in fair value of contingent consideration, certain professional fees, and financing fees. Integration expenses include costs incurred that are directly attributable to combining businesses, including compensation, restructuring and severance charges, professional fees, consulting fees, and other expenses. Management believes that making these adjustments aids in comparing the company's operating results with other asset management firms that have not engaged in acquisitions.

Components of Acquisition and Integration Expenses for the respective periods are shown below:

Acquisition and Integration Expenses	Three Months Ended		
	9/30/2023	9/30/2022	6/30/2023
Employment expenses	\$ 2,642	\$ —	\$ 8,183
Other operating expenses	371	—	1,782
Change in fair value of contingent consideration	—	—	(6,800)
Total Acquisition and Integration Expenses	\$ 3,013	\$ —	\$ 3,165

8. Other - Certain expenses that are not reflective of the ongoing earnings generation of the business. Employment expenses and noncontrolling interests are adjusted for fair value measurements of affiliate minority interests. Other operating expenses are adjusted for non-capitalized debt issuance costs. Interest expense is adjusted to remove gains on early extinguishment of debt and the write-off of previously capitalized costs associated with the modification of debt. Income tax expense (benefit) items are adjusted for uncertain tax positions, changes in tax law, valuation allowances, and other unusual or infrequent items not related to current operating results to reflect a normalized effective rate. Management believes that making these adjustments aids in comparing the company's operating results with prior periods.

Components of Other for the respective periods are shown below:

Other	Three Months Ended		
	9/30/2023	9/30/2022	6/30/2023
Employment expense fair value adjustments	\$ 379	\$ (486)	\$ (49)
Tax impact of adjustments	(104)	131	13
Other discrete tax adjustments	(172)	(741)	(641)
Affiliate minority interest fair value adjustments	4,953	(5,462)	(1,576)
Total Other	\$ 5,056	\$ (6,558)	\$ (2,253)

Seed Capital and CLO Related

9. Seed capital and CLO investments (gains) losses - Gains and losses (realized and unrealized) of seed capital and CLO investments. Gains and losses (realized and unrealized) generated by investments in seed capital and CLO investments can vary significantly from period to period and do not reflect the company's operating results from providing investment management and related services. Management believes that making this adjustment aids in comparing the company's operating results with prior periods and with other asset management firms that do not have meaningful seed capital and CLO investments.

Definitions:

Revenues, as adjusted, comprise the fee revenues paid by clients for investment management and related services. Revenues, as adjusted, for purposes of calculating net income attributable to Virtus Investment Partners, Inc., as adjusted, differ from U.S. GAAP, namely in excluding the impact of operating activities of consolidated investment products and reduced to exclude fees passed through to third-party client intermediaries who own the retail client relationship and are responsible for distributing the product and servicing the client.

Operating expenses, as adjusted, is calculated to reflect expenses from ongoing continuing operations. Operating expenses, as adjusted, for purposes of calculating net income attributable to Virtus Investment Partners, Inc., as adjusted, differ from U.S. GAAP expenses in that they exclude amortization or impairment, if any, of intangible assets, restructuring and severance, the effect of consolidated investment products, acquisition and integration-related expenses and certain other expenses that do not reflect the ongoing earnings generation of the business.

Operating margin, as adjusted, is a metric used to evaluate efficiency represented by operating income, as adjusted, divided by revenues, as adjusted.

Earnings (loss) per share, as adjusted, represent net income (loss) attributable to Virtus Investment Partners, Inc., as adjusted, divided by weighted average shares outstanding, as adjusted, on either a basic or diluted basis.

Forward-Looking Information

This press release contains statements that are, or may be considered to be, forward-looking statements. All statements that are not historical facts, including statements about our beliefs or expectations, are "forward-looking statements" within the meaning of The Private Securities Litigation Reform Act of 1995, as amended. These statements may be identified by such forward-looking terminology as "expect," "estimate," "intent," "plan," "intend," "believe," "anticipate," "may," "will," "should," "could," "continue," "project," "opportunity," "predict," "would," "potential," "future," "forecast," "guarantee," "assume," "likely," "target" or similar statements or variations of such terms.

Our forward-looking statements are based on a series of expectations, assumptions and projections about the company and the markets in which we operate, are not guarantees of future results or performance, and involve substantial risks and uncertainty including assumptions and projections concerning our assets under management, net asset inflows and outflows, operating cash flows, business plans, and ability to borrow, for all future periods. All forward-looking statements are as of the date of this release only. The company can give no assurance that such expectations or forward-looking statements will prove to be correct. Actual results may differ materially.

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Our business and our forward- looking statements involve substantial known and unknown risks and uncertainties, including those discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2022 Annual Report on Form 10-K, as supplemented by our periodic filings with the Securities and Exchange Commission (the "SEC"), as well as the following risks and uncertainties resulting from: (i) any reduction in our assets under management; (ii) inability to achieve expected benefits of strategic transactions; (iii) withdrawal, renegotiation or termination of investment advisory agreements; (iv) damage to our reputation; (v) inability to satisfy financial debt covenants and required payments; (vi) inability to attract and retain key personnel; (vii) challenges from competition; (viii) adverse developments related to unaffiliated subadvisers; (ix) negative changes in key distribution relationships; (x) interruptions, breaches, or failures of technology systems; (xi) loss on our investments; (xii) lack of sufficient capital on satisfactory terms; (xiii) adverse regulatory and legal developments; (xiv) failure to comply with investment guidelines or other contractual requirements; (xv) adverse civil litigation, government investigations, or proceedings; (xvi) unfavorable changes in tax laws or limitations; (xvii) inability to make common stock dividend payments; (xviii) impediments from certain corporate governance provisions; (xix) losses or costs not covered by insurance; (xx) impairment of goodwill or other intangible assets; and other risks and uncertainties. Any occurrence of, or any material adverse change in, one or more risk factors or risks and uncertainties referred to above, in our 2022 Annual Report on Form 10-K and our other periodic reports filed with the SEC could materially and adversely affect our operations, financial results, cash flows, prospects and liquidity.

Certain other factors that may impact our continuing operations, prospects, financial results and liquidity, or that may cause actual results to differ from such forward-looking statements, are discussed or included in the company's periodic reports filed with the SEC and are available on our website at virtus.com under "Investor Relations." You are urged to carefully consider all such factors.

The company does not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections, or other circumstances occurring after the date of this release, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. If there are any future public statements or disclosures by us that modify or affect any of the forward-looking statements contained in or accompanying this release, such statements or disclosures will be deemed to modify or supersede such statements in this release.