

24-Oct-2025

Virtus Investment Partners, Inc. (VRTS)

Q3 2025 Earnings Call

CORPORATE PARTICIPANTS

Sean P. Rourke

Vice President-Investor Relations, Virtus Investment Partners, Inc.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

Michael A. Angerthal

Executive Vice President & Chief Financial Officer, Virtus Investment Partners, Inc.

OTHER PARTICIPANTS

Benjamin Budish

Analyst, Barclays Capital, Inc.

Crispin Love

Analyst, Piper Sandler & Co.

Bill Katz

Analyst, TD Cowen

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Didi and I will be your conference operator today. I would like to welcome everyone to the Virtus Investment Partners Quarterly Conference Call. The slide presentation for this call is available in the Investor Relations section of the Virtus website, www.virtus.com. This call is being recorded and will be available for replay on the Virtus website.

At this time, all participants are in a listen-only mode. After the speakers' remarks, there will be a question-and-answer period and instructions will follow at that time. I will now turn the conference to your host, Sean Rourke.

Sean P. Rourke

Vice President-Investor Relations, Virtus Investment Partners, Inc.

Thanks, Didi, and good morning, everyone. On behalf of Virtus Investment Partners, I'd like to welcome you to the discussion of our operating and financial results for the third quarter of 2025. Our speakers today are George Aylward, President and CEO; and Mike Angerthal, Chief Financial Officer. Following their prepared remarks, we'll have a Q&A period.

Before we begin, please note the disclosures on Page 2 of the slide presentation. Certain matters discussed on this call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and as such, are subject to known and unknown risks and uncertainties, including those factors set forth in today's news release and discussed in our SEC filings. These risks and uncertainties may cause actual results to differ materially from those discussed in these statements.

In addition to results presented on a GAAP basis, we use certain non-GAAP measures to evaluate our financial results. Our non-GAAP financial measures are not substitutes for GAAP financial results and should be read in conjunction with them. Reconciliations of these non-GAAP financial measures to the applicable GAAP measures are included in today's news release and financial supplement, which are available on our website.

Now I'd like to turn the call over to George. George?

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

Thank you, Sean, and good morning, everyone. I'll start with an overview of the results we reported this morning, and then I'll turn it over to Mike to give a little more detail.

We delivered solid financial results in the third quarter, supported by higher average assets under management and favorable market momentum. We did, however, have net outflows as our quality-oriented strategies continue to face headwinds in a market environment with this largely favored momentum.

Our focus remains on our initiatives to increase our retail separate account offerings, expand the availability of ETFs in key channels, and grow the wealth management business. Key highlights of the quarter included higher earnings per share and operating margin, strong growth in ETF assets with our highest level of quarterly sales and net flows, positive net flows in both fixed income and alternative strategies, an increase in our quarterly dividend for the eighth consecutive year, and we completed a debt refinancing, providing significant liquidity and flexibility to invest in the business and return capital to shareholders.

Our Exchange Traded Fund business was a particular highlight this quarter. ETF assets reached \$4.7 billion, up 79% (sic) [29%] (00:12:23) over the prior year, with a strong organic growth rate over the period. In the third quarter, ETF sales and flows reached their highest quarterly level at \$0.9 billion each, benefiting from strong investment performance and demand for some of our strategies.

As of September 30, 77% of ETF AUM were beating benchmarks over the three-year period and 85% were outperforming peers over the same period.

We continue to focus on broadening access to our ETFs in key distribution channels and introducing compelling new offerings. We currently have 21 ETFs across a variety of strategies and we have several actively managed funds in filing that we anticipate will launch over the next few quarters, including several growth equity oriented ETFs from Silvant, a real estate income ETF managed by Duff & Phelps, a multi-managed fixed income ETF collaboration between Newfleet and Seix, and a set of building block ETFs from Virtus Systematic. And these follow the introduction of a global macro-ETF from AlphaSimplex during the third quarter.

On the inorganic side, I would reiterate my comments from our last call that the environment remains very favorable with attractive opportunities to add compelling new capabilities or increased scale. As always, however, we take a highly disciplined approach to inorganic growth, and we'll act only when an opportunity is both financially and strategically compelling.

I would note that in the quarter, we did have \$1 million of discrete business initiative expenses that were related to inorganic activity.

Turning to investment performance. While recent equity performance reflects our quality orientation in a market that has favorable momentum, we are pleased with the performance we have generated over market cycles. Over the 10-year period, 70% of our equity assets and 77% of our fixed income assets beat their benchmark.

For US mutual funds, 70% of equity funds and 80% of fixed income funds outperformed the peer median. I would also note that 25% of our retail funds are rated four- and five-star funds, and 84% of our rated retail fund assets were in three-, four- or five-star funds.

Turning now to review of the results. Total assets under management were \$169 billion at September 30, modestly below the prior quarter level as favorable market performance was offset by net outflows. Total sales of \$6.3 billion increased 12% from \$5.6 billion in the second quarter, with higher sales for fixed income and alternative strategies.

On a product basis, we saw higher sales in institutional and ETFs. Total net outflows for the quarter of \$3.9 billion were unchanged sequentially in spite of our highest level of ETF flows and positive flows in fixed income and alternative strategies, which were more than offset by outflows in quality equity strategies.

Looking at flows across asset classes, the equity net outflows largely reflect our weighting towards quality-oriented strategies. And while quality has historically outperformed over longer market cycles, it tends to underperform momentum and risk on environments, which has been particularly stark over the past two years.

Fixed income net flows were positive for the quarter and the trailing 12 months supported by very strong investment performance, both for the shorter and longer term periods. For the quarter, we saw positive net flows in our fixed income strategies across several products, including ETFs, institutional, and retail separate accounts.

Net flows of alternative strategies were also positive, primarily in ETFs. In terms of what we're seeing in October, flows across products and asset classes are trending similarly. ETF sales and net flows remain strong. The US retail mutual fund headwinds continue. And institutional trends are also similar to the third quarter, with known redemptions exceeding known wins. And with the wins across a range of strategies, including such things as emerging market debt and global and domestic REIT.

Turning now to our financial results. The sequential improvement reflected growth in average assets under management and a stable operating expenses. The operating margin was up 170 basis points to 33% or 33.4% without discrete items, with an incremental margin that continues to be above 50%.

Earnings per share as adjusted of \$6.69 increased from \$6.25 in the second quarter. Relative to the prior year period, earnings per share as adjusted decreased 3% on lower average assets.

In terms of our balance sheet and capital, given the nearing maturity of our previous credit agreement, we refinanced with a new \$400 million term loan and \$250 million revolving credit facility, increasing our financial flexibility and extending our debt maturity profile with attractive terms.

On a net basis, this added \$158 million of cash to our balance sheet at the end of September. We also raised a quarterly dividend representing the eighth consecutive annual increase. Regarding share repurchases, we were not in the market in the third quarter, given other considerations and priorities. As a reminder, we bought back \$50 million of our shares in the first half of the year, which was higher than our full year of repurchases in each of the prior two years.

Buybacks remain an important component of our capital management strategy, and given our strong liquidity position, we intend to continue to balance return of capital to shareholders with investments in the business, including inorganic opportunities.

With that, I'll turn the call over to Mike. Mike?

Michael A. Angerthal

Executive Vice President & Chief Financial Officer, Virtus Investment Partners, Inc.

Thank you, George. Good to be with you all this morning. Starting with our results on Slide 7, assets under management. Our total assets under management at September 30 were \$169.3 billion, and average assets increased 2% to \$170.3 billion. Our AUM represented a broad range of products and asset classes. By product, institutional is our largest category at 33% of AUM. Retail separate accounts, including wealth management at 28%, and US retail mutual funds at 27%. The remaining 12% comprises closed end funds, global funds and ETFs.

Within open end funds, ETF assets under management grew to \$4.7 billion, up by \$1 billion sequentially on continued strong net flows that have increased 79% (sic) [29%] (00:19:14) over the prior year. We are also diversified within asset classes in equities between international and domestic and within domestic, well-represented among mid, small, and large cap strategies. And fixed income is well diversified across duration, credit quality, and geography.

Turning to Slide 8, asset flows. Sales grew 12% to \$6.3 billion, with higher sales in both fixed income and alternative strategies.

Reviewing by product. Institutional sales of \$2 billion compared with \$1.3 billion last quarter, driven by fixed income and multi-asset strategies and included the issuance of a new \$0.4 billion CLO. Retail separate account sales were \$1.4 billion, essentially unchanged from the prior quarter. Open-end fund sales of \$2.8 billion were consistent with the prior quarter as strong growth in ETF sales were offset by lower sales of US retail funds. ETF sales were \$0.9 billion, more than double the prior quarter level. Total net outflows were \$3.9 billion, consistent with the prior quarter.

Reviewing by product. Institutional net outflows of \$1.5 billion improved from \$2.2 billion due to the increase in inflows into fixed income strategies. As always, institutional flows will fluctuate depending on the timing of client actions. Retail separate accounts had net outflows of \$1.2 billion, driven by small and mid-cap strategies, while large cap and fixed income generated positive net flows. We also continue to see positive net flows in our style agnostic, high conviction, large cap growth offerings. For open end funds, net outflows of \$1.1 billion compared with \$1 billion in the prior quarter and were driven by equity strategies within US retail funds, which more than offset positive net flows in ETFs. ETFs continued to generate strong double digit organic growth rates, with \$0.9 billion of positive net flows.

Turning to Slide 9, investment management fees as adjusted of \$176.6 million increased 3%, reflecting a consistent average fee rate and an increase in average assets under management. The average fee rate, excluding performance fees, was 41.1 basis points, unchanged from the prior quarter. Looking ahead, we believe this fee rate is reasonable for the fourth quarter modeling purposes. And as always, the fee rate will be impacted by markets and the mix of assets.

Slide 10 shows the five-quarter trend in employment expenses. Total employment expenses as adjusted of \$98.7 million increased slightly due to higher variable incentive compensation. As a percentage of revenues, employment expenses as adjusted, declined by 70 basis points to 50.2%. Looking ahead, it is reasonable to anticipate employment expenses as a percentage of revenues will remain within our recent 49% to 51% range.

Turning to Slide 11, other operating expenses as adjusted were \$31.1 million, down from \$32 million due to lower rent expense from office consolidation and the prior quarter impact of the annual equity grants to the Board of Directors, partially offset by \$1 million of discrete business initiative expenses. As a percentage of revenue, other operating expenses were 15.8%, down from 16.7%. For modeling purposes, our range of \$30 million to \$32 million per quarter remains appropriate.

Slide 12 illustrates the trend in earnings. Operating income as adjusted of \$65 million increased 9% sequentially due to higher revenues and relatively stable operating expenses. The operating margin, as adjusted of 33%, increased 170 basis points from the second quarter. Excluding the discrete business initiative expenses, the operating margin was 33.4%.

With respect to non-operating items, interest and dividend income of \$4.1 million declined sequentially due to elevated CLO interest income in the prior quarter. Looking ahead to the fourth quarter, it would be reasonable to anticipate a higher level of interest income given increased cash balances at the end of the quarter as a result of the recent debt refinancing offset partially by lower CLO interest income. Interest expense was \$4.8 million in the third quarter. It would be reasonable to assume that will increase in the fourth quarter, given the higher debt level.

Non-controlling interests, which reflect minority interests in one of our managers were modestly lower, primarily due to the increase in our ownership late in the quarter. A reasonable run rate for the fourth quarter is approximately \$2 million.

Net income as adjusted of \$6.69 per diluted share, which included \$0.11 of discrete expenses, increased 7% from \$6.25 in the second quarter. In terms of GAAP results, net income per share of \$4.65 decreased from \$6.12 per share in the second quarter due to \$1.54 of unrealized losses on investments, partially offset by \$0.42 of fair value adjustments to minority interests.

Slide 13 shows the trend of our capital liquidity and select balance sheet items. On September 26, we completed the refinancing of our credit agreement, increasing the company's financial flexibility and extending the maturity profile. The new \$400 million term loan has a seven-year maturity, and the revolver provides \$250 million of capacity through 2030, each bearing interest at [ph] SOFR (00:27:01) plus 225 basis points.

Cash and equivalents at September 30 were \$371 million. In addition, we had \$300 million of other investments, including seed capital, to support growth initiatives. During the third quarter, we raised our quarterly common dividend by 7% to \$2.40 per share. Other uses of capital during the quarter included \$29.7 million to sponsor the new CLO, as well as \$14.8 million for a planned increase in equity of our majority owned affiliate. The last of the scheduled equity purchases of the affiliate will be approximately \$7 million in the fourth quarter.

At September 30, gross-debt-to-EBITDA was 1.3 times, up from 2.7 times at June 30 due to the upsizing of our credit facility. And we ended the quarter with \$29 million of net debt or 0.1 times EBITDA, which declined from 0.2 times at June 30. Our strong levels of liquidity, including the undrawn revolver and modest net leverage, provide meaningful financial flexibility to continue to invest in the business and return capital.

With that, let me turn the call back over to George. George?

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

Thank you, Mike. So, we'll now take your questions. Didi, would you open up the lines, please?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Please stand by while we compile the Q&A roster. And our first question comes from Ben Budish of Barclays. Your line is open.

Benjamin Budish

Analyst, Barclays Capital, Inc.

Q

Hi. Good morning, and thank you for taking my questions. Maybe just first on the ETF side, you've noticed that's a – noted that that's an area of strength. Could you just maybe unpack for us a little bit what are the key strategies that are attracting the most interest? Is it the wrapper itself or is it the particular strategies that are offered in that wrapper or the franchises? And how do you think about that in terms of what informs the future pipeline? You mentioned a couple of things upcoming, but as you think about the next couple of years, how else are you thinking what might make sense either to launch or to kind of rewrap? How are you thinking about all that?

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

A

Sure. Yeah. So I think in terms of what's driving, I think it's both components. So, I think the ETF wrapper itself is highly preferred by a large number of investors and financial advisors. Transparency, benefits, tax efficiency. So, I think in certain instances for specific strategies, it's become a vehicle of choice.

In terms of what strategies people are accessing. So for us, our ETF business is a newer business and we've been building our track records in many of our strategies. And currently, you know, we've seen growth occurring in several of them, particularly those that I think we noted in the alt space or that have certain kinds of return patterns that are being found to be very attractive. So, I commented a little bit on some of our pipelines. We really do see a lot of opportunities for very specific types of strategies in the ETF wrapper that increasingly will be utilized portfolios. Although I also make comments, for us, getting availability for ETFs is a big focus. A lot of times with newer ETFs, it's harder to get access in certain of the subchannels. So as we grow them and so including in this quarter, we had one that we got to a level of access and that drove some of our flows this quarter. So, that continues to be a priority for us.

And then just separately, I would note for the ETF share class relief. We are one of the firms that do have filings in process related to that as well.

Benjamin Budish

Analyst, Barclays Capital, Inc.

Q

Very helpful. Thank you. Maybe just following up in terms of growth priorities. You mentioned inorganic opportunities in your kind of brief comments about uses of capital. Just any update on pipeline, potential timing, and are there any changes in the environment that make things more or less feasible? You talked about sort of growth first momentum. Does that sort of inform the types of assets you're interested in acquiring? Just any any update there would be helpful as well. Thank you very much.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

A

Yeah. On the last point, in terms of the quality versus momentum and again, having been in a period where, for the last two years, quality significantly underperformed the momentum, that is a current event. So in terms of a

long-term M&A strategy, that might not necessarily have a huge impact on it, though it would influence it. We look forward to the reversion for our quality coming back into favor, which is generally when quality-oriented strategies have their best performance. So unless momentum continues to lead the markets for the next multiple years, we'll have a headwind. But when it inverts, we will be well-positioned to take care of that.

In terms of inorganic, again, I repeated some of the comments from last quarter, which is that the activity remains very active, and that there's a lot of opportunities in terms of things that could potentially make sense. We really focus in on a very disciplined and focused approach on what really makes sense in terms of either adding another differentiated, high performing traditional capability or private market expansion, or something that would allow us to have access to more clients outside the US. Those are the three areas I believe we previously have commented on. And we do think all of those could potentially be interesting opportunities for us. We have nothing specific to announce at this time on anything that we're doing. But again, it continues to be a very active area for us.

Benjamin Budish

Analyst, Barclays Capital, Inc.

Understood. Thanks for taking my questions.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

No, thank you.

Operator: Thank you. And our next question comes from Crispin Love of Piper Sandler. Your line is open.

Crispin Love

Analyst, Piper Sandler & Co.

Thank you. Good morning. First, just looking big picture at net flows. They've been pretty elevated for four consecutive quarters, net outflows. When you look forward, do you see any key levers to be able to improve those flows to get to more neutral or at least less negative outside of just quality coming more into favor versus momentum?

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

Yeah. Well, I mean, a couple of things. So, we did have positive flows in fixed income strategies in the quarter. We had positive flows in alternative strategies. We have positive flows in in our ETFs. And in multi-asset, I think we were kind of break even. So, a lot of our flows are really around our overweight to quality-oriented equity strategies, actually our equity strategies that are not highly correlated to quality actually are in positive flows. So, it's just the significant overweight that we have to those types of strategies is the reason that it's overshadowed any of the other areas that have been positive.

So what we're focusing in on, primarily now while the cycle is still negative towards us, is to grow those things that don't have that same correlation. So, as I commented on some of our more style agnostic or momentum-oriented equity strategies actually were in positive flows and we're actually seeing activity there. But they're just such a smaller part of our business. They're not going to overshadow the quality and the momentum.

And in terms of the quality of momentum, and again, this has really been – and we highlighted the – how bad of a two-year period this has been. To give you some examples, so for the S&P MidCap Quality Index, it has trailed

the S&P MidCap momentum by about 32%, which is really kind of ranks in the 93rd percentile of the data that goes all the way back to 1992. And actually, it's the worst level since October of 2000.

And similarly on the small caps, the Morningstar US Small Cap Quality trailed the Morningstar US Small Cap momentum by about 82%. And that's the worst level going back to 2008. So it really has been an unusually stark underperformance of quality versus momentum for a longer period of time.

And I think, as I just commented previously, historically as they invert, it's usually when quality has some of its strongest outperformance, right? So in some of these strategies, and some of these strategies I've personally been watching for over 20 years, they can generally have some of their best performance and then following that, some of their best flows after that [indiscernible] (00:36:33). So, we don't fundamentally believe that lower quality, less profitable, highly shorted companies are going to continue to always lead the market.

And then lastly, when we sell our strategies, we sell them how they'll fit into a portfolio, right? So generally, people aren't just buying one equity manager hoping for the highest return. So really where we're positioning those capabilities is really if someone should have a portion of their equity allocation, not only in just the pure indexes, which is really a small number of names leading those indices, but to also then have certain allocations to either quality or other types of capabilities in the event that the markets inflect. And so, I think increasingly as people will look at do they need to have some protection in case there is that flip, that will be an area that we would be able to take advantage of.

Crispin Love

Analyst, Piper Sandler & Co.

Great. Thank you, George. Appreciate all the color there. And then just second question for me on other OpEx. You had the office space consolidation. Is this something that you've been thinking about for several quarters? And then, shouldn't that drive down the run rate for OpEx going forward or are there offsets in there as well? And then also, if you can just detail what the \$1 million of discrete business initiative expenses were in the quarter.

Michael A. Angerthal

Executive Vice President & Chief Financial Officer, Virtus Investment Partners, Inc.

Sure. Crispin, I'll jump in. It's Mike. Good morning. So, with respect to the office consolidation, this is the quarter that you actually see it in the run rate. Those are some actions that we have taken starting late last year and earlier this year that have now been reflected in the run rate. So, we talked about the \$30 million to \$32 million range ex the discrete items sort of coming in at the low end of that range, given the benefit of that office consolidation.

So, we provided the transparency around the discrete items, as George alluded to. They're generally related to – at elevated levels, based on some of the inorganic activity that we have been focused on. So, we thought providing that transparency would be helpful in the analysis of other operating. So, we – again, it is specific to some of those activities and at levels higher than what we would anticipate at a more normalized level.

Crispin Love

Analyst, Piper Sandler & Co.

Perfect. Appreciate that, Mike, and thank you for taking my questions.

Michael A. Angerthal

Executive Vice President & Chief Financial Officer, Virtus Investment Partners, Inc.

Thanks, Crispin.

Operator: Thank you. And our next question comes from Bill Katz of TD Cowen. Your line is open.

Bill Katz

Analyst, TD Cowen

Okay. Thank you very much, and apologize for the hoarse voice. A bit under the weather. Just sticking on the discrete spend here. Is that now over or should we anticipate that that will persist? And then relatedly, are you back in the market for buyback at present?

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

Yeah. So on the first part of the question, again in the prepared comments, we're clear that we're still being very active, and there's still a lot of opportunities for us. So, we'll sort of stand by that and sort of saying we are being very active in evaluating potential opportunities. And as it relates, we don't have anything specific to discuss or announce at this point, but that continues to be an area where we are being very active.

Bill Katz

Analyst, TD Cowen

[indiscernible] (00:40:17) buyback?

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

In buyback, nothing specific to say other than we continue to view that as a core element of our capital strategy, all right. Halfway through the year, we've done \$50 million, which had gotten us to the highest level of over two years. So that will continue to be something that we will always evaluate. But as always, we have to balance it with other factors and other considerations for that. So, nothing's specific on what that might be in the short term, other than to say we still – we view return of capital as a critical part of our capital strategy.

Bill Katz

Analyst, TD Cowen

Okay. Thank you for that. And this is a follow up. Just going back to your commentary that the fourth quarter institutional trends are sort of looking like they were in prior quarter. Can you unpack that a little bit, where you're seeing strength, where you're seeing the weakness? And underneath that, sort of wondering if you could just talk about what you're just sort of seeing generally in terms of allocations? I'm curious specifically about the demand for liquid alts. Thank you.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

Yeah. And actually, two of the areas actually – I was actually very happy to see is I mentioned emerging market debt, right, which is an area that had previously – maybe not been as much in favor as some of us believe it should have been. So, I think I commented on opportunities that we've seen in emerging market debt as well as global REIT, as well as domestic REIT. So, those are really nice to see there.

I think generally, in the institutional which for us, we have a nice non-US institutional business. And I believe both of the ones I referenced are non-US. You kind of have a slightly different investor profile there. So, that's why

sometimes we can see interest in strategies that may not be as in favor in the US retail market, even the US institutional market but that will have some opportunities there.

So, I mean, those are the two that I would highlight, but I think there's a variety of managers. Mike, I don't know if there's anything else you'd add to that.

Michael A. Angerthal

Executive Vice President & Chief Financial Officer, Virtus Investment Partners, Inc.

A

I think you covered it. We've – the pipeline is across managers and across geographies, including from our European and Middle Eastern teams.

Bill Katz

Analyst, TD Cowen

Q

Okay. Thank you.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

A

Thank you.

Operator: Thank you. And our next question comes from Michael Cyprys of Morgan Stanley. Your line is open.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Hey, good morning. Thanks for taking the question. Just want to ask about ETFs or something maybe you could speak to how broadly distributed your ETFs are today across the wires, IBDs, IRAs, et cetera, and how that is compared to where you'd like that to be. Talk about some of the steps you're taking to expand your distribution presence for your ETFs, including in models? And if you can maybe just update us on how models are contributing, if at all, today?

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

A

Yeah, no, it's a great question and as specific to the comments we made and where we're focusing in, one of the main areas of focus is increasing the availability of our ETFs in certain channels, because as you're kind of intimating, getting access is not the same in every channel, right? The wires versus the IRAs, as well as getting access into some of the big model providers and well, professional ETF buyers.

So for us, we're focused on all of those areas where we are not where we want to be. We think we have a great opportunity, particularly if we can get some of our ETFs up to a certain level of scale, which will matter in some of the channels, say like the wirehouses, where you need a certain period of time and you need a certain asset level to have access.

We always have focused in on some of the model providers and the professional buyers, but again, I still think that's a huge opportunity for us. I mean, one of the reasons that we're focused on both sides of increasing the distribution as well as increasing the offerings, because we just really see that there's just a great opportunity set for us and some of the areas that we kind of focus in on as we move forward.

So our hope is, is that the growth will come from getting a lot more of the access that we currently don't have, that we do want and – but then expanding those offerings to provide more building blocks for ETF models as well as for individual investors. And I think as I commented on a previous call, another area that we focus in on is our own models and using our ETFs for a solution-oriented, outcome-oriented types of capabilities, which we have seeded in design, several things along that way.

So, that's why it's just been a big area for focus for us. And I think as you've seen, almost all of our product development has either been on the ETF side or the global fund side as well as – and I don't want to leave retail separate accounts out because retail separate accounts, our focus there has really been on expanding the offerings. We have a strong placement in retail separate accounts on the equity side. And we have been just expanding the number of fixed income offerings and have put together several structures to allow us to take advantage of that.

So that's another area that we would like to see some additional growth because we think we have a good opportunity set.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Great. And then, just a follow-up question on inorganic activity. I was hoping maybe you could elaborate on the types and size of properties that you're evaluating. Talk about your process of how you're going about sifting and sorting through these properties. And remind us of your criteria and hurdle rates. Does a transaction need to be accretive day one or within the 12 – first 12 months? How are you thinking about that?

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

A

Yeah. So in terms of – when we speak about inorganic, we're covering the whole continuum of those things, which are really – could add meaningful scale. Those things that can add capabilities that are quite additive to our current set of offerings. And that way, that would also include expanding us from the public market offerings into the private markets.

When we talk about inorganic, we also, because of our flexible model, that it could include things like joint ventures or other types of structures. So, we kind of leave ourselves open to a variety of different opportunity set and kind of evaluate – primarily what we're trying to evaluate is the best, strategic fit, the financial benefit, and really the long-term value creation. So, we'll include a lot of factors, which will include things like accretion, but will also include factors like what impact we'll have in our growth rates, et cetera. So I don't have specific hurdles that I would provide, but we do go through a filter of various elements as we determine between two alternatives or three alternatives what we would prioritize.

The good news is, again, with our current level of net debt being de minimis and our cash flow still generating, we do have flexibility to evaluate different types of opportunities.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

A

Thank you.

Operator: Thank you. This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Aylward.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

Great. Now, thank you and I want to thank everyone today for joining us. And obviously, as always, if you have any other questions, please reach out and thank you very much.

Operator: That concludes today's call. Thank you for participating and you may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.