

Virtus Investment Partners Announces Financial Results for Second Quarter 2023

- Earnings Per Share - Diluted of \$4.10; Earnings Per Share - Diluted, as Adjusted, of \$5.43
- Total Sales of \$7.6B; Net Flows Breakeven; Assets Under Management of \$168.3B

Hartford, CT, July 28, 2023 - Virtus Investment Partners, Inc. (NASDAQ: VRTS) today reported financial results for the three months ended June 30, 2023.

Financial Highlights (Unaudited)

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

	Three Months Ended			Three Months Ended	
	6/30/2023	6/30/2022	Change	3/31/2023	Change
U.S. GAAP Financial Measures					
Revenues	\$ 213.5	\$ 225.3	(5%)	\$ 197.9	8%
Operating expenses	\$ 174.5	\$ 168.6	3%	\$ 169.3	3%
Operating income (loss)	\$ 39.0	\$ 56.7	(31%)	\$ 28.6	37%
Operating margin	18.3%	25.2%		14.4%	
Net income (loss) attributable to Virtus Investment Partners, Inc.	\$ 30.3	\$ 17.4	74%	\$ 38.6	(22%)
Earnings (loss) per share - diluted	\$ 4.10	\$ 2.29	79%	\$ 5.21	(21%)
Weighted average shares outstanding - diluted	7.385	7.607	(3%)	7.410	—%
Non-GAAP Financial Measures (1)					
Revenues, as adjusted	\$ 190.6	\$ 199.0	(4%)	\$ 176.9	8%
Operating expenses, as adjusted	\$ 129.0	\$ 121.0	7%	\$ 129.5	—%
Operating income (loss), as adjusted	\$ 61.6	\$ 78.0	(21%)	\$ 47.4	30%
Operating margin, as adjusted	32.3%	39.2%		26.8%	
Net income (loss) attributable to Virtus Investment Partners, Inc., as adjusted	\$ 40.1	\$ 52.2	(23%)	\$ 31.1	29%
Earnings (loss) per share - diluted, as adjusted	\$ 5.43	\$ 6.86	(21%)	\$ 4.20	29%
Weighted average shares outstanding - diluted, as adjusted	7.385	7.607	(3%)	7.410	—%

(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	
	6/30/2023	6/30/2022	Change	3/31/2023	Change
Ending total assets under management	\$ 168.3	\$ 155.4	8%	\$ 154.8	9%
Average total assets under management	\$ 163.0	\$ 171.4	(5%)	\$ 152.4	7%
Total sales	\$ 7.6	\$ 7.9	(4%)	\$ 6.2	22%
Net flows	\$ —	\$ (4.8)	N/M	\$ (1.9)	N/M

N/M - Not Meaningful

Total assets under management of \$168.3 billion at June 30, 2023 increased from \$154.8 billion at March 31, 2023 due to the addition of \$7.8 billion of assets from the April 1 acquisition of AlphaSimplex, market performance, and positive institutional net flows. In addition, the company provided services to \$2.6 billion of other fee-earning assets.

Total sales of \$7.6 billion increased 22% from \$6.2 billion in the first quarter. The increase was due to institutional sales, which nearly doubled to \$3.7 billion and included a large new mandate and meaningful contributions to existing accounts. Open-end fund sales of \$2.6 billion declined from \$3.0 billion primarily reflecting lower domestic equity sales, partially offset by higher global equity sales. Retail separate account sales of \$1.3 billion were substantially unchanged.

Net flows were breakeven and improved from (\$1.9) billion in the prior quarter. The improvement was due to institutional, which had broad strength across affiliates and strategies and positive net flows of \$2.2 billion, up from modest net outflows in the prior quarter. Open-end fund net flows of (\$2.1) billion compared with (\$1.8) billion primarily due to lower equity sales, partially offset by positive net flows in global equity and domestic small/mid cap. Retail separate account net flows of (\$0.1) billion compared with \$0.1 billion in the prior quarter, with continued net inflows in the private client channel.

GAAP Results

Operating income of \$39.0 million increased 37% from \$28.6 million in the prior quarter due to an 8% increase in total revenues, reflecting higher average assets under management from the addition of AlphaSimplex and market performance, partially offset by a 3% increase in total operating expenses. The increase in operating expenses was primarily due to the addition of AlphaSimplex and included higher employment expenses, other operating expenses, distribution and other asset-based expenses, and intangible asset amortization, partially offset by fair value adjustments to contingent consideration.

Net income attributable to Virtus Investment Partners, Inc. of \$4.10 per diluted common share included (\$0.31) of acquisition and integration costs, including AlphaSimplex acquisition costs, partially offset by fair value adjustments to contingent consideration, (\$0.30) of net realized and unrealized losses on investments, and \$0.21 of fair value adjustments to affiliate noncontrolling interests. Net income per diluted share of \$5.21 in the prior quarter included \$0.93 of fair value adjustments to affiliate noncontrolling interests and \$0.64 of net realized and unrealized gains on investments.

The effective tax rate of 27% increased from 20% in the prior quarter, primarily reflecting changes in valuation allowances related to marketable securities and other discrete tax adjustments.

Non-GAAP Results

Revenues, as adjusted, of \$190.6 million increased 8% from \$176.9 million in the prior quarter primarily due to higher average assets under management.

Employment expenses, as adjusted, of \$95.8 million decreased from \$98.6 million due to prior quarter seasonal items partially offset by employment expenses from the addition of AlphaSimplex. Other operating expenses, as adjusted, of \$31.7 million increased from \$29.8 million in the prior quarter due to the addition of AlphaSimplex and the annual equity grants to the Board of Directors of \$0.9 million.

Operating income, as adjusted, of \$61.6 million and the related margin of 32.3% increased from \$47.4 million and 26.8% in the prior quarter, respectively, due to the impact of the prior quarter seasonal items and higher investment management fees.

Net income attributable to Virtus Investment Partners, Inc., as adjusted, per diluted common share was \$5.43, an increase of \$1.23, or 29%, from \$4.20 in the prior quarter. The increase primarily reflected the impact of the prior quarter seasonal items and higher investment management fees.

The effective tax rate, as adjusted, of 27% compared with 28% in the prior quarter.

Select Balance Sheet Items (Unaudited)

(in millions)

	As of			As of	
	6/30/2023	6/30/2022	Change	3/31/2023	Change
Cash and cash equivalents	\$ 201.5	\$ 250.5	(20%)	\$ 213.4	(6%)
Gross debt (1)	\$ 300.2	\$ 262.9	14%	\$ 260.9	15%
Contingent consideration (2)	\$ 94.4	\$ 133.6	(29%)	\$ 101.2	(7%)
Redeemable noncontrolling interests (3)	\$ 87.6	\$ 126.1	(31%)	\$ 88.2	(1%)
Total equity exc. noncontrolling interests	\$ 851.5	\$ 784.7	9%	\$ 837.9	2%
Working capital (4)	\$ 124.0	\$ 185.4	(33%)	\$ 184.4	(33%)
Net debt (cash) (5)	\$ 98.7	\$ 12.4	N/M	\$ 47.5	108%

(1) Excludes deferred financing costs of \$6.0 million, \$7.1 million, and \$6.3 million, as of June 30, 2023, June 30, 2022, and March 31, 2023, respectively

(2) Represents estimates of revenue participation and contingent payments

(3) Excludes redeemable noncontrolling interests of consolidated investment products of \$22.8 million, \$13.0 million, and \$18.4 million as of June 30, 2023, June 30, 2022, and March 31, 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

On April 1, 2023, the company completed the acquisition of AlphaSimplex for \$113.4 million in cash at closing, including \$50.0 million drawn on the company's revolving credit facility. In June, the company repaid \$10.0 million of the amount drawn on the facility.

Working capital of \$124.0 million at June 30, 2023 declined from \$184.4 million at March 31, 2023 primarily due to the AlphaSimplex transaction payment.

During the quarter the company repurchased 51,840 shares of common stock for \$10.0 million.

Conference Call and Investor Presentation

Management will host an investor [conference call](#) and [webcast](#) on Friday, July 28, 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		Six Months Ended		
	6/30/2023	6/30/2022	Change	3/31/2023	Change	6/30/2023	6/30/2022	Change
Revenues								
Investment management fees	\$ 179,979	\$ 185,024	(3%)	\$ 164,478	9%	\$ 344,457	\$ 391,841	(12%)
Distribution and service fees	14,132	17,159	(18%)	14,153	—%	28,285	37,166	(24%)
Administration and shareholder service fees	18,240	21,982	(17%)	18,359	(1%)	36,599	46,326	(21%)
Other income and fees	1,185	1,142	4%	884	34%	2,069	2,414	(14%)
Total revenues	213,536	225,307	(5%)	197,874	8%	411,410	477,747	(14%)
Operating Expenses								
Employment expenses	104,694	89,360	17%	98,614	6%	203,308	195,353	4%
Distribution and other asset-based expenses	25,460	28,583	(11%)	23,715	7%	49,175	61,429	(20%)
Other operating expenses	33,483	31,559	6%	30,730	9%	64,213	63,271	1%
Operating expenses of consolidated investment products	360	649	(45%)	700	(49%)	1,060	1,389	(24%)
Change in fair value of contingent consideration	(6,800)	2,900	N/M	—	N/M	(6,800)	2,900	N/M
Depreciation expense	1,485	962	54%	1,145	30%	2,630	1,897	39%
Amortization expense	15,808	14,624	8%	14,391	10%	30,199	29,286	3%
Total operating expenses	174,490	168,637	3%	169,295	3%	343,785	355,525	(3%)
Operating Income (Loss)	39,046	56,670	(31%)	28,579	37%	67,625	122,222	(45%)
Other Income (Expense)								
Realized and unrealized gain (loss) on investments, net	1,717	(10,543)	N/M	2,670	(36%)	4,387	(13,525)	N/M
Realized and unrealized gain (loss) of consolidated investment products, net	(4,436)	(21,659)	(80%)	2,596	N/M	(1,840)	(35,003)	(95%)
Other income (expense), net	(847)	571	N/M	(343)	147%	(1,190)	858	N/M
Total other income (expense), net	(3,566)	(31,631)	(89%)	4,923	N/M	1,357	(47,670)	N/M
Interest Income (Expense)								
Interest expense	(6,217)	(2,825)	120%	(5,005)	24%	(11,222)	(5,104)	120%
Interest and dividend income	2,675	529	406%	3,238	(17%)	5,913	857	N/M
Interest and dividend income of investments of consolidated investment products	47,884	22,412	114%	46,814	2%	94,698	42,792	121%
Interest expense of consolidated investment products	(38,732)	(14,416)	169%	(35,203)	10%	(73,935)	(26,504)	179%
Total interest income (expense), net	5,610	5,700	(2%)	9,844	(43%)	15,454	12,041	28%
Income (Loss) Before Income Taxes	41,090	30,739	34%	43,346	(5%)	84,436	86,593	(2%)
Income tax expense (benefit)	10,910	16,480	(34%)	8,703	25%	19,613	33,215	(41%)
Net Income (Loss)	30,180	14,259	112%	34,643	(13%)	64,823	53,378	21%
Noncontrolling interests	77	3,143	(98%)	3,981	(98%)	4,058	(2,917)	N/M
Net Income (Loss) Attributable to Virtus Investment Partners, Inc.	\$ 30,257	\$ 17,402	74%	\$ 38,624	(22%)	\$ 68,881	\$ 50,461	37%
Earnings (Loss) Per Share - Basic	\$ 4.14	\$ 2.34	77%	\$ 5.33	(22%)	\$ 9.47	\$ 6.73	41%
Earnings (Loss) Per Share - Diluted	\$ 4.10	\$ 2.29	79%	\$ 5.21	(21%)	\$ 9.31	\$ 6.54	42%
Cash Dividends Declared Per Common Share	\$ 1.65	\$ 1.50	10%	\$ 1.65	—%	\$ 3.30	\$ 3.00	10%
Weighted Average Shares Outstanding - Basic	7,308	7,449	(2%)	7,245	1%	7,277	7,496	(3%)
Weighted Average Shares Outstanding - Diluted	7,385	7,607	(3%)	7,410	—%	7,398	7,721	(4%)

N/M - Not Meaningful

Assets Under Management - Product and Asset Class*(in millions)*

	Three Months Ended				
	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023
By Product (period end):					
Open-End Funds (1)	\$ 59,479	\$ 54,454	\$ 53,000	\$ 53,865	\$ 56,828
Closed-End Funds	10,645	10,146	10,361	10,358	10,166
Retail Separate Accounts	35,248	33,381	35,352	37,397	38,992
Institutional Accounts (2)	50,048	46,993	50,663	53,229	62,330
Total	<u>\$ 155,420</u>	<u>\$ 144,974</u>	<u>\$ 149,376</u>	<u>\$ 154,849</u>	<u>\$ 168,316</u>
By Product (average) (3)					
Open-End Funds (1)	\$ 65,592	\$ 60,185	\$ 54,870	\$ 54,141	\$ 56,120
Closed-End Funds	11,405	10,971	10,389	10,424	10,224
Retail Separate Accounts	40,824	35,248	33,381	35,352	37,397
Institutional Accounts (2)	53,560	50,668	49,981	52,444	59,248
Total	<u>\$ 171,381</u>	<u>\$ 157,072</u>	<u>\$ 148,621</u>	<u>\$ 152,361</u>	<u>\$ 162,989</u>
By Asset Class (period end):					
Equity	\$ 84,754	\$ 78,034	\$ 81,894	\$ 87,511	\$ 91,211
Fixed Income	39,322	36,910	36,903	36,596	38,361
Multi-Asset (4)	20,261	19,364	19,937	20,597	20,914
Alternatives (5)	11,083	10,666	10,642	10,145	17,830
Total	<u>\$ 155,420</u>	<u>\$ 144,974</u>	<u>\$ 149,376</u>	<u>\$ 154,849</u>	<u>\$ 168,316</u>

Assets Under Management - Average Management Fees Earned (6)

(in basis points)

	Three Months Ended				
	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023
By Product:					
Open-End Funds (1)	46.2	46.8	47.2	47.6	49.3
Closed-End Funds	56.9	57.0	57.1	57.1	57.6
Retail Separate Accounts	42.9	42.2	42.6	44.2	44.1
Institutional Accounts (2)(7)	30.6	31.3	32.0	31.8	31.6
All Products (7)	41.2	41.5	41.7	42.0	42.2

(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:

	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023
Institutional Accounts	0.3	0.2	0.4	0.2	0.2
All Products	0.1	0.1	0.1	0.1	0.1

Assets Under Management - Asset Flows by Product

(in millions)

	Three Months Ended					Six Months Ended	
	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023	6/30/2022	6/30/2023
Open-End Funds (1)							
Beginning balance	\$ 73,149	\$ 59,479	\$ 54,454	\$ 53,000	\$ 53,865	\$ 78,706	\$ 53,000
Inflows	3,120	2,880	3,029	3,011	2,550	8,076	5,561
Outflows	(7,643)	(5,689)	(6,839)	(4,792)	(4,692)	(16,021)	(9,484)
Net flows	(4,523)	(2,809)	(3,810)	(1,781)	(2,142)	(7,945)	(3,923)
Market performance	(9,000)	(2,012)	2,806	2,771	2,163	(15,907)	4,934
Other (2)	(147)	(204)	(450)	(125)	2,942	4,625	2,817
Ending balance	\$ 59,479	\$ 54,454	\$ 53,000	\$ 53,865	\$ 56,828	\$ 59,479	\$ 56,828
Closed-End Funds							
Beginning balance	\$ 12,060	\$ 10,645	\$ 10,146	\$ 10,361	\$ 10,358	\$ 12,068	\$ 10,361
Inflows	24	157	2	4	20	32	24
Outflows	—	—	—	—	—	—	—
Net flows	24	157	2	4	20	32	24
Market performance	(1,250)	(531)	631	205	(1)	(1,446)	204
Other (2)	(189)	(125)	(418)	(212)	(211)	(9)	(423)
Ending balance	\$ 10,645	\$ 10,146	\$ 10,361	\$ 10,358	\$ 10,166	\$ 10,645	\$ 10,166
Retail Separate Accounts							
Beginning balance	\$ 40,824	\$ 35,248	\$ 33,381	\$ 35,352	\$ 37,397	\$ 44,538	\$ 35,352
Inflows	1,288	1,179	1,221	1,367	1,346	3,310	2,713
Outflows	(1,977)	(1,418)	(1,651)	(1,288)	(1,434)	(3,371)	(2,722)
Net flows	(689)	(239)	(430)	79	(88)	(61)	(9)
Market performance	(4,887)	(1,628)	2,401	1,966	1,683	(9,229)	3,649
Ending balance	\$ 35,248	\$ 33,381	\$ 35,352	\$ 37,397	\$ 38,992	\$ 35,248	\$ 38,992
Institutional Accounts (3)							
Beginning balance	\$ 57,309	\$ 50,048	\$ 46,993	\$ 50,663	\$ 53,229	\$ 51,874	\$ 50,663
Inflows	3,452	1,507	2,999	1,852	3,660	5,901	5,512
Outflows	(3,032)	(1,930)	(2,162)	(2,047)	(1,478)	(4,655)	(3,525)
Net flows	420	(423)	837	(195)	2,182	1,246	1,987
Market performance	(7,657)	(2,475)	2,976	2,906	2,440	(12,669)	5,346
Other (2)	(24)	(157)	(143)	(145)	4,479	9,597	4,334
Ending balance	\$ 50,048	\$ 46,993	\$ 50,663	\$ 53,229	\$ 62,330	\$ 50,048	\$ 62,330
Total							
Beginning balance	\$ 183,342	\$ 155,420	\$ 144,974	\$ 149,376	\$ 154,849	\$ 187,186	\$ 149,376
Inflows	7,884	5,723	7,251	6,234	7,576	17,319	13,810
Outflows	(12,652)	(9,037)	(10,652)	(8,127)	(7,604)	(24,047)	(15,731)
Net flows	(4,768)	(3,314)	(3,401)	(1,893)	(28)	(6,728)	(1,921)
Market performance	(22,794)	(6,646)	8,814	7,848	6,285	(39,251)	14,133
Other (2)	(360)	(486)	(1,011)	(482)	7,210	14,213	6,728
Ending balance	\$ 155,420	\$ 144,974	\$ 149,376	\$ 154,849	\$ 168,316	\$ 155,420	\$ 168,316

- (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		
	6/30/2023	6/30/2022	3/31/2023
Revenues			
Total revenues, GAAP	\$ 213,536	\$ 225,307	\$ 197,874
Consolidated investment products revenues (1)	2,479	2,301	2,750
Investment management fees (2)	(11,326)	(11,424)	(9,561)
Distribution and service fees (2)	(14,134)	(17,159)	(14,154)
Total revenues, as adjusted	<u>\$ 190,555</u>	<u>\$ 199,025</u>	<u>\$ 176,909</u>
Operating Expenses			
Total operating expenses, GAAP	\$ 174,490	\$ 168,637	\$ 169,295
Consolidated investment products expenses (1)	(360)	(649)	(700)
Distribution and other asset-based expenses (3)	(25,460)	(28,583)	(23,715)
Amortization of intangible assets (4)	(15,808)	(14,624)	(14,391)
Deferred compensation and related investments (5)	(747)	—	(572)
Acquisition and integration expenses (6)	(3,165)	(3,761)	(965)
Other (7)	49	—	592
Total operating expenses, as adjusted	<u>\$ 128,999</u>	<u>\$ 121,020</u>	<u>\$ 129,544</u>
Operating Income (Loss)			
Operating income (loss), GAAP	\$ 39,046	\$ 56,670	\$ 28,579
Consolidated investment products (earnings) losses (1)	2,839	2,950	3,450
Amortization of intangible assets (4)	15,808	14,624	14,391
Deferred compensation and related investments (5)	747	—	572
Acquisition and integration expenses (6)	3,165	3,761	965
Other (7)	(49)	—	(592)
Operating income (loss), as adjusted	<u>\$ 61,556</u>	<u>\$ 78,005</u>	<u>\$ 47,365</u>
Operating margin, GAAP	18.3 %	25.2 %	14.4 %
Operating margin, as adjusted	32.3 %	39.2 %	26.8 %

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	Three Months Ended		
	6/30/2023	6/30/2022	3/31/2023
Income (Loss) Before Taxes			
Income (loss) before taxes, GAAP	\$ 41,090	\$ 30,739	\$ 43,346
Consolidated investment products (earnings) losses (1)	283	1,122	(1,412)
Amortization of intangible assets (4)	15,808	14,624	14,391
Deferred compensation and related investments (5)	(596)	—	(344)
Acquisition and integration expenses (6)	3,165	3,761	965
Other (7)	(49)	—	(592)
Seed capital and CLO investments (gains) losses (8)	(1,057)	24,910	(10,140)
Income (loss) before taxes, as adjusted	<u>\$ 58,644</u>	<u>\$ 75,156</u>	<u>\$ 46,214</u>
Income Tax Expense (Benefit)			
Income tax expense (benefit), GAAP	\$ 10,910	\$ 16,480	\$ 8,703
Tax impact of:			
Amortization of intangible assets (4)	4,334	3,970	4,025
Deferred compensation and related investments (5)	(163)	—	(96)
Acquisition and integration expenses (6)	868	1,021	270
Other (7)	628	189	1,745
Seed capital and CLO investments (gains) losses (8)	(497)	(1,259)	(1,722)
Income tax expense (benefit), as adjusted	<u>\$ 16,080</u>	<u>\$ 20,401</u>	<u>\$ 12,925</u>
Effective tax rate, GAAP ^A	26.6 %	53.6 %	20.1 %
Effective tax rate, as adjusted ^B	27.4 %	27.1 %	28.0 %
^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	\$ 30,257	\$ 17,402	\$ 38,624
Amortization of intangible assets, net of tax (4)	10,775	9,918	9,687
Deferred compensation and related investments (5)	(433)	—	(248)
Acquisition and integration expenses, net of tax (6)	2,297	2,740	695
Other, net of tax (7)	(2,253)	(4,060)	(9,236)
Seed capital and CLO investments (gains) losses, net of tax (8)	(560)	26,169	(8,418)
Net income (loss) attributable to Virtus Investment Partners, Inc., as adjusted	<u>\$ 40,083</u>	<u>\$ 52,169</u>	<u>\$ 31,104</u>
Weighted average shares outstanding – diluted	7,385	7,607	7,410
Earnings (loss) per share - diluted, GAAP	\$ 4.10	\$ 2.29	\$ 5.21
Earnings (loss) per share - diluted, as adjusted	\$ 5.43	\$ 6.86	\$ 4.20

	Three Months Ended		
	6/30/2023	6/30/2022	3/31/2023
Administration and Shareholder Services Fees			
Administration and shareholder service fees, GAAP	\$ 18,240	\$ 21,982	\$ 18,359
Consolidated investment products fees (1)	33	5	30
Administration and shareholder service fees, as adjusted	<u>\$ 18,273</u>	<u>\$ 21,987</u>	<u>\$ 18,389</u>
Employment Expenses			
Employment expenses, GAAP	\$ 104,694	\$ 89,360	\$ 98,614
Deferred compensation and related investments (5)	(747)	—	(572)
Acquisition and integration expenses (6)	(8,183)	(260)	—
Other (7)	49	—	592
Employment expenses, as adjusted	<u>\$ 95,813</u>	<u>\$ 89,100</u>	<u>\$ 98,634</u>
Other Operating Expenses			
Other operating expenses, GAAP	\$ 33,483	\$ 31,559	\$ 30,730
Acquisition and integration expenses (6)	(1,782)	(601)	(965)
Other operating expenses, as adjusted	<u>\$ 31,701</u>	<u>\$ 30,958</u>	<u>\$ 29,765</u>
Total Other Income (Expense), Net			
Total other income (expense), net GAAP	\$ (3,566)	\$ (31,631)	\$ 4,923
Consolidated investment products (1)	4,868	4,588	5,721
Deferred compensation and related investments (5)	(1,312)	—	(907)
Seed capital and CLO investments (gains) losses (8)	(1,057)	24,910	(10,140)
Total other income (expense), net as adjusted	<u>\$ (1,067)</u>	<u>\$ (2,133)</u>	<u>\$ (403)</u>
Interest and Dividend Income			
Interest and dividend income, GAAP	\$ 2,675	\$ 529	\$ 3,238
Consolidated investment products (1)	1,728	1,580	1,028
Deferred compensation and related investments (5)	(31)	—	(9)
Interest and dividend income, as adjusted	<u>\$ 4,372</u>	<u>\$ 2,109</u>	<u>\$ 4,257</u>
Total Noncontrolling Interests			
Total noncontrolling interests, GAAP	\$ 77	\$ 3,143	\$ 3,981
Consolidated investment products (1)	(283)	(1,122)	1,412
Amortization of intangible assets (4)	(699)	(736)	(679)
Other (7)	(1,576)	(3,871)	(6,899)
Total noncontrolling interests, as adjusted	<u>\$ (2,481)</u>	<u>\$ (2,586)</u>	<u>\$ (2,185)</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. 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.
6. 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		
	6/30/2023	6/30/2022	3/31/2023
Employment expenses	\$ 8,183	\$ 260	\$ —
Other operating expenses	1,782	601	965
Change in fair value of contingent consideration	(6,800)	2,900	—
Total Acquisition and Integration Expenses	\$ 3,165	\$ 3,761	\$ 965

7. *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		
	6/30/2023	6/30/2022	3/31/2023
Employment expense fair value adjustments	\$ (49)	\$ —	\$ (592)
Tax impact of adjustments	13	—	166
Other discrete tax adjustments	(641)	(189)	(1,911)
Affiliate minority interest fair value adjustments	(1,576)	(3,871)	(6,899)
Total Other	\$ (2,253)	\$ (4,060)	\$ (9,236)

Seed Capital and CLO Related

8. *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.

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.