



NEWS RELEASE

Virtus Investment Partners Announces Financial Results for Third Quarter 2021

10/27/2021

- Earnings Per Share - Diluted of \$7.36; Earnings Per Share - Diluted, as Adjusted, of \$9.71

- Total Sales of \$7.6B; Net Flows of (\$0.6B); Assets Under Management of \$177.3B

HARTFORD, Conn., Oct. 27, 2021 /PRNewswire/ -- Virtus Investment Partners, Inc. (NASDAQ: VRTS) today reported financial results for the three months ended September 30, 2021.

Financial Highlights (Unaudited)

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

| | Three Months Ended | | | Three Months Ended | |
|---|--------------------|-----------|--------|--------------------|--------|
| | 9/30/2021 | 9/30/2020 | Change | 6/30/2021 | Change |
| U.S. GAAP Financial Measures | | | | | |
| Revenues | \$ 252.1 | \$ 154.8 | 63% | \$ 244.0 | 3% |
| Operating expenses | \$ 158.8 | \$ 113.8 | 40% | \$ 157.6 | 1% |
| Operating income (loss) | \$ 93.3 | \$ 41.0 | 128% | \$ 86.4 | 8% |
| Operating margin | 37.0% | 26.5% | | 35.4% | |
| Net income (loss) attributable to Virtus Investment Partners, Inc. | \$ 58.7 | \$ 29.6 | 98% | \$ 63.0 | (7%) |
| Earnings (loss) per share - diluted | \$ 7.36 | \$ 3.71 | 98% | \$ 7.86 | (6%) |
| Weighted average shares outstanding - diluted | 7.984 | 7.997 | —% | 8.007 | —% |
| Non-GAAP Financial Measures (1) | | | | | |
| Revenues, as adjusted | \$ 217.7 | \$ 137.6 | 58% | \$ 210.3 | 4% |
| Operating expenses, as adjusted | \$ 107.6 | \$ 83.6 | 29% | \$ 107.4 | —% |
| Operating income (loss), as adjusted | \$ 110.1 | \$ 54.1 | 104% | \$ 102.9 | 7% |
| Operating margin, as adjusted | 50.6% | 39.3% | | 48.9% | |
| Net income (loss) attributable to Virtus Investment Partners, Inc., as adjusted | \$ 77.5 | \$ 35.9 | 116% | \$ 72.7 | 7% |
| Earnings (loss) per share - diluted, as adjusted | \$ 9.71 | \$ 4.49 | 116% | \$ 9.07 | 7% |
| Weighted average shares outstanding - diluted, as adjusted | 7.984 | 7.997 | —% | 8.007 | —% |

(1) See the information beginning on page 11 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 11 of this earnings release.

Assets Under Management and Asset Flows (in billions)

| | Three Months Ended | | | Three Months Ended | |
|---------------------------------------|--------------------|-----------|--------|--------------------|--------|
| | 9/30/2021 | 9/30/2020 | Change | 6/30/2021 | Change |
| Ending total assets under management | \$ 177.3 | \$ 116.5 | 52% | \$ 178.6 | (1%) |
| Average total assets under management | \$ 179.6 | \$ 112.9 | 59% | \$ 172.9 | 4% |
| Total sales | \$ 7.6 | \$ 7.9 | (3%) | \$ 9.6 | (20%) |
| Net flows | \$ (0.6) | \$ 1.3 | N/M | \$ 1.3 | N/M |

Total assets under management of \$177.3 billion at September 30, 2021 compared with \$178.6 billion at June 30, 2021, a 1% decline due to (\$0.5) billion of market performance and (\$0.6) billion of net outflows. In addition, the company had \$3.7 billion of other fee earning assets, compared with \$3.8 billion at June 30, 2021.

Total sales of \$7.6 billion compared with \$9.6 billion in the prior quarter. Open-end fund sales of \$3.6 billion declined from \$4.7 billion largely due to lower sales of domestic and international equity strategies, reflective of industry trends. Institutional sales of \$1.8 billion compared with \$2.3 billion in the prior quarter, which included the funding of several meaningful new mandates. Retail separate account sales of \$2.0 billion compared with \$2.3 billion in the second quarter due to lower equity sales.

Net flows of (\$0.6) billion were due to net outflows in open-end funds, including a \$0.7 billion model rebalance, partially offset by positive net flows in retail separate accounts, exchange traded funds (ETFs), and institutional. Open-end fund net flows of (\$1.5) billion compared with (\$0.2) billion in the prior quarter and largely reflected net outflows from international and domestic equity strategies, partially offset by positive net flows in fixed income, multi-asset, and alternatives. Retail separate accounts contributed positive net flows of \$0.8 billion with continued net inflows in both the intermediary sold and private client channels. Institutional net flows of \$0.1 billion were positive for the fourth consecutive quarter and included new mandates at multiple affiliates. ETF net flows of \$0.1 billion were positive for the fifth consecutive quarter.

GAAP Results

Operating income increased 8% to \$93.3 million from \$86.4 million in the prior quarter, as a 3% increase in total revenues, due to higher average assets under management, was partially offset by a 1% increase in total operating expenses. The sequential increase in operating expenses included higher distribution and asset-based expenses and higher other operating expenses, due to growth in the business, partially offset by a decline in employment expenses from lower sales-based variable incentive compensation.

Net income attributable to Virtus Investment Partners, Inc. of \$7.36 per diluted common share included (\$1.36) of fair value adjustments on affiliate noncontrolling interests, (\$0.27) of realized and unrealized losses on investments, and (\$0.21) of acquisition and integration costs. Net income per diluted share in the prior quarter of \$7.86 included (\$1.20) of fair value adjustments on affiliate noncontrolling interests and (\$0.24) of acquisition and integration costs, partially offset by \$0.58 of realized and unrealized gains on investments. The fair value adjustments on affiliate noncontrolling interests reflect the increase in the value of an affiliate with minority ownership.

The effective tax rate during the quarter of 26% compared with 23% in the prior quarter primarily reflecting changes in valuation allowances related to marketable securities as well as a lower level of tax benefits associated with the vesting of restricted stock units.

Non-GAAP Results

Revenues, as adjusted, of \$217.7 million increased 4% sequentially as a result of a 4% increase in average assets under management and included performance-related fees of \$0.6 million, compared with \$0.8 million in the prior quarter.

Employment expenses, as adjusted, were \$86.5 million, unchanged from the prior quarter, as higher profit-based compensation was offset by lower sales-based compensation. Other operating expenses, as adjusted, of \$20.2 million increased sequentially from \$19.9 million due to growth of the business and a modest increase in travel and related expenses.

Operating income, as adjusted, and the related margin increased to \$110.1 million and 50.6%, respectively, from \$102.9 million and 48.9% in the prior quarter due to higher revenues, as adjusted.

Net income attributable to Virtus Investment Partners, Inc., as adjusted, per diluted common share was \$9.71, an increase of \$0.64, or 7%, from \$9.07 in the prior quarter, and the company's highest reported level. The sequential increase primarily reflected higher revenues, as adjusted, as a result of the higher average assets under management, with essentially stable operating expenses, as adjusted.

The effective tax rate, as adjusted, of 26% compared with 27% in the prior quarter.

Select Balance Sheet Items (Unaudited) (in millions)

| | As of | | Change | As of | |
|---------------------------|-----------|-----------|--------|-----------|--------|
| | 9/30/2021 | 9/30/2020 | | 6/30/2021 | Change |
| Cash and cash equivalents | \$ 437.2 | \$ 202.2 | 116% | \$ 275.4 | 59% |

| | | | | | |
|---|------------|----------|------|-----------|-----|
| Gross debt (1) | \$ 275.0 | \$ 223.2 | 23% | \$ 193.8 | 42% |
| Revenue participation liability (2) | \$ 137.7 | \$ — | N/M | \$ 137.7 | —% |
| Redeemable noncontrolling interests (3) | \$ 118.9 | \$ 74.6 | 59% | \$ 108.9 | 9% |
| Total equity attributable to Virtus Investment Partners, Inc. | \$ 812.3 | \$ 679.1 | 20% | \$ 780.9 | 4% |
| Working capital (4) | \$ 345.5 | \$ 159.1 | 117% | \$ 229.2 | 51% |
| Net debt (cash) (5) | \$ (162.2) | \$ 21.0 | N/M | \$ (81.6) | 99% |

- (1) Excludes deferred financing costs of \$8.3 million, \$5.2 million, and \$3.6 million, as of September 30, 2021, September 30, 2020, and June 30, 2021, respectively
- (2) Represents the estimate of future AllianzGI-related revenue participation payments accounted for as consideration
- (3) Excludes redeemable noncontrolling interests of consolidated investment products of \$12.8 million, \$24.7 million, and \$22.6 million as of September 30, 2021, September 30, 2020, and June 30, 2021, 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 September 28, the company completed the refinancing of its credit arrangements with a new \$275.0 million senior secured loan and \$175.0 million revolving credit facility, effectively increasing the company's financial flexibility, reducing its borrowing costs, and extending its debt maturity profile.

Working capital of \$345.5 million at September 30, 2021 increased 51% from June 30, 2021 reflecting proceeds from the company's debt refinancing and net cash generated from the business, partially offset by return of capital to shareholders.

During the quarter, the company repurchased 64,494 shares of common stock for \$20.0 million and raised its quarterly common stock dividend by 83% to \$1.50 per share.

Acquisition of Westchester Capital Management

On October 1, the company completed its acquisition of Westchester Capital Management, a recognized leader in global event-driven strategies with \$5.1 billion of assets under management. The company made a \$135.0 million payment at closing and an additional \$20.0 million payment will be due near year end.

Conference Call

Management will host an investor conference call on Wednesday, October 27, 2021, at 10 a.m. Eastern to discuss these financial results and related matters. The **webcast** of the call can be accessed in the **Investor Relations** section of **virtus.com**, or by telephone at 877-930-7765 for callers in the U.S. and Canada or 253-336-7413 for international callers (Conference ID: 2171665). The presentation that will be reviewed as part of the conference call will be available prior to the call in the **Investor Relations** section of **virtus.com**. A replay of the call will be available through November 3, 2021 by telephone at 855-859-2056 (U.S. and Canada) or 404-537-3406 (international) (Conference ID: 2171665).

About Virtus Investment Partners

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. The company provides investment management products and services through its affiliated managers and select subadvisers, each with a distinct investment style, autonomous investment process, and individual brand. Virtus Investment Partners offers access to a variety of investment styles across multiple disciplines to meet a wide array of investor needs. Its affiliates include **Ceredex Value Advisors**, **Duff & Phelps Investment Management**, **Kayne Anderson Rudnick Investment Management**, **Newfleet Asset Management**, **NFJ Investment Group**, **Seix Investment Advisors**, **Silvant Capital Management**, **Sustainable Growth Advisers**, **Virtus ETF Solutions**, and **Westchester Capital Management**.

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

(in thousands, except per share data)

| | Three Months Ended | | Change | Three Months Ended | Change | Nine Months Ended | | Change |
|---|--------------------|------------|--------|--------------------|--------|-------------------|------------|--------|
| | 9/30/2021 | 9/30/2020 | | 6/30/2021 | | 9/30/2021 | 9/30/2020 | |
| Revenues | | | | | | | | |
| Investment management fees | \$ 201,133 | \$ 129,785 | 55% | \$ 193,510 | 4% | \$ 567,912 | \$ 360,623 | 57% |
| Distribution and service fees | 23,293 | 9,797 | 138% | 23,450 | (1%) | 67,091 | 28,146 | 138% |
| Administration and shareholder service fees | 26,479 | 15,114 | 75% | 25,877 | 2% | 74,916 | 43,056 | 74% |
| Other income and fees | 1,159 | 94 | N/M | 1,174 | (1%) | 3,053 | 425 | N/M |

| | | | | | | | | |
|---|-----------|-----------|--------|-----------|------|------------|-----------|--------|
| Total revenues | 252,064 | 154,790 | 63% | 244,011 | 3% | 712,972 | 432,250 | 65% |
| Operating Expenses | | | | | | | | |
| Employment expenses | 87,345 | 67,479 | 29% | 87,630 | —% | 266,734 | 193,772 | 38% |
| Distribution and other asset-based expenses | 36,692 | 19,570 | 87% | 36,021 | 2% | 105,007 | 56,324 | 86% |
| Other operating expenses | 22,800 | 16,343 | 40% | 21,946 | 4% | 64,326 | 52,664 | 22% |
| Operating expenses of consolidated investment products | 639 | 1,016 | (37%) | 659 | (3%) | 1,857 | 9,944 | (81%) |
| Restructuring and severance | — | 735 | (100%) | — | N/M | — | 1,155 | (100%) |
| Depreciation expense | 915 | 1,106 | (17%) | 981 | (7%) | 2,994 | 3,560 | (16%) |
| Amortization expense | 10,391 | 7,532 | 38% | 10,363 | —% | 30,219 | 22,598 | 34% |
| Total operating expenses | 158,782 | 113,781 | 40% | 157,600 | 1% | 471,137 | 340,017 | 39% |
| Operating Income (Loss) | 93,282 | 41,009 | 127% | 86,411 | 8% | 241,835 | 92,233 | 162% |
| Other Income (Expense) | | | | | | | | |
| Realized and unrealized gain (loss) on investments, net | (504) | 2,498 | N/M | 2,494 | N/M | 2,881 | 2,068 | 39% |
| Realized and unrealized gain (loss) of consolidated investment products, net | (2,801) | 2,680 | N/M | 2,747 | N/M | (4,741) | (12,733) | (63%) |
| Other income (expense), net | 1,001 | 999 | —% | 826 | 21% | 3,598 | 806 | 346% |
| Total other income (expense), net | (2,304) | 6,177 | N/M | 6,067 | N/M | 1,738 | (9,859) | N/M |
| Interest Income (Expense) | | | | | | | | |
| Interest expense | (2,348) | (2,877) | (18%) | (2,256) | 4% | (6,918) | (9,202) | (25%) |
| Interest and dividend income | 269 | 137 | 96% | 166 | 62% | 571 | 1,131 | (50%) |
| Interest and dividend income of investments of consolidated investment products | 22,877 | 26,088 | (12%) | 22,562 | 1% | 69,315 | 83,951 | (17%) |
| Interest expense of consolidated investment products | (13,442) | (17,622) | (24%) | (14,452) | (7%) | (42,342) | (70,258) | (40%) |
| Total interest income (expense), net | 7,356 | 5,726 | 28% | 6,020 | 22% | 20,626 | 5,622 | 267% |
| Income (Loss) Before Income Taxes | 98,334 | 52,912 | 86% | 98,498 | —% | 264,199 | 87,996 | 200% |
| Income tax expense (benefit) | 25,823 | 11,978 | 116% | 22,401 | 15% | 63,377 | 29,847 | 112% |
| Net Income (Loss) | 72,511 | 40,934 | 77% | 76,097 | (5%) | 200,822 | 58,149 | 245% |
| Noncontrolling interests | (13,775) | (11,286) | 22% | (13,130) | 5% | (42,531) | (21,507) | 98% |
| Net Income (Loss) Attributable to Virtus Investment Partners, Inc. | \$ 58,736 | \$ 29,648 | 98% | \$ 62,967 | (7%) | \$ 158,291 | \$ 36,642 | 332% |
| Earnings (Loss) Per Share - Basic | \$ 7.64 | \$ 3.86 | 98% | \$ 8.18 | (7%) | \$ 20.59 | \$ 4.81 | 328% |
| Earnings (Loss) Per Share - Diluted | \$ 7.36 | \$ 3.71 | 98% | \$ 7.86 | (6%) | \$ 19.72 | \$ 4.60 | 329% |
| Cash Dividends Declared Per Common Share | \$ 1.50 | \$ 0.82 | 83% | \$ 0.82 | 83% | \$ 3.14 | \$ 2.16 | 45% |
| Weighted Average Shares Outstanding - Basic | 7,691 | 7,684 | —% | 7,698 | —% | 7,688 | 7,611 | 1% |
| Weighted Average Shares Outstanding - Diluted | 7,984 | 7,997 | —% | 8,007 | —% | 8,028 | 7,958 | 1% |

N/M - Not Meaningful

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

| | Three Months Ended | | | | |
|-------------------------------------|--------------------|------------|------------|------------|------------|
| | 9/30/2020 | 12/31/2020 | 3/31/2021 | 6/30/2021 | 9/30/2021 |
| By product (period end): | | | | | |
| Open-End Funds (1) | \$ 44,574 | \$ 50,771 | \$ 72,164 | \$ 75,333 | \$ 73,044 |
| Closed-End Funds | 5,629 | 5,914 | 11,664 | 11,993 | 11,721 |
| Exchange Traded Funds | 543 | 837 | 1,021 | 1,260 | 1,321 |
| Retail Separate Accounts | 24,727 | 29,751 | 37,244 | 40,578 | 41,528 |
| Institutional Accounts | 36,851 | 40,861 | 42,802 | 45,604 | 45,882 |
| Structured Products | 4,163 | 4,060 | 3,985 | 3,870 | 3,809 |
| Total | \$ 116,487 | \$ 132,194 | \$ 168,880 | \$ 178,638 | \$ 177,305 |
| By product (average) (2) | | | | | |
| Open-End Funds (1) | \$ 43,603 | \$ 47,782 | \$ 66,247 | \$ 74,126 | \$ 75,073 |
| Closed-End Funds | 5,742 | 5,847 | 9,340 | 11,936 | 12,091 |
| Exchange Traded Funds | 549 | 683 | 890 | 1,159 | 1,295 |
| Retail Separate Accounts | 22,054 | 24,727 | 32,118 | 37,244 | 40,578 |
| Institutional Accounts | 36,771 | 37,989 | 41,764 | 44,538 | 46,739 |
| Structured Products | 4,171 | 4,068 | 3,985 | 3,875 | 3,803 |
| Total | \$ 112,890 | \$ 121,096 | \$ 154,344 | \$ 172,878 | \$ 179,579 |
| By asset class (period end): | | | | | |
| Equity | \$ 72,811 | \$ 86,268 | \$ 106,183 | \$ 113,751 | \$ 112,732 |
| Fixed Income | 28,273 | 28,965 | 35,069 | 35,426 | 35,240 |
| Multi-Asset (3) | 11,105 | 12,201 | 22,498 | 23,668 | 23,641 |
| Alternatives (4) | 4,298 | 4,760 | 5,130 | 5,793 | 5,692 |
| Total | \$ 116,487 | \$ 132,194 | \$ 168,880 | \$ 178,638 | \$ 177,305 |

Assets Under Management - Average Management Fees Earned (5) (in basis points)

| | Three Months Ended | | | | |
|----------------------------|--------------------|------------|-----------|-----------|-----------|
| | 9/30/2020 | 12/31/2020 | 3/31/2021 | 6/30/2021 | 9/30/2021 |
| All Products | | | | | |
| Open-End Funds (1) | 50.4 | 51.8 | 48.0 | 46.4 | 46.3 |
| Closed-End Funds | 62.1 | 62.2 | 56.2 | 55.1 | 56.2 |
| Exchange Traded Funds | 6.5 | 3.3 | 6.7 | 14.0 | 10.4 |
| Retail Separate Accounts | 45.7 | 47.1 | 45.7 | 44.2 | 44.0 |
| Institutional Accounts (6) | 31.5 | 34.6 | 31.5 | 32.2 | 31.0 |
| Structured Products | 34.2 | 31.1 | 38.8 | 40.0 | 35.1 |
| All Products (6) | 43.1 | 44.9 | 43.1 | 42.5 | 42.0 |

- (1) Represents assets under management of U.S. retail funds, offshore funds and variable insurance funds
- (2) Averages are calculated as follows:
- Funds - average daily or weekly balances
- Retail Separate Accounts - prior-quarter ending balance
- Institutional Accounts and Structured Products - average of month-end balances in quarter
- (3) Includes strategies with substantial holdings in at least two of the following asset classes: equity, fixed income and alternatives
- (4) Includes real estate securities, infrastructure, mid-stream energy, long/short, and options strategies
- (5) 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
- (6) Includes performance-related fees, in basis points, earned during the three months ended as follows:

| | 9/30/2020 | 12/31/2020 | 3/31/2021 | 6/30/2021 | 9/30/2021 |
|------------------------|-----------|------------|-----------|-----------|-----------|
| Institutional Accounts | 2.1 | 3.9 | 0.6 | 0.7 | 0.5 |
| All Products | 0.7 | 1.2 | 0.2 | 0.2 | 0.1 |

Assets Under Management - Asset Flows by Product
(in millions)

| | Three Months Ended | | | | | Nine Months Ended | |
|---------------------------------|--------------------|------------|-----------|-----------|-----------|-------------------|-----------|
| | 9/30/2020 | 12/31/2020 | 3/31/2021 | 6/30/2021 | 9/30/2021 | 9/30/2020 | 9/30/2021 |
| Open-End Funds (1) | | | | | | | |
| Beginning balance | \$ 41,144 | \$ 44,574 | \$ 50,771 | \$ 72,164 | \$ 75,333 | \$ 43,824 | \$ 50,771 |
| Inflows | 3,997 | 4,285 | 5,853 | 4,743 | 3,635 | 12,770 | 14,231 |
| Outflows | (3,501) | (3,527) | (5,258) | (4,987) | (5,103) | (13,363) | (15,348) |
| Net flows | 496 | 758 | 595 | (244) | (1,468) | (593) | (1,117) |
| Market performance | 3,006 | 5,694 | 1,130 | 3,469 | (745) | 1,528 | 3,854 |
| Other (2) | (72) | (255) | 19,668 | (56) | (76) | (185) | 19,536 |
| Ending balance | \$ 44,574 | \$ 50,771 | \$ 72,164 | \$ 75,333 | \$ 73,044 | \$ 44,574 | \$ 73,044 |
| Closed-End Funds | | | | | | | |
| Beginning balance | \$ 5,639 | \$ 5,629 | \$ 5,914 | \$ 11,664 | \$ 11,993 | \$ 6,748 | \$ 5,914 |
| Inflows | 15 | 5 | — | — | 3 | 20 | 3 |
| Outflows | — | — | — | — | — | — | — |
| Net flows | 15 | 5 | — | — | 3 | 20 | 3 |
| Market performance | 54 | 364 | 105 | 514 | (114) | (751) | 505 |
| Other (2) | (79) | (84) | 5,645 | (185) | (161) | (388) | 5,299 |
| Ending balance | \$ 5,629 | \$ 5,914 | \$ 11,664 | \$ 11,993 | \$ 11,721 | \$ 5,629 | \$ 11,721 |
| Exchange Traded Funds | | | | | | | |
| Beginning balance | \$ 541 | \$ 543 | \$ 837 | \$ 1,021 | \$ 1,260 | \$ 1,156 | \$ 837 |
| Inflows | 60 | 218 | 175 | 232 | 174 | 220 | 581 |
| Outflows | (35) | (40) | (77) | (92) | (65) | (408) | (234) |
| Net flows | 25 | 178 | 98 | 140 | 109 | (188) | 347 |
| Market performance | (12) | 126 | 98 | 104 | (30) | (380) | 172 |
| Other (2) | (11) | (10) | (12) | (5) | (18) | (45) | (35) |
| Ending balance | \$ 543 | \$ 837 | \$ 1,021 | \$ 1,260 | \$ 1,321 | \$ 543 | \$ 1,321 |
| Retail Separate Accounts | | | | | | | |
| Beginning balance | \$ 22,054 | \$ 24,727 | \$ 29,751 | \$ 37,244 | \$ 40,578 | \$ 20,414 | \$ 29,751 |
| Inflows | 1,727 | 2,181 | 2,699 | 2,273 | 2,003 | 4,271 | 6,975 |
| Outflows | (617) | (914) | (896) | (833) | (1,231) | (2,046) | (2,960) |
| Net flows | 1,110 | 1,267 | 1,803 | 1,440 | 772 | 2,225 | 4,015 |
| Market performance | 1,591 | 3,757 | 2,141 | 1,910 | 178 | 2,111 | 4,229 |
| Other (2) | (28) | — | 3,549 | (16) | — | (23) | 3,533 |
| Ending balance | \$ 24,727 | \$ 29,751 | \$ 37,244 | \$ 40,578 | \$ 41,528 | \$ 24,727 | \$ 41,528 |

Assets Under Management - Asset Flows by Product (continued)
(in millions)

| | Three Months Ended | | | | | Nine Months Ended | |
|-------------------------------|--------------------|------------|------------|------------|------------|-------------------|------------|
| | 9/30/2020 | 12/31/2020 | 3/31/2021 | 6/30/2021 | 9/30/2021 | 9/30/2020 | 9/30/2021 |
| Institutional Accounts | | | | | | | |
| Beginning balance | \$ 34,819 | \$ 36,851 | \$ 40,861 | \$ 42,802 | \$ 45,604 | \$ 32,859 | \$ 40,861 |
| Inflows | 2,075 | 2,252 | 1,884 | 2,302 | 1,808 | 6,715 | 5,994 |
| Outflows | (2,381) | (1,687) | (1,868) | (2,184) | (1,727) | (5,825) | (5,779) |
| Net flows | (306) | 565 | 16 | 118 | 81 | 890 | 215 |
| Market performance | 2,473 | 3,481 | 1,181 | 2,752 | 222 | 3,203 | 4,155 |
| Other (2) | (135) | (36) | 744 | (68) | (25) | (101) | 651 |
| Ending balance | \$ 36,851 | \$ 40,861 | \$ 42,802 | \$ 45,604 | \$ 45,882 | \$ 36,851 | \$ 45,882 |
| Structured Products | | | | | | | |
| Beginning balance | \$ 4,264 | \$ 4,163 | \$ 4,060 | \$ 3,985 | \$ 3,870 | \$ 3,903 | \$ 4,060 |
| Inflows | — | — | — | — | — | 491 | — |
| Outflows | (69) | (81) | (79) | (118) | (69) | (184) | (266) |
| Net flows | (69) | (81) | (79) | (118) | (69) | 307 | (266) |
| Market performance | 10 | 9 | 35 | 33 | 36 | 82 | 104 |
| Other (2) | (42) | (31) | (31) | (30) | (28) | (129) | (89) |
| Ending balance | \$ 4,163 | \$ 4,060 | \$ 3,985 | \$ 3,870 | \$ 3,809 | \$ 4,163 | \$ 3,809 |
| Total | | | | | | | |
| Beginning balance | \$ 108,461 | \$ 116,487 | \$ 132,194 | \$ 168,880 | \$ 178,638 | \$ 108,904 | \$ 132,194 |
| Inflows | 7,874 | 8,941 | 10,611 | 9,550 | 7,623 | 24,487 | 27,784 |
| Outflows | (6,603) | (6,249) | (8,178) | (8,214) | (8,195) | (21,826) | (24,587) |
| Net flows | 1,271 | 2,692 | 2,433 | 1,336 | (572) | 2,661 | 3,197 |
| Market performance | 7,122 | 13,431 | 4,690 | 8,782 | (453) | 5,793 | 13,019 |
| Other (2) | (367) | (416) | 29,563 | (360) | (308) | (871) | 28,895 |
| Ending balance | \$ 116,487 | \$ 132,194 | \$ 168,880 | \$ 178,638 | \$ 177,305 | \$ 116,487 | \$ 177,305 |

- (1) Represents assets under management of U.S. retail funds, offshore 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 effect on net flows from non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), structured products reset transactions, and the use of leverage

Non-GAAP Information and Reconciliations

(in thousands except per share data)

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

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.

Reconciliation of Total Revenues, GAAP to Total Revenues, as Adjusted:

| | Three Months Ended | | |
|---|--------------------|------------|------------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Total revenues, GAAP | \$ 252,064 | \$ 154,790 | \$ 244,011 |
| Consolidated investment products revenues (1) | 2,298 | 2,413 | 2,340 |
| Investment management fees (2) | (13,396) | (9,770) | (12,570) |
| Distribution and service fees (2) | (23,296) | (9,800) | (23,451) |
| Total revenues, as adjusted | \$ 217,670 | \$ 137,633 | \$ 210,330 |

Reconciliation of Total Operating Expenses, GAAP to Operating Expenses, as Adjusted:

| | Three Months Ended | | |
|---|--------------------|------------|------------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Total operating expenses, GAAP | \$ 158,782 | \$ 113,781 | \$ 157,600 |
| Consolidated investment products expenses (1) | (639) | (1,016) | (659) |
| Distribution and other asset-based expenses (3) | (36,692) | (19,570) | (36,021) |

| | | | |
|--|-------------------|------------------|-------------------|
| Amortization of intangible assets (4) | (10,391) | (7,532) | (10,363) |
| Restructuring and severance (5) | — | (735) | — |
| Acquisition and integration expenses (6) | (2,271) | (999) | (2,667) |
| Other (7) | (1,230) | (368) | (494) |
| Total operating expenses, as adjusted | <u>\$ 107,559</u> | <u>\$ 83,561</u> | <u>\$ 107,396</u> |

Reconciliation of Operating Income (Loss), GAAP to Operating Income (Loss), as Adjusted:

| | Three Months Ended | | |
|--|--------------------|------------------|-------------------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Operating income (loss), GAAP | \$ 93,282 | \$ 41,009 | \$ 86,411 |
| Consolidated investment products (earnings) losses (1) | 2,937 | 3,429 | 2,999 |
| Amortization of intangible assets (4) | 10,391 | 7,532 | 10,363 |
| Restructuring and severance (5) | — | 735 | — |
| Acquisition and integration expenses (6) | 2,271 | 999 | 2,667 |
| Other (7) | 1,230 | 368 | 494 |
| Operating income (loss), as adjusted | <u>\$ 110,111</u> | <u>\$ 54,072</u> | <u>\$ 102,934</u> |
| Operating margin, GAAP | 37.0% | 26.5% | 35.4% |
| Operating margin, as adjusted | 50.6% | 39.3% | 48.9% |

Reconciliation of Net Income (Loss) Attributable to Virtus Investment Partners, Inc., GAAP to Net Income (Loss) Attributable to Virtus Investment Partners, Inc., as Adjusted:

| | Three Months Ended | | |
|---|--------------------|------------------|------------------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Net income (loss) attributable to Virtus Investment Partners, Inc., GAAP | \$ 58,736 | \$ 29,648 | \$ 62,967 |
| Amortization of intangible assets, net of tax (4) | 6,904 | 4,739 | 6,873 |
| Restructuring and severance, net of tax (5) | — | 534 | — |
| Acquisition and integration expenses, net of tax (6) | 1,670 | 726 | 1,958 |
| Other, net of tax (7) | 11,534 | 8,184 | 8,067 |
| Seed capital and CLO investments (gains) losses, net of tax (8) | (1,331) | (7,910) | (7,204) |
| Net income (loss) attributable to Virtus Investment Partners, Inc., as adjusted | <u>\$ 77,513</u> | <u>\$ 35,921</u> | <u>\$ 72,661</u> |
| Weighted average shares outstanding - diluted | 7,984 | 7,997 | 8,007 |
| Earnings (loss) per share - diluted, GAAP | \$ 7.36 | \$ 3.71 | \$ 7.86 |
| Earnings (loss) per share - diluted, as adjusted | \$ 9.71 | \$ 4.49 | \$ 9.07 |

Reconciliation of Income (Loss) Before Taxes, GAAP to Income (Loss) Before Taxes, as Adjusted:

| | Three Months Ended | | |
|--|--------------------|------------------|-------------------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Income (loss) before taxes, GAAP | \$ 98,334 | \$ 52,912 | \$ 98,498 |
| Consolidated investment products (earnings) losses (1) | (315) | (906) | (1,232) |
| Amortization of intangible assets (4) | 10,391 | 7,532 | 10,363 |
| Restructuring and severance (5) | — | 735 | — |
| Acquisition and integration expenses (6) | 2,271 | 999 | 2,667 |
| Other (7) | 1,410 | 368 | 494 |
| Seed capital and CLO investments (gains) losses (8) | (2,110) | (8,873) | (7,725) |
| Income (loss) before taxes, as adjusted | <u>\$ 109,981</u> | <u>\$ 52,767</u> | <u>\$ 103,065</u> |

Reconciliation of Income Tax Expense (Benefit), GAAP to Income Tax Expense (Benefit), as Adjusted:

| | Three Months Ended | | |
|---|--------------------|------------------|------------------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Income tax expense (benefit), GAAP | \$ 25,823 | \$ 11,978 | \$ 22,401 |
| Tax impact of: | | | |
| Amortization of intangible assets (4) | 2,751 | 2,057 | 2,754 |
| Restructuring and severance (5) | — | 201 | — |
| Acquisition and integration expenses (6) | 601 | 273 | 709 |
| Other (7) | 717 | 868 | 2,051 |
| Seed capital and CLO investments (gains) losses (8) | (779) | (963) | (521) |
| Income tax expense (benefit), as adjusted | <u>\$ 29,113</u> | <u>\$ 14,414</u> | <u>\$ 27,394</u> |

| | | | |
|--|-------|-------|-------|
| Effective tax rate, GAAPA | 26.3% | 22.6% | 22.7% |
| Effective tax rate, as adjusted ^B | 26.5% | 27.3% | 26.6% |

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

Reconciliation of Administration and Shareholder Service Fees, GAAP to Administration and Shareholder Service Fees, as Adjusted:

| | Three Months Ended | | |
|--|--------------------|-----------|-----------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Administration and shareholder service fees, GAAP | \$ 26,479 | \$ 15,114 | \$ 25,877 |
| Consolidated investment products fees (1) | 3 | 66 | 49 |
| Administration and shareholder service fees, as adjusted | \$ 26,482 | \$ 15,180 | \$ 25,926 |

Reconciliation of Employment Expenses, GAAP to Employment Expenses, as Adjusted:

| | Three Months Ended | | |
|--|--------------------|-----------|-----------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Employment expenses, GAAP | \$ 87,345 | \$ 67,479 | \$ 87,630 |
| Acquisition and integration expenses (6) | (429) | (999) | (615) |
| Other (7) | (445) | (368) | (494) |
| Employment expenses, as adjusted | \$ 86,471 | \$ 66,112 | \$ 86,521 |

Reconciliation of Other Operating Expenses, GAAP to Other Operating Expenses, as Adjusted:

| | Three Months Ended | | |
|--|--------------------|-----------|-----------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Other operating expenses, GAAP | \$ 22,800 | \$ 16,343 | \$ 21,946 |
| Acquisition and integration expenses (6) | (1,842) | — | (2,052) |
| Other (7) | (785) | — | — |
| Other operating expenses, as adjusted | \$ 20,173 | \$ 16,343 | \$ 19,894 |

Reconciliation of Total Other Income (Expense), Net, GAAP to Total Other Income (Expense), Net, as Adjusted:

| | Three Months Ended | | |
|---|--------------------|-----------|-----------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Total other income (expense), net GAAP | \$ (2,304) | \$ 6,177 | \$ 6,067 |
| Consolidated investment products (1) | 5,439 | 3,490 | 2,960 |
| Seed capital and CLO investments (gains) losses (8) | (2,110) | (8,873) | (7,725) |
| Total other income (expense), net as adjusted | \$ 1,025 | \$ 794 | \$ 1,302 |

Reconciliation of Interest and Dividend Income, GAAP to Interest and Dividend Income, as Adjusted:

| | Three Months Ended | | |
|---|--------------------|-----------|-----------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Interest and dividend income, GAAP | \$ 269 | \$ 137 | \$ 166 |
| Consolidated investment products (1) | 744 | 641 | 919 |
| Interest and dividend income, as adjusted | \$ 1,013 | \$ 778 | \$ 1,085 |

Reconciliation of Total Noncontrolling Interests, GAAP to Total Noncontrolling Interests, as Adjusted

| | Three Months Ended | | |
|---|--------------------|-------------|-------------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Total noncontrolling interests, GAAP | \$ (13,775) | \$ (11,286) | \$ (13,130) |
| Consolidated investment products (1) | 315 | 906 | 1,232 |
| Amortization of intangible assets (4) | (736) | (736) | (736) |
| Other (7) | 10,841 | 8,684 | 9,624 |
| Total noncontrolling interests, as adjusted | \$ (3,355) | \$ (2,432) | \$ (3,010) |

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 the product 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 and severance - Certain expenses associated with restructuring the business, including lease abandonment-related expenses and severance costs associated with staff reductions, that are not reflective of the ongoing earnings generation of the business. 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 transaction closing costs, 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:

Three Months Ended

| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
|---|-----------------|---------------|-----------------|
| Acquisition and Integration Expenses | | | |
| Employment expenses | \$ 429 | \$ 999 | \$ 615 |
| Other operating expenses | 1,842 | — | 2,052 |
| Total Acquisition and Integration Expenses | \$ 2,271 | \$ 999 | \$ 2,667 |

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 | | |
|---|--------------------|-----------------|-----------------|
| | 9/30/2021 | 9/30/2020 | 6/30/2021 |
| Non-capitalized debt issuance costs | \$ 785 | \$ — | \$ — |
| Employment expense fair value adjustments | 445 | 368 | 494 |
| (Gain) \ lost on extinguishment or modification of debt | 180 | — | — |
| Tax impact of adjustments | (373) | (101) | (131) |
| Other discrete tax adjustments | (344) | (767) | (1,920) |
| Affiliate minority interest fair value adjustments | 10,841 | 8,684 | 9,624 |
| Total Other | \$ 11,534 | \$ 8,184 | \$ 8,067 |

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 2020 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) general domestic and global economic, political and pandemic conditions; (iii) inability to achieve the expected benefits of our strategic transactions; (iv) the on-going effects of the COVID-19 pandemic and associated global economic disruption; (v) withdrawal, renegotiation or termination of investment advisory agreements; (vi) damage to our reputation; (vii) inability to satisfy financial covenants and payments related to our indebtedness; (viii) inability to attract and retain key personnel; (ix) challenges from the competition we face in our business; (x) adverse developments related to unaffiliated subadvisers; (xi) negative changes in key distribution relationships; (xii) interruptions in or failure to provide critical technological service by us or third parties; (xiii) loss on our investments; (xiv) lack of sufficient capital on satisfactory terms; (xv) adverse regulatory and legal developments; (xvi) failure to comply with investment guidelines or other contractual requirements; (xvii) adverse civil litigation and government investigations or proceedings; (xviii) unfavorable changes in tax laws or limitations; (xix) volatility associated with our common stock; (xx) inability to make quarterly common stock dividends; (xxi) certain corporate governance provisions in our charter and bylaws; (xxii) losses or costs not covered by insurance; (xxiii) impairment of goodwill or 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 2020 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 www.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.

View original content to download multimedia: <https://www.prnewswire.com/news-releases/virtus-investment-partners-announces-financial-results-for-third-quarter-2021-301409305.html>

SOURCE Virtus Investment Partners, Inc.