



# Presentation Regarding Acquisition of RidgeWorth Investments

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# IMPORTANT DISCLOSURES

This presentation 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. These statements may be identified by such forward-looking terminology as “expect,” “estimate,” “plan,” “intend,” “believe,” “anticipate,” “may,” “will,” “should,” “could,” “continue,” “project,” or similar statements or variations of such terms.

Our forward-looking statements are based on a series of expectations, assumptions and projections about our company, are not guarantees of future results or performance, and involve substantial risks and uncertainty, including assumptions and projections concerning our assets under management, cash inflows and outflows, operating cash flows, our ability to expand distribution and product offerings, and future credit facilities, for all forward periods. All of our 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 2015 Annual Report on Form 10-K, as well as the following risks and uncertainties: (a) any reduction in our assets under management; (b) the withdrawal, renegotiation or termination of investment advisory agreements; (c) damage to our reputation; (d) failure to comply with investment guidelines or other contractual requirements; (e) the inability to attract and retain key personnel; (f) the competition we face in our business; (g) adverse regulatory and legal developments; (h) unfavorable changes in tax laws or limitations; (i) adverse developments, or changes in our relationships with, unaffiliated subadvisers; (j) changes in key distribution relationships; (k) interruptions in service or failure to provide service by third-party service providers; (l) volatility associated with our common stock; (m) civil litigation and government investigations or proceedings; (n) the risk of capital loss associated with our investments; (o) the inability to make quarterly distributions; (p) the lack of availability of required and necessary capital on satisfactory terms; (q) liabilities and losses not covered by insurance; (r) the inability to satisfy financial covenants under our existing debt agreement and the committed transaction financing; (s) the inability to secure required consents, including the approval of shareholders of the RidgeWorth Funds and other clients; (t) the inability to successfully close the acquisition and integrate the acquired business; (u) the inability to achieve expected financial benefits and synergies in connection with the acquisition, and other risks and uncertainties described in our 2015 Annual Report on Form 10-K or in any of our filings with the Securities and Exchange Commission (“SEC”).

Certain other factors which may impact our continuing operations, prospects, financial results and liquidity or which 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](http://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 presentation, 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 which modify or impact any of the forward-looking statements contained in or accompanying this presentation, such statements or disclosures will be deemed to modify or supersede such statements in this presentation.

# AGENDA

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- Transaction Overview
- Strategic Rationale
- RidgeWorth Investments Overview
- Pro Forma Information
- Financial Impact
- Financing and Capital Structure
- Summary
- Q & A Session

# TRANSACTION OVERVIEW



*Virtus has entered into an agreement to acquire RidgeWorth Investments, a \$40B<sup>1</sup> multi-boutique manager that will add complementary investment and distribution capabilities*

## Consideration

- Virtus to acquire 100% of RidgeWorth Investments for total consideration of ~\$513 million, comprising purchase price of \$472 million plus estimated FMV of certain investments
- Includes ~\$28 million of equity held by RidgeWorth investment professionals that will be rolled into Virtus stock, investments in their mutual funds and/or deferred cash consideration

## Financing

- Intended to be financed with a combination of existing balance sheet resources, debt, equity and/or equity-linked securities
- \$475 million of committed debt financing from Morgan Stanley and Barclays

## Structure and Alignment

- RidgeWorth boutiques will become Virtus affiliates and continue to operate autonomously with no change to investment teams and investment processes
- Strong alignment of interests with key investment professionals through employment agreements, rolled equity and additional equity incentives

## Timing

- Transaction is subject to client consent, regulatory approvals and customary closing conditions
- Expected to close in mid-2017

<sup>1</sup>As of September 30, 2016

# STRATEGIC RATIONALE

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## **Diversification of Investment Strategies and Clients**

- Increases the breadth of our product offerings from differentiated investment managers
- Provides access to broader base of potential clients
- Diversified product offerings provide greater opportunity through changing market cycles

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## **Enhanced and Expanded Distribution Resources**

- Expands institutional distribution with dedicated and experienced sales and client service resources
- Enhances retail distribution resources and access in DCIO, private bank and independent/RIA channels
- Increased offerings makes Virtus a more meaningful partner to distributors

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## **Increased Profitability and Scale**

- Increases AUM by 87% to \$86.8<sup>1</sup> billion and open-end assets by 66% to \$42.0<sup>1</sup> billion
- Expected to be accretive to EPS, as adjusted, with attractive IRR
- Profitability enhanced through greater scale and anticipated synergies

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## **Expanded Growth Opportunities**

- Enables offering of existing strategies through broader institutional resources
- Increases mutual fund offerings available through national retail distribution
- Expands investment strategies to be made available in other product forms and markets

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<sup>1</sup> On a pro forma basis, assuming close of transaction, using AUM as of September 30, 2016

# RIDGEWORTH OVERVIEW



*RidgeWorth provides investment strategies through affiliated managers and subadvisers*

	Headquarters	Primary Asset Class	Investment Professionals	AUM (\$B)
	Park Ridge, NJ	Investment Grade	16	\$14.0
		High-Yield / Bank Loans	20	12.6
		Municipals	5	1.6
	Orlando, FL	Value Equity	13	10.2
	Atlanta, GA	Growth Equity	8	1.4
Subtotal			62	\$39.8
Total RidgeWorth				\$40.2 <sup>1</sup>

<sup>1</sup>As of September 30, 2016. Includes RidgeWorth assets managed by Zevenbergen Capital Investments (in which RidgeWorth has a minority ownership position) and two unaffiliated subadvisers (WCM and Capital Innovations). RidgeWorth AUM figures have not been adjusted to eliminate double-counted assets.

# PRO FORMA INVESTMENT PARTNERS



*Diversified group of Investment Partners offering a broad range of differentiated strategies*

## AFFILIATES

**CEREDEX**  
VALUE ADVISORS

Value Equity  
\$10.2B AUM

**SEIX**  
INVESTMENT  
ADVISORS LLC\*

Investment Grade and  
Leverage Loans  
\$28.1B AUM

**SILVANT**  
CAPITAL MANAGEMENT

Growth Equity  
\$1.4B AUM

**Newfleet**  
ASSET MANAGEMENT  
A Virtus Investment Partner

Multi-Sector Fixed  
Income  
\$11.7B AUM

**KAR**  
Kayne Anderson Rudnick  
A VIRTUS INVESTMENT PARTNER

Quality-Oriented  
Equity  
\$11.9B AUM

**DUFF & PHELPS**  
INVESTMENT MANAGEMENT CO.  
A VIRTUS INVESTMENT PARTNER

Income-Focused  
Equity  
\$10.7B AUM

**RAMPART**  
A VIRTUS INVESTMENT PARTNER

Quantitative  
Strategies  
\$2.2B AUM

**VIRTUS**  
INVESTMENT PARTNERS

## SUBADVISERS

**Dimensional**

**AVIVA**  
INVESTORS

**ZVNBRGN**<sup>1</sup>  
zevenbergen capital investments

**WCM**  
INVESTMENT MANAGEMENT



**Capital Innovations**

**HORIZON KINETICS**

**TJH**  
HERZFELD

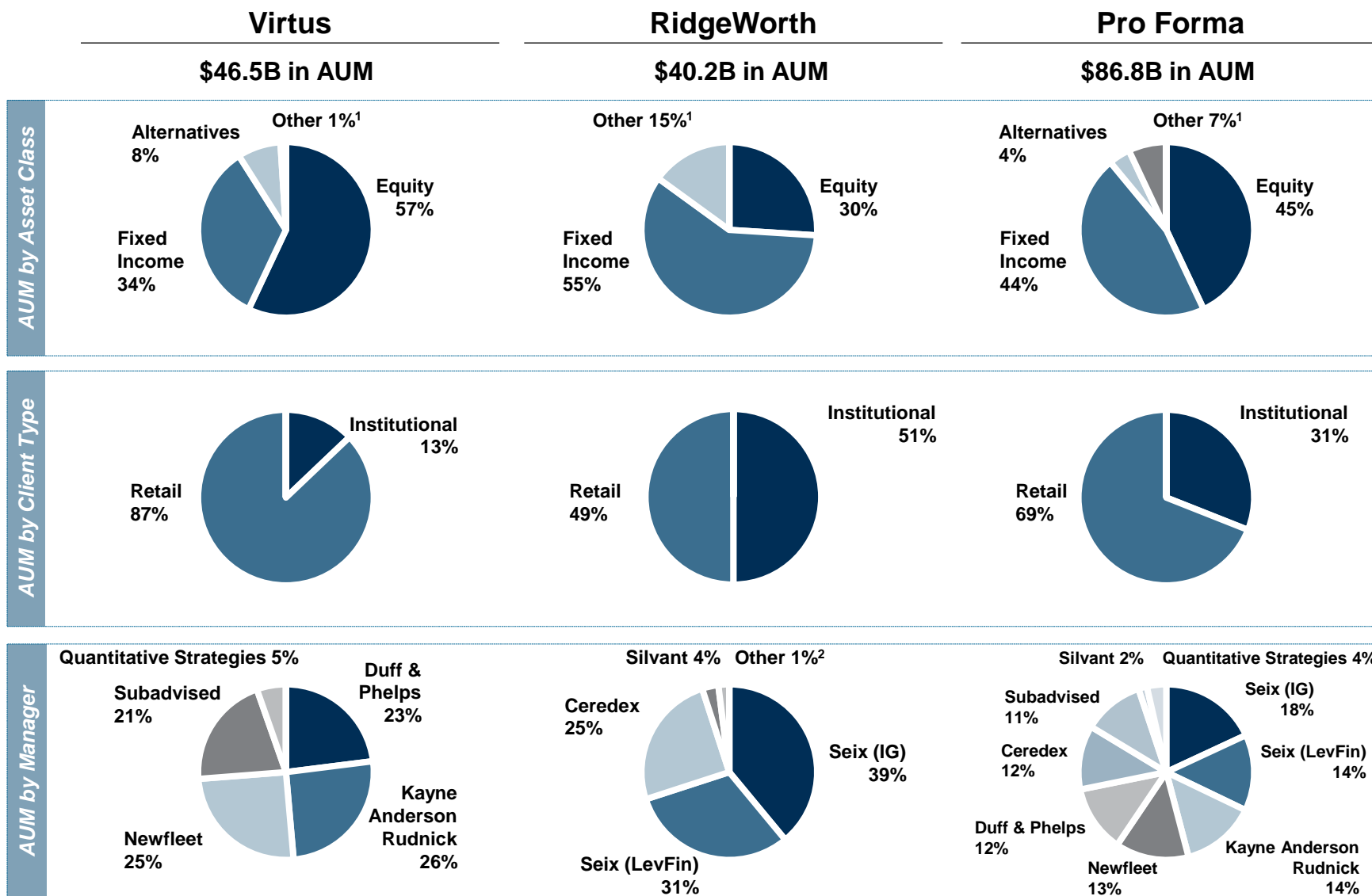
**WONTOBEL**

**KBIGI**

AUM as of September 30, 2016

<sup>1</sup> RidgeWorth has a minority ownership position in Zevenbergen Capital Investments.

# PRO FORMA AUM PROFILE



# FINANCIAL IMPACT

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## Financially Compelling

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- Purchase price represents 6.5x TTM EBITDA<sup>1</sup>, including fully phased-in cost synergies
  - Expected 15%+ accretion to EPS, as adjusted, in 2017<sup>2</sup> and 2018
  - Attractive high-teens IRR expected
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## Material Synergies

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- Anticipated cost synergies of \$25 million per annum; 85% expected to be realized within twelve months of closing
  - Cost savings expected to be highly executable and driven by elimination of duplicate corporate and business support resources; excludes potential revenue synergies
  - Approximately \$15 million of one-time costs related to achievement of synergies
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## Meaningful Tax Benefits

- Purchased intangibles of approximately \$420 million to be amortized over 15 years for tax purposes
- Expected to create annual tax expense savings of \$10.8<sup>3</sup> million

<sup>1</sup> TTM is trailing twelve months through September 30, 2016 (see Appendix A)

<sup>2</sup> 2017 annualized to reflect full-year impact

<sup>3</sup> Assuming 38.3% tax rate

## **Transaction Financing**

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- Capital structure intended to balance operating flexibility and capital structure efficiency
  - Financing for the transaction expected to consist of existing balance sheet resources, debt, equity and/or equity-linked securities
  - \$475 million of committed debt financing from Morgan Stanley and Barclays
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## **Pro Forma Financial Flexibility**

- Cash and investments of approximately \$240 million
- New \$100 million revolving credit facility replaces existing revolver
- Continued capital flexibility to invest and seed new strategies

# SUMMARY

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- Transformational transaction increases scale and diversifies the business
- Addition of complementary investment capabilities
- Enhanced retail and institutional distribution
- Financially compelling transaction with meaningful EPS accretion and an attractive IRR
- Significant synergies and beneficial tax attributes
- Expanded growth opportunities



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Q & A



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## Appendix

# A. FINANCIAL DETAIL

*Unaudited*

## **Virtus - US GAAP**

<i>\$ in millions</i>	<i>9/30/16 TTM<sup>3</sup></i>
Total Revenue	328.8
Employment expenses	136.6
Distribution and other asset-based expenses	72.7
Other	65.0
Total Operating Expenses	274.3
<b>Operating Income</b>	<b>54.5</b>

## **Reconciliation to Adjusted EBITDA**

<b>Operating Income</b>	<b>54.5</b>
Stock-based compensation	11.8
Depreciation and amortization	5.9
Restructuring and severance	4.3
Operating activity of CIPs <sup>2</sup>	8.4
Other items	1.7
<b>Adjusted EBITDA</b>	<b>86.6</b>

## **RidgeWorth - US GAAP<sup>1</sup>**

<i>\$ in millions</i>	<i>9/30/16 TTM<sup>3</sup></i>
Total Revenue	142.2
Employment expenses	66.1
Distribution and other asset-based expenses	6.9
Other	40.6
Total Operating Expenses	113.5
<b>Operating Income</b>	<b>28.7</b>

## **Reconciliation to Adjusted EBITDA**

<b>Operating Income</b>	<b>28.7</b>
Stock-based compensation	1.3
Depreciation and amortization	6.1
Restructuring and severance	1.5
Operating activity of CIPs <sup>2</sup>	10.1
Other items	0.0
<b>Adjusted EBITDA</b>	<b>47.7</b>

<sup>1</sup> Reclassifications have been completed to align presentations

<sup>2</sup> Operating activity of consolidated investment products

<sup>3</sup> Trailing twelve months defined as the twelve month period between October 1, 2015 and September 30, 2016

## B. AUM DETAIL



(in millions)

	Virtus		RidgeWorth		PF Combined	
<b>By product (period end):</b>						
Open-end Funds (1)	\$	25,266.4	54.3%	\$	16,736.0	41.6%
Closed-end Funds		6,887.3	14.8%		-	0.0%
Exchange Traded Funds		460.6	1.0%		-	0.0%
Separately Managed Accounts (2)		7,924.8	17.0%		2,900.0	7.2%
Institutional Accounts (2)		6,000.4	12.9%		20,598.0	51.2%
<b>Total</b>	<b>\$</b>	<b>46,539.5</b>	<b>100.0%</b>	<b>\$</b>	<b>40,234.0</b>	<b>100.0%</b>
<b>By asset class (period end):</b>						
Equity	\$	26,669.5	57.3%	\$	12,110.0	30.1%
Fixed Income		15,756.8	33.9%		22,200.0	55.2%
Alternatives (3)		3,691.6	7.9%		-	0.0%
Other (4)		421.6	0.9%		5,924.0	14.7%
<b>Total</b>	<b>\$</b>	<b>46,539.5</b>	<b>100.0%</b>	<b>\$</b>	<b>40,234.0</b>	<b>100.0%</b>

RidgeWorth AUM figures have not been adjusted to eliminate double-counted assets

<sup>1</sup> Includes assets under management of open-end and variable insurance funds

<sup>2</sup> Includes assets under management related to option strategies

<sup>3</sup> Consists of real estate securities, master-limited partnerships, and other

<sup>4</sup> Consists of option strategies and cash management

\* Cash management includes Ultra-short Bond & US Gov't Securities Ultra-short Bond strategies

