

Virtus Investment Partners Announces Financial Results for Third Quarter 2024

- Earnings Per Share - Diluted of \$5.71; Earnings Per Share - Diluted, as Adjusted, of \$6.92
- Total Sales of \$6.6B; Net Flows of (\$1.7B); Assets Under Management of \$183.7B

Hartford, CT, October 25, 2024 - Virtus Investment Partners, Inc. (NYSE: VRTS) today reported financial results for the three months ended September 30, 2024.

Financial Highlights (Unaudited)

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

	Three Months Ended			Three Months Ended	
	9/30/2024	9/30/2023	Change	6/30/2024	Change
U.S. GAAP Financial Measures					
Revenues	\$ 227.0	\$ 219.3	4%	\$ 224.4	1%
Operating expenses	\$ 171.8	\$ 174.4	(1%)	\$ 180.2	(5%)
Operating income (loss)	\$ 55.3	\$ 44.9	23%	\$ 44.2	25%
Operating margin	24.3%	20.5%		19.7%	
Net income (loss) attributable to Virtus Investment Partners, Inc.	\$ 41.0	\$ 30.9	33%	\$ 17.6	133%
Earnings (loss) per share - diluted	\$ 5.71	\$ 4.19	36%	\$ 2.43	135%
Weighted average shares outstanding - diluted	7.176	7.379	(3%)	7.242	(1%)
Non-GAAP Financial Measures (1)					
Revenues, as adjusted	\$ 205.1	\$ 197.5	4%	\$ 203.0	1%
Operating expenses, as adjusted	\$ 134.7	\$ 130.5	3%	\$ 137.0	(2%)
Operating income (loss), as adjusted	\$ 70.5	\$ 67.0	5%	\$ 66.0	7%
Operating margin, as adjusted	34.4%	33.9%		32.5%	
Net income (loss) attributable to Virtus Investment Partners, Inc., as adjusted	\$ 49.6	\$ 45.8	8%	\$ 47.3	5%
Earnings (loss) per share - diluted, as adjusted	\$ 6.92	\$ 6.21	11%	\$ 6.53	6%

(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. Non-GAAP information and reconciliations to the most comparable U.S. GAAP measures can be found beginning on page 10 of this earnings release.

Assets Under Management and Asset Flows

(in billions)

	Three Months Ended			Three Months Ended	
	9/30/2024	9/30/2023	Change	6/30/2024	Change
Ending total assets under management	\$ 183.7	\$ 162.5	13%	\$ 173.6	6%
Average total assets under management	\$ 176.0	\$ 167.9	5%	\$ 175.2	—%
Total sales	\$ 6.6	\$ 5.8	14%	\$ 6.1	7%
Net flows	\$ (1.7)	\$ (1.5)	15%	\$ (2.6)	(34%)

Total assets under management increased 6% sequentially to \$183.7 billion at September 30, 2024 due to market performance and positive net flows in retail separate accounts, exchange-traded funds (ETFs), and global funds, partially offset by net outflows in U.S. retail funds and institutional accounts. In addition, the company provided services to \$2.4 billion of other fee-earning assets that are not included in assets under management.

Total sales increased 7% sequentially to \$6.6 billion with higher sales in all product categories. Institutional sales of \$1.2 billion increased 3% from the prior quarter due to the issuance of a new \$0.3 billion collateralized loan obligation (CLO). Retail separate account sales of \$2.3 billion increased 4% primarily driven by the intermediary sold channel. Open-end fund sales increased 12% to \$3.1 billion primarily due to higher sales of fixed income and alternative strategies. In addition, sales were higher sequentially in ETFs and global funds.

Net flows of (\$1.7) billion improved from (\$2.6) billion in the second quarter and included continued positive net flows in retail separate accounts, ETFs, and global funds. Institutional net flows of (\$1.1) billion improved from (\$1.7) billion, partially reflecting the issuance of the new CLO. Retail separate account net flows of \$0.4 billion compared with \$0.5 billion in the prior quarter, with positive net flows in both the intermediary sold channel and in our private client (wealth management) business. Open-end fund net flows of (\$1.0) billion improved from (\$1.3) billion in the prior quarter and included positive net flows in fixed income, small/mid-cap, and global equity strategies.

GAAP Results

Operating income of \$55.3 million increased 25% from \$44.2 million in the prior quarter due to a 5% decrease in operating expenses and a 1% increase in revenues, reflecting higher average assets under management. The decrease in operating expenses was primarily due to lower other operating expenses, which included lower operating expenses of consolidated investment products and amortization expenses, as well as the \$0.7 million annual equity grant to the Board of Directors in the prior quarter.

Net income attributable to Virtus Investment Partners, Inc. of \$5.71 per diluted share included (\$0.64) of fair value adjustments to minority interests and (\$0.10) of acquisition and integration costs, partially offset by \$0.41 of fair value adjustments to contingent consideration. Net income per diluted share of \$2.43 in the prior quarter included (\$1.71) of realized and unrealized losses on investments, (\$1.04) of fair value adjustments to minority interests, (\$0.13) of CLO expense, (\$0.11) of acquisition and integration costs, and (\$0.07) of restructuring expense, partially offset by \$0.34 of fair value adjustments to contingent consideration.

The effective tax rate of 24% decreased from 31% in the prior quarter, primarily reflecting changes in income tax valuation allowances for net unrealized and realized gains on the company's investments compared with losses in the prior quarter.

Non-GAAP Results

Revenues, as adjusted, of \$205.1 million increased 1% from \$203.0 million in the prior quarter primarily due to higher average assets under management.

Employment expenses, as adjusted, of \$102.5 million decreased from \$103.5 million in the prior quarter due to lower fixed employment expenses. Other operating expenses, as adjusted, of \$29.8 million decreased from \$31.3 million due to lower investment system and data expenses and the prior quarter impact of the annual equity grant to the Board of Directors.

Operating income, as adjusted, of \$70.5 million and the related margin of 34.4% increased from \$66.0 million and 32.5%, respectively, in the prior quarter due to higher investment management fees and lower operating expenses.

Net income attributable to Virtus Investment Partners, Inc., as adjusted, per diluted share was \$6.92, an increase of 6% from \$6.53 in the prior quarter. The increase primarily reflected higher investment management fees and lower operating expenses.

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

Select Balance Sheet Items and Metrics (Unaudited)

(in millions)

Select Balance Sheet Items	As of			As of	
	9/30/2024	9/30/2023	Change	6/30/2024	Change
Cash and cash equivalents	\$ 195.5	\$ 195.4	—%	\$ 183.0	7%
Gross debt (1)	\$ 241.8	\$ 279.5	(14%)	\$ 252.4	(4%)
Contingent consideration (2)	\$ 59.4	\$ 94.4	(37%)	\$ 63.4	(6%)
Redeemable noncontrolling interests (3)	\$ 59.0	\$ 70.6	(16%)	\$ 84.7	(30%)
Total equity exc. noncontrolling interests	\$ 889.1	\$ 862.1	3%	\$ 868.7	2%
Other Metrics					
Working capital (4)	\$ 108.5	\$ 113.5	(4%)	\$ 143.0	(24%)
Net debt (cash) (5)	\$ 46.2	\$ 84.1	(45%)	\$ 69.4	(33%)

(1) Excludes deferred financing costs of \$4.3 million, \$5.7 million, and \$4.8 million, as of September 30, 2024, September 30, 2023, and June 30, 2024, respectively

(2) Represents estimated revenue participation and contingent payments

(3) Excludes redeemable noncontrolling interests of consolidated investment products of \$39.1 million, \$25.7 million, and \$44.7 million as of September 30, 2024, September 30, 2023, and June 30, 2024, respectively

(4) Defined as cash and cash equivalents plus accounts receivable, net, and deferred compensation related investments less accrued compensation and benefits excluding affiliate minority interests, 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 in accordance with the company's credit agreement

Working capital of \$108.5 million at September 30, 2024 decreased from \$143.0 million at June 30, 2024, as cash earnings were more than offset by return of capital, debt repayment, a scheduled \$28.6 million increase in the equity of a majority-owned affiliate, and \$24.4 million to sponsor the issuance of the new CLO.

During the quarter, the company increased its quarterly dividend by 18% to \$2.25 per share, repurchased 72,850 shares for \$14.9 million, and repaid \$10.7 million of debt.

Gross debt at September 30, 2024 was \$241.8 million, down 4% sequentially, and net debt was \$46.2 million, or 0.1x EBITDA.

Conference Call and Investor Presentation

Management will host an investor [conference call](#) and [webcast](#) on Friday, October 25, 2024, 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. We routinely post important information for investors on the Investor Relations section of our website and may use this website as a means of disclosing material, non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor our website, in addition to following our press releases, SEC filings, public conference calls, presentations and webcasts. We may also use social media channels to communicate with our investors and the public about our company, our products and other matters, and those communications could be deemed to be material information. The information contained on, or that may be accessed through, our website or social media channels are not incorporated by reference into, and are not a part of, this document.

About Virtus Investment Partners, Inc.

[Virtus Investment Partners](#) (NYSE: 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](#).

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

(in thousands, except per share data)

	Three Months Ended			Three Months Ended		Nine Months Ended		
	9/30/2024	9/30/2023	Change	6/30/2024	Change	9/30/2024	9/30/2023	Change
Revenues								
Investment management fees	\$ 193,843	\$ 184,869	5%	\$ 191,652	1%	\$ 573,855	\$ 529,326	8%
Distribution and service fees	13,567	14,333	(5%)	13,410	1%	41,007	42,618	(4%)
Administration and shareholder service fees	18,560	19,069	(3%)	18,308	1%	55,546	55,668	—%
Other income and fees	1,059	1,000	6%	1,014	4%	3,047	3,069	(1%)
Total revenues	227,029	219,271	4%	224,384	1%	673,455	630,681	7%
Operating Expenses								
Employment expenses	105,555	101,587	4%	105,667	—%	326,385	304,895	7%
Distribution and other asset-based expenses	24,175	24,157	—%	23,695	2%	72,218	73,332	(2%)
Other operating expenses	30,363	30,494	—%	33,050	(8%)	94,788	94,707	—%
Operating expenses of consolidated investment products	465	553	(16%)	2,909	(84%)	4,064	1,613	152%
Restructuring expense	—	691	(100%)	690	(100%)	1,487	691	115%
Change in fair value of contingent consideration	(4,000)	—	N/M	(3,300)	21%	(7,300)	(6,800)	7%
Depreciation expense	2,330	1,504	55%	2,270	3%	6,628	4,134	60%
Amortization expense	12,883	15,382	(16%)	15,198	(15%)	43,416	45,581	(5%)
Total operating expenses	171,771	174,368	(1%)	180,179	(5%)	541,686	518,153	5%
Operating Income (Loss)	55,258	44,903	23%	44,205	25%	131,769	112,528	17%
Other Income (Expense)								
Realized and unrealized gain (loss) on investments, net	4,552	(1,918)	N/M	(1,553)	N/M	6,415	2,469	160%
Realized and unrealized gain (loss) of consolidated investment products, net	(5,128)	(1,013)	406%	(12,936)	(60%)	(16,529)	(2,853)	479%
Other income (expense), net	548	128	328%	597	(8%)	1,695	(1,062)	N/M
Total other income (expense), net	(28)	(2,803)	(99%)	(13,892)	(100%)	(8,419)	(1,446)	482%
Interest Income (Expense)								
Interest expense	(5,807)	(6,222)	(7%)	(5,611)	3%	(17,099)	(17,444)	(2%)
Interest and dividend income	2,913	2,872	1%	2,643	10%	9,025	8,785	3%
Interest and dividend income of investments of consolidated investment products	50,628	49,803	2%	52,385	(3%)	154,128	144,501	7%
Interest expense of consolidated investment products	(38,063)	(38,218)	—%	(41,960)	(9%)	(120,035)	(112,153)	7%
Total interest income (expense), net	9,671	8,235	17%	7,457	30%	26,019	23,689	10%
Income (Loss) Before Income Taxes	64,901	50,335	29%	37,770	72%	149,369	134,771	11%
Income tax expense (benefit)	15,797	12,181	30%	11,748	34%	36,376	31,794	14%
Net Income (Loss)	49,104	38,154	29%	26,022	89%	112,993	102,977	10%
Noncontrolling interests	(8,124)	(7,248)	12%	(8,408)	(3%)	(24,541)	(3,190)	N/M
Net Income (Loss) Attributable to Virtus Investment Partners, Inc.	\$ 40,980	\$ 30,906	33%	\$ 17,614	133%	\$ 88,452	\$ 99,787	(11%)
Earnings (Loss) Per Share - Basic	\$ 5.80	\$ 4.26	36%	\$ 2.47	135%	\$ 12.45	\$ 13.72	(9%)
Earnings (Loss) Per Share - Diluted	\$ 5.71	\$ 4.19	36%	\$ 2.43	135%	\$ 12.23	\$ 13.50	(9%)
Cash Dividends Declared Per Common Share	\$ 2.25	\$ 1.90	18%	\$ 1.90	18%	\$ 6.05	\$ 5.20	16%
Weighted Average Shares Outstanding - Basic	7,071	7,258	(3%)	7,127	(1%)	7,105	7,272	(2%)
Weighted Average Shares Outstanding - Diluted	7,176	7,379	(3%)	7,242	(1%)	7,234	7,393	(2%)

N/M - Not Meaningful

Assets Under Management - Product and Asset Class

(in millions)

	Three Months Ended				
	9/30/2023	12/31/2023	3/31/2024	6/30/2024	9/30/2024
By Product (period end):					
Open-End Funds (1)	\$ 54,145	\$ 56,062	\$ 57,818	\$ 55,852	\$ 58,100
Closed-End Funds	9,472	10,026	10,064	9,915	10,432
Retail Separate Accounts (2)	38,665	43,202	46,816	45,672	50,610
Institutional Accounts (3)	60,257	62,969	64,613	62,146	64,600
Total	\$ 162,539	\$ 172,259	\$ 179,311	\$ 173,585	\$ 183,742
By Product (average) (4)					
Open-End Funds (1)	\$ 56,511	\$ 54,132	\$ 56,828	\$ 56,692	\$ 56,731
Closed-End Funds	10,001	9,591	9,862	9,894	10,159
Retail Separate Accounts (2)	38,992	38,665	43,202	46,816	45,672
Institutional Accounts (3)	62,368	60,319	63,466	61,773	63,428
Total	\$ 167,872	\$ 162,707	\$ 173,358	\$ 175,175	\$ 175,990
By Asset Class (period end):					
Equity	\$ 87,984	\$ 96,703	\$ 103,501	\$ 99,224	\$ 106,784
Fixed Income	37,352	37,192	37,037	36,970	39,014
Multi-Asset (5)	19,937	21,411	21,975	21,060	21,619
Alternatives (6)	17,266	16,953	16,798	16,331	16,325
Total	\$ 162,539	\$ 172,259	\$ 179,311	\$ 173,585	\$ 183,742

Assets Under Management - Average Management Fees Earned (7)

(in basis points)

	Three Months Ended				
	9/30/2023	12/31/2023	3/31/2024	6/30/2024	9/30/2024
By Product:					
Open-End Funds (1)	51.1	49.7	49.9	50.9	49.7
Closed-End Funds	58.2	58.4	58.7	58.6	58.5
Retail Separate Accounts (2)	43.3	43.3	43.9	43.3	43.7
Institutional Accounts (3)(8)	30.3	33.2	30.8	30.7	31.0
All Products (8)	42.0	42.6	41.9	42.2	41.9

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

(2) Includes investment models provided to managed account sponsors

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

(4) 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

(5) Consists of multi-asset offerings not included in equity, fixed income, and alternatives

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

(7) 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

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

	9/30/2023	12/31/2023	3/31/2024	6/30/2024	9/30/2024
Institutional Accounts	0.4	2.2	0.3	0.3	0.4
All Products	0.1	0.8	0.1	0.1	0.1

Assets Under Management - Asset Flows by Product

(in millions)

	Three Months Ended					Nine Months Ended	
	9/30/2023	12/31/2023	3/31/2024	6/30/2024	9/30/2024	9/30/2023	9/30/2024
Open-End Funds (1)							
Beginning balance	\$ 56,828	\$ 54,145	\$ 56,062	\$ 57,818	\$ 55,852	\$ 53,000	\$ 56,062
Inflows	2,687	2,940	3,476	2,777	3,118	8,248	9,371
Outflows	(4,137)	(4,905)	(4,104)	(4,120)	(4,143)	(13,621)	(12,367)
Net flows	(1,450)	(1,965)	(628)	(1,343)	(1,025)	(5,373)	(2,996)
Market performance	(1,034)	4,260	2,560	(480)	3,410	3,900	5,490
Other (2)	(199)	(378)	(176)	(143)	(137)	2,618	(456)
Ending balance	\$ 54,145	\$ 56,062	\$ 57,818	\$ 55,852	\$ 58,100	\$ 54,145	\$ 58,100
Closed-End Funds							
Beginning balance	\$ 10,166	\$ 9,472	\$ 10,026	\$ 10,064	\$ 9,915	\$ 10,361	\$ 10,026
Inflows	—	—	—	—	—	24	—
Outflows	—	—	—	(41)	—	—	(41)
Net flows	—	—	—	(41)	—	24	(41)
Market performance	(504)	753	239	83	845	(300)	1,167
Other (2)	(190)	(199)	(201)	(191)	(328)	(613)	(720)
Ending balance	\$ 9,472	\$ 10,026	\$ 10,064	\$ 9,915	\$ 10,432	\$ 9,472	\$ 10,432
Retail Separate Accounts (3)							
Beginning balance	\$ 38,992	\$ 38,665	\$ 43,202	\$ 46,816	\$ 45,672	\$ 35,352	\$ 43,202
Inflows	1,849	2,118	2,373	2,172	2,260	4,562	6,805
Outflows	(1,524)	(1,726)	(1,695)	(1,688)	(1,829)	(4,246)	(5,212)
Net flows	325	392	678	484	431	316	1,593
Market performance	(652)	4,144	2,936	(1,631)	4,507	2,997	5,812
Other (2)	—	1	—	3	—	—	3
Ending balance	\$ 38,665	\$ 43,202	\$ 46,816	\$ 45,672	\$ 50,610	\$ 38,665	\$ 50,610
Institutional Accounts (4)							
Beginning balance	\$ 62,330	\$ 60,257	\$ 62,969	\$ 64,613	\$ 62,146	\$ 50,663	\$ 62,969
Inflows	1,274	1,179	1,734	1,188	1,219	6,786	4,141
Outflows	(1,648)	(3,406)	(3,022)	(2,913)	(2,349)	(5,173)	(8,284)
Net flows	(374)	(2,227)	(1,288)	(1,725)	(1,130)	1,613	(4,143)
Market performance	(1,434)	5,165	3,001	(549)	3,790	3,912	6,242
Other (2)	(265)	(226)	(69)	(193)	(206)	4,069	(468)
Ending balance	\$ 60,257	\$ 62,969	\$ 64,613	\$ 62,146	\$ 64,600	\$ 60,257	\$ 64,600
Total							
Beginning balance	\$ 168,316	\$ 162,539	\$ 172,259	\$ 179,311	\$ 173,585	\$ 149,376	\$ 172,259
Inflows	5,810	6,237	7,583	6,137	6,597	19,620	20,317
Outflows	(7,309)	(10,037)	(8,821)	(8,762)	(8,321)	(23,040)	(25,904)
Net flows	(1,499)	(3,800)	(1,238)	(2,625)	(1,724)	(3,420)	(5,587)
Market performance	(3,624)	14,322	8,736	(2,577)	12,552	10,509	18,711
Other (2)	(654)	(802)	(446)	(524)	(671)	6,074	(1,641)
Ending balance	\$ 162,539	\$ 172,259	\$ 179,311	\$ 173,585	\$ 183,742	\$ 162,539	\$ 183,742

- (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) Includes investment models provided to managed account sponsors
- (4) 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. Management uses these measures to evaluate the company's financial performance and operational decision-making. Management believes that these non-GAAP financial measures, when presented together with directly comparable U.S. GAAP measures, are useful to investors and other interested parties to provide additional insight, promote transparency and allow for a more comprehensive understanding of the information used by management. Please see the Notes to Reconciliations on page 14 for additional information on how these measures reflect the company's operating results. Non-GAAP financial measures have material limitations and should not be viewed in isolation or as a substitute for U.S. GAAP measures. Also, the non-GAAP financial measures referenced in this release may not be comparable to the similarly titled measures used by other companies.

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

	Three Months Ended		
	9/30/2024	9/30/2023	6/30/2024
Revenues			
Total revenues, GAAP	\$ 227,029	\$ 219,271	\$ 224,384
Consolidated investment products revenues (1)	2,271	2,337	2,326
Investment management fees (2)	(10,606)	(9,823)	(10,282)
Distribution and service fees (2)	(13,569)	(14,334)	(13,413)
Total revenues, as adjusted	<u>\$ 205,125</u>	<u>\$ 197,451</u>	<u>\$ 203,015</u>
Operating Expenses			
Total operating expenses, GAAP	\$ 171,771	\$ 174,368	\$ 180,179
Consolidated investment products expenses (1)	(465)	(553)	(2,909)
Distribution and other asset-based expenses (3)	(24,175)	(24,157)	(23,695)
Amortization of intangible assets (4)	(12,883)	(15,382)	(15,198)
Restructuring expense (5)	—	(691)	(690)
Deferred compensation and related investments (6)	(937)	278	36
Acquisition and integration expenses (7)	3,044	(3,013)	2,201
Other (8)	(1,698)	(379)	(2,907)
Total operating expenses, as adjusted	<u>\$ 134,657</u>	<u>\$ 130,471</u>	<u>\$ 137,017</u>
Operating Income (Loss)			
Operating income (loss), GAAP	\$ 55,258	\$ 44,903	\$ 44,205
Consolidated investment products (earnings) losses (1)	2,736	2,890	5,235
Amortization of intangible assets (4)	12,883	15,382	15,198
Restructuring expense (5)	—	691	690
Deferred compensation and related investments (6)	937	(278)	(36)
Acquisition and integration expenses (7)	(3,044)	3,013	(2,201)
Other (8)	1,698	379	2,907
Operating income (loss), as adjusted	<u>\$ 70,468</u>	<u>\$ 66,980</u>	<u>\$ 65,998</u>
Operating margin, GAAP	24.3 %	20.5 %	19.7 %
Operating margin, as adjusted	34.4 %	33.9 %	32.5 %

Virtus Investment Partners, Inc. 11.

Income (Loss) Before Taxes	Three Months Ended		
	9/30/2024	9/30/2023	6/30/2024
Income (loss) before taxes, GAAP	\$ 64,901	\$ 50,335	\$ 37,770
Consolidated investment products (earnings) losses (1)	(2,251)	(429)	268
Amortization of intangible assets (4)	12,883	15,382	15,198
Restructuring expense (5)	—	691	690
Deferred compensation and related investments (6)	(512)	212	545
Acquisition and integration expenses (7)	(3,044)	3,013	(2,201)
Other (8)	1,698	379	2,907
Seed capital and CLO investments (gains) losses (9)	(3,074)	(3,146)	12,175
Income (loss) before taxes, as adjusted	<u>\$ 70,601</u>	<u>\$ 66,437</u>	<u>\$ 67,352</u>
Income Tax Expense (Benefit)			
Income tax expense (benefit), GAAP	\$ 15,797	\$ 12,181	\$ 11,748
Tax impact of:			
Amortization of intangible assets (4)	3,434	4,209	3,973
Restructuring expense (5)	—	189	180
Deferred compensation and related investments (6)	(136)	58	142
Acquisition and integration expenses (7)	(811)	824	(575)
Other (8)	(135)	276	1,415
Seed capital and CLO investments (gains) losses (9)	668	441	725
Income tax expense (benefit), as adjusted	<u>\$ 18,817</u>	<u>\$ 18,178</u>	<u>\$ 17,608</u>
Effective tax rate, GAAP ^A	24.3 %	24.2 %	31.1 %
Effective tax rate, as adjusted ^B	26.7 %	27.4 %	26.1 %
^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.	\$ 40,980	\$ 30,906	\$ 17,614
Amortization of intangible assets, net of tax (4)	9,419	10,603	10,738
Restructuring expense, net of tax (5)	—	502	510
Deferred compensation and related investments (6)	(376)	154	403
Acquisition and integration expenses, net of tax (7)	(2,233)	2,189	(1,626)
Other, net of tax (8)	5,595	5,056	8,164
Seed capital and CLO investments (gains) losses, net of tax (9)	(3,742)	(3,587)	11,450
Net income (loss) attributable to Virtus Investment Partners, Inc., as adjusted	<u>\$ 49,643</u>	<u>\$ 45,823</u>	<u>\$ 47,253</u>
Weighted average shares outstanding - diluted	7,176	7,379	7,242
Earnings (loss) per share - diluted, GAAP	\$ 5.71	\$ 4.19	\$ 2.43
Earnings (loss) per share - diluted, as adjusted	\$ 6.92	\$ 6.21	\$ 6.53

	Three Months Ended		
	9/30/2024	9/30/2023	6/30/2024
Administration and Shareholder Services Fees			
Administration and shareholder service fees, GAAP	\$ 18,560	\$ 19,069	\$ 18,308
Consolidated investment products fees (1)	19	(5)	23
Administration and shareholder service fees, as adjusted	<u>\$ 18,579</u>	<u>\$ 19,064</u>	<u>\$ 18,331</u>
Employment Expenses			
Employment expenses, GAAP	\$ 105,555	\$ 101,587	\$ 105,667
Deferred compensation and related investments (6)	(937)	278	36
Acquisition and integration expenses (7)	(956)	(2,642)	(1,099)
Other (8)	(1,144)	(379)	(1,134)
Employment expenses, as adjusted	<u>\$ 102,518</u>	<u>\$ 98,844</u>	<u>\$ 103,470</u>
Other Operating Expenses			
Other operating expenses, GAAP	\$ 30,363	\$ 30,494	\$ 33,050
Acquisition and integration expenses (7)	—	(371)	—
Other (8)	(554)	—	(1,773)
Other operating expenses, as adjusted	<u>\$ 29,809</u>	<u>\$ 30,123</u>	<u>\$ 31,277</u>
Total Other Income (Expense), Net			
Total other income (expense), net GAAP	\$ (28)	\$ (2,803)	\$ (13,892)
Consolidated investment products (1)	5,729	5,262	1,492
Deferred compensation and related investments (6)	(1,423)	518	611
Seed capital and CLO investments (gains) losses (9)	(3,074)	(3,146)	12,175
Total other income (expense), net as adjusted	<u>\$ 1,204</u>	<u>\$ (169)</u>	<u>\$ 386</u>
Interest and Dividend Income			
Interest and dividend income, GAAP	\$ 2,913	\$ 2,872	\$ 2,643
Consolidated investment products (1)	1,849	3,004	3,966
Deferred compensation and related investments (6)	(26)	(28)	(30)
Interest and dividend income, as adjusted	<u>\$ 4,736</u>	<u>\$ 5,848</u>	<u>\$ 6,579</u>
Total Noncontrolling Interests			
Total noncontrolling interests, GAAP	\$ (8,124)	\$ (7,248)	\$ (8,408)
Consolidated investment products (1)	2,251	429	(268)
Amortization of intangible assets (4)	(30)	(570)	(487)
Other (8)	3,762	4,953	6,672
Total noncontrolling interests, as adjusted	<u>\$ (2,141)</u>	<u>\$ (2,436)</u>	<u>\$ (2,491)</u>

Notes to Reconciliations:Reclassifications:

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

Other Adjustments:

Revenue Related

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

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

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

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

Expense Related

3. Distribution and other asset-based expenses - Primarily payments to third-party client intermediaries for providing services to investors in sponsored investment products. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that do not utilize third-party client intermediaries.
4. Amortization of intangible assets - Non-cash amortization expense or impairment expense, if any, attributable to acquisition-related intangible assets, including any portion that is allocated to noncontrolling interests. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that have not engaged in acquisitions.
5. Restructuring expense - Certain non-recurring expenses associated with restructuring the business, including lease abandonment-related expenses and severance costs associated with staff reductions that are not reflective of ongoing earnings generation of the business.
6. Deferred compensation and related investments - Compensation expense, gains and losses (realized and unrealized), and interest and dividend income related to market performance of deferred compensation and related balance sheet investments. Market performance of deferred compensation plans and related investments can vary significantly from period to period. Management believes that making this adjustment aids in comparing the Company's operating results with prior periods.
7. Acquisition and integration expenses - Expenses that are directly related to acquisition and integration activities. Acquisition expenses include certain transaction related employment expenses, transaction closing costs, change in fair value of contingent consideration, certain professional fees, and financing fees. Integration expenses include costs incurred that are directly attributable to combining businesses, including compensation, restructuring and severance charges, professional fees, consulting fees, and other expenses. Management believes that making these adjustments aids in comparing the company's operating results with other asset management firms that have not engaged in acquisitions.

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

Acquisition and Integration Expenses	Three Months Ended		
	9/30/2024	9/30/2023	6/30/2024
Employment expenses	\$ 956	\$ 2,642	\$ 1,099
Other operating expenses	—	371	—
Change in fair value of contingent consideration	(4,000)	—	(3,300)
Total Acquisition and Integration Expenses	\$ (3,044)	\$ 3,013	\$ (2,201)

8. Other - Certain expenses that are not reflective of the ongoing earnings generation of the business. Employment expenses and noncontrolling interests are adjusted for fair value measurements of affiliate minority interests. Other operating expenses are adjusted for amortization of lease termination fees and transition related expense (benefit). 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		
	9/30/2024	9/30/2023	6/30/2024
Employment expense fair value adjustments	\$ 1,144	\$ 379	\$ 1,134
Amortization of lease termination fees	1,773	—	1,773
Transition related expense (benefit)	(1,219)	—	—
Tax impact of adjustments	(453)	(104)	(760)
Other discrete tax adjustments	588	(172)	(655)
Affiliate minority interest fair value adjustments	3,762	4,953	6,672
Total Other	\$ 5,595	\$ 5,056	\$ 8,164

Seed Capital and CLO Related

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

Definitions:

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

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

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

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

Forward-Looking Information

This press release contains statements that are, or may be considered to be, forward-looking statements. All statements that are not historical facts, including statements about our beliefs or expectations, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, 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 2023 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 management 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 2023 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.