

**Virtus Investment Partners Announces Financial Results for the First Quarter 2019**

- EPS of \$2.61; EPS, as Adjusted, of \$2.73
- Total Sales of \$5.5B; Net Flows of (\$0.1B); Long-Term AUM of \$99.9B

Hartford, CT, April 26, 2019 - Virtus Investment Partners, Inc. (NASDAQ: VRTS) today reported financial results for the three months ended March 31, 2019.

**Financial Highlights (Unaudited)**

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

|  | Three Months Ended |           |        | Three Months Ended |        |
|--|--------------------|-----------|--------|--------------------|--------|
|  | 3/31/2019          | 3/31/2018 | Change | 12/31/2018         | Change |
| <b>U.S. GAAP Financial Measures</b>                                |                    |           |        |                    |        |
| Revenues   | \$ 130.7           | \$ 129.0  | 1%     | \$ 138.1           | (5%)   |
| Operating expenses   | \$ 109.7           | \$ 106.4  | 3%     | \$ 108.8           | 1%     |
| Operating income (loss)  | \$ 21.0            | \$ 22.6   | (7%)   | \$ 29.2            | (28%)  |
| Operating margin   | 16.1%              | 17.5%     |        | 21.2%              |        |
| Net income (loss) attributable to common stockholders              | \$ 19.7            | \$ 21.2   | (7%)   | \$ 0.1             | N/M    |
| Earnings (loss) per share - diluted                                | \$ 2.61            | \$ 2.77   | (6%)   | \$ 0.01            | N/M    |
| Weighted average shares outstanding - diluted                      | 8.322              | 8.411     | (1%)   | 7.382              | 13%    |
| <b>Non-GAAP Financial Measures (1)</b>                             |                    |           |        |                    |        |
| Revenues, as adjusted  | \$ 112.6           | \$ 108.3  | 4%     | \$ 118.6           | (5%)   |
| Operating expenses, as adjusted                                    | \$ 79.1            | \$ 75.5   | 5%     | \$ 77.2            | 2%     |
| Operating income (loss), as adjusted                               | \$ 33.5            | \$ 32.8   | 2%     | \$ 41.5            | (19%)  |
| Operating margin, as adjusted                                      | 29.8%              | 30.3%     |        | 34.9%              |        |
| Net income (loss) attributable to common stockholders, as adjusted | \$ 22.7            | \$ 24.3   | (7%)   | \$ 28.8            | (21%)  |
| Earnings (loss) per share - diluted, as adjusted                   | \$ 2.73            | \$ 2.89   | (6%)   | \$ 3.42            | (20%)  |
| Weighted average shares outstanding - diluted, as adjusted         | 8.322              | 8.411     | (1%)   | 8.429              | (1%)   |

(1) See the information beginning on page 11 for reconciliations to the most directly comparable U.S. GAAP measures and other important disclosures  
 N/M - Not Meaningful

**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 |        |
|---|--------------------|-----------|--------|--------------------|--------|
|   | 3/31/2019          | 3/31/2018 | Change | 12/31/2018         | Change |
| Ending long-term assets under management (1)  | \$ 99.9            | \$ 87.4   | 14%    | \$ 90.4            | 11%    |
| Ending total assets under management          | \$ 101.7           | \$ 89.1   | 14 %   | \$ 92.0            | 11%    |
| Average long-term assets under management (1) | \$ 94.7            | \$ 88.9   | 7%     | \$ 98.3            | (4%)   |
| Average total assets under management         | \$ 96.4            | \$ 90.6   | 6%     | \$ 99.9            | (4%)   |
| Total sales                                   | \$ 5.5             | \$ 5.4    | 2%     | \$ 4.4             | 24%    |
| Net flows                                     | \$ (0.1)           | \$ (0.7)  | (86%)  | \$ (4.8)           | (98%)  |

(1) Excludes assets under management in liquidity strategies, including in certain open-end mutual funds and institutional accounts

Long-term assets under management increased 11% to \$99.9 billion at March 31, 2019 from \$90.4 billion at December 31, 2018 as a result of market appreciation. Total assets under management at March 31, 2019 were \$101.7 billion, including \$1.8 billion of assets in liquidity strategies.

Total sales in the first quarter of \$5.5 billion increased 24% from \$4.4 billion in the fourth quarter, with higher sales across all product categories, including a \$0.4 billion newly issued collateralized loan obligation (CLO). Mutual fund sales of \$3.0 billion compared with \$2.9 billion in the prior quarter, with domestic equity sales increasing 16% due to strong demand for mid-cap equity strategies. Exchange traded fund sales of \$0.4 billion increased significantly from the prior quarter due to two newly launched strategies. Retail separate account sales increased 7% sequentially to \$0.8 billion, primarily attributable to small- and mid-cap equity strategies. Institutional sales of \$1.0 billion increased 18% sequentially, primarily related to mandates in international and global equity strategies.

Total net flows of (\$0.1) billion compared with net flows of (\$4.8) billion in the fourth quarter and included positive net flows from structured products, exchange traded funds and retail separate accounts offset by net outflows in open-end funds and institutional. Mutual fund net flows were (\$0.9) billion compared with (\$3.9) billion in the prior quarter, with significant improvements across all asset classes. Net flows in retail separate accounts increased to \$281 million from \$186 million in the fourth quarter as a result of higher sales and lower redemptions. Institutional had modest net outflows of (\$0.2) billion as the increased sales of \$1.0 billion were more than offset by \$1.0 billion of partial redemptions from existing accounts and \$0.2 billion of outflows from closed accounts.

## **GAAP Results**

Operating income decreased sequentially to \$21.0 million from \$29.2 million, reflecting a 5% decrease in total revenues related to lower average assets under management and a 1% increase in operating expenses. First quarter operating expenses included \$1.2 million of restructuring and severance costs.

Net income per diluted share of \$2.61 included a \$0.58 benefit from net unrealized gains on investments, (\$0.29) of net realized losses on investments, (\$0.13) of acquisition and integration costs, and (\$0.10) of restructuring and severance costs. Fourth quarter net income per diluted share of \$0.01 included a \$0.35 benefit from net realized gains on investments, (\$3.40) of net unrealized losses on investments, and (\$0.16) of acquisition and integration costs.

## **Non-GAAP Results**

Revenues, as adjusted, of \$112.6 million decreased 5% from the prior quarter as a result of a decrease in average assets and two fewer days in the quarter, partially offset by a higher average fee rate. Employment expenses, as adjusted, of \$59.4 million increased 2% sequentially largely due to \$7.5 million of seasonally higher expenses, including payroll taxes and benefits related to the timing of annual incentive payments, which more than offset lower profit- and sales-based variable compensation. Other operating expenses, as adjusted, increased 4% from the fourth quarter and included \$0.6 million for consulting, facilities, and branding-related costs.

Operating income, as adjusted, and the related margin were \$33.5 million and 30%, respectively, compared with \$41.5 million and 35% in the prior quarter. The margin decline reflects the impact of the seasonally higher employment expenses.

Interest and dividends earned on cash equivalents and seed capital and CLO investments were \$4.2 million, a decline from \$4.8 million in the fourth quarter primarily related to lower dividends.

Net income attributable to common stockholders, as adjusted, which is net of the noncontrolling interests related to SGA, was \$2.73 per diluted common share, a decrease of \$0.69, or 20%, from \$3.42 in the prior quarter. Seasonally higher employment expenses represented \$0.65 of the sequential decline.

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

**Select Balance Sheet Items (Unaudited)**

(in millions)

|   | As of     |           |        | As of      |        |
|---|-----------|-----------|--------|------------|--------|
|   | 3/31/2019 | 3/31/2018 | Change | 12/31/2018 | Change |
| Cash and cash equivalents                 | \$ 142.3  | \$ 80.8   | 76%    | \$ 201.7   | (29%)  |
| Gross debt (1)                            | \$ 328.2  | \$ 258.7  | 27%    | \$ 340.6   | (4%)   |
| Redeemable noncontrolling interests       | \$ 54.4   | \$ —      | N/M    | \$ 55.1    | (1%)   |
| Total equity attributable to stockholders | \$ 633.5  | \$ 608.8  | 4%     | \$ 629.9   | 1%     |
| Working capital (2)                       | \$ 137.9  | \$ 82.9   | 66%    | \$ 140.2   | (2%)   |
| Net debt (cash) (3)                       | \$ 185.8  | \$ 177.9  | 4%     | \$ 138.9   | 34%    |

(1) Excludes deferred financing costs of \$10.5 million, \$13.3 million and \$11.4 million as of March 31, 2019, March 31, 2018, and December 31, 2018, respectively

(2) Defined as cash and cash equivalents plus accounts receivable, net, less accrued compensation and benefits, accounts payable and accrued liabilities, dividends payable and required principal payments due over the next twelve months including scheduled amortization and an estimate of the excess cash flow payment; the actual excess cash flow payment will be measured based on fiscal year 2019 financial results and the net leverage ratio as of December 31, 2019

(3) Defined as gross debt less cash and cash equivalents

N/M - Not Meaningful

Working capital at March 31, 2019 of \$137.9 million decreased by 2% from December 31, 2018, as net cash generated from the business was more than offset by changes in debt outstanding and return of capital to shareholders.

The company repurchased 147,962 shares, or 2.1% of beginning of quarter outstanding common shares, for \$15.0 million during the quarter. In addition, the company net settled an additional 47,658 shares for \$4.8 million to satisfy employee tax obligations on vested restricted stock units.

During the quarter, the company repaid \$12.4 million of debt. The net leverage ratio, which is net debt to EBITDA (in accordance with the company's credit agreement), was 0.9x at March 31, 2019 compared with 0.7x at December 31, 2018.

## Conference Call

Virtus Investment Partners management will host an investor conference call on Friday, April 26, 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 [www.virtus.com](http://www.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: 9338509). 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 [www.virtus.com](http://www.virtus.com). A replay of the call will be available through May 3, 2019 by telephone at 855-859-2056 (U.S. and Canada) or 404-537-3406 (international) (Conference ID: 9338509).

## 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](#), [Rampart Investment Management](#), [Seix Investment Advisors](#), [Silvant Capital Management](#), [Sustainable Growth Advisers](#), and [Virtus ETF Solutions](#). Additional information is available at [virtus.com](http://virtus.com).

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

(in thousands, except per share data)

|   | Three Months Ended |                  | Change | Three Months Ended |        |
|---|--------------------|------------------|--------|--------------------|--------|
|   | 3/31/2019          | 3/31/2018        |        | 12/31/2018         | Change |
| <b>Revenues</b>   |                    |                  |        |                    |        |
| Investment management fees  | \$ 105,918         | \$ 100,476       | 5%     | \$ 111,664         | (5%)   |
| Distribution and service fees   | 10,063             | 12,607           | (20%)  | 10,829             | (7%)   |
| Administration and transfer agent fees  | 14,413             | 15,738           | (8%)   | 15,342             | (6%)   |
| Other income and fees   | 324                | 207              | 57%    | 230                | 41%    |
| <b>Total revenues</b>   | <u>130,718</u>     | <u>129,028</u>   | 1%     | <u>138,065</u>     | (5%)   |
| <b>Operating Expenses</b>   |                    |                  |        |                    |        |
| Employment expenses   | 60,851             | 60,696           | —%     | 59,668             | 2%     |
| Distribution and other asset-based expenses                                     | 19,764             | 22,291           | (11%)  | 21,043             | (6%)   |
| Other operating expenses  | 18,723             | 16,862           | 11%    | 18,513             | 1%     |
| Operating expenses of consolidated investment products                          | 451                | 511              | (12%)  | 692                | (35%)  |
| Restructuring and severance   | 1,176              | —                | N/M    | 87                 | N/M    |
| Depreciation expense  | 1,213              | 1,015            | 20%    | 1,293              | (6%)   |
| Amortization expense  | 7,541              | 5,036            | 50%    | 7,541              | —%     |
| <b>Total operating expenses</b>   | <u>109,719</u>     | <u>106,411</u>   | 3%     | <u>108,837</u>     | 1%     |
| <b>Operating Income (Loss)</b>  | <u>20,999</u>      | <u>22,617</u>    | (7%)   | <u>29,228</u>      | (28%)  |
| <b>Other Income (Expense)</b>   |                    |                  |        |                    |        |
| Realized and unrealized gain (loss) on investments, net                         | 3,433              | 438              | N/M    | (6,241)            | N/M    |
| Realized and unrealized gain (loss) of consolidated investment products, net    | (1,921)            | 2,259            | N/M    | (16,997)           | (89%)  |
| Other income (expense), net   | 450                | 1,319            | (66%)  | 966                | (53%)  |
| <b>Total other income (expense), net</b>  | <u>1,962</u>       | <u>4,016</u>     | (51%)  | <u>(22,272)</u>    | N/M    |
| <b>Interest Income (Expense)</b>  |                    |                  |        |                    |        |
| Interest expense  | (5,165)            | (3,858)          | 34%    | (5,963)            | (13%)  |
| Interest and dividend income  | 1,190              | 721              | 65%    | 1,744              | (32%)  |
| Interest and dividend income of investments of consolidated investment products | 27,402             | 21,403           | 28%    | 26,678             | 3%     |
| Interest expense of consolidated investment products                            | (19,701)           | (14,549)         | 35%    | (18,002)           | 9%     |
| <b>Total interest income (expense), net</b>                                     | <u>3,726</u>       | <u>3,717</u>     | —%     | <u>4,457</u>       | (16%)  |
| <b>Income (Loss) Before Income Taxes</b>  | <u>26,687</u>      | <u>30,350</u>    | (12%)  | <u>11,413</u>      | 134%   |
| <b>Income tax expense (benefit)</b>   | <u>4,219</u>       | <u>6,523</u>     | (35%)  | <u>10,320</u>      | (59%)  |
| <b>Net Income (Loss)</b>  | <u>22,468</u>      | <u>23,827</u>    | (6%)   | <u>1,093</u>       | N/M    |
| Noncontrolling interests  | (722)              | (527)            | 37%    | 1,068              | N/M    |
| Net Income (Loss) Attributable to Stockholders                                  | 21,746             | 23,300           | (7%)   | 2,161              | N/M    |
| Preferred stockholder dividends   | (2,084)            | (2,084)          | —%     | (2,084)            | —%     |
| <b>Net Income (Loss) Attributable to Common Stockholders</b>                    | <u>\$ 19,662</u>   | <u>\$ 21,216</u> | (7%)   | <u>\$ 77</u>       | N/M    |
| <b>Earnings (Loss) Per Share - Basic</b>  | <u>\$ 2.80</u>     | <u>\$ 2.95</u>   | (5%)   | <u>\$ 0.01</u>     | N/M    |
| <b>Earnings (Loss) Per Share - Diluted</b>                                      | <u>\$ 2.61</u>     | <u>\$ 2.77</u>   | (6%)   | <u>\$ 0.01</u>     | N/M    |
| <b>Cash Dividends Declared Per Preferred Share</b>                              | <u>\$ 1.81</u>     | <u>\$ 1.81</u>   | —%     | <u>\$ 1.81</u>     | —%     |
| <b>Cash Dividends Declared Per Common Share</b>                                 | <u>\$ 0.55</u>     | <u>\$ 0.45</u>   | 22%    | <u>\$ 0.55</u>     | —%     |
| <b>Weighted Average Shares Outstanding - Basic (in thousands)</b>               | <u>7,015</u>       | <u>7,198</u>     | (3%)   | <u>7,111</u>       | (1%)   |
| <b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>             | <u>8,322</u>       | <u>8,411</u>     | (1%)   | <u>7,382</u>       | 13%    |

N/M - Not Meaningful

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

|                                     | Three Months Ended |                    |                     |                    |                     |
|-------------------------------------|--------------------|--------------------|---------------------|--------------------|---------------------|
|                                     | <u>3/31/2018</u>   | <u>06/30/2018</u>  | <u>9/30/2018</u>    | <u>12/31/2018</u>  | <u>3/31/2019</u>    |
| <b>By product (period end):</b>     |                    |                    |                     |                    |                     |
| Open-End Funds (1)                  | \$ 43,202.5        | \$ 44,419.3        | \$ 45,171.8         | \$ 37,710.0        | \$ 40,632.6         |
| Closed-End Funds                    | 6,132.7            | 6,295.0            | 6,342.2             | 5,956.0            | 6,553.2             |
| Exchange Traded Funds               | 980.2              | 1,029.9            | 983.4               | 667.6              | 1,102.2             |
| Retail Separate Accounts            | 14,012.3           | 14,678.4           | 16,817.5            | 14,998.4           | 17,123.2            |
| Institutional Accounts              | 19,411.2           | 19,726.6           | 30,960.1            | 27,445.0           | 30,514.1            |
| Structured Products                 | 3,704.6            | 3,684.4            | 3,647.8             | 3,640.3            | 3,998.0             |
| Total Long-Term                     | <u>\$ 87,443.5</u> | <u>\$ 89,833.6</u> | <u>\$ 103,922.8</u> | <u>\$ 90,417.3</u> | <u>\$ 99,923.3</u>  |
| Liquidity (2)                       | <u>1,641.6</u>     | <u>1,784.9</u>     | <u>1,675.1</u>      | <u>1,612.5</u>     | <u>1,788.6</u>      |
| Total                               | <u>\$ 89,085.1</u> | <u>\$ 91,618.5</u> | <u>\$ 105,597.9</u> | <u>\$ 92,029.8</u> | <u>\$ 101,711.9</u> |
| <b>By product (average) (3)</b>     |                    |                    |                     |                    |                     |
| Open-End Funds (1)                  | \$ 43,751.4        | \$ 44,000.8        | \$ 45,137.1         | \$ 41,601.8        | \$ 39,531.9         |
| Closed-End Funds                    | 6,346.1            | 6,167.0            | 6,386.7             | 6,235.0            | 6,258.3             |
| Exchange Traded Funds               | 1,045.7            | 1,026.8            | 1,035.9             | 831.2              | 870.8               |
| Retail Separate Accounts            | 13,923.3           | 13,999.0           | 15,536.7            | 16,817.5           | 14,998.4            |
| Institutional Accounts              | 20,165.8           | 19,942.3           | 30,583.4            | 29,171.7           | 29,353.8            |
| Structured Products                 | 3,619.1            | 3,681.5            | 3,635.7             | 3,627.2            | 3,668.3             |
| Total Long-Term                     | <u>\$ 88,851.4</u> | <u>\$ 88,817.4</u> | <u>\$ 102,315.5</u> | <u>\$ 98,284.4</u> | <u>\$ 94,681.5</u>  |
| Liquidity (2)                       | <u>1,787.6</u>     | <u>1,699.3</u>     | <u>1,750.3</u>      | <u>1,606.7</u>     | <u>1,725.5</u>      |
| Total                               | <u>\$ 90,639.0</u> | <u>\$ 90,516.7</u> | <u>\$ 104,065.8</u> | <u>\$ 99,891.1</u> | <u>\$ 96,407.0</u>  |
| <b>By asset class (period end):</b> |                    |                    |                     |                    |                     |
| Equity                              | \$ 45,428.3        | \$ 48,404.4        | \$ 62,654.4         | \$ 53,297.1        | \$ 61,781.0         |
| Fixed Income                        | 37,766.2           | 36,934.8           | 36,819.9            | 33,425.2           | 33,674.4            |
| Alternatives (4)                    | 4,249.0            | 4,494.4            | 4,448.5             | 3,695.0            | 4,467.9             |
| Liquidity (2)                       | 1,641.6            | 1,784.9            | 1,675.1             | 1,612.5            | 1,788.6             |
| Total                               | <u>\$ 89,085.1</u> | <u>\$ 91,618.5</u> | <u>\$ 105,597.9</u> | <u>\$ 92,029.8</u> | <u>\$ 101,711.9</u> |

**Assets Under Management - Average Net Management Fees Earned (5)**

(in basis points)

|                            | Three Months Ended |           |           |            |           |
|----------------------------|--------------------|-----------|-----------|------------|-----------|
|                            | 3/31/2018          | 6/30/2018 | 9/30/2018 | 12/31/2018 | 3/31/2019 |
| <b>All Products</b>        |                    |           |           |            |           |
| Open-End Funds (1)         | 50.3               | 51.8      | 54.3      | 54.0       | 54.3      |
| Closed-End Funds           | 66.3               | 66.1      | 65.9      | 65.5       | 64.9      |
| Exchange Traded Funds      | 18.2               | 14.7      | 13.7      | 12.6       | 10.5      |
| Retail Separate Accounts   | 47.6               | 48.4      | 49.2      | 47.5       | 48.1      |
| Institutional Accounts (6) | 31.8               | 31.7      | 31.9      | 29.2       | 30.6      |
| Structured Products (7)    | 39.2               | 36.2      | 60.0      | 36.7       | 37.1      |
| All Long-Term Products (8) | 46.0               | 46.7      | 47.4      | 45.3       | 45.6      |
| Liquidity (2)              | 11.8               | 9.5       | 10.1      | 9.9        | 9.9       |
| All Products               | 45.3               | 46.0      | 46.8      | 44.7       | 45.0      |

(1) Represents assets under management of U.S. retail funds, offshore funds and variable insurance funds

(2) Represents assets under management in liquidity strategies, including in certain open-end funds and institutional accounts

(3) Averages are calculated as follows:

- Funds - average daily or weekly balances

- Retail Separate Accounts - prior-quarter ending balance or average of month-end balances in quarter

- Institutional Accounts and Structured Products - average of month-end balances in quarter

(4) Consists of real estate securities, mid-stream energy securities and master limited partnerships, options strategies and other

(5) Represents net investment management fees divided by average assets. Net investment management fees are investment management fees, as adjusted, less fees paid to third-party service providers for investment management related services, which impacted the fee rate in the three months ended March 31, 2019 for each of Open-End Funds and All Products by 0.3 basis points

(6) Includes incentive fees earned during the three months ended September 30, 2018, December 31, 2018 and March 31, 2019 that impacted the fee rate by 1.8 basis points, 0.2 basis points, and 0.5 basis points, respectively

(7) Includes incentive fees earned during the three months ended March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018 that impacted the fee rate by 0.2, 0.1, 24.6, and 0.9 basis points, respectively

(8) Includes incentive fees earned during the three months ended September 30, 2018, December 31, 2018 and March 31, 2019 that impacted the fee rate by 1.4, 0.1 and 0.2 basis points, respectively



## Assets Under Management - Asset Flows by Product

(in millions)

|                                 | Three Months Ended        |                           |                           |                           |                           |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                 | 3/31/2018                 | 6/30/2018                 | 9/30/2018                 | 12/31/2018                | 3/31/2019                 |
| <b>Open-End Funds (1)</b>       |                           |                           |                           |                           |                           |
| Beginning balance               | \$ 43,077.6               | \$ 43,202.5               | \$ 44,419.3               | \$ 45,171.8               | \$ 37,710.0               |
| Inflows                         | 3,783.6                   | 4,356.6                   | 3,807.4                   | 2,888.6                   | 2,999.7                   |
| Outflows                        | <u>(3,662.2)</u>          | <u>(3,220.6)</u>          | <u>(3,465.1)</u>          | <u>(6,750.5)</u>          | <u>(3,867.4)</u>          |
| Net flows                       | 121.4                     | 1,136.0                   | 342.3                     | (3,861.9)                 | (867.7)                   |
| Market performance              | 69.8                      | 170.5                     | 464.1                     | (3,225.9)                 | 3,838.7                   |
| Other (2)                       | (66.3)                    | (89.7)                    | (53.9)                    | (374.0)                   | (48.4)                    |
| <b>Ending balance</b>           | <b><u>\$ 43,202.5</u></b> | <b><u>\$ 44,419.3</u></b> | <b><u>\$ 45,171.8</u></b> | <b><u>\$ 37,710.0</u></b> | <b><u>\$ 40,632.6</u></b> |
| <b>Closed-End Funds</b>         |                           |                           |                           |                           |                           |
| Beginning balance               | \$ 6,666.2                | \$ 6,132.7                | \$ 6,295.0                | \$ 6,342.2                | \$ 5,956.0                |
| Inflows                         | —                         | 0.5                       | 12.9                      | 8.2                       | 11.5                      |
| Outflows                        | <u>—</u>                  | <u>—</u>                  | <u>—</u>                  | <u>—</u>                  | <u>—</u>                  |
| Net flows                       | —                         | 0.5                       | 12.9                      | 8.2                       | 11.5                      |
| Market performance              | (406.1)                   | 250.0                     | 124.4                     | (257.2)                   | 661.9                     |
| Other (2)                       | (127.4)                   | (88.2)                    | (90.1)                    | (137.2)                   | (76.2)                    |
| <b>Ending balance</b>           | <b><u>\$ 6,132.7</u></b>  | <b><u>\$ 6,295.0</u></b>  | <b><u>\$ 6,342.2</u></b>  | <b><u>\$ 5,956.0</u></b>  | <b><u>\$ 6,553.2</u></b>  |
| <b>Exchange Traded Funds</b>    |                           |                           |                           |                           |                           |
| Beginning balance               | \$ 1,039.2                | \$ 980.2                  | \$ 1,029.9                | \$ 983.4                  | \$ 667.6                  |
| Inflows                         | 139.5                     | 86.5                      | 35.0                      | 29.5                      | 393.8                     |
| Outflows                        | <u>(63.2)</u>             | <u>(71.7)</u>             | <u>(100.4)</u>            | <u>(106.6)</u>            | <u>(46.3)</u>             |
| Net flows                       | 76.3                      | 14.8                      | (65.4)                    | (77.1)                    | 347.5                     |
| Market performance              | (77.5)                    | 65.2                      | 50.1                      | (200.7)                   | 108.3                     |
| Other (2)                       | (57.8)                    | (30.3)                    | (31.2)                    | (38.0)                    | (21.2)                    |
| <b>Ending balance</b>           | <b><u>\$ 980.2</u></b>    | <b><u>\$ 1,029.9</u></b>  | <b><u>\$ 983.4</u></b>    | <b><u>\$ 667.6</u></b>    | <b><u>\$ 1,102.2</u></b>  |
| <b>Retail Separate Accounts</b> |                           |                           |                           |                           |                           |
| Beginning balance               | \$ 13,936.8               | \$ 14,012.3               | \$ 14,678.4               | \$ 16,817.5               | \$ 14,998.4               |
| Inflows                         | 701.3                     | 736.7                     | 921.4                     | 701.3                     | 752.6                     |
| Outflows                        | <u>(786.5)</u>            | <u>(575.3)</u>            | <u>(563.1)</u>            | <u>(514.9)</u>            | <u>(471.5)</u>            |
| Net flows                       | (85.2)                    | 161.4                     | 358.3                     | 186.4                     | 281.1                     |
| Market performance              | 160.7                     | 499.7                     | 608.7                     | (2,005.4)                 | 1,895.0                   |
| Other (2)                       | —                         | 5.0                       | 1,172.1                   | (0.1)                     | (51.3)                    |
| <b>Ending balance</b>           | <b><u>\$ 14,012.3</u></b> | <b><u>\$ 14,678.4</u></b> | <b><u>\$ 16,817.5</u></b> | <b><u>\$ 14,998.4</u></b> | <b><u>\$ 17,123.2</u></b> |

## Assets Under Management - Asset Flows by Product (continued)

(in millions)

|                               | Three Months Ended        |                           |                            |                           |                            |
|-------------------------------|---------------------------|---------------------------|----------------------------|---------------------------|----------------------------|
|                               | 3/31/2018                 | 6/30/2018                 | 9/30/2018                  | 12/31/2018                | 3/31/2019                  |
| <b>Institutional Accounts</b> |                           |                           |                            |                           |                            |
| Beginning balance             | \$ 20,815.9               | \$ 19,411.2               | \$ 19,726.6                | \$ 30,960.1               | \$ 27,445.0                |
| Inflows                       | 423.0                     | 1,425.0                   | 1,484.5                    | 810.8                     | 954.7                      |
| Outflows                      | <u>(1,649.7)</u>          | <u>(1,465.8)</u>          | <u>(1,604.8)</u>           | <u>(1,822.6)</u>          | <u>(1,153.9)</u>           |
| Net flows                     | (1,226.7)                 | (40.8)                    | (120.3)                    | (1,011.8)                 | (199.2)                    |
| Market performance            | (172.7)                   | 486.4                     | 1,184.8                    | (2,490.5)                 | 3,155.8                    |
| Other (2)                     | (5.3)                     | (130.2)                   | 10,169.0                   | (12.8)                    | 112.5                      |
| <b>Ending balance</b>         | <b><u>\$ 19,411.2</u></b> | <b><u>\$ 19,726.6</u></b> | <b><u>\$ 30,960.1</u></b>  | <b><u>\$ 27,445.0</u></b> | <b><u>\$ 30,514.1</u></b>  |
| <b>Structured Products</b>    |                           |                           |                            |                           |                            |
| Beginning balance             | \$ 3,298.8                | \$ 3,704.6                | \$ 3,684.4                 | \$ 3,647.8                | \$ 3,640.3                 |
| Inflows                       | 383.6                     | 37.8                      | —                          | —                         | 388.8                      |
| Outflows                      | <u>—</u>                  | <u>(20.4)</u>             | <u>(34.4)</u>              | <u>(16.2)</u>             | <u>(16.0)</u>              |
| Net flows                     | 383.6                     | 17.4                      | (34.4)                     | (16.2)                    | 372.8                      |
| Market performance            | 37.9                      | 45.3                      | 39.8                       | 57.0                      | 27.4                       |
| Other (2)                     | (15.7)                    | (82.9)                    | (42.0)                     | (48.3)                    | (42.5)                     |
| <b>Ending balance</b>         | <b><u>\$ 3,704.6</u></b>  | <b><u>\$ 3,684.4</u></b>  | <b><u>\$ 3,647.8</u></b>   | <b><u>\$ 3,640.3</u></b>  | <b><u>\$ 3,998.0</u></b>   |
| <b>Total Long-Term</b>        |                           |                           |                            |                           |                            |
| Beginning balance             | \$ 88,834.5               | \$ 87,443.5               | \$ 89,833.6                | \$ 103,922.8              | \$ 90,417.3                |
| Inflows                       | 5,431.0                   | 6,643.1                   | 6,261.2                    | 4,438.4                   | 5,501.1                    |
| Outflows                      | <u>(6,161.6)</u>          | <u>(5,353.8)</u>          | <u>(5,767.8)</u>           | <u>(9,210.8)</u>          | <u>(5,555.1)</u>           |
| Net flows                     | (730.6)                   | 1,289.3                   | 493.4                      | (4,772.4)                 | (54.0)                     |
| Market performance            | (387.9)                   | 1,517.1                   | 2,471.9                    | (8,122.7)                 | 9,687.1                    |
| Other (2)                     | (272.5)                   | (416.3)                   | 11,123.9                   | (610.4)                   | (127.1)                    |
| <b>Ending balance</b>         | <b><u>\$ 87,443.5</u></b> | <b><u>\$ 89,833.6</u></b> | <b><u>\$ 103,922.8</u></b> | <b><u>\$ 90,417.3</u></b> | <b><u>\$ 99,923.3</u></b>  |
| <b>Liquidity (3)</b>          |                           |                           |                            |                           |                            |
| Beginning balance             | \$ 2,128.7                | \$ 1,641.6                | \$ 1,784.9                 | \$ 1,675.1                | \$ 1,612.5                 |
| Other (2)                     | <u>(487.1)</u>            | <u>143.3</u>              | <u>(109.8)</u>             | <u>(62.6)</u>             | <u>176.1</u>               |
| <b>Ending balance</b>         | <b><u>\$ 1,641.6</u></b>  | <b><u>\$ 1,784.9</u></b>  | <b><u>\$ 1,675.1</u></b>   | <b><u>\$ 1,612.5</u></b>  | <b><u>\$ 1,788.6</u></b>   |
| <b>Total</b>                  |                           |                           |                            |                           |                            |
| Beginning balance             | \$ 90,963.2               | \$ 89,085.1               | \$ 91,618.5                | \$ 105,597.9              | \$ 92,029.8                |
| Inflows                       | 5,431.0                   | 6,643.1                   | 6,261.2                    | 4,438.4                   | 5,501.1                    |
| Outflows                      | <u>(6,161.6)</u>          | <u>(5,353.8)</u>          | <u>(5,767.8)</u>           | <u>(9,210.8)</u>          | <u>(5,555.1)</u>           |
| Net flows                     | (730.6)                   | 1,289.3                   | 493.4                      | (4,772.4)                 | (54.0)                     |
| Market performance            | (387.9)                   | 1,517.1                   | 2,471.9                    | (8,122.7)                 | 9,687.1                    |
| Other (2)                     | (759.6)                   | (273.0)                   | 11,014.1                   | (673.0)                   | 49.0                       |
| <b>Ending balance</b>         | <b><u>\$ 89,085.1</u></b> | <b><u>\$ 91,618.5</u></b> | <b><u>\$ 105,597.9</u></b> | <b><u>\$ 92,029.8</u></b> | <b><u>\$ 101,711.9</u></b> |

(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 liquidity strategies, and the impact 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

(3) Represents assets under management in liquidity strategies, including in certain open-end funds and institutional accounts

## 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:

|   | <b>Three Months Ended</b> |                   |                   |
|---|---------------------------|-------------------|-------------------|
|   | <b>3/31/2019</b>          | <b>3/31/2018</b>  | <b>12/31/2018</b> |
| Total revenues, GAAP                            | \$ 130,718                | \$ 129,028        | \$ 138,065        |
| Distribution and other asset-based expenses (1) | (19,764)                  | (22,291)          | (21,043)          |
| Consolidated investment products revenues (2)   | 1,684                     | 1,576             | 1,615             |
| Total revenues, as adjusted                     | <u>\$ 112,638</u>         | <u>\$ 108,313</u> | <u>\$ 118,637</u> |

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

|   | <b>Three Months Ended</b> |                  |                   |
|---|---------------------------|------------------|-------------------|
|   | <b>3/31/2019</b>          | <b>3/31/2018</b> | <b>12/31/2018</b> |
| Total operating expenses, GAAP                  | \$ 109,719                | \$ 106,411       | \$ 108,837        |
| Distribution and other asset-based expenses (1) | (19,764)                  | (22,291)         | (21,043)          |
| Consolidated investment products expenses (2)   | (451)                     | (511)            | (692)             |
| Amortization of intangible assets (3)           | (7,541)                   | (5,036)          | (7,541)           |
| Restructuring and severance (4)                 | (1,176)                   | —                | (366)             |
| Acquisition and integration expenses (5)        | (1,480)                   | (3,092)          | (1,679)           |
| Other (6)                                       | (180)                     | 20               | (338)             |
| Total operating expenses, as adjusted           | <u>\$ 79,127</u>          | <u>\$ 75,501</u> | <u>\$ 77,178</u>  |

**Virtus Investment Partners, Inc. 12.**

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

|  | <b>Three Months Ended</b> |                  |                   |
|--|---------------------------|------------------|-------------------|
|  | <b>3/31/2019</b>          | <b>3/31/2018</b> | <b>12/31/2018</b> |
| Operating income (loss), GAAP                          | \$ 20,999                 | \$ 22,617        | \$ 29,228         |
| Consolidated investment products (earnings) losses (2) | 2,135                     | 2,087            | 2,307             |
| Amortization of intangible assets (3)                  | 7,541                     | 5,036            | 7,541             |
| Restructuring and severance (4)                        | 1,176                     | —                | 366               |
| Acquisition and integration expenses (5)               | 1,480                     | 3,092            | 1,679             |
| Other (6)  | 180                       | (20)             | 338               |
| Operating income (loss), as adjusted                   | <u>\$ 33,511</u>          | <u>\$ 32,812</u> | <u>\$ 41,459</u>  |
| Operating margin, GAAP                                 | 16.1%                     | 17.5%            | 21.2%             |
| Operating margin, as adjusted                          | 29.8%                     | 30.3%            | 34.9%             |

Reconciliation of Net Income (Loss) Attributable to Common Stockholders, GAAP to Net Income (Loss) Attributable to Common Stockholders, as Adjusted:

|  | <b>Three Months Ended</b> |                  |                   |
|--|---------------------------|------------------|-------------------|
|  | <b>3/31/2019</b>          | <b>3/31/2018</b> | <b>12/31/2018</b> |
| Net income (loss) attributable to common stockholders, GAAP        | \$ 19,662                 | \$ 21,216        | \$ 77             |
| Amortization of intangible assets, net of tax (3)                  | 4,739                     | 3,626            | 4,684             |
| Restructuring and severance, net of tax (4)                        | 857                       | —                | 264               |
| Acquisition and integration expenses, net of tax (5)               | 1,078                     | 2,255            | 1,174             |
| Other, net of tax (6)  | 958                       | 1,176            | 2,988             |
| Seed capital and CLO investments (gains) losses, net of tax (7)    | (4,564)                   | (4,003)          | 19,635            |
| Net income (loss) attributable to common stockholders, as adjusted | <u>\$ 22,730</u>          | <u>\$ 24,270</u> | <u>\$ 28,822</u>  |
| Weighted average shares outstanding - diluted                      | 8,322                     | 8,411            | 7,382             |
| Preferred stock <sup>A</sup>                                       | —                         | —                | 1,047             |
| Weighted average shares outstanding - diluted, as adjusted         | <u>8,322</u>              | <u>8,411</u>     | <u>8,429</u>      |
| Earnings (loss) per share - diluted, GAAP                          | \$ 2.61                   | \$ 2.77          | \$ 0.01           |
| Earnings (loss) per share - diluted, as adjusted                   | \$ 2.73                   | \$ 2.89          | \$ 3.42           |

<sup>A</sup> Assumes conversion of preferred shares to common shares at the 20 day volume-weighted average common stock price at period end, subject to a conversion price range of \$109.77 to \$131.73 per share resulting in a conversion ratio range of 0.9110 to 0.7592

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

|  | <b>Three Months Ended</b> |                  |                   |
|--|---------------------------|------------------|-------------------|
|  | <b>3/31/2019</b>          | <b>3/31/2018</b> | <b>12/31/2018</b> |
| Income (loss) before taxes, GAAP                       | \$ 26,687                 | \$ 30,350        | \$ 11,413         |
| Consolidated investment products (earnings) losses (2) | 114                       | (527)            | 1,268             |
| Amortization of intangible assets (3)                  | 7,541                     | 5,036            | 7,541             |
| Restructuring and severance (4)                        | 1,176                     | —                | 366               |
| Acquisition and integration expenses (5)               | 1,480                     | 3,132            | 1,679             |
| Other (6)  | 180                       | (20)             | 338               |
| Seed capital and CLO investments (gains) losses (7)    | (3,795)                   | (4,186)          | 18,745            |
| Income (loss) before taxes, as adjusted                | <u>\$ 33,383</u>          | <u>\$ 33,785</u> | <u>\$ 41,350</u>  |

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

|   | <b>Three Months Ended</b> |                  |                   |
|---|---------------------------|------------------|-------------------|
|   | <b>3/31/2019</b>          | <b>3/31/2018</b> | <b>12/31/2018</b> |
| Income tax expense (benefit), GAAP                                | \$ 4,219                  | \$ 6,523         | \$ 10,320         |
| Tax impact of amortization of intangible assets (3)               | 2,047                     | 1,410            | 2,102             |
| Tax impact of restructuring and severance (4)                     | 319                       | —                | 102               |
| Tax impact of acquisition and integration expenses (5)            | 402                       | 877              | 468               |
| Tax impact of other (6)   | 1,306                     | 888              | (566)             |
| Tax impact of seed capital and CLO investments (gains) losses (7) | 769                       | (183)            | (900)             |
| Income tax expense (benefit), as adjusted                         | <u>\$ 9,062</u>           | <u>\$ 9,515</u>  | <u>\$ 11,526</u>  |
| Effective tax rate, GAAP <sup>A</sup>                             | 15.8%                     | 21.5%            | 90.4%             |
| Effective tax rate, as adjusted <sup>B</sup>                      | 27.1%                     | 28.2%            | 27.9%             |

<sup>A</sup> Reflects income tax expense (benefit), GAAP, divided by income (loss) before taxes, GAAP

<sup>B</sup> Reflects income tax expense (benefit), as adjusted, divided by income (loss) before taxes, as adjusted

Reconciliation of Investment Management Fees, GAAP to Investment Management Fees, as Adjusted:

|   | <b>Three Months Ended</b> |                   |                   |
|---|---------------------------|-------------------|-------------------|
|   | <b>3/31/2019</b>          | <b>3/31/2018</b>  | <b>12/31/2018</b> |
| Investment management fees, GAAP          | \$ 105,918                | \$ 100,476        | \$ 111,664        |
| Consolidated investment products fees (2) | 1,654                     | 1,571             | 1,589             |
| Investment management fees, as adjusted   | <u>\$ 107,572</u>         | <u>\$ 102,047</u> | <u>\$ 113,253</u> |

**Virtus Investment Partners, Inc. 14.**Reconciliation of Administration and Transfer Agent Fees, GAAP to Administration and Transfer Agent Fees, as Adjusted:

|   | <b>Three Months Ended</b> |                  |                   |
|---|---------------------------|------------------|-------------------|
|   | <b>3/31/2019</b>          | <b>3/31/2018</b> | <b>12/31/2018</b> |
| Administration and transfer agent fees, GAAP        | \$ 14,413                 | \$ 15,738        | \$ 15,342         |
| Consolidated investment products fees (2)           | 27                        | 1                | 24                |
| Administration and transfer agent fees, as adjusted | <u>\$ 14,440</u>          | <u>\$ 15,739</u> | <u>\$ 15,366</u>  |

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

|  | <b>Three Months Ended</b> |                  |                   |
|--|---------------------------|------------------|-------------------|
|  | <b>3/31/2019</b>          | <b>3/31/2018</b> | <b>12/31/2018</b> |
| Employment expenses, GAAP                | \$ 60,851                 | \$ 60,696        | \$ 59,668         |
| Acquisition and integration expenses (5) | (1,433)                   | (1,903)          | (1,595)           |
| Employment expenses, as adjusted         | <u>\$ 59,418</u>          | <u>\$ 58,793</u> | <u>\$ 58,073</u>  |

Reconciliation of Restructuring and Severance, GAAP to Restructuring and Severance, as Adjusted:

|  | <b>Three Months Ended</b> |                  |                   |
|--|---------------------------|------------------|-------------------|
|  | <b>3/31/2019</b>          | <b>3/31/2018</b> | <b>12/31/2018</b> |
| Restructuring and severance, GAAP        | \$ 1,176                  | \$ —             | \$ 87             |
| Restructuring and severance (4)          | (1,176)                   | —                | (366)             |
| Acquisition and integration expenses (5) | —                         | —                | 279               |
| Restructuring and severance, as adjusted | <u>\$ —</u>               | <u>\$ —</u>      | <u>\$ —</u>       |

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

|  | <b>Three Months Ended</b> |                  |                   |
|--|---------------------------|------------------|-------------------|
|  | <b>3/31/2019</b>          | <b>3/31/2018</b> | <b>12/31/2018</b> |
| Other operating expenses, GAAP           | \$ 18,723                 | \$ 16,862        | \$ 18,513         |
| Acquisition and integration expenses (5) | (47)                      | (1,189)          | (363)             |
| Other (6)                                | (180)                     | 20               | (338)             |
| Other operating expenses, as adjusted    | <u>\$ 18,496</u>          | <u>\$ 15,693</u> | <u>\$ 17,812</u>  |

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

|   | <b>Three Months Ended</b> |                  |                   |
|---|---------------------------|------------------|-------------------|
|   | <b>3/31/2019</b>          | <b>3/31/2018</b> | <b>12/31/2018</b> |
| Total other income (expense), net GAAP              | \$ 1,962                  | \$ 4,016         | \$ (22,272)       |
| Consolidated investment products (2)                | 2,642                     | 1,291            | 4,555             |
| Seed capital and CLO investments (gains) losses (7) | (3,795)                   | (4,186)          | 18,745            |
| Total other income (expense), net as adjusted       | <u>\$ 809</u>             | <u>\$ 1,121</u>  | <u>\$ 1,028</u>   |

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

|   | <b>Three Months Ended</b> |                  |                   |
|---|---------------------------|------------------|-------------------|
|   | <b>3/31/2019</b>          | <b>3/31/2018</b> | <b>12/31/2018</b> |
| Total noncontrolling interests, GAAP                | \$ (722)                  | \$ (527)         | \$ 1,068          |
| Consolidated investment products (2)                | (114)                     | 527              | (1,268)           |
| Amortization of intangible assets (3)               | (755)                     | —                | (755)             |
| Acquisition and integration expenses (5)            | —                         | —                | (37)              |
| Seed capital and CLO investments (gains) losses (7) | —                         | —                | (10)              |
| Total noncontrolling interests, as adjusted         | <u>\$ (1,591)</u>         | <u>\$ —</u>      | <u>\$ (1,002)</u> |

Notes to Reconciliations:

1. Distribution and other asset-based expenses - Primarily payments to distribution partners for providing services to investors in our sponsored funds and payments to third-party service providers for investment management-related services. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that do not utilize intermediary distribution partners or third-party service providers.
2. 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.
3. 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.
4. 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.
5. 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:

| Acquisition and Integration Expenses              | Three Months Ended |                 |                 |
|---|--------------------|-----------------|-----------------|
|   | 3/31/2019          | 3/31/2018       | 12/31/2018      |
| Employment expenses                               | \$ 1,433           | \$ 1,903        | \$ 1,595        |
| Restructuring and severance                       | —                  | —               | (279)           |
| Other operating expenses                          | 47                 | 1,189           | 363             |
| Interest expense                                  | —                  | 40              | —               |
| <b>Total Acquisition and Integration Expenses</b> | <b>\$ 1,480</b>    | <b>\$ 3,132</b> | <b>\$ 1,679</b> |

6. *Other* - Certain expenses that are not reflective of the ongoing earnings generation of the business. In addition, it includes income tax expense (benefit) items, such as adjustments 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. Preferred dividends are adjusted as the shares are mandatorily convertible into common shares at the end of three years and the non-GAAP weighted average shares are adjusted to reflect the conversion. 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 |                 |                 |
|--|--------------------|-----------------|-----------------|
|  | 3/31/2019          | 3/31/2018       | 12/31/2018      |
| Occupancy related expenses               | \$ 180             | \$ —            | \$ 338          |
| Tax impact of occupancy related expenses | (49)               | —               | (94)            |
| System transition expenses               | —                  | (20)            | —               |
| Tax impact of system transition expenses | —                  | 6               | —               |
| Other discrete tax adjustments           | (1,257)            | (894)           | 660             |
| Preferred stockholder dividends          | 2,084              | 2,084           | 2,084           |
| <b>Total Other</b>                       | <b>\$ 958</b>      | <b>\$ 1,176</b> | <b>\$ 2,988</b> |

7. *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 common stockholders, as adjusted, differ from U.S. GAAP revenues in that they are reduced by distribution and other asset-based expenses that are generally passed through to external parties, and exclude the impact of consolidated investment products.



***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 common stockholders, as adjusted, differ from U.S. GAAP expenses in that they exclude amortization or impairment, if any, of intangible assets, restructuring and severance, the impact 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 common stockholders, 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,” “intend,” “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 our 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 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 2018 Annual Report on Form 10-K as well as the following risks and uncertainties: (a) any reduction in our assets under management; (b) 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) inability to satisfy financial covenants and payments related to our indebtedness; (f) inability to attract and retain key personnel; (g) challenges from the competition we face in our business; (h) adverse regulatory and legal developments; (i) unfavorable changes in tax laws or limitations; (j) adverse developments related to unaffiliated subadvisers; (k) negative implications of changes in key distribution relationships; (l) interruptions in or failure to provide critical technological service by us or third parties; (m) volatility associated with our common and preferred stock; (n) adverse civil litigation and government investigations or proceedings; (o) risk of loss on our investments; (p) inability to make quarterly common and preferred stock distributions; (q) lack of sufficient capital on satisfactory terms; (r) losses or costs not covered by insurance; (s) impairment of goodwill or intangible assets; (t) inability to achieve expected acquisition-related benefits; and other risks and uncertainties described in our 2018 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 release, even if such results,

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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 release, such statements or disclosures will be deemed to modify or supersede such statements in this release.