

VIRTUS INVESTMENT PARTNERS, INC.
Form 10-Q
August 09, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-10994

VIRTUS INVESTMENT PARTNERS, INC.
(Exact name of registrant as specified in its charter)

Delaware 95-4191764
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
100 Pearl St., Hartford, CT 06103
(Address of principal executive offices) (Zip Code)
(800) 248-7971
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Edgar Filing: VIRTUS INVESTMENT PARTNERS, INC. - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of shares outstanding of the registrant's common stock was 7,718,336 as of July 22, 2016.

Table of Contents

VIRTUS INVESTMENT PARTNERS, INC.
INDEX

	Page
<u>Part I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets (Unaudited) as of June 30, 2016 and December 31, 2015</u>	2
<u>Condensed Consolidated Statements of Operations (Unaudited) for the Three and Six Months Ended June 30, 2016 and 2015</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the Three and Six Months Ended June 30, 2016 and 2015</u>	4
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Six Months Ended June 30, 2016 and 2015</u>	5
<u>Condensed Consolidated Statements of Changes in Equity (Unaudited) for the Six Months Ended June 30, 2016 and 2015</u>	6
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	7
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	26
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	39
Item 4. <u>Controls and Procedures</u>	41
 <u>Part II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	41
Item 1A. <u>Risk Factors</u>	42
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	42
Item 6. <u>Exhibits</u>	44
<u>Signatures</u>	45
 “We,” “us,” “our,” the “Company” and “Virtus” as used in this Quarterly Report on Form 10-Q, refer to Virtus Investment Partners, Inc., a Delaware corporation, and its subsidiaries.	

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

1

Table of Contents

Virtus Investment Partners, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2016	December 31, 2015
(\$ in thousands, except share data)		
Assets:		
Cash and cash equivalents	\$ 155,532	\$ 87,574
Investments	91,736	56,738
Accounts receivable, net	36,030	38,757
Assets of consolidated sponsored investment products		
Cash of consolidated sponsored investment products	1,094	1,513
Cash pledged or on deposit of consolidated sponsored investment products	1,006	10,353
Investments of consolidated sponsored investment products	130,396	323,335
Other assets of consolidated sponsored investment products	2,594	8,549
Assets of consolidated investment product		
Cash equivalents of consolidated investment product	91,044	8,297
Investments of consolidated investment product	344,886	199,485
Other assets of consolidated investment product	6,078	1,467
Furniture, equipment and leasehold improvements, net	8,348	9,116
Intangible assets, net	39,633	40,887
Goodwill	6,788	6,701
Deferred taxes, net	46,434	54,143
Other assets	13,404	12,814
Total assets	\$ 975,003	\$ 859,729
Liabilities and Equity		
Liabilities:		
Accrued compensation and benefits	\$ 26,242	\$ 49,617
Accounts payable and accrued liabilities	20,448	23,036
Dividends payable	4,047	4,233
Other liabilities	13,543	13,051
Liabilities of consolidated sponsored investment products	3,073	15,387
Liabilities of consolidated investment product		
Debt of consolidated investment product	—	152,597
Notes payable of consolidated investment product	319,716	—
Securities purchased payable and other liabilities of consolidated investment product	94,683	18,487
Total liabilities	481,752	276,408
Commitments and Contingencies (Note 12)		
Redeemable noncontrolling interests	27,145	73,864
Equity:		
Equity attributable to stockholders:		
Common stock, \$0.01 par value, 1,000,000,000 shares authorized; 9,108,411 shares issued and 7,718,063 shares outstanding at June 30, 2016 and 9,613,088 shares issued and 8,398,944 shares outstanding at December 31, 2015	91	96
Additional paid-in capital	1,091,228	1,140,875
Accumulated deficit	(452,163)	(472,614)
Accumulated other comprehensive loss	(184)	(1,034)
Treasury stock, at cost, 1,390,348 and 1,214,144 shares at June 30, 2016 and December 31, 2015, respectively	(172,699)	(157,699)

Edgar Filing: VIRTUS INVESTMENT PARTNERS, INC. - Form 10-Q

Total equity attributable to stockholders	466,273	509,624
Noncontrolling interests	(167)	(167)
Total equity	466,106	509,457
Total liabilities and equity	\$975,003	\$ 859,729

The accompanying notes are an integral part of these condensed consolidated financial statements.

2

Table of Contents

Virtus Investment Partners, Inc.
 Condensed Consolidated Statements of Operations
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
(\$ in thousands, except per share data)				
Revenues				
Investment management fees	\$58,192	\$68,867	\$115,836	\$139,363
Distribution and service fees	12,167	17,635	24,645	37,233
Administration and transfer agent fees	9,499	12,577	19,497	25,619
Other income and fees	227	577	402	1,272