

VIRTUS INVESTMENT PARTNERS, INC.

Form 10-Q

August 07, 2012

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

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.

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(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4191764
(I.R.S. Employer
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 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 ☐

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 7,832,171 as of July 23, 2012.

Table of Contents

VIRTUS INVESTMENT PARTNERS, INC.

INDEX

	Page
Part I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (unaudited)</u>	
<u>Condensed Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011</u>	1
<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2012 and 2011</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2012 and 2011</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2012 and 2011</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	24
Item 4. <u>Controls and Procedures</u>	24
Part II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	24
Item 1A. <u>Risk Factors</u>	25
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
Item 6. <u>Exhibits</u>	26
<u>Signatures</u>	27

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

	June 30, 2012	December 31, 2011
<i>(\$ in thousands, except share data)</i>		
Assets		
Current Assets		
Cash and cash equivalents	\$ 48,685	\$ 45,267
Trading securities, at fair value	12,674	12,526
Available-for-sale securities, at fair value	2,715	2,469
Accounts receivable, net	32,690	27,089
Deferred taxes, net	1,593	1,593
Prepaid expenses and other assets	3,870	3,651
Total current assets	102,227	92,595
Furniture, equipment, and leasehold improvements, net	7,031	5,453
Intangible assets, net	50,187	52,096
Goodwill	4,795	4,795
Deferred taxes, net	113,020	122,099
Long-term investments (\$3,087 and \$2,826 at fair value, respectively) and other assets	9,413	9,341
Total assets	\$ 286,673	\$ 286,379
Liabilities and Stockholders' Equity		
Current Liabilities		
Accrued compensation and benefits	\$ 20,558	\$ 31,171
Accounts payable	5,922	5,031
Other accrued liabilities	6,473	5,661
Broker-dealer payable	4,827	4,794
Total current liabilities	37,780	46,657
Long-term debt	15,000	15,000
Lease obligations and other long-term liabilities	7,530	6,350
Total liabilities	60,310	68,007
Commitments and Contingencies (Note 12)		
Series B redeemable convertible preferred stock (stated at liquidation value), \$.01 par value, 45,000 shares authorized, 35,217 shares issued and outstanding, at December 31, 2011		35,217
Stockholders' Equity		
Common stock, \$.01 par value, 1,000,000,000 shares authorized; 7,984,564 shares issued and 7,829,564 shares outstanding at June 30, 2012 and 6,343,295 shares issued and 6,188,295 shares outstanding at December 31, 2011	80	63
Additional paid-in capital	939,322	909,983
Accumulated deficit	(704,266)	(718,083)
Accumulated other comprehensive gain (loss)	21	(14)

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Treasury stock, at cost, 155,000 shares at June 30, 2012 and December 31, 2011	(8,794)	(8,794)
Total stockholders' equity	226,363	183,155
Total liabilities and stockholders' equity	\$ 286,673	\$ 286,379

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<i>(\$ in thousands, except per share data)</i>				
Revenues				
Investment management fees	44,878	\$ 31,481	86,725	\$ 60,312
Distribution and service fees	13,587	11,122	26,308	20,860
Administration and transfer agent fees	8,023	5,817	15,425	10,990
Other income and fees	330	482	758	861
Total revenues	66,818	48,902	129,216	93,023
Operating Expenses				
Employment expenses	25,507	23,050	51,825	42,619
Distribution and administration expenses	15,796	12,367	34,719	23,444
Other operating expenses	9,035	7,936	16,928	15,286
Restructuring and severance	794	594	794	741
Depreciation and other amortization	436	485	759	974
Intangible asset amortization	997	1,011	1,985	2,057
Total operating expenses	52,565	45,443	107,010	85,121
Operating Income	14,253	3,459	22,206	7,902
Other Income (Expense)				
Realized and unrealized gain (loss) on trading securities	(214)	278	1,010	839
Other income (expense)		3		(212)
Total other income (expense), net	(214)	281	1,010	627
Interest Income (Expense)				
Interest expense	(274)	(192)	(475)	(403)
Interest and dividend income	171	65	277	111
Total interest expense, net	(103)	(127)	(198)	(292)
Income Before Income Taxes	13,936	3,613	23,018	8,237
Income tax expense	5,569	417	9,201	704
Net Income	8,367	3,196	13,817	7,533
Preferred stockholder dividends		(704)		(1,408)
Allocation of earnings to preferred stockholders		(449)	(64)	(1,103)
Net Income Attributable to Common Stockholders	8,367	2,043	13,753	5,022
Earnings per share - Basic	\$ 1.08	\$ 0.33	\$ 1.81	\$ 0.81

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Earnings per share - Diluted	\$ 1.04	\$ 0.30	\$ 1.71	\$ 0.73
Weighted Average Shares Outstanding - Basic (in thousands)	7,763	6,238	7,615	6,238
Weighted Average Shares Outstanding - Diluted (in thousands)	8,081	6,887	8,023	6,898

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

Virtus Investment Partners, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

Three Months Ended June 30,