



Virtus Investment Partners, Inc. (VRTS)

Updated February 23rd, 2025 by Nikolaos Sismanis

Key Metrics

| | | | | | |
|-----------------------------|-------|--|-------|----------------------------------|-------------------------|
| Current Price: | \$180 | 5 Year CAGR Estimate: | 22.1% | Market Cap: | \$1.27 B |
| Fair Value Price: | \$305 | 5 Year Growth Estimate: | 7.0% | Ex-Dividend Date: | 04/29/2025 ¹ |
| % Fair Value: | 59% | 5 Year Valuation Multiple Estimate: | 11.1% | Dividend Payment Date: | 05/15/2025 |
| Dividend Yield: | 5.0% | 5 Year Price Target | \$428 | Years Of Dividend Growth: | 7 |
| Dividend Risk Score: | D | Retirement Suitability Score: | B | Rating: | Buy |

Overview & Current Events

Virtus Investment Partners, Inc. is a distinctive partnership of boutique investment managers, singularly committed to the long-term success of individual and institutional investors. The firm offers a diverse range of investment strategies across asset classes, including equity, fixed income, multi-asset, as well as alternative investments. These strategies are available in multiple product forms, such as open-end mutual funds, closed-end funds, ETFs, retail separate accounts, and institutional accounts. Virtus operates through a multi-manager model, partnering with affiliated managers and select unaffiliated sub-advisers, each maintaining distinct investment philosophies and processes. This structure allows Virtus to offer clients access to specialized expertise and a broad array of solutions tailored to meet various financial objectives. The company trades at a market cap of \$1.27 billion.

On January 31st, 2025, Virtus reported its Q4 and full-year results for the period ending December 31st, 2024. Total AUM fell by 5% sequentially to \$175.0 billion due to net outflows in institutional accounts and U.S. retail funds, and negative market performance, partially offset by inflows in ETFs, global funds, and retail separate accounts. Net outflows of (\$4.8) billion worsened from (\$1.7) billion in Q3, primarily due to a \$3.3 billion lower-fee partial redemption of an institutional mandate. However, adjusted EPS rose 8% to \$7.50, driven by higher investment management fees and a soft increase in operating expenses. For FY2025, we expect adjusted EPS of \$26.81. All past figures reflect GAAP results.

Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------------------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|----------------|----------------|
| EPS | \$3.99 | \$6.34 | \$4.09 | \$9.37 | \$12.54 | \$10.49 | \$27.13 | \$15.90 | \$18.02 | \$17.19 | \$27.73 | \$38.89 |
| DPS | \$1.80 | \$1.80 | \$1.80 | \$2.00 | \$2.44 | \$2.98 | \$4.64 | \$6.30 | \$7.10 | \$8.30 | \$9.00 | \$14.49 |
| Shares² | 8.8 | 7.6 | 7.0 | 7.2 | 7.0 | 7.6 | 7.7 | 7.4 | 7.2 | 7.1 | 7.1 | 6.9 |

Virtus Investment Partners' EPS performance from 2015 to 2024 reflects its navigation through market cycles, strategic acquisitions, and adaptation to evolving industry trends. EPS plunged to \$3.99 in 2015 after a solid 2024, due to market volatility, global growth concerns, and elevated redemptions from funds affected by sub-advisor transitions. A recovery to \$6.34 in 2016 and \$4.09 in 2017 was due to cost controls and improved market performance, though growth stayed tempered by industry-wide challenges. By 2018, EPS surged to \$9.37, driven by the acquisition of Sustainable Growth Advisers, which expanded institutional and international capabilities. The momentum continued into 2019 with EPS reaching \$12.54, supported by broader AUM growth and favorable market conditions.

The COVID-19 pandemic impacted 2020 EPS, which fell to \$10.49 due to market disruptions and investor uncertainty, though operational resilience mitigated losses. An EPS surge to \$27.13 in 2021 highlighted the success of acquisitions, including Stone Harbor Investment Partners, NFJ Investment Group, and Westchester Capital Management, which diversified offerings with global credit, value equity, and event-driven strategies. These integrations, combined with strong market gains, drove record AUM and profitability. In 2022, EPS normalized at \$15.90 as market headwinds tempered growth, but it climbed again to \$18.02 in 2023, reflecting operational strength, resilient client demand, and

¹ Estimated dates based on past dividend dates.

² Share count is in millions.

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the lasting benefits of its multi-manager model and diversified strategy portfolio. For 2024, EPS fell to \$17.19, as high institutional redemptions and market-related AUM declines offset the positive contributions from ETF and fund inflows. Looking ahead, we anticipate Virtus to achieve an EPS CAGR of 5%, building on its elevated EPS base of \$27.73, driven by recent acquisitions, expanding its multi-manager platform, and growth in high-demand strategies such as fixed income. Further, we believe Virtus is well-positioned to sustain a 10% annual dividend growth rate during this period. Virtus has consistently raised its dividend for seven consecutive years, boasting a 5-year average growth rate of nearly 25%.

Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|------------------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E | 36.2 | 15.5 | 26.5 | 12.5 | 8.6 | 11.9 | 9.0 | 14.8 | 10.8 | 12.7 | 6.5 | 11.0 |
| Avg. Yld. | 1.2% | 1.8% | 1.7% | 1.7% | 2.3% | 2.4% | 1.9% | 2.7% | 3.7% | 3.8% | 5.0% | 3.4% |

Virtus Investment Partners' P/E ratio fluctuated notably over the past decade. Lofty multiples in 2015 and 2017 reflected EPS declines and recovery optimism, while strong EPS growth in 2018-2019 compressed valuations. During COVID-19, uncertainty modestly lifted the P/E in 2020, but record EPS in 2021 brought it down. In 2022-2023, the P/E normalized as market volatility eased and earnings stabilized. Today, shares are trading at 6.5x this year's expected EPS. While the below-average P/E reflects a stretched EPS this year, we view shares as undervalued and assign a fair multiple of 11.0x.

Safety, Quality, Competitive Advantage, & Recession Resiliency

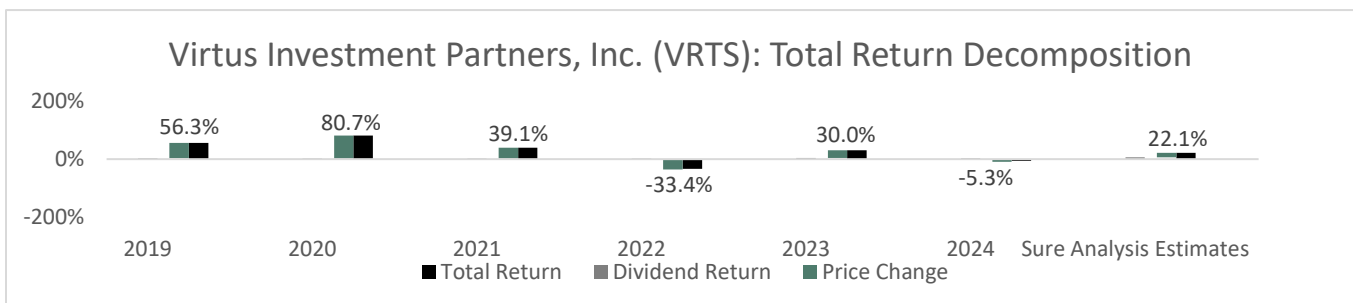
| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------|------|------|------|------|------|------|------|------|------|------|------------|------------|
| Payout | 45% | 28% | 44% | 21% | 19% | 28% | 17% | 40% | 39% | 48% | 32% | 37% |

Virtus operates in the highly competitive asset management industry, facing pressure from larger players with broader distribution networks and greater scale. However, Virtus's multi-manager model provides a key advantage by offering differentiated strategies via boutique affiliate managers and select sub-advisors, allowing it to attract clients looking for specialized and actively managed solutions. Its diverse product portfolio—including mutual funds, ETFs, and institutional accounts—helps mitigate risks from reliance on a single asset class or client segment. Despite these strengths, the asset management industry is inherently susceptible to market downturns, as fluctuations in asset prices directly impact revenues tied to AUM. Virtus navigates this challenge through its balanced mix of equity, fixed income, and alternative strategies, which can appeal to investors during periods of heightened market volatility. Still, Virtus' EPS turned negative in the Great Financial Crisis and dipped slightly during the COVID-19 pandemic.

Final Thoughts & Recommendation

Virtus Investment Partners has demonstrated strong earnings growth through strategic acquisitions, a diversified multi-manager platform, and disciplined cost management. We believe the company is well positioned to keep delivering EPS growth moving forward, which we estimate at 5% per annum through 2030. Along the stock's starting yield of 5.0% and a 7.0% annual valuation tailwind, we see annualized returns of 22.1% during this period and rate the stock a buy.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 449 | 380 | 322 | 424 | 551 | 562 | 603 | 975 | 882 | 841 |
| Gross Profit | 309 | 243 | 186 | 233 | 313 | 322 | 336 | 616 | 510 | 437 |
| Gross Margin | 68.8% | 63.9% | 57.8% | 54.9% | 56.7% | 57.2% | 55.7% | 63.2% | 57.9% | 51.9% |
| SG&A Exp. | 124 | 90 | 69 | 72 | 92 | 82 | 77 | 141 | 113 | 97 |
| D&A Exp. | 7 | 7 | 6 | 18 | 33 | 40 | 39 | 51 | 64 | 68 |
| Operating Profit | 131 | 80 | 55 | 69 | 113 | 127 | 144 | 338 | 209 | 147 |
| Operating Margin | 29.2% | 21.1% | 17.1% | 16.2% | 20.5% | 22.6% | 23.9% | 34.7% | 23.8% | 17.4% |
| Net Profit | 98 | 35 | 49 | 37 | 76 | 96 | 80 | 208 | 118 | 131 |
| Net Margin | 21.8% | 9.2% | 15.1% | 8.7% | 13.7% | 17.0% | 13.3% | 21.4% | 13.3% | 15.5% |
| Free Cash Flow | (61) | (214) | 19 | (184) | (74) | (44) | (227) | 660 | 126 | 228 |
| Income Tax | 39 | 37 | 21 | 40 | 33 | 35 | 44 | 91 | 57 | 45 |

Balance Sheet Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------------|------|------|------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 699 | 860 | 824 | 2,591 | 2,871 | 3,205 | 3,467 | 3,934 | 3,953 | 3,679 |
| Cash & Equivalents | 203 | 97 | 83 | 233 | 254 | 321 | 333 | 586 | 589 | 340 |
| Accounts Receivable | 50 | 39 | 36 | 66 | 70 | 74 | 84 | 124 | 99 | 109 |
| Goodwill & Int. Ass. | 47 | 48 | 45 | 472 | 629 | 601 | 571 | 839 | 791 | 829 |
| Total Liabilities | 112 | 276 | 465 | 1,981 | 2,169 | 2,455 | 2,630 | 2,959 | 3,016 | 2,705 |
| Accounts Payable | 32 | 23 | 25 | 30 | 28 | 23 | 25 | 48 | 33 | 39 |
| Long-Term Debt | - | 153 | 359 | 1,706 | 1,949 | 2,112 | 2,392 | 2,300 | 2,338 | 2,176 |
| Shareholder's Equity | 564 | 510 | 322 | 478 | 519 | 565 | 711 | 828 | 817 | 864 |
| LTD/E Ratio | - | 0.30 | 1.12 | 2.90 | 3.09 | 3.13 | 3.36 | 2.78 | 2.86 | 2.52 |

Profitability & Per Share Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------|--------|---------|-------|---------|--------|--------|---------|--------|--------|--------|
| Return on Assets | 14.5% | 4.5% | 5.8% | 2.2% | 2.8% | 3.1% | 2.4% | 5.6% | 3.0% | 3.4% |
| Return on Equity | 17.4% | 6.0% | 10.3% | 7.6% | 11.5% | 13.2% | 10.1% | 23.0% | 12.3% | 13.7% |
| ROIC | 17.4% | 5.3% | 6.7% | 2.4% | 3.0% | 3.5% | 2.6% | 6.4% | 3.6% | 4.1% |
| Shares Out. | 9.1 | 8.8 | 7.6 | 7.0 | 7.2 | 7.0 | 7.6 | 7.7 | 7.4 | 7.2 |
| Revenue/Share | 48.28 | 42.43 | 41.13 | 58.56 | 64.66 | 69.00 | 75.63 | 121.79 | 116.29 | 114.10 |
| FCF/Share | (6.60) | (23.90) | 2.42 | (25.44) | (8.71) | (5.43) | (28.48) | 82.46 | 16.63 | 30.96 |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

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