

VIRTUS INVESTMENT PARTNERS, INC.

Form 10-Q

November 04, 2010

[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 September 30, 2010

.. **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)

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

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4191764
(I.R.S. Employer
Identification No.)

100 Pearl St., 9th Floor, 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, non-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 6,266,526 as of November 2, 2010.

Table of Contents

VIRTUS INVESTMENT PARTNERS, INC.

INDEX

	Page
Part I. FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited)	
<u>Condensed Consolidated Balance Sheets as of September 30, 2010 and December 31, 2009</u>	1
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2010 and 2009</u>	2
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2010 and 2009</u>	3
<u>Notes to Condensed Consolidated Financial Statements</u>	4
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>	28
Item 4. <u>Controls and Procedures</u>	28
Part II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	29
Item 1A. <u>Risk Factors</u>	29
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
Item 6. <u>Exhibits</u>	30
<u>Signatures</u>	31
Ex 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
Ex 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
Ex 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Virtus Investment Partners, Inc.****Condensed Consolidated Balance Sheets****(Unaudited)**

<i>(\$ in thousands, except share data)</i>	September 30, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 36,834	\$ 28,620
Trading securities, at fair value	7,751	7,655
Available-for-sale securities, at fair value	2,050	1,789
Accounts receivable	18,775	19,400
Prepaid expenses and other assets	3,610	3,313
Total current assets	69,020	60,777
Furniture, equipment, and leasehold improvements, net	6,967	8,241
Intangible assets, net	51,286	54,844
Goodwill	4,795	4,795
Long-term investments and other assets (\$2,089 and \$2,143 at fair value, respectively)	5,906	5,366
Total assets	\$ 137,974	\$ 134,023
Liabilities and Stockholders Equity		
Current Liabilities		
Accrued compensation and benefits	\$ 13,927	\$ 14,707
Accounts payable	3,897	4,406
Income taxes payable		261
Other accrued liabilities	5,271	4,875
Broker-dealer payable	4,912	4,408
Total current liabilities	28,007	28,657
Deferred taxes, net	8,567	8,567
Note payable	15,000	15,000
Lease obligations and other long-term liabilities	5,602	6,169
Total liabilities	57,176	58,393
Commitments and Contingencies (Note 7)		
Series B redeemable convertible preferred stock (stated at liquidation value), \$.01 par value, 45,000 shares authorized, 35,217 and 45,000 shares issued and outstanding, respectively at September 30, 2010 and December 31, 2009	35,921	45,900
Stockholders Equity		
Common stock, \$.01 par value, 1,000,000,000 shares authorized, 6,266,526 and 5,824,388 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	62	58

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

Additional paid-in capital	912,905	902,962
Accumulated deficit	(867,953)	(873,145)
Accumulated other comprehensive loss	(137)	(145)
Total stockholders' equity	44,877	29,730
Total liabilities and stockholders' equity	\$ 137,974	\$ 134,023

See Notes to Condensed Consolidated Financial Statements.

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

(\$ in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2010	2009	September 30, 2010	2009
Revenues				
Investment management fees	\$ 23,483	\$ 20,599	\$ 71,285	\$ 56,577
Distribution and service fees	7,353	5,992	20,763	16,912
Administration and transfer agent fees	4,328	3,290	10,516	9,139
Other income and fees	418	514	1,253	1,199
Total revenues	35,582	30,395	103,817	83,827
Operating Expenses				
Employment expenses	15,910	14,083	47,727	41,596
Distribution and administration expenses	8,217	7,510	23,347	21,797
Other operating expenses	6,742	6,538	21,159	20,348
Restructuring and severance	228	450	1,358	1,080
Depreciation and other amortization	513	686	1,508	1,429
Intangible asset amortization	1,075	1,750	3,897	5,492
Total operating expenses	32,685	31,017	98,996	91,742
Operating Income (Loss)	2,897	(622)	4,821	(7,915)
Other Income (Expense)				
Realized and unrealized gain on trading securities	1,024	1,249	847	1,656
Other income (expense)	4	(21)	75	(16)
Total other income, net	1,028	1,228	922	1,640
Interest Income (Expense)				
Interest expense	(228)	(373)	(770)	(1,465)
Interest income	52	68	299	285
Total interest expense, net	(176)	(305)	(471)	(1,180)
Income (Loss) Before Income Taxes	3,749	301	5,272	(7,455)
Income tax expense	30	189	80	459
Net Income (Loss)	3,719	112	5,192	(7,914)
Preferred stockholder dividends	(785)	(900)	(2,585)	(2,860)
Allocation of earnings to preferred stockholders	(528)		(469)	
Net Income (Loss) Attributable to Common Stockholders	\$ 2,406	\$ (788)	\$ 2,138	\$ (10,774)

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

Earnings (Loss) per share	Basic	\$ 0.39	\$ (0.14)	\$ 0.36	\$ (1.86)
Earnings (Loss) per Share	Diluted	\$ 0.37	\$ (0.14)	\$ 0.33	\$ (1.86)
Weighted Average Shares Outstanding	Basic (in thousands)	6,103	5,824	5,931	5,808
Weighted Average Shares Outstanding	Diluted (in thousands)	6,538	5,824	6,466	5,808

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

<i>(\$ in thousands)</i>	Nine Months Ended September 30,	
	2010	2009
Cash Flows from Operating Activities:		
Net income (loss)	\$ 5,192	\$ (7,914)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and other amortization	1,508	&n