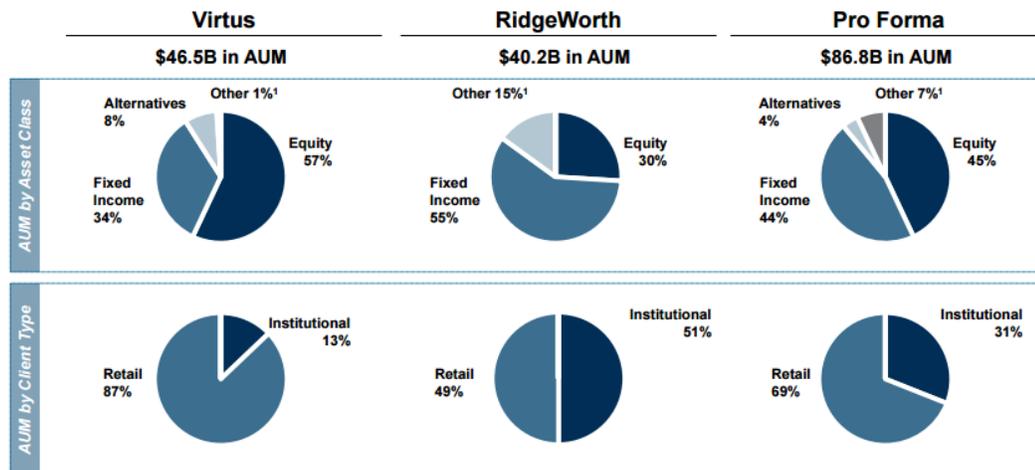




Park Sutton Insight: December 20, 2016

Virtus Investment Partners to acquire RidgeWorth Investments

- Announced 12/16/2016, expected to close mid-2017.
- The acquisition will create a firm with \$87b AUM.
- Virtus will acquire RidgeWorth for \$513mm.
 - Virtus will use a combination of cash, stock, and debt for the acquisition.
 - As of 12/15/16 closing, Virtus' diluted market capitalization was \$899mm
 - Virtus reports a purchase multiple of **6.5x EBITDA** after all cost synergies.
 - PSA calculates that before cost synergies the EBITDA multiple is well in excess of **10.0x EBITDA**.
- Pro-forma 2017 revenues are estimated to be \$600mm.
- The acquisition is intended to help Virtus grow AUM after a period of flat growth.
- The intent is also to capitalize on synergies between Fixed Income and Equity strategies offered by both firms. Post-acquisition, these two strategies will comprise 89% of fund offerings and afford Virtus more coverage in the institutional asset management space.
- RidgeWorth has a value-focused equity strategy (81% of equity offerings) and high-yield-focused fixed income strategy (50% of offerings), strategies that Virtus lacks.



- RidgeWorth boutique managers will remain independent and operate with their existing brand name and processes.
- In 2014, RidgeWorth was purchased from Sun Trust Bank by Lightyear Capital for \$265mm. At the time of acquisition by Lightyear, RidgeWorth had \$50.6b AUM.

- Year-to-date, Virtus has underperformed other asset managers. Virtus Investments in blue and the Dow Jones US Asset Managers Index in red:



- Virtus
 - \$46.6b AUM as of September 2016.
 - Net fund flows since 2013 have been \$200mm.
 - Its share price has dropped 2.5% this year despite the run-up in financial stocks.
- RidgeWorth
 - \$40.2b AUM as of September 2016.
 - Net fund flows since 2014 have been \$5.4b.

PSA Observations:

- An acquisition like this represents an attempt to diversify product lines and bolster fee revenue through the achievements of economies of scale.
- Virtus had desired to boost its presence in the institutional arena.
- RidgeWorth investment professionals will roll over \$28mm of RidgeWorth equity into Virtus stock, investments in Virtus mutual funds, and or/ deferred cash consideration so they will be very invested post-transaction.
- PSA expects to see more transactions like this one resulting in larger managers diversifying their product offering while eliminating duplicative operating costs.
- George Aylward Jr., the CEO of Virtus, is 52, and Ashi Parikh, the CEO of RidgeWorth, is 51. No announcement has been made regarding management changes.

Source: Park Sutton Advisors research, Virtus Investments Investor Relations, eVestment Database, Google Finance.