VIRTUS INVESTMENT PARTNERS, INC.
Form 10-Q
August 08, 2017

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, 2017
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	26-3962811
(State or other jurisdiction of incorporation or organization)	(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 x 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 x NO ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

The number of shares outstanding of the registrant's common stock was 7,217,908 as of July 31, 2017.

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“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.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2017	December 31, 2016
($ in thousands, except share data)		
Assets:		
Cash and cash equivalents	$127,571	$ 64,588
Investments	93,396	89,371
Accounts receivable, net	59,362	35,879
Assets of consolidated investment products ("CIP")		
Cash and cash equivalents of CIP	51,468	18,099
Cash pledged or on deposit of CIP	854	984
Investments of CIP	1,354,389	489,042
Other assets of CIP	27,786	9,158
Furniture, equipment and leasehold improvements, net	12,295	7,728
Intangible assets, net	312,081	38,427
Goodwill	171,170	6,788
Deferred taxes, net	54,655	47,535
Other assets	26,532	16,789
Total assets	$2,291,559	$ 824,388
Liabilities and Equity		
Liabilities:		
Accrued compensation and benefits	$51,978	$ 47,885
Accounts payable and accrued liabilities	29,167	25,176
Dividends payable	6,173	3,479
Contingent consideration	51,690	—
Debt	248,111	30,000
Other liabilities	18,279	13,505
Liabilities of consolidated investment products ("CIP")		
Notes payable of CIP	1,096,434	328,761
Securities purchased payable and other liabilities of CIP	143,058	16,643
Total liabilities	1,644,890	465,449
Commitments and Contingencies (Note 14)		
Redeemable noncontrolling interests of consolidated investment products	57,336	37,266
Equity:		
Equity attributable to stockholders:		
Series D mandatory convertible preferred stock, $0.01 par value, 1,150,000 shares authorized; 1,150,000 and 0 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively.	110,837	—
Common stock, $0.01 par value, 1,000,000,000 shares authorized; 10,447,953 shares issued and 7,217,908 shares outstanding at June 30, 2017 and 9,119,058 shares issued and 5,889,013 shares outstanding at December 31, 2016	104	91
Additional paid-in capital	1,217,501	1,090,331
Accumulated deficit	(410,506)	(424,279)
Accumulated other comprehensive loss	(88)	(224)
Treasury stock, at cost, 3,230,045 shares at June 30, 2017 and December 31, 2016	(344,246)	(344,246)
Total equity attributable to stockholders	573,602	321,673

Noncontrolling interests of consolidated investment products	15,731	—
Total equity	589,333	321,673
Total liabilities and equity	$2,291,559	$ 824,388

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
($ in thousands, except per share data)				
Revenues				
Investment management fees	$74,062	$58,192	$133,333	$115,836
Distribution and service fees	10,439	12,167	21,222	24,645
Administration and transfer agent fees	9,476	9,499	18,457	19,497
Other income and fees	155	227	896	402
Total revenues	94,132	80,085	173,908	160,380
Operating Expenses				
Employment expenses	42,992	33,065	82,633	69,042
Distribution and other asset-based expenses	15,764	17,432	31,087	35,533
Other operating expenses	20,236	12,457	33,462	23,222
Operating expenses of consolidated investment products	473	4,618	1,115	5,807
Restructuring and severance	8,894	2,391	8,894	2,391
Depreciation expense	776	776	1,440	1,638
Amortization expense	1,813	603	2,046	1,254
Total operating expenses	90,948	71,342	160,677	138,887
Operating Income	3,184	8,743	13,231	21,493
Other (Expense) Income				
Realized and unrealized gain on investments, net	1,287	3,281	1,584	2,623
Realized and unrealized (loss) gain of consolidated investment products, net	(1,424)	3,678	3,020	6,208
Other income (expense), net	47	(15)	693	213
Total other (expense) income, net	(90)	6,944	5,297	9,044
Interest (Expense) Income				
Interest expense	(3,739)	(129)	(3,982)	(261)
Interest and dividend income	446	619	634	892
Interest and dividend income of investments of consolidated investment products	5,102	4,278	10,758	9,445
Interest expense of consolidated investment products	(2,995)	(5,668)	(5,852)	(6,400)
Total interest (expense) income, net	(1,186)	(900)	1,558	3,676
Income Before Income Taxes	1,908	14,787	20,086	34,213
Income tax expense	1,880	6,087	6,313	13,643
Net Income	28	8,700	13,773	20,570
Noncontrolling interests	(333)	(612)	(1,051)	(119)
Net (Loss) Income Attributable to Stockholders	(305)	8,088	12,722	20,451
Preferred stockholder dividends	(2,084)	—	(4,168)	—
Net (Loss) Income Attributable to Common Stockholders	$(2,389)	$8,088	$8,554	$20,451
(Loss) Earnings per Share—Basic	$(0.34)	$0.99	$1.26	$2.48
(Loss) Earnings per Share—Diluted	$(0.34)	$0.97	$1.22	$2.43
Cash Dividends Declared per Preferred Share	$1.81	$—	$3.63	$—
Cash Dividends Declared per Common Share	$0.45	$0.45	$0.90	$0.90
Weighted Average Shares Outstanding—Basic (in thousands)	7,064	8,170	6,804	8,257

Weighted Average Shares Outstanding—Diluted (in thousands)	7,064	8,314	7,020	8,410

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
($ in thousands)				
Net Income	$28	$8,700	$13,773	$20,570
Other comprehensive income, net of tax:				
Foreign currency translation adjustment, net of tax of ($287) for the three months ended June 30, 2016, and ($348) for the six months ended June 30, 2016.	2	470	2	569
Unrealized gain on available-for-sale securities, net of tax of ($29) and ($74) for the three months ended June 30, 2017 and 2016, respectively and ($83) and ($171) for the six months ended June 30, 2017 and 2016, respectively.	46	121	134	281
Other comprehensive income	48	591	136	850
Comprehensive income	76	9,291	13,909	21,420
Comprehensive income attributable to noncontrolling interests	(333)	(612)	(1,051)	(119)
Comprehensive (Loss) Income Attributable to Stockholders	$(257)	$8,679	$12,858	$21,301

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

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

	Six Months Ended June 30,	
	2017	2016
($ in thousands)		
Cash Flows from Operating Activities:		
Net income	$13,773	$20,570
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense, intangible asset and other amortization	4,894	3,009
Stock-based compensation	9,490	6,658
Excess tax benefit from stock-based compensation	—	(164)
Amortization of deferred commissions	1,072	1,365
Payments of deferred commissions	(1,389)	(921)
Equity in earnings of equity method investments	(679)	(201)
Realized gain on sale of equity method investment	—	(2,883)
Realized and unrealized (gains) losses on trading securities, net	(1,584)	260
Sales of trading securities, net	5,558	11,122
Deferred taxes, net	(576)	7,190
Changes in operating assets and liabilities:		
Accounts receivable, net and other assets	(7,359)	576
Accrued compensation and benefits, accounts payable, accrued liabilities and other liabilities	(22,465)	(25,430)
Operating activities of consolidated investment products ("CIP"):		
Realized and unrealized gains on investments of CIP, net	(2,879)	(6,364)
Purchases of investments by CIP	(150,500)	(334,459)
Sales of investments by CIP	205,347	356,437
Net purchases of short term investments by CIP	265	6,515
Sales (purchases) of securities sold short by CIP, net	153	(4,455)
Change in cash pledged or on deposit of CIP	130	9,582
Change in other assets of CIP	1,589	(585)
Change in liabilities of CIP	(208)	404
Amortization of discount on notes payable of CIP	—	3,719
Net cash provided by operating activities	54,632	51,945
Cash Flows from Investing Activities:		
Capital expenditures	(678)	(1,093)
Proceeds from sale of equity method investment	—	8,621
Change in cash and cash equivalents of consolidated investment products due to consolidation, net	5,466	103
Equity method investment contributions	—	(759)
Acquisition of business (cash paid $471.4 million, less cash acquired $77.6 million)	(393,784)	—
Purchases of available-for-sale securities	(130)	(121)
Net cash (used in) provided by investing activities	(389,126)	6,751
Cash Flows from Financing Activities:		
Issuance of debt	260,000	—
Repayments on credit facility and other debt	(30,271)	—
Payment of deferred financing costs	(15,520)	—

Proceeds from issuance of mandatory convertible preferred stock, net of issuance costs	111,004	—
Proceeds from issuance of common stock, net of issuance costs	109,487	—
Common stock dividends paid	(6,060)	(7,638)
Preferred stock dividends paid	(2,084)	—
Repurchases of common shares	—	(61,809)
Proceeds from exercise of stock options	86	400
Taxes paid related to net share settlement of restricted stock units	(3,029)	(1,332)
Excess tax benefits from stock-based compensation	—	164
Contributions of noncontrolling interests, net	7,733	1,537
Financing activities of consolidated investment products ("CIP"):		
Repayment of debt of CIP	—	(156,012)
Proceeds from issuance of notes payable by CIP	—	316,280
Repayment of notes payable by CIP	(500)	—
Net cash provided by financing activities	430,846	91,590
Net increase in cash and cash equivalents	96,352	150,286
Cash and cash equivalents, beginning of period	82,687	97,384
Cash and Cash Equivalents, End of Period	$179,039	$247,670
Non-Cash Investing Activities:		
Change in accrual for capital expenditures	$(174)	$45
Non-Cash Financing Activities:		
Decrease to noncontrolling interest due to deconsolidation of consolidated investment products	$11,286	$(52,874)
Stock issued for acquisition of business	$21,738	$—
Contingent consideration for acquisition of business	$51,690	$—
Common stock dividends payable	$3,248	$3,473
Preferred stock dividends payable	$2,084	$—
Accrued stock issuance costs	$334	$—

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

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Virtus Investment Partners, Inc.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

($ in thousands except per share data)	Common Stock Shares	Common Stock Par Value	Preferred Stock Shares	Preferred Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Amount	Total Attribute To Stockhol
Balances at December 31, 2015	8,398,944	$96	—	—	$1,140,875	$(472,614)	$(1,034)	1,214,144	$(157,699)	$509,624
Net income	—	—	—	—	—	20,451	—	—	—	20,451
Net unrealized loss on securities available-for-sale	—	—	—	—	—	—	281	—	—	281
Foreign currency translation adjustments	—	—	—	—	—	—	569	—	—	569
Activity of noncontrolling interests, net	—	—	—	—	—	—	—	—	—	—
Cash dividends declared ($0.90 per common share)	—	—	—	—	(7,452)	—	—	—	—	(7,452
Repurchases of common shares	(732,713)	(6)	—	—	(47,133)	—	—	176,204	(15,000)	(62,139
Issuance of common shares related to employee stock transactions	51,832	1	—	—	963	—	—	—	—	964
Taxes paid on stock-based compensation	—	—	—	—	(1,332)	—	—	—	—	(1,332
Stock-based compensation	—	—	—	—	6,620	—	—	—	—	6,620
Tax deficiencies from stock-based compensation	—	—	—	—	(1,313)	—	—	—	—	(1,313
Balances at June 30, 2016	7,718,063	$91	—	—	$1,091,228	$(452,163)	$(184)	1,390,348	$(172,699)	$466,273
Balances at December 31, 2016	5,889,013	$91	—	—	$1,090,331	$(424,279)	$(224)	3,230,045	$(344,246)	$321,673
Cumulative effect adjustment for adoption of ASU 2016-09	—	—	—	—	—	1,051	—	—	—	1,051

Net income	—	—	—	—	—	12,722	—	—	—	12,722
Net unrealized gain on securities available-for-sale	—	—	—	—	—	—	134	—	—	134
Foreign currency translation adjustments	—	—	—	—	—	—	2	—	—	2
Activity of noncontrolling interests, net	—	—	—	—	—	—	—	—	—	—
Issuance of mandatory convertible preferred stock, net of offering costs	—	—	1,150,000	110,837	—	—	—	—	—	110,837
Cash dividends declared ($3.625 per preferred share)	—	—	—	—	(4,168)	—	—	—	—	(4,168
Issuance of common stock for acquisition of business	213,669	2	—	—	21,738	—	—	—	—	21,740
Issuance of common stock, net of offering costs	1,046,500	10	—	—	109,310	—	—	—	—	109,320
Cash dividends declared ($0.90 per common share)	—	—	—	—	(6,670)	—	—	—	—	(6,670
Issuance of common shares related to employee stock transactions	68,726	1	—	—	816	—	—	—	—	817
Taxes paid on stock-based compensation	—	—	—	—	(3,029)	—	—	—	—	(3,029
Stock-based compensation	—	—	—	—	9,173	—	—	—	—	9,173
Balances at June 30, 2017	7,217,908	$104	1,150,000	110,837	$1,217,501	$(410,506)	$(88)	3,230,045	$(344,246)	$573,602

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

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Virtus Investment Partners, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)
1. Organization and Business

Virtus Investment Partners, Inc. (“the Company,” “we,” “us,” “our,” or “Virtus”), a Delaware corporation, operates in the investment management industry through its subsidiaries.

The Company provides investment management and related services to individuals and institutions. The Company’s retail investment management services are provided to individuals through products consisting of U.S. 1940 Act mutual funds and Undertaking for Collective Investment in Transferable Securities ("UCITS") (collectively, "open end funds"), closed-end funds, exchange traded funds (“ETFs”) and retail separate accounts. Institutional investment management services are provided to corporations, multi-employer retirement funds, employee retirement systems, foundations, endowments, structured products and as a subadviser to unaffiliated mutual funds.

On June 1, 2017, the Company completed the acquisition of RidgeWorth Investments ("RidgeWorth"), which provides investment management and related services to clients throughout North America, Europe and Asia. See Note 3 for further discussion of the RidgeWorth acquisition.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the Company’s financial condition and results of operations. Operating results for the six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

The Company has reclassified certain amounts in prior-period financial statements to conform to the current period's presentation. As a result of the overall increase of consolidated investment products and the decrease in consolidated sponsored investment products during the quarter, the Company has combined these categories under the caption "consolidated investment products" and accordingly reclassified prior presentations. Further, the Company has reclassified its prior net presentation of purchases and sales of investments by its consolidated sponsored investments products and its consolidated investment product in the Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2016 to conform with the current year presentation of showing such purchases and sales as separate line items within the cash flows from operating activities. The reclassifications had no impact on the net cash provided by or used in operating, investing or financing activities within the Condensed Consolidated Statement of Cash Flows, nor any impact on the other Condensed Consolidated Financial Statements.
These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission. The Company’s significant accounting policies, which have been consistently applied, are summarized in its 2016 Annual Report on Form 10-K.

New Accounting Standards Implemented

The Company adopted Accounting Standards Update ("ASU") 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), on January 1, 2017. This standard makes several modifications to the accounting for forfeitures and employer tax withholdings on share-based compensation as well as the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation of certain components of share-based awards. Upon adoption, the Company recorded a $1.1 million cumulative effect adjustment to retained earnings for excess tax benefits that were not previously recognized because the related tax deduction had not reduced current taxes payable. The Company elected to adopt all provisions impacting the Condensed Consolidated Statements of Operations and Cash Flows prospectively.

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The Company adopted ASU 2016-07, Investments - Equity Method and Joint Ventures (Topic 232): Simplifying the Transition to the Equity Method of Accounting, on January 1, 2017. This standard eliminates the requirement that, when an existing cost method investment qualifies for use of the equity method, a reporting entity must restate its historical financial statements, as if the equity method had been used during all previous periods. Under the new guidance, at the point an investment qualifies for the equity method, any unrealized gain or loss in accumulated other comprehensive income/(loss) would be recognized through earnings. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

New Accounting Standards Not Yet Implemented

In November 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”). ASU 2016-18 requires the inclusion of restricted cash with cash and cash equivalents when reconciling the beginning and ending cash on the statement of cash flows. This standard is effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. A reporting entity should apply this standard on a retrospective basis as of the beginning of the fiscal year for which the standard is effective. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"), which clarifies the treatment of several cash flow activities. ASU 2016-15 also clarifies that when cash receipts and cash payments have aspects of more than one classification of cash flows and cannot be separated, classification will depend on the predominant source or use. This update is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and, supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 was originally effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 by one year or for periods beginning after December 15, 2017. Adoption of the standard requires either a retrospective or a modified retrospective approach to adoption, and early adoption is permitted as of the original effective date. The core principle of the model is that revenue is recognized upon the transfer of promised goods or services to customers in an amount that reflects the expected consideration to be received for the goods or services. The guidance also changes the accounting for certain contract costs and revises the criteria for determining if an entity is acting as a principal or agent in certain arrangements. This update is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company's implementation assessment includes the identification of revenue within the scope of the guidance, as well as the evaluation of revenue contracts, and it is also evaluating the presentation of certain revenue-related costs on a gross versus net basis and related disclosures of revenue. Although the Company is still evaluating the impact of ASU 2014-09, it has not identified material changes in the timing of revenue recognition.

In March 2016, the FASB issued ASU 2016-08, Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net), which amends the principal-versus-agent implementation guidance in ASU 2014-09, Revenue from Contracts with Customers, discussed above. The new guidance will impact whether an entity reports revenue on a gross or net basis. The Company is currently evaluating the potential impact of adopting this standard on its consolidated financial statements, which is effective for the Company in conjunction with the adoption of ASU 2014-09.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). The standard replaces current codification Topic 840 with updated guidance on accounting for leases and requires a lessee to recognize assets and liabilities arising from an operating lease on the balance sheet, whereas previous guidance did not require lease assets and liabilities to be recognized for most leases. Furthermore, this standard permits companies to make an accounting policy election to not recognize lease assets and liabilities for leases with a term of 12 months or less. For both finance leases and operating leases, the lease liability should be initially measured at the present value of the lease payments. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will not significantly change under this new guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods therein. Early adoption is permitted. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements but expects to record a right-of-use asset and a related lease obligation in the Company's consolidated balance sheet upon adoption.

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In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which requires all equity investments (other than those accounted for under the equity method) to be measured at fair value with changes in the fair value recognized through net income. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017 and interim periods therein. Early adoption is not permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements with respect to equity investments that currently report changes in fair value as a component of accumulated other comprehensive income in equity attributable to stockholders. Comprehensive income, net of tax, with respect to these equity investments was $0.2 million for the year ended December 31, 2016.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations: Clarifying the Definition of a Business ("ASU 2017-01"). The standard clarifies the definition of a business and adds guidance to assist entities when evaluating whether transactions should be accounted for as acquisitions or disposals of assets or as businesses. The standard provides a screen to determine whether a set of assets and activities qualifies as a business or as a set of assets. ASU 2017-01 is effective for fiscal years and interim periods within those years beginning after December 15, 2017. The standard requires a prospective approach to adoption, and early adoption is only permitted for specific transactions. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 requires that an entity perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, but the loss cannot exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 is effective for fiscal years and interim periods within those years beginning after December 15, 2019. The amendments require a prospective approach to adoption and early adoption is permitted for interim or annual goodwill impairment tests. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

3. Business Combination

On June 1, 2017, the Company completed the acquisition of RidgeWorth (the "Acquisition"), a multi-boutique asset manager with approximately $40.1 billion in assets under management ("AUM"), including $35.7 billion in long term AUM. The Acquisition significantly increased AUM, and provided a wider range of strategies for institutional and individual investors, and broader distribution and client service resources.

Total purchase price of the Acquisition was $547.1 million, comprising $485.2 million for the business and $61.9 million for certain balance sheet investments. At the closing, the Company paid $471.4 million in cash, issued 213,669 shares of the Company's common stock with a value of $21.7 million based on a stock price of $101.76, and recorded $51.7 million in contingent consideration and $2.3 million in deferred cash consideration. The conditions for the $51.7 million of contingent consideration were met as of June 30, 2017, and the Company expects to pay this amount during the fourth quarter of 2017. The total purchase price is subject to finalization of agreed upon working capital levels for the acquired business, which is expected to be completed by the end of the year.

The Company accounted for the acquisition in accordance with ASC 805, Business Combinations. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of the Acquisition.

Given the timing of this transaction and complexity of the purchase accounting, our estimate of the fair value adjustment specific to the acquired intangible assets and final tax positions is preliminary. We intend to finalize the accounting for these items as soon as reasonably possible. The Company may adjust the preliminary purchase price allocation, as necessary, during the measurement period of up to one year after the closing date as it obtains more information as to facts and circumstances existing as of the acquisition date.

The excess purchase price over the estimated fair values of assets acquired and liabilities and non-controlling interests assumed of $164.4 million was recorded as goodwill. As of June 30, 2017, $123.0 million of the goodwill is expected to be deductible for tax purposes. It is anticipated that the $51.7 million of contingent consideration will be allocated to goodwill when settled, which we expect will be tax deductible.

The following table summarizes the initial estimate of amounts of identified acquired assets and liabilities assumed as of the acquisition date:

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	June 1, 2017
($ in thousands)	
Assets:	
Cash and cash equivalents	39,343
Investments	5,516
Accounts receivable	19,941
Assets of consolidated investment products ("CIP")	
Cash and cash equivalents of CIP	38,261
Investments of CIP	902,493
Other assets of CIP	21,158
Furniture, equipment and leasehold improvements	5,505
Intangible assets	275,700
Goodwill	164,382
Deferred taxes, net	5,573
Other assets	3,003
Total Assets	1,480,875
Liabilities	
Accrued compensation and benefits	18,263
Accounts payable and accrued liabilities	11,938
Other liabilities	2,601
Liabilities of consolidated investment products ("CIP")	
Notes payable of CIP	770,160
Securities purchased payable and other liabilities of CIP	115,100
Noncontrolling Interests of CIP	15,731
Total Liabilities & Noncontrolling Interests	933,793
Total Net Assets Acquired	547,082

Identifiable Intangible Assets Acquired

In connection with the allocation of the purchase price, we identified indefinite-lived trade names with an estimated fair value of $8.7 million as well as the following definite-lived intangible assets:

	June 1, 2017	
	Approximate Fair Value	Weighted Average of Useful Life
($ in thousands)		
Mutual Fund Investment Contracts	189,200	10.2 years