



Third Quarter 2019  
Earnings Presentation  
November 5, 2019

This presentation may contain “forward-looking” statements that are based on our beliefs and assumptions and on information currently available to us. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, competitive position and potential organic and inorganic growth opportunities. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipate,” “believe,” “could,” “seek,” “estimate,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent our beliefs and assumptions only as of the date of this presentation. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

Victory Capital uses non-GAAP financial measures referred to as Adjusted EBITDA and Adjusted Net Income to measure the operating profitability of the business. These measures eliminate the impact of one-time acquisition, restructuring and integration costs and demonstrate the ongoing operating earnings metrics of the business. The Company has included these non-GAAP measures to provide investors with the same financial metrics used by management to assess the operating performance of the Company. Reconciliations of non-GAAP metrics to their closest comparable GAAP metrics can be found in the Appendix that accompanies this presentation.

## Topics

Business Overview

Investment Performance

USAA Asset Management Company Integration Update

Third Quarter 2019 Financial Results

Appendix

# Business Overview

## AUM & FLOWS

- AUM increased to \$145.8Bn at September 30, 2019
  - Positive 3Q long-term net flows of +\$726MM; YTD long-term net flows of +\$3.3Bn
  - Second consecutive quarter of positive long-term net flows
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## 3Q FINANCIAL HIGHLIGHTS

- \$0.91 Adjusted Net Income with tax benefit per diluted share
  - 44.8% Adjusted EBITDA Margin for the quarter; up 480 basis points from 2Q
  - Ended the quarter with \$1.037Bn of debt, down from \$1.1Bn on July 1; subsequently reduced to \$997MM
  - Declared second \$0.05 per share quarterly cash dividend
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## USAA INTEGRATION UPDATE

- USAA Asset Management acquisition closed on July 1, 2019
- Timing of annual cost synergies pulled forward; greater than \$75 million at close; \$105 million as of Sept. 30; with total run-rate synergies of \$120 million on track for mid-2020
- Direct investment channel for USAA members reopened July 1, 2019, after being closed for five years
- New call center set up and fully operational

# Investment Performance



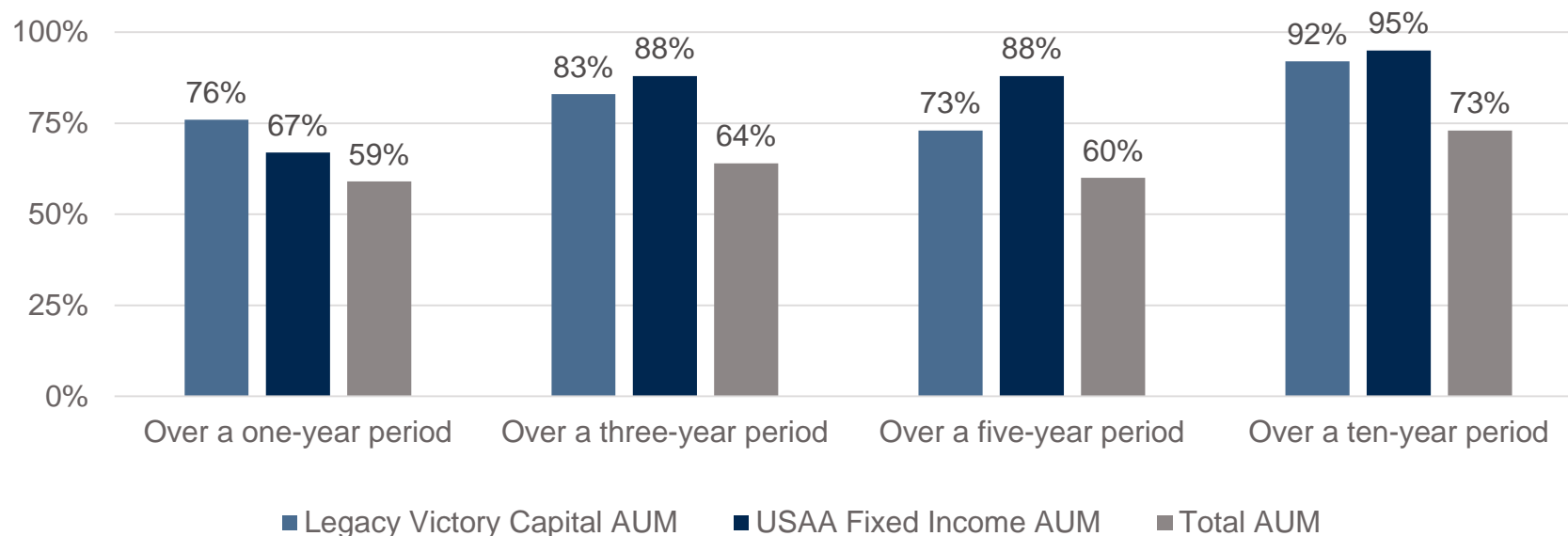
**44**

*Total Mutual Funds and ETFs with 4- or 5-Star overall ratings*

**68%**

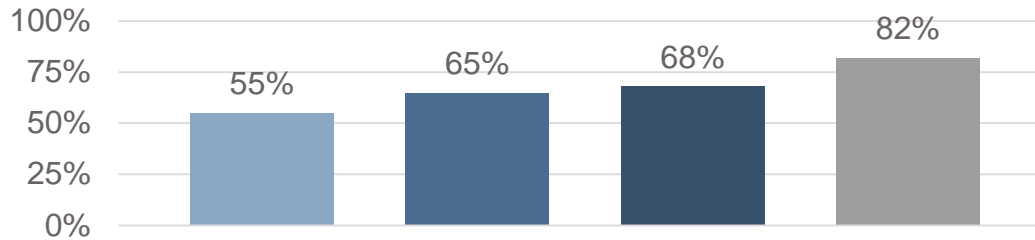
*Total Mutual Funds and ETFs AUM with 4- or 5-Star overall ratings*

## Percentage of AUM that has outperformed its benchmark

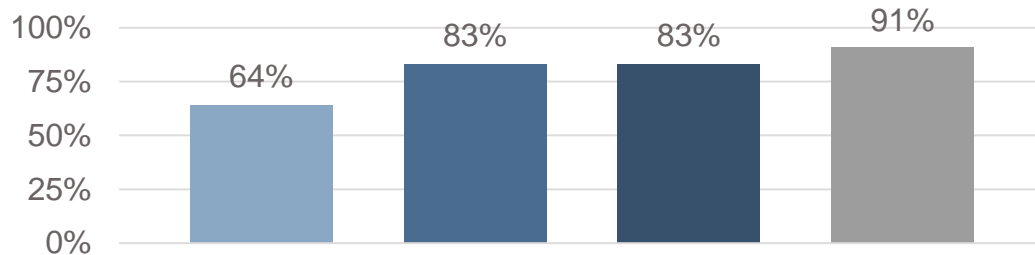


# Percentage of Strategies Outperforming Benchmarks

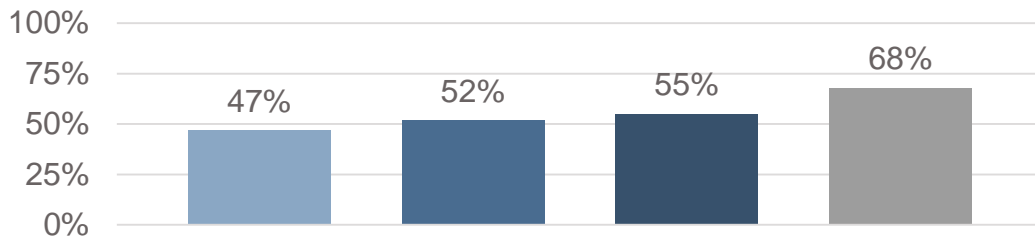
## Legacy Victory Capital



## USAA Fixed Income



## Total



■ 1-Year    ■ 3-Year    ■ 5-Year    ■ 10-Year



# USAA Asset Management Company Integration Update

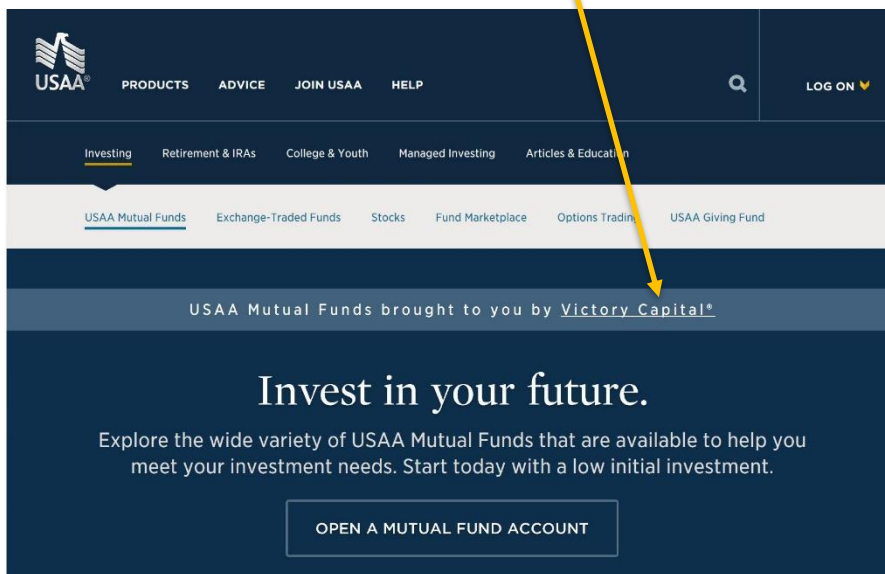
## **Loyal USAA Members**

- Using multiple methods to engage with members
- Strong digital connectivity among members:
  - > Majority of direct mutual fund and ETF purchases are made via self-service platforms
  - > 93% of member base was digitally active in 2018
- Many direct channel investors take advantage of automatic investment plans
  - > Particularly 529 College Savings Plan investors
- Historically very high retention rates

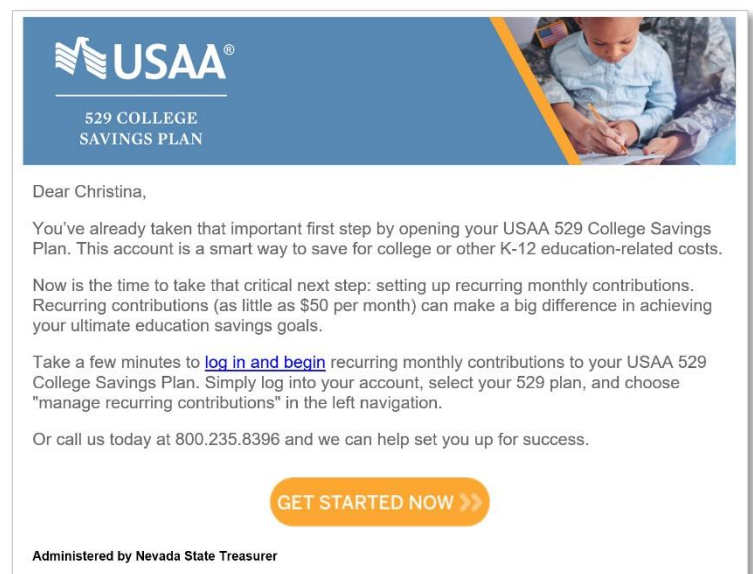
## **The New Victory Capital Investor Call Center**

- Sales and service professionals focused on servicing USAA Members
- Long-tenured Member Service Representatives
  - > Familiar with USAA Member needs
  - > Serving with purpose
- FINRA Series 7 & 63 licensed professionals
  - > Available for personal portfolio reviews, college planning assistance, and investment guidance for USAA members
- Currently meeting high-quality standards
  - > More than 150,000 total calls since acquisition closed on July 1 close

## USAA Mutual Funds Homepage – usaa.com



## Sample USAA 529 College Savings Plan Campaign Email



## **50 Fixed Income and Solutions investment professionals retained from USAA**

- 12 fixed income mutual funds
  - > Six taxable and six tax-exempt
  - > All 12 are four or five star rated by Morningstar

## **New distribution opportunity in existing channels**

- Victory Capital's well-established distribution teams have launched marketing of the highly rated USAA fixed income funds, ETFs, and other products via:
  - > Retail Intermediary Platforms
  - > Retirement Channel
  - > Institutional Channel



## RULES-BASED & FACTOR- ORIENTED SOLUTIONS

- Competitive fee rates, yielding higher than firm-wide average margin on integrated platform
- Total AUM of \$49.1Bn at September 30, 2019
- Multiple mandates funded in 2019
  - > Multi-Asset
  - > Global Dividend
  - > Customized Thematic
- Rules- and factor-based quantitative platform includes ETFs, mutual funds, and institutional separate accounts
- Recently added active fixed income ETFs with USAA acquisition
- ETF AUM has grown from \$198MM in 2015 to \$3.9Bn\* at September 30, 2019

# Third Quarter 2019 Financial Results

## 3Q FLOWS AND AUM

- AUM increased to \$145.8Bn at September 30, 2019
  - Positive 3Q long-term net flows of +\$726MM; YTD long-term net flows of +\$3.3Bn
  - Second consecutive quarter of positive long-term net flows
- 

## RECORD FINANCIAL RESULTS

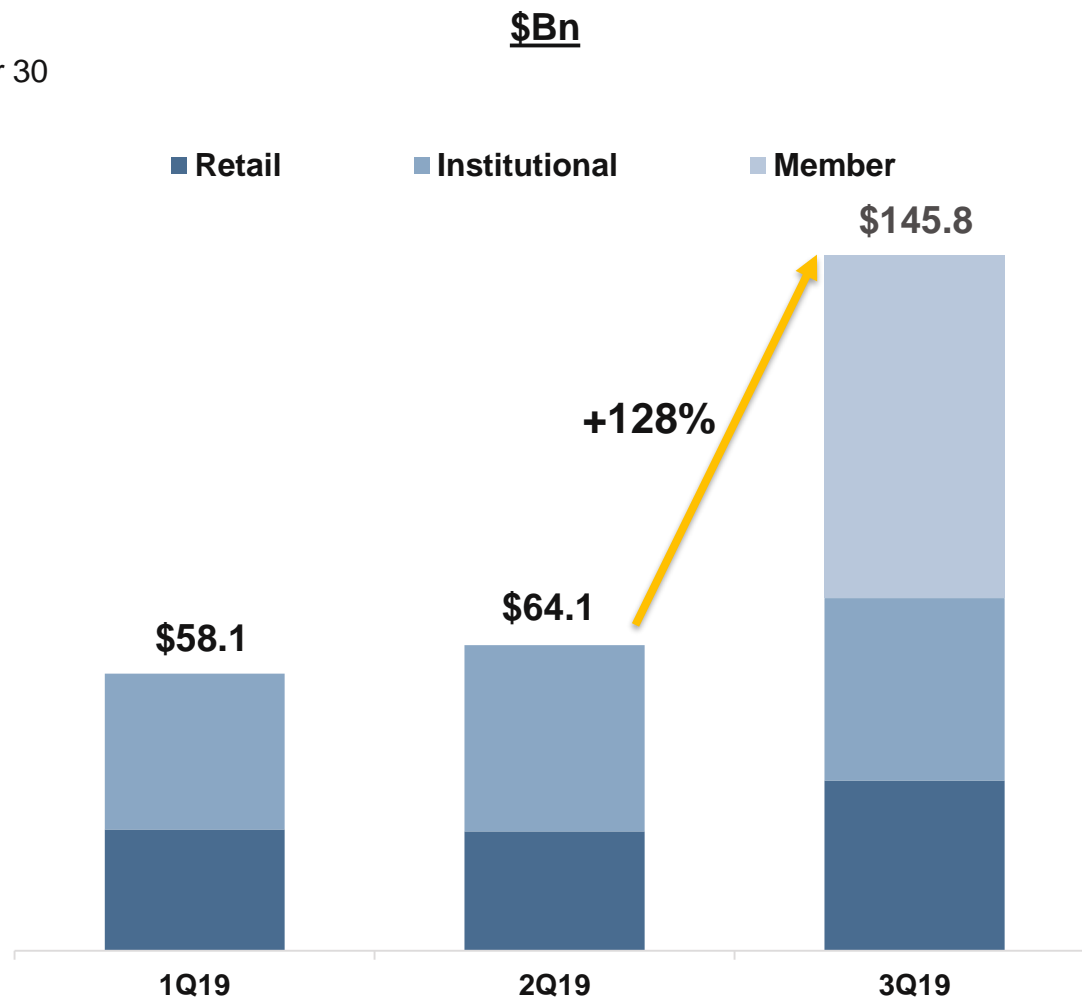
- \$215MM revenue, up 135% from 2Q
  - \$0.35 GAAP Earnings per diluted share, up 75% from 2Q
  - \$0.91 Adjusted Net Income with tax benefit per diluted share, up 139% from 2Q
  - 25.9% GAAP Operating Margin
  - 44.8% Adjusted EBITDA Margin
- 

## CAPITAL MANAGEMENT

- \$1.037Bn debt outstanding on September 30 with \$63MM pay down; currently \$997MM after another \$40MM paydown
  - > 7-year term loan priced at L+325
- Returned \$9.1MM to shareholders in 3Q

# Assets Under Management (End of Period)

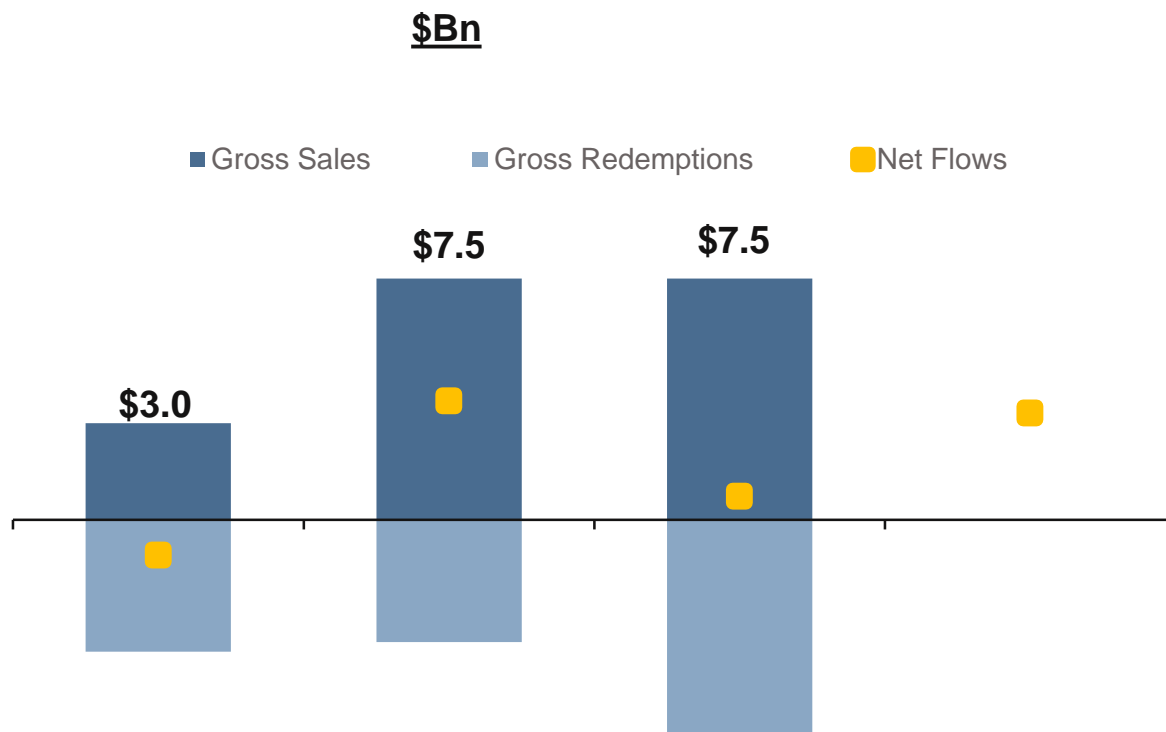
- Total AUM of \$145.8Bn, at September 30
- Up 128% from June 30, driven by acquired assets and net inflows
- Diversified distribution channels
  - > Retail 25%
  - > Institutional 26%
  - > Member 49%





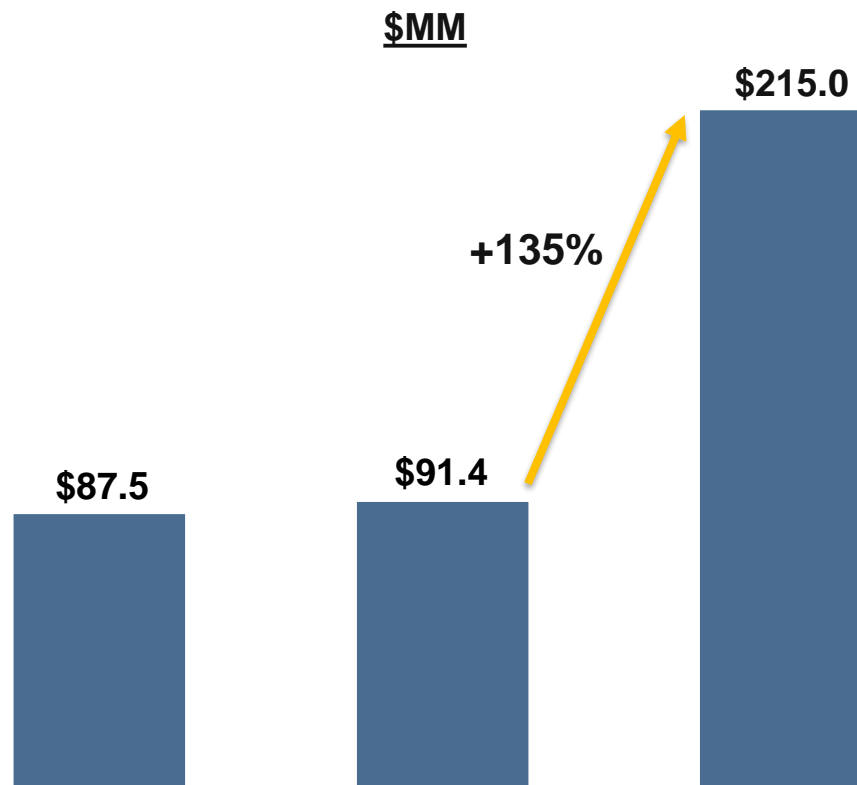
# Long-Term Asset Flows

- 3Q 2019 positive long-term net flows of \$726MM
- 6 franchises and Solutions generated YTD long-term net inflows
- Long-term net inflows of +\$3.3Bn YTD through September 30



Operating Metrics	1Q19	2Q19	3Q19	YTD 9/30
Gross long-term sales (% of starting AUM)	5.7%	12.9%	11.6%	34.1%
Net long-term flows (\$MM)	-\$1,105	+\$3,694	+\$726	+\$3,315
Net long-term flows (% of starting AUM)	-2.1%	+6.4%	+1.1%	+6.3%

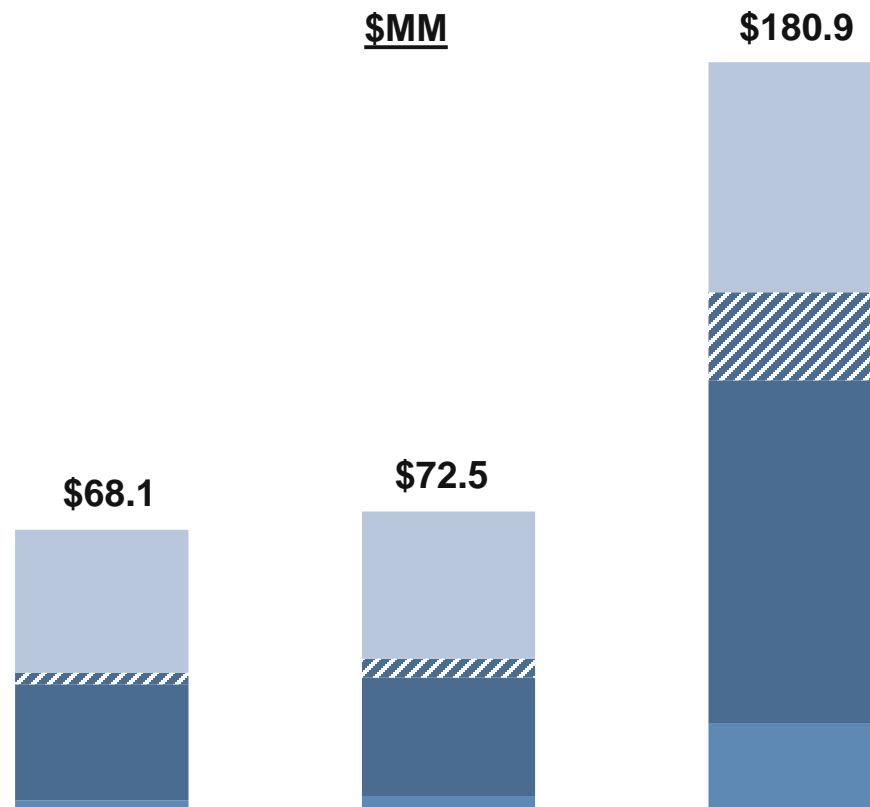
- Record quarterly and YTD revenue
  - > QoQ revenue up 135%
  - > YTD revenue up 24%
- Fee rate reduction in 3Q due to:
  - > Temporary waiver of fulcrum fees on acquired assets, through July 1, 2020
  - > Mix shift to higher-margin, lower-fee channels and asset classes



Operating Metrics	1Q19	2Q19	3Q19
Average AUM (\$Bn)	\$57.0	\$60.1	\$145.9
Average Fee Rate (bps), as reported	62.2	61.0	58.5

**Total expenses increased 150% QoQ, due to:**

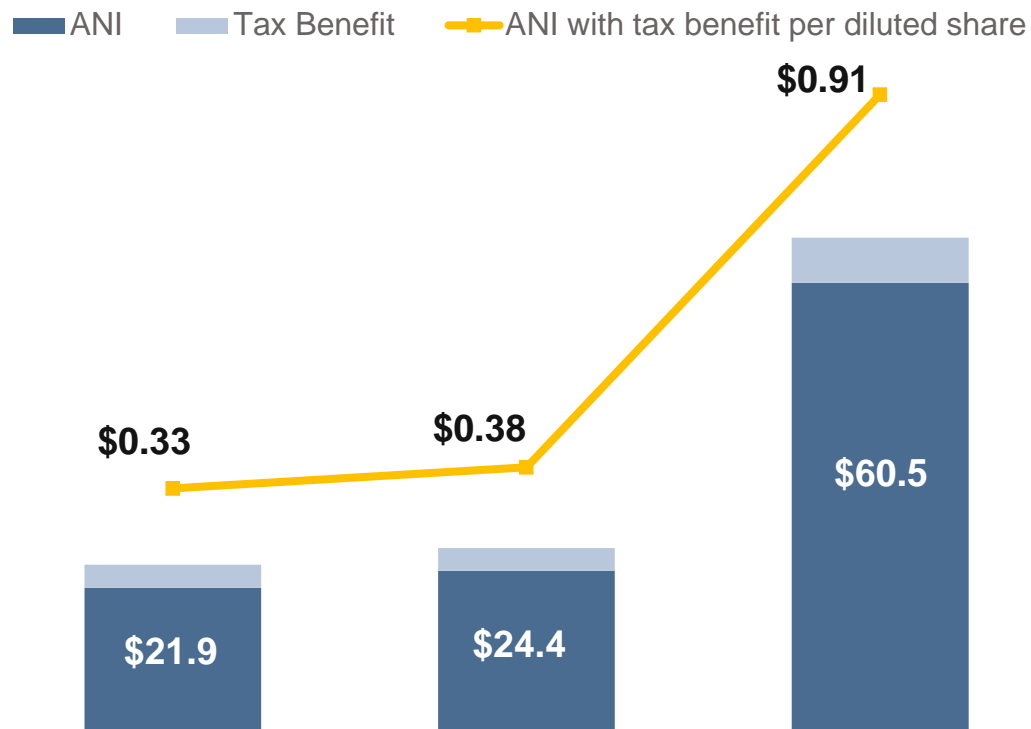
- 57% increase in personnel expense from 110+ new hires from USAA
- Higher operating expenses due to increase in distribution and other asset-based expenses.
- Non-operating expense increase primarily reflects higher interest cost and loss on debt extinguishment



Operating Metrics (\$MM)		1Q19	2Q19	3Q19
Personnel		\$34.5	\$35.5	\$55.6
*Acquisition-related, restructuring & integration		2.8	4.6	21.2
Operating		28.0	28.5	82.7
Non-Operating		2.8	3.9	21.5

- 3Q19 Adjusted Net Income (ANI) with tax benefit of \$0.91 per diluted share, up 139%
- ANI with tax benefit of \$67.3MM
  - > \$60.5MM ANI, up 148%
  - > \$6.8MM tax benefit
- Adjusted EBITDA Margin of 44.8%
  - > Up 480 bps vs 2Q'19
  - > Up 640 bps vs 1Q'19

## \$MM except per share data

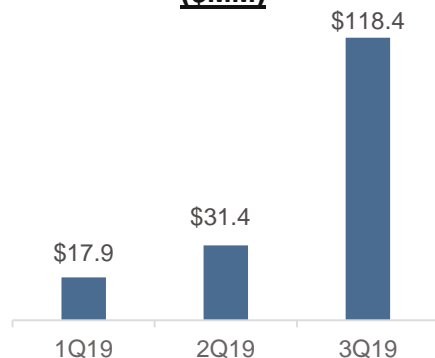


Operating Metrics	1Q19	2Q19	3Q19
Adjusted EBITDA (\$MM)	\$33.6	\$36.6	\$96.3
Adjusted EBITDA Margin	38.4%	40.0%	44.8%

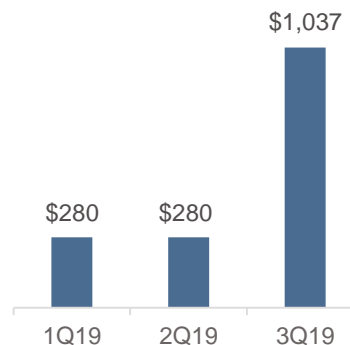
- Cash balance increased from \$51.5MM at Dec. 31, 2018, to \$79.0MM at Sept 30, 2019
- Repurchased 300K shares in 3Q19
- Declared second quarterly cash dividend of \$0.05 per share, payable on December 26
- Returned \$9.1MM to shareholders

Selected Balance Sheet Items (\$MM)		9/30/19
Cash / Cash Equivalents		\$79.0
Debt		\$1.037Bn
Stockholders' Equity		\$506.7
Diluted Shares Outstanding (MM)		73.7
Net Debt / Proforma EBITDA <sup>1</sup> (at Sep. 30, 2019)		2.4x

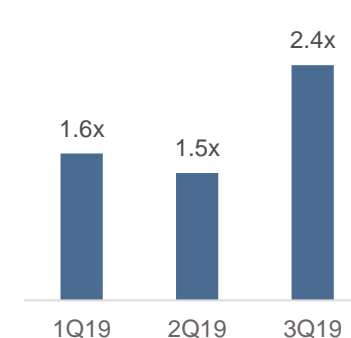
**GAAP Operating Cash Flow (\$MM)**



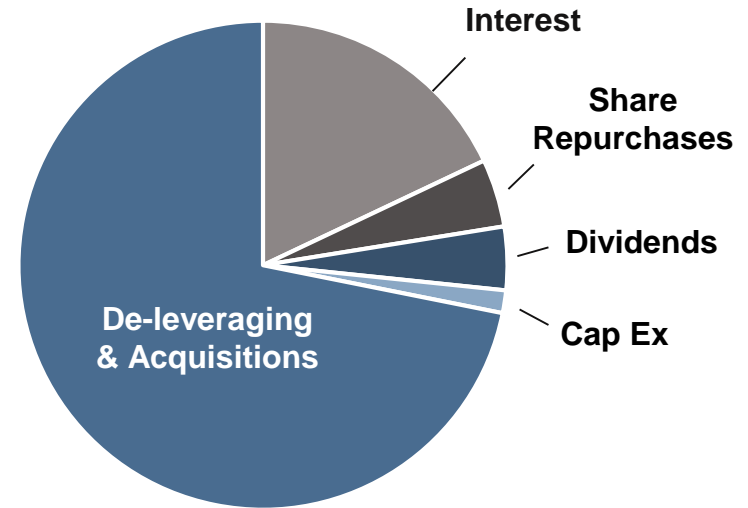
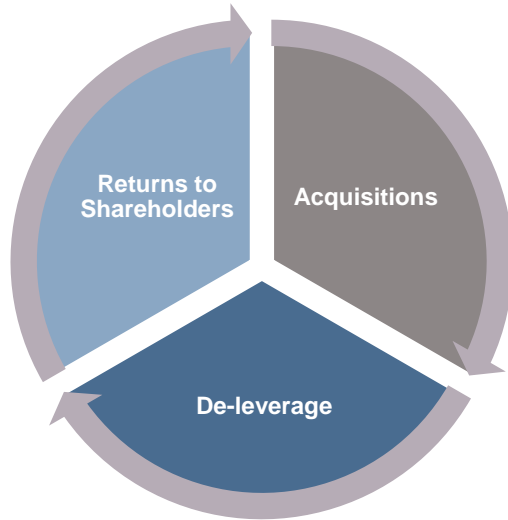
**Debt (\$MM)**



**Leverage Ratio<sup>1</sup>**



<sup>1</sup> Net Debt/Proforma EBITDA ratio was 2.4x at 9.30.19, based on post-synergy run-rate Adjusted EBITDA of approximately \$400MM, and net debt of \$958MM from \$1,037MM in debt, less \$79MM in cash.



## **Enhancing Shareholder Value by:**

- Improving platform with strategic acquisitions
- Growing earnings in face of industry headwinds
- Gaining efficiency from integrated platform
- Expanding margins by increasing scale and efficiency
- Evaluating numerous consolidation opportunities
- Being acquirer of choice for many asset managers

## **Maintaining Balance Sheet Flexibility with:**

- Strategic capital allocation policy
- Strong free cash flow generation
- Capacity to quickly de-leverage
- Ancillary cash dividend
- Minor share repurchases
- Minimal capital expenditures, due to outsourcing

## ANNUAL COST SYNERGIES

- \$120MM in total cost synergies
    - Greater than \$75MM of costs removed, as of July 1 close
    - \$105MM of costs removed, as of Sep 30; timing faster than plan
    - \$120MM of costs removed by 3Q 2020
  - \$50MM one-time cost to achieve synergies (\$18MM through 3Q)
- 

## ADJUSTED EPS ACCRETION

- Greater than 40% in 2019
  - Greater than 100% in 2020
- 

## CASH FLOW AND BALANCE SHEET

- Adjusted EBITDA margin of ~46%, when fully integrated
- Free cash flow of 70%-75% of adjusted EBITDA
- Ability to rapidly de-leverage

# Appendix



## **Information Regarding Non-GAAP Financial Measures**

Victory Capital uses non-GAAP financial measures referred to as Adjusted EBITDA and Adjusted Net Income to measure the operating profitability of the Company. These measures eliminate the impact of one-time acquisition, restructuring and integration costs and demonstrate the ongoing operating earnings metrics of the Company. The Company has included these non-GAAP measures to provide investors with the same financial metrics used by management to assess the operating performance of the Company. Due to rounding, numbers presented in the following tables may not add up to precisely the totals provided.

### **Adjusted EBITDA**

Adjustments made to GAAP Net Income to calculate Adjusted EBITDA, as applicable, are:

- Adding back income tax expense;
- Adding back interest paid on debt and other financing costs net of interest income;
- Adding back depreciation on property and equipment;
- Adding back other business taxes;
- Adding back amortization expense on acquisition-related intangible assets;
- Adding back stock-based compensation expense associated with equity awards issued from pools created in connection with the management-led buyout and various acquisitions and as a result of equity grants related to the IPO;
- Adding back direct incremental costs of acquisitions and the IPO, including restructuring costs;
- Adding back debt issuance cost expense;
- Adding back pre-IPO governance expenses paid to the Company's private equity partners that terminated as of the completion of the IPO; and
- Adjusting for earnings/losses on equity method investments.

## **Information Regarding Non-GAAP Financial Measures (cont.)**

### **Adjusted Net Income**

Adjustments made to GAAP Net Income to calculate Adjusted Net Income, as applicable, are:

- Adding back other business taxes;
- Adding back amortization expense on acquisition-related intangible assets;
- Adding back stock-based compensation expense associated with equity awards issued from pools created in connection with the management-led buyout and various acquisitions and as a result of any equity grants related to the IPO;
- Adding back direct incremental costs of acquisitions and the IPO, including restructuring costs;
- Adding back debt issuance cost expense;
- Adding back pre-IPO governance expenses paid to the Company's private equity partners that terminated as of the completion of the IPO; and
- Subtracting an estimate of income tax expense applied to the sum of the adjustments above.

### **Tax Benefit of Goodwill and Acquired Intangible Assets**

Due to Victory Capital's acquisitive nature, tax deductions allowed on acquired intangible assets and goodwill provide it with additional significant supplemental economic benefit. The tax benefit of goodwill and intangible assets represent the tax benefits associated with deductions allowed for intangible assets and goodwill generated from prior acquisitions in which the Company received a step-up in basis for tax purposes. Acquired intangible assets and goodwill may be amortized for tax purposes, generally over a 15-year period. The tax benefit from amortization on these assets is included to show the full economic benefit of deductions for all acquired intangible assets with a step-up in tax basis.

# Consolidated Reconciliations of Adjusted EBITDA



	For the three months ended,				
	<i>(in thousands)</i>				
	<u>9/30/2018</u>	<u>12/18/2018</u>	<u>3/31/2019</u>	<u>6/30/2019</u>	<u>9/30/2019</u>
<b>GAAP Net income</b>	<b>\$ 20,590</b>	<b>\$ 13,915</b>	<b>\$ 14,527</b>	<b>\$ 14,383</b>	<b>\$ 25,992</b>
GAAP Income tax expense	(6,562)	(4,777)	(4,807)	(4,478)	(8,058)
<b>GAAP income before taxes</b>	<b>27,152</b>	<b>18,692</b>	<b>19,334</b>	<b>18,861</b>	<b>34,050</b>
Interest expense	4,053	3,797	3,853	3,613	18,388
Depreciation	775	709	571	612	682
Other business taxes	350	337	555	424	146
GAAP amortization of acquisition-related intangibles	4,799	4,651	4,651	4,651	7,086
Stock-based compensation	4,005	3,943	1,478	3,321	4,326
Acquisition, restructuring and exit costs	1,647	3,664	2,777	4,575	24,452
Debt issuance costs	373	371	364	366	10,002
Earnings/losses from equity method investments	167	224	4	150	(2,837)
<b>Adjusted EBITDA</b>	<b>\$ 43,321</b>	<b>\$ 36,388</b>	<b>\$ 33,587</b>	<b>\$ 36,573</b>	<b>\$ 96,295</b>
<b>Revenue (in thousands)</b>	<b>\$ 108,082</b>	<b>\$ 95,967</b>	<b>\$ 87,479</b>	<b>\$ 91,360</b>	<b>\$ 214,980</b>
<b>Adjusted EBITDA Margin</b>	<b>40.1%</b>	<b>37.9%</b>	<b>38.4%</b>	<b>40.0%</b>	<b>44.8%</b>

# Detailed Reconciliation of 3Q19 Adjusted Net Income



Three months ended September 30, 2019

(in thousands, except per-share amounts)

	Adjustments							Non-GAAP Basis	Tax Benefit of Goodwill and Acquired Intangibles
	U.S. GAAP Basis	Other Business Taxes	GAAP Amortization of Acquisition-Related Intangibles	Stock-Based Compensation	Acquisition, Restructuring and Exit Costs	Debt Issuance Costs	Total Adjustments		
<b>Revenue</b>									
Investment management fees	\$ 155,406						\$ -	\$ 155,406	
Fund administration and distribution fees	59,574						-	59,574	
Total revenue	<b>214,980</b>	-	-	-	-	-	-	<b>214,980</b>	
<b>Expenses</b>									
Personnel compensation and benefits (1)	55,556			(4,326)	(1,205)		(5,531)	50,025	
Distribution and other asset-based expenses (2)	57,202						-	57,202	
General and administrative (2)	17,654	(146)			(2,020)	(4,340)	(6,506)	11,148	
Depreciation and amortization (2)	7,768		(7,086)				(7,086)	682	
Change in value of consideration payable for acquisition of business (2)	-						-	-	
Acquisition-related costs (2)	16,386				(16,386)		(16,386)	-	
Restructuring and integration costs (2)	4,841				(4,841)		(4,841)	-	
Total operating expenses	<b>159,407</b>	<b>(146)</b>	<b>(7,086)</b>	<b>(4,326)</b>	<b>(24,452)</b>	<b>(4,340)</b>	<b>(40,350)</b>	<b>119,057</b>	
Income/(loss) from operations	<b>55,573</b>	<b>146</b>	<b>7,086</b>	<b>4,326</b>	<b>24,452</b>	<b>4,340</b>	<b>40,350</b>	<b>95,923</b>	
<b>Other income (expense)</b>									
Interest income and other income/(expense) (3)	2,742						-	2,742	
Interest expense and other financing costs (3)	(16,856)					920	920	(15,936)	
Loss on debt extinguishment (3)	(7,409)					4,742	4,742	(2,667)	
Total other income (expense), net	<b>(21,523)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,662</b>	<b>5,662</b>	<b>(15,861)</b>	
Income/(loss) before income taxes	<b>34,050</b>	<b>146</b>	<b>7,086</b>	<b>4,326</b>	<b>24,452</b>	<b>10,002</b>	<b>46,012</b>	<b>80,062</b>	
Income tax (expense)/benefit	(8,058)	(37)	(1,772)	(1,082)	(6,113)	(2,501)	(11,503)	(19,561)	6,802
Net income/(loss)	<b>\$ 25,992</b>	<b>\$ 110</b>	<b>\$ 5,315</b>	<b>\$ 3,245</b>	<b>\$ 18,339</b>	<b>\$ 7,502</b>	<b>\$ 34,509</b>	<b>\$ 60,501</b>	<b>+ \$ 6,802 = \$ 67,303</b>
Earnings per share—basic	\$ 0.38							\$ 0.89	\$ 0.10
Earnings per share—diluted	\$ 0.35							\$ 0.82	<b>+ \$ 0.09 = \$ 0.91</b>
Weighted average shares outstanding—basic	67,724							67,724	67,724
Weighted average shares outstanding—diluted	73,671							73,671	73,671
<b>Memo: Expenses</b>									
Personnel (1)	55,556							50,025	
Operating (2)	103,851							69,032	
Non-Operating (3)	21,523							15,861	

# Detailed Reconciliation of 2Q19 Adjusted Net Income



## Three months ended June 30, 2019

(in thousands except, per-share amounts)

	Adjustments							Total Adjustments	Non-GAAP Basis	Tax Benefit of Goodwill and Acquired Intangibles
	U.S. GAAP Basis	Other Business Taxes	GAAP Amortization of Acquisition-Related Intangibles	Stock-Based Compensation	Acquisition, Restructuring and Exit Costs	Debt Issuance Costs				
<b>Revenue</b>										
Investment management fees	\$ 78,042						\$ -	\$ 78,042		
Fund administration and distribution fees	13,318						-	13,318		
Total revenue	<b>91,360</b>	-	-	-	-	-	-	<b>91,360</b>		
<b>Expenses</b>										
Personnel compensation and benefits (1)	35,542			(3,321)			(3,321)	32,221		
Distribution and other asset-based expenses (2)	16,182						-	16,182		
General and administrative (2)	7,087	(424)					(424)	6,663		
Depreciation and amortization (2)	5,263		(4,651)				(4,651)	612		
Change in value of consideration payable for acquisition of business (2)	(14)							(14)		
Acquisition-related costs (2)	2,787				(2,787)		(2,787)	-		
Restructuring and integration costs (2)	1,788				(1,788)		(1,788)	-		
Total operating expenses	<b>68,635</b>	<b>(424)</b>	<b>(4,651)</b>	<b>(3,321)</b>	<b>(4,575)</b>	<b>-</b>	<b>(12,971)</b>	<b>55,664</b>		
Income/(loss) from operations	<b>22,725</b>	<b>424</b>	<b>4,651</b>	<b>3,321</b>	<b>4,575</b>	<b>-</b>	<b>12,971</b>	<b>35,696</b>		
<b>Other income (expense)</b>										
Interest income and other income/(expense) (3)	656						-	656		
Interest expense and other financing costs (3)	(4,520)					366	366	(4,154)		
Loss on debt extinguishment (3)	-						-	-		
Total other income (expense), net	<b>(3,864)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>366</b>	<b>366</b>	<b>(3,498)</b>		
Income/(loss) before income taxes	<b>18,861</b>	<b>424</b>	<b>4,651</b>	<b>3,321</b>	<b>4,575</b>	<b>366</b>	<b>13,337</b>	<b>32,198</b>		
Income tax (expense)/benefit	(4,478)	(106)	(1,163)	(830)	(1,144)	(92)	(3,334)	(7,812)	3,361	
Net income/(loss)	<b>\$ 14,383</b>	<b>\$ 318</b>	<b>\$ 3,488</b>	<b>\$ 2,491</b>	<b>\$ 3,431</b>	<b>\$ 274</b>	<b>\$ 10,002</b>	<b>\$ 24,386</b>	<b>+ \$ 3,361</b>	<b>= \$ 27,747</b>
Earnings per share—basic	\$ 0.21							\$ 0.36	\$ 0.05	
Earnings per share—diluted	\$ 0.20							\$ 0.33	+ \$ 0.05	= \$ 0.38
Weighted average shares outstanding—basic	67,583							67,583	67,583	
Weighted average shares outstanding—diluted	73,521							73,521	73,521	
<b>Memo: Expenses</b>										
Personnel (1)	35,542							32,221		
Operating (2)	33,093							23,443		
Non-Operating (3)	3,864							3,498		

# Detailed Reconciliation of 3Q18 Adjusted Net Income

Three months ended September 30, 2018

(in thousands, except per-share amounts)

	Adjustments								
	U.S. GAAP Basis	Other Business Taxes	GAAP Amortization of Acquisition-Related Intangibles	Stock-Based Compensation	Acquisition, Restructuring and Exit Costs	Debt Issuance Costs	Pre-IPO Governance Costs	Non-GAAP Basis	
<b>Revenue</b>									
Investment management fees	\$ 92,525							\$ 92,525	
Fund administration and distribution fees	15,557						15,557		
Total revenue	<u>108,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,082</u>	<u>-</u>
<b>Expenses</b>									
Personnel compensation and benefits (1)	38,027			(4,005)				34,022	
Distribution and other asset-based expenses (2)	24,269						24,269		
General and administrative (2)	6,951	(350)					6,601		
Depreciation and amortization (2)	5,574		(4,799)				775		
Change in value of consideration payable for acquisition of business (2)	-						-		
Acquisition-related costs (2)	1,451				(1,451)		-		
Restructuring and integration costs (2)	-				-		-		
Total operating expenses	<u>76,272</u>	<u>(350)</u>	<u>(4,799)</u>	<u>(4,005)</u>	<u>(1,451)</u>	<u>-</u>	<u>-</u>	<u>65,667</u>	
Income/(loss) from operations	<b>31,810</b>	<b>350</b>	<b>4,799</b>	<b>4,005</b>	<b>1,451</b>	<b>-</b>	<b>-</b>	<b>42,415</b>	
<b>Other income (expense)</b>									
Interest income and other income/(expense) (3)	(200)				196			(4)	
Interest expense and other financing costs (3)	(4,458)					373		(4,085)	
Loss on debt extinguishment (3)	-							-	
Total other income (expense), net	<u>(4,658)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196</u>	<u>373</u>	<u>-</u>	<u>(4,089)</u>	
Income/(loss) before income taxes	<b>27,152</b>	<b>350</b>	<b>4,799</b>	<b>4,005</b>	<b>1,647</b>	<b>373</b>	<b>-</b>	<b>38,326</b>	
Income tax (expense)/benefit	(6,562)	(88)	(1,200)	(1,001)	(412)	(93)		(9,356)	3,318
Net income/(loss)	<u>\$ 20,590</u>	<u>\$ 262</u>	<u>\$ 3,599</u>	<u>\$ 3,004</u>	<u>\$ 1,235</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 28,970</u>	<u>+ \$ 3,318 = \$ 32,288</u>
Earnings per share—basic	\$ 0.30							\$ 0.43	\$ 0.05
Earnings per share—diluted	\$ 0.29							\$ 0.40	\$ 0.05
Weighted average shares outstanding—basic	67,972							67,972	67,972
Weighted average shares outstanding—diluted	71,864							71,864	71,864
<b>Memo: Expenses</b>									
Personnel (1)	38,027							34,022	
Operating (2)	38,245							31,645	
Non-Operating (3)	4,658							4,089	

# Detailed Reconciliation of 9-mo '19 Adjusted Net Income

Nine months ended September 30, 2019

(in thousands, except per-share amounts)

	Adjustments							Total Adjustments	Non-GAAP Basis	Tax Benefit of Goodwill and Acquired Intangibles
	U.S. GAAP Basis	Other Business Taxes	GAAP Amortization of Acquisition- Related Intangibles	Stock-Based Compensation	Acquisition, Restructuring and Exit Costs	Debt Issuance Costs				
<b>Revenue</b>										
Investment management fees	\$ 307,859						\$ -	\$ 307,859		
Fund administration and distribution fees	85,960						-	85,960		
Total revenue	<b>393,819</b>	-	-	-	-	-	-	<b>393,819</b>		
<b>Expenses</b>										
Personnel compensation and benefits (1)	125,599			(9,125)	(1,205)		(10,330)	115,269		
Distribution and other asset-based expenses (2)	89,151						-	89,151		
General and administrative (2)	31,828	(1,125)			(2,020)	(4,340)	(7,485)	24,343		
Depreciation and amortization (2)	18,253		(16,388)				(16,388)	1,865		
Change in value of consideration payable for acquisition of business (2)	(14)							(14)		
Acquisition-related costs (2)	21,950				(21,950)		(21,950)	-		
Restructuring and integration costs (2)	6,629				(6,629)		(6,629)	-		
Total operating expenses	<b>293,396</b>	<b>(1,125)</b>	<b>(16,388)</b>	<b>(9,125)</b>	<b>(31,804)</b>	<b>(4,340)</b>	<b>(62,782)</b>	<b>230,614</b>		
Income/(loss) from operations	<b>100,423</b>	<b>1,125</b>	<b>16,388</b>	<b>9,125</b>	<b>31,804</b>	<b>4,340</b>	<b>62,782</b>	<b>163,205</b>		
<b>Other income (expense)</b>										
Interest income and other income/(expense) (3)	5,231						-	5,231		
Interest expense and other financing costs (3)	(26,000)					1,650	1,650	(24,350)		
Loss on debt extinguishment (3)	(7,409)					4,742	4,742	(2,667)		
Total other income (expense), net	<b>(28,178)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,392</b>	<b>6,392</b>	<b>(21,786)</b>		
Income/(loss) before income taxes	<b>72,245</b>	<b>1,125</b>	<b>16,388</b>	<b>9,125</b>	<b>31,804</b>	<b>10,732</b>	<b>69,174</b>	<b>141,419</b>		
Income tax (expense)/benefit	(17,343)	(281)	(4,097)	(2,281)	(7,951)	(2,683)	(17,293)	(34,636)	13,523	
Net income/(loss)	<b>\$ 54,902</b>	<b>\$ 844</b>	<b>\$ 12,291</b>	<b>\$ 6,844</b>	<b>\$ 23,853</b>	<b>\$ 8,049</b>	<b>\$ 51,881</b>	<b>\$ 106,783</b>	<b>+ \$ 13,523</b>	<b>= \$ 120,306</b>
Earnings per share—basic	\$ 0.81							\$ 1.58	\$ 0.20	
Earnings per share—diluted	\$ 0.75							\$ 1.46	+ \$ 0.18	= \$ 1.64
Weighted average shares outstanding—basic	67,610							67,610	67,610	
Weighted average shares outstanding—diluted	73,300							73,300	73,300	
<b>Memo: Expenses</b>										
Personnel (1)	125,599							115,269		
Operating (2)	167,797							115,345		
Non-Operating (3)	28,178							21,786		

# Detailed Reconciliation of 9-mo '18 Adjusted Net Income



Nine months ended September 30, 2018

(in thousands, except per-share amounts)

Adjustments
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	U.S. GAAP Basis	Other Business Taxes	GAAP Amortization of Acquisition- Related Intangibles	Stock-Based Compensation	Acquisition, Restructuring and Exit Costs	Debt Issuance Costs	Pre-IPO Governance Costs	Non-GAAP Basis	Tax Benefit of Goodwill and Acquired Intangibles
<b>Revenue</b>									
Investment management fees	\$ 270,653							\$ 270,653	
Fund administration and distribution fees	46,792							46,792	
Total revenue	<u>317,445</u>	-	-	-	-	-	-	<u>317,445</u>	-
<b>Expenses</b>									
Personnel compensation and benefits (1)	111,970			(11,295)				100,675	
Distribution and other asset-based expenses (2)	73,557							73,557	
General and administrative (2)	23,095	(1,168)			(267)	(1,898)	(138)	19,624	
Depreciation and amortization (2)	17,917		(15,670)					2,247	
Change in value of consideration payable for acquisition of business (2)	(4)							(4)	
Acquisition-related costs (2)	1,446				(1,446)			-	
Restructuring and integration costs (2)	702				(702)			-	
Total operating expenses	<u>228,683</u>	<u>(1,168)</u>	<u>(15,670)</u>	<u>(11,295)</u>	<u>(2,415)</u>	<u>(1,898)</u>	<u>(138)</u>	<u>196,099</u>	
Income/(loss) from operations	<u>88,762</u>	<u>1,168</u>	<u>15,670</u>	<u>11,295</u>	<u>2,415</u>	<u>1,898</u>	<u>138</u>	<u>121,346</u>	
<b>Other income (expense)</b>									
Interest income and other income/(expense) (3)	(229)				310			81	
Interest expense and other financing costs (3)	(16,256)					1,337		(14,919)	
Loss on debt extinguishment (3)	(6,058)					4,201		(1,857)	
Total other income (expense), net	<u>(22,543)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310</u>	<u>5,538</u>	<u>-</u>	<u>(16,695)</u>	
Income/(loss) before income taxes	<u>66,219</u>	<u>1,168</u>	<u>15,670</u>	<u>11,295</u>	<u>2,725</u>	<u>7,436</u>	<u>138</u>	<u>104,651</u>	
Income tax (expense)/benefit	(16,430)	(292)	(3,918)	(2,824)	(681)	(1,859)	(35)	(26,038)	9,958
Net income/(loss)	<u>\$ 49,789</u>	<u>\$ 876</u>	<u>\$ 11,753</u>	<u>\$ 8,471</u>	<u>\$ 2,044</u>	<u>\$ 5,577</u>	<u>\$ 104</u>	<u>\$ 78,613</u>	<u>\$ 9,958</u> = <u>\$ 88,571</u>
Earnings per share—basic	\$ 0.76							\$ 1.19	\$ 0.15
Earnings per share—diluted	\$ 0.71							\$ 1.12	\$ 0.14 = <u>\$ 1.26</u>
Weighted average shares outstanding—basic	65,817							65,817	65,817
Weighted average shares outstanding—diluted	70,168							70,168	70,168



# Consolidated Reconciliation of Adjusted Net Income



	<b>For the three months ended,</b>				
	<i>(in thousands, except per-share data)</i>				
	<u>9/30/2018</u>	<u>12/18/2018</u>	<u>3/31/2019</u>	<u>6/30/2019</u>	<u>9/30/2019</u>
<b>GAAP Net Income</b>	<b>\$ 20,590</b>	<b>\$ 13,915</b>	<b>\$ 14,527</b>	<b>\$ 14,383</b>	<b>\$ 25,992</b>
Other business taxes	350	337	555	424	146
GAAP amortization of acquisition-related intangibles	4,799	4,651	4,651	4,651	7,086
Stock-based compensation	4,005	3,943	1,478	3,321	4,326
Acquisition, restructuring and exit costs	1,647	3,664	2,777	4,575	24,452
Debt issuance costs	373	371	364	366	10,002
Tax effect of above adjustments	<u>(2,794)</u>	<u>(3,241)</u>	<u>(2,456)</u>	<u>(3,334)</u>	<u>(11,503)</u>
Adjusted Net Income	28,970	23,640	21,896	24,386	60,501
Tax benefit of goodwill and acquired intangibles	<u>3,318</u>	<u>3,320</u>	<u>3,361</u>	<u>3,361</u>	<u>6,802</u>
<b>Adjusted Net Income with Tax Benefit</b>	<b>\$ 32,288</b>	<b>\$ 26,960</b>	<b>\$ 25,257</b>	<b>\$ 27,747</b>	<b>\$ 67,303</b>
Weighted average shares outstanding – diluted	71,864	71,558	72,282	73,521	73,671
<b>Adjusted Net income with Tax Benefit Per Diluted Share</b>	<b>\$ 0.45</b>	<b>\$ 0.38</b>	<b>\$ 0.35</b>	<b>\$ 0.38</b>	<b>\$ 0.91</b>

Investing involves risk, including the potential loss of principal. There are no assurances that any fund will achieve its stated objective. All data in this presentation, unless otherwise noted, is as of September 30, 2019.

**Past performance does not guarantee future results.** A fund's most recent performance can be found at [vcm.com](http://vcm.com). 54 mutual funds and ETFs did not have 4- or 5- star overall ratings. 32% of AUM in mutual funds and ETFs did not receive overall rating of 4 or 5 stars.

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