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DELTA REPORT

10-Q

VCTR - VICTORY CAPITAL HOLDINGS,

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1494
CHANGES	324
DELETIONS	700
ADDITIONS	470

REFINITIV

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, March 31, 2023 2024**

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 001-38388

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Victory Capital Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**32-0402956**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
15935 La Cantera Parkway, San Antonio, Texas	**78256**
(Address of principal executive offices)	(Zip Code)

(216) 898-2400

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 Par Value	VCTR	The NASDAQ Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 ☒ ☐	Non-accelerated filer ☐	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 ☒

The number of outstanding shares of the registrant’s Common Stock, par value $0.01 per share as of October 31, 2023 April 30, 2024 was 65,989,429 64,709,914.

Auditor’s PCAOB ID Number: 42 Auditor Name: Ernst & Young LLP Auditor Location: Cleveland, Ohio

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Forward-Looking Statements

This report includes forward-looking statements, including in the sections entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” These forward-looking statements include, without limitation, statements regarding our industry, business strategy, plans, goals and expectations concerning our market position, future operations, margins, profitability, future efficiencies, capital expenditures, liquidity and capital resources and other financial and operating information. When used in this discussion, the words “may,” “believes,” “intends,” “seeks,” “anticipates,” “plans,” “estimates,” “expects,” “should,” “assumes,” “continues,” “could,” “will,” “future” and the negative of these or similar terms and phrases are intended to identify forward-looking statements in this report.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Although we believe the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. Actual events, results and outcomes may differ materially from our expectations due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others, the following; the Memorandum of Understanding is non-binding and there is no certainty that the negotiations will result in definitive agreements or that the currently contemplated terms will not change; risks that the conditions to closing will be satisfied and the transaction will close on the anticipated timeline, if at all; risks associated with expected benefits, or impact on our business, of the proposed transaction, including our ability to achieve any expected synergies; reductions in assets under management (“AUM”) based on investment performance, client withdrawals, difficult market conditions and other factors such as the conflicts in Ukraine and Israel or a pandemic; the nature of our contracts and investment advisory agreements; our ability to maintain historical returns and sustain our historical growth; our dependence on third parties to market our strategies and provide products or services for the operation of our business; our ability to retain key investment professionals or members of our senior management team; our reliance on the technology systems supporting our operations; our ability to successfully acquire and integrate new companies; the concentration of our investments in long only small- and mid-cap equity and U.S. clients; risks and uncertainties associated with non-U.S. investments; our efforts to establish and develop new teams and strategies; the ability of our investment teams to identify appropriate investment opportunities; our ability to limit employee misconduct; our ability to meet the guidelines set by our clients; our exposure to potential litigation (including administrative or tax proceedings) or regulatory actions; our ability to implement effective information and cyber security policies, procedures and capabilities; our substantial indebtedness; the potential impairment of our goodwill and intangible assets; disruption to the operations of third parties whose functions are integral to our exchange traded fund (“ETF”) platform; our determination that we are not required to register as an “investment company” under the 1940 Act; the fluctuation of our expenses; our ability to respond to recent trends in the investment management industry; the level of regulation on investment management firms and our ability to respond to regulatory developments; the competitiveness of the investment management industry; the level of control over us retained by Crestview Partners II GP, L.P.; our status as an emerging growth company ("EGC"); and other risks and factors included, but not limited to, those listed under the caption “Risk Factors” in Item 1A of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, filed with the Securities and Exchange Commission (the “SEC”) on March 6, 2023 February 29, 2024, which is accessible on the SEC’s website at www.sec.gov.

In light of these risks, uncertainties and other factors, the forward-looking statements contained in this report might not prove to be accurate. All forward-looking statements speak only as of the date made and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VICTORY CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands, except shares data)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Assets				
Cash and cash equivalents	$ 107,987	$ 38,171	$ 79,937	$ 123,547
Receivables	95,174	84,473	97,211	87,570
Prepaid expenses	6,458	8,443	7,269	5,785
Investments, at fair value	29,858	27,266	33,524	31,808
Property and equipment, net	21,203	21,146	17,552	19,578
Goodwill	981,805	981,805	981,805	981,805
Other intangible assets, net	1,287,542	1,314,637	1,276,500	1,281,832
Other assets	61,778	64,958	12,400	10,691
Total assets	**$ 2,591,805**	**$ 2,540,899**	**$ 2,506,198**	**$ 2,542,616**
Liabilities and stockholders' equity				

Accounts payable and accrued expenses	$ 59,552	$ 50,862	$ 62,022	$ 56,477
Accrued compensation and benefits	52,167	58,458	48,521	55,456
Consideration payable for acquisition of business	249,636	230,400	149,400	217,200
Deferred tax liability, net	124,995	108,138	133,258	128,714
Other liabilities	40,996	42,117	45,658	42,499
Long-term debt, net	988,323	985,514	990,206	989,269
Total liabilities	**1,515,669**	**1,475,489**	**1,429,065**	**1,489,615**
Stockholders' equity				
Common stock, $0.01 par value per share: 2023 - 600,000,000 shares authorized, 82,224,284 shares issued and 65,911,628 shares outstanding; 2022 - 600,000,000 shares authorized, 80,528,137 shares issued and 67,325,534 shares outstanding	822	805		
Common stock, $0.01 par value per share: 2024 - 600,000,000 shares authorized, 83,166,423 shares issued and 64,671,237 shares outstanding; 2023 - 600,000,000 shares authorized, 82,404,305 shares issued and 64,254,714 shares outstanding;			832	824
Additional paid-in capital	723,252	705,466	735,517	728,283
Treasury stock, at cost: 2023 - 16,312,656 shares; 2022 - 13,202,603 shares	(384,462)	(285,425)		
Treasury stock, at cost: 2024 - 18,495,186 shares; 2023 - 18,149,591 shares			(457,539)	(444,286)
Accumulated other comprehensive income	34,220	35,442	28,164	31,328
Retained earnings	702,304	609,122	770,159	736,852

Total stockholders' equity	**1,076,136**	**1,065,410**	**1,077,133**	**1,053,001**
Total liabilities and stockholders' equity	**$ 2,591,805**	**$ 2,540,899**	**$ 2,506,198**	**$ 2,542,616**

See the accompanying notes to the unaudited condensed consolidated financial statements.

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VICTORY CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenue						
Investment management fees	$ 163,953	$ 160,770	$ 480,199	$ 508,364	$ 169,785	$ 156,836
Fund administration and distribution fees	45,735	46,490	135,035	144,921	46,072	44,484
Total revenue	**209,688**	**207,260**	**615,234**	**653,285**	**215,857**	**201,320**
Expenses						
Personnel compensation and benefits	54,501	56,869	167,043	179,352	59,454	57,602
Distribution and other asset-based expenses	38,160	39,019	113,158	123,471	36,263	37,654
General and administrative	13,947	12,301	39,585	38,984	14,012	12,388
Depreciation and amortization	12,333	10,686	33,663	32,051	7,601	11,680

Change in value of consideration payable for acquisition of business	10,336	(10,500)	19,236	(40,600)	12,200	7,400
Acquisition-related costs	116	189	134	449	1,026	2
Restructuring and integration costs	246	56	275	73	492	29
Total operating expenses	**129,639**	**108,620**	**373,094**	**333,780**	**131,048**	**126,755**
Income from operations	**80,049**	**98,640**	**242,140**	**319,505**	**84,809**	**74,565**
Other income (expense)						
Interest income and other income (expense)	1,452	(1,446)	4,967	(5,096)	3,565	1,544
Interest expense and other financing costs	(15,580)	(11,479)	(44,721)	(30,637)	(16,486)	(14,239)
Loss on debt extinguishment	—	(369)	—	(2,887)		
Total other expense, net	**(14,128)**	**(13,294)**	**(39,754)**	**(38,620)**		
Total other income (expense), net					**(12,921)**	**(12,695)**
Income before income taxes	**65,921**	**85,346**	**202,386**	**280,885**	**71,888**	**61,870**
Income tax expense	**(13,914)**	**(12,582)**	**(44,435)**	**(57,643)**	**(16,197)**	**(12,597)**
Net income	**$ 52,007**	**$ 72,764**	**$ 157,951**	**$ 223,242**	**$ 55,691**	**$ 49,273**
Earnings per share of common stock						
Basic	$ 0.79	$ 1.06	$ 2.38	$ 3.25	$ 0.86	$ 0.73
Diluted	$ 0.77	$ 1.01	$ 2.30	$ 3.07	$ 0.84	$ 0.71
Weighted average number of shares outstanding						

Basic	65,774	68,609	66,504	68,625	64,389	67,288
Diluted	67,676	71,877	68,636	72,797	65,972	69,727
Dividends declared per share of common stock	**$ 0.32**	**$ 0.25**	**$ 0.96**	**$ 0.75**	**$ 0.335**	**$ 0.32**

See the accompanying notes to the unaudited condensed consolidated financial statements.

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VICTORY CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Net income	**$ 52,007**	**$ 72,764**	**$ 157,951**	**$ 223,242**	**$ 55,691**	**$ 49,273**
Other comprehensive income (loss), net of tax						
Net unrealized income (loss) on cash flow hedges	(56)	10,024	(1,225)	31,514	—	(5,088)
Net amortization of deferred gain on terminated cash flow hedges					(3,139)	—
Net unrealized income (loss) on foreign currency translation	(11)	(78)	3	(365)	(25)	20
Total other comprehensive income (loss), net of tax	**(67)**	**9,946**	**(1,222)**	**31,149**	**(3,164)**	**(5,068)**
Comprehensive income	**$ 51,940**	**$ 82,710**	**$ 156,729**	**$ 254,391**	**$ 52,527**	**$ 44,205**

See the accompanying notes to the unaudited condensed consolidated financial statements.

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VICTORY CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

(In thousands)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, December 31, 2022	$ 805	$ (285,425)	$ 705,466	$ 35,442	$ 609,122	$ 1,065,410						
Balance, December 31, 2023							$ 824	$ (444,286)	$ 728,283	$ 31,328	$ 736,852	$ 1,053,001
Issuance of common stock	—	—	60	—	—	60	—	—	75	—	—	75
Repurchase of shares	—	(32,903)	—	—	—	(32,903)						
Shares withheld related to net settlement of equity awards	—	(11,656)	—	—	—	(11,656)	—	(13,253)	—	—	—	(13,253)
Vesting of restricted share grants	7	—	(7)	—	—	—	4	—	(4)	—	—	—
Exercise of options	3	—	1,707	—	—	1,710	4	—	3,193	—	—	3,197
Other comprehensive loss	—	—	—	(5,068)	—	(5,068)	—	—	—	(3,164)	—	(3,164)

Share-based compensation	—	—	4,252	—	—	4,252	—	—	3,970	—	—	3,970
Dividends paid	—	—	—	—	(22,524)	(22,524)	—	—	—	—	(22,384)	(22,384)
Net income	—	—	—	—	49,273	49,273	—	—	—	—	55,691	55,691
Balance, March 31, 2023	815	(329,984)	711,478	30,374	635,871	1,048,554						
Issuance of common stock	—	—	51	—	—	51						
Repurchase of shares	—	(44,496)	—	—	—	(44,496)						
Shares withheld related to net settlement of equity awards	—	(3,190)	—	—	—	(3,190)						
Exercise of options	2	—	1,437	—	—	1,439						
Other comprehensive income	—	—	—	3,913	—	3,913						
Share-based compensation	—	—	4,242	—	—	4,242						
Dividends paid	—	—	—	—	(21,083)	(21,083)						
Net income	—	—	—	—	56,671	56,671						
Balance, June 30, 2023	817	(377,670)	717,208	34,287	671,459	1,046,101						
Issuance of common stock	—	—	78	—	—	78						
Repurchase of shares	—	98	—	—	—	98						
Shares withheld related to net settlement of equity awards	—	(6,890)	—	—	—	(6,890)						

Vesting of restricted share grants	1		(1)	—	—	—						
Exercise of options	4	—	2,072	—	—	2,076						
Other comprehensive loss	—	—	—	(67)	—	(67)						
Share-based compensation	—	—	3,895	—	—	3,895						
Dividends paid	—	—	—	—	(21,162)	(21,162)						
Net income	—	—	—	—	52,007	52,007						
Balance, September 30, 2023	$ 822	$ (384,462)	$ 723,252	$ 34,220	$ 702,304	$ 1,076,136						
Balance, March 31, 2024							$ 832	$ (457,539)	$ 735,517	$ 28,164	$ 770,159	$ 1,077,133

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	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, December 31, 2021	$ 772	$ (153,200)	$ 673,572	$ 5,972	$ 402,811	$ 929,927						
Balance, December 31, 2022							$ 805	$ (285,425)	$ 705,466	$ 35,442	$ 609,122	$ 1,065,410
Issuance of common stock	—	—	69	—	—	69	—	—	60	—	—	60
Repurchase of shares	—	(9,437)	—	—	—	(9,437)	—	(32,903)	—	—	—	(32,903)

Shares withheld related to net settlement of equity awards	—	(9,317)	—	—	—	(9,317)	—	(11,656)	—	—	—	(11,656)
Vesting of restricted share grants	5	—	(5)	—	—	—	7	—	(7)	—	—	—
Exercise of options	2	—	1,231	—	—	1,233	3	—	1,707	—	—	1,710
Other comprehensive income	—	—	—	16,199	—	16,199						
Other comprehensive loss							—	—	—	(5,068)	—	(5,068)
Share-based compensation	—	—	3,945	—	—	3,945	—	—	4,252	—	—	4,252
Dividends paid	—	—	—	—	(17,618)	(17,618)	—	—	—	—	(22,524)	(22,524)
Net income	—	—	—	—	71,273	71,273	—	—	—	—	49,273	49,273
Balance, March 31, 2022	779	(171,954)	678,812	22,171	456,466	986,274						
Issuance of common stock	—	—	80	—	—	80						
Repurchase of shares	—	(16,908)	—	—	—	(16,908)						
Shares withheld related to net settlement of equity awards	—	(4,839)	—	—	—	(4,839)						
Vesting of restricted share grants	1	—	(1)	—	—	—						
Exercise of options	4	—	1,687	—	—	1,691						
Other comprehensive income	—	—	—	5,004	—	5,004						
Share-based compensation	—	—	4,965	—	—	4,965						
Dividends paid	—	—	—	—	(17,291)	(17,291)						

Net income					79,	
					20	79,
	—	—	—	—	5	205
Balance, June 30, 2022	7	(19	68		51	1,0
	8	3,7	5,5	27,1	8,3	38,
	$ 4	$ 01)	$ 43	$ 75	$ 80	$ 181
Issuance of common						
stock	—	—	64	—	—	64
Repurchase of shares		(22				
		,82				(22,
	—	7)	—	—	—	827)
Shares withheld related		(27				
to net settlement of		,37				(27,
equity awards	—	3)	—	—	—	373)
Vesting of restricted						
share grants	2		(2)	—	—	—
Exercise of options	1		9,2			9,3
	7	—	85	—	—	02
Other comprehensive				9,94		9,9
income	—	—	—	6	—	46
Share-based			4,3			4,3
compensation	—	—	52	—	—	52
Dividends paid					(17	
					,40	(17,
	—	—	—	—	0)	400)
Net income					72,	
					76	72,
	—	—	—	—	4	764
Balance, September 30,	8	(24	69		57	1,0
2022	0	3,9	9,2	37,1	3,7	67,
	$ 3	$ 01)	$ 42	$ 21	$ 44	$ 009
Balance, March 31, 2023	$ 815	$ (329,984)	$ 711,478	$ 30,374	$ 635,871	$ 1,048,554

See the accompanying notes to the unaudited condensed consolidated financial statements.

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VICTORY CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Cash flows from operating activities				
Net income	$ 157,951	$ 223,242	$ 55,691	$ 49,273
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for deferred income taxes	17,232	30,339	5,566	4,696
Depreciation and amortization	33,663	32,051	7,601	11,680
Deferred financing costs and derivative and accretion expense	3,171	3,395		
Deferred financing costs, accretion expense and derivative gains/losses			(3,097)	1,047
Stock-based and deferred compensation	15,135	10,774	5,842	5,904
Change in fair value of contingent consideration obligations	19,236	(40,600)	12,200	7,400
Unrealized (appreciation) depreciation on investments	(693)	5,307	(1,306)	(629)
Noncash lease expense	(340)	263		
Loss on equity method investment	—	825		
Loss on debt extinguishment	—	2,887		
Changes in operating assets and liabilities:				
Receivables	(10,681)	16,781	(10,459)	(1,466)
Prepaid expenses	(358)	(667)	(1,484)	(3,118)
Other assets	(2,220)	(1,540)	(240)	(783)
Accounts payable and accrued expenses	8,388	(11,427)	6,625	8,484
Accrued compensation and benefits	(7,125)	(2,567)	(7,953)	(18,173)
Other liabilities	(169)	(944)	(302)	(159)
Net cash provided by operating activities	233,190	268,119	68,684	64,156
Cash flows from investing activities				
Purchases of property and equipment	(4,373)	(4,286)	(500)	(572)
Purchases of investments	(9,362)	(17,696)	(709)	(2,945)
Sales of investments	7,464	15,205	299	1,971
Acquisition of business and assets, net of cash acquired	—	(880)		
Net cash used in investing activities	(6,271)	(7,657)	(910)	(1,546)

Cash flows from financing activities				
Issuance of common stock	5,414	12,439	3,272	1,770
Repurchase of common stock	(81,821)	(61,493)	(2,946)	(34,442)
Payments of taxes related to net share settlement of equity awards	(15,916)	(27,897)	(9,284)	(7,687)
Repayments of long-term senior debt	—	(134,000)		
Payment of dividends	(64,769)	(52,127)	(22,384)	(22,110)
Payment of consideration for acquisition			(80,000)	—
Net cash used in financing activities	(157,092)	(263,078)	(111,342)	(62,469)
Effect of changes of foreign exchange rate on cash and cash equivalents	(11)	(248)	(42)	23
Net increase (decrease) in cash and cash equivalents	69,816	(2,864)		
Net (decrease) increase in cash and cash equivalents			(43,610)	164
Cash and cash equivalents, beginning of period	38,171	69,533	123,547	38,171
Cash and cash equivalents, end of period	$ 107,987	$ 66,669	$ 79,937	$ 38,335
Supplemental cash flow information				
Cash paid for interest	$ 51,181	$ 24,118	$ 20,329	$ 15,314
Cash paid for income taxes	34,007	26,117	1,125	995
Noncash items				
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	$ —	$ 3,984	$ 2,797	$ —

See the accompanying notes to the unaudited condensed consolidated financial statements.

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VICTORY CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

Victory Capital Holdings, Inc., a Delaware corporation (along with its wholly-owned subsidiaries, collectively referred to as the “Company,” “Victory,” or in the first-person notations of “we,” “us,” and “our”), was formed on February 13, 2013 for the purpose of acquiring Victory Capital Management Inc. (“VCM”) and Victory Capital Services, Inc. (“VCS”), formerly known as Victory Capital Advisers, Inc., which occurred on August 1, 2013. On February 12, 2018, the Company completed the initial public offering (the “IPO”) of its Common Stock, Class A common stock, which trades on the NASDAQ under the symbol “VCTR.”

On July 1, 2019, the Company completed the acquisition (the “USAA AMCO Acquisition” or “USAA AMCO”) of USAA Asset Management Company and Victory Capital Transfer Agency, Inc. (“VCTA”), formerly known as the USAA Transfer Agency Company d/b/a USAA Shareholder Account Services. The USAA AMCO Acquisition included USAA’s mutual fund and ETF businesses and its 529 Education Savings Plan.

On November 1, 2021, Victory provides specialized investment strategies to institutions, intermediaries, retirement platforms and individual investors. With 11 autonomous Investment Franchises and a Solutions Platform, the Company completed offers a wide array of investment products, including actively and passively managed mutual funds, rules-based and active exchange traded funds (“ETFs”), institutional separate accounts, variable insurance products (“VIPs”), alternative investments, private closed end funds, and a 529 Education Savings Plan. The Company’s strategies are also offered through third-party investment products, including mutual funds, third-party ETF model strategies, retail separately managed accounts (“SMAs”) and unified managed accounts (“UMAs”) through wrap account programs, Collective Investment Trusts (“CITs”), and undertakings for the acquisition of New Energy Capital Partners collective investment in transferable securities (“NEC” UCITs”). Founded in 2004 and based in Hanover, New Hampshire, NEC is an alternative asset management firm focused on debt and equity investments in clean energy infrastructure projects and companies.

On December 31, 2021, the Company completed the acquisition of WestEnd Advisors, LLC (“WestEnd”). Founded in 2004, and headquartered in Charlotte, North Carolina, WestEnd is an ETF strategist advisor that provides financial advisors with a turnkey, core model allocation strategy for either a holistic solution or complementary source of alpha. The firm offers four primary ETF strategies and one large cap core strategy, all in tax efficient Separately Managed Account (SMA) structures. Refer to Note 4, Acquisitions, for further details on the USAA AMCO, NEC and WestEnd acquisitions.

VCM is a registered investment adviser managing assets through mutual funds, institutional separate accounts, separately managed account products, unified managed account products, third-party ETF model strategies, collective trust funds, private funds, undertakings for the collective investment in transferrable securities, other pooled vehicles and ETFs.

VCM also provides mutual fund administrative services for the Victory Portfolios, Victory Variable Insurance Funds, the mutual fund series of the Victory Portfolios II and the Victory Portfolios III (collectively, the “Victory Funds”), a family of open-end mutual funds, and the VictoryShares (the Company’s ETF brand). Additionally, VCM employs all of the Company’s United States investment professionals across its Franchises and Solutions, which are not separate legal entities. VCM’s wholly-owned subsidiaries include RS Investment Management (Singapore) Pte. Ltd., RS Investments (UK) Limited, Victory Capital Digital Assets, LLC and NEC Pipeline LLC. RS Investments (Hong Kong) Limited, VCM’s other wholly-owned subsidiary, RS Investments (HK) Limited, ceased operations on May 31, 2023. in May 2023.

VCS is registered with the SEC as an introducing broker-dealer and serves as distributor and underwriter for the Victory Funds, which includes the mutual funds of the Victory Portfolios III (the “Victory Funds III”) and the USAA a 529 Education Savings Plan. VCS offers brokerage services to individual investors through an open architecture brokerage platform launched in April 2023. VCS is also the placement agent for certain private funds managed by VCM.

VCTA is registered with the SEC as a transfer agent for the Victory Funds III.

On November 1, 2021, the Company completed the acquisition of 100% of the equity interests in New Energy Capital Partners (“NEC”). Founded in 2004 and based in Hanover, New Hampshire, NEC is an alternative asset management firm focused on debt and equity investments in clean energy infrastructure projects and companies through private closed-end funds (the “NEC Funds”). AUM acquired in the NEC acquisition totaled $0.8 billion as of November 1, 2021.

On December 31, 2021, the Company completed the acquisition (“WestEnd Acquisition”) of 100% of the equity interests in WestEnd Advisors, LLC (“WestEnd”). Founded in 2004, and headquartered in Charlotte, North Carolina, WestEnd is an ETF strategist advisor that provides financial advisors with a turnkey, core model allocation strategy for either a holistic solution or complementary source of alpha. The firm offers four primary ETF strategies and one large cap core strategy, all in tax efficient Separately Managed Account (SMA) structures. AUM acquired in the WestEnd Acquisition totaled $19.3 billion on December 31, 2021. WestEnd is a wholly-owned subsidiary of Victory Capital Holdings, Inc., and is the Company's second registered investment adviser.

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and applicable rules and regulations of the SEC regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by GAAP for complete annual financial statements. As such, the information included in this quarterly report on Form 10-Q should be read in

conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

In the opinion of management, the consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial condition, results of operations, and cash flows for the interim periods presented. Operating results for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 December 31, 2024.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the operations of the Company and its wholly-owned subsidiaries, after elimination of all intercompany balances and transactions. Our involvement with non-consolidated variable interest entities ("VIEs") includes sponsored investment funds and, in 2022, an equity method investment. funds.

For further discussion regarding VIEs, refer to Note 2, Significant Accounting Policies, to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022. For further discussion on the equity method investment, refer to Note 13, Equity Method Investment, to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Intangible Assets

Management periodically evaluates the remaining useful lives and carrying values of the Company's intangible assets to determine whether events and circumstances indicate that a change in the useful life or impairment in value may have occurred. For the three and nine months ended September 30, 2023, the Company recognized a $3.8 million impairment loss on an indefinite-lived trade name asset to reduce the asset's carrying amount to its estimated fair value and to change the asset's estimated remaining useful life. The remaining book value of the asset is being amortized on a straight-line basis over a period that is shorter than the asset's economic life. The impairment loss is recorded in depreciation and amortization in the unaudited Condensed Consolidated Statements of Operations. For further discussion regarding the Company's intangible asset policy, refer to Note 2, Significant Accounting Policies, in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Use of Estimates and Assumptions

The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements and the notes. Actual results may ultimately differ materially from those estimates.

New Accounting Pronouncements

Accounting Standards Adopted in 2023

- **Expected Credit Losses**: In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 creates a new model for determining current expected credit losses ("CECL") on trade and other receivables, net investments in leases, contract assets and long-term receivables. The CECL impairment model requires companies to consider the risk of loss even if it is remote and to include forecasts of future economic conditions as well as information about past events and current conditions. The effective date for calendar-year public business entities was January 1, 2020. As an EGC, the Company adopted ASU 2016-13 on January 1, 2023, and the adoption did not have a significant impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards

- **Fair Value Measurements Segment Reporting:**: In June 2022 November 2023, the FASB issued ASU 2022-03, "Fair Value Measurement of Equity Securities Subject 2023-07, "Segment Reporting: Improvements to Contractual Sale Restrictions" Reportable Segment Disclosures" ("ASU 2023-07"). ASU 2023-07 expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods beginning after December 15, 2024. We are currently evaluating the impact that ASU 2023-07 will have on the Company's consolidated financial statement disclosures.
- **Income Taxes:** In December 2023, the FASB issued ASU 2023-09, "Income Taxes: Improvements to clarify guidance for determining Income Tax Disclosures" ("ASU 2023-09"). ASU 2023-09 revises income tax disclosures primarily related to the fair value rate reconciliation and income taxes paid information as well as the effectiveness of certain equity securities and eliminate diversity in practice. other income tax disclosures. The new standard is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The standard should be applied on a prospective basis, but retrospective application is permitted. We are currently evaluating the impact that ASU 2022-03 states that contractual sale restrictions should not be considered when measuring 2023-09 will have on the fair value of an equity security and requires new disclosures for entities with equity securities subject to contractual sale restrictions. As the Company will lose its EGC status as of December 31, 2023, the Company will adopt ASU 2022-03 on January 1, 2024, the effective date for calendar-year public business entities. Because the Company does not have equity securities subject to contractual sale restrictions, ASU 2022-03 is not expected to have an impact on its Company's consolidated financial statements. statement disclosures.

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NOTE 3. REVENUE REVENUE RECOGNITION

In accordance with the revenue recognition standard requirements, the following table disaggregates our revenue by type and product:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
(in thousands)	**2023**	**2022**	**2023**	**2022**	**2024**	**2023**
Investment management fees						
Mutual funds (Victory Funds)	$ 112,816	$ 112,467	$ 330,921	$ 357,294	$ 115,173	$ 108,416
ETFs (VictoryShares)	5,200	5,324	15,901	15,274	5,179	5,441
Separate accounts and other vehicles	44,736	43,031	129,971	137,643	47,312	42,582
Performance-based fees						
Mutual funds (Victory Funds III)	1,087	244	3,489	(1,039)	2,023	690
Separate accounts and other vehicles	114	(296)	(83)	(808)	98	(293)
Total investment management fees	**163,953**	**160,770**	**480,199**	**508,364**	**169,785**	**156,836**
Fund administration and distribution fees						
Administration fees						
Mutual funds (Victory Funds)	$ 25,644	25,566	$ 74,947	80,287	26,334	24,376
ETFs (VictoryShares)	725	673	2,159	2,095	744	710
Distribution fees						
Mutual funds (Victory Funds)	5,648	6,036	16,978	19,172	5,583	5,740
Transfer agent fees						
Mutual funds (Victory Funds III)	13,718	14,215	40,951	43,367	13,411	13,658
Total fund administration and distribution fees	**45,735**	**46,490**	**135,035**	**144,921**	**46,072**	**44,484**
Total revenue	**$ 209,688**	**$ 207,260**	**$ 615,234**	**$ 653,285**	**$ 215,857**	**$ 201,320**

The following table presents balances of receivables:

(in thousands)	**September 30, 2023**	**December 31, 2022**

Customer receivables		
Mutual funds (Victory Funds)	$ 52,878	$ 53,835
ETFs (VictoryShares)	2,005	2,239
Separate accounts and other vehicles	31,183	26,652
Receivables from contracts with customers	**86,066**	**82,726**
Non-customer receivables	9,108	1,747
Total receivables	**$ 95,174**	**$ 84,473**

(in thousands)	**March 31, 2024**	**December 31, 2023**
Customer receivables		
Mutual funds (Victory Funds)	$ 58,200	$ 55,858
ETFs (VictoryShares)	2,213	2,079
Separate accounts and other vehicles	36,099	28,189
Receivables from contracts with customers	**96,512**	**86,126**
Non-customer receivables	699	1,444
Total receivables	**$ 97,211**	**$ 87,570**

Revenue

The Company's revenue includes fees earned from providing;

- investment management services,
- fund administration services,
- fund transfer agent services, and
- fund distribution services.

Revenue is recognized for each distinct performance obligation identified in customer contracts when the performance obligation has been satisfied by transferring services to a customer either over time or at the point in time when the customer obtains control of the service. Revenue is recognized in the amount of variable or fixed consideration allocated to the satisfied performance obligation that Victory expects to be entitled to in exchange for transferring services to a customer. Variable consideration is included in the transaction price only when it is probable that a significant reversal of such revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Investment management, fund administration and fund distribution fees are generally considered variable consideration as they are typically calculated as a percentage of AUM. Fund transfer agent fees are also considered variable consideration

as they are calculated as a percentage of AUM or based on the number of accounts in the fund. In such cases, the amount of fees earned is subject to factors outside of the Company's control including customer or underlying investor contributions

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and redemptions and financial market volatility. These fees are considered constrained and are excluded from the transaction price until the asset values or number of accounts on which the customer is billed are calculated and the value of consideration is measurable.

The Company has contractual arrangements with third parties to provide certain advisory, administration, transfer agent and distribution services. Management considers whether we are acting as the principal service provider or as an agent to determine whether revenue should be recorded based on the gross amount payable by the customer or net of payments to third-party service providers, respectively. Victory is considered a principal service provider if we control the service that is transferred to the customer. We are considered an agent when we arrange for the service to be provided by another party and do not control the service.

Investment Management Fees

Investment management fees are received in exchange for investment management services that represent a series of distinct incremental days of investment management service. Control of investment management services is transferred to the customers over time as these customers receive and consume the benefits provided by these services. Investment management fees are calculated as a contractual percentage of AUM and are generally paid in arrears on a monthly or quarterly basis.

AUM represents the financial assets the Company manages for clients on either a discretionary or non-discretionary basis. In general, AUM reflects the valuation methodology that corresponds to the basis used for determining revenue such as net asset value for the Victory Funds and certain other pooled funds and account market value for separate accounts. For the NEC Funds, AUM represents limited partner capital commitments during the commitment period of the fund. Following the earlier of the termination of the commitment period and the beginning of any commitment period for a successor fund, AUM generally represents, depending on the fund, the lesser of a) the net asset value of the fund and b) the aggregated adjusted cost basis of each unrealized portfolio investment or the limited partner capital commitments reduced by the amount of capital contributions used to make portfolio investments that have been disposed.

Investment management fees are recognized as revenue using a time-based output method to measure progress. Revenue is recorded at month end or quarter end when the value of consideration is measured. The amount of investment management fee revenue varies from one reporting period to another as levels of AUM change (from inflows, outflows and market movements) and as the number of days in the reporting period change.

The Company may waive certain fees for investment management services provided to the Victory Funds, VictoryShares and other pooled investment vehicles and may subsidize certain share classes of the Victory Funds, VictoryShares and other pooled investment vehicles to ensure that specified operating expenses attributable to such share classes do not exceed a specified percentage. These waivers and reimbursements reduce the transaction price allocated to investment management services and are recognized as a reduction to investment management fees revenue. The amounts due to the Victory Funds, VictoryShares and other pooled investment vehicles for waivers and expense reimbursements represent consideration payable to customers, which is recorded in accounts payable and accrued expenses in the unaudited Condensed Consolidated Balance Sheets, and no distinct services are received in exchange for these payments.

Performance-based investment management fees, which include fees under performance fee and fulcrum fee arrangements, are included in the transaction price for providing investment management services. Performance-based investment management fees are calculated as a percentage of investment performance on a client's account versus a specified benchmark or hurdle based on the terms of the contract with the customer. Performance-based investment management fees are variable consideration and are recognized as revenue when and to the extent that it is probable that a significant reversal of the cumulative revenue for the contractual performance period will not occur. Performance-based investment management fees recognized as revenue in the current period may pertain to performance obligations satisfied in prior periods. Fulcrum fee arrangements include a performance fee adjustment that increases or decreases the total investment management fee depending on whether the assets being managed experienced better or worse investment performance than the index specified in the customer's contract. The performance fee adjustment arrangement with certain equity and fixed income Victory Funds III took effect on July 1, 2020 and is calculated monthly based on the investment performance of those funds relative to their specified benchmark indexes over the discrete performance period ending with that month.

Fund Administration Fees

The Company recognizes fund administration fees as revenue using a time-based output method to measure progress. Fund administration fees are determined based on the contractual rate applied to average daily net assets of the Victory

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Funds and VictoryShares for which administration services are provided. Revenue is recorded on a monthly basis when the value of consideration is measured using actual average daily net assets and constraints are removed. The Company's

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fund administration fee revenue is recorded in fund administration and distribution fees in the unaudited Condensed Consolidated Statements of Operations.

The Company has contractual arrangements with a third party to provide certain sub-administration services. We are the primary obligor under the contracts with the Victory Funds and VictoryShares and have the ability to select the service provider and establish pricing. As a result, fund administration fees and sub-administration expenses are recorded on a gross basis.

Fund Compliance Fees

The Company has an agreement to provide compliance design, administration and oversight services for the Victory Funds and the VictoryShares in accordance with Rule 38a-1 under the Investment Company Act. The Company furnishes a VCM employee to serve as the Chief Compliance Officer and provides other compliance personnel and resources reasonably necessary to perform the services under this agreement. The Company earns a fixed annual fee for these compliance services which is recorded in fund administration and distribution fees in the unaudited Condensed Consolidated Statements of Operations.

Fund Transfer Agent Fees

The Company recognizes fund transfer agent fees using a time-based output method to measure progress. Fund transfer agent fees are determined based on the contractual rate applied to either the average daily net assets of the Victory Funds III for which transfer agent services are provided or number of accounts in the Victory Funds III. Revenue is recorded on a monthly basis when the value of consideration is measured using actual average daily net assets or actual number of accounts and constraints are removed. The Company's fund transfer agent fee revenue is recorded in fund administration and distribution fees in the unaudited Condensed Consolidated Statements of Operations.

The Company also receives fees for sub-transfer agency services under contracts with the Victory Funds for member class shares. Sub-transfer agency fees are recognized and recorded in a manner similar to fund transfer agent fees and are recorded in fund administration and distribution fees in the unaudited Condensed Consolidated Statements of Operations.

The Company has contractual arrangements with a third party to provide certain sub-transfer agent services. As the Company is the primary obligor under the transfer agency contracts with the Victory Funds III and has the ability to select the service provider and establish pricing, fund transfer agent fees and sub-transfer agent expenses are recorded on a gross basis.

Fund Distribution Fees

The Company receives compensation for sales and sales-related services promised under distribution contracts with the Victory Funds. Revenue is measured in an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing distribution services. Distribution fees are generally calculated as a percentage of average net assets in the Victory Funds. The Company's performance obligation is satisfied at the point in time when control of the services is transferred to customers, which is upon investor subscription or redemption.

Based on the nature of the calculation, the revenue for these services is accounted for as variable consideration. The Company may recognize distribution fee revenue in the current period that pertains to performance obligations satisfied in prior periods as variable consideration is recognized only when uncertainties are resolved. The Company's distribution fee revenue is recorded in fund administration and distribution fees in the unaudited Condensed Consolidated Statements of Operations.

The Company has contractual arrangements with third parties to provide certain distribution services. The Company is the primary obligor under the contracts with the Victory Funds and has the ability to select the service provider and establish pricing. Substantially all of the Company's revenue is recorded gross of payments made to third parties.

Included in fund distribution fees are transaction and account-level fees paid by VCS brokerage platform customers for trade execution, cash transfer and other services.

Costs Incurred to Obtain or Fulfill Customer Contracts

The Company is required to capitalize certain costs directly related to the acquisition or fulfillment of a contact with a customer. Victory has not identified any sales-based compensation or similar costs that meet the definition of an incremental cost to acquire a contract and as such we have no intangible assets related to contract acquisitions.

Direct costs incurred to fulfill services under the Company's distribution contracts include sales commissions paid to third party dealers for the sale of Class C Shares. The Company may pay upfront sales commissions to dealers and institutions that sell Class C shares of the participating Victory Funds at the time of such sale. Upfront sales commission payments with

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respect to Class C shares equal 1.00% of the purchase price of the Class C shares sold by the dealer or institution. When the Company makes an upfront payment to a dealer or institution for the sale of Class C shares, the Company capitalizes the cost of such payment, which is recorded in prepaid expenses in the unaudited Condensed Consolidated Balance Sheets and amortizes the cost over a 12-month period, the estimated period of benefit.

Valuation of AUM and fund investments

The fair value of assets under management of the Victory Funds and VictoryShares is primarily determined using quoted market prices or independent third-party pricing services or broker price quotes. In certain circumstances, a quotation or price evaluation is not readily available from a pricing service. In these cases, pricing is determined by management based

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on a prescribed valuation process that has been approved by the directors/trustees of the sponsored products. The same prescribed valuation process is used to price securities in separate accounts and the Company's other non-alternative investment vehicles for which a quotation or price evaluation is not readily available from a pricing service.

The fair value of Level III assets held by alternative investment vehicles is determined under the respective valuation policy for each fund. The valuation policies address the fact that substantially all the investments of a fund may not have readily available market information and therefore the fair value for these assets is typically determined using unobservable inputs and models that may include subjective assumptions. AUM reported by the Company for alternative investment vehicles may not necessarily equal the funds' net asset values or the total fair value of the funds' portfolio investments as AUM represents the basis for calculating management fees.

For the periods presented, less than one percent of the Company's total AUM were Level III assets priced without using a quoted market price, broker price quote or pricing service quotation.

NOTE 4. ACQUISITIONS

USAA AMCO Acquisition

Under In the fourth quarter of 2023, the Company made the fourth and final earn-out payment due to sellers under the terms of the USAA AMCO Acquisition purchase agreement, a maximum of $ agreement.

150.0 million ($37.5 million per year) in contingent payments is payable to sellers based on For the annual revenue of USAA Asset Management Company attributable to all "non-managed money"-related AUM three months ended March 31, 2023, the increase in each of the first four years following the closing. To receive any contingent payment in respect of "non-managed money"-related assets for a given year, annual revenue from "non-managed money"-related assets must be at least 80% of the revenue run-rate (as calculated under the Stock Purchase Agreement) of the USAA Asset Management Company's "non-managed money"-related assets under management as of the closing date, and to achieve the maximum AMCO contingent payment for a given year, such annual revenue must total at least 100% of that closing date revenue run-rate.

As of September 30, 2023, contingent consideration payable to sellers was $36.4 million, the actual amount due to sellers for the fourth and final earn out period. At December 31, 2022, the estimated fair value of contingent consideration payable to sellers of $27.7 million was determined using a real options method, where revenue related to "non-managed money" assets was simulated in a risk-neutral framework to calculate expected probability-weighted earn out payments, which were then discounted from the expected payment dates at the relevant cost of debt. Contingent consideration payable to sellers is recorded in consideration payable for acquisition of business in the unaudited Condensed Consolidated Balance Sheets.

The increase in the liability of $2.7 4.3 million and $8.7 million for the three and nine months ended September 30, 2023 and the increase in the liability of $2.7 million and a decrease in the liability of $9.1 million for the three and nine months ended September 30, 2022 were was recorded in change in value of consideration payable for acquisition of business in the unaudited Condensed Consolidated Statements of Operations.

NEC Acquisition

On November 1, 2021, VCM completed the acquisition of 100% of the equity interests in NEC. Founded in 2004 and based in Hanover, New Hampshire, NEC is an alternative asset management firm focused on debt and equity investments in clean energy infrastructure projects and companies through private closed-end funds (the "NEC Funds").

Under the terms of the NEC purchase agreement, the Company will pay up to an additional $35.0 million in cash based on NEC's net revenue growth over a six-year period following the closing date. The purchase agreement specifies net revenue and payment targets for the 36-month, 48-month and 60-month periods beginning on November 30, 2021 (the "Start Date") for the contingent payments. It also provides for advance payments and catch-up payments to be made based on actual NEC net management fee revenue, as defined in the purchase agreement, as measured at the end of each 12 month 12-month anniversary of the Start Date over a six year period. The maximum amount of contingent payments, is due, less any contingent payments previously paid, is due upon the occurrence of certain specified events within a five year period following the Start Date.

The Company determined that substantially all of the contingent payments payable per the NEC purchase agreement represent compensation for post-closing services. Accordingly, these contingent payments were excluded from the purchase price for the NEC Acquisition. The Company records compensation expense over the estimated service period in an amount equal to the total contingent payments currently forecasted to be paid.

For the three months ended March 31, 2024 and 2023, the Company recorded $1.0 million and $1.6 million in NEC contingent payment compensation expense, respectively, which is included in personnel compensation and benefits in the unaudited Condensed Consolidated Statements of Operations.

For the three and nine months ended September 30, 2023, the Company recorded $1.4 million and $4.4 million in NEC contingent payment compensation expense, respectively. Expense recorded for the three and nine months ended September 30, 2022 was $1.7 million and $5.4 million, respectively.

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The liability for NEC contingent payments totaled $12.5 14.6 million and $8.1 13.7 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, which is included in accrued compensation and benefits in the unaudited Condensed Consolidated Balance Sheets.

WestEnd Acquisition

On December 31, 2021, Under the Company completed the acquisition of 100% terms of the equity interests WestEnd purchase agreement, a maximum of WestEnd. Founded in 2004, and headquartered in Charlotte, North Carolina, WestEnd is an ETF strategist advisor that provides financial advisors with a turnkey, core model allocation strategy for either a holistic solution or complementary source of alpha. The firm offers four primary ETF strategies and one large cap core strategy in separately managed account structures.

The aggregate purchase price (the "WestEnd Purchase Price") for the WestEnd Acquisition was $716.1 320.0 million net of cash acquired, which included (i) $ ($475.8 80.0 million in cash paid at closing (the "WestEnd Closing") net of cash acquired, plus the acquisition date value per year) of contingent payments due is payable to sellers of $239.7 million plus $0.6 million paid in cash in April 2022 for net working capital adjustments. The contingent sellers. Contingent earn-out payments are based on net revenue of the WestEnd business during each of the first four years following the WestEnd Closing, subject to certain "catch-up" provisions over a five and one-half year period following the WestEnd Closing. A maximum

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In March 2024, the Company paid $320.0 million ($80.0 million per year) is in cash to sellers as a catch-up payment for the first earn-out period. The estimated fair value of contingent consideration payable to sellers in contingent payments. was $149.4 million as of March 31, 2024 and $217.2 million as of December 31, 2023, respectively.

A total For the three months ended March 31, 2024 and 2023, the change in the liability was an increase of $2.9 12.2 million of the cash paid at closing was placed in escrow. In April 2022, the and $0.5 3.1 million, respectively. The impact of escrow funds reserved for purchase price adjustments was released to sellers. In February 2023, increasing or decreasing the remaining $2.4 million of escrow funds was released to sellers.

The purchase price of $716.1 million was allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date valuation of the WestEnd Acquisition. The Company used an independent valuation specialist to assist with the determination contingent consideration liability is recorded in change in value of fair value consideration payable for certain acquisition of the acquired assets and assumed liabilities disclosed below.

The excess purchase price over the estimated fair values of assets acquired and liabilities assumed of $536.0 million was recorded to goodwill business in the unaudited Condensed Consolidated Balance Sheets, all Statements of which is expected to be deductible for tax purposes. The goodwill arising from the acquisition primarily results from revenue synergies expected from combining WestEnd and Victory distribution platforms and sales efforts. Operations.

The estimated fair value for of contingent consideration payable to sellers is estimated using the real options method. WestEnd net revenue growth is simulated in a risk-neutral framework to calculate expected probability-weighted earn out payments, which are then discounted from the expected payment dates at the relevant cost of debt. Significant assumptions and inputs include the WestEnd net revenue projected annual growth rate, the market price of risk adjustment for revenue, which adjusts the projected revenue growth rate to a risk-neutral expected growth rate, revenue volatility and discount rate. The market price of risk adjustment for revenue and revenue volatility are based on data for comparable companies. As the contingent consideration represents a subordinate, unsecured claim of the Company, the Company assesses a discount rate which incorporates adjustments for credit risk and the subordination of the contingent consideration.

The fair value of contingent consideration payable to sellers was estimated at $213.2 million as of September 30, 2023 and $202.7 million as of December 31, 2022. For the three and nine months ended September 30, 2023, the change in the liability was an increase of $7.6 million and $10.5 million, respectively. For the three and nine months ended September 30, 2022, the liability decreased by $13.2 million and $31.5 million, respectively. The impact of increasing or decreasing the valuation of the contingent consideration liability is recorded in change in value of consideration payable for acquisition of business in the unaudited Condensed Consolidated Statements of Operations.

Significant inputs to the valuation of contingent consideration payable to sellers as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows and are approximate values:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Net revenue 5 year average annual growth rate	24 %	28 %	24 %	22 %

Market price of risk adjustment for revenue (continuous)	8 %	11 %	7 %	7 %
Revenue volatility	21 %	20 %	21 %	21 %
Discount rate	8 %	8 %	7 %	7 %
Years remaining in earn out period	4.1	4.8	3.6	3.8
Undiscounted estimated remaining earn out payments $ millions	$247 - $320	$247 - $320	$252 - $320	$243 - $320

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NOTE 5. FAIR VALUE MEASUREMENTS

The Company determines the fair value of certain financial and nonfinancial assets and liabilities. Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value determinations utilize a valuation hierarchy based upon the transparency of inputs used in the valuation of an asset or liability.

Classification within the fair value hierarchy contains three levels:

- Level 1—Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2—Valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market price similar assets and liabilities in active markets and other observable inputs directly or indirectly related to the asset or liability b measured.
- Level 3—Valuation inputs are unobservable and significant to the fair value measurement. These inputs reflect management's assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following table presents assets and liabilities measured at fair value on a recurring basis:

	As of September 30, 2023				As of March 31, 2024			
(in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets								
Money market funds	$ 98,769	$ 98,769	$ —	$ —				
Money market fund					$ 64,465	$ 64,465	$ -	$ -
Investments in proprietary funds	490	490	—	—	572	572	-	-
Deferred compensation plan investments	29,368	29,368	—	—	32,952	32,952	-	-
Interest rate swap asset	45,314	—	45,314	—				
Total Financial Assets	**$ 173,941**	**$ 128,627**	**$ 45,314**	**$ —**	**$ 97,989**	**$ 97,989**	**$ -**	**$ -**

Financial Liabilities								
Contingent consideration arrangements	(249,636)	—	—	(249,636)	$ (149,400)	$ -	$ -	$ (149,400)
Total Financial Liabilities	**$ (249,636)**	**$ —**	**$ —**	**$ (249,636)**	**$ (149,400)**	**$ -**	**$ -**	**$ (149,400)**

(in thousands)	As of December 31, 2022 Total	Level 1	Level 2	Level 3
Financial Assets				
Money market fund	$ 24,575	$ 24,575	$ —	$ —
Investments in proprietary funds	466	466	—	—
Deferred compensation plan investments	26,800	26,800	—	—
Interest rate swap asset	46,931	—	46,931	—
Total Financial Assets	**$ 98,772**	**$ 51,841**	**$ 46,931**	**$ —**
Financial Liabilities				
Contingent consideration arrangements	(230,400)	—	—	(230,400)
Total Financial Liabilities	**$ (230,400)**	**$ —**	**$ —**	**$ (230,400)**

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(in thousands)	As of December 31, 2023 Total	Level 1	Level 2	Level 3
Financial Assets				
Money market fund	$ 109,183	$ 109,183	$ -	$ -
Investments in proprietary funds	534	534	-	-
Deferred compensation plan investments	31,274	31,274	-	-
Total Financial Assets	**$ 140,991**	**$ 140,991**	**$ -**	**$ -**
Financial Liabilities				
Contingent consideration arrangements	$ (217,200)	$ -	$ -	$ (217,200)
Total Financial Liabilities	**$ (217,200)**	**$ -**	**$ -**	**$ (217,200)**

Level 1 assets consist of money market funds and open-end mutual funds. The fair values for these assets are determined utilizing quoted market prices for identical assets.

The interest rate swap (the “Swap”) asset represents amounts receivable under a floating-to-fixed interest rate swap transaction entered into by the Company on March 27, 2020. The fair value of the Swap is included in the unaudited Condensed Consolidated Balance Sheets in other assets at September 30, 2023 and December 31, 2022. Pricing was determined based on a third party, model-derived valuation in which all significant inputs are observable in active markets (Level 2). Refer to Note 14, Derivatives, for further detail on the Swap.

Contingent consideration arrangements include represent the USAA AMCO and WestEnd earn-out payment liabilities at September 30, 2023 and December 31, 2022. Contingent consideration arrangements are liability, which is included in consideration payable for acquisition of business in the unaudited Condensed Consolidated Balance Sheets.

As of September 30, 2023, the USAA AMCO Acquisition earn-out payment liability represents the actual amount due to sellers for the fourth and final earn out period ended July 31, 2023.

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Significant unobservable inputs for the option pricing model used to determine the estimated fair value of the WestEnd Acquisition earn-out payment liability include the WestEnd net revenue projected growth rate, revenue volatility, market price of risk and discount rate.

For the WestEnd contingent consideration arrangement, an An increase in the projected growth rate for net revenue results in a higher fair value for the earn-out payment liability while an increase in the discount rate results in a lower fair value for the earnout payment liability. An increase in the market price of risk and revenue volatility results in a lower fair value. Refer to Note 4, Acquisitions, for further details related to the valuation of contingent consideration payable related to the WestEnd Acquisition.

Changes in the fair value of contingent consideration arrangement liabilities, realized or unrealized, are recorded in earnings and are included in change in value of consideration payable for acquisition of business in the unaudited Condensed Consolidated Statements of Operations.

The following table presents the balance of the change in contingent consideration arrangement liabilities for the nine three months ended September 30, 2023 March 31, 2024:

(in thousands)		Contingent Consideration Liabilities
Balance, December 31, 2022	$	230,400
USAA AMCO change in fair value measurement		8,736
WestEnd change in fair value measurement		10,500
Balance, September 30, 2023	**$**	**249,636**

(in thousands)		Contingent Consideration Liabilities
Balance, December 31, 2023	$	217,200
WestEnd earn-out payment		(80,000)
WestEnd change in fair value measurement		12,200
Balance, March 31, 2024	**$**	**149,400**

There were no transfers between any of the Level 1, 2 and 3 categories in the fair value measurement hierarchy from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024. The Company recognizes transfers at the end of the reporting period.

The net carrying value of accounts receivable and accounts payable approximates fair value due to the short-term nature of these assets and liabilities. The fair value of our long-term debt as of September 30, 2023, March 31, 2024 is considered to be its carrying value as the interest rate on the bank debt is variable and approximates current market rates. As a result, Level 2 inputs are utilized to determine the fair value of our long-term debt.

NOTE 6. RELATED-PARTY TRANSACTIONS

The Company considers certain funds that it manages, including the Victory Funds, the VictoryShares, collective trust funds that it sponsors (the "Victory Collective Funds"), the NEC Funds and other pooled investment vehicles that it sponsors, to be related parties as a result of its advisory relationship.

The Company receives investment management, administrative, distribution and compliance fees in accordance with contracts that VCM and VCS have with the Victory Funds and has invested a portion of its balance sheet cash in the Victory Treasury Money Market Trust and earns interest on the amount invested in this fund.

The Company receives investment management, administrative and compliance fees in accordance with contracts that VCM has with the VictoryShares.

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We also receive investment management fees from the Victory Collective Funds, the NEC Funds and other pooled investment vehicles under VCM's advisory contracts with these funds. In addition, VCTA receives fees for transfer agency services under contracts with the Victory Funds III and sub-transfer agency services under contracts with the Victory Funds for member class shares.

Director fees payable by the Company in cash and contributions made under the Director Deferred Compensation Plan for non-employee members of our Board of Directors are included in general and administrative expense in the unaudited Condensed Consolidated Statements of Operations.

The table below presents balances and transactions involving related parties included in the unaudited Condensed Consolidated Balance Sheets and unaudited Condensed Consolidated Statements of Operations.

- Included in cash and cash equivalents is cash held in the Victory Treasury Money Market Trust.
- Included in receivables (investment management fees) are amounts due from the Victory Funds, the VictoryShares, the Vi Collective Funds, the NEC Funds and other pooled investment vehicles for investment management services.
- Included in receivables (fund administration and distribution fees) are amounts due from the Victory Funds for fund administr services and compliance services, amounts due from the VictoryShares for fund

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administration services, amounts due from the Victory Funds III for transfer agent services and amounts due from the Victory F for sub-transfer agent services.

- Included in prepaid expenses are amounts paid by VCM that will be invoiced to the NEC Funds in subsequent periods.
- Included in revenue (investment management) management fees) are amounts earned for investment management services prov to the Victory Funds, the VictoryShares, the Victory Collective Funds, the NEC Funds and other pooled investment vehicles.
- Included in revenue (fund administration and distribution fees) are amounts earned for fund administration and compliance serv transfer agent services and sub-transfer agent services.

- Realized and unrealized gains and losses and dividend income on investments in the Victory Funds classified as investmer proprietary funds and deferred compensation plan investments and dividend income on investments in the Victory Treasury M Market Trust are recorded in interest income and other income (expense) in the unaudited Condensed Consolidated Statemer Operations.
- Amounts due to the Victory Funds, the VictoryShares and other pooled investment vehicles for waivers of investment manage fees and reimbursements of fund operating expenses are included in accounts payable and accrued expenses in the unau Condensed Consolidated Balance Sheets and represent consideration payable to customers.

(in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Related party assets				
Cash and cash equivalents	$ 98,769	$ 24,575	$ 64,465	$ 109,183
Receivables (investment management fees)	43,387	44,218	48,279	46,217
Receivables (fund administration and distribution fees)	14,178	14,379	15,094	14,238
Prepaid expenses	1,068	1,097	1,147	730
Investments (investments in proprietary funds, fair value)	490	466	572	534
Investments (deferred compensation plan investments, fair value)	29,237	24,852	32,810	31,143
Total	$ 187,129	$ 109,587	**$ 162,367**	**$ 202,045**
Related party liabilities				
Accounts payable and accrued expenses (fund reimbursements)	$ 5,619	$ 5,838	$ 5,482	$ 5,641

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2023	2022	2023	2022
Related party revenue				
Investment management fees	$ 124,845	$ 124,335	$ 366,738	$ 391,804
Fund administration and distribution fees	45,735	46,490	135,035	144,921
Total	$ 170,580	$ 170,825	$ 501,773	$ 536,725
Related party expense				
General and administrative	$ 117	$ 93	$ 366	$ 302
Related party other income (expense)				
Interest income and other income (expense)	$ 465	$ (805)	$ 3,260	$ (4,343)

(in thousands)	Three Months Ended March 31, 2024	2023
Related party revenue		
Investment management fees	$ 128,335	$ 119,983
Fund administration and distribution fees	46,072	44,484
Total	**$ 174,407**	**$ 164,467**
Related party expense		
General and administrative	$ 112	$ 122
Related party other income (expense)		
Interest income and other income (expense)	$ 3,286	$ 1,464

NOTE 7. INVESTMENTS

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had investments in proprietary funds and deferred compensation plan investments. Investments in proprietary funds consist entirely of seed capital investments in certain Victory Funds. Deferred compensation plan investments are held under deferred compensation plans and include Victory Funds and third party mutual funds.

Unrealized and realized gains and losses on investments in proprietary funds and deferred compensation plan investments are recorded in earnings as interest income and other income (expense).

Investments in Proprietary Funds

The following table presents a summary of the cost and fair value of investments in proprietary funds:

		Gross Unrealized		Fair
(in thousands)	Cost	Gains	(Losses)	Value
As of September 30, 2023	$ 560	$ 36	$ (106)	$ 490
As of December 31, 2022	551	29	(114)	466

		Gross Unrealized		Fair
(in thousands)	Cost	Gains	(Losses)	Value
As of March 31, 2024	$ 570	$ 77	$ (75)	$ 572

As of December 31, 2023	569	55	(90)	534

There were no proceeds from sales and realized gains and losses from of investments in proprietary funds for during the three months ended September 30, 2023 March 31, 2024 and 2022. Sales and realized gains and losses for the nine months ended September 30, 2023 and 2022 were as follows: 2023.

(in thousands)	Sale Proceeds	Realized Gains	Realized (Losses)
For the nine months ended September 30, 2023	$ 32	$ 4	$ —
For the nine months ended September 30, 2022	65	—	(2)

Deferred Compensation Plan Investments

The following table presents a summary of the cost and fair value of deferred compensation plan investments:

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
As of September 30, 2023	$ 29,367	$ 860	$ (859)	$ 29,368
As of December 31, 2022	27,801	529	(1,530)	26,800

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
As of March 31, 2024	$ 30,535	$ 2,639	$ (222)	$ 32,952
As of December 31, 2023	30,109	1,610	(445)	31,274

The following table presents proceeds from sales of deferred compensation plan investments and realized gains and losses recognized during the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

(in thousands)	Sale Proceeds	Realized Gains	Realized (Losses)
For the three months ended September 30, 2023	$ 4,522	$ 1	$ (100)
For the three months ended September 30, 2022	7,023	—	(258)

(in thousands)	Sale Proceeds	Realized Gains	Realized (Losses)
For the nine months ended September 30, 2023	$ 7,432	$ 5	$ (332)
For the nine months ended September 30, 2022	15,139	1,872	(473)

(in thousands)	Sale Proceeds	Realized Gains	Realized (Losses)
For the three months ended March 31, 2024	$ 299	$ 22	$ (5)
For the three months ended March 31, 2023	1,971	1	(201)

NOTE 8. INCOME TAXES

The effective tax rate for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 differs from the United States federal statutory rate primarily as a result of state and local income taxes, excess tax benefits on share-based compensation and certain non-deductible expenses.

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For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the provision for income taxes was $13.9 16.2 million and $12.6 million, or 21.1 22.5% and 14.7 20.4%, of pre-tax income respectively. For the nine months ended September 30, 2023 and 2022, the provision for income taxes was $44.4 million and $57.6 million, or 22.0% and 20.5% of pre-tax income respectively.

The effective tax rate for the three and nine months ended September 30, 2023 March 31, 2024 was higher than the effective tax rate for the same periods period in 2022 mainly 2023 due primarily to lower changes in the levels of excess tax benefits on share-based compensation. compensation and non-deductible expenses.

No valuation allowance was recorded for deferred tax assets in the periods period ended September 30, 2023 March 31, 2024 and 2022. 2023.

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NOTE 9. DEBT

The following table presents the components of long-term debt in the unaudited Condensed Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

			Effective Interest Rate as of	
(in thousands)	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Term Loans				
Due July 2026, 7.62% interest rate	$ 630,680	$ 630,680	8.02%	6.36%
Due December 2028, 7.62% interest rate	371,028	371,028	7.94%	6.29%
Term loan principal outstanding	1,001,708	1,001,708		
Unamortized debt issuance costs	(9,395)	(11,299)		
Unamortized debt discount	(3,990)	(4,895)		
Long-term debt, net	**$ 988,323**	**$ 985,514**		
	March 31,	**December 31,**	**Interest Rate**	**Effective Interest Rate**

(in thousands)	2024	2023	2024	2023	2024	2023
Term Loans						
Due July 2026	$ 630,680	$ 630,680	7.68%	7.77%	8.08%	8.17%
Due December 2028	371,028	371,028	7.68%	7.77%	8.00%	8.10%
Term loan principal outstanding	1,001,708	1,001,708				
Unamortized debt issuance costs	(8,118)	(8,753)				
Unamortized debt discount	(3,384)	(3,686)				
Long-term debt, net	**$ 990,206**	**$ 989,269**				

The Company elects to use three-month term Term SOFR plus a ten-point credit spread adjustment plus the margin on SOFR required by the 2019 Credit Agreement to pay interest on its debt.

The 2019 Credit Agreement contains customary affirmative and negative covenants, including covenants that affect, among other things, the ability of the first lien leverage ratio, measured as of the last day of each fiscal quarter on which outstanding borrowings under the revolving credit facility exceed 35.0% of the commitments thereunder (excluding certain letters of credit), of no greater than 3.80 to 1.00. As of September 30, 2023 March 31, 2024, there were no outstanding borrowings under the revolving credit facility and the Company was in compliance with the its financial performance covenant.

There were no repayments of outstanding term loans under the 2019 Credit Agreement during the three and nine months ended September 30, 2023, respectively.

A total of $29.6 million March 31, 2024 and $144.6 million of the outstanding term loans under the 2019 Credit Agreement was repaid during the three and nine months ended September 30, 2022, respectively. The Company recognized a net loss on debt extinguishment of $0.4 million and $2.9 million in the three and nine months ended September 30, 2022 due 2023. Refer to repayments of Note 15, Subsequent Events, for information related to term loan principal. activity subsequent to March 31, 2024.

Interest Expense

The following table presents the components of interest expense and other financing costs on the unaudited Condensed Consolidated Statements of Operations for the periods ended September 30, 2023 March 31, 2024 and 2022. 2023.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
(in thousands)	2023	2022	2023	2022	2024	2023
Interest expense	$ 19,457	$ 11,717	$ 55,140	$ 27,465	$ 19,463	$ 17,277
Amortization of debt issuance costs	762	784	2,266	2,434	755	748
Amortization of debt discount	305	314	905	960	302	298
Interest rate swap (income) expense	(5,115)	(1,459)	(14,004)	(558)	—	(4,206)
Amortization of deferred gain on terminated interest rate swap					(4,154)	—

Other	171	123	414	336	120	122
Total	**$ 15,580**	**$ 11,479**	**$ 44,721**	**$ 30,637**	**$ 16,486**	**$ 14,239**

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NOTE 10. EQUITY

Shares Rollforward

The following tables present the changes in the number of shares of common stock Common Stock issued and repurchased (in thousands):

	Shares of Common Stock Issued	Shares of Treasury Stock	Shares of Common Stock Issued	Shares of Treasury Stock
Balance, December 31, 2022	80,528	(13,203)		
Balance, December 31, 2023			82,404	(18,150)
Issuance of shares	3	—	2	—
Repurchase of shares	—	(1,032)	—	—
Vesting of restricted share grants	680	—	382	—
Exercise of options	295	—	378	—
Shares withheld related to net settlement of equity awards	—	(390)	—	(345)
Balance, March 31, 2023	81,506	(14,625)		
Issuance of shares	2	—		
Repurchase of shares	—	(1,380)		
Vesting of restricted share grants	27	—		
Exercise of options	191	—		
Shares withheld related to net settlement of equity awards	—	(102)		
Balance, June 30, 2023	81,726	(16,107)		
Issuance of shares	2	—		
Repurchase of shares	—	—		
Vesting of restricted share grants	66	—		
Exercise of options	430	—		
Shares withheld related to net settlement of equity awards	—	(206)		
Balance, September 30, 2023	82,224	(16,313)		

Balance, March 31, 2024	**83,166**	**(18,495)**

	Shares of Common Stock Issued	Shares of Treasury Stock
Balance, December 31, 2021	77,242	(8,580)
Issuance of shares	3	—
Repurchase of shares	—	(293)
Vesting of restricted share grants	481	—
Exercise of options	222	—
Shares withheld related to net settlement of equity awards	—	(285)
Balance, March 31, 2022	77,948	(9,158)
Issuance of shares	3	—
Repurchase of shares	—	(640)
Vesting of restricted share grants	139	—
Exercise of options	271	—
Shares withheld related to net settlement of equity awards	—	(197)
Balance, June 30, 2022	78,361	(9,995)
Issuance of shares	3	—
Repurchase of shares	—	(819)
Vesting of restricted share grants	208	—
Exercise of options	1,717	—
Shares withheld related to net settlement of equity awards	—	(993)
Balance, September 30, 2022	80,289	(11,807)

	Shares of Common Stock Issued	Shares of Treasury Stock
Balance, December 31, 2022	80,528	(13,203)
Issuance of shares	3	—
Repurchase of shares	—	(1,032)
Vesting of restricted share grants	680	—
Exercise of options	295	—
Shares withheld related to net settlement of equity awards	—	(390)
Balance, March 31, 2023	**81,506**	**(14,625)**

Shares Share Repurchased and Withheld

Share Repurchase Programs

In March December 2023, the Company's Board of Directors approved a new share repurchase program (the "2023 "2024 Share Repurchase Program") authorizing the repurchase of up to $100.0 million of the Company's Common Stock. Stock through December 31, 2025. Under the 2023 2024 Share Repurchase Program, which took effect in March December 2023, the Company may purchase its shares from time to time through March 31, 2025 in privately negotiated transactions, through block trades, pursuant to open market purchases, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the SEC. The amount and timing of purchases under the 2023 2024 Share Repurchase Program will depend on a number of factors including the price and availability of the Company's shares, trading volume, capital availability, Company performance and general economic and market conditions. The 2023 2024 Share Repurchase Program can be suspended or discontinued at any time. The former $100.0 million share repurchase program, which took effect in May 2022, was completed in March 2023.

The No shares were repurchased by the Company did not make any repurchases during the three months ended September 30, 2023 March 31, 2024. During For the nine months ended September 30, 2023, same period in 2023, the Company repurchased 2.4 1.0 million shares of Common Stock at a total cost of $77.3 32.9 million, which included $0.5 0.2 million of excise taxes payable on shares repurchased, for an average price of $32.05. During the three and nine months ended September 30, 2022, 0.8 31.88 million and 1.8 million shares were repurchased at a total cost of $22.8 million and $49.2 million for an average price of $27.86 and $28.06. per share.

As of September 30, 2023 March 31, 2024, a total of $51.9 95.2 million was available for future repurchases under the 2023 2024 Share Repurchase Program, and a cumulative total of 9.5 11.3 million shares of Common Stock had been repurchased under programs authorized by the Company's Board of Directors at a total cost of $238.6 295.8 million for an average price of $25.07 26.26 per share.

Shares Withheld for net settlement Net Settlement of employee equity awards Employee Equity Awards

During the three months ended September 30, 2023 March 31, 2024, the Company net settled 0.2 0.3 million shares of Common Stock for $6.9 13.3 million to satisfy $5.0 10.3 million in employee tax obligations and $1.9 3.0 million in employee stock option exercise prices. During the same period in 2022, 2023, 1.0 million shares were net settled for $27.4 million to satisfy $18.1 million of employee tax obligations and $9.3 million of employee stock option exercise prices.

During the nine months ended September 30, 2023, the Company net settled 0.7 0.4 million shares of Common Stock were net settled for $21.7 11.7 million to satisfy $16.7 10.0 million in employee tax obligations and $5.0 1.7 million in employee stock option exercise prices. During the same period in 2022, 1.5 million shares were net settled for $41.5 million to satisfy $29.3 million of employee tax obligations and $12.2 million of employee stock option exercise prices.

Dividend Payments

Dividends paid or payable for the nine three months ended September 30, 2023 March 31, 2024 totaled $64.8 22.4 million and included quarterly dividends of $63.6 million and $1.2 million in cash bonuses and distributions related to dividends previously declared upon vesting of restricted stock. During the same period in 2022, dividends paid or payable totaled $52.3 million and included quarterly dividends of $51.5 21.6 million and $0.8 million in cash bonuses and distributions related to dividends previously declared upon vesting of restricted stock. For the three months ended March 31, 2023, dividends paid or payable totaled $22.5 million and included

quarterly dividends of $21.4 million and $1.1 million in cash bonuses and distributions related to dividends previously declared upon vesting of restricted stock.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the amount of cash bonuses and distributions related to dividends previously declared on unvested and outstanding restricted share awards and stock options totaled $0.9 0.7 million and $1.3 1.2 million, respectively, which was not recorded as a liability as of the balance sheet date. A liability will be recorded for these cash bonuses and dividends when the restricted shares and options vest.

NOTE 11. SHARE-BASED COMPENSATION

Current Period Activity

During the three months ended September 30, 2023 March 31, 2024, the Company issued restricted stock awards for 33,153 465,972 shares of Common Stock, of which awards for 9,013 shares were fully vested on the grant date and awards for 24,140 shares vest over four years.

For the nine months ended September 30, 2023, the Company issued restricted stock awards for 513,715 shares of Common Stock, of which awards for 30,012 8,349 shares were fully vested on the grant date, awards for 51,919 72,400 shares vest over two years, awards for 84,039 shares cliff vest after two years, awards for 258,908 92,875 shares vest over three years, awards for 24,140 291,334 shares vest over four years, awards for 31,073 shares vest two-thirds in two years and one-third in three years and awards for 33,624 1,014 shares cliff vest one-third in after two years and two-thirds in three 2 years.

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Stock option award and restricted stock award activity during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 was as follows:

	Shares Subject to Stock Option Awards Nine Months Ended September 30,						Shares Subject to Stock Option Awards Three Months Ended March 31,					
	2023			2022			2024			2023		
	Avg wtd grant-date fair value	Avg wtd exercise price	Units	Avg wtd grant-date fair value	Avg wtd exercise price	Units	Avg wtd grant-date fair value	Avg wtd exercise price	Units	Avg wtd grant-date fair value	Avg wtd exercise price	Units
Outstanding at beginning of period	$ 4.31	$ 7.57	2,884,180	$ 3.94	$ 6.71	5,315,210	$ 4.68	$ 8.76	1,801,853	$ 4.31	$ 7.57	2,884,180
Forfeited	—	—	—	6.46	14.15	(451)	—	—	—	—	—	—
Exercised	3.70	5.70	(916,325)	3.43	5.53	(2,209,371)	4.41	8.45	(378,149)	3.63	5.80	(294,892)
Outstanding at end of the period	$ 4.59	$ 8.44	1,967,855	$ 4.31	$ 7.55	3,105,388						

Outstanding at end of period							$ 4.76	$ 8.84	1,423,704	$ 4.39	$ 7.77	2,589,288
Vested	$ 4.57	$ 8.36	1,791,657	$ 4.27	$ 7.45	2,928,840	$ 4.74	$ 8.79	1,247,506	$ 4.35	$ 7.67	2,413,090
Unvested	4.85	9.23	176,198	4.85	9.24	176,548	4.85	9.23	176,198	4.85	9.23	176,198

	Restricted Stock Awards Nine Months Ended September 30,				Restricted Stock Awards Three Months Ended March 31,			
	2023		2022		2024		2023	
	Avg wtd grant-date fair value	Units	Avg wtd grant-date fair value	Units	Avg wtd grant-date fair value	Units	Avg wtd grant-date fair value	Units
Unvested at beginning of period	$ 25.38	1,153,515	$ 17.75	1,352,839	$ 30.39	853,748	$ 25.38	1,153,515
Granted	30.09	513,715	31.14	637,235	40.03	465,972	29.72	436,754
Vested	22.83	(773,507)	17.39	(827,872)	30.66	(382,099)	22.45	(680,423)
Forfeited	29.60	(45,153)	28.86	(9,643)	30.49	(3,419)	27.27	(2,413)
Unvested at end of period	$ 30.30	848,570	$ 25.34	1,152,559	$ 35.09	934,202	$ 29.66	907,433

Share-Based Compensation Expense

The Company recorded $3.9 4.0 million and $4.4 4.3 million of share-based compensation expense in during the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $12.4 million and $13.3 million of share-based compensation expense in the nine months ended September 30, 2023 and 2022, 2023, respectively, in personnel compensation and benefits in the unaudited Condensed Consolidated Statements of Operations.

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NOTE 12. EARNINGS PER SHARE

The following table sets forth the reconciliation of basic earnings per share and diluted earnings per share from net income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

(in thousands except per share amounts)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net income	$ 52,007	$ 72,764	$ 157,951	$ 223,242	$ 55,691	$ 49,273
Shares:						
Basic: Weighted average number of shares outstanding	65,774	68,609	66,504	68,625	64,389	67,288
Plus: Incremental shares from assumed conversion of dilutive instruments	1,902	3,268	2,132	4,172	1,583	2,439
Diluted: Weighted average number of shares outstanding	67,676	71,877	68,636	72,797	**65,972**	**69,727**
Earnings per share						
Basic:	$ 0.79	$ 1.06	$ 2.38	$ 3.25	$ 0.86	$ 0.73
Diluted:	$ 0.77	$ 1.01	$ 2.30	$ 3.07	$ 0.84	$ 0.71

Outstanding instruments For the three months ended March 31, 2024, 0.5 million of unvested share-based compensation awards were excluded from the computation of weighted average shares for diluted earnings per share because the effect would be anti-dilutive were de minimis for the three and nine months ended September 30, 2023. The amount of outstanding instruments excluded from the computation of weighted average shares for diluted earnings per share because the effect would be anti-dilutive was 0.2 million for the three and nine months ended September 30, 2022 (2023: 0). Holders of non-vested unvested share-based compensation awards do not have rights to receive nonforfeitable dividends on the shares covered by the awards.

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NOTE 13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS (LOSS))

The following table presents changes in accumulated other comprehensive income (loss) by component for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

	Cumulat ive	Cumulative

(in thousands)	Cash Flow Hedges (a)	Translation Adjustment	Total	Cash Flow Hedges (1)(2)	Translation Adjustment	Total
Balance, December 31, 2022	**$ 35,614**	**$ (172)**	**$ 35,442**			
Balance, December 31, 2023				**$ 31,460**	**$ (132)**	**$ 31,328**
Other comprehensive income before reclassification and tax	12,387	4	12,391	—	(33)	(33)
Tax impact	(3,008)	(1)	(3,009)	—	8	8
Reclassification adjustments, before tax	(14,005)	—	(14,005)	(4,154)	—	(4,154)
Tax impact	3,401	—	3,401	1,015	—	1,015
Net current period other comprehensive income (loss)	(1,225)	3	(1,222)	(3,139)	(25)	(3,164)
Balance, September 30, 2023	**$ 34,389**	**$ (169)**	**$ 34,220**			
Balance, December 31, 2021	**$ 5,895**	**$ 77**	**$ 5,972**			
Balance, March 31, 2024				**$ 28,321**	**$ (157)**	**$ 28,164**
Balance, December 31, 2022				**$ 35,614**	**$ (172)**	**$ 35,442**
Other comprehensive income (loss) before reclassification and tax	42,113	(485)	41,628	(2,502)	27	(2,475)
Tax impact	(10,176)	120	(10,056)	604	(7)	597
Reclassification adjustments, before tax	(558)	—	(558)	(4,206)	—	(4,206)
Tax impact	135	—	135	1,016	—	1,016
Net current period other comprehensive income (loss)	31,514	(365)	31,149	(5,088)	20	(5,068)
Balance, September 30, 2022	**$ 37,409**	**$ (288)**	**$ 37,121**			
Balance, March 31, 2023				**$ 30,526**	**$ (152)**	**$ 30,374**

(a) (1) Reclassifications out of accumulated other comprehensive income (loss) related to cash flow hedges are recorded in interest expense and ot financing costs.

(2) On October 30, 2023, the Company terminated the Swap. The termination resulted in a $44.4 million deferred gain recorded in AOCI, before tax, which is being amortized on a straight-line basis over the remaining term of the hedged debt (through July 1, 2026). Please refer to Note 14, Derivatives, for further information on the monetization of the gain on the Swap.

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NOTE 14. DERIVATIVES

Interest Rate Swaps

On March 27, 2020, In the fourth quarter of 2023, the Company monetized the gain on the floating-to-fixed interest rate swap transaction ("Swap") entered into the Swap in 2020 to manage effectively fix the interest rate risk associated with a portion of its floating-rate long-term debt. The Company does not purchase or hold any derivative instruments for trading or speculative purposes. Under the terms of the original Swap agreement, the Company paid interest at a fixed rate of interest on a quarterly basis and received interest at the three-month LIBOR rate in effect for that quarter.

On September 26, 2022, the Company and the Swap counterparty executed an amendment to the Swap to update LIBOR conventions to SOFR conventions and to modify the fixed rate for the change from three-month LIBOR to three-month Term SOFR effective on October 6, 2022. There was no change to the $450 million notional value, the July 1, 2026 expiration date, the quarterly payment frequency or the designated three-month maturity from the Swap Amendment. The interest rate effectively fixed by the Swap on $450 million of its outstanding Term Loan through the Company's outstanding term loan debt through Term Loan maturity date of July 1, 2026 changed from 3.215% to 3.149% as a result of the amendment to the Swap. 2026.

The designation of a derivative instrument as a hedge and its ability to meet deferred gain on the hedge accounting criteria determine how the Company reflects the change in fair value termination of the derivative instrument. A derivative qualifies for hedge accounting treatment if, at inception, it meets defined correlation and effectiveness criteria. These criteria require that the anticipated cash flows and/or changes in fair value of the hedging instrument substantially offset those of the position being hedged. The Swap is assessed for effectiveness and continued qualification for hedge accounting being amortized on a quarterly basis. Since inception, straight-line basis through July 1, 2026 and is included in interest expense and other financing costs on the unaudited Condensed Consolidated Statements of Operations. As of March 31, 2024 and December 31, 2023, the unamortized deferred gain on Swap monetization was deemed to be highly effective. $37.5 million and $41.6 million, respectively, before tax.

The Swap is was designated as a cash flow hedge. Accordingly, Prior to its termination, the Swap is was measured at fair value with mark-to-market gains or losses deferred and included in accumulated other comprehensive income (loss) AOCI(L), net of tax, to the extent the hedge is was determined to be effective. Gains or losses from the Swap are were reclassified to interest expense expenses and other financing costs on the unaudited Condensed Consolidated Statements of Operations in the same period during which the hedged transaction affects affected earnings. The amount receivable from the Swap counterparty at September 30, 2023 of $4.8 million is included in other assets in the unaudited Condensed Consolidated Balance Sheets.

The following table summarizes tables summarize the classification of the Swap in the unaudited Condensed Consolidated Balance Sheets and the notional amount at September 30, 2023 and December 31, 2022 our consolidated financial statements (in thousands):

Balance Sheets	Description	September 30, 2023	December 31, 2022
Other assets	Fair value of interest rate swap	$ 45,314	$ 46,931
	Notional amount	450,000	450,000

		Three Months Ended March 31,	
Statement of Operations	Description	2024	2023

Interest income (expense) and other financing costs	Reclassification from AOCI – Swap income/expense	$	—	$	4,206
Interest income (expense) and other financing costs	Reclassification from AOCI – Amortization of Swap deferred gain		4,154		—
Total		$	4,154	$	4,206

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The following table summarizes the effects of the Swap in the unaudited Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2023 and 2022 (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
Statement of Operations	**Description**	**2023**	**2022**	**2023**	**2022**
Interest expense and other financing costs	Income reclassified from AOCI(L)	$ 5,116	$ 1,459	$ 14,005	$ 558

Statements of Comprehensive Income	**Description**	**Three Months Ended September 30, 2023**	**Three Months Ended September 30, 2022**	**Nine Months Ended September 30, 2023**	**Nine Months Ended September 30, 2022**	**Description**	**Three Months Ended March 31, 2024**	**Three Months Ended March 31, 2023**
Other comprehensive income (loss)	Income (loss) recognized in AOCI(L), net of tax	$ (56)	$ 10,024	$ (1,225)	$ 31,514	Income (loss) recognized in AOCI(L), net of tax	$ —	$ (5,088)
Other comprehensive income (loss)						Amortization of deferred gain on terminated Swap, net of tax	(3,139)	—
Total							$ (3,139)	$ (5,088)

NOTE 15. LEASES

The Company determines if a contract is a lease at inception. We have leases primarily for office facilities and information technology equipment. All of our leases are classified as operating leases.

Supplemental balance sheet information related to the Company's operating leases as of September 30, 2023 and December 31, 2022 was as follows (in thousands):

	September 30, 2023		December 31, 2022	
Operating lease ROU assets(1)	$	9,977	$	13,396
Current portion of operating lease liabilities(2)		4,448		5,056
Noncurrent portion of operating lease liabilities(2)		7,138		10,227
Total operating lease liabilities	$	11,586	$	15,283

(1) ROU assets are recorded in other assets on the unaudited Condensed Consolidated Balance Sheets.
(2) Current portion and noncurrent portion of operating lease liabilities are recorded in other liabilities on the unaudited Condensed Consolidated Balance Shee

	September 30, 2023
Weighted-average remaining lease term	4.2 years
Weighted-average discount rate	4.6 %

The components of lease expense and other lease information as of and during the three and nine month periods ended September 30, 2023 and 2022 are as follows (in thousands):

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	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
Operating lease cost	$	1,293	$	1,318	$	3,897	$	3,983
Short-term lease cost		—		21		—		63
Variable lease cost		481		460		1,411		1,344
Gross lease cost		1,774		1,799		5,308		5,390
Sub-lease income		(204)		(206)		(610)		(621)
Net lease cost	$	1,570	$	1,593	$	4,698	$	4,769
Other lease information								
Cash paid for amounts included in measurement of lease liabilities								
Operating cash flows for operating leases	$	1,419	$	1,251	$	4,237	$	3,720

In general, our leases have remaining lease terms of approximately 1 year to 5 years. These leases generally contain renewal options for periods ranging from two to five years. Because the Company is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term and associated potential option payments are excluded from lease payments. Expenses associated with operating leases are recorded in general and administrative expenses on the unaudited Condensed Consolidated Statement of Operations. Variable lease costs, such as utilities and common area maintenance charges, are excluded from lease liabilities and expensed as incurred. The variable lease costs are determined based on terms in the lease contracts and primarily relate to usage of the ROU asset and services received from the lessor.

The following table summarizes the maturity of our operating lease liabilities as of September 30, 2023 (in thousands):

		Operating Leases
2023	$	1,379
2024		4,197
2025		2,444
2026		1,623
2027		1,069
Thereafter		1,928
Total undiscounted lease payments		12,640
Less: imputed interest		1,054
Total lease liabilities	$	11,586

NOTE 16. SUBSEQUENT EVENTS

On October 10, 2023 Subsequent to March 31, 2024, the Company paid reduced outstanding debt by $36.4 9.5 million in cash to sellers for the fourth and final earn out period payment for the USAA AMCO Acquisition.

On October 30, 2023, the Company monetized the floating-to-fixed swap on a portion of its debt generating an additional $43.4 million of cash net of costs. million.

On November 2, 2023 April 16, 2024, the Company announced that it had entered into a non-binding Memorandum of Understanding (MOU) with Amundi to combine Amundi US into the Company, for Amundi to become a strategic shareholder of the Company, and to establish long-term global distribution agreements.

On May 9, 2024, the Company's Board of Directors approved a regular quarterly cash dividend of $0.32 0.37 per share. The dividend is payable on December 22, 2023June 25, 2024, to shareholders of record on December 11, 2023June 10, 2024.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to the "Company," "Victory," or in the first-person notations of "we," "us," and "our" shall mean Victory Capital Holdings, Inc., a Delaware corporation, and its wholly-owned subsidiaries.

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Objective

The objective of this section of the Quarterly Report on Form 10-Q is intended to provide a discussion and analysis, from management's perspective, of the key performance indicators and material information necessary to assess our financial condition and results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 and cash flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023. In addition, we also discuss the Company's contractual and off-balance sheet arrangements. This discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. This discussion and analysis contains forward-looking statements and should also be read in conjunction with the disclosures and information contained in "Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q and in "Item 1A. Risk Factors" included in the Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Overview

Our Business – Victory is a diversified global asset management firm with $153.5 billion in AUM total client assets of $175.5 billion, assets under management of $170.3 billion and other assets of $5.1 billion as of September 30, 2023 March 31, 2024. The Company operates a next-generation business model combining boutique investment qualities with the benefits of an integrated, centralized operating and distribution platform.

The Company provides specialized investment strategies to institutions, intermediaries, retirement platforms and individual investors. On September 1, 2023, the Company divested one of its 12 Investment Franchises, INCORE, resulting in the divesture of $1.3 billion in AUM. The Company now has investors with 11 autonomous Investment Franchises and a Solutions Platform. Victory Capital offers a wide array of investment products, and services, including actively and passively managed mutual funds, rules-based and active ETFs, exchange traded funds ("ETFs"), institutional separate accounts, VIPs, ESG and impact investment strategies, variable insurance products ("VIPs"), alternative investments, private closed end funds, and a 529 Education Savings Plan and brokerage services. Plan. Victory Capital's strategies are also offered through third-party investment products, including mutual funds, third-party ETF model strategies, retail SMAs separately managed accounts ("SMAs") and UMAs unified managed accounts ("UMAs") through wrap account programs, CITs, Collective Investment Trusts ("CITs"), and UCITs. undertakings for the collective investment in transferable securities ("UCITs"). As of September 30, 2023 March 31, 2024, our Franchises and our Solutions Platform collectively managed a diversified set of 116 121 investment strategies for a wide range of institutional and retail clients and direct investors.

On April 24, 2023, we introduced "Victory Capital InVest", the new brand for our direct investor business and announced the expansion of the business to include "Marketplace", our new open architecture brokerage platform for individual investors. Marketplace provides investors with access to trade individual stocks as well as a broad range of mutual funds and ETFs from many providers. Investors can also choose mutual funds and ETFs from Victory Capital.

Franchises –– Our Franchises are largely operationally integrated but are separately branded and make investment decisions independently from one another within guidelines established by their respective investment mandates. Our largely integrated model creates a supportive environment in which our investment professionals, largely unencumbered by administrative and operational responsibilities, can focus on their pursuit of investment excellence. VCM employs all of our U.S. investment professionals across our Franchises, which are not separate legal entities.

Solutions – Our Solutions Platform consists of multi-asset, multi-asset, multi-manager, quantitative, rules-based, factor-based, and customized portfolios. These strategies are designed to achieve specific return characteristics, with products that include values-based and thematic outcomes and exposures. We offer our Solutions Platform through a variety of vehicles, including separate accounts, mutual funds, UMA accounts, and rules-based and active ETFs under our VictoryShares ETF brand. Like our Franchises, our Solutions Platform is operationally integrated and supported by our centralized distribution, marketing, and operational support functions.

Professionals within our institutional and retail distribution channels, direct investor business and marketing organization sell our products through our centralized distribution model. Our institutional sales team focuses on cultivating relationships with institutional consultants, who account for the majority of the institutional market, as well as asset allocators seeking sub-advisers. Our retail sales team offers intermediary and retirement platform clients, including broker-dealers, retirement platforms and RIA networks, CITs, mutual funds and ETFs as well as SMAs through wrap fee programs and access to our investment models through UMAs. Our direct investor business serves the investment needs of clients including USAA members, the military community, and other individual clients.

We have grown our AUM total client assets from $17.9 billion following the management-led buyout with Crestview GP in August 2013 to $153.5 billion $175.5 billion at September 30, 2023 March 31, 2024. We attribute this growth to our success in sourcing acquisitions and evolving them into organic growers, generating strong investment returns, and developing institutional, retail, and direct investor channels with deep penetration.

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WestEnd Acquisition (the “WestEnd Acquisition”)– On December 31, 2021, the Company completed the acquisition of 100% of the equity interests of WestEnd Advisors, LLC ("WestEnd") pursuant to the WestEnd purchase agreement. agreement (as amended, the “WestEnd Purchase Agreement”). Founded in 2004, and

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headquartered in Charlotte, NC, WestEnd is an ETF strategist advisor that provides financial advisors with a turnkey, core model allocation strategy for either a holistic solution or complementary source of alpha. The firm offers four primary ETF strategies and one large cap core strategy, all in tax efficient SMA structures. At December 31, 2021, the WestEnd acquired assets totaled $19.3 billion.

The aggregate purchase price (the “WestEnd Purchase Price”) for the WestEnd Acquisition was estimated at $716.1 million, net of cash acquired, which includes (i) $475.8 million in cash paid at closing (the “WestEnd Closing”) net of cash acquired plus the acquisition date value of contingent payments due to sellers of $239.7 million plus $0.6 million paid in cash in April 2022 for net working capital adjustments. The contingent earn-out payments are based on net revenue of the WestEnd business during each of the first four years following the WestEnd Closing, subject to certain “catch-up” provisions over a five and one half year period following the WestEnd Closing. A maximum of $320.0 million ($80.0 million per year) in earn-out payments may be paid.

The estimated fair value of contingent consideration payable to sellers was estimated at $213.2 million at September 30, 2023 as compared to $202.7 million at December 31, 2022 and is included in consideration payable for acquisition of business in the unaudited Condensed Consolidated Balance Sheets. The increase in the liability of $10.5 million for the nine months ended September 30, 2023 was recorded in change in value of consideration payable for acquisition of business in the unaudited Condensed Consolidated Statements of Operations. Refer to Note 4, Acquisitions, for further details on the WestEnd Acquisition.

NEC Acquisition (the “NEC Acquisition”) – On November 1, 2021, the Company completed the acquisition of 100% of the equity interests in NEC. New Energy Capital ("NEC"). Founded in 2004 and based in Hanover, NH, NEC is an alternative asset management firm focused on debt and equity investments in clean energy infrastructure projects and companies.

The purchase price for the NEC Acquisition was $63.1 million, which included $62.8 million in cash paid at closing, net of cash acquired, and $0.3 million paid in cash in March 2022 for net working capital adjustments. Under the terms of the purchase agreement, the Company will pay up to an additional $35.0 million in cash based on net revenue growth over a six year period following the closing date. Refer to Note 4, Acquisitions, for further details on the NEC Acquisition.

USAA AMCO Acquisition – On July 1, 2019, the Company completed the acquisition (the "USAA AMCO Acquisition") of USAA Asset Management Company and VCTA, Victory Capital Transfer Agency ("VCTA"), formally known as the USAA Transfer Agency Company. The acquisition expanded and diversified the Company's investment platform and increased the Company's size and scale. The acquisition also provided the Company the rights to offer products and services using the USAA brand and the opportunity to offer its products to USAA members through a direct distribution channel.

A maximum of $150.0 million ($37.5 million per year) in contingent payments is payable to sellers based on the annual revenue of USAA Asset Management Company attributable to all "non-managed money"-related AUM in each of the first four years following the closing date. In the fourth quarter of 2020, we paid $37.5 million in cash to sellers for the first annual contingent payment. In the fourth quarter of 2021, we paid $37.5 million in cash to sellers for the second annual contingent payment. In the fourth quarter of 2022, the Company paid $37.5 million in cash to sellers for the third annual earn out period for the USAA AMCO Acquisition.

As of September 30, 2023, contingent consideration payable to sellers was $36.4 million, the actual amount due to sellers for the fourth and final earn out period. At December 31, 2022, the estimated fair value of contingent consideration payable to sellers was $27.7 million. Contingent consideration payable to sellers is recorded in consideration payable for acquisition of business in the unaudited Condensed Consolidated Balance Sheets. The increase in the liability of $2.7 million and $8.7 million for the three and nine months ended September 30, 2023 and the increase in the liability of $2.7 million and a decrease in the liability of $9.1 million for the three and nine months ended September 30, 2022 were recorded in change in value of consideration payable for acquisition of business in the unaudited Condensed Consolidated Statements of Operations. In the fourth quarter of 2023, the Company paid $36.4 million to sellers for the fourth and final earn out period. Refer to Note 4, Acquisitions, for further details on the USAA AMCO Acquisition.

Business Highlights

Assets under management:

- AUM at September 30, 2023 decreased March 31, 2024 increased by $8.1 billion $9.0 billion, or 5.0% 5.6%, to $153.5 billion $17 billion from $161.6 billion $161.3 billion at June 30, 2023 December 31, 2023, driven by negative market action, appreciation of $1 billion partially offset by net outflows and of $1.1 billion. Total gross flows for the divestiture first quarter were $7.2 billion, including lo term gross flows of certain INCORE accounts of $4.9 billion, $1.7 billion and $1.3 billion, respectively. $7.0 billion.
- AUM at September 30, 2023 March 31, 2024 and 2022 2023 was $153.5 billion $170.3 billion and $147.3 billion $153.4 billi respectively. We experienced $10.2 billion in market appreciation for the three months ended March 31, 2024 compared to $6.7 billio market action for the same period in 2023. We generated $5.4 billion $7.2 billion in gross flows sales, including $7.0 billion in long-te gross sales, and $1.7 billion $1.1 billion in total net outflows for the three months ended September 30, 2023 March 31, 2024 compa to $6.8 billion $6.1 billion in gross flows inclusive of $5.8 billion in long-term gross sales and $0.6 billion $1.1 billion in total net outflo for the same period in 2022.

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- AUM at September 30, 2023 and 2022 was $153.5 billion and $147.3 billion, respectively. We generated $17.4 billion in gross flows a $5.4 billion in net outflows for the nine months ended September 30, 2023 compared to $27.3 billion in gross flows and $1.7 billion in inflows for the same period in 2022. Net flows for the nine months ended September 30, 2023 were comprised of $5.0 billion and $ billion of net long-term and short-term outflows, respectively. 2023.

Investment performance:

- 40 45 of our Victory Capital mutual funds and ETFs had overall Morningstar ratings of four or five stars and 67% 69% of our fund a ETF AUM were rated four or five stars overall by Morningstar. 70% 54% of our strategies by AUM had investment returns in excess their respective benchmarks over a one-year period, 65% 61% over a three-year period, 82% 85% over a five-year period and 78% 8 over a ten-year period. On an equal-weighted basis, 60% 63% of our strategies have outperformed their benchmarks over a one-y period, 62% 63% over a three-year period, 59% 64% over a five-year period and 61% 65% over a ten-year period.

Financial highlights:

- Total revenue for the three months ended September 30, 2023 March 31, 2024 was $209.7 million $215.9 million compared to $20 million $201.3 million for the same period in 2022. For the nine months ended September 30, 2023 and 2022, total revenue was $61 million and $653.3 million, respectively. 2023.
- Net income was $52.0 million $55.7 million for the three months ended September 30, 2023 March 31, 2024 compared to $7 million $49.3 million for the same period in 2022. For the nine months ended September 30, 2023 and 2022, net income was $15 million and $223.2 million, respectively. 2023.
- Adjusted EBITDA was $107.2 million $112.4 million for the three months ended September 30, 2023 March 31, 2024, or 51.1% 52.1% revenue, compared to $103.6 million $99.2 million, or 50.0% 49.3% of revenue, for the same period in 2022. For the nine months end September 30, 2023, Adjusted EBITDA was $310.4 million, or 50.5% of revenue, compared to $324.1 million, or 49.6% of revenue, the same period in 2022. 2023. Refer to “Supplemental Non-GAAP Financial Information” for further information about the Adjus EBITDA calculation and reconciliation of generally accepted accounting principles (“GAAP”) net income to Adjusted EBITDA.
- Adjusted Net Income with tax benefit was $79.8 million $82.3 million for the three months ended September 30, 2023 March 31, 20 compared to $85.6 million $75.2 million for the three months ended September 30, 2022 March 31, 2023. For the nine months end September 30, 2023, Adjusted Net Income with tax benefit was $230.9 million compared to $256.7 million for the same period in 20 Refer to “Supplemental Non-GAAP Financial Information” for further information about the Adjusted Net Income calculation a reconciliation of GAAP net income to Adjusted Net Income.

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Key Performance Indicators

The following table is a summary of key performance indicators utilized by management to assess results of operations:

($ in millions, except for basis points and percentages)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
AUM at period end	153,5 $ 06	147,25 $ 7	153,5 $ 06	147,25 $ 7	$ 170,342	$ 153,356
Average AUM	161,1 47	158,90 3	158,7 79	167,15 7	163,533	152,533
Gross flows	5,449	6,796	17,35 9	27,253	7,187	6,089
Net short-term flows	(19)	(19)	(345)	(125)		

Net long-term flows	(1,700)	(553)	(5,041)	1,860		
Net flows	(1,719)	(573)	(5,386)	1,734		
AUM net short term flows					(99)	(9)
AUM net long term flows					(1,028)	(1,140)
AUM net flows					(1,127)	(1,149)
Total revenue	209.7	207.3	615.2	653.3	215.9	201.3
Revenue on average AUM	51.6 bps	51.8 bps	51.8 bps	52.3 bps	53.0 bps	53.4 bps
Net income	52.0	72.8	158.0	223.2	55.7	49.3
Adjusted EBITDA(1)	107.2	103.6	310.4	324.1	112.4	99.2
Adjusted EBITDA Margin(2)	51.1 %	50.0 %	50.5 %	49.6 %	52.1 %	49.3 %
Adjusted Net Income(1)	70.3	76.2	202.3	228.7	72.6	65.6
Tax benefit of goodwill and acquired intangibles(3)	9.5	9.3	28.6	28.0	9.7	9.5

(1) Management utilizes Adjusted EBITDA and Adjusted Net Income to measure the operating profitability of the business. These measures eliminate impact of one-time acquisition, restructuring and integration costs and demonstrate the ongoing operating earnings metrics of the business. These measu are explained in more detail and reconciled to net income calculated in accordance with GAAP in "Supplemental Non-GAAP Financial Information."

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(2) Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of total revenue.

(3) Represents the tax benefits associated with deductions allowed for intangibles and goodwill generated from prior acquisitions in which we received a step 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 fı amortization on these assets is included to show the full economic benefit of deductions for all acquired intangibles with a step-up in tax basis. Due to acquisitive nature, tax deductions allowed on acquired intangible assets and goodwill provide us with a significant supplemental economic benefit.

The following table presents a reconciliation our total client assets[1] as of the dates indicated:

	Three Months Ended March 31,	
(in millions)	2024	2023
Beginning AUM	$ 161,322	$ 147,762
Beginning other assets	5,289	5,190
Beginning total client assets	166,611	152,952
AUM net cash flows	(1,127)	(1,149)
Other assets net cash flows	(524)	(95)
Total client assets net cash flows	(1,651)	(1,244)
AUM market appreciation (depreciation)	10,178	6,744
Other assets market appreciation (depreciation)	352	170

Total client assets market appreciation (depreciation)	10,529	6,914
AUM realizations and distributions	—	—
Acquired & divested assets / Net transfers	(31)	—
Ending AUM	170,342	153,356
Ending other assets	5,117	5,265
Ending total client assets	175,459	158,621
Average total client assets	168,865	157,817

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(1) Includes low-fee (2 to 4 bps) institutional assets, previously reported in the Solutions asset class within the by asset class table and in Separate Accou and Other Pooled Vehicles within the by vehicle table. These assets are included as part of Victory's Regulatory Assets Under Management reporte Form ADV Part 1.

The following table presents a reconciliation of our total AUM[1] as of the dates indicated:

	Three Months Ended March 31,	
(in millions)	**2024**	**2023**
Beginning AUM	$ 161,322	$ 147,762
Gross client cash inflows	7,187	6,089
Gross client cash outflows	(8,314)	(7,238)
Net client cash flows	(1,127)	(1,149)
Market appreciation (depreciation)	10,178	6,744
Realizations and distributions	—	—
Acquired & divested assets / Net transfers	(31)	—
Ending AUM	170,342	153,356
Average AUM	163,533	152,533

(1) Total AUM includes both discretionary assets under management and non-discretionary assets under advisement and excludes other assets.

The following table presents a reconciliation of our other assets (institutional)[1] as of the dates indicated:

	Three Months Ended March 31,	
(in millions)	**2024**	**2023**
Beginning other assets (institutional)	$ 5,289	$ 5,190
Gross client cash inflows	—	—
Gross client cash outflows	(524)	(95)

Net client cash flows	(524)	(95)
Market appreciation (depreciation)	352	170
Realizations and distributions	—	—
Acquired & divested assets / Net transfers	—	—
Ending other assets (institutional)	5,117	5,265
Average other assets (institutional)	5,332	5,284

(1) Includes low-fee (2 to 4 bps) institutional assets, previously reported in the Solutions asset class within the by asset class table and in Separate Accou and Other Pooled Vehicles within the by vehicle table. These assets are included as part of Victory's Regulatory Assets Under Management reporte Form ADV Part 1.

Assets Under Management

Our profitability is largely affected by the level and composition of our AUM (including asset class and distribution channel) and the effective fee rates on our products. The amount and composition of our AUM are, and will continue to be, influenced by a number of factors, including; (i) investment performance, including fluctuations in the financial markets and the quality of our investment decisions; (ii) client flows into and out of our various strategies and investment vehicles; (iii) industry trends toward products or strategies that we either do or do not offer; (iv) our ability to attract and retain high quality investment, distribution, marketing and management personnel; (v) our decision to close strategies or limit growth of assets in a strategy when we believe it is in the best interest of our clients or conversely to re-open strategies in part or entirely; and (vi) general investor sentiment and confidence. Our goal is to establish and maintain a client base that is diversified by Franchise and Solutions, asset class, distribution channel and vehicle. Due to rounding, AUM numbers presented in the tables below may not add up precisely to the totals provided.

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The following table presents our total AUM by asset class as of the dates indicated:

	As of September 30,		As of March 31,	
(in millions)	2023	2022	2024	2023
Solutions	$ 53,998	$ 48,551	$ 57,833	$ 49,151
Fixed Income	23,790	27,198	24,481	26,535
U.S. Mid Cap Equity	28,235	25,754	32,918	29,035
U.S. Small Cap Equity	14,650	14,109	16,297	15,648
Global / Non-U.S. Equity	14,807	12,293	18,200	14,868
U.S. Large Cap Equity	11,596	10,762	13,895	11,425
Alternative Investments	3,222	5,334	3,465	3,317
Total Long-Term Assets	**150,298**	**144,001**	**$ 167,089**	**$ 149,979**
Money Market & Short-Term Assets	3,208	3,256	3,253	3,377

Total	**$ 153,506**	**$ 147,257**		
Total AUM(1)			**$ 170,342**	**$ 153,356**

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30 (1)[Table of Contents] Total AUM includes both discretionary assets under management and non-discretionary assets under advisement and excludes other assets.

The following tables summarize our total AUM asset flows by asset class for the periods indicated:

(in millions)	U.S. Mid Cap Equity	U.S. Small Cap Equity	Fixed Income	U.S. Large Cap Equity	Global / Non-U.S. Equity	Solutions	Alternative Investments	Total Long-term	Money Market / Short-term	Total
For the Three Months Ended September 30, 2023										
Beginning AUM	$ 30,007	$ 15,664	$ 26,098	$ 12,170	$ 15,392	$ 55,836	$ 3,301	$ 158,469	$ 3,152	$ 161,622
Gross client cash inflows	1,224	458	892	51	392	1,988	249	5,255	193	5,449
Gross client cash outflows	(1,769)	(920)	(1,343)	(282)	(519)	(1,720)	(402)	(6,955)	(213)	(7,168)

U.S. Mid Cap Equity	U.S. Small Cap Equity	Fixed Income	U.S. Large Cap Equity	Global / Non-U.S. Equity	Solutions	Alternative Investments	Total Long-term	Money Market / Short-term	Total AUM(1)

Net client cash flows	(545)	(462)	(451)	(231)	(126)	268	(153)	(1,700)	(19)	(1,719)
Market appreciation / (depreciation)	(1,224)	(547)	(460)	(287)	(451)	(2,028)	71	(4,927)	39	(4,888)
Realizations and distributions	—	—	—	—	—	—	—	—	—	—
Acquired & divested assets / Net transfers[1]	(2)	(5)	(1,397)	(57)	(8)	(78)	3	(1,545)	37	(1,508)
Ending AUM	$ 28,235	$ 14,650	$ 23,790	$ 11,596	$ 14,807	$ 53,998	$ 3,222	$ 150,298	$ 3,208	$ 153,506
For the Three Months Ended September 30, 2022										
For the Three Months Ended March 31, 2024										

Beginning AUM	$ 26,356	$ 14,837	$ 29,398	$ 11,857	$ 13,257	$ 50,485	$ 5,617	$ 151,807	$ 3,140	$ 154,947	$ 30,604	$ 15,959	$ 24,355	$ 12,635	$ 16,772	$ 54,296	$ 3,431	$ 158,051	$ 3,271	$ 161,322
Gross client cash inflows	1,508	589	1,123	67	742	1,745	827	6,601	194	6,796	1,371	507	1,298	68	1,090	2,165	452	6,952	236	7,187
Gross client cash outflows	(1,176)	(939)	(1,958)	(269)	(636)	(1,315)	(863)	(7,155)	(214)	(7,368)	(1,845)	(925)	(1,367)	(332)	(751)	(2,410)	(349)	(7,980)	(335)	(8,314)
Net client cash flows	333	(349)	(835)	(203)	107	430	(36)	(553)	(19)	(573)	(474)	(418)	(69)	(264)	339	(245)	103	(1,028)	(99)	(1,127)
Market appreciation / (depreciation)	(938)	(404)	(829)	(560)	(1,248)	(2,930)	(165)	(7,074)	8	(7,066)	2,795	801	176	1,555	1,133	3,749	(75)	10,135	42	10,178
Realizations and distributions	—	—	—	—	—	—	(51)	(51)	—	(51)	—	—	—	—	—	—	—	—	—	—
Acquired & divested assets / Net transfers	3	26	(536)	(333)	178	566	(31)	(127)	127	—	(7)	(45)	18	(31)	(44)	33	5	(69)	38	(31)
Ending AUM	$ 25,754	$ 14,109	$ 27,198	$ 10,762	$ 12,293	$ 48,551	$ 5,334	$ 144,001	$ 3,256	$ 147,257	$ 32,918	$ 16,297	$ 24,481	$ 13,895	$ 18,200	$ 57,833	$ 3,465	$ 167,089	$ 3,253	$ 170,342

For the Three Months Ended March 31, 2023										
Beginning AUM	$ 27,892	$ 15,103	$ 26,353	$ 10,973	$ 14,160	$ 46,317	$ 3,663	$ 144,460	$ 3,302	$ 147,762
Gross client cash inflows	1,600	986	1,187	84	378	1,217	397	5,848	241	6,089
Gross client cash outflows	(1,092)	(873)	(1,571)	(384)	(544)	(1,683)	(840)	(6,988)	(250)	(7,238)
Net client cash flows	508	113	(385)	(300)	(166)	(466)	(444)	(1,140)	(9)	(1,149)
Market appreciation / (depreciation)	637	423	615	822	920	3,196	96	6,709	34	6,744
Realizations and distributions	—	—	—	—	—	—	—	—	—	—
Acquired & divested assets / Net transfers	(1)	9	(48)	(69)	(46)	104	2	(50)	50	—
Ending AUM	$ 29,035	$ 15,648	$ 26,535	$ 11,425	$ 14,868	$ 49,151	$ 3,317	$ 149,979	$ 3,377	$ 153,356

(1) TTotal AUM includes both discretionary assets of $1.3 billion associated with the INCORE transaction.

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(in millions)	U.S. Mid Cap Equity	U.S. Small Cap Equity	Fixed Income	U.S. Large Cap Equity	Global / Non-U.S. Equity	Solutions	Alternative Investments	Total Long-term	Money Market / Short-term	Total
Nine Months Ended September 30, 2023										
Beginning AUM	$ 27,892	$ 15,103	$ 26,353	$ 10,973	$ 14,160	$ 51,507	$ 3,663	$ 149,649	$ 3,302	$ 152,9
Gross client cash inflows	4,083	2,186	2,952	222	1,329	4,827	1,095	16,694	666	17,3
Gross client cash outflows	(3,988)	(2,921)	(4,239)	(957)	(1,648)	(6,332)	(1,650)	(21,735)	(1,010)	(22,7
Net client cash flows	95	(735)	(1,287)	(735)	(319)	(1,506)	(555)	(5,041)	(345)	(5,3
Market appreciation / (depreciation)	237	280	203	1,488	1,044	4,020	180	7,452	111	7,5

Realizations and distributions	—	—	—	—	—	—	(73)	(73)	—	(
Acquired & divested assets / Net transfers[1]	13	2	(1,479)	(130)	(79)	(23)	8	(1,689)	140	(1,54
Ending AUM	$ 28,235	$ 14,650	$ 23,790	$ 11,596	$ 14,807	$ 53,998	$ 3,222	$ 150,298	$ 3,208	$ 153,50
Nine Months Ended September 30, 2022										
Beginning AUM	$ 30,578	$ 20,094	$ 35,154	$ 15,766	$ 16,050	$ 60,364	$ 2,548	$ 180,554	$ 3,100	$ 183,65
Gross client cash inflows	5,417	2,408	4,183	318	3,124	6,796	4,566	26,812	441	27,25
Gross client cash outflows	(4,659)	(4,082)	(6,851)	(1,048)	(2,344)	(4,551)	(1,417)	(24,952)	(567)	(25,51
Net client cash flows	758	(1,674)	(2,668)	(730)	780	2,246	3,149	1,860	(125)	1,73
Market appreciation / (depreciation)	(5,604)	(4,343)	(3,945)	(4,008)	(4,781)	(14,052)	(263)	(36,998)	11	(36,98
Realizations and distributions	—	—	—	—	—	—	(80)	(80)	—	(8
Acquired & divested assets / Net transfers	22	33	(1,342)	(266)	245	(6)	(19)	(1,334)	270	(1,06
Ending AUM	$ 25,754	$ 14,109	$ 27,198	$ 10,762	$ 12,293	$ 48,551	$ 5,334	$ 144,001	$ 3,256	$ 147,25

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(1) The nine months ended September 30, 2023 reflects divested under management and non-discretionary assets of $1.3 billion associated with INCORE transaction.

under advisement and excludes other assets.

The following table presents our total AUM by distribution channel as of the dates indicated:

	As of September 30,			
	2023		2022	
(in millions)	Amount	% of total	Amount	% of total
Investor	$ 53,901	35 %	$ 51,037	35 %
Institutional	41,792	27 %	43,259	29 %
Retail	57,813	38 %	52,961	36 %
Total AUM(1)	$ 153,506	100 %	$ 147,257	100 %

	As of March 31,			
	2024		2023	
(in millions)	Amount	% of total	Amount	% of total
Retail	$ 66,700	39 %	$ 58,585	38 %
Direct	59,893	35 %	54,667	36 %
Institutional	43,749	26 %	40,103	26 %
Total AUM(1)(2)	$ 170,342	100 %	$ 153,356	100 %

(1) The allocation of AUM by distribution channel involves the use of estimates and the exercise of judgment.

(2) Total AUM includes both discretionary assets under management and non-discretionary assets under advisement and excludes other assets.

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The following tables summarize our asset flows by vehicle for the periods indicated:

(in millions)	Mutual Funds(1)	ETFs(2)	Separate Accounts and Other Pooled Vehicles(3)	Total AUM(4)
Three Months Ended March 31, 2024				
Beginning AUM	$ 108,802	$ 4,970	$ 47,551	$ 161,322
Gross client cash inflows	4,303	451	2,434	7,187
Gross client cash outflows	(5,956)	(449)	(1,909)	(8,314)
Net client cash flows	(1,653)	2	525	(1,127)
Market appreciation (depreciation)	6,796	215	3,167	10,178
Realizations and distributions	—	—	—	—
Acquired & divested assets / Net transfers	(48)	43	(26)	(31)
Ending AUM	$ 113,897	$ 5,229	$ 51,217	$ 170,342
Three Months Ended March 31, 2023				
Beginning AUM	$ 99,447	$ 5,627	$ 42,688	$ 147,762
Gross client cash inflows	4,546	218	1,325	6,089
Gross client cash outflows	(5,406)	(233)	(1,599)	(7,238)
Net client cash flows	(860)	(16)	(274)	(1,149)
Market appreciation (depreciation)	4,650	(47)	2,141	6,744
Realizations and distributions	—	—	—	—
Acquired & divested assets / Net transfers	9	(9)	—	—
Ending AUM	$ 103,246	$ 5,555	$ 44,554	$ 153,356

Separate

(in millions)	Mutual Funds (1)	ETFs (2)	Accounts and Other Pooled Vehicles (3)	Total
Three Months Ended September 30, 2023				
Beginning AUM	$ 105,916	$ 5,193	$ 50,513	$ 161,622
Gross client cash inflows	3,283	232	1,933	5,449
Gross client cash outflows	(5,119)	(557)	(1,492)	(7,168)
Net client cash flows	(1,836)	(324)	441	(1,719)
Market appreciation (depreciation)	(2,925)	(165)	(1,799)	(4,888)
Realizations and distributions	—	—	—	—
Acquired & divested assets / Net transfers(4)	(17)	6	(1,497)	(1,508)
Ending AUM	$ 101,138	$ 4,710	$ 47,658	$ 153,506
Three Months Ended September 30, 2022				
Beginning AUM	$ 102,297	$ 5,155	$ 47,494	$ 154,947
Gross client cash inflows	4,277	515	2,003	6,796
Gross client cash outflows	(5,689)	(196)	(1,484)	(7,368)
Net client cash flows	(1,411)	319	519	(573)
Market appreciation (depreciation)	(4,290)	(383)	(2,393)	(7,066)
Realizations and distributions	—	—	(51)	(51)
Acquired & divested assets / Net transfers	(5)	18	(13)	—
Ending AUM	$ 96,591	$ 5,110	$ 45,557	$ 147,257

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(in millions)	Mutual Funds (1)	ETFs (2)	Separate Accounts and Other Pooled Vehicles (3)	Total
Nine Months Ended September 30, 2023				
Beginning AUM	$ 99,447	$ 5,627	$ 47,877	$ 152,952
Gross client cash inflows	11,468	625	5,266	17,359
Gross client cash outflows	(15,388)	(1,211)	(6,146)	(22,745)
Net client cash flows	(3,921)	(586)	(880)	(5,386)
Market appreciation (depreciation)	5,648	(329)	2,244	7,563

Realizations and distributions	—	—	(73)	(73)
Acquired & divested assets / Net transfers(4)	(36)	(3)	(1,510)	(1,549)
Ending AUM				153,50
	$ 101,138	$ 4,710	$ 47,658	$ 6
Nine Months Ended September 30, 2022				
Beginning AUM				183,65
	$ 124,142	$ 4,871	$ 54,641	$ 4
Gross client cash inflows	16,981	1,666	8,606	27,253
Gross client cash outflows	(19,750)	(394)	(5,374)	(25,518)
Net client cash flows	(2,769)	1,271	3,231	1,734
Market appreciation (depreciation)	(23,712)	(1,051)	(12,225)	(36,987)
Realizations and distributions	—	—	(80)	(80)
Acquired & divested assets / Net transfers	(1,071)	18	(11)	(1,064)
Ending AUM				147,25
	$ 96,591	$ 5,110	$ 45,557	$ 7

(1) Includes institutional and retail share classes, money market and Variable Insurance Products or VIP funds.

(2) Represents only ETF assets held by third parties. Excludes ETF assets held by other Victory Capital products.

(3) Includes collective trust funds, wrap program accounts, UMAs, UCITS, private funds and non-U.S. domiciled pooled vehicles.

(4) Total AUM includes both discretionary assets under management and non-discretionary assets under advisement and excludes other assets.

(4) The three and nine months ended September 30, 2023 reflects divested assets of $1.3 billion associated with the INCORE transaction.

September 30, 2023 March 31, 2024 AUM compared to June 30, 2023 AUM December 31, 2023 AUM.. At September 30, 2023 March 31, 2024, our total AUM was $153.5 billion $170.3 billion, a decrease an increase of $8.1 billion $9.0 billion, or 5.0% 5.6%, from $161.6 billion $161.3 billion at June 30, 2023 December 31, 2023, driven primarily due to market appreciation of $10.2 billion partially offset by negative market action, net outflows and the divestiture of certain INCORE accounts of $4.9 billion, $1.7 billion and $1.3 billion, respectively. $1.1 billion.

Net outflows were driven by our fixed income strategies and our U.S. mid cap, U.S. small cap, and U.S. large cap equity strategies as well as our Solutions platform of $0.5 billion, $0.5 billion $0.4 billion, $0.5 billion $0.3 billion, and $0.2 billion, respectively, partially offset by net inflows in from our Solutions platform of $0.3 billion.

September 30, 2023 AUM compared to December 31, 2022 AUM. Total AUM increased by $0.6 billion, or 0.4%, to $153.5 billion at September 30, 2023 compared to $153.0 billion at December 31, 2022. The increase in AUM was due to positive market action of $7.6 billion partially offset by net outflows of $5.4 billion and the divestiture of certain INCORE accounts of $1.3 billion.

Net outflows were driven by our Solutions platform, fixed income strategies, U.S. large cap, U.S. small cap global non-U.S. equity strategies and our Alternative investments platform of $1.5 billion, $1.3 billion, $0.7 billion, $0.7 billion $0.3 billion and $0.6 billion $0.1 billion, respectively.

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GAAP Results of Operations

The following table presents our GAAP results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

(in thousands, except per share data)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenue						
Investment management fees	$ 163,953	$ 160,770	$ 480,199	$ 508,364	$ 169,785	$ 156,836
Fund administration and distribution fees	45,735	46,490	135,035	144,921	46,072	44,484
Total revenue	**209,688**	**207,260**	**615,234**	**653,285**	**215,857**	**201,320**
Expenses						
Personnel compensation and benefits	54,501	56,869	167,043	179,352	59,454	57,602
Distribution and other asset-based expenses	38,160	39,019	113,158	123,471	36,263	37,654
General and administrative	13,947	12,301	39,585	38,984	14,012	12,388
Depreciation and amortization	12,333	10,686	33,663	32,051	7,601	11,680
Change in value of consideration payable for acquisition of business	10,336	(10,500)	19,236	(40,600)	12,200	7,400
Acquisition-related costs	116	189	134	449	1,026	2
Restructuring and integration costs	246	56	275	73	492	29
Total operating expenses	**129,639**	**108,620**	**373,094**	**333,780**	**131,048**	**126,755**
Income from operations	**80,049**	**98,640**	**242,140**	**319,505**	**84,809**	**74,565**
Other income (expense)						
Interest income and other income (expense)	1,452	(1,446)	4,967	(5,096)	3,565	1,544

Interest expense and other financing costs	(15,580)	(11,479)	(44,721)	(30,637)	(16,486)	(14,239)
Loss on debt extinguishment	—	(369)	—	(2,887)		
Total other expense, net	**(14,128)**	**(13,294)**	**(39,754)**	**(38,620)**		
Total other income (expense), net					**(12,921)**	**(12,695)**
Income before income taxes	**65,921**	**85,346**	**202,386**	**280,885**	**71,888**	**61,870**
Income tax expense	**(13,914)**	**(12,582)**	**(44,435)**	**(57,643)**	**(16,197)**	**(12,597)**
Net income	**$ 52,007**	**$ 72,764**	**$ 157,951**	**$ 223,242**	**$ 55,691**	**$ 49,273**
Earnings per share of common stock						
Basic	$ 0.79	$ 1.06	$ 2.38	$ 3.25	$ 0.86	$ 0.73
Diluted	$ 0.77	$ 1.01	$ 2.30	$ 3.07	$ 0.84	$ 0.71
Weighted average number of shares outstanding						
Basic	65,774	68,609	66,504	68,625	64,389	67,288
Diluted	67,676	71,877	68,636	72,797	65,972	69,727
Dividends declared per share of common stock	$ 0.32	$ 0.25	$ 0.96	$ 0.75	$ 0.335	$ 0.32

Investment Management Fees

Three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023. Investment management fees increased 2.0% by $12.9 million, or $3.2 million 8.3%, to $164.0 million $169.8 million for the three months ended September 30, 2023 March 31, 2024 from $160.8 million $156.8 million for the same period in 2022 2023 due to an increase in average AUM year over year. Average AUM was $163.5 billion for the comparable period.

Nine three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022. Investment management fees decreased by $28.2 million, or 5.5%, to $480.2 million $152.5 billion for the nine months ended September 30, 2023 from $508.4 million due to a decrease same period in average AUM over the comparable period. 2023.

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Fund Administration and Distribution Fees

Three months ended September 30, 2023March 31, 2024 compared to September 30, 2022March 31, 2023. Fund administration and distribution fees decreasedincreased by $0.8 million$1.6 million, or 1.6%3.6%, to $45.7 million$46.1 million for the three months ended September 30, 2023 compared to $46.5 millionMarch 31, 2024 from $44.5 million for the same period in 2022 due primarily to lower mutual fund average net assets.

Nine months ended September 30, 2023 compared to September 30, 2022. Fund administration and distribution fees decreased $9.9 million, or 6.8%, to $135.0 million for the nine months ended September 30, 2023 from $144.9 million for the same period in 20222023 mostly due to the same factors as discussed abovean increase in the quarterly section.fund administration fees partially offset by a decrease in transfer agent fees.

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Personnel Compensation and Benefits

The following table presents the components of GAAP personnel compensation and benefits expense for the three and nine months ended September 30, 2023March 31, 2024 and 2022:2023:

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Salaries, payroll related taxes and employee benefits	$ 20,495	$ 20,707	$ 67,800	$ 63,368	$ 24,476	$ 24,457
Incentive compensation	23,897	23,767	67,131	73,278	23,943	21,919
Sales-based compensation(1)	4,850	5,629	15,372	22,086	6,079	5,420
Equity awards granted to employees and directors(2)	3,895	4,352	12,389	13,262	3,969	4,253
Acquisition and transaction-related compensation	1,364	2,414	4,351	7,358	987	1,553
Total personnel compensation and benefits expense	**$ 54,501**	**$ 56,869**	**$ 167,043**	**$ 179,352**	**$ 59,454**	**$ 57,602**

(1) Represents sales-based commissions paid to our distribution teams. Sales-based compensation varies based on gross client cash flows and reve earned on sales.

(2) Equity awards typically vest over several years based on service and the achievement of specific business and financial targets. The value of the eq awards is recognized as compensation expense over the vesting period.

Three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023. Personnel compensation and benefits were $54.5 million $59.5 million for the three months ended September 30, 2023, a decrease first quarter of $2.4 million 2024, an increase of $1.9 million, or 4.2% 3.2%, from $56.9 million $57.6 million for the same period in 2022 due 2023 attributable to a decrease in sales-based compensation and acquisition and transaction related compensation. Incentive compensation and equity awards granted to employees and directors were $23.9 million and $3.9 million, respectively, for the three months ended September 30, 2023, compared to $23.8 million and $4.4 million, respectively, for the same period in 2022. Salaries, payroll related taxes and employee benefits were $20.5 million and $20.7 million, respectively, for the three months ended September 30, 2023 and 2022.

Nine months ended September 30, 2023 compared to September 30, 2022. Personnel compensation and benefits decreased by $12.3 million, or 6.9%, to $167.0 million for the nine months ended September 30, 2023 from $179.4 million for the same period in 2022 due to a decrease an increase in variable costs such as sales commissions and the incentive and sales-based compensation. Sales-based compensation decreased by $6.7 million, or 30.4%, to $15.4 million pool for the nine months ended September 30, 2023 from $22.1 million for the same period in 2022 primarily due to lower gross/net sales. Salaries, payroll related taxes and employee benefits were $67.8 million and $63.4 million, respectively, for the nine months ended September 30, 2023 and 2022. Incentive compensation and equity awards granted to employees and directors were $67.1 million and $12.4 million, respectively, for the nine months ended September 30, 2023 compared to $73.3 million and $13.3 million, respectively, for the same period in 2022. employees.

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Distribution and Other Asset-Based Expenses

The following table presents the components of distribution and other asset-based expenses for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Broker-dealer distribution fees	$ 5,114	$ 5,495	$ 15,428	$ 17,376
Platform distribution fees	23,673	23,765	69,863	75,226
Sub-administration	4,032	4,009	11,900	12,299
Sub-advisory	2,693	3,206	8,120	10,718
Middle-office	2,648	2,544	7,847	7,852
Total distribution and other asset-based expenses	**$ 38,160**	**$ 39,019**	**$ 113,158**	**$ 123,471**

(in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Broker-dealer distribution fees	$ 5,042	$ 5,249
Platform distribution fees	22,128	23,123
Sub-administration	4,101	3,921
Sub-advisory	2,336	2,735
Middle-office	2,656	2,626

Total distribution and other asset-based expenses	**$**	**36,263**	**$**	**37,654**

Three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023. Distribution and other asset-based expenses are primarily based on AUM. For were $36.3 million for the three months ended September 30, 2023 March 31, 2024, distribution and other asset-based expenses were $38.2 million, a decrease of $0.9 million, or 2.2%, from $39.0 million compared to $37.7 million for the same period in 2022. 2023. The decrease is of $1.4 million, or 3.7% was primarily due to a change in asset mix over the comparable period.

Nine months ended September 30, 2023 compared to September 30, 2022. Distribution and other asset-based expenses were $113.2 million for the nine months ended September 30, 2023, a decrease of $10.3 million, or 8.4%, from $123.5 million for the same period in 2022 primarily due to a decrease in average AUM lower platform distribution fees over the comparable period.

General and Administrative

Three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023. General and administrative expenses were $13.9 million $14.0 million for the three months ended September 30, 2023 March 31, 2024 compared to $12.3 million $12.4 million for the same period in 2022. 2023. The increase of $1.6 million, or 13.4% 13.1%, was primarily due to an increase increases in professional fees technology and technology-related expenses.

Nine months ended September 30, 2023 compared to September 30, 2022. For the nine months ended September 30, 2023 and 2022, general and administrative expenses were $39.6 million and $39.0 million, respectively, for a year over year increase of $0.6 million, or 1.5%. The increase was primarily due to an increase in travel and entertainment marketing related expenses.

Depreciation and Amortization

Three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023. Depreciation and amortization increased by $1.6 million decreased $4.1 million, or 15.4% 34.9%, to $12.3 million $7.6 million for the three months ended September 30, 2023 March 31, 2024 from $10.7 million $11.7 million for the same period in 2022, 2023, primarily due to the write-down of a trade name asset primarily as a result of a change in the estimated remaining useful life.

Nine months ended September 30, 2023 compared to September 30, 2022. Depreciation and amortization increased by $1.6 million, or 5.0%, to $33.7 million for the nine months ended September 30, 2023 from $32.1 million for the same period in 2022 due to the write-down of a trade name asset primarily as a result of a change in the estimated remaining useful life partially offset by a decrease in amortization expense related to definite-lived intangible assets in connection with the USAA acquisition. and NEC acquisitions.

Change in Value of Consideration Payable for Acquisition of Business

Three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023.The change in value of consideration payable for acquisition of business increased $20.8 million primarily due to $4.8 million as a $7.6 million result of an increase of $12.2 million in the fair value of contingent consideration associated with the WestEnd Acquisition for the three months ended September 30, 2023 March 31, 2024 compared to a decrease increases of $13.2 million for the three months ended September 30, 2022. Also contributing was a $4.4 million increase $4.3 million and $3.1 million in the fair value of the contingent consideration associated with the USAA AMCO Acquisition and

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WestEnd Acquisitions, respectively, for the three months ended September 30, 2023 compared to an increase of $2.7 million for the three months ended September 30, 2022 March 31, 2023. Refer to Note 4, Acquisitions, for further details on the fair value of contingent consideration payable.

Nine months ended September 30, 2023 compared to September 30, 2022*.* The change in value of consideration payable for acquisition of business increased $59.8 million as a result of increases of $8.7 million and $10.5 million in the fair value of the contingent consideration associated with the USAA AMCO and WestEnd Acquisitions, respectively, for the nine

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months ended September 30, 2023 compared to decreases of $9.1 million and $31.5 million associated with the USAA AMCO and WestEnd Acquisitions for the nine months ended September 30, 2022. Refer to Note 4, Acquisitions, for further details on the fair value of contingent consideration payable.

Acquistion-Related Acquisition-Related Costs

Three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023. Acquisition-related costs were $116 thousand $1.0 million and $189 $2 thousand for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The acquisition-related Acquisition-related costs for the three months ended September 30, 2023 related March 31, 2024 were primarily due to legal and professional fees.

Nine months ended September 30, 2023 compared to September 30, 2022. Acquisition-related costs were $134 thousand and $449 thousand for the nine months ended September 30, 2023 and 2022, respectively. The acquisition-related costs for the nine months ended September 30, 2023 were related to the same factors discussed above in the quarterly section.

Restructuring and Integration Costs

Three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023. Restructuring and integration costs were $246 thousand and $56 thousand for the three months ended September 30, 2023 and 2022, respectively. The restructuring and integration costs for the three months ended September 30, 2023 related to personnel restructuring due to the divestiture of certain INCORE accounts.

Nine months ended September 30, 2023 compared to September 30, 2022. Restructuring March 31, 2024 and integration costs 2023 were $275 $0.5 million and $29 thousand, and $73 thousand for the nine months ended September 30, 2023 and 2022, respectively. The restructuring Restructuring and integration costs for the nine three months ended September 30, 2023 March 31, 2024 were related primarily due to the same factors discussed above in the quarterly section. personnel restructuring.

Interest Income and Other Income (Expense)

Three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023. For the three months ended September 30, 2023 and 2022, interest Interest income and other income/(expense) was income of $1.5 million $3.6 million and expense of $1.4 million, respectively. The income $1.5 million for the three months ended September 30, 2023 was March 31, 2024 and 2023, respectively. The increase is primarily due to dividend income. The expense for the three months ended September 30, 2022 was primarily due to a reduction an increase in the net unrealized fair value of deferred compensation plan investments.

Nine months ended September 30, 2023 compared to September 30, 2022. For the nine months ended September 30, 2023 and 2022, interest income and other income/(expense) was income of $5.0 million and expense of $5.1 million, respectively. The income was primarily due to dividend income and an increase in the net unrealized fair value of deferred compensation plan investments for over the nine months ended September 30, 2023 compared to a reduction in the net unrealized fair value of deferred compensation plan investments for the same period in 2022. comparable period.

Interest Expense and Other Financing Costs

Three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023. Interest expense and other financing costs increased $4.1 million $2.2 million to $15.6 million $16.5 million for the three months ended September 30, 2023 March 31, 2024, compared to $11.5 million $14.2 million for the same period in 2022 2023 due to a higher average interest rate partially offset by a lower debt principal balance over the comparable period.

Nine months ended September 30, 2023 compared to September 30, 2022. For the nine months ended September 30, 2023 and 2022, interest expense and other financing costs were $44.7 million and $30.6 million, respectively. The year-over-year increase is primarily due to the same factors as discussed above in the quarterly section.

Loss on Debt Extinguishment

Three months ended September 30, 2023 compared to September 30, 2022. The Company had no losses on debt extinguishment for the three months ended September 30, 2023. For the three months ended September 30, 2022, loss on debt extinguishment was $0.4 million. Refer to Note 9, Debt, for further details on the 2019 Credit Agreement.

Nine months ended September 30, 2023 compared to September 30, 2022. The Company had no losses on debt extinguishment for the nine months ended September 30, 2023. For the nine months ended September 30, 2022, loss on debt extinguishment was $2.9 million. Refer to Note 9, Debt, for further details on the 2019 Credit Agreement.

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Income Tax Expense

Three months ended September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023.. The effective tax rate for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was 21.1% 22.5% and 14.7% 20.4%, respectively. The increase was primarily due to changes in the effective tax rate in 2023 compared to the same period in 2022 was due primarily to lower levels of excess tax benefits on share-based compensation in 2023 compared to and non-deductible expenses over the same period in 2022.

Nine months ended September 30, 2023 compared to September 30, 2022. For the nine months ended September 30, 2023 and 2022, the effective tax rate was 22.0% and 20.5%, respectively. The increase in the effective tax rate was due the same factors as discussed above in the quarterly section. Refer to Note 8, Income Taxes, for further details on the Company's income taxes. comparable period.

Supplemental Non-GAAP Financial Information

We use non-GAAP performance measures to evaluate the underlying operations of our business. Due to our acquisitive nature, there are a number of acquisition and restructuring related expenses included in GAAP measures that we believe distort the economic value of our organization and we believe that many investors use this information when assessing the financial performance of companies in the investment management industry. We have included these non-GAAP measures to provide investors with the same financial metrics used by management to assess the operating performance of our Company. The non-GAAP measures we report are Adjusted EBITDA and Adjusted Net Income.

The following table sets forth a reconciliation from GAAP financial measures to non-GAAP measures for the periods indicated:

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Reconciliation of non-GAAP financial measures:						
Net income (GAAP)	**$ 52,007**	**$ 72,764**	**$ 157,951**	**$ 223,242**	**$ 55,691**	**$ 49,273**
Income tax expense	(13,914)	(12,582)	(44,435)	(57,643)	(16,197)	(12,597)
Income before income taxes	**65,921**	**85,346**	**202,386**	**280,885**	**$ 71,888**	**$ 61,870**
Interest expense[1]	14,660	10,795	42,288	29,018	15,711	13,482
Depreciation[2]	2,302	2,030	6,569	6,086	2,269	1,971
Other business taxes[3]	636	539	1,402	1,670	369	384
Amortization of acquisition-related intangible assets[4]	10,032	8,657	27,094	25,969	5,332	9,709
Stock-based compensation[5]	1,451	2,230	4,993	7,723	1,327	2,004
Acquisition, restructuring and exit costs[6]	11,463	(7,842)	23,396	(32,719)	14,705	8,984
Debt issuance costs[7]	762	1,064	2,266	4,685	755	748
Earnings/losses from equity method investments[8]	—	759	—	825		
Adjusted EBITDA	**$ 107,227**	**$ 103,578**	**$ 310,394**	**$ 324,142**	**$ 112,356**	**$ 99,152**

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Reconciliation of non-GAAP financial measures:				
Net income (GAAP)	**$ 52,007**	**$ 72,764**	**$ 157,951**	**$ 223,242**
Adjustments to reflect the operating performance of the Company:				
i. Other business taxes[3]	636	539	1,402	1,670
ii. Amortization of acquisition-related intangible assets[4]	10,032	8,657	27,094	25,969
iii. Stock-based compensation[5]	1,451	2,230	4,993	7,723
iv. Acquisition, restructuring and exit costs[6]	11,463	(7,842)	23,396	(32,719)
v. Debt issuance costs[7]	762	1,064	2,266	4,685
Tax effect of above adjustments[9]	(6,085)	(1,163)	(14,786)	(1,833)
Adjusted Net Income	**$ 70,266**	**$ 76,249**	**$ 202,316**	**$ 228,737**

Tax benefit of goodwill and acquired intangibles(10)	$	9,536	$	9,328	$	28,597	$	27,977

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	Three Months Ended March 31,			
(in thousands)	2024		2023	
Reconciliation of non-GAAP financial measures:				
Net income (GAAP)	**$**	**55,691**	**$**	**49,273**
Adjustments to reflect the operating performance of the Company:				
i. Other business taxes(3)		369		384
ii. Amortization of acquisition-related intangible assets(4)		5,332		9,709
iii. Stock-based compensation(5)		1,327		2,004
iv. Acquisition, restructuring and exit costs(6)		14,705		8,984
v. Debt issuance costs(7)		755		748
Tax effect of above adjustments(8)		(5,621)		(5,457)
Adjusted Net Income	**$**	**72,558**	**$**	**65,645**
Tax benefit of goodwill and acquired intangibles(9)	$	9,748	$	9,524

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

(1) Adding back interest paid on debt and other financing costs, net of interest income.

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(2) Adding back depreciation on property and equipment.

(3) Adding back other business taxes.

(4) Adding back amortization expense on acquisition-related intangible assets.

(5) Adding back stock-based share-based compensation associated with equity awards issued from pools created in connection with the management buyout and various acquisitions and as a result of equity grants related to the IPO.

(6) Adding back direct incremental costs of acquisitions, including restructuring costs.

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Acquisition-related costs	$ 116	$ 189	$ 134	$ 449	$ 1,026	$ 2
Restructuring and integration costs	246	56	275	73	492	29
Change in value of consideration payable for acquisition of business	10,336	(10,500)	19,236	(40,600)	12,200	7,400
Personnel compensation and benefits	1,365	2,413	4,351	7,359	987	1,553
Interest income and other income (expense)	(600)	—	(600)	—		
Total acquisition, restructuring and exit costs	**$ 11,463**	**$ (7,842)**	**$ 23,396**	**$ (32,719)**	**$ 14,705**	**$ 8,984**

(7) Adding back debt issuance costs.

(8) We adjust for losses (earnings) on equity method investments.

(9) Subtracting an estimate of income tax expense applied to the sum of the adjustments above.

(9) (10) Represents the tax benefits associated with deductions allowed for intangible assets and goodwill generated from prior acquisitions in which we step-up in basis for tax purposes. Acquired intangible assets and goodwill may be amortized for tax purposes, generally over a 15-year peri benefit from amortization on these assets is included to show the full economic benefit of deductions for all acquired intangible assets with a st basis. Due to our acquisitive nature, tax deductions allowed on acquired intangible assets and goodwill provide us with a significant supplement benefit.

Non-GAAP measures should be considered in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP. Our non-GAAP measures may differ from similar measures at other companies, even if similar terms are used to identify these measures.

Liquidity and Capital Resources

Our primary uses of cash relate to repayment of our debt obligations, funding of acquisitions and working capital needs, repurchasing of shares and payment of dividends, which are all expected to be met through cash generated from our operations and available capital resources.

The following table shows our liquidity position as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

(in thousands)	March 31, 2024	December 31, 2023
Cash and cash equivalents	$ 79,937	$ 123,547
Accounts and other receivables	97,211	87,570
Undrawn commitment on credit facility(1)	100,000	100,000
Accounts and other payables	(110,543)	(111,933)

	September 30,	December 31,

(in thousands)		2023		2022
Cash and cash equivalents	$	107,987	$	38,171
Accounts and other Receivables		95,174		84,473
Undrawn commitment on revolving credit facility (1)		100,000		100,000
Accounts and other payables		(111,719)		(109,320)

(1) The balances balance at September 30, 2023 and December 31, 2022 represent March 31, 2024 represents the Company's $99.9 million revolving cr facility and a $0.1 million standby letter of credit used as collateral for THB's real estate location.

We manage our cash balances in order to fund our day-to-day operations. Our accounts receivable consists primarily of investment management fees that have been earned but not yet received from clients, income and other taxes receivable, and amounts receivable from the funds. We perform a review of our receivables on a monthly basis to assess collectability. We maintained a $100.0 million revolving credit facility at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (under the 2019 Credit Agreement) which had approximately $100.0 million undrawn as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

2021 Debt Repricing

On February 18, 2021, the Company entered into the Second Amendment (the "Second Amendment") to the 2019 Credit Agreement with the other loan parties thereto, Barclays Bank PLC, as administrative agent, and the Royal Bank of Canada as fronting bank. Pursuant to the Second Amendment, the Company repriced the existing term loans with replacement term loans in an aggregate principal amount of $755.7 million (the "Repriced Term Loans"). The Repriced Term Loans have substantially the same terms as the previously existing term loans, including the same maturity date of July 2026, except that the Repriced Term Loans provided for a reduced applicable margin on LIBOR of 25 basis points. After the Second Amendment, the applicable margin on LIBOR under the Repriced Term Loans was 2.25%.

2021 Incremental Term Loans

On December 31, 2021, the Company entered into the Third Amendment (the "Third Amendment") to the 2019 Credit Agreement with the guarantors party thereto, Barclays Bank PLC, as administrative agent, and the lenders party thereto from time to time. Pursuant to the Third Amendment, the Company obtained incremental term loans (the "2021 Incremental Term Loans") in an aggregate principal amount of $505.0 million and used the proceeds to fund the WestEnd Acquisition and to pay fees and expenses incurred in connection therewith. The 2021 Incremental Term Loans mature in December 2028 and bear interest at an annual rate equal to, at the option of the Company, either LIBOR (adjusted for reserves and subject to a 50 basis point floor) plus a margin of 2.25% or an alternate base rate plus a margin of 1.25%.

Original issue discount was $2.5 million for the 2021 Incremental Term Loans. The Company incurred a total of $9.1 million of other third party costs related to the 2021 Incremental Term Loans, which were recorded as term loan debt issuance costs.

2022 LIBOR to Term SOFR Rate Transition

On September 23, 2022, the Company entered into the Fourth Amendment (the "Fourth Amendment") to the 2019 Credit Agreement to change the interest rate on the Repriced Term Loans and 2021 Incremental Term Loans from LIBOR to a rate based on SOFR plus a ten-basis point credit spread adjustment. There was no change to the applicable margin on the referenced rate as a result of the Fourth Amendment.

The LIBOR rate loans outstanding as of the Fourth Amendment's effective date continued as LIBOR rate loans until the end of their then current interest periods. The 2021 Incremental Term Loans converted into Term SOFR loans on September 30, 2022, while the Repriced Term Loans converted into Term SOFR loans on October 6, 2022. Also on October 6, 2022, the interest periods for the Repriced Term Loans and 2021 Incremental Term Loans were aligned and the three-month Term SOFR rate was elected for all the Company's term loans.

2020 Swap Transaction

On March 27, 2020, In the fourth quarter of 2023, the Company executed a monetized the gain on the floating-to-fixed interest rate swap transaction ("Swap") entered into in 2020 to effectively fix the interest rate at 3.465% on $450 million of its outstanding Term Loan through the Term Loan maturity date of July 2026. Pursuant to the Second Amendment, the Company lowered the spread

The deferred gain on the Term Loan by 0.25% resulting in a new fixed rate of 3.215% on the $450 million of Term Loan subject to the Swap. On September 26, 2022, the Company and the Swap counterparty executed an amendment to the Swap ("the Swap Amendment") to update LIBOR conventions to SOFR conventions and to modify the fixed rate for the change from three-month LIBOR to three-month Term SOFR effective on October 6, 2022. There was no change to the $450 million notional value, the July 1, 2026 expiration date, the quarterly payment frequency or the designated three-month maturity from the Swap Amendment. The interest rate effectively fixed by the Swap on $450 million of the Company's outstanding term loan debt through July 1, 2026 changed from 3.215% to 3.149% as a result termination of the Swap Amendment.

At September 30, 2023, the $450 million notional value Swap had is being amortized on a fair value of $45.3 million, which was straight-line basis through July 1, 2026 and is included in interest expense and other assets financing costs on the unaudited Condensed Consolidated Balance Sheets. Statements of Operations. As of March 31, 2024 and December 31, 2023, the unamortized deferred gain on Swap monetization was $37.5 million and $41.6 million, respectively, before tax.

The Swap was designated as a cash flow hedge. Prior to its termination, the Swap was measured at fair value with mark-to-market gains or losses deferred and included in AOCI(L), net of tax, to the extent the hedge was determined to be effective. Gains or losses were reclassified to interest expenses and other financing costs on the unaudited Condensed Consolidated Statements of Operations in the same period during which the hedged transaction affected earnings.

For the three and nine months ended September 30, 2023, the Company recognized a loss, net of tax, of $56 thousand and $1.2 million, respectively, in accumulated other comprehensive income (loss). For the three and nine months ended September 30, 2023 March 31, 2023, the Company reclassified income of $5.1 million and $14.0 million $4.2 million, respectively, from accumulated other comprehensive income (loss) to interest expense and other financing costs on the unaudited Condensed Consolidated Statements of Operations. Operations as a result of changes in the fair value of the Swap.

Due to the termination of the Swap, there was no amount receivable from the Swap counterparty at March 31, 2024 and December 31, 2023. Refer to Note 14, Derivatives, for further information on the Swap.

Contingent Consideration

At September 30, 2023 March 31, 2024, the Company had $249.6 million $149.4 million in contingent consideration that is estimated to be payable over the next year and three years resulting from the USAA AMCO and WestEnd Acquisitions, respectively. Acquisition. For the three and nine months ended September 30, 2023 March 31, 2024, the Company recorded increases an increase of $2.7 million and $8.7 million, respectively, $12.2 million in the contingent payment liabilities liability associated with the USAA AMCO Acquisition and increases of $7.6 million and $10.5 million,

respectively, in contingent payment liabilities associated WestEnd Acquisition, which is included in consideration payable for acquisition of business in the unaudited Condensed Consolidated Balance Sheets.

At September 30, 2023, In March 2024, the contingent consideration payable for the USAA AMCO Acquisition was $36.4 million, the actual amount due Company paid $80.0 million in cash to sellers for the fourth and final first WestEnd earn out period. period payment. At September 30, 2023 March 31, 2024, the estimated fair value of the WestEnd Acquisition contingent payments was $213.2 million $149.4 million, and a maximum of $320.0 million $240.0 million in contingent consideration ($80.0 million per year) is potentially payable to sellers.

There were no other significant changes to our contractual obligations as reported in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Capital Requirements

Victory Capital Services is a registered broker-dealer subject to the Uniform Net Capital requirements under the Exchange Act, which requires maintenance of certain minimum net capital levels. In addition, we have certain non-U.S. subsidiaries that have minimum capital requirements. As a result, such subsidiaries of our Company may be restricted in their ability to transfer cash to their parents.

Cash Flows

The following table is derived from our unaudited Condensed Consolidated Statements of Cash Flows:

	Nine Months Ended September 30,		Three Months Ended March 31,	
(in thousands)	2023	2022	2024	2023
Net cash provided by operating activities	$ 233,190	$ 268,119	$ 68,684	$ 64,156
Net cash used in investing activities	(6,271)	(7,657)	(910)	(1,546)
Net cash used in financing activities	(157,092)	(263,078)	(111,342)	(62,469)

Operating Activities – Cash provided by operating activities during the nine three months ended September 30, 2023 March 31, 2024 was $233.2 million $68.7 million, compared to $268.1 million $64.2 million of cash provided by operating activities for the same period in 2022. 2023. The $34.9 million decrease $4.5 million increase in cash provided by operating activities is was primarily due to a $65.3 million decrease increases of $6.4 million and $1.4 million in net income and working capital items, respectively, partially offset by a $42.2 million increase decrease of $3.3 million in non-cash items.

Cash provided by operating activities during the nine three months ended September 30, 2022 March 31, 2023 was $268.1 million $64.2 million and comprised consisted of $223.2 million and $45.2 million $49.3 million of cash provided by net income and $30.1 million of noncash items, partially offset by $15.2 million in working capital items.

Investing Activities – Cash used in investing activities during the nine three months ended September 30, 2023 March 31, 2024 was $6.3 million $0.9 million and consisted of primarily net trading activity of $0.4 million and $0.5 million of property and equipment purchases purchases. The nature of $4.4 million and $1.9 million of net our trading activity. activities is further described in Note 2, Significant Accounting Policies, to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Cash used in investing activities during the nine three months ended September 30, 2022 March 31, 2023 was $7.7 million $1.5 million and consisted of primarily net trading activity of $1.0 million and $0.6 million of property and equipment purchases of $4.3 million, $2.5 million of net trading activity and $0.9 million for acquisition of business and assets, net of cash acquired. purchases.

Financing Activities – Cash used in financing activities during the nine three months ended September 30, 2023 March 31, 2024 was $157.1 million $111.3 million and was mostly attributable to payment of consideration for acquisition, payment of dividends, payment of taxes related to net share settlements, and repurchases of common stock of $80.0 million, $22.4 million, $6.0 million, and $2.9 million, respectively.

Cash used in financing activities during the three months ended March 31, 2023 was $62.5 million and was mostly attributable to repurchases of common stock, payment of dividends, and net activity payment of taxes related to stock-based equity awards net share settlements of $81.8 million $34.4 million, $64.8 million $22.1 million, and $10.5 million, respectively.

Cash used in financing activities during the nine months ended September 30, 2022 was $263.1 million and was mostly attributable to repayment of long-term debt under the 2019 Credit Agreement, repurchases of common stock, payment of dividends, and net activity related to stock-based equity awards of $134.0 million, $61.5 million, $52.1 million, and $15.5 million $7.7 million, respectively.

Critical Accounting Policies and Estimates

Our consolidated financial statements and the notes are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates. Actual results will vary from these estimates. A discussion of our critical accounting policies and estimates is included in Management's Discussion and Analysis of

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Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K. A complete description of our significant accounting policies is included in our Annual Report on Form 10-K.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk –

Substantially all of our revenues are derived from investment management, fund administration and distribution fees, which are primarily based on the market value of our AUM. Accordingly, our revenues and net income may decline as a result of our AUM decreasing due to depreciation of our investment portfolios. In addition, such depreciation could cause our clients to withdraw their assets in favor of other investment alternatives that they perceive to offer higher returns or lower risk, which could cause our revenues and net income to decline further.

The value of our AUM was approximately $154 billion $170 billion at September 30, 2023. March 31 2024. A 10% increase or decrease in the value of our AUM, if proportionately distributed over all of our strategies, products and client relationships, would cause an annualized increase or decrease in our revenues of approximately $80.1 million $90.1 million at our weighted-average fee rate of 52 53 basis points for the quarter ended September 30, 2023 March 31, 2024. Because of declining fee rates from larger relationships and differences in our fee rates across investment strategies, a change in the composition of our AUM, in particular, an increase in the proportion of our total AUM attributable to strategies, clients or relationships with lower effective fee rates, could have a material negative impact on our overall weighted-average fee rate. The same 10% increase or decrease in the value of our total AUM, if attributed entirely to a proportionate increase or decrease in the AUM of the Victory Funds, to which we provide a range of services in addition to those provided to institutional separate accounts, would cause an annualized increase or decrease in our revenues of approximately $93.9 million $102.0 million at the Victory Funds' aggregate weighted-average fee rate of 61 60 basis points for the quarter ended September 30, 2023 March 31, 2024. If the same 10% increase or decrease in the value of our total AUM was attributable entirely to a proportionate increase or decrease in the assets of our institutional separate accounts, it would cause an annualized increase or decrease in our revenues of approximately $50.8 million $69.7 million at the weighted-average fee rate across all of our institutional separate accounts of 33 41 basis points for the quarter ended September 30, 2023 March 31, 2024.

As is customary in the investment management industry, clients invest in particular strategies to gain exposure to certain asset classes, which exposes their investment to the benefits and risks of those asset classes. We believe our clients invest in each of our strategies in order to gain exposure to the portfolio securities of the respective strategies and may implement their own risk management program or procedures. We have not adopted a corporate-level risk management policy regarding client assets, nor have we attempted to hedge at the corporate level or within individual strategies the market risks that would affect the value of our overall AUM and related revenues. Some of these risks, such as sector and currency risks, are inherent in certain strategies, and clients may invest in particular strategies to gain exposure to particular risks. While negative returns in our strategies and net client cash outflows do not directly reduce the assets on our balance sheet (because the assets we manage are owned by our clients, not us), any reduction in the value of our AUM would result in a reduction in our revenues.

Exchange Rate Risk –

A portion of the accounts that we advise hold investments that are denominated in currencies other than the U.S. dollar. To the extent our AUM is are denominated in currencies other than the U.S. dollar, the value of that AUM will decrease with an increase in the value of the U.S. dollar or increase with a decrease in the value of the U.S. dollar. Each investment team monitors its own exposure to exchange rate risk and makes decisions on how to manage that risk in the portfolios they manage. We believe many of our clients invest in those strategies in order to gain exposure to non-U.S. currencies, or may implement their own hedging programs. As a result, we generally do not hedge an investment portfolio's exposure to non-U.S. currency.

We have not adopted a corporate-level risk management policy to manage this exchange rate risk. Assuming 10% 11% of our AUM are invested in securities denominated in currencies other than the U.S. dollar and excluding the impact of any hedging arrangement, a 10% increase or decrease in the value of the U.S. dollar would decrease or increase the fair value of our AUM by approximately $1.5 billion $1.9

billion, which would cause an annualized increase or decrease in revenues of approximately $7.8 million $9.9 million at our weighted-average fee rate for the business of 52 53 basis points for the quarter ended September 30, 2023 March 31, 2024.

We operate in several foreign countries and incur operating expenses associated with these operations. In addition, we have revenue and revenue-sharing arrangements that are denominated in non-U.S. currencies. We do not believe foreign currency fluctuations materially affect our results of operations.

Interest Rate Risk –

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. On March 27, 2020, the Company executed the Swap, a floating-to-fixed interest rate swap transaction, to effectively fix the interest rate at 3.465% on $450 million of its outstanding Original Term Loan through the Original Term Loan maturity date of July 2026. On February 18, 2021, pursuant to the Second Amendment, the Company lowered the spread on the Term Loan by 0.25% resulting in a new fixed rate of 3.215% on the $450 million of Term Loan subject to the Swap. On September 26, 2022, the Company and the Swap counterparty executed an amendment to the Swap to update LIBOR conventions to SOFR conventions and to modify the fixed rate for the change from three-month LIBOR to three-month Term SOFR effective on October 6, 2022. There was no change to On October 30, 2023, the $450 million notional value, Company monetized the July 1, 2026 expiration date, the quarterly payment frequency or the designated three-month maturity from gain on the Swap Amendment. The interest rate effectively fixed by the Swap on $450 million and entered into

of the Company's outstanding term loan debt through July 1, 2026 changed from 3.22% an agreement to 3.15% as a result of terminate the Swap, Amendment. which was effective on October 30, 2023. Refer to Note 14, Derivatives, for further information on the Swap. At September 30, 2023 March 31, 2024, we were exposed to interest rate risk as a result of the unhedged amounts outstanding under the 2019 Credit Agreement, as amended. Refer to Note 9, Debt, for a description of the amounts outstanding as of such date and the applicable interest rate.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(f) 13a-15(e) and 15d-15(f) 15d-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow for timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) at September 30, 2023 March 31, 2024. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's most recent fiscal quarter, ended September 30, 2023, that has have materially affected, or is are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of business. The Company is not currently a party to any material legal proceedings.

ITEM 1A. RISK FACTORS

For a discussion of our potential risks and uncertainties, see the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 as filed with the SEC and the information contained in this report. The declaration, payment and determination of the amount of our quarterly dividends may change at any time. In making decisions regarding our quarterly dividends, we consider general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions (including under the terms of our 2019 Credit Agreement as amended) and legal, tax, regulatory and such other factors as we may deem relevant. There have been no material changes to the risk factors in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer purchases of equity securities.

In March December 2023, the Company's Board of Directors approved a new share repurchase program (the "2023 "2024 Share Repurchase Program") authorizing the repurchase of up to $100.0 million of the Company's Common Stock. Stock through December 31, 2025. Under the 2023 2024 Share Repurchase Program, which took effect in March December 2023, the Company may purchase its shares from time to time through March 31, 2025 in privately negotiated transactions, through block trades, pursuant to open market purchases, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the SEC. The amount and timing of purchases under the 2023 2024 Share Repurchase Program will depend on a number of factors including the price and availability of the Company's shares, trading volume, capital availability, Company performance and general economic and market conditions. The 2023 2024 Share Repurchase Program can be suspended or discontinued at any time. The former $100.0 million share repurchase program, which took effect in May 2022, was completed in March 2023.

The No shares were repurchased by the Company did not make any repurchases during the three months ended September 30, 2023 March 31, 2024. During For the nine months ended September 30, 2023, same period in 2023, the Company repurchased 2.4 million 1.0 million shares of Common Stock at a total cost of $77.3 million $32.9 million, which included $0.5 million $0.2 million of excise taxes payable on shares repurchased, for an average price of $32.05. During the three and nine months ended September 30, 2022, 0.8 million and 1.8 million shares were repurchased at a total cost of $22.8 million and $49.2 million for an average price of $27.86 and $28.06. $31.88 per share.

As of September 30, 2023 March 31, 2024, a total of $51.9 million $95.2 million was available for future repurchases under the 2023 2024 Share Repurchase Program, and a cumulative total of 9.5 million 11.3 million shares of Common Stock had been repurchased under programs authorized by the Company's Board of Directors at a total cost of $238.6 million $295.8 million for an average price of $25.07 $26.26 per share.

The following table sets out information regarding purchases of equity securities by the Company for the three months ended September 30, 2023 March 31, 2024.

Period	Total Number of Shares of Common Stock Purchased	Average Price Paid Per Share of Common Stock	Total Number of Shares of Stock Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value That May Yet Be Purchased Under Outstanding Plans or Programs (in millions)
July 1-31, 2023	—	$ —	—	$ 51.9
August 1-31, 2023	—	—	—	$ 51.9
September 1-30, 2023	—	—	—	$ 51.9
Total	—	$ —	—	

Period	Total Number of Shares of Common Stock Purchased	Average Price Paid Per Share of Common Stock	Total Number of Shares of Stock Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value That May Yet Be Purchased Under Outstanding Plans or Programs (in millions)
Jan 1-31, 2024	—	$ —	—	$ 95.2
Feb 1-29, 2024	—	—	—	95.2
March 1-31, 2024	—	—	—	95.2
Total	—	$ —	—	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

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ITEM 5. OTHER INFORMATION

None of the Company's directors or officers adopted, modified or terminateda Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended September 30, 2023 March 31, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following information formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Unaudited Condensed Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, (ii) Unaudited Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, (iii) Unaudited Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, (iv) Unaudited Condensed Consolidated Statements of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, (v) Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2023 March 31, 2024 and 2022, the three months ended June 30, 2023 and 2022 and the three months ended September 30, 2023 and 2022 and, 2023; (vi) Notes to Unaudited Condensed Consolidated Financial Statements for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 3rd 10th day of November, 2023. May, 2024.

VICTORY CAPITAL HOLDINGS, INC.

By: /s/ MICHAEL D. POLICARPO

Name: Michael D. Policarpo

Title: President, Chief Financial Officer and Chief Administrative Officer

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Exhibit 31.1

CERTIFICATIONS

I, David C. Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Victory Capital Holdings, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023 May 10, 2024

By: /s/ DAVID C. BROWN

David C. Brown

Chief Executive Officer and Chairman

Exhibit 31.2

CERTIFICATIONS

I, Michael D. Policarpo, certify that:

1. I have reviewed this annual quarterly report on Form 10-Q of Victory Capital Holdings, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023 May 10, 2024

By: /s/ MICHAEL D. POLICARPO

Michael D. Policarpo

President, Chief Financial Officer and Chief Administrative Officer

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Exhibit 32.1

CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, David C. Brown, Chief Executive Officer of Victory Capital Holdings, Inc. (the “Company”), hereby certify pursuant to Section 1350 of chapter 63 of title 18 of the United States Code, and Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge: (1) the Quarterly Report on Form 10-Q of the Company to which this Exhibit is attached (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID C. BROWN

David C. Brown

Chief Executive Officer and Chairman

November 3, 2023 May 10, 2024

Exhibit 32.2

CERTIFICATION OF CFO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael D. Policarpo, President, Chief Financial Officer and Chief Administrative Officer of Victory Capital Holdings, Inc. (the “Company”), hereby certify pursuant to Section 1350 of chapter 63 of title 18 of the United States Code, and Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge: (1) the Quarterly Report on Form 10-Q of the Company to which this Exhibit is attached (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL D. POLICARPO

Michael D. Policarpo

President, Chief Financial Officer and Chief
Administrative Officer

November 3, 2023 May 10, 2024

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