



**PZENA INVESTMENT MANAGEMENT, INC. TO BECOME PRIVATE COMPANY
AND REPORTS RESULTS FOR THE SECOND QUARTER OF 2022**

**Publicly Traded Shares to Receive \$9.60 per Share in Cash
Pzena Management and Investment Teams to Continue to Lead Firm
Pzena Reports Second Quarter 2022 Diluted EPS of \$0.15 per Share**

New York, NY, July 26, 2022. Pzena Investment Management, Inc. (NYSE: PZN) (“PZN”) today announced that it has entered into an agreement to become a private company through a transaction in which holders of PZN Class A common stock will receive \$9.60 per share in cash. Under the terms of the definitive agreement, PZN will merge with and into a newly formed subsidiary of its operating company, Pzena Investment Management, LLC (“PIM”), in an all-cash transaction that implies an enterprise value for PZN of approximately \$795 million. The \$9.60 per share price represents a premium of 49% to PZN’s closing stock price on July 26, 2022, and a premium of approximately 46% over the 90-calendar day volume weighted average price. PZN plans to maintain its regular quarterly dividend of \$0.03 per share for the third quarter of 2022, which the Board declared earlier today.

The Board of Directors of PZN formed a special committee consisting of the independent and disinterested directors of PZN (the “Special Committee”) to evaluate and negotiate the definitive agreement. Following a robust negotiation process, the Special Committee concluded unanimously that the proposed transaction is in the best interests of the holders of PZN’s Class A common stock. Acting upon the Special Committee’s recommendation, the Board of Directors of PZN approved the transaction.

Upon completion of the transaction, Pzena Investment Management will be a privately-held company owned by the existing partners of PIM. All of Pzena Investment Management’s leadership and investment professionals are anticipated to remain in place and will retain substantially all of their equity interest in the business.

“We are excited to begin this new chapter for our firm after 15 years as a public company” said CEO Richard Pzena. “I would like to thank the Special Committee for its work in reaching this agreement. We believe the transaction is in the best interest of Pzena’s Class A stockholders, and will enhance our ability to achieve investment excellence on behalf of our clients.”

The transaction is expected to close in the fourth quarter of 2022, subject to approval by PZN stockholders, including a special approval of holders of a majority of the Class A shares not held by persons who will remain as investors in PIM following the closing, receipt of applicable regulatory approvals, and other customary closing conditions.

In connection with the proposed transaction, PZN entered into a voting agreement with certain members of PZN’s management team, as a result of which all outstanding shares of Class B common stock will be voted in favor of the transaction.

Ardea Partners LP and CastleOak Securities, L.P. are acting as financial advisor, and Wachtell, Lipton, Rosen & Katz is acting as legal advisor, to the Special Committee.

J.P. Morgan Securities LLC is acting as exclusive financial advisor, and Milbank LLP is acting as legal advisor, to Pzena Investment Management, LLC.

PZN reported the following U.S. Generally Accepted Accounting Principles (GAAP) basic and diluted net income and earnings per share for the three and six months ended June 30, 2022 and 2021 (in thousands, except per-share amounts):

	GAAP Basis	
	For the Three Months Ended	
	June 30,	
	2022	2021
	(unaudited)	
Basic Net Income	\$ 2,523	\$ 4,603
Basic Earnings per Share	\$ 0.15	\$ 0.27
Diluted Net Income	\$ 12,755	\$ 21,176
Diluted Earnings per Share	\$ 0.15	\$ 0.25

	GAAP Basis	
	For the Six Months Ended	
	June 30,	
	2022	2021
	(unaudited)	
Basic Net Income	\$ 5,338	\$ 8,790
Basic Earnings per Share	\$ 0.31	\$ 0.51
Diluted Net Income	\$ 26,245	\$ 40,906
Diluted Earnings per Share	\$ 0.31	\$ 0.49

GAAP diluted net income and GAAP diluted earnings per share were \$12.8 million and \$0.15, respectively, for the three months ended June 30, 2022, and \$21.2 million and \$0.25, respectively, for the three months ended June 30, 2021. GAAP diluted net income and GAAP diluted earnings per share were \$26.2 million and \$0.31, respectively, for the six months ended June 30, 2022, and \$40.9 million and \$0.49, respectively, for the six months ended June 30, 2021.

Assets Under Management**(unaudited)**

(\$ billions)

	For the Three Months Ended			For the Twelve Months Ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Separately Managed Accounts					
Assets					
Beginning of Period	\$ 19.4	\$ 19.4	\$ 19.4	\$ 20.0	\$ 13.0
<i>Inflows</i>	0.1	0.3	0.7	1.0	2.2
<i>Outflows</i>	(0.7)	(0.3)	(0.7)	(2.2)	(2.7)
Net Flows	(0.6)	—	—	(1.2)	(0.5)
Market					
Appreciation/(Depreciation)	(1.8)	0.1	0.5	(1.3)	7.0
Foreign Exchange ¹	(0.6)	(0.1)	0.1	(1.1)	0.5
End of Period	<u>\$ 16.4</u>	<u>\$ 19.4</u>	<u>\$ 20.0</u>	<u>\$ 16.4</u>	<u>\$ 20.0</u>
Sub-Advised Accounts					
Assets					
Beginning of Period Assets	\$ 30.7	\$ 30.5	\$ 26.9	\$ 30.2	\$ 16.4
<i>Inflows</i>	0.7	1.2	3.1	4.4	8.1
<i>Outflows</i>	(1.4)	(1.3)	(0.9)	(5.5)	(4.6)
Net Flows	(0.7)	(0.1)	2.2	(1.1)	3.5
Market					
Appreciation/(Depreciation)	(3.3)	0.5	1.0	(1.8)	10.0
Foreign Exchange ¹	(0.6)	(0.2)	0.1	(1.2)	0.3
End of Period	<u>\$ 26.1</u>	<u>\$ 30.7</u>	<u>\$ 30.2</u>	<u>\$ 26.1</u>	<u>\$ 30.2</u>
Pzena Funds					
Assets					
Beginning of Period Assets	\$ 2.7	\$ 2.6	\$ 2.9	\$ 2.9	\$ 2.1
<i>Inflows</i>	0.3	0.2	0.2	0.7	0.7
<i>Outflows</i>	(0.1)	(0.1)	(0.2)	(0.7)	(0.9)
Net Flows	0.2	0.1	—	—	(0.2)
Market					
Appreciation/(Depreciation)	(0.2)	—	—	(0.2)	1.0
Foreign Exchange ¹	(0.2)	—	—	(0.2)	—
End of Period	<u>\$ 2.5</u>	<u>\$ 2.7</u>	<u>\$ 2.9</u>	<u>\$ 2.5</u>	<u>\$ 2.9</u>
Total					
Assets					
Beginning of Period	\$ 52.8	\$ 52.5	\$ 49.2	\$ 53.1	\$ 31.5
<i>Inflows</i>	1.1	1.7	4.0	6.1	11.0
<i>Outflows</i>	(2.2)	(1.7)	(1.8)	(8.4)	(8.2)
Net Flows	(1.1)	—	2.2	(2.3)	2.8
Market					
Appreciation/(Depreciation)	(5.3)	0.6	1.5	(3.3)	18.0
Foreign Exchange ¹	(1.4)	(0.3)	0.2	(2.5)	0.8
End of Period	<u>\$ 45.0</u>	<u>\$ 52.8</u>	<u>\$ 53.1</u>	<u>\$ 45.0</u>	<u>\$ 53.1</u>

¹ Foreign exchange reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

Financial Discussion

Revenue (unaudited)

(\$ thousands)

	For the Three Months Ended		
	June 30, 2022	March 31, 2022	June 30, 2021
Separately Managed Accounts	\$ 23,756	\$ 26,184	\$ 26,525
Sub-Advised Accounts	20,557	21,939	19,400
Pzena Funds	4,384	4,637	4,952
Total	<u>\$ 48,697</u>	<u>\$ 52,760</u>	<u>\$ 50,877</u>

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Separately Managed Accounts	\$ 49,940	\$ 51,072
Sub-Advised Accounts	42,496	36,028
Pzena Funds	9,021	9,648
Total	<u>\$ 101,457</u>	<u>\$ 96,748</u>

Revenue was approximately \$48.7 million for the second quarter of 2022, a decrease of 7.7% from \$52.8 million for the first quarter of 2022 and a decrease of 4.3% from \$50.9 million for the second quarter of 2021.

There were \$0.7 million of performance fees recognized during the second quarter of 2022, compared to \$0.5 million of performance fees recognized during the first quarter of 2022 and less than \$0.1 million of performance fees recognized during the second quarter of 2021.

Average assets under management for the second quarter of 2022 were \$49.5 billion, decreasing 6.8% from \$53.1 billion for the first quarter of 2022, and decreasing 3.9% from \$51.5 billion for the second quarter of 2021. The decrease from the first quarter of 2022 and the second quarter of 2021 reflects market depreciation and net outflows.

The weighted average fee rate was 0.393% for the second quarter of 2022, decreasing from 0.397% for the first quarter of 2022, and from 0.395% for the second quarter of 2021.

The weighted average fee rate for separately managed accounts was 0.523% for the second quarter of 2022, decreasing from 0.532% for the first quarter of 2022 and from 0.533% for the second quarter of 2021. The decrease from the first quarter of 2021 primarily reflects the calculation methodology for certain of our separately managed accounts which are based on the value of AUM at a specific date during the quarter. The decrease from the second quarter of 2021 primarily reflects a shift in assets to certain strategies that typically carry lower fee rates.

The weighted average fee rate for sub-advised accounts was 0.286% for the second quarter of 2022, increasing from 0.285% for the first quarter of 2022, and from 0.270% for the second quarter of 2021. The increase from the first quarter of 2022 and the second quarter of 2021 reflects an increase in performance fees recognized during the second quarter of 2022. Certain accounts related to one retail client relationship have fulcrum fee arrangements. These fee arrangements require a reduction in the base fee or allow for a performance fee if the relevant investment strategy underperforms or outperforms, respectively, the agreed-upon benchmark over the contract's measurement period, which extends to three years. During the second quarter of 2022 and the first quarter of 2022, the Company recognized \$0.7 million and \$0.5 million of performance fees, respectively, related to this client relationship. During the second quarter of 2021, the Company recognized a \$1.0 million reduction in base fees related to this client relationship. To the extent the three-year performance record of this account fluctuates relative to its relevant benchmark, the amount of base fees recognized may vary.

The weighted average fee rate for Pzena funds was 0.672% for the second quarter of 2022, decreasing from 0.695% for the first quarter of 2022, and from 0.681% for the second quarter of 2021. The decrease from the first quarter of 2022 primarily reflects an increase in assets to certain strategies that typically carry lower fee rates. The decrease from the second quarter of 2021 primarily reflects an increase in expense reimbursements.

Total operating expenses were \$24.1 million for the second quarter of 2022, decreasing from \$26.1 million for the first quarter of 2022, and increasing from \$23.0 million for the second quarter of 2021. The decrease in compensation and benefits expense from the first quarter of 2022 primarily reflects expenses recognized in the first quarter associated with tax payments and the Company's employee profit sharing and savings plan, which generally do not recur during the year. The increase in general and administrative expenses from the first quarter of 2022 primarily reflects an increase in occupancy costs and travel and entertainment expense. The decrease in compensation and benefits expense from the second quarter of 2021 reflects a decrease in compensation and the market performance of strategies tied to the Company's deferred compensation obligation. The increase in general and administrative expenses from the second quarter of 2021 primarily reflects an increase in professional fees and occupancy costs. The increase in occupancy costs for the second quarter of 2022 is due to the extension and expansion of the Company's New York office lease.

Operating Expenses (unaudited)

(\$ thousands)

	For the Three Months Ended		
	June 30, 2022	March 31, 2022	June 30, 2021
Compensation and Benefits Expense	\$ 18,426	\$ 21,186	\$ 19,035
General and Administrative Expense	5,718	4,945	3,920
Operating Expenses	<u>\$ 24,144</u>	<u>\$ 26,131</u>	<u>\$ 22,955</u>

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Compensation and Benefits Expense	\$ 39,612	\$ 38,170
General and Administrative Expense	10,663	7,616
Operating Expenses	<u>\$ 50,275</u>	<u>\$ 45,786</u>

As of June 30, 2022, employee headcount was 142, decreasing from 143 at March 31, 2022, and increasing from 125 at June 30, 2021.

The operating margin was 50.4% for the second quarter of 2022, compared to 50.5% for the first quarter of 2022, and 54.9% for the second quarter of 2021.

Other income/ (expense) was expense of approximately \$7.6 million for the second quarter of 2022, income of \$0.1 million for the first quarter of 2022, and \$1.7 million for the second quarter of 2021.

Other income/ (expense) primarily reflects the fluctuations in the gains/ (losses) and other investment income recognized by the Company on its direct equity investments, the majority of which are held to satisfy obligations under its deferred compensation plan. Other income/ (expense) also includes a portion of gains/ (losses) and other investment income recognized by external investors on their investments in investment partnerships that the Company consolidates, which are offset in net income attributable to non-controlling interests.

Other Income/ (Expense) (unaudited)

(\$ thousands)

	For the Three Months Ended		
	June 30, 2022	March 31, 2022	June 30, 2021
Net Interest and Dividend Income	\$ 756	\$ 462	\$ 261
Gains/ (Losses) and Other Investment Income	(8,196)	(245)	1,369
Other Income/ (Expense)	(184)	(139)	100
GAAP Other Income/ (Expense)	(7,624)	78	1,730
Outside Interests of Investment Partnerships ¹	2,174	(844)	(249)
As Adjusted Other Income/ (Expense), Net of Outside Interests	<u>\$ (5,450)</u>	<u>\$ (766)</u>	<u>\$ 1,481</u>

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Net Interest and Dividend Income	\$ 1,218	\$ 458
Gains/ (Losses) and Other Investment Income	(8,441)	5,469
Other Income/ (Expense)	(323)	158
GAAP Other Income/ (Expense)	(7,546)	6,085
Outside Interests of Investment Partnerships ¹	1,330	(443)
As Adjusted Other Income/ (Expense), Net of Outside Interests	<u>\$ (6,216)</u>	<u>\$ 5,642</u>

¹ Represents the non-controlling interest allocation of the (income)/ loss of the Company's consolidated investment partnerships to its external investors.

The Company recognized income tax expense of \$2.5 million for the second quarter of 2022, \$8.2 million for the first quarter of 2022, and \$2.6 million for the second quarter of 2021. The decrease in income tax expense from the first quarter of 2021 reflects a \$5.9 million expense associated with a change in estimate of uncertain tax positions due to a change in interpretation of administrative rulings recognized during the first quarter of 2021.

Details of the income tax expense are shown below:

Income Tax Expense (unaudited)

(\$ thousands)

	For the Three Months Ended		
	June 30, 2022	March 31, 2022	June 30, 2021
Corporate Income Tax Expense	\$ 1,141	\$ 1,111	\$ 1,520
Unincorporated and Other Business Tax Expense	1,349	7,114	1,055
Income Tax Expense	<u>\$ 2,490</u>	<u>\$ 8,225</u>	<u>\$ 2,575</u>

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Corporate Income Tax Expense	\$ 2,252	\$ 3,020
Unincorporated and Other Business Tax Expense	8,463	1,921
Income Tax Expense	<u>\$ 10,715</u>	<u>\$ 4,941</u>

Details of the net income attributable to non-controlling interests of the Company's operating company and consolidated subsidiaries are shown below:

GAAP Non-Controlling Interests (unaudited)

(\$ thousands)

	For the Three Months Ended		
	June 30, 2022	March 31, 2022	June 30, 2021
Operating Company Allocation	\$ 14,090	\$ 14,823	\$ 22,225
Outside Interests of Investment Partnerships ¹	(2,174)	844	249
GAAP Net Income Attributable to Non-Controlling Interests	<u>\$ 11,916</u>	<u>\$ 15,667</u>	<u>\$ 22,474</u>

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Operating Company Allocation	\$ 28,913	\$ 42,873
Outside Interests of Investment Partnerships ¹	(1,330)	443
GAAP Net Income Attributable to Non-Controlling Interests	<u>\$ 27,583</u>	<u>\$ 43,316</u>

¹ Represents the non-controlling interest allocation of the income/ (loss) of the Company's consolidated investment partnerships to its external investors.

Today, the Company's Board of Directors approved a quarterly dividend of \$0.03 per share of its Class A common stock. The following dates apply to the dividend:

Record Date: August 5, 2022

Payment Date: August 19, 2022

In light of PZN's entry into the transaction agreement described above, PZN's second quarter 2022 earnings conference call (previously scheduled for 10:00 a.m. ET, Wednesday, July 27, 2022) is cancelled.

Forward-looking Statements

Certain statements and information contained in this release may be considered "forward-looking statements," such as statements relating to management's views with respect to future events and financial performance. Words or phrases such as "anticipate," "believe," "continue," "ongoing," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project" or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical experience or from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, economic conditions in the markets in which PZN operates; new federal or state governmental regulations; PZN's ability to effectively operate, integrate and leverage any past or future strategic initiatives; statements regarding the merger and related matters; the ability to meet expectations regarding the timing and completion of the merger; the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement; the failure to obtain PZN stockholder approval of the transaction or the failure to satisfy any of the other conditions to the completion of the transaction; risks relating to the financing required to complete the transaction; the effect of the announcement of the transaction on the ability of PZN to retain and hire key personnel and maintain relationships with its customers, vendors and others with whom it does business, or on its operating results and businesses generally; risks associated with the disruption of management's attention from ongoing business operations due to the transaction; significant transaction costs, fees, expenses and charges; the risk of litigation and/or regulatory actions related to the transaction; and other factors detailed in PZN's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") for the fiscal year ended December 31, 2021 and PZN's other filings with the SEC, which are available at <http://www.sec.gov> and on PZN's website at investors.pzena.com.

Additional Information and Where to Find It

In connection with the proposed merger transaction, PZN will file with the SEC and furnish to PZN's stockholders a proxy statement and other relevant documents. This press release does not constitute a solicitation of any vote or approval. PZN stockholders are urged to read the proxy statement when it becomes available and any other documents to be filed with the SEC in connection with the proposed merger or incorporated by reference in the proxy statement because they will contain important information about the proposed merger.

Investors will be able to obtain a free copy of documents filed with the SEC at the SEC's website at <http://www.sec.gov>. In addition, investors may obtain a free copy of the Company's filings with the SEC from the investors section of PZN's website at <https://www.pzena.com> or by directing a request to: Pzena Investment Management, Inc., 320 Park Avenue, 8th Floor, New York, NY 10022, (212) 355-1600, info@pzena.com.

Participants in the Solicitation

PZN, its directors and certain of its officers and employees, may be deemed to be participants in the solicitation of proxies from PZN stockholders in connection with the proposed transaction. Information about the Company's directors and executive officers is set forth in the Company's definitive proxy statement for its 2022 annual meeting of stockholders filed with the SEC on April 4, 2022. To the extent the holdings of PZN securities by PZN's directors and executive officers have changed since the amounts set forth in the proxy statement for its 2021 annual meeting of stockholders, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. These documents may be obtained free of charge at the SEC's web site at www.sec.gov and on the Investor Relations page of PZN's website located at <https://investors.pzena.com>. Additional information regarding the interests of participants in the solicitation of proxies in connection with the proposed merger will be included in the proxy statement and other relevant materials PZN may file with the SEC.

Contact: Jessica Doran, 212-355-1600 or doran@pzena.com.

PZENA INVESTMENT MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(in thousands)

	As of	
	June 30, 2022	December 31, 2021
	(unaudited)	
ASSETS		
Cash and Cash Equivalents	\$ 49,412	\$ 81,133
Restricted Cash	2,215	1,056
Due from Broker	157	55
Advisory Fees Receivable	36,855	41,127
Investments	80,762	95,506
Prepaid Expenses and Other Assets	15,713	5,836
Right-of-use Assets	55,311	10,014
Deferred Tax Asset	21,969	25,886
Property and Equipment, Net of Accumulated Depreciation of \$7,633 and \$7,086, respectively	4,990	3,687
TOTAL ASSETS	\$ 267,384	\$ 264,300
LIABILITIES AND EQUITY		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 35,456	\$ 44,167
Due to Broker	51	—
Securities Sold Short	241	237
Liability to Selling and Converting Shareholders	24,679	24,679
Lease Liabilities	65,396	10,323
Deferred Compensation Liability	3,604	6,840
TOTAL LIABILITIES	129,427	86,246
Equity:		
Total Pzena Investment Management, Inc.'s Equity	37,407	42,588
Non-Controlling Interests	100,550	135,466
TOTAL EQUITY	137,957	178,054
TOTAL LIABILITIES AND EQUITY	\$ 267,384	\$ 264,300

PZENA INVESTMENT MANAGEMENT, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per-share amounts)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(unaudited)			
REVENUE	\$ 48,697	\$ 50,877	\$ 101,457	\$ 96,748
EXPENSES				
Compensation and Benefits Expense	18,426	19,035	39,612	38,170
General and Administrative Expense	5,718	3,920	10,663	7,616
TOTAL OPERATING EXPENSES	24,144	22,955	50,275	45,786
Operating Income	24,553	27,922	51,182	50,962
Other Income/ (Loss)	(7,624)	1,730	(7,546)	6,085
Income Before Taxes	16,929	29,652	43,636	57,047
Income Tax Expense	2,490	2,575	10,715	4,941
Consolidated Net Income	14,439	27,077	32,921	52,106
Less: Net Income Attributable to Non-Controlling Interests	11,916	22,474	27,583	43,316
Net Income Attributable to Pzena Investment Management, Inc.	<u>\$ 2,523</u>	<u>\$ 4,603</u>	<u>\$ 5,338</u>	<u>\$ 8,790</u>
Earnings per Share - Basic and Diluted Attributable to Pzena Investment Management, Inc. Common Stockholders:				
Net Income for Basic Earnings per Share	\$ 2,523	\$ 4,603	\$ 5,338	\$ 8,790
Basic Earnings per Share	\$ 0.15	\$ 0.27	\$ 0.31	\$ 0.51
Basic Weighted Average Shares Outstanding	16,969,301	17,255,593	17,159,027	17,248,045
Net Income for Diluted Earnings per Share	\$ 12,755	\$ 21,176	\$ 26,245	\$ 40,906
Diluted Earnings per Share	\$ 0.15	\$ 0.25	\$ 0.31	\$ 0.49
Diluted Weighted Average Shares Outstanding	85,293,053	84,336,569	85,985,519	83,932,385