

SS&C Technologies Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2017	2016
Revenues:		
Software-enabled services	\$ 276,452	\$ 205,647
Maintenance and term licenses	110,557	95,120
Total recurring revenues	387,009	300,767
Perpetual licenses	2,828	5,215
Professional services	17,862	18,149
Total non-recurring revenues	20,690	23,364
Total revenues	407,699	324,131
Cost of revenues:		
Software-enabled services	154,006	113,728
Maintenance and term licenses	46,985	46,946
Total recurring cost of revenues	200,991	160,674
Perpetual licenses	565	498
Professional services	15,903	15,512
Total non-recurring cost of revenues	16,468	16,010
Total cost of revenues	217,459	176,684
Gross profit	190,240	147,447
Operating expenses:		
Selling and marketing	30,242	29,861
Research and development	38,449	36,447
General and administrative	31,832	30,695
Total operating expenses	100,523	97,003
Operating income	89,717	50,444
Interest expense, net	(29,020)	(33,089)
Other expense, net	(71)	(1,847)
Loss on extinguishment of debt	(2,326)	—
Income before income taxes	58,300	15,508
Provision for income taxes	10,153	8,503
Net income	\$ 48,147	\$ 7,005
Basic earnings per share	\$ 0.24	\$ 0.04
Diluted earnings per share	\$ 0.23	\$ 0.03
Basic weighted average number of common shares outstanding	203,376	197,520
Diluted weighted average number of common and common equivalent shares outstanding	209,704	204,262
Cash dividends declared and paid per common share	\$ 0.0625	\$ 0.0625
Net income	\$ 48,147	\$ 7,005
Other comprehensive income, net of tax:		
Foreign currency exchange translation adjustment	10,779	9,321
Total comprehensive income, net of tax	10,779	9,321
Comprehensive income	\$ 58,926	\$ 16,326

See Notes to Condensed Consolidated Financial Information.

SS&C Technologies Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	March 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 108,842	\$ 117,558
Accounts receivable, net	247,553	241,307
Prepaid expenses and other current assets	33,256	31,119
Prepaid income taxes	15,674	23,012
Restricted cash	2,071	2,116
Total current assets	407,396	415,112
Property, plant and equipment, net	81,927	80,395
Deferred income taxes	2,342	2,410
Goodwill	3,659,631	3,652,733
Intangible and other assets, net	1,507,787	1,556,321
Total assets	<u>\$ 5,659,083</u>	<u>\$ 5,706,971</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 100,812	\$ 126,144
Accounts payable	23,642	16,490
Income taxes payable	—	3,473
Accrued employee compensation and benefits	42,060	104,118
Interest payable	7,420	21,470
Other accrued expenses	54,685	53,708
Deferred revenue	249,296	235,222
Total current liabilities	477,915	560,625
Long-term debt, net of current portion	2,343,737	2,374,986
Other long-term liabilities	65,057	59,227
Deferred income taxes	443,300	453,555
Total liabilities	3,330,009	3,448,393
Total stockholders' equity	2,329,074	2,258,578
Total liabilities and stockholders' equity	<u>\$ 5,659,083</u>	<u>\$ 5,706,971</u>

See Notes to Condensed Consolidated Financial Information.

SS&C Technologies Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2017	2016
Cash flow from operating activities:		
Net income	\$ 48,147	\$ 7,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	58,557	55,273
Stock-based compensation expense	10,900	15,347
Income tax benefit related to exercise of stock options	—	(8,174)
Amortization and write-offs of loan origination costs	2,656	2,653
Loss on extinguishment of debt	963	—
Loss (gain) on sale or disposition of property and equipment	10	(2)
Deferred income taxes	(7,295)	(6,274)
Provision for doubtful accounts	1,154	679
Changes in operating assets and liabilities, excluding effects from acquisitions:		
Accounts receivable	(7,087)	(33,203)
Prepaid expenses and other assets	(2,532)	(1,221)
Accounts payable	6,106	3,592
Accrued expenses	(72,908)	(52,843)
Income taxes prepaid and payable	5,077	10,526
Deferred revenue	12,777	25,260
Net cash provided by operating activities	56,525	18,618
Cash flow from investing activities:		
Additions to property and equipment	(5,990)	(2,808)
Proceeds from sale of property and equipment	—	2
Cash paid for business acquisitions, net of cash acquired	1,805	(317,554)
Additions to capitalized software	(3,277)	(2,169)
Net cash used in investing activities	(7,462)	(322,529)
Cash flow from financing activities:		
Cash received from debt borrowings	45,000	—
Repayments of debt	(105,200)	(29,825)
Proceeds from exercise of stock options	14,017	7,629
Withholding taxes related to equity award net share settlement	(589)	(1,559)
Income tax benefit related to exercise of stock options	—	8,174
Dividends paid on common stock	(12,715)	(12,353)
Net cash used in financing activities	(59,487)	(27,934)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,663	(488)
Net decrease in cash, cash equivalents and restricted cash	(8,761)	(332,333)
Cash, cash equivalents and restricted cash, beginning of period	119,674	436,977
Cash, cash equivalents and restricted cash, end of period	\$ 110,913	\$ 104,644

See Notes to Condensed Consolidated Financial Information.

SS&C Technologies Holdings, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Information

Note 1. Reconciliation of Revenues to Adjusted Revenues

Adjusted revenues represents revenues adjusted for one-time purchase accounting adjustments to fair value deferred revenue acquired in business combinations. Adjusted revenues are presented because we use this measure to evaluate performance of our business against prior periods and believe it is a useful indicator of the underlying performance of the Company. Adjusted revenues are not a recognized term under generally accepted accounting principles (GAAP). Adjusted revenues does not represent revenues, as that term is defined under GAAP, and should not be considered as an alternative to revenues as an indicator of our operating performance. Adjusted revenues as presented herein is not necessarily comparable to similarly titled measures. Below is a reconciliation between adjusted revenues and revenues, the GAAP measure we believe to be most directly comparable to adjusted revenues.

(in thousands)	Three Months Ended March 31,	
	2017	2016
Revenues	\$ 407,699	\$ 324,131
Purchase accounting adjustments to deferred revenue	1,820	18,983
Adjusted revenues	<u>\$ 409,519</u>	<u>\$ 343,114</u>

The following is a breakdown of recurring and non-recurring revenues and adjusted recurring and non-recurring revenues.

(in thousands)	Three Months Ended March 31,	
	2017	2016
Software-enabled services	\$ 276,452	\$ 205,647
Maintenance and term licenses	110,557	95,120
Total recurring revenues	<u>387,009</u>	<u>300,767</u>
Perpetual licenses	2,828	5,215
Professional services	17,862	18,149
Total non-recurring revenues	<u>20,690</u>	<u>23,364</u>
Total revenues	<u>\$ 407,699</u>	<u>\$ 324,131</u>
Software-enabled services	\$ 276,452	\$ 205,786
Maintenance and term licenses	110,763	109,950
Total adjusted recurring revenues	<u>387,215</u>	<u>315,736</u>
Perpetual licenses	2,828	5,215
Professional services	19,476	22,163
Total adjusted non-recurring revenues	<u>22,304</u>	<u>27,378</u>
Total adjusted revenues	<u>\$ 409,519</u>	<u>\$ 343,114</u>

Note 2. Reconciliation of Operating Income to Adjusted Operating Income

Adjusted operating income represents operating income adjusted for amortization of acquisition-related intangible assets, stock-based compensation, purchase accounting adjustments for deferred revenue and other expenses. Adjusted operating income is presented because we use this measure to evaluate performance of our business and believe it is a useful indicator of the underlying performance of the Company. Adjusted operating income is not a recognized term under GAAP. Adjusted operating income does not represent operating income, as that term is defined under GAAP, and should not be considered as an alternative to operating income as an indicator of our operating performance. Adjusted operating income as presented herein is not necessarily comparable to similarly titled measures. The following is a reconciliation between adjusted operating income and operating income, the GAAP measure we believe to be most directly comparable to adjusted operating income.

(in thousands)	Three Months Ended March 31,	
	2017	2016
Operating income	\$ 89,717	\$ 50,444
Amortization of intangible assets	52,408	49,680
Stock-based compensation	10,900	15,347
Capital-based taxes	375	472
Purchase accounting adjustments (1)	352	15,628
Other (2)	1,684	3,618
Adjusted operating income	<u>\$ 155,436</u>	<u>\$ 135,189</u>

- (1) Purchase accounting adjustments include (a) an adjustment to increase revenues by the amount that would have been recognized if deferred revenue were not adjusted to fair value at the date of acquisitions and (b) an adjustment to increase personnel and commissions expense by the amount that would have been recognized if prepaid commissions and deferred personnel costs were not adjusted to fair value at the date of the acquisitions.

- (2) Other includes expenses and income that are permitted to be excluded per the terms of our Credit Agreement from Consolidated EBITDA, a financial measure used in calculating our covenant compliance. These include expenses and income related to currency transactions, facilities and workforce restructuring, legal settlements and business combinations, among other infrequently occurring transactions.

Note 3. Reconciliation of Net Income to EBITDA, Consolidated EBITDA and Adjusted Consolidated EBITDA

EBITDA represents net income before interest expense, income taxes, depreciation and amortization. Consolidated EBITDA, defined under our Credit Agreement entered into in July 2015, as amended, is used in calculating covenant compliance, and is EBITDA adjusted for certain items. Consolidated EBITDA is calculated by subtracting from or adding to EBITDA items of income or expense described below. Adjusted consolidated EBITDA is calculated by subtracting acquired EBITDA from consolidated EBITDA. EBITDA, consolidated EBITDA and adjusted consolidated EBITDA are presented because we use these measures to evaluate performance of our business and believe them to be useful indicators of an entity's debt capacity and its ability to service debt. EBITDA, consolidated EBITDA and adjusted consolidated EBITDA are not recognized terms under GAAP and should not be considered in isolation or as alternatives to operating income, net income or cash flows from operating activities as indicators of our operating performance. The following is a reconciliation of EBITDA, consolidated EBITDA and adjusted consolidated EBITDA to net income.

(in thousands)	Three Months Ended March 31,		Twelve Months
	2017	2016	Ended March 31, 2017
Net income	\$ 48,147	\$ 7,005	\$ 172,138
Interest expense, net	29,020	33,089	124,385
Provision for income tax	10,153	8,503	34,270
Depreciation and amortization	58,557	55,273	231,967
EBITDA	145,877	103,870	562,760
Stock-based compensation	10,900	15,347	46,117
Capital-based taxes	375	472	1,385
Acquired EBITDA and cost savings (1)	808	4,768	6,627
Non-cash portion of straight-line rent expense	68	784	1,482
Loss on extinguishment of debt	2,326	—	2,326
Purchase accounting adjustments (2)	352	15,628	16,343
Other (3)	1,755	5,465	2,181
Consolidated EBITDA	\$ 162,461	\$ 146,334	\$ 639,221
Less: acquired EBITDA	(808)	(4,768)	(6,627)
Adjusted Consolidated EBITDA	\$ 161,653	\$ 141,566	\$ 632,594

- (1) Acquired EBITDA reflects the EBITDA impact of significant businesses that were acquired during the period as if the acquisition occurred at the beginning of the period, as well as cost savings enacted in connection with acquisitions.
- (2) Purchase accounting adjustments include (a) an adjustment to increase revenues by the amount that would have been recognized if deferred revenue were not adjusted to fair value at the date of acquisitions and (b) an adjustment to increase personnel and commissions expense by the amount that would have been recognized if prepaid commissions and deferred personnel costs were not adjusted to fair value at the date of the acquisitions.
- (3) Other includes expenses and income that are permitted to be excluded per the terms of our Credit Agreement from Consolidated EBITDA, a financial measure used in calculating our covenant compliance. These include expenses and income related to currency transactions, facilities and workforce restructuring, legal settlements and business combinations, among other infrequently occurring transactions.

Note 4. Reconciliation of Net Income to Adjusted Net Income and Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share

Adjusted net income and adjusted diluted earnings per share represent net income and earnings per share before amortization of intangible assets and deferred financing costs, stock-based compensation, capital-based taxes and other unusual and non-recurring items. Adjusted net income and adjusted diluted earnings per share are not recognized terms under GAAP, do not represent net income or diluted earnings per share, as those terms are defined under GAAP, and should not be considered as alternatives to net income or diluted earnings per share as indicators of our operating performance. Adjusted net income and adjusted diluted earnings per share are important to management and investors because they represent our operational performance exclusive of the effects of amortization of intangible assets and deferred financing costs, stock-based compensation, capital-based taxes, other unusual and non-recurring items, purchase accounting adjustments, and loss on extinguishment of debt that are not operational in nature or comparable to those of our competitors. The following is a reconciliation between adjusted net income and adjusted diluted earnings per share and net income and diluted earnings per share.

(in thousands, except per share data)	Three Months Ended March 31,	
	2017	2016
GAAP – Net income	\$ 48,147	\$ 7,005
Plus: Amortization of intangible assets	52,408	49,680
Plus: Amortization of deferred financing costs and original issue discount	2,656	2,653
Plus: Stock-based compensation	10,900	15,347
Plus: Capital-based taxes	375	472
Plus: Loss on extinguishment of debt	2,326	—
Plus: Purchase accounting adjustments (1)	352	15,628
Plus: Other (2)	1,755	5,465
Income tax effect (3)	(25,987)	(20,828)
Adjusted net income	\$ 92,932	\$ 75,422
Adjusted diluted earnings per share	\$ 0.44	\$ 0.37
GAAP diluted earnings per share	\$ 0.23	\$ 0.03
Diluted weighted-average shares outstanding	209,704	204,262

- (1) Purchase accounting adjustments include (a) an adjustment to increase revenues by the amount that would have been recognized if deferred revenue were not adjusted to fair value at the date of acquisitions and (b) an adjustment to increase personnel and commissions expense by the amount that would have been recognized if prepaid commissions and deferred personnel costs were not adjusted to fair value at the date of the acquisitions.
- (2) Other includes expenses and income that are permitted to be excluded per the terms of our Credit Agreement from Consolidated EBITDA, a financial measure used in calculating our covenant compliance. These include expenses and income related to currency transactions, facilities and workforce restructuring, legal settlements and business combinations, among other infrequently occurring transactions.
- (3) An estimated normalized effective tax rate of 28% has been used to adjust the provision for income taxes for the purpose of computing adjusted net income.