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SSNC - Q2 2015 SS&C Technologies Holdings Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the SS&C Technologies second quarter 2015 earnings conference call.

(Operator Instructions)

Please note today's conference is being recorded. I would now like to hand the conference over to Justine Stone. Please go ahead.

Justine Stone - *SS&C Technologies Holdings Inc. - IR*

Welcome, and thank you for joining us for our Q2 2015 earnings call. I'm Justine Stone, Investor Relations for SS&C Technologies. With me today is Bill Stone, Chairman and Chief Executive Officer, Norm Boulanger, President and Chief Operating Officer, Rahul Kanwar, Senior Vice President and Managing Director of Alternative Assets, and Patrick Pedonti, Chief Financial Officer.

Before we get started, we need to review the Safe Harbor statement. Please note that various remarks we make today about future expectations, plans and prospects, including the financial outlook we provide, constitute forward-looking statements for the purposes of the Safe Harbor Provisions under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements. As a result of various important factors, including those discussed in the Risk Factors section of our most recent annual report on Form 10-K which is on file with the SEC, and can also be accessed on our website. These forward-looking statements represent our expectations only as of today, July 29, 2015. While the Company may elect to update these forward-looking statements, it specifically disclaims any obligation to do so.

During today's call, we will be referring to certain non-GAAP financial measures. A reconciliation of these non-GAAP financial measures to comparable GAAP financial measures is included in today's earnings release which is located in the Investor Relations section of our website at www.ssctech.com.

I will now turn the call over to Bill.

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

Thanks, Justine, and welcome, everybody. SS&C had an impressive second quarter on both the top and bottom line. Adjusted revenue grew 12.9%, and adjusted operating income 15.6%, and our adjusted diluted earnings per share were $0.66. Strong sales growth in Europe, large license deals and technological advances all contributed to our performance.

We spent significant time and effort over the second quarter working with the Advent executives, the Department of Justice, our bankers and our lawyers to ultimately close the acquisition of Advent Software on July 8. We were very excited about that, and we look forward to integrating that business as quickly as we can.

We had strong demand on both our equity and debt offerings, which led us to increase our equity offering to over 12 million shares and $740 million. We also increased our senior notes from $500 million to $600 million. I've learned when Wall Street is going to give you money, you take it. We will use the excess cash for general corporate purposes, including acquisitions. We believe the opportunity as a combined entity is vast, and we've already seen some revenue and margin increases since our combination. SS&C has a long history of successful acquisitions. DST Global Solutions, which we acquired on December 6, 2014, had over a 16% revenue growth year-over-year, and they have expanded their operating margins significantly. The expanded sales force and broader product and service offering has translated into pipeline growth, and new client wins. For more of the details, I'll turn it over to Norm.

Norm Boulanger - *SS&C Technologies Holdings Inc - President & COO*

Thanks, Bill. SS&C had a strong first half of 2015. And the second quarter, made progress towards more automation, sleeker client interfaces, and ultimately greater operational efficiency for both SS&C and our clients. Our institutional business saw good growth this quarter. With new elite servicing clients, CAMRA upgrades, new precision LMS licenses which was our new generation cloud-based loan management suite which we unveiled at our client Summit in May. License sales were particular strong, as we received a schedule license fee from a previously signed IP license for our benefits XML technology. Software enabled services revenue was soft, as a result of timing of tax revenue for the tax related work in Q1 compared to Q2. And some attrition in SS&C GlobeOp's and our institutional asset management and outsourcing business.

As Bill mentioned, DST high port or nova business had a strong quarter. Operating margins have improved through both cost synergies and increased top line growth. Our team's focus on execution has made clients more comfortable investing in the products, and we are seeing several clients expand their high port and nova licenses. SS&C is also seeing favorable industry dynamics. We published two industry studies, highlighting the Firm's growing needs for sophisticated technology solutions. The first study highlights the number of gaps the wealth management industry in Asia is facing. The survey reveals that the banks in the region think their technology is not up to the standard to meet customer demands for reporting or analytics. The issues involved in middle office services and access to accurate investment data can be alleviated through the use of scalable technology deployed on-site, or through a service provider relationship. The second industry survey published by SS&C emphasizes insurance firms growing IT budgets as complex asset classes become more widely accepted in the industry. Over 50% of the insurers have doubled their IT budgets over the past three years increasing the spending on technology, in staff in support the accounting reporting requirements of complex or non traditional asset classes such as syndicated bank loans, derivatives, and alternative funds. These two surveys show that we have large opportunity as we expand our presence throughout Asia Pacific, and enhance our offering in the insurance industry to accommodate the new investment styles.

I'd like to review a few key deals for Q2. A global bank extended their [Enova] license for their retail wealth management business. Between $0.5 billion AUM Porsche client chose Sylvan to replace a home built reporting system. A private equity firm looking to grow and automate their lending platform has chosen precision LM solution for loan origination servicing. A Toronto wealth manager chose SS&C's global wealth platform ASP solution for end-to-end processing. An institutional investment firm chose SS&C Sylvan to support their performance reporting requirements. A high bred real estate investment trust, who invests in both agency and non-agency residential mortgage backed security selected SS&C's REIT services. And finally, a Texas-based life insurance company upgraded their SS&C CAMRA license to SQL, and are using our CAMRA workstation to take advantage of our very powerful front-end interactive menu structure.

Now I'll turn it over to Rahul to discuss the alternative business.

Rahuk Kanwar - *SS&C Technologies Holdings Inc. - SVP & Managing Director Alternative Assets*

Thanks, Norm. SS&C's alternatives business had a 7% increase in revenue for Q2 2015, compared to Q2 2014. This past quarter, we launched our private capital division, focused on single and multi-family offices, foundations, endowments, and other proprietary capital investors, who are all increasingly investing in alternative assets. We believe there are significant benefits of improved control, efficiency, and cost that our software-enabled services model can bring to these types of firms based on our experience in investment and technology as one of the largest funded administrators in the alternative space.

We announced recently the expansion of operation in Evansville, Indiana. We continue to grow our workforce in Evansville, and have nearly 200 people there servicing clients. We remain excited about the capability and motivation we're seeing our employee base in Evansville, and are committed to growing in the region as part of our talent recruitment and development strategy. Key deals for the second quarter include the following: A $1.5 billion hedge fund converted SS&C GlobeOp from a competitor for full, middle, and back office services; a retail bank based in the Netherlands chose to outsource with SS&C, using GWP and GoTrade Plus; a $19 billion hedge fund chose SS&C GlobeOp for middle office services; and EMIR Reporting, a top European asset manager's alternative business converted to SS&C from a competitor for middle office and risk fee services; additionally, SS&C won the fund administration business of three private equity funds, two of which also shows our regulatory solutions.

I will now turn it over to Patrick to take you through the financials.

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

Thanks, Rahul. Results for the second quarter were GAAP revenues of $212.8 million, and GAAP net income of $39.1 million and diluted EPS of $0.44. Adjusted revenue was $213.1 million, excluding the adjustment for acquired deferred revenue in the DST acquisition. Adjusted revenue increased $24.3 million or 12.9% over Q2 2014. And foreign exchange had a negative impact of $3.4 million, or 1.8% in the second quarter. Adjusted operating income for the second quarter was $85.5 million, an increase of $11.6 million or 15.6% over the second quarter of 2014. Operating margin has increased to 40.1% from 39.2% of revenue in Q2 2014. Margins expanded due to lower growth and expenses, and improvement in the margins at the DST acquisition. The DST business margins were over 40% in the second quarter. Adjusted consolidated EBITDA was $89.4 million or 41.9% of revenue. Net interest expense for the second quarter was $5.4 million, and includes $1.4 million of non-cash amortized financing costs in OID. Interest expense decreased due to the $279 million of debt paydown we've made since the second quarter of 2014.

We recorded a GAAP tax provision of $13.6 million, or 26% of pretax income in the quarter. Adjusted net income was $58.7 million, and adjusted EPS was $0.66. The adjusted net income excludes $22.3 million of amortization of intangible assets, $4.2 million of stock-based compensation, $1.4 million of non-cash debt issuance costs, $200,000 of severance pay related to DST staff reductions, and $700,000 of deal costs for the pending Advent acquisition. And then $300,000 of purchase accounting adjustments and $300,000 of unusual losses, mostly related to FX translation. And the effective tax rate we used for adjusted income was 28%.

On the balance sheet and cash flow. For the six months ended June, we had $729.8 million of cash on the balance sheet and $471 million of gross debt, for a net debt position of zero. Operating cash flow for the six months was $100.7 million, a 7.9% or 8.5% increase over 2014. For the six months, we paid down $174 million of debt. We used $7.5 million or 1.8% of revenue for CapEx and capitalized software. In the six months we paid $20.7 million in cash taxes compared to $15.3 million in the similar period last year. We made significant strides in reducing our DSO. As of June 2015, the DSO was 40 days, compared to 45 days as of March 15. And that improved cash flow by $10.3 million in the quarter. Financing activities had proceeds from option exercises of $8.7 million, and a tax benefit of those option exercises of $5.1 million. And then we issued our quarterly dividend at $10.6 million in second quarter. In the equity offering we completed towards the end of June, we sold 12.1 million shares. The net proceeds were about $718 million. We raised an additional $330 million of cash in that offering for general corporate uses, including future acquisitions. In addition, we paid about $8 million on a purchase price adjustment in connection with the fourth-quarter 2014 DST acquisition.

A quick update on Advent for Q2. We will be filing an 8-K for Advent's financials sometime in the third quarter. But our preliminary results for Q2 for Advent are revenues of $104.8 million, and adjusted consolidated EBITDA of $37.7 million.

For the outlook for Q3, our current expectation is revenue in the range of $305 million to $311 million. Adjusted net income of $61.9 million to $64.7 million, and diluted shares in the range of $102.5 million to $103 million. We've assumed that the Advent acquisition is included in our financials from the acquisition date of July 8. So we'll get approximately 92% of the quarter in Q3 for Advent revenue and expenses. We are also now expecting a higher negative impact due to the strong dollar, US dollar, against the Canadian dollar for the third and the fourth quarters. We have assumed that we'll achieve about $12 million in synergy over the next two quarters in the Advent acquisition. And adjusted operating margins will be in the range of 39% to 39.5% in the third quarter, and improving in the fourth quarter. I suspect that the majority of the $12 million will probably mostly be in the fourth quarter. Our current expectation for the full year is revenue in the range of [$1.044] billion to [$1.056] billion, which represents a growth of 36% to 37% over 2014. Adjusted income -- net income from $243 million to $248.5 million, and diluted shares in the range of 95.6 million to 96 million for the full year. And we expect the effective tax rate to be approximately 28%, excluding any one-time items related to the Advent acquisition.

For the full year, we currently expect cash from operating income to be in the range of $280 million to $295 million. Capital expenditures to be in the range of 2.4% to 2.8% of revenues. The operating cash flow guidance assumes about $15 million to $20 million of Advent's deal costs, an to impact operating cash flow. These numbers could be higher after we complete the full analysis of the deal costs, but we'll report what the impact is when we report Q3.

And now, I'll turn it over to Bill for final comments.

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

Thanks, Patrick. We had a very good quarter, and we see lots of opportunities. Execution will be the key to success. As demonstrated in our first seven months of owning DST Global Solutions, we know how to execute. And with that, we'll start taking questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Chris Shutler from William Blair.

Chris Shutler - *William Blair & Company - Analyst*

I think this is the first time I can recall in a while that you actually saw a sequential decline in the software enabled services revenue line. So you went through a few reasons there pretty quickly, can you just go back through those and provide a little bit more detail? Thanks.

Norm Boulanger - *SS&C Technologies Holdings Inc - President & COO*

This is Norm. I'll take that. Two primary factors. One is the more tax services that (technical difficulty) then more efficient we are at processing them sooner. That revenue gets the -- stacks up in Q1, so as we finish those services that you get a blip down in Q2.

The other was some attrition in our institutional asset management space, primarily our EVAR business. Which is a swift messaging based system. And we had a fairly large client terminate their relationship because they have a platform in London, so they effectively stopped outsourcing and moved it to an in-house solution. Those are the two primary factors that drove the sequential decline from Q1 to Q2.

Chris Shutler - *William Blair & Company - Analyst*

Okay, got you. And then could you give us the DST revenue for the quarter, and what the organic growth rate was for the Company overall?

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

DST contributed about $18 million of revenue in the quarter, and I think in the end the organic growth was about 5%. A little over 5%.

Chris Shutler - *William Blair & Company - Analyst*

Okay. Got you. And then lastly on the Advent deal, guys, congratulations first of all for closing that.

You laid out the cost and revenue synergies originally back early this year. In your view, what has the most room for upside to those original targets? Is it more on the revenue side, is it more on the cost side? I'm just trying to get a sense what you expect over the next couple of years. Thanks.

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

I'll give you a little bit of color, and then maybe Norm can chime in too. One of the things Advent's done and done well is create an ecosystem where they have lots of people that do their implementations, host their software, do a number of those kinds of things. SS&C does those kinds of things, and my guess is we'll do a lot more of it for Advent than we ever did before.

So that's a huge revenue opportunity for us. We also have tremendous cross sell and upsell, particularly with our go apps into the [Geneva] client base. And then some of our execution management system capability that we have with Market Trader into the Moxy client base.

So there's a number of things like that that we're just fleshing out. We just went through training for the Advent sales force on SS&C products, and we just went through training for the Advent sales force on SS&C's products. Or our sales force on the Advent.

Either way, we've done it both ways. So I think there's a lot of revenue opportunity. And then also it's a pretty enormous expense opportunity too.

And I just think it's something where we're going to execute methodically. And I think the business will continue to improve over the next several years.

Chris Shutler - *William Blair & Company - Analyst*

All right. Thanks a lot, Bill.

Operator

Brad Zelnick from Jefferies.

Brad Zelnick - *Jefferies & Co. - Analyst*

It looks like another nice quarter. Patrick, I was hoping maybe you can help us out on next year 2016. If we go back to the original acquisition case, I think the last update that we had gotten was for SS&C to be able to deliver $3.05 to $3.15 in adjusted EPS.

And another tenet of the acquisition case was achieving $45 million in run rate cost synergies after three years. Does that still stand? And I would imagine with the upsizing and the financing, there's an impact for there as well. Can you just help bring us in on what 2016 looks like.

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

I think our targets for 2015 still stand. As far as what we expect to do in the synergies, we expect to get in 2016. Clearly, we did upsize the equity offering and we did upsize the notes by about $100 million.

And those could impact 2016, depending on the timing of any potential acquisitions that may happen where we use those funds. So it's really going to depend on those, the EPS will be impacted because of the dilution of the equity offering. But we still stand by our overall plan.

Brad Zelnick - *Jefferies & Co. - Analyst*

Okay. And just looking at 2015, for the revenue guide it seems to imply your organic growth in the back half is a little more than flat or perhaps a little bit lighter than you last guided without Advent. And I didn't do the math on the fly for 92% of the quarter in contributing or 92% of Advent's quarter contributing in Q3.

But if I listen to your comments about the negative impact of the dollar versus the Canadian dollar, are there any other factors here that contribute to the revised guide? Or can you maybe just give us a sense of the magnitude of these different factors, currency, organic growth if there's any change on your view there and the contribution from Advent?

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

I don't -- I think at the midpoint of our guidance, the year is still a little over 5% organic growth. We are, if you look at the Canadian dollar today, I think it's at $0.77 or something. So the Canadian dollar is, at today's exchange rate, is impacting us for about $2 million of revenue in the second half of the year, and we did adjust for that

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Brad Zelnick - *Jefferies & Co. - Analyst*

Okay. And if I could just ask one last on of Bill. Bill, with the cash you have on the balance sheet, when you think about what you might use that cash for. How do you prioritize going into adjacent markets versus consolidating areas that you might already be in?

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

Well I think the -- we'll go where we can make the most money. And I think that right now, there's plenty of stuff in our market that is up for sale. And it's stuff that we, as I said many times, we look at everything and we took the money because it gave us a war chest without having to go back to Wall Street. And also lines us up to do some pretty interesting things over the rest of the year.

Brad Zelnick - *Jefferies & Co. - Analyst*

Thank you for taking my questions, guys. Nice quarter.

Operator

Ashish Sabadra from Deutsche Bank.

Ashish Sabadra - *Deutsche Bank - Analyst*

Congrats for closing the Advent acquisition. Quick question on the synergies. So, Patrick, you highlighted $12 million of synergies in the fourth order. Can you just give us some more details on or where do you get the $45 million synergies.

As I understand the marketing, sales marketing, product development and G&A. Are those the different areas, where do we see the synergies coming through this year, next year, and going forward?

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

This is Patrick. So the synergies are probably in about four or five buckets. The first one is Advent will no longer be a public company, so they'll be several million dollars of savings not being a public Company.

Then the second one is, we're working on doing some facilities consolidation in some of the common locations we have like Boston, London and New York, and in some in the far east. So we will have facility savings over time. But those typically will take a little bit longer.

The other item is as a result of being able to combine the groups, and I think as you said, we're going to have savings in G&A, development, and some of the operating costs by having some staff reductions. And then the fourth item is their professional services margins. I think Advent runs at about zero professional services margins, we run at about 30% to 35% in our Professional Services gross margins.

We're working together to analyze that and to move those margins up to 35%. And the $12 million that I said we'll get in Q3 and Q4, with most of it -- with the majority of it in Q4.

Ashish Sabadra - *Deutsche Bank - Analyst*

Okay. Thanks for that color. Bill, on the revenue synergies you called out Professional Services and also ability to upsell and cross-sell products into each of the customer base. Can you also talk about how owning Advent also helps improve the competitive positioning for your fund administration business?

And having that relationship, the 4,300 clients that Advent have and those deciding to outsource, how does that help you on the fund and administration side? Should we see an improvement in the growth rate within the software enabled services? I was just wondering if you would provide some more color on that synergy -- that aspect of the business.

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

Well certainly, we now own the means of production for our service level that we really jealously guard the level of service that we deliver to our clients, because that's the bedrock of everything we do And for 15 years, our marketing mantra has been we use our own software. And with Advent Geneva, we have 2,400 employees that use Advent Geneva every day, so what's nice is now we have 2,400 people that use SS&C Geneva every day.

And as well as having 400 people at Advent that use Geneva as well. So now we have a workforce of 2,800 people that are on Geneva that is unsurpassed in the industry. And it gives our clients and our prospects an awful lot of comfort that SS&C has the size, and the scale, and the expertise, and the commitment to spend the research and development dollars that are necessary to remain the leader in this industry by a long way.

Ashish Sabadra - *Deutsche Bank - Analyst*

That's helpful. Thanks for the color. And just one final question.

Now that you own Advent and once you have all the synergies baked in, where can the operating margins go? What's your outlook for operating margins or EBITDA margins in the midterm?

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

Well if you take the midterm to be the next, let's say three years, then we think we can get to the mid-40%s. That might be 44% to 46%.

Ashish Sabadra - *Deutsche Bank - Analyst*

Thanks a lot, and congrats on the acquisition.

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

Thanks.

Operator

Peter Heckmann from Avondale.

Peter Heckmann - *Avondale Partners - Analyst*

I wanted to follow up, Bill, if you could on any uptake in closed deals since the Advent acquisition was closed? I guess my feeling is there was probably a number of clients that were holding off on signing deals with Advent until they saw what the Department of Justice was going to do. Have you had a pretty strong July?

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

Well I haven't seen our lawyers being exhausted, so I wouldn't say we're exactly killing it yet. But it's still a little bit of a which prospects are we going after hardest.

Advent has sold some nice business, I don't want to be pessimistic here. They signed over $1 million license deal with a big European Company I think, and they have a great pipeline.

And we have a great sales force. Mark Flamini in New York is doing a great job, the guys that are running Black Diamond, Dave Welling is really stepping on the accelerator. Rob Roley, who runs the product business and the institutional space, has a lot of great stuff that's coming out.

And we're really excited about their capability, and obviously we got Pete, who's really got his hand on the tiller as well. So we're feeling pretty good about it. But I wouldn't say that there was this flood of revenues that came in the first three or four weeks of July.

Peter Heckmann - *Avondale Partners - Analyst*

Okay. And then in terms of some of those revenue synergies, do you see the opportunity? Or can you judge the opportunity to convert some existing in-house licensed clients towards more of a SaaS-based or service bureau type data processing environment? If you see that opportunity with some of the larger Geneva or EPX clients?

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

Norm and I were both at the Advent Connect User Group in Vegas. And we met with a number of different clients, and a number of them were quite impressed with how extensive we host systems in the financial services arena. So things like pricing, and FX rates, and mortgage backed securities factors, and all of that descriptive data on Security Masters.

That's what we do for a living. So when you go to a generic hosting organization like an Equinox or some of these other places, the Quest and Amazon. They're no more geared towards the financial services Company than they are to a pig farm.

So we think that that's something that's quite attractive to these clients, that they get to talk to systems and technology folk that really understand their business. And we think that's going to make a tremendous difference in our ability to cross sell and upsell our ASP and BPO services.

Peter Heckmann - *Avondale Partners - Analyst*

Okay. That's helpful. And then just one question for Patrick, just more of a detail question. But how do you look at the quarterly amortization and the debt financing costs?

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

We're actually still working through that. Because we have to complete an analysis, some portion of it will be written off and some portion of it will be capitalized. We don't have a final handle on that yet, but we can update you later.

Peter Heckmann - *Avondale Partners - Analyst*

All right. Appreciate it. Thank you.

Operator

Sterling Auty from JPMorgan.

Sterling Auty - *JPMorgan - Analyst*

I wanted to start with -- can you give us a sense, with the close of Advent, what kind of revenue you may have lost due to acquisition accounting? In terms of the Advent revenue as well as any inter-company stuff. I know it's not that huge, but obviously the GlobeOp contract for Geneva.

So looking at -- I don't think we can just take the straight Advent revenue run rate and add it in. What kind of haircut should we expect?

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

This is Patrick. So the first factor is we'll only own Advent for 92% of the quarter in Q3. So that's what we've assumed.

The second thing is that Advent will lose about $1 million of revenue a quarter related to the Geneva license that they were selling SS&C. But also, our costs will go down by $1 million, so that will be a wash on the bottom line.

But their revenue will be down by $1 million a quarter. Now if you're asking about how much revenue we're going to lose on a GAAP basis.

Sterling Auty - *JPMorgan - Analyst*

Yes.

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

When we fair value deferred revenue at Advent, we will lose the best estimate we have today, obviously we've got to finish an extensive analysis, is about $100 million of revenue in the first year. Now we'll obviously report adjusted revenue for you guys so you understand really how the business is running, but on a GAAP basis there will be about $100 million of revenue.

Sterling Auty - *JPMorgan - Analyst*

Okay. Great. And then within looking at all the cost synergy items you mentioned, and in light of the Evansville expansion that you announced yesterday. You mentioned facility combinations in common locations. But is there any opportunity to relocate some of the cost structures from some of the higher cost areas that Advent operates in to maybe some of these lower cost jurisdictions like Evansville?

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

There's just a massive crowd in San Francisco that are trying to get to Evansville.

Sterling Auty - *JPMorgan - Analyst*

They're boarding the planes now, right?

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

That's right. SFO doesn't have enough gates.

So you have to be realistic about that. And I think Advent has done a great job about building out Jacksonville, which is a reasonably low-priced environ compared to San Francisco. Really, San Francisco and New York set themselves apart. And they're only competed with by London to be able to see who can spend the most money per square foot and everything else.

So I don't think that we'll have a massive transfer, but I think the growth tends to start going to the smaller operating centers. Where we can still provide a great service, and have a lot of client facing people in New York, in San Francisco, in London, as well as a number of other Hong Kong, as well as a number of other locales. So I think it's a long-term wind in our sails to increase our operating margins over time.

Rahul Kanwar - *SS&C Technologies Holdings, Inc. - SVP & Managing Director Alternative Assets*

And then that's consistent with what Advent was doing prior our acquisition. They were strategically moving people to Jacksonville, as well as to China where they had opportunities that made sense, and that will continue.

Sterling Auty - *JPMorgan - Analyst*

Now, it might be a little bit too soon, but you guys mentioned the Professional Services roads to the area that Pete and Jim and the guys are running Professional Services. Where they went from the hefty losses, to your point, they're now low profitability on the implementation, et cetera. But other than pricing, are there other obvious things that you think you can do to improve the margins on what they traditionally did in terms of the Professional Services side?

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

Professional Services get to price them instead of sales.

Sterling Auty - *JPMorgan - Analyst*

I'm sorry say that again, Bill, you broke up.

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

In the Advent model, the pricing on Professional Services was set by the sales department. And we don't do that here. The Professional Services department sets the Professional Services pricing.

So what you have is a way more disciplined tug-of-war as to what the price is. When sales is pricing it, they're comping their salespeople primarily on that license revenue, and so Professional Services become an easy toss in. That's a bad habit, and SS&C doesn't have that bad habit.

What's great about Advent is, is that they're embracing -- getting rid of all their bad habits. Embracing might be a little strong.

Sterling Auty - *JPMorgan - Analyst*

That's great. And then maybe just the last one. Patrick, given all the moving parts equity raise, note raise, cash payment for Advent, et cetera. Is there a sense of where we can level set what the cash looks like post those big items, which obviously aren't in the June 30 numbers?

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

The Company's cash balance post the Advent funding? Is that what you're wondering?

Sterling Auty - *JPMorgan - Analyst*

Yes, post the funding in the payment for the acquisition, where is the cash balance?

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

So we normally carry about $100 million of cash, Advent carries about $25 million of cash, so that's $125 million. We raised an additional $330 in the equity, so that's $450 million, and then an additional $100 million on the bonds. So that's about $550 million, so somewhere around there.

Sterling Auty - *JPMorgan - Analyst*

Great. Thank you so much.

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

Somewhere between $550 million and $600 million.

Sterling Auty - *JPMorgan - Analyst*

Got you, great. Thank you.

Operator

(Operator Instructions)

Chris Denat from Sandler O'Neill.

Chris Denat - *Sandler O'Neill - Analyst*

Just to follow up on the last one. With the additional cash you have on the balance sheet as of this moment, Bill, what's your timeframe for deciding when to use it for acquisitions or when to redeploy it for debt paydowns? Is it six months or a year, or is it -- ? Can you just give us some sense on your decision tree there?

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

I would expect before the end of the year.

Chris Denat - *Sandler O'Neill - Analyst*

Okay. And that's largely based on what opportunities are in front of you at this moment?

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

Yes, that's right. We'd be awful disappointed if we just raised money to pay down the money we just raised.

Chris Denat - *Sandler O'Neill - Analyst*

Understood. Then just one question on the income statement for Patrick. Looking at the software licenses, it moved up by nearly $9 million this quarter. Is that $60 million of revenue in the second quarter, is that a run rate for SS&C now or does that reflect a one-time licensing issue that happened?

Patrick Pedonti - *SS&C Technologies Holdings Inc - CFO*

I think we had probably about $4 million of one-time licenses in there. So somewhere around that $4 million to $5 million.

Rahul Kanwar - *SS&C Technologies Holdings, Inc. - SVP & Managing Director Alternative Assets*

It's a license number, so it's not a run rate. It was a good quarter overall, plus we had the one-time license fee the for the IP technology. So if you look at our historical licenses, somewhere between 8% and 12% maybe has been what we -- 8% and 10% really is what we've been running. So that's probably closer to a run rate, even though we have to earn all of it every quarter.

Chris Denat - *Sandler O'Neill - Analyst*

Okay. So just thinking about that specific line, --

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

My life could be a lot easier if I could collect 16 times 4.

Chris Denat - *Sandler O'Neill - Analyst*

Understood. Thanks very much.

Operator

Thank you. That concludes our question and answer session for today. I would like to turn the conference back over to Bill Stone for any closing comments.

Bill Stone - *SS&C Technologies Holdings Inc - Chairman & CEO*

Again, we thank all of you -- it's summertime and we understand, and appreciate you all dialing into this call. And we look forward to talking to you in late October. Thanks.

Operator

Thank you. Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program, and you may now disconnect. Everyone have a good day.
