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SSNC - Q1 2015 SS&C Technologies Holdings Inc Earnings Call

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PRESENTATION

Operator

Good day ladies and gentlemen and welcome to the SS&C Technologies first-quarter 2015 earnings call.

(Operator Instructions)

Later we will have a question and answer session and the instructions will follow at that time.

This call is being recorded to note.

I would now like to introduce your first speaker for today's call Ms. Justine Stone. Ma'am please begin.

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

Hi everyone and thank you for joining us for our first-quarter 2015 earnings call. I am 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 our Alternative Assets business; 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 Same Harbor provisions under the Private Securities and 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 factor section from 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 April 27, 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.

2015 has started with some momentum. We closed a number of large deals in the first quarter, replenished our pipeline, worked to integrate the ST global solutions and since our Advent Software announcement in February we have received positive feedback from our customers and shareholders. We are pushing to close this acquisition, and we expect it to be finalized in late Q2 or Q3.

Q1 showed good results. Our adjusted revenue increased 10.9% and our adjusted net income increased 9.2% to \$52.7 million. SS&C has always competed and won business on our technology and expertise. We're now a larger firm with considerable financial and infrastructure resources. Our biggest asset, though, remains the intellectual firepower of our 4700 employees.

Regarding the Advent acquisition as reported in our press release issued last week, both Advent and SS&C received requests for additional information from the United States Department of Justice on April 23. SS&C and Advent expect to promptly respond to these requests and to continue to work closely and cooperatively with the DOJ as it conducts its review of the pending transaction, which remains subject to other customary closing conditions. SS&C and Advent expect closing this transaction to occur in the second or third quarter of 2015.

And now I'll turn it over to Norm.

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

SS&C had another solid performance this quarter. We have already implemented significant synergies over \$11 million on the annualized basis and cost savings from our acquisition of DST Global Solutions. We expect to achieve more cost synergies, in part through office consolidations over the next several quarters.

There's been positive feedback from numerous client meetings about the acquisition and we're seeing a natural development of cross selling and packaging of DST and SS&C solutions. One large high portfolio client recently selected Pages, SS&C's industry leading reporting solution, to automate the production communication for fund managers and Super fund.

Another key win is within existing Hiportfolio and Innovo client who is moving to a hosting environment in our data centers. These are just two examples of the industry shifting towards holistic service providers with outsourcing capabilities.

We have also experienced continued success with our focus groups, including real estate investment trusts servicing group, regulatory services group, and a newly formed group concentrating on hybrid fund structures. These complex firms require deep accountant expertise and robust technology in order to achieve operational stability and efficiency. By creating these focus groups and regularly adding new services to address our clients [painfully] SS&C is able to provide premium service to the financial services industry.

Recently SS&C also launch new investment economy reporting service for insurance companies in support of nontraditional asset classes. Insurers have increased investment in syndicated bank loans and scheduled BA assets, both of which require complex accounting and reporting often not supported by insurance company legacy systems. This new service enables insurers to automate accounting and web-based reporting of these investments.

Now would like to review some of the key deals for Q1. A multinational Japanese bank, Unev Commercial Paper Market, chose SS&C's web-based global debt manager. A \$10 billion registered investment adviser expanded their PORTIA license and added a multi-currency module to support their newly acquired international fund.

A \$8 billion high-yield institutional manager chose SS&C's hosting services to host PORTIA operations, due to the cost reductions and risk reductions this model will produce. A large premium bank and existing HiPortfolio client signed a long-term deal for our enterprise market data solution and last the business loan company, which focuses on small business finance and selected SS&C reconciliation tool with robust data and data source technology engine and workflow manager.

On now turn it over to Rahul to discuss our Alternatives business.

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

Thanks Norm.

SS&C alternatives business saw a 8.7% increase in revenue for Q1 2015 compared to Q1 2014. We won business from both startups and multi-billion dollar firms with opportunities to deepen the relationship in future quarters. Pipeline remains healthy and sales teams are busy.

In March SS&C announced a new focus group to support fund administration accounting and reporting for hybrid fund structures. The industry continues to witness a convergence of the traditionally separate asset classes of hedge funds and private equity style closed-end funds.

And SS&C will address the administrative and operational complexities inherent in these hybrid structures. SS&C as long service such complex funds and has automated the accounting rules, fee parameters, and various other highly technical features of these funds. Formalizing our service group will allow us to better service this universe of funds.

We had a strong start in Q1. Key deals include the following; a large institution converted from the legacy in-house solution to SS&C fund administration for over 60 funds. They liked ours CPO-PQR solution and our comprehensive tax capability. A London-based global macro manager converted to SS&C GlobeOp, and included risk and regulatory reporting with their service package. Three large firms concert to SS&C GlobeOp from a competitor, looking for more stable technology-driven service, additional mandate from additional client, a hedge fund reinsurer selected SS&C GlobeOp. \$1 billion newly launched hedge fund impressed with our technology and regulatory reporting capabilities selected SS&C as there administrator.

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

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

Thanks Rahul.

Results for the first quarter of 2015 are GAAP revenue of \$205.7 million, GAAP net income of \$26.2 million, and diluted EPS of \$0.30. Adjusted revenue was \$206.1 million, excluding the adjustment with the acquired deferred revenue in the DST acquisition. Adjusted revenue increased \$20.3 million, or 10.9% in Q1. Foreign exchange had a negative impact of \$3.2 million, or 1.7% in the quarter.

Adjusted operating income was \$77.4 million, an increase of \$4.8 million, or 6.6% from the first quarter of 2014. Operating margins decreased to 37.5% from 39.1% in Q1 2014. The DST business negatively impacted margins in the first quarter. But we implemented as Norm said \$1.2 million of cost reductions in that quarter. We received about \$1 million of that benefit in Q1. As a result of these reductions we expect margins to improve for the remainder of the year.

The GlobeOp cost synergies through the first quarter have reached about \$3 million. Adjusted EBITDA was 81.3 %, or 39.4% of revenue Q1. Net interest expense for the first quarter was \$5.6 million. It includes \$1.4 million of non-cash amortized financing costs and OID. Interest expense decreased due to \$256 million of debt pay down we've made since the fourth quarter of 2013.

We recorded a GAAP tax provision of \$9.8 million, or 27% of pretax income, and we expect the full rate for the year to be approximately 28%. Adjusted net income was \$52.7 million and adjusted diluted EPS was \$0.60. The adjusted net income excludes \$22.2 million of amortization of intangible assets, \$4.1 million of stock-based comp, \$1.4 million of non-cash debt issuance costs, \$4.7 million of severance pay related to the DST cost reduction, \$2.7 million of deal costs for the pending Advent acquisition, \$400,000 of purchase accounting adjustment which is mostly for the revenue, and \$1.7 million of unusual losses, mostly related to FX translation of certain balance sheet items. And the effective tax rate we use for adjusted net income was 28%.

On the balance sheet and cash flow for the quarter, we ended March 31 with \$88.3 million of cash and \$601 million of gross debt for a net debt position of \$512.7 million. Operating cash flow was \$31.2 million, a \$7.4 million decrease, or 19% over 2014. Cash flow was impacted by higher DSO and the severance costs related to the DST business cost reductions.

For the quarter we paid down \$44 million of debt. We used \$3.2 million for capital expenditures and capitalized software, which was about \$1.5 million of revenue, but we would expect that to increase over the remaining quarter of the year and be more in the range of about 2.5% of revenue. We paid \$9.4 million of cash taxes compared to \$6.2 million in the first quarter of 2014. Accounts receivable DSO for the quarter was 45 days, compared to 42 days as of March 2014 and this impacted cash flow by about \$12 million. We expect that DSO will drop over the next few quarters.

In financing activity we recorded the proceeds of option exercises of \$4.7 million and a tax benefit related to those exercises of \$2.8 million. Our LTM EBITDA, which is used for covenant compliance, it includes acquisition for the full period was \$346.6 million as of March, and includes \$21 million of acquired EBITDA and cost savings related to DST acquisition. And based on net debt of \$512.7 million, our leverage ratio was 1.5 at the end of March.

For outlook for the second quarter and the remainder of the year, for the second quarter we currently expect revenue to be in the range of \$209 million to \$215 million, adjusted net income to be between \$55.5 million and \$58 million and diluted shares in the range of 88.9 million to 89.3 million. We are now expecting a higher negative impact with the strong dollar against both the Canadian and the European currencies. We expect adjusted operating margins to improve as we get the full benefit of the DST cost reductions in the second quarter.

Our current expectation of the full year's revenue in the range of \$846 million to \$862 million, which gives us growth of about 10% to 12.2% for the full year. Adjusted net income of \$228.2 million to \$236.6 million and diluted shares increasing approximately 2% to a range of 89 million to 89.4 million, and we expect that the effective tax rate to remain at 28% for the full year.

Our full-year basis we expect cash from operating income to be in the range of \$260 million to \$275 million and capital expenditures to be the range of 2.4% to 2.8% of revenue. And excluding any one-time items we expect tax payments to increase about \$20 million to \$30 million in 2015 compared to 2014.

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

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

Thanks Patrick, and I do believe that we have implemented \$11.2 million in cost reductions at DST.

Patrick Pedonti - SS&C Technologies Holdings Inc. - SVP & CFO

That's right.



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

And we picked up \$1 million of that in the first quarter.

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

We picked up \$1 million in the first quarter.

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

Okay. Were pretty pleased with our performance in this quarter and believe the next three quarters will be pretty transformational for our Business and our customers. We have a long history of successful acquisition and just last week was the 10th anniversary of our acquisition of Financial Models Company. Financial Models are publicly traded company up in Toronto and it was the first public company that we had acquired.

Financial Models' software solutions combined with our software has really created a very strong business. We were able to raise their revenues by over 50% and significantly increase their operating margins. It is just one of the 40 acquisitions where we have integrated since 1995. We're excited to continue the track record with DST. And other potential acquisitions that we close in the future.

And with that we'll turn it over to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Mayank Tandon, Needham & Company

Mayank Tandon - *Needham & Company - Analyst*

Good evening. Patrick, in terms of numbers could you break down what the organic growth was in the quarter, and then the contribution from DST and are you still assuming the same contribution from DST for the entire year, and then also what the constant currency numbers were?

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

Well the DST acquisition contributed about \$14 million in the quarter. And if you exclude FX in the DST acquisition organic was about 5.1% in the quarter. We've always said we expect the DST acquisition to be about somewhere around \$60 million on an annual basis for the first year.

Mayank Tandon - *Needham & Company - Analyst*

Is the revision to the revenue range entirely FX-related, then, or is there any impact to the core business?



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

It looks, it's really FX-related. We had \$3.2 million of FX impact on revenue in Q1. So if you do the constant dollar right, you would take the \$206.1 million plus the \$3.2 million that would give you the constant dollar comparison to Q1 2014. So the FX is a lot higher and looks like potentially to continue longer than we had originally planned.

Mayank Tandon - *Needham & Company - Analyst*

Is that the same factor that is also driving the impact on EBITDA and net income in terms of the drag of it being FX related?

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

Well we do get an FX benefit on some expenses mainly based in the UK, Europe, and Canada. We didn't have a large impact on EBITDA or net income. I think the EBITDA impact of FX was about \$400,000 or \$500,000 due to FX.

Mayank Tandon - *Needham & Company - Analyst*

Is that negative or positive, sorry?

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

Negative.

Mayank Tandon - *Needham & Company - Analyst*

Great, excuse me and just some questions for Bill and Rahul in terms of the demand environment. The big deal that you won on the administration side, can you give us a sense of the competitive landscape? What your run rates were like on these big deals, and also maybe touch on any regulatory drivers that could be a tailwind or headwind in 2015?

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

Rahul why don't I take a little bit of that and you comment. Basically we won several pretty large deals the usual suspects are who we compete against, which would be Citgo, State Street, Headserv, and Bank of New York, are probably the primary ones that we compete against. Northern Trust has gotten a little tougher in the last couple of quarters and Wells Fargo, as well. But it's the same competitive landscape.

We see a lot of demand in the fund administration business both from private equity fund to funds and hedge funds. As you know Mayank the only places you are finding any new formation of firms is either in funds or in registered investment advisors. There's basically no new banks, no new insurance companies, no new mutual fund complexes, or anything along those lines. So we think we have the strong position we think we can continue to execute and I think it's something where we're reasonably confident in what we have to offer. Rahul?

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

Bill I think just on the last part of the question what regulatory is doing for us is, it's driving both the market for standalone regulatory services, so we continue to add products that we can use to help fund managers comply with the increasing regulation that they are facing. And in recent quarters in particular in Europe there's been more demand for things like Annex 4, and Ammeter, et cetera, so that's good on its own and then it's also great because it introduces us to new firms that then get to see our capabilities and hopefully leads to further opportunities down the road.



Mayank Tandon - *Needham & Company - Analyst*

Great thank you and just one final question Bill, going back to the GlobeOp deal when you did it, I think it did put a little pressure on management then, but it created some softness early in the process around deal wins. Do you anticipate just given the size of the Advent deal that there may be some impact in terms of deal signings in the middle of the year as you go about completing the deal and integrating the transaction?

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

Why I wouldn't say that the size of Advent is that much of a drag, but the size of the Department of Justice is just a little bit of a drag. We're doing all we can to cooperate and deliver a forest worth of information, and so that's taking some of our time and I'm sure it's taking some of the management teams at Advents time and management matters. And so if we have to spend time here that your conclusion is not unreasonable.

At the same time right, we did \$206.1 million in revenue, and if you add the FX back that's \$209.3 million and that's up \$185 million last year and that's \$24 million, I think so, we think we have a strong business we continue to drive margins. \$11.2 million worth of cost synergies in the first 3, 3.5 months of owning DST has taken their EBITDA margins from middle teens to, I think, about low 30s, and we think we can drive it higher than that by the end of the year.

We're still executing we'll continue to execute. We'll get through the DOJ, we believe and bring Advent into the fold and then we'll execute there. So I'm optimistic.

Mayank Tandon - *Needham & Company - Analyst*

I appreciate the color. Thank you.

Operator

Brad Zelnick, Jefferies

Brad Zelnick - *Jefferies & Co. - Analyst*

Great thanks so much for taking my question. Bill I know you are probably limited what you can tell us but I was hoping you could give us some insight into what particularly is delaying the approval from the DOJ? Perhaps what kind of information is being requested, and if you can comment whether the inquiries are horizontal or vertical in nature. And you also mentioned in your remarks about expecting to respond promptly. If you can give us any more granularity on that, that would be helpful too.

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

As you well know, Brad, we're doing everything that we are being asked. Most of this has to do with our position as a large fund administrator, and becoming the owners of technology and making sure the customers are comfortable that we're going to continue to treat them as customers and clients and not use our position in any non-or anti-competitive way.

We have a history of 40 acquisitions and we are bright enough to recognize that growth is pretty important in our business and that means you have to have happy customers that continue to buy from you. We believe that our ability to compete is partially our technology, but also a lot, us as a firm how we train, who we hire, how we pay, and all of those kinds of things are certainly in our view the lion's share of the value proposition that we bring to our customers.

So yes we will own Advent Geneva and we will own Advent Access, so we will own Advent APX, and we will own Advent Moxy and we'll try to sell it to everybody on earth. We will still think that we can run it better than anybody else. And we think that we will be upgrading our technology to stay on the latest releases and we will do that more efficiently than our competitors, because it's our business. And so that's kind of what's going on. DOJ has a job to do and we recognize that and respect it and we're going to get through this as promptly as we can.

Brad Zelnick - *Jefferies & Co. - Analyst*

That's helpful. So it sounds like if there are concerns they are more vertical in nature which would to us make it seem like you'd be able to work through them. And we agree that you've got a fantastic track record and your optimistic to get the deal done. But how should we think about the capital allocation should it not happen?

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

Advent is an attractive asset to us and we believe it will happen. So capital allocation will remain the same. Actually even if Advent happens or doesn't happen. We'll pay down debt as fast as we can and we will find other acquisitions that we can do to add to our repertoire of capability and drive margins and cash flow, and that's the formula that's worked for us for the last 20, 30 years and I don't see us moving away from it. There's a lot of great assets for sale and we think they will continue to be.

Brad Zelnick - *Jefferies & Co. - Analyst*

Appreciate it, and just if I could add one more for Patrick, appreciating the commentary about the impact of FX year on year. If I look at foreign currencies that you have exposure to since you last reported, the Canadian dollar actually strengthened, the pound is roughly flat, the Aussie dollar strengthened a bit. So, sequentially, I'm just a little bit confused as it relates to the full-year guide, why that would be due to FX?

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

I'm really not in the business of predicting what FX will be in Q3 or Q4, but I'm assuming it's going to stay around where it's at and where it's been in Q1. That's what we are assuming right now, and it might get better, it might get worse. But we're assuming it will be around where it was in Q1 for the remainder of the year.

Brad Zelnick - *Jefferies & Co. - Analyst*

Okay. Thanks for taking my questions.

Operator

Chris Shutler, William Blair

Chris Shutler - *William Blair & Company - Analyst*

Good afternoon. Just wondering on the organic growth side, Patrick, I think you noted it was about 5.1% in the quarter that looks a little bit slower than the 6% to 7% range you were in the back half of last year I believe so maybe just talk about what drove that slowdown?

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

I think, like Rahul said we had pretty good growth in our fund administration business, growing 8.7% in our alternatives business, and we really didn't get a whole lot of growth in some of our other businesses during the quarter.

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

Relations business in particular was a little softer than we had hoped.

Chris Shutler - *William Blair & Company - Analyst*

Okay. Was there any increase in customer attrition or anything like that?

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

We didn't have -- we were still in our historical range, but we may not have been, like normally we're 93 to 96, but we might have been towards the lower end of that rather than the higher end. But it hasn't been anything from -- unexpected. I think a couple of people that we have known were going to leave our product suite, may have gotten off of it a quarter early.

Chris Shutler - *William Blair & Company - Analyst*

Okay. Got you. And then on the cost synergies just want to clarify. So the 11.2% for DST, should we view that as a total amount that you expect to get from DST over time, or is there potential for that number to higher how should we think about the timeframe there?

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

We've said that in the first 12 months we can probably reach a run rate of \$15 million or \$17 million.

Chris Shutler - *William Blair & Company - Analyst*

In the first how many months Patrick? I'm sorry?

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

After the first 12 months.

Chris Shutler - *William Blair & Company - Analyst*

Okay, got you.

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

So we did, in Q1, we got to \$11.2 million with some staff reductions, and we got maybe another \$1 million or \$1.5 million in expense reductions from where they were running before. But our overall target still is \$15 million to \$17 million.



Chris Shutler - *William Blair & Company - Analyst*

Great and just one last one a little more of a strategic question: Bill another bank top 10 administrator recently announced they are going to be looking to exit that business just curious to what extent if at all you were seeing any benefits from that announcement in your pipeline, or if it's just too early?

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

Well I take it you're talking about Citi Holdings and the license business they bought a few years ago. What happens is, it's a frenzy, right all of the other fund administrators go after all of their clients, as fast as we can. It's like 25 administrators or 30 administrators all crashing into a three lane highway. We do have a number of opportunities, and it's something where, when there's going to be change people start to look. We think there's a lot of opportunity for us and we hope to report about it in the next couple of quarters.

Chris Shutler - *William Blair & Company - Analyst*

All right. Thank you.

Operator

Sterling Auty, JPMorgan

Jack O'nader - *JPMorgan - Analyst*

This is Jack O'nader on for Sterling. Just a quick question from us. Just want to double check, Patrick, that none of the full-year revenue guidance has anything to do with now a little bit of pushback from the DOJ?

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

No.

Jack O'nader - *JPMorgan - Analyst*

And then on the base sales increasing from 42 to 45 this year compared to last year, any more color you can provide on that? And I think that was really the only thing we saw in the cash flow that was a little different year-over-year?

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

I think if you look at our historical DSO over the last couple three years, we were 42, which is what we were at on December 13. December 2014 is pretty much the lowest we have ever been, we had really strong cash flow, if you look at Q4 2014.

We're disappointed it's up to 45 days as of March but Q1 has a couple of items that affect you. There's a lot of maintenance billings in the first quarter and those can impact DSO if you don't collect them by the end of March. And then the other thing is the DST acquisition accounts receivable were much higher than where we would normally run traditionally and we expect that we have to do some work over the next couple of quarters on setting up our procedures to collect DST accounts receivable. I think we'll get down somewhere in the 43 day, plus or minus, range.



Jack O'nader - *JPMorgan - Analyst*

Okay great that's helpful. Thanks.

Operator

Rohit Soni, Harbor Spring

Rohit Soni - *Harbor Spring - Analyst*

Hello. I had a couple quick questions. I think last quarter your margins were in the 42-ish percent range as adjusted EBITDA. And then this quarter, obviously, lower due to DST: around 39.5%, if you factor in the synergy guidance you've given us for DST. And assuming that plays out over the course of the next 12 months, do think it's fair to expect total company margins getting back to the low 40's level, given what we expect to see with DST?

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

We do. Once we have the \$15 million or so of synergies implemented of the DST acquisition that would put that business near 40% margins, operating margins. And the rest of our business in Q1, if you take out DST has been what was running at our traditional higher operating margins.

Rohit Soni - *Harbor Spring - Analyst*

Got it.

And then second question, obviously, you will be very busy with DST and the upcoming Advent acquisition. But should we assume that now that you have Advent to work with and do with that your activity on the acquisition side will be more muted. I.e., you're not going to be looking for keeping your eyes open, or is it fair to say you'll keep your eyes open regardless, because I know you've always had an open eye on what's out there. How do we think about that?

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

I think, for sure we'll keep an open eye and keep looking and be active in the market whether or not we're able to close something of significant size, it will be dictated on how fast we can pay down the debt and how fast we can grow our earnings so that we get some leverage capability. But I think we will generate a lot of cash.

I think we will pay down more debt. I think we will pay down another \$15 million this week even. So SS&C pays down debt, right that's what we do. And we generate returns for our shareholders and we have high expectations of our people.

I don't think that's going to change. One of the things that you have to do is you have to go out and buy firms for the new blood that the intellectual capabilities of those people bring, and also the ability to get technology that is proven, it works, that customers use on a day-to-day basis, and I think that's something we've done a pretty good job with and we're excited about what we're going to do over the next year, as far as our product plan of record and our rollouts and what we're doing vis-a-vis what the industry is doing.

Rohit Soni - *Harbor Spring - Analyst*

Okay. Great. Thanks.

Operator

Neela Mehta, KLS

Neela Mehta - KLS - Analyst

Thanks for taking my questions. The first one on the DOJ aspect: did you already submit all the information? And do you think there's going to be additional questions asked from them, or different informational questions?

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

We just sent a press release out that the DOJ has just sent us a list of questions that is called the second request, and so we are now gathering the troops to gather the information for the DOJ's second request. We, hopefully, will have all of that put together as promptly as we can and submitted to the DOJ, and I'm certain Advent is doing the same thing and then we'll hopefully satisfy them with the answers to their questions. But we would hope there wouldn't be more requests, but they are in charge we're not in charge.

Neela Mehta - KLS - Analyst

Right. Have you sort of gotten these requests in prior M&A that you done, and has there been more follow-ups from them by any chance?

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

We have not. I look at Comcast.

Neela Mehta - KLS - Analyst

Right. And then relatedly, is there any, given what's happening or not, is there any contemplation to changing the financial structure for Advent, or is it still going to be as you planned it earlier?

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

We would always like to make it cheaper if it's possible, but right now we think we have pretty favorable terms, and right now we don't contemplate much of a change to the structure, so we're optimistic about that. Is that what you would say as well Patrick?

Patrick Pedonti - SS&C Technologies Holdings Inc. - SVP & CFO

Yes that's right. We expect the structure still to be pretty similar to what we announced before.

Neela Mehta - KLS - Analyst

Got it. That's it for me. Thank you.

Operator

Peter Heckmann, Avondale



Peter Heckmann - *Avondale Partners - Analyst*

Good afternoon, everyone. My question is primarily for Rahul. Looking at AUA, can you give us an update on AUA balances? And then how the mix has shifted if at all over the last couple of quarters it seems like you better little more strength in private equity and fund to funds if you can comment on AUA on a regional basis? Are you seeing any particular strength regionally

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

As of 3/31 and we're still compiling this, but our estimate as of right now is \$645 billion. Towards the end of last year we did see some additional strength in private equity assets, and fund to fund assets, and I think in Q1 it's probably gone back to being pretty pro rata between the hedge funds being the biggest part of our business and the biggest lift followed by private equity, and then fund to funds. Regionally, we continue to be very strong in the US and we're starting to see some additional momentum in Europe.

Peter Heckmann - *Avondale Partners - Analyst*

You commented real quickly on the competitive environment. Do you find there any administrators, particularly below the stated top 20 that are becoming more competitive, or have figured out another niche where they can grow? Or the competitive environment is largely same? Or the primary ones you are competing with, are those in the top 10?

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

We haven't seen it. If anything it's probably going a little bit in the other direction. I think that as funds seek to raise capital they want the quality institutional providers, so it's stayed largely the same.

Peter Heckmann - *Avondale Partners - Analyst*

I appreciate it.

Operator

Thank you. Vignesh Murali, Sidoti & Company.

Vignesh Murali - *Sidoti & Company - Analyst*

Hello. My first question is can you provide a brief overview of the hybrid funds business, and what kind of crossing-selling opportunities are you seeing due to this business?

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

Rahul why don't you take that?

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

Okay sure. So I think just very quickly the way we define it is, funds that have some combination of hedge and private equity characteristics. So that's a pretty big universe it includes big asset managers that have both hedge funds and private equity funds and it also include folks that invest



in asset types that lend themselves to some kind of comingling. So for example, less liquid, fixed income, which would traditionally be a hedge fund asset and done in a private equity form, where people get paid out as cash is realized.

And so we think there's a tremendous opportunity. We also think we're pretty unique in the sense we've always done these kinds of funds and we focused on automation as it relates to this kind of funds. So bringing together one service team that's able to service the client regardless of whether were talking about a hedge fund item or private equity item we think it's pretty compelling. And there's a number of opportunities in the pipeline.

Vignesh Murali - *Sidoti & Company - Analyst*

Great thank you my second question is are these acquisitions playing a role in your renewal activity at all?

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

I'm sorry can you repeat that for me?

Vignesh Murali - *Sidoti & Company - Analyst*

Sure. Sorry.

Are the acquisition of DST, the potential acquisition of Advent playing a role in your renewal activity of software licenses, software services business?

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

I really don't think it has impacted it at all. We get a lot of press when this happens and people get to know us that didn't know us before and sometimes we have to help coach the sales force to still go close, but I think once they get a little bit comfortable, I don't think it makes much difference at all.

Norm have you seen any?

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

Nothing in particular Bill, but I could tell you just my experience over the years on our acquisitions is people kind of focus on the negative of an acquisition, but there are lots a positives. Alright so people are going to see our investment in hosting solutions and outsourcing solutions in an organization that may have been considering just continue to be a license client, only now has option. So I think it works just as well the other way, where I think it potentially gives us a benefit and gives our customer a benefit if the acquisition gives them a lot more options than we used to have. But in terms of number of deals and impacting the financial statement nothing material to speak of.

Vignesh Murali - *Sidoti & Company - Analyst*

Thank you, that's helpful. That's it for me.

Operator

I'm showing no further questions in the queue at this time. I'd like to turn the call over to Mr. Bill Stone for any final remarks.

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

Thanks Roland and thanks everybody for being on the call. Again SS&C continues to execute and that's what we are going to go work on today through the rest of the second quarter and we look forward to talking to you in July or early August. Thanks.

Operator

Ladies and gentlemen thank you very much for your participation. This does conclude the program. You may now disconnect.

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