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SSNC - Q3 2014 SS&C Technologies Holdings Inc Earnings Call

EVENT DATE/TIME: OCTOBER 29, 2014 / 09:00PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the SS&C Technology Third-Quarter 2014 Earnings call.

(Operator Instructions).

As a reminder, today's conference is being recorded. I would now like to turn the call over to Justine Stone.

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

Hello and welcome and thank you for joining our Q3 2014 earnings call.

I am Justine Stone, Investor Relations Coordinator for SS&C. 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, our Chief Financial Officer.

Before we get started, let me 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, October 29, 2014. 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 to the call over to Bill.

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

Thanks, Justine.

I will start with a brief overview of the quarter and then turn it over to Norm, who will take you through some Q3 highlights. Rahul will then comment on our Q3 Alternatives results, and Patrick will explain the Q3 financials.

We delivered our tenth straight quarter of record revenue at $192.6 million, up from $179.5 million in Q3 2013. We delivered adjusted EPS of $0.61 per share, an increase of 17.3%.

Over the last quarter, we have announced that we were expanding our efforts in Asia-Pacific, where we believe we can grow our existing client base and bring our world-class technology and services throughout Asia. We also announced we are gaining traction with our fully-integrated front-to-back Fund Services solutions. We believe being the single provider from Trade Order Management to back office accounting adds value, and we expect to see a shift towards this offering.

Our sales pipeline is robust, and we are beginning to close big deals on a regular basis. While the implementation and revenue recognition takes time, we believe this will begin to emerge over the next few quarters. We also continue to be active in the M&A market and will not hesitate to act if we see an attractive asset at good price.

What that, I'll turn it over to Norm.

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

Thanks, Bill.

SS&C had a strong quarter in Q3, defined by two positive trends.

First, our Global Wealth Platform solution has gained significant traction. The increased interest in our wealth management solution is driven by the need for a scalable single platform to manage both a portfolio and customer relationship management. Lucie Andre Chagnon Foundation and VanCity are notable clients who are now live on SS&C's Global Wealth Platform SaaS solution. The signing of these two firms illustrates the GWP solution and its ability to tightly integrate the front, middle and back offices, enable operational efficiency, and better customer experience. We currently have 17 GWP implementations in process, and we believe this momentum will continue.

Secondly, the performance for Alternative business remains strong. The health of this business is driven by a general need to have the highest-quality provider with advanced technology and expertise to keep up with the demands of the regulatory environment and investors. SS&C is a considered a blue-chip administrator, which key to winning the larger funds, where institutions are likely investors. We are well-positioned and our growth will be driven by larger, more complex funds. SS&C will also remain active in the start-up market, and we continue to win business from funds which have outgrown their administrator.

Now I'd like to go over Q3 key deals.

- A large insurance firm and a Bermuda-based bank expanded their use of PORTIA.
- One of the largest global providers of technology services for the banking sector expanded the use of our data management and aggregation services that support SWIFT-enabled messaging.
- A Danish family office with a complex portfolio chose SS&C to handle it’s portfolio management.
- A $20 billion quantitative hedge fund expanded the use of our reconciliation tool across middle and back-office operations.
- Two wealth managers, whose combined assets are over $4 billion, chose SS&C's GWP solution to replace a competitor solution.
- A mortgage REIT and a $10 billion health care insurance companie were two quality institutional wins.
- And last, a global bank's trust and securities division selected SS&C to replace their trust and agency system.

Now, I'll turn it over to Rahul, who will discuss Alternative business in more detail.

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

Thanks, Norm.

As reflected in this quarter's results, we continue to see a strong pipeline and healthy conversion of that pipeline into closed deals. Revenue for Alternative assets grew 10% over Q3 2013.

As Bill mentioned previously, we are increasing our focus on the Asia-Pacific region and have hired Stewart Bent, a veteran of the Funds Services industry, to spearhead our efforts. Based in Hong Kong, Stewart is reporting to Nandini Sankar, who manages the Alternatives business in Asia. Stewart's experience in the industry spans across 20 years and includes deep roots in the Asia-Pacific region. We believe we can capitalize on the growing Alternatives industry there.

We continue to offer new products and services that build on our administration platform and offer increasing value to our customers. This quarter, we announced our newest client to go live with our fully-integrated front to back-office solution. The end-to-end offering features a comprehensive order management system, includes state-of-the-art trading and execution management tools, real-time P&L, fixed connectivity, mobile application access to performance information, dedicated service and hosting facilities, and is combined with our fund in administration services.

Sales were strong for us in Q3. Amongst others, we were selected by two very large fund of funds with combined assets of over $20 billion and one very large institutional allocator to hedge funds. The ability for investors in funds and across other assets types to see portfolio analytics and information in one web and mobility-enabled services offering is an important differentiator for us. We expect that these services will continue to gain traction.

I will now turn it over to Patrick.

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

Thanks, Rahul.

The results for the third quarter were revenue of $192.6 million, reported GAAP net income was $40.8 million, and GAAP diluted earnings per share was $0.47. Revenue increased $13.1 million, or 7.3%, over Q3 2013. Strong license revenue and year-over-year 8.1% growth in our software-enabled services business drove the growth in the quarter.

Foreign exchange had a negative impact of $200,000 in the quarter. Adjusted operating income for the third quarter was $78.6 million, an increase of 7.5 million, or 10.5% from the third quarter 2013. Operating margins increased to 40.8% of revenue from 39.6% in Q3 2013. Revenue growth and cost controls contributed to the margin expansion in the quarter.

In addition, we continue to make progress on implementing the GlobeOp and PORTIA acquisition cost synergies. And we currently expect to generate about $24 million in savings for the full year 2014. Adjusted Consolidated EBITDA was $82.1 million, or 42.6% of revenue, an improvement of 10.1% compared to Q3 2013. Net interest expense for the quarter was $6.1 million and includes $1.4 million of non-cash amortized financing costs and OID. Interest expense decreased due to the $236 million debt paydowns we've made since the third quarter of 2013.

We recorded a GAAP tax provision in the quarter of $9 million, or 18% of pretax income, to bring the year-to-date rate to about a little over 26%. We currently expect the full-year GAAP effective tax rate to be in the range of 26% to 28%.

Adjusted net income was $53.3 million, and adjusted diluted EPS of $0.61. Adjusted net income excludes $21.3 million of amortization intangible assets; $2.8 million of stock-based compensation; $1.4 million of non-cash debt issuance costs; and $1.3 million of unusual gains, mostly related to FX translation of certain balance sheet items. And the effective tax rate we used for the adjusted income was 28%.

On the balance sheet in cash flow, we ended the quarter with $75.1 million of cash and $608 million of gross debt, for a net debt position of $533 million. We had strong operating cash flow for the first nine months, at $164.3 million, a 6% increase over the same period in 2013. Cash flow was driven by improved earnings, improved working capital management, and the lower accounts receivable DSO. But this was offset by higher tax payments in 2014.

The highlights on the cash flow for the year -- we paid $134 million of debt, that brings the total of debt we've paid since the GlobalOp and PORTIA acquisitions in June 2012 to about $549 million. We purchased 275,000 shares of SS&C stock, for a total of $11.2 million. And we used $14.6 million for capital expenditures and capitalized software, which represents about 2.6% of revenue.

In the nine months so far this year, we've paid $27.8 million of cash taxes. And that compares to $17.9 million in the same period of 2013. Our accounts receivable DSO was 41 days as of September. And that compares to 45 days, a four-day improvement from September 2013. And in financingactivities, we recorded proceeds from option exercises of $16 million, and a tax benefit related to those option exercises of $10.7 million.

LTM consolidated EBITDA, which includes any acquisition's asset values, for the full period was $312 million as of September. And based on the current net debt, our leverage ratio is 1.7 times.

On our outlook for Q4, we currently expect fourth-quarter revenue to be in the range of $193 million to $199 million; adjusted net income in the range of $53.3 million to $54.7 million; and diluted shares in the range of $87.7 million to $88 million. For the full year, we expect cash from operating activity to be in the range of $225 million to $235 million, and capital expenditures for the full-year at 2.3% to 2.6% of revenues. And we will continue to use excess cash flow to fund potential acquisitions, buy back shares in the open market, and pay down debt.

I will now turn it over to Bill for our final comments.

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

Thanks, Patrick.

Our revenue is up 7.3%; adjusted net income was up almost 20%; and we're at 1.7 times leverage. We have a great business; a very strong business model; and above all, we have great people.

Today, I was at a large institutional manager in New York, and I heard great things about Christine Donnelly and Steve Campbell from our Global Wealth Platform group. From Los Angeles to London and from Mumbai to Mississauga, SS&C employs bright, dedicated people who care about their clients.

And now we will open it up for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions).

Chris Shutler, William Blair & Company.

Chris Shutler - ***William Blair & Company - Analyst***

Good afternoon.

Patrick, as you look ahead to 2015, right now you don't give guidance, but at this point -- how confident are you in your ability to continue to expand EBITDA margins with that kind of 50 basis point-plus range you talked about. And from here, where should we expect most of the margin expansion to come from? Should it mainly come from the cost of software-enabled services line or somewhere else? Thanks.

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

Sure. We continue to believe that, excluding any acquisitions that might affect our operating margins, that we can continue to expand operating margin by about 50 bps a year. At this point we think we'll get the majority of this from the gross margin line; and obviously the highest costs line item there is a software- enabled services costs. Most of it can come from there. But at the same time, we think we can continue to leverage R&D and G&A costs, but we will continue to invest in selling and marketing.

Chris Shutler - ***William Blair & Company - Analyst***

Great. Thanks.

In the press release, you obviously mentioned the two large front admin deals that closed in the quarter. You said that those were over $20 billion combined. You also talked about two large asset managers you sold to in the quarter. Could you just describe in a little bit more detail the services provided to each of those? And how much of the revenue for those four clients is actually in the Q4 guidance? Thanks.

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

This is Bill.

I think what you are talking about is the two deals we sold in Q3, and then the two deals we sold early in Q4.

Chris Shutler - ***William Blair & Company - Analyst***

Correct.

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

The two deals that we sold in Q3 will begin ramping up in Q4, and very little of the guidance is really tied to those two big funds. And then, secondly, for the new ones that we sold in Q4, again, they are ramping up again now too, but again very little of the revenue will be recognized in Q4. And the ones we sold in Q3 are full admin services, so fund accounting and a variety of services that we provide there.

And then in Q4 the services that we have sold -- one is more fund administration services and then another one is a couple of our licensed products in reconciliation and reporting. So there's a lot of opportunity in all four of those deals and we believe that we've done a very good job of finding replacements in our pipeline for that as well. And that is something that we've focused on, and I believe we're getting pretty good at.

Chris Shutler - ***William Blair & Company - Analyst***

Thanks a lot, guys.

Operator

Ashish Sabadra, Deutsche Bank.

Ashish Sabadra - ***Deutsche Bank - Analyst***

Good results guys.

Quick question regarding the professional services we saw that accelerate in the quarter. Wondering if that was related to implementations of the two deals that you won in the third quarter? And also you are working on certain deals [the watch you] and other large conversion that those contribute as well in the professional services group?

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

I think the answer to that is yes. It is almost entirely from location-related revenue, so obviously as we on-board these customers and get them live, we start to see the pickup in the professional services. So there has been a lot of demand in the customer base, in addition to the implementation services for business and engineering. Those two things together combined to give us a better result on professional service line this quarter.

Ashish Sabadra - ***Deutsche Bank - Analyst***

Okay, that's great. Just a quick question on the guidance. You normally guide within the range of $4 million for revenue. This time the range for fourth quarter is slightly wide. I don't know if I am reading too much in it, or --

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

I think we're a bigger business. So even at $193 million to $199 million really you are talking about 3% of our revenue. Again, we are a highly recurring revenue business, but when things start and when revenue recognition policies kick in, can make our revenues fluctuate in the 1% to 2% range. And now we're having a range of 3%. I don't think it's particularly wide and I don't think it's particularly wide in the industry.

Ashish Sabadra - ***Deutsche Bank - Analyst***

That's fair.

Just quickly, on the alternative assets that grew 10% in the quarter, pretty solid results there and with all the deals that you've signed -- the four deals that you've highlighted -- what's the expectations for all those assets going forward? Can you expect this kind of accelerated growth in that business?

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

We feel really good about our opportunities in this space. We got a pretty deep pipeline, as Bill suggested, that as we convert big deals out of that pipeline we're finding replacements for those big deals. We think we've got a very compelling offering that differentiates us in the marketplace. So we feel pretty good about our opportunities for growth.

Ashish Sabadra - ***Deutsche Bank - Analyst***

That's great. Quickly, on the M&A pipeline, Bill, you mentioned you had a pretty good -- you are looking for M&A opportunities. I just wanted to quickly ask, is this more on the fund administration side? Or more on the financial technology aspect of the business? And then again, we haven't really seen a big deal since 2012. It has been almost 2 years since we have seen a big deal. What would you say would be the constraint for getting a big deal? It's just a lack of good assets out there? Or have assets gotten pretty expensive?

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

I think there are a lot of good assets out there. I think in a low interest rate environments and private equities firms flush with cash, you are going to have assets commanding premium prices. There has been a lot of stuff in the marketplace about what some of the deals that are out there are going for. You are starting to talk about 15 times EBITDA. That's a little rich for us.

It's not that we couldn't be accretive to our earnings, but we would have to be perfect in our execution, or close to perfect. And we like to have things where we get a chance to stumble a little bit and still have a chance to really make a great return on our investment. And we also don't want to have a bunch of things that five years from now, when interest rates go back to some semblance of normal, that we have this collection of technologies and services that we can't leverage.

Patrick just said, we think we can get to 50 bps; as you have seen, we did a little better than 50 bps -- I think 120 bps on the operating income line and 110 on the adjusted EBITDA line. So I am not saying that we are always going to do 120 and 110, or we are going to do 50. But it's obvious that the collection of assets and services that we have, have tremendous opportunities for synergies; and that is synergies that allow us to automate more things, allow us to get more productive, allow us to have more assets under administration per person. And what that allows us to do is expand margins while improving service to our clients, which is again a key aspect of this entire business

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Ashish Sabadra - ***Deutsche Bank - Analyst***

That is very helpful.

So then, maybe just a quick follow-up on that would be, in case you are not able to find the right M&A [unfortunately] and considering that your leveraging has gone down all the way to 1.7, is there an option to do an accelerated buyback or some other good use of capital in that sense?

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

I think that we would be extremely friendly towards anything that we would -- raise shareholder value. All of the management team at SS&C, and I think upwards of 1,500 people get compensated in some way by equity. And so there's a lot of spreadsheets that SS&C tracks stock price. And so I think we are very sensitive to that.

At the same time we are not money managers. We are not running a portfolio. We are operators. We're going to run a business. And the capital transactions and the assistance we can get from many of the great banks that are out there, we try not to have that to be a predominant thing that we do as a company. As a company we operate products and services in order to be able to help our clients run their business in a more efficient way, gather more assets in a cheaper way, and be able to take advantage of opportunities they see as quickly as possible.

Ashish Sabadra - ***Deutsche Bank - Analyst***

That's great. Thanks for the color. Great quarter.

Operator

Peter Heckmann, Avondale Partners.

Peter Heckmann - ***Avondale Partners - Analyst***

Good afternoon everyone. I guess my question is for Rahul.

In terms of some of that new business, and the strengths that you are seeing in alternatives, are those share gains or first time outsourcing? Can you narrow it down for us in terms of what areas are particularly strong? Or is it truly across the board?

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

I think the examples that we laid out are share gains. They are takeaways. I think generally, on the larger end of our pipeline we are seeing market share opportunities where we can convert them from other administrator.

That is not to say that there aren't in-house processes. We're also seeing examples where folks are doing things internally that they realize, that if they gave to us they could mitigate some risk and get some scale, so we're seeing that too. And then in terms of where it is, we are seeing it really across hedge funds, private equity funds, and funds of funds. It is pretty widespread.

Peter Heckmann - ***Avondale Partners - Analyst***

Okay. Would you say, in terms of investor appetite, are we in an environment where we continue to see more new fund creation net of closing?

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

We certainly are. Our new launch and fund formation pipeline remains as healthy as ever.

Peter Heckmann - ***Avondale Partners - Analyst***

All right. I'll get back in the queue. Thank you.

Operator

Patrick O'Shaughnessy, Raymond James and Associates.

Patrick O'Shaughnessy - ***Raymond James & Associates, Inc. - Analyst***

Good evening guys.

I know a big topic of conversation on the last earnings call was your hiring of new salespeople to build out your sales efforts and accelerate some of those growth initiatives. And you talked about how you were changing your hiring strategies. I had a little bit more measured expectations this year. As the year has progressed, how has that gone? And are you starting to see a little bit of a pickup in your hiring of qualified good salespeople?

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

Well, our hiring has picked up and we are praying they are qualified good salespeople. I think that stuff is the ability to see whether or not someone is really going to be able to execute in an environment that is very competitive, requires a tremendous amount of knowledge, and requires an ability to be resilient and positive, is not something that we know day one or even day 30.

So I think we're getting better at evaluating that. I think we're being more selective in who we hire. We are having more people interview the people. And we believe that we're getting to the top of the list at the best recruiters to bring us the people first.

We also believe that we are a beacon, so that the really good salespeople want to come work for us because they can make more money. We don't have caps; we are excited when our people sell; and everyone in the company is really behind our salespeople making as much money as they can. And anybody that wants to get into sales, can get into sales. So there's not much knifing on the sidelines about somebody's commission. Right? Put up or shut up. We're pretty good at that.

So we are pretty excited about what we've done with our sales force. And I believe that it will continue to expand throughout 2015 and beyond. I think that our target would be that some time over the next 5 to 10 years that a quarter of our workforce is in sales -- sales and marketing. Right now we have 4,300 people and we have about 110 or 115 in sales and marketing. And so I think that needs to go to 1,000. We are going to be on a recruitment kick for a long time.

Patrick O'Shaughnessy - ***Raymond James & Associates, Inc. - Analyst***

That's helpful. And then, I guess to follow up on the M&A question, you've obviously been doing this for a while. I've seen the cycles, come and go. What do you think needs to happen for evaluations to become a little bit more reasonable to the names that you are getting shown? Do you need to wait for the overall market to turn down? Do you need to have rates go up? Is there something else you're looking for that might be that catalyst that pushes people in your direction?

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

I don't think so. I just think you need to fish harder. You need to go to more remote spots. You need to expand your lens a little bit. Be able to remain rigorous but at the same time recognize to get something done, you are going to have to move quickly and you're going to have to pay a little more.

Now the question is, do you want to pay way more? On some assets that are looking for 5 to 10 times revenue and upwards 20 times EBITDA, we are going to still kick the tires and try to see if we can try to see to understand it. But we are not going to move away from what's been successful for us for 20 years. And I think that when the dam breaks, there'll be a number of acquisitions that's come into SS&C and my guess is that we will execute like we have in the past.

Patrick O'Shaughnessy - ***Raymond James & Associates, Inc. - Analyst***

All right. That's very helpful. Thank you.

Operator

Mayank Tandon, Needham & Company.

Mayank Tandon - ***Needham & Company - Analyst***

Thank you and good evening. Bill or Rahul, maybe you can answer this.

You talked about the big deals you won. You said $20 billion combined value for the deals you won in Q3. What about the deals you won in Q4? And also, could you share with us the geographic split of these deal wins?

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

I think that the $20 billion are the assets for the ones that we won Q3. The ones we won in Q4, one in particular has lot more assets -- as Bill said we're providing a certain subset of services. In terms of geographies, some are in North America and we also one of the big ones is in Europe.

Mayank Tandon - ***Needham & Company - Analyst***

Okay. And then as you look ahead in terms of the pipeline for these big deals, what is the makeup as you go into fiscal 2015? Doesn't look better, worse, even, with what you saw coming into this year? I'm just tried to get a gauge for the landscape versus, say, 12 months ago for you versus your peers.

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

I think it's more deals then we had coming into this year. And we're also further along on deals than we were coming into the year. So we feel good about both of those.

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

And we also think those we have invested heavily in our sales force over the last couple of years. We've got very talented people that are helping our people sell deals out in the marketplace. When we can put people like Fred Jacobs and Eamonn Greaves and Jay Mar and George Snell and Frank Scotti and a whole bunch of other people out into the marketplace with this talented group of salespeople we have, then we expect to win more often.

Our sales force, I think in alternatives, is probably as big as the next five companies' combined. So we're out there. This is our business. This is what we focus on -- don't come to us for a credit card. Don't come to us for a loan. We are not in the ATM business. So when you come to us for something that is such a sophisticated service that needs to have attention to detail and that needs to have it on a 24 x 5 to 24 x 7 basis, I think SS&C is a really good home for people.

Mayank Tandon - ***Needham & Company - Analyst***

Right. And then Bill, clearly regulation has been an important driver of your business. Are there any things on the horizon that we should be aware of that could be incrementally more positive for 2015 versus 2014?

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

I think it really comes back to the robustness of the market. When the markets took a swoon just six weeks ago or four weeks ago, everyone's jumping for the break. And how far is the car going to screech? And hopefully the damn thing doesn't stop. And so then you see the thing turned back a little bit, last 10 days, maybe, or seven, eight days, and confidence starts coming back in the market.

So you know there's a lot that's going to happen based on the political environment after November. There's going to be a lot determined on whether or not there is pro-growth policies or not; how much more taxes we are going to do in here North America? Or what are they going to do in Europe?

And there's number of other things going on in the world that's going to put a damper on things, like emerging markets growth or on the BRICs countries, and other stuff like that. That is a little bit outside of SS&C's control, but it's something that we pay a lot of attention to so we can find niches and spots where we can still grow. At the same time, we don't have as wide a field as we would like.

Mayank Tandon - ***Needham & Company - Analyst***

Okay, and then a couple of housekeeping items for maybe Patrick.

Patrick, was the AUA level at the end of the quarter? And how have fees been tracking? And then, last but not least, you mentioned the synergies from GlobeOp and PORTIA of $24 million. So that's close to your initial target -- how much more is left -- on that front? Should we expect some to flow into 2015? Or is that essentially behind us?

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

I think Rahul can comment on the AUA, but I don't think we released the third quarter yet, but the second quarter might be out there on the market right now. On the GlobeOp and PORTIA synergies, our target was $25 million. We are still working hard in consolidating and eliminating some costs in that area, and I think June 15 will be the third-year target. Our views is that we will be ahead of the $25 million at that point.

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

A couple things on that, too, Mayank, is that we are just now consolidating a number of offices in Boston. So we just opened up on Milk St.; Christy Bremner from the PORTIA organization is coordinating that for us; that's going very well. I know that Rahul has a number of projects going on, on how we are going to leverage the talents and capability we have in Mumbai, across the entire business. And we are also up to 255 people in Evansville and I think about 60 or so in Los Angeles.

Mayank Tandon - ***Needham & Company - Analyst***

Did you say that you don't have the AUA numbers currently, but that will coming out soon?

Rahul Kanwar - *SS&C Technologies Holdings Inc - SVP & Managing Director, Alternative Assets*
Yes, that is right. We're in the process of tabulating the September 30 AUA numbers.

Mayank Tandon - ***Needham & Company - Analyst***

Any comments on the fee structure? Has that changed based on the market volatility? Or has that been fairly stable, that you have been generating on the assets?

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

We think it's been fairly stable. Obviously, the deeper we can get into the places, the more services and the value added services we can provide, the more ability we have to charge more. But it has been relatively stable.

Mayank Tandon - ***Needham & Company - Analyst***

Great. Thank you. I appreciate the color.

Operator

Sterling Auty, JP Morgan.

Darren Jue - ***JPMorgan - Analyst***

It's Darren Jue on for Sterling. Thanks for taking my question.

I just wanted to follow up on the topic of sales hiring, because your sales and marketing expense actually declined quarter over quarter by about 5%. And that is somewhat out of the norm for you guys. I'm just wondering if there was any delays in hiring at all in quarter? Or what else might explain that?

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

I think that's more of a timing issue as to why sales and marketing would've been down. I think what I am looking at is September 30, 2013, we spent $10,849 million and September 30, 2014 we spent $11,581 million -- that is still 5%, 6%, 7% higher than was last year. And for the nine months it's up 15%. So I think that will continue to invest in selling and marketing and I think that spread from year-over-year quarters will increase.

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

I think if you look at our run rate on sales and marketing expenses, it'll probably for the year be up 13% to 15% compared to 2013, and that's double the revenue growth. So we're still committed to increasing the cost. On the sequential cost decline, I think that is more related to expenses than it is to personnel costs. Personnel costs in sales and marketing were up a little bit sequentially as mostly other expenses were down.

Darren Jue - ***JPMorgan - Analyst***

Other expenses such as --

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

Travel, marketing, other types of discretionary types of expenses in there.

Darren Jue - ***JPMorgan - Analyst***

Okay.

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

We've had large sales pitches going on in more remote places, in all 50 states, and we've done a lot of travel to Europe, as well as Asia, last quarter -- more so than this quarter.

Darren Jue - ***JPMorgan - Analyst***

Okay, understood. Thank you.

Operator

(Operator Instructions).

Vignesh Murali, Sidoti.

Vignesh Murali - ***Sidoti & Company - Analyst***

Thank you for taking my question.

My question is on your expansion effort in Asia. Can you briefly size up the opportunities there? And what stage of the pipeline say you are at right now?

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

We don't have great data on the size of the opportunity. We are really just getting started there. Both Bill and I were in Hong Kong earlier this year and a lot of ways we start up in hedge fund market there looks a little bit like New York did 10 years ago, where there seems to be a lot of activity, and how many of those funds launch and then how many of them grow into real institutions, remains to be seen. But we're pretty excited to get in there. We've already got about a dozen clients in Hong Kong and we hope to build on that.

Vignesh Murali - ***Sidoti & Company - Analyst***

Got it. Thank you.

In terms of the maintenance segment, do you see any improvement coming in the foreseeable future, given that your software license has been pretty robust.

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

Yes, I think that one of the things that has been the most robust for us in the past has been that we have upticks because of interest rates and the CPI +100, 200, 300 basis points. And when CPI was 4%, that meant you had 5%, 6%, 7%. Now we're lucky if we get 1% or 2% increases. So I would not see a lot of improvement in maintenance for the next several quarters, but after that I think we might have some uptick. We've got some new products and services coming out that we're selling on a license basis that we think will improve both our licensing and our maintenance.

Vignesh Murali - ***Sidoti & Company - Analyst***

Great, thank you for that additional color. That's it for me.

Operator

At this time I am showing no further questions.

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

Thanks, everybody, for participating in our Q3 call and we look forward to talking to you again in 2015. Thank you.

Operator

Ladies and gentlemen, that does conclude the conference for today. Again, thank you for your participation. You may all disconnect. Have a good day.