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SSNC - Q4 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' fourth quarter and full-year 2015 earnings conference call.

(Operator Instructions)

As a reminder, this conference call is being recorded. I would now like to introduce your host for today's conference, Ms. Justine Stone, Investor Relations for SS&C Technologies. Ma'am, you may begin.

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

Hi everyone. Thank you for joining us for our Q4 and full-year 2015 earnings call. I'm Justine Stone, Investor Relations for SS&C Technologies. On the call with me today is Bill Stone, Chairman and Chief Executive Officer, Norm Boulanger, President and Chief Operating Officer, Rahul Kanwar, Senior Vice President 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 the future expectation, 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 Factor section of our most recent annual report on Form 10-K, which is on file with the SEC and can also be accessed via our website. These forward-looking statements represent our expectations only as of today, February 11, 2016. 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'll now turn the call over to Bill.

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

Thanks, Justine and thanks, everyone for being with us on our fourth quarter and 2015 year-end conference call. We're just crossing our 30th year in business and I'm happy to report $1.56 billion in 2015 adjusted revenue. Our first year in 1986, we did $86,000 in revenue. This is a 38.4% comp annual growth rate, a pretty good 29-year track record.

SS&C finished 2015, as I said, with over $1 billion in adjusted revenue, 42% EBITDA margins, and we earned $2.66 in adjusted diluted earnings per share. Obviously, we had a strong year financially. And, we have become a dominant force in financial technology and fund services industries.

We acquired four companies in the past 14 months and we are set to close Citi Alternative Investor Services in Q1. This will propel SS&C to being the second largest fund administrator in the world. I would remind you, we started in fund administration in 2002. We believe technology ownership, size, and scale are key elements of our strategy. We added game-changing projects through both acquisitions and our Research and Development efforts.

Precision LM, our comprehensive loan origination and servicing system in Primatics evolved, an end-to-end loan risk and finance solution, expanded our offerings to loan portfolios and banks. We have enhanced our fund services portal to include performance attribution and tax optimization modules, very impressive analytical tools that we believe may help performance for our fund administrative and other clients. Finally, we have added the capability of servicing RIAs with Black Diamond, one of the products that we acquired with the Advent acquisition and it services one of the fastest growing segments in financial services, the RIA market.

This quarter, SS&C has also received approval from the Security and Exchange Commission to bring its disruptive cloud-based, post-trade matching service, SSCNet, to the US market. We own about 80% of the Canadian market today and we have been trying to get this exemption for 10 years. Our technologists have had a free hand in developing the SSCNet technology and we are excited to bring it to the United States and we will be at a compelling price point. At SS&C we value and thank our shareholders for their continued support, we aim to maximize shareholder value and our capital allocation strategy reflects this objective.

In 2015, our operating cash flow was $230.6 million, and that was after paying $67 million in financing charges and other expenses with the Advent and Primatics acquisitions that went through our operating cash flow. So otherwise it would've been about $300 million. We spent $2.7 billion on acquisitions this year. We believe these acquisitions are a good way to deliver shareholder return. We continued our quarterly dividend and gave a total of $45 million back to our shareholders. Now, with $2.4 billion in net debt on our balance sheet, we will focus on bringing our leverage down quickly.

Now I'll turn it over to Norm.

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

SS&C saw successes in a number of different ways throughout 2015. We were able to close four acquisitions in the past 14 months, including Advent Software. All of these acquisitions bring new software and capabilities. Same in the future, technology ownership will be a key part of our strategy. As part of SS&C, Advent had its biggest quarter in three years, and Black Diamond, our premiere RIA solution had their biggest quarter ever. Our cross-sell and upsell opportunities are gaining momentum, and this quarter included NAV end client that switched to full outsourcing with SS&C, increasing revenue five times.

We launched a new generation of Advent hosting in an integrated data services, Advent OnDemand, which is growing faster than expected. Geneva, Advent's sophisticated portfolio management platform, continues to be market-leading and remains a premiere choice for fund administrators and prime brokers. Our institutional business also remains strong. Customers increasingly choose more holistic solution than a traditional license. For example, we see a trend in providing co-source trade reconciliation solutions to large insurance companies, as well as new license clients opting to host software in our data centers, rather than internally.

A strong area of growth with an institutional investment management is our loan service and mortgage REIT solutions. We now provide software technologies to over 30% of all publicly-traded mortgage REITs. Additionally in 2015, we released our comprehensive residential loan shadow solution, enabling us to fully support the rapid growth in non-bank lenders of all types of performing and non-performing residential loans.

I'd like to review some key deals for Q4. Two large banks relicensed our money market manager product, SS&C's Technologies processes over 95% of all commercial paper in the United States. An existing PORTIA client recently made a large acquisition and they expanded their modules and number of users to support the ongoing business and needs of the acquisition.

A Russian asset manager awarded us a mandate to provide our global wealth platform risk reporting performance attribution hosted services. A top 20 fund administrator relicensed Geneva, reiterating its strength in the market. A large money manager in Saudi Arabia replaced a competitor's solution with SS&C's Advent portfolio accounting system, APX, and our trading system, Moxy. This is one of a number of key wins in the Middle East region in 2015.

Two existing SS&C Advent clients licensed SS&C's Recon and a key cross-sell opportunity created by the acquisition. And last, a PORTIA client moved to Advent Portfolio Exchange, Moxy, Advent Custodial Data, and Advent OnDemand. This was a year-long evaluation to replace eight different systems. SS&C's revenue increased about 6 times as a result of that sale.

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

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

Thanks Norm. SS&C's Alternatives business saw 6.9% increase in revenue for the year ended December 31, 2015, compared to December 31, 2014. Despite the volatility in the market, we continue to sign new clients and saw active stability in current clients and are pleased with how our unique combination of technology ownership and delivery, combined with class-leading expertise, is being embraced in the marketplace.

During the quarter, we closed on Primatics Financial. Primatics has 384 people headquartered in McLean, Virginia. It is the leader in accounting, forecasting, regulatory reporting, reserving, and stress testing solutions to financial institutions holding or acquiring loans. Jeff Sant, Umar Syyid, and Michael Therrien, the original founders, remain at SS&C, and we are eager to help them grow the business, both through new sales, leveraging our larger sales force, as well as cross-selling their capabilities, into SS&C's current client base. We remain focused on closing our acquisition of Citi Fund Services and are working on various customer experience enhancement initiatives for Citi clients, as well as integration. We expect to close in Q1 2016.

We won a number of new mandates this quarter, our Private Capital group, headed by Bob Shepro, is gaining traction. Our Hybrid Fund solutions, run by George Schnell, targets the complex structure of hybrid funds, which are becoming more common in the asset management industry. Key deals for Q4 2015 include a $70 billion asset manager chose to convert a portion of their hedge fund assets from a competitor to SS&C fund administration, and investment firm with over $780 billion in assets under management chose SS&C fund administration for their private equity business, a high-profile hedge fund launch chose SS&C as their fund administrator and chose to license Geneva for their in-house accounting platform, an existing Advent client chose to outsource their middle office functions to SS&C. As Norm mentioned earlier, this increases revenue by a multiple of 5 on this client and is indicative of other similar upsell opportunities we have with the Advent client base.

A $1.7 billion hybrid fund chose SS&C over their current big bank administrator for three new hybrid loan funds targeting $2 billion in assets. A $500 million London-based Alternatives manager converted their private equity loan hybrid to SS&C fund administration from a competitor. SS&C had two competitive takeaways from a fund administrator, who was recently acquired by a large international bank.

I'll now turn it over to Patrick.

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

Thanks Rahul. Results for the fourth quarter of 2015 were GAAP revenue of $300.9 million, GAAP net income of $12.1 million and diluted earnings per share of $0.12. Adjusted revenue was $325.8 million, excluding the adjustment for the acquired deferred revenue for the Advent, Primatics, and HPA acquisitions. And we closed the Primatics acquisition on November 16.

We had a strong quarter, adjusted revenue was up 61.9%, expanded adjusted operating margins to 40.9%, and adjusted diluted EPS was $0.72. Adjusted revenue increased $124.6 million, or 62% over Q4 2014. Advent contributed $108.2 million of revenue in the quarter and the other three acquisitions contributed $19 million. Foreign-exchange continued to have a negative impact on revenue. That was about $3.6 million in the quarter, or 1.8%.

Adjusted operating income for the fourth quarter was $133.3 million, it increased $53.1 million, or 66.2%, from the fourth quarter of 2014. Operating margins increased to 40.9% of revenue from 39.9% in Q4 2014. The acquisitions had strong performances in the quarter. With both Advent and the HPA business having operating margins over 45%.

Synergies of both acquisitions are progressing ahead of plan. Advent had cost synergies of $7.8 million in the quarter and currently, we've implemented synergies at an annual run rate of $34 million and the HPA synergies are running at $14.2 million on an annual basis. Adjusted consolidated EBITDA was $139.8 million, or 42.9% of revenue. It increased $55.7 million, or 66.2% from 2014.

Net interest expense for the quarter was $33.7 million, it includes $2.7 million of non-cash amortized financing costs and OID Interest expense increased over Q4 2014 due to the term debt facility and the notes we put in place to acquire Advent. We recorded a GAAP tax provision in the quarter of $1.1 million, or 8.4% of pre-tax income. For the full year, we recorded a tax provision of 29.6%. The tax provision was impacted by certain acquisition costs that are nondeductible for tax purposes and non-cash deferred tax adjustments. Excluding those non-cash items, the tax rate was 27.4% for the year.

Adjusted net income was $73.6 million and adjusted EPS was $0.72. Adjusted net income excludes $44.1 million of amortization of intangible assets, $12.6 million of stock-based compensation, $600,000 of acquisition deal costs, mostly Primatics in the quarter, $2.7 million of non-cash debt issuance costs, and $2.7 million of severance costs, related to Advent and HPA, and $1.5 million of capital-based taxes. In addition, we had $2.9 million of cost, mostly FX translation, on certain balance sheet items. And for adjusted net income, we used an effective tax rate of 28%.

On the balance sheet and cash flow, we ended the year with $434.2 million in cash, and $2.82 billion of growth stat for a net debt position of $2.385 billion. Operating cash flow for the year-end 2015 was $230.6 million, approximately $22 million decrease from 2014. We had approximately $67 million of acquisition in financing costs that negatively impacted cash flow during the year.

A better representation of the business's cash flow generation post-Advent acquisition was Q4 2015. In the fourth quarter, we had operating cash flow of $110.1 million. So, for the year, highlights on the cash flow, since the Advent acquisition, we've paid down $260 million of debt. We used about $18 million for capital expenditures and capitalized software, which is about $1.7 million, 1.7% of revenue, which is a little lower than our normal years.

We paid $42.2 million in cash taxes, compared to $33.4 million in 2014. Our DSO was 47 days, as of December 15. In financing activities, we had proceeds from option exercises of $30 million, and a tax benefit related to those option exercises of $33 million.

We issued a $12.2 million dividend in the fourth quarter and year-to-date, dividend was $45.5 million. Our LTM consolidated EBITDA, which includes acquisitions as if they were owned for the full period, and cost savings, was $551.5 million. It includes $109.5 million of acquired EBITDA in cost savings related to the acquisitions. Based on a net debt of approximately $2.4 billion, our total leverage ratio is now at 4.3 times.

On the outlook for the year, this outlook does not include the Citi acquisition, which we expect to close sometime in the first quarter. When we do close that acquisition, we will update guidance for the full year. It also assumes that we will hold that cash, about $430 million, on the balance sheet for the full year. So, for the full year 2016, we expect revenue in the range of $1.36 billion to $1.38 billion, adjusted net income of $312.5 million to $325 million, and diluted shares in the range of $102.5 million to $103.5 million.

We assume that we will achieve about $35 million to $40 million of synergies with the Advent acquisition for the full year. And our total adjusted operating margins for the Company will be in the range of 40.5% to 41.1% of revenue, an improvement of over 39.9% for the full-year 2015. For the full-year, we expect cash from operating activities to be in the range of $355 million to $370 million and capital expenditures to range between 2.5% to 3% of total revenues. For the first quarter of 2016, our current expectation is revenue in the range of $327 million to $333 million, adjusted net income of $72 million to $75 million, and diluted shares in the range of $102 million to $102.5 million.

Now I will turn it over to Bill.

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

Thank you Patrick. SS&C was founded in February of 1986, so this month marks our 30th anniversary. We've gone from three employees at the end of 1986 to over 6,100 professionals across the globe. We are proud of our accomplishment and we will continue to work hard to delight our customers, challenge and reward our employees, and deliver excellent shareholder returns. We are now open for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Chris Donat, Sandler O'Neill.

Chris Donat - *Sandler O'Neill & Partners - Analyst*

Bill, I wanted to ask something you've talked about on prior earnings calls and investor presentations. But with the direction the market is taking in the first month and a half of 2016, I know you've talked about your exposure on the hedge fund side of long only and long/short funds. But I'm wondering if you could walk us back through time, as you think about, or what you thought, during the financial crisis, when you made some pretty decisive moves to reduce your headcount by 9%. I'm just wondering as we think about the volatility here and what is going on in the market, what sort of trigger points you have for your decision-making, as far as what the market would have to do to cause you to make some decisions about expenses?

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

Well, Chris, we ended the year at about 39.9% operating margins and 42% EBITDA margins. So, one of the things we have is a lot of flexibility. We really have a great workforce, and right now, we have no intention of reducing our workforce. We're happy with what we have. We see, just tremendous opportunities.

You know, it is a funny world out there, but we have a great client that was a PORTIA client, and they had been looking at systems for a long time. They chose a whole collection of systems from us, you know, primarily, the ATX system from Advent and some ancillary systems around that. And our revenue goes down $250,000 on PORTIA and it goes up $1.25 million or so on the Advent books. Organic revenue goes down $250,000 and acquisition revenue goes $1.25 million. I get told we ought to work on that organic growth.

So, we do these acquisitions in order to please our customers. And we have all of these opportunities around the world. We're going to go after them and go after them hard. There is an awful lot of money managers in the world that are trying to control their cost. And as they try to control their cost, they are going to want to do more outsourcing and they are going to want to have a company like SS&C show up with expertise.

So, we're a long will away from anything that would make us feel like we had to go into a cost-cutting mode. Right now, we are trying to take advantage of all the opportunities that are there. You know, the CEO of Varden is in London talking to clients. I was just in our Boston office and talking with those people, they can't imagine all the incoming they have. Norm talked about Advent OnDemand and it is growing faster. We're setting up an operation in India right now so that we can hire people, and Nandini Sankar in Mumbai, and Pete Hess in San Francisco are spear-heading that for us. So there's just a lot of things going on right now. I mean, all debts are off if the market falls another 7,000 points or something. But right now, we're pretty sanguine about where we are in our expense ratios.

Chris Donat - *Sandler O'Neill & Partners - Analyst*

Great. One numbers question for Patrick, as we think about the purchase accounting adjustments to deferred revenue, will those exist for another three or four quarters or so? Is that mostly tied to Advent and it shrinks to zero after another few quarters, or is there something else going on there with that?

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

Yes. I think we've got about $51 million left on that. And the majority of it will be, 90% of it, will be gone by the second quarter.

Chris Donat - *Sandler O'Neill & Partners - Analyst*

Got it. Okay. Thank you.

Operator

Peter Heckman, Avondale.

Peter Heckmann - *Avondale Partners - Analyst*

Thanks for taking my questions. Can you give us a year-end AUA number and a fourth quarter?

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

Sure. We ended the year at $638 billion in assets.

Peter Heckmann - *Avondale Partners - Analyst*

Great. Okay. And then, either Bill or Patrick, are you prepared at this time to provide a more narrow range for the anticipated revenue and purchase price for Citi, or is that premature?

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

Yes, Pete, we're down to the last few things. We think the revenue should be around $175 million. And we think the purchase price should be in the $300 million to $350 million range.

Peter Heckmann - *Avondale Partners - Analyst*

That's helpful. My last question before I get back into the queue. I saw your press release as regards to SSCNet. It seems like an interesting opportunity. Within that press release, you also note the market moving to a T-plus-two settlement timeframe. Do you feel that is potentially a catalyst for spending among the buy side, or is that primarily a broker-dealer issue?

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

We think that the broker-dealer issue is probably the first area, we have a marketing plan right now with 100 Canadian brokers that we are already on our thing, that we're moving into the US, a marketing plan for them. And then we also think the buy side is going to start driving some business there as well.

You know, there's been really a monopoly here in the United States for the last 15 or 20 years. Generally, you get a good opportunity if you have better technology and a strong marketing for us. Bob Moitoso and his sales force that sell our fixed network and our market trader execution management system is spear-heading that with Bob Shaw, who is one of the founders and developers of SSCNet. So we are excited about our opportunity and we have some talented people working on and they know we have some high expectations.

Peter Heckmann - *Avondale Partners - Analyst*

Got it. Thanks.

Operator

Hugh Miller, MacQuarie.

Hugh Miller - *Macquarie Research Equities - Analyst*

I had a question, I guess, just a housekeeping question. You had mentioned $175 million for Citi revenue. Is that how we should think about that as an annualized figure for 2016, or is that what your expectation is post to close that you would actually expect to generate?

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

That is an annualized number.

Hugh Miller - *Macquarie Research Equities - Analyst*

Okay. And as we consider the impact from market depreciation, I realize that the business is diversified and there are some hedging benefits, but can you give us a sense, as you have given us revenue guidance for the year, excluding Citi, what's the impact that you guys expect from the year-to-date market depreciation that you are thinking about in terms of that revenue guidance?

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

I would not say that it is more than 1%, maybe. Again, it depends what happens. Today's what, February 10, or February 11? And, you know, a lot depends on what happens. If everything falls out of bed, it will be more than 1%. But in general, most of our contracts are across all kinds of asset classes and all kinds of strategies, and an awful lot of our perpetual licenses and maintenance are not impacted at all.

Hugh Miller - *Macquarie Research Equities - Analyst*

That's helpful. I just wanted to get a sense, 1% is somewhere in the wheelhouse of what the impact would be given the current weakness.

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

We would prefer it to get to current strength and go up 1%.

Hugh Miller - *Macquarie Research Equities - Analyst*

Noted. Absolutely. And then, can you give us a sense of what you guys make out of the news from some of the larger firms like AIG, that recently decided to pare back its exposure and allocation to the hedge fund world? Are you seeing that in other large institutions? What are you seeing in terms of the market and demand for flows into hedge funds?

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

I will take a crack at it and then maybe Rahul can comment. When you start looking at an AIG and you've got Carl Icahn in there as an activist investor, it's hard to say what major insurance companies are going to do far as allocation to alternatives. And even their allocation for their size of their balance sheet and how much money they are putting into it is not very big to start with.

So, we're not going to be impacted too much by that. Last year it was CalPERS. CalPERS is cutting back and CalPERS did not have a very good track record of investing in funds and so they scaled back. That's very natural. So, I don't see much of that causing a problem.

Very low interest rates are going to cause major institutions to go search for yield, search for return. And you're not finding it in treasuries. You are not finding it in bonds. You are not going to find it in JGBs either. So you're going to have to go find yield somewhere and high yield is under attack. And so I think that there's going to be plenty of opportunity for the alternatives industry to garner a pretty good share of allocation.

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

Bill, the thing I would add to that is the visibility we have, if you look at some of the indices we publish on future redemptions and capital flows, everything we're seeing currently seems to be pretty consistent with what we saw in 2015 and 2014. We're certainly not seeing, while there's individual funds that will make decisions as to how much they are going to allocate in alternatives, we're certainly not seeing anything that's more broad-based than that.

Hugh Miller - *Macquarie Research Equities - Analyst*

Okay. Definitely helpful. I appreciate the color. Last from me, obviously your exposure post the Citi deal to the PE fund admin business is going to increase. Can you give us a sense of, as of year-end 2015, what percentage of PE fund admin was outsourced the trends you're seeing there?

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

Great. So, I think, you know these percentages are based on less than concrete data, it is the visibility that we have, but I think our sense is, it's somewhere less than 30% to 40% of the private equity industry measured in terms of AUA, not necessarily in terms of number of funds, is currently outsourced and even in the percentage that's currently outsourced, there's probably some opportunity to crack into services, modules, functions, that they haven't as yet outsourced yet.

We think what Citi does is make us a lot bigger player in that private equity market. We think that we're likely going to be the largest private equity fund administrator and we're hoping that what that is going to do, and we're starting to see signs of it in our pipeline now, is make a lot of these great big institutions that have big infrastructures look at us as a viable alternative.

Operator

Rayna Kumar, Evercore ISI.

Rayna Kumar - *Evercore ISI - Analyst*

Good evening. Could you call out the organic growth rate for the quarter and your expectations for 2016?

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

The organic growth rate for the fourth quarter 2015 was about 0.5%. And, for the full-year 2016, if you look at the full-year guidance that we provided, the range of organic growth there is between 4% and 5.5% for the full year.

Rayna Kumar - *Evercore ISI - Analyst*

What are the key drivers to get to the 4% to 5%?

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

The key driver is to sell more. I think the way we sell more is that, we deliver on the software that we are building. We are quite excited about our opportunity to push Varden throughout our client base, it is gotten tremendous receptivity. And we're going to sell a whole lot of Varden and we are going to record it as acquisition growth. So it's not going to change organic, but it is still something we're going to be able to use across all of our businesses.

Our Precision LM product that we are going after residential mortgages and the investments on residential mortgages, we think is also very good opportunity for us. And we are also bringing out some additional capabilities that we talked about, about the tax optimization performance, performance attribution that is going to be available to our funds clients through our portal and mobility technologies. So we think those are all great opportunities for us to drive further and we think that our regulatory solutions business and our REITs business is also quite positive.

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

The other thing to is I think we've had good growth over the past six months in the Advent business. But the problem is, is it's not counted as organic. It will be counted as organic starting in July of 2016 and that will naturally help our numbers because that business is growing at a pretty good pace.

Rayna Kumar - *Evercore ISI - Analyst*

That's very helpful. Could you discuss your acquisition pipeline and what kind of acquisitions you are seeking?

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

Yes. We have always looked at accretive acquisitions, it's pretty much the first thing that we look for, and now we're at $1.36 billion to $1.38 billion for 2016. You have to do bigger acquisitions in order to have much impact in what you do financially, initially. But Varden is about a $25 million acquisition, but the technology and the talent that we acquired is going to allow us to leverage that across the entire $1.36 billion to $1.38 billion. So we're excited about finding the right technologies and be able to find the right group of people and be able to distribute it throughout our client base.

Now there's still going to be fund administrators for sale. There will be other technology companies for sale. And I think SS&C has a pretty good track record of finding acquisitions and getting to deals and closing deals and then working very closely with the management teams that we acquire. So we haven't changed, we are methodically opportunistic. We look at four, five, six a month. We buy somewhere between one and five a year. I think that's what we would expect in 2016.

Rayna Kumar - *Evercore ISI - Analyst*

Great. And just one final question from me. Could you just discuss the timeline of bringing margins from the Citi and Primatics acquisition up to your consolidated margins?

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

Again, we have some really talented people that are working with both of those groups. You know, the people that we are getting in from Citi, Mike Sleightholme runs their hedge fund business and Joe Patellaro runs their private equity business. We have been working with them on plans and objectives for a long time. Obviously, we announced this last August, so we're very excited about the talent and capabilities that they bring to the table.

They've got a great operation in Columbus, Ohio, as well as in New Jersey and in New York. So we're excited about that and they have a really nice private equity business in the far East. We would imagine that they will get up to our margins in the next 18 months or so. There's still a lot of work, as you know, Citi is an awfully big enterprise and making sure that we do it right, we're already building out a facility in India to take over about 500 people there. So, we're excited. We're moving. We are very capable at what we do and so we are very excited about that.

Primatics is a little different. They are already quite profitable. Not quite to our standards, but they've got really talented people and we have Alan Smith, who worked in the loans business at Citi for 25 years, that's working with the founders of Primatics and they're coming up with new ideas, new products, and new opportunities. They get access to our 150 salespeople. That's going to change how many opportunities they have, and then also the ability for us to have some pricing power and to drive margins.

Rayna Kumar - *Evercore ISI - Analyst*

Thank you.

Operator

John Debussy, Jefferies.

AJ Loubetron - *Jefferies & Co. - Analyst*

This is A.J. Loubetron for John. Bill, you mentioned the need to potentially do larger deals on the M&A front. Can you talk about your willingness to do so in terms of potentially needing to lever further up? And also your ability, given recent market dynamics, if you think there's been any change there.

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

Patrick mentioned earlier we are at 4.3 times levered and we generated $110 million in cash flow in Q4. If you just multiply that by four, that's $440 million in cash flow in 2016. Our interest is going to be about $33 million in Q4. Just multiply that, it's $132 million. So that leaves us with $308 million. We're going to spend $20 million, $30 million on CapEx.

We have an opportunity to pay down $250 million more of debt and still have $60 million to $70 million in cash generated from our operating cash flow. We closed the year at $434 million in cash. Like I said, we're going to use $300 million to $350 million to buy Citi's business, so that leaves us another, say $100 million. So I think that there's some capacity for us to lever. We will probably pay down quicker than we lever up, but if we got it down to say, 4 at 3.8, and then we found some acquisition that took us back up to 4.8, that is probably giving us what, $600 million? I think that is just something. And again, we have some cash in our balance sheet that we could use. So, we have some capacity on a leverage standpoint. And then if it is a good enough deal, we still have a pretty attractive equity.

AJ Loubetron - *Jefferies & Co. - Analyst*

Great. Thanks. One quick follow-up. You talked about the revenue guidance for 2016 and your organic growth expectations there. Can you maybe talk about how much you are allocating to each acquisition, Primatics, Varden, and Advent?

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

Allocating in what sense?

AJ Loubetron - *Jefferies & Co. - Analyst*

The revenue contribution from each.

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

This excludes Citi, right? So the acquisitions, Primatics, Varden, and then six months of Advent, should be somewhere around $270 million of revenue for 2016.

AJ Loubetron - *Jefferies & Co. - Analyst*

Okay. Thank you.

Operator

Ashish Sabadra, Deutsche Bank.

Ashish Sabadra - *Deutsche Bank - Analyst*

My question was about organic growth, just a quick follow-up on that one. The organic growth slowed down from like 3% in the third quarter to 0.5% in the fourth. Just what caused that to slow down and is there a way for us to think about the growth, including Advent? For example, you talked about Advent is growing really fast, I think if I do my math, it is more like high single-digit growth. So I was just wondering if you can help us understand what caused the slowdown in organic growth and if you look at a pro forma basis, what it will be?

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

This is Norm. I'll take it and Bill can fill in if he'd like. A couple of things. We had announced on previous quarters some attrition around our institutional asset management business. So part of it is paying the price, where we ended up on the comparables for Q4.

We are also very focused on driving growth across the businesses. And as Bill mentioned on some of the previous comments, the growth happens to be coming from acquisitions, but it could be profit from other acquisitions that we're selling. For example, the Varden reporting tool is really doing very well for us. It's going to be a real hot seller, I think, in the Advent client base. So I think it's going to drive top line growth where it counts from an organic perspective. Until we start getting some year-over-your comparables, it's going to affect the optics of how we are doing.

What we are focused on is making sure we get growth and we position each of our businesses. The Primatics acquisition, for example, is a really super strong loan accounting capability that can do tremendous volumes. We think that's going to be something we can penetrate our institutional side. That's going to drive both, I think in the institutional business, I'm not sure where [pack up] is going to count that revenue. So, it's a combination of attrition and making sure our recurring revenue businesses stay strong, and then we take advantage of the opportunity we have to cross-sell things like the Advent client customer base, outsourcing solutions for the Advent customer base.

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

I'm pretty comfortable that we have a strong opportunity for organic growth in 2016. But optically, it will depend on what gets sold to who, until we have more comparable businesses year-over-year.

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

To add to that is that the ability for us to drive revenue in Q3 to Q4, you go from 3% to 0.5% for the whole company, and if you calculated high single-digits for Advent, but obviously, high single-digits, I'd say 7% to 7.5%, that's 15 times 0.5%. That is pretty quick relative to the overall company. But we added $277 million in revenue from acquisitions in 2015 and then in 2014, we did $768 million in revenue. So, I think 277 divided by 768 is 35%, 36%, 37%.

What I always tell our analysts and our shareholders is, look, we expect to do 5% to 10% organically, and we expect to do 5% to 10% acquisitions. So everybody wants to concentrate that we didn't do 5% to 10% on organic and that is a fact. We're not happy about it either. But we did do 36% on acquisition, which is a lot more than 5% to 10%.

For 30 years, we've had a compound annual growth rate of over 35%. And we're not doing anything different in 2015, 2016, 2017. We hire the best people, we build the best product, we have the best sales force, and those kinds of things tend to work out pretty well over the long-term. Short-term, occasionally there's a bloody nose and nobody likes it, and we Evare and we had a great big client that paid us $4 million, $5 million a year. This is on like a $12 million business. When that client goes away, that business has a little heartburn.

But, does that mean you don't take that $4 million or $5 million? That is not the way SS&C operates. We're taking that $4 million to $5 million for as long as we keep it. I think that's what we've done. I think we've got all kinds of opportunities throughout this organization and we have all kinds of ways in which to pull levers to drive organic growth, or organic earnings. But what we want to have is growth in earnings.

We're going to go do growth in earnings wherever we can. We're going to do it as fast and as well as we can, and all of our managers, all of our executives, from Pete Hess to Rob Roley to Dave Welling to Rahul Kanwar to Tim Reilly to Christy Bremner to Richard Shalowitz and Tom McMackin, everybody at SS&C works, so does Norm Boulanger and Patrick Pedonti and Bill Stone. Although occasionally I do get up in my ivory tower and think strange thoughts.

Ashish Sabadra - *Deutsche Bank - Analyst*

Thanks for that color. I really appreciate that. Maybe, given that, as you mentioned, some of the sales might be going from one product to another which might be skewing the organic growth, a better way for us to think would be the pro forma organic growth assuming that you had these companies in the prior year quarter and thinking about what the real growth would have been. I think that would be a good way for us, but I think it's very encouraging to look at the 16 organic growth guidance of 4% to 5.5%, I think that's very encouraging.

Just a quick question around sensitivity of revenues to AUA, that's a question that we get a lot. Is there a way to quantify, like every $10 billion of AUA movement, how much impact does it have on revenues?

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

Well, when it moves up, revenues go up. When it moves down, revenues go down.

Ashish Sabadra - *Deutsche Bank - Analyst*

Yes, but just in terms of a percentage or some way for us to have build in that kind of sensitivity into our model or some way to think about what percentage of your revenue comes from AUA, so that way, investors get more comfortable that even if the AUA goes down. I believe you have a significant percentage of your revenues coming from fixed fee. Also you have flows in your contract which prevent you from the full downside, is there some way for us to think about it?

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

No, unfortunately, it's really not easy to do. Some of what happens is it depends on what kind of fund that $10 billion came from, because we are talking about the incrementals here of assets and there's a pretty wide spread, depending on complexity where, on a complex derivative spun, we might be somewhere in the 10 to 15 basis point range, even on that last year on our long-short equity fund, we might be a lot lower, as you pointed out. If it's private equity, it really won't have any impact. So, very hard to come up with a statistical way to be able to kind of correlate those two things.

Ashish Sabadra - *Deutsche Bank - Analyst*

Okay. Thanks. Yes, I understand it is a difficult one. Every contract is going to be different. Just maybe one final question. This is more related to BlueCrest Capital and them potentially converting into family office. I believe that was a big customer for you. Is there a way for us to think about the revenue impact from that transition?

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

I would say it is negative. How negative is not nearly as much as you'd think, because BlueCrest is still great client, they've got great people, Mike Platt knows what he's doing. And Systematica, which got spun out of BlueCrest, Leda Braga is a very talented investor. That's a great client of ours and that fund is doing very, very well now.

So, I think Systematica is about a $12 billion to $14 billion fund. I think Mike's family office is still $5 billion to $8 billion or something like that. And then the payout of the BlueCrest assets is going to probably take several quarters. So the impact is a few million dollars, but it is not as dramatic as it would seem when you go from a mid $30 billion hedge fund to a family office in the sub $10 billion range.

Ashish Sabadra - *Deutsche Bank - Analyst*

That is great color. Thanks Bill. And maybe, Patrick, one final question for you. In the first quarter 2016 guidance, what's the assumption around organic growth there?

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

In the range we provided is about 2% to 4%.

Ashish Sabadra - *Deutsche Bank - Analyst*

Thank you very much.

Operator

Mayank Tandon, Needham & Company.

Mayank Tandon - *Needham & Company - Analyst*

Bill, maybe you already touched on this, but I probably missed it. In terms of the broad exposure to various asset classes, can you give us a sense of how much a straight equity versus long short versus other asset classes? Just broadly in terms of the exposure that it has across its business?

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

Yes, primarily, on the stuff where we get paid based on asset fluctuation, we have about 35% of our assets in equities. But those equities are not all long. It's primarily long short equity and it is about 70% long and 30% short, or about 14% overall. So of the $658 billion that Rahul spoke about, about 14% of that would be directly correlated to equity markets.

So that would be about $90 billion out of the $658 billion. That's on that. If you look at the rest of the businesses, it's private equity or it's a perpetual license, a term license, it's a maintenance contract, or it's a fixed fee contract. Those things tend not to be very market-correlated.

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

The other thing to think about, the market has been hammered for the first six weeks of the year. There's been no material changes in our AUA or our fees related to that. So, as Bill mentioned, we don't really know what is going to happen in the future, but at least so far, we feel pretty good that our revenue is holding up.

Mayank Tandon - *Needham & Company - Analyst*

Got it. Very helpful. And then, just a couple questions for Patrick. Patrick, I don't know if you mentioned this, but what was the currency headwind in the fourth quarter and for all of FY15, and then what are building into FY16 guidance?

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

For the full year 2015, the FX impact was negative $13.9 million. In the fourth quarter, I think it was $3.7 million. And, we think, where rates are today, I don't know about today, I looked yesterday, but where rates were over the last week or so, we think it is about $11 million to $12 million negative FX in 2016.

Mayank Tandon - *Needham & Company - Analyst*

Okay. Great. Final question for me, in terms of guidance, going back to EPS. If I look at the high end, I think you've got $314 million before the impact the Citi, and when you did Advent, you'd given guidance of $305 million to $315 million. Could you give us a walk through in terms of is the incremental EPS increase related to closing acquisitions or is there some organic plus acquisitions? Just kind of give us a sense of the delta between the initial guidance versus what you're guiding to today?

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

I think when we did the Advent acquisition in the spring, we guided $305 million to $315 million for 2016, and since then, we raised a little bit more cash through the equity offering and we ended up selling $600 million of notes instead of $500 million in notes. That's the $305 million to $315 million was based on. But then we bought Primatics, which is helping our earnings, and then I think if you look at our guidance today, the midpoint is about $310 million and the range is about $305 million to $315 million. So it's about the same.

Mayank Tandon - *Needham & Company - Analyst*

I miscalculated. You're right.

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

The Primatics acquisition offset the additional dilution that happened when we raised additional cash, but we haven't deployed that cash yet. We haven't deployed $325 million of that cash. That's kind of hurting us, and then when we deploy it, when we buy Citi, then we will be above this current range.

Mayank Tandon - *Needham & Company - Analyst*

Right. Got it. That's very helpful. Thank you very much.

Operator

Chris Shutler, William Blair.

Andrew Nicholas - *William Blair & Company - Analyst*

This is Andrew Nicholas filling in for Chris. Most of my questions have been asked, but just one quickly for Rahul. I was hoping you could provide some additional color on the sales pipeline in your business and, if there are any early indications as to how market volatility has impacted that pipeline, particularly in terms of new fund launches, but also in terms of competitive take-aways?

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

Sure. So, we had a particularly strong Q4 in terms of sales. And, we actually think, and Bill said this earlier in the call, but sometimes what happens, or a lot of times we see what happens when there is volatility is some of the money managers come under some pressures as well, and they start to look at, both who their providers are, but also the split between what is done internally and what can be outsourced. Generally speaking, because we're doing this at scale and for lots and lots of clients, we can take entire portions of the operation and make it more efficient for them than it was before.

So we've got a very, very strong pipeline. It is focused on competitive take-aways and also outsourcing parts of middle office, et cetera, for pretty large money managers, but we are still seeing a steady flow of new fund formation. Things look pretty healthy.

Andrew Nicholas - *William Blair & Company - Analyst*

All right. Thank you. That's all I had.

Operator

Thank you. I'm showing no further questions at this time. I would now like to turn the call over to management for closing remarks.

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

Again, we really appreciate everyone getting on the call. We're excited about where we are and we're more than aware of organic revenue growth. At the same time, we're going to deliver a lot of earnings and we're going to generate a lot of cash and we're going to make some smart investments and that's going to help us to drive our growth further. So we look forward to seeing you after next quarter. Thanks.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone have a great day.
