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SSNC - Q4 2014 SS&C Technologies Holdings Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the SS&C Technology fourth-quarter and full-year 2014 earnings call. At this time, all participants are in a listen-only mode.

(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*

Welcome and thank you again for joining us for our Q4 and full-year 2014 earnings call. I am 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 and Managing Director of Alternative Assets; and Patrick Pedonti, Chief Financial Officer.

Before we get started, we need to review the Safe Harbor Statement. Please note that various remarks we make today about future expectations, plans and process, including the financial outlook we provide, constitute forward-looking statements for the purposes of the Safe 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 expressed 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, February 12, 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. I will start with a brief overview and then turn it over to Norm, to cover some of the operational highlights of the quarter and the year and then to Rahul, to go through our alternatives business and Patrick will take us through the financials. I'm pleased to report 2014 was another strong year for SS&C, with record revenue, record EBITDA, record operating cash flow and record earnings per share.

In Q4, our adjusted revenue grew to $201.2 million, an increase of 10% over the same period a year ago. Both GAAP net income and GAAP diluted EPS were up 36% in Q4 and we reported $2.36 in fiscal year adjusted EPS, an increase of 20% over 2013. 2014 is a transformational year for SS&C. The GlobeOp and PORTIA integrations are complete. We continue to enhance these products and roll out new services where we see the demand.

We have a new REIT servicing group we formed in 2014 and amongst our many clients, we have six of the largest and leading REITs in the country. On our platform we continue to see momentum in the REIT business. Our regulatory services group, which is run by Mike Megaw, was formed in 2012 and has reached, I think, over 320 customers in just two years. This is a testament to the amount of effort we put into it, the quality of the people we have there and also, the functionality of our product. At SS&C we aim to maximize shareholder value.

This year we generated over $250 million in operating cash flow. Since the GlobeOp and PORTIA acquisitions, we have paid down nearly $587 million of debt to put our leverage ratio at 1.6 times. In November we announced the adoption of a dividend policy in which we intend to pay quarterly cash dividends in the amount of $0.125 per share or $0.50 annually. In December we acquired DST Global Solutions for $95 million in cash and just last week we announced our intention to acquire Advent Software for approximately $2.7 billion. SS&C is working hard to provide best in class products and services to our clients on a global basis. We believe that DST Global Solutions' business and Advent's industry-leading software will provide substantial added value to our clients.

I will now turn it over to Norm.

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

Thanks, Bill. 2014 was a solid quarter, a reflection of FY14. In December we announced the acquisition of DST Global Solutions, which includes their industry-leading HiPortfolio and Anova products, our 40th acquisition since inception. This acquisition expands our offering in portfolio management, investment data management and analytics and boasts over 150 clients across the globe.

Through the clients' offices and talent, we were able to penetrate geographical markets where we have not historically had a strong presence, including Australia, Asia, and Africa. The opportunity to raise margins and cross-sell is significant and we're excited about it. We're executing on our plan and we're confident we're on track with cost synergies. Over our 29-year history, SS&C has been committed to providing world-class software and services and is constantly working to improve our offering.

2014 was no exception. We spent $57 million on research and development or about 16% of our software revenues. SS&C has released new versions of our core portfolio management platforms including CAMRA, PORTIA, GWP, T&R, and Total Return as well as our performance, regulatory, web mobility, loan management, and front office solutions. Our investment in these products aim to enrich the user experience, streamline processes and provide increased flexibility for our most complex clients.

Cyber security was also a high priority for us in 2014. We successfully completed our Experian third party assessment certification, which involves technical and operational assessments designed to help protect consumer information. This certification is further evidence of our commitment to support our client business needs.

Recently, we announced our intent to acquire Advent Software. Bill and I visited Advent's headquarters in San Francisco last week. We were greeted by a smart, motivated team of professionals. We're excited for our opportunity as a combined company and we are well on our way with the integration planning.

I would now like to review some key deals for Q4. (Inaudible) with [Taiwanese] Insured selected our front office portfolio management solution. An insurance company in Hong Kong chose PORTIA to manage their middle and back-office processing. A multi-national financial service firm chose PORTIA for its Netherlands operation. A wealth manager converted to SS&C's GWP solution to increase flexibility and offer real-time integration of clients' operational dashboard.

A petite prime broker business chose our wealth management solution for accounting and performance reporting. Two large mortgage REITs chose CAMRA and SS&C's Debt and Derivatives products. And finally, an existing client in Africa upgraded HiPortfolio as part of building a more robust platform for clients and have licensed Anova to improve client reporting.

Now I will turn it over to Rahul.

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

Thanks, Norm. SS&C's alternatives business saw a 9.2% increase in revenue in 2014, ending the year with over $627 billion in assets under administration. In the quarter we announced executive promotions in our private equity and EMEA teams. Renee Mooney, who was been with us, essentially since the acquisition of Eisnerfast in 2005, will lead SS&C GlobeOp's private equity fund administration business.

Combining our private equity business with the existing hedge fund business, managed by Renee, will further build on our expertise in servicing the hybrid structures we increasingly see in the market. In Europe, Tom Kirkpatrick assumed management of the EMEA based alternative assets business. Tom is a very capable senior executive and we have confidence in his ability to drive our business strategy in the region. In our regulatory business we're pleased with the successful rollout of Annex 4 reporting required in Europe.

We just completed this important filing for over 50 alternative investment fund managers and 300 alternative investment funds with multiple authorities across Europe including Luxembourg, Ireland, and the United Kingdom. We continue to build on our momentum in 2014, winning a combination of large, mid-sized and smaller funds in the fourth quarter.

Key deals include the following. A very large global asset manager selected SS&C for its middle and back-office administration for its private equity funds. A complex [credit] fund converted to SS&C from a competitor. They wanted a single, holistic provider who covered middle-office, back-office administration and regulatory services. A substantial existing client expanded their services and appointed SS&C as administrator for several funds previously administered elsewhere. A Canadian firm chose SS&C as their fund administrator. They were impressed with our private equity and [stressed that] expertise and service offering.

I will now turn it over to Patrick.

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

Thanks, Rahul. Results for the fourth quarter 2014 were GAAP revenue of $227 million, reported GAAP net income of $36.6 million and diluted EPS $0.42. Adjusted revenue was $201.2 million, excluding the adjustment for acquired deferred revenues in the DST acquisition. Adjusted revenue increased 10.3% in Q4 2013. Strong license revenue and year-over-year 8.3% growth in our software enabled services business drove the growth in the quarter.

Foreign-exchange had a negative impact of $1.9 million or 1% on the growth rate in the quarter. Adjusted operating income was $80.2 million, an increase of $8 million or 11.1% from the fourth quarter of 2013. Operating margins increased to 39.9% from 39.6% in Q4 2013. Revenue growth and cost controls contributed to the margin expansion in the quarter. In addition, we continue to make significant progress in implementing the GlobeOp and PORTIA acquisition cost synergies and generated approximately $25 million of savings for the full year of 2014.

Adjusted consolidated EBITDA up was $84.1 million or 41.8% of revenue, a 10.6% improvement from the prior year. Net interest expenses for the fourth quarter were $5.7 million and includes $1.4 million of non-cash amortized financing costs in LID. Interest expense decreased due to the $212 million debt pay-down we've made since the fourth quarter of 2013. We recorded a GAAP tax provision in the quarter of $13.2 million or 27% of revenue -- 27% of pretax income and 26% for the full year. Adjusted net income was $54.7 million and adjusted diluted EPS was $0.62.

The adjusted net income excludes $21.6 million of amortization of intangible assets, $2.9 million of stock-based compensation, $1.4 million of non-cash debt issuance costs, $0.5 million of purchase accounting adjustments and $400,000 of unusual gains, mostly related to FX translation of certain balance sheet items. The effective tax rate we used for adjusted income was 28%, which is what we expect it to be for the long term. As of December 31, we had $109.6 million in cash and $645 million of gross debt for net debt position of about $535 million.

We had very strong operating cash flow for the year. Operating cash flow was $252 million, a $44 million or 21% increase over 2013. Cash flow was driven by improved earnings, improved working capital management and lower accounts receivable DSO and was offset by higher tax payments in 2014. For the full year, we paid down $212 million of debt and we drew down $75 million in our revolver to fund a portion of the DST acquisition.

We purchased 275,000 shares of SS&C stock for a total of $11.2 million at an average price of $40.85. We used $18.6 million for capital expenditures and capitalized software from (inaudible) 2.4% of revenue. Majority of capital expenditures were for IT infrastructure and facilities expansion. We paid $33.4 million in cash taxes compared to $21.6 million in 2013. Our accounts receivable DSO as of December 14 was 42 days, a three day improvement from 45 days in December 2013.

In financing activities, we recorded the proceeds from option exercises of $24 million, and a tax benefit related to the option exercise of $15.5 million. In the fourth quarter we issued our first quarterly dividend since going public in 2010 for a total of $10.5 million. Our LTM consolidated EBITDA, which we use for covenant compliance and include acquisitions as if they were fully owned for the period was $325.6 million and based on net debt of $535 million our leverage is 1.6 times as of December 31.

For outlook for 2015, for the first quarter our current expectations are revenue in the range of $203 million to $210 million, adjusted net income of $50.9 million to $53 million and diluted shares in the range of 88.4 million to 88.8 million. (sic -- see press release 88.8 million) We are currently planning on implementing cost synergies for the DST acquisition which we'll implement in the first quarter. Those synergies, which we expect to be between $10 million in $14 million of annual savings will be in effect for the second quarter.

Until then, the DST cost structure will adversely impact our margins and we'll take a charge of about $5.6 million in the first quarter for severance and other costs related to those savings. Our current expectation for the full year's revenue in a range of $852 million to $872 million, which represents growth of 10.9% to 13.5%, adjusted net income between $229 million and $240 million and outstanding diluted shares increasing approximately 2% in the range of 88.8 million to 89.7 million.

We expect the effective tax rate to be approximately 28% for the full year. For the full year, cash from operating activities will be in the range of $260 million to $275 million and capital expenditures in the range of 2.5% to 3% of revenues. Excluding the effects of one-time items, we expect our tax rate to be 28% for the full year and we expect our tax payments to increase in 2015, compared to 2014, between $20 million and $30 million. We'll use all excess cash flow to fund potential acquisition, buy back shares and pay down debt.

Now I will turn it over to Bill for final comments.

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

Thanks, Patrick. 2014 was a very good year here at SS&C. The performance of our team was good and the interaction with our clients led to many innovative new features and functions across our product line. In one instance at a very large international bank, they went live on our global debt manager system and it took their daily workflow from four hours to three seconds. This is transformational technology.

SS&C is excited to bring the talent of DST Global Solutions and soon the talent from Advent Software into our company. At SS&C we take care of our people, who in turn, take care of our customers for the benefit of all of our shareholders. We expect to do it again in 2015.

With that, we will open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Chris Shutler, William Blair.

Chris Shutler - *William Blair & Company - Analyst*

I was hoping first, Patrick, you could quantify the foreign exchange impact. I think in the quarter you said it was $1.9 million to revenue, but in the 2015 guidance, maybe just help us out there. It looked like maybe a $9 million, $10 million incremental headwind versus where we were a couple of months ago, but if you could give us a little more detail. Thanks.

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

Based on the current exchange rate, we probably think it's between $2 million and $3 million a quarter.

Chris Shutler - *William Blair & Company - Analyst*

Okay, got you. Bill, on Advent, once it closes and you have Geneva and you would still have a few other platforms that you are currently selling to hedge funds, whether it be AdvisorWare or Total Return. Are there opportunities, do you think, to shut down those platforms at some point down the road and do you have any plans to do so?

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

I don't believe we will. What you find is, is that those platforms were built specifically for specific types of clients and in general, they really like them. So to take them away is to take feature and functionality that won't be in Geneva out of Total Return and out of AdvisorWare. That is not going to go well so we will not do that. It also is, is that to maintain these systems is not expensive from a standpoint of development. It is expensive from a standpoint of expertise.

But the expertise needed for Geneva, Total Return and AdvisorWare and a number of our other platforms is all the same. So if you need to know about TMOS, you need to know them in each system. If you need to know about options, if you need to know about futures, if you need to know about real estate investment trusts, it goes across all those systems. We don't view that cost as particularly burdensome. Finding expertise, maintaining expertise, building expertise, that is the nature of the beast here and we have done a pretty good job of it.

Chris Shutler - *William Blair & Company - Analyst*

One last one for Rahul in the hedge fund administration area. Maybe just talk about the pipeline, particularly as it stands relative to what you said over the last few quarters. Thanks a lot.

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

Sure. The pipeline continues to be very strong. We are obviously converting some of those opportunities as we close deals and as we are, we are working hard to replenish the pipeline. As of this quarter it continues to be as robust as it has been at any point in 2014.

Operator

Mayank Tandon, Needham & Company.

Mayank Tandon - *Needham & Company - Analyst*

Bill and Patrick, as I look at the guidance it seems to be a little bit below expectations. Would you attribute that mainly to the FX, headwinds that, Patrick, you identified or is there something else coming into this year that maybe is causing some slowness, at least early in the year, in terms of the guidance for the full-year revenue?

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

I think, at least in the first quarter, I think that is the quarter that shows a little bit of weakness. We are seeing headwinds on the FX and then our current expectation on revenue from the DST acquisition we did is lower than we had originally expected for Q1. Those two are impacting us.

Mayank Tandon - *Needham & Company - Analyst*

Patrick, for the full year, though, do you still expect $60 million to $65 million in revenue from DST? If I'm not mistaken, that was the run rate for the acquisition.

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

This is getting two headwinds, right? They are mostly located in the UK and Australia, so we're getting FX issues there and then they are little bit lower than expected. So I would say at today's FX they're probably more in the $55 million to $60 million range.

Mayank Tandon - *Needham & Company - Analyst*

Okay, so if I extrapolate that, does that imply organic growth somewhere in the 6% to 7% range for the SS&C core business? Is that a fair assessment?

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

I think at the mid-point of the plan for the year, the organic growth is between 6% and 7%.

Mayank Tandon - *Needham & Company - Analyst*

And then moving on to the big deal pipeline. I think in the past, Bill, you've talked about the big deal. You've occasionally identified the number of deals. Could you give us some sense of what the pipeline looks like entering 2015 versus 12 months ago, the cadence of activity in terms of these big deals and also the competitive environment, particularly on the fund administration side?

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

Well you know, as Rahul said, right, we are as robust as we have been throughout any time of 2014. As you have heard from me on any number of these calls, getting down to the finals and sometimes even getting chosen does not mean that the revenue starts for several months. So that's still a challenge for us, but we have more and more deals coming into our pipeline and many of you might have seen that Citigroup put their Citi Fund administration into Citi Holdings as a precursor of selling it.

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That is a $380 billion hedge fund administrator. So there's going to be a lot of stuff like that happening throughout 2015, 2016, and 2017. And SS&C moves very quickly, as Norm and Patrick both talked about. We have moved with the cost savings on DST in the first quarter. As you recall, we did sign that December 1, so that's less than say 75 days.

So we will move very quickly when we see stuff that we like and I think that there is opportunities for us in cross-sell and up-sell both across DST's client base as well as Advent's that there's an opportunity and we are going to have to execute. And it's very difficult to predict that with Advent because we don't really have the date that we are going to close that.

We hope to close it by mid-second quarter and we'd like to do it quicker if we can, but you have to go through the regular approvals and customary closing conditions. Some of those things might impact us a little bit, but to me that's all just a little bit of chum in the water. When we get clear I think we will be a very powerful company with a lot of opportunity.

Mayank Tandon - *Needham & Company - Analyst*

The last question I wanted to ask you, given the opportunities in fund administration given the acquisition of Advent, does that basically take you off the table in a way? Are you not able to do it because you want to take your leverage up to a certain level, but maybe not above that? How do you look at consolidation opportunities in fund administration post the Advent deal?

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

Well, I think that the major players that are going to shed their fund administration are probably large multi-national banks. So moving very quickly is not their hallmark. So by the time they move, we will be ready. I think what we have to do is focus on paying down debt, making sure we keep DSOs low and make sure that we manage our cash and I think that we will be in pretty good shape to move pretty quickly no matter what comes down the road.

Mayank Tandon - *Needham & Company - Analyst*

Great. Thank you.

Operator

Peter Heckmann, Avondale.

Peter Heckmann - *Avondale Partners - Analyst*

I just had a couple of quick follow-ups. Patrick, can you tell us how much DST revenue was included in the quarter?

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

About $7 million.

Peter Heckmann - *Avondale Partners - Analyst*

About $7 million. Okay. And Bill, any early impressions from the market, either customers or market participants that may have surprised you on the impending deal to acquire Advent? As a follow-on to that, anything that may have changed your thoughts on (inaudible) for timing of both [those]?

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

I think it's gotten people's attention and I think it's interesting to hear our competitors talk about how distracted we are going to be and then we are always in front of all of our customers. What our customers see is that we'd soon to be distracted right in front of them. So I think that's a good approach to take.

All of our senior management is out talking to customers all the time and I think 2015 will be an intense focus on the customer. And I think that most people recognize that the opportunity to create a company with 10,000 customers and 6,000 people supplying services and products to those customers worldwide is a compelling case to make and I think that it's something that's going to prove out to be very good.

Peter Heckmann - *Avondale Partners - Analyst*

Great. I appreciate that. And then, it's again still early, probably no change, but any sense now on the timing of some of the synergies that you expect to generate from Advent? Still thinking about the same as the last call or were you able to identify any (inaudible) that could be realized potentially sooner?

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

I think in the presentation we made to the investors and bankers, we are seeing the $45 million in synergies on Advent and I think that there is a number of them that are really somewhat quickly picked up, like public company costs and auditors and stuff like that that you don't need two of.

So I think there will be a lot of stuff like that and then there is a lot of cross-sell and up-sell and as you know, they've had a big investment in Advent Direct and we've had a big investment in our web portals, our mobility and our investment intelligence platform and we think there's a lot of ways to combine those two and bring out one platform that will be very satisfying to the client.

Peter Heckmann - *Avondale Partners - Analyst*

I appreciate it. I will get back in the queue.

Operator

Vignesh Murali, Sidoti.

Vignesh Murali - *Sidoti & Company - Analyst*

My first question is with regards to the maintenance segment, I understand that some of it might be from the DST acquisition, but apart from that, do you see any improvements in the long-term prospects of the segment?

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

I think, Vignesh, that one of the real strengths of DST was the maintenance stream that they brought into SS&C and the long-term relationships with their customers. So the primary increase in that comes from them and that as we sell more licenses, our maintenance should pick up, but in general with interest rates as low as they are, we don't get much of a pickup on that. The CPI plus, which is a maintenance kicker that we get annually, that in the past, say 1995 to 2008 or 2009, say 2008, we would get 4% or 5% maintenance gains on price increases. Now we are lucky if we get 1% to 2%.

Vignesh Murali - *Sidoti & Company - Analyst*

Got it, okay thanks. My next question is, now that you are acquiring sales forces from a couple of acquisitions, do you still have plans to significantly enhance your investment in sales and marketing?

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

I think that we will continue to invest in sales and marketing and that we need to have maximum coverage. As you see these places get put into play, then that means the customers often get put into play. So there will be lots of people searching after Citi's clients, I'm sure and we need to make sure that we play too. So that takes staff and that takes expertise and it is something that we're intent on being the winner out of that.

Vignesh Murali - *Sidoti & Company - Analyst*

My final question is can you just briefly discuss the pricing environment for the regulatory solutions as far as the REIT business when you compare it to your hedge fund administration business?

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

In general, the regulatory solutions business is an add-on to our fund administration, although out of the 320 or so clients that we have, about half of those are fund administration clients of ours and half of them are fund administration clients of someone else. That gives us a really nice target of [150] clients that aren't our fund administration clients to go after. And in general, the regulatory solution, Rahul, maybe you'd be better, that gives us about a 0.5 basis point or something like that?

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

That's correct, Bill.

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

And so we think that's good and then the REIT business is similar to a fund administration client and it would run, it depends on the complexity of the REIT, but probably in the 5, 6, 7 basis points.

Vignesh Murali - *Sidoti & Company - Analyst*

Great, thank you. I will jump back in the queue.

Operator

Brad Zelnick, Jefferies.

Brad Zelnick - *Jefferies & Co. - Analyst*

Bill, it's good to see the success you are having in the REIT servicing group early on here. I was hoping, can you maybe just talk a little bit about the market opportunity and what does it cost to go after it?

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

Yes. It is a complex accounting set, so we have been building software and training people in that space and recruiting for that space. It's also a pretty hot area, right? Because as you well know, the search for yield is going on around the world and REITs have been a pretty steady source of cash flow for fixed income investors.

We think that we have created something that is different than is in the marketplace and we are getting a lot of take up on that. We're getting some very famous names in the REIT business and they are demanding, so that's putting some stress on us. But we are moving assets in there and we've got some real talented people. Tim Reilly and his team that is doing that is really working hard at it and we're focusing on the customers and it looks like we have an opportunity to go from say 20 clients in REITs to maybe 50 or 75.

Brad Zelnick - *Jefferies & Co. - Analyst*

Excellent. And for Rahul, on alternatives, I just want to make sure I heard the number right for assets. I think you said $627 billion. Is that right?

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

It's a little over $627 billion.

Brad Zelnick - *Jefferies & Co. - Analyst*

Last year seemed to be a tough year for hedge funds. I was curious if you would comment at all on trends in churn. And competitively, has anything changed? Because we've picked up pockets of activity where some of your largest diversified competitors seem to get very aggressive on pricing. Anything you can tell us about the environment would be great.

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

If you think from our perspective, it still comes down to expertise and quality of the platform and the quality of the access of information that they're going to have, whether that's cloud or mobile. I think if we do a good job selling that expertise and that quality and then delivering for the customers, pricing has not really been much of a problem. It's a competitive environment and we've got to be within a certain range, but we are not seeing a lot of pressure on pricing.

Brad Zelnick - *Jefferies & Co. - Analyst*

Great. And one quick last one for Patrick. Patrick, I don't know if I missed it, but can you talk a bit about your FX exposure from an OpEx perspective and any hedging you might do or that you do already do?

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

We don't do any hedging. We've kind of got a natural hedge in that the revenue and the expenses of the subsidiaries that are in those countries are identical. So it affects our bottom line, it affects our top line, but we haven't been doing any hedging on FX currency.

Brad Zelnick - *Jefferies & Co. - Analyst*

Okay. Thanks for taking my questions, guys.

Operator

I am showing no further questions. I would now like to turn the call back over to the presenters.

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

Once again, we really appreciate everybody coming out on this call and we look forward to speaking to you at the end of next quarter. Thanks so much.

Operator

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