

SS&C Technologies Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Software-enabled services	\$ 272,518	\$ 244,672	\$ 548,970	\$ 450,319
Maintenance and term licenses	113,614	103,392	224,171	198,512
Total recurring revenues	386,132	348,064	773,141	648,831
Perpetual licenses	3,822	5,039	6,650	10,254
Professional services	21,026	19,974	38,888	38,123
Total non-recurring revenues	24,848	25,013	45,538	48,377
Total revenues	410,980	373,077	818,679	697,208
Cost of revenues:				
Software-enabled services	158,888	146,243	312,894	259,971
Maintenance and term licenses	47,280	46,460	94,265	93,406
Total recurring cost of revenues	206,168	192,703	407,159	353,377
Perpetual licenses	650	643	1,215	1,141
Professional services	16,874	17,133	32,777	32,645
Total non-recurring cost of revenues	17,524	17,776	33,992	33,786
Total cost of revenues	223,692	210,479	441,151	387,163
Gross profit	187,288	162,598	377,528	310,045
Operating expenses:				
Selling and marketing	30,121	28,535	60,363	58,396
Research and development	39,079	40,827	77,528	77,274
General and administrative	28,103	27,199	59,935	57,894
Total operating expenses	97,303	96,561	197,826	193,564
Operating income	89,985	66,037	179,702	116,481
Interest expense, net	(26,295)	(32,846)	(55,315)	(65,935)
Other (expense) income, net	(1,197)	12	(1,268)	(1,835)
Loss on extinguishment of debt	—	—	(2,326)	—
Income before income taxes	62,493	33,203	120,793	48,711
Provision for income taxes	11,342	4,982	21,495	13,485
Net income	\$ 51,151	\$ 28,221	\$ 99,298	\$ 35,226
Basic earnings per share	\$ 0.25	\$ 0.14	\$ 0.49	\$ 0.18
Diluted earnings per share	\$ 0.24	\$ 0.14	\$ 0.47	\$ 0.17
Basic weighted average number of common shares outstanding	204,550	198,765	203,966	198,143
Diluted weighted average number of common and common equivalent shares outstanding	211,299	204,916	210,478	204,596
Cash dividends declared and paid per common share	\$ 0.0625	\$ 0.0625	\$ 0.1250	\$ 0.1250
Net income	\$ 51,151	\$ 28,221	\$ 99,298	\$ 35,226
Other comprehensive income (loss), net of tax:				
Foreign currency exchange translation adjustment	20,966	(26,793)	31,745	(17,472)
Total comprehensive income (loss), net of tax	20,966	(26,793)	31,745	(17,472)
Comprehensive income	\$ 72,117	\$ 1,428	\$ 131,043	\$ 17,754

See Notes to Condensed Consolidated Financial Information.

SS&C Technologies Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 90,370	\$ 117,558
Accounts receivable, net	235,811	241,307
Prepaid expenses and other current assets	32,875	31,119
Prepaid income taxes	18,032	23,012
Restricted cash	1,880	2,116
Total current assets	378,968	415,112
Property, plant and equipment, net	100,908	80,395
Deferred income taxes	2,136	2,410
Goodwill	3,676,586	3,652,733
Intangible and other assets, net	1,459,803	1,556,321
Total assets	<u>\$ 5,618,401</u>	<u>\$ 5,706,971</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 37,183	\$ 126,144
Accounts payable	32,668	16,490
Income taxes payable	—	3,473
Accrued employee compensation and benefits	60,846	104,118
Interest payable	16,156	21,470
Other accrued expenses	43,044	53,708
Deferred revenue	234,077	235,222
Total current liabilities	423,974	560,625
Long-term debt, net of current portion	2,261,791	2,374,986
Other long-term liabilities	81,770	59,227
Deferred income taxes	432,688	453,555
Total liabilities	3,200,223	3,448,393
Total stockholders' equity	2,418,178	2,258,578
Total liabilities and stockholders' equity	<u>\$ 5,618,401</u>	<u>\$ 5,706,971</u>

See Notes to Condensed Consolidated Financial Information.

SS&C Technologies Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2017	2016
Cash flow from operating activities:		
Net income	\$ 99,298	\$ 35,226
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	117,213	113,440
Stock-based compensation expense	21,278	27,913
Income tax benefit related to exercise of stock options	—	(23,760)
Amortization and write-offs of loan origination costs	5,281	5,312
Loss on extinguishment of debt	963	—
Loss on sale or disposition of property and equipment	12	150
Deferred income taxes	(14,970)	(24,056)
Provision for doubtful accounts	3,218	1,257
Changes in operating assets and liabilities, excluding effects from acquisitions:		
Accounts receivable	3,411	(13,458)
Prepaid expenses and other assets	(1,326)	(1,516)
Accounts payable	14,895	7,870
Accrued expenses	(54,543)	(25,851)
Income taxes prepaid and payable	2,562	23,757
Deferred revenue	(3,471)	13,052
Net cash provided by operating activities	193,821	139,336
Cash flow from investing activities:		
Additions to property and equipment	(19,368)	(13,593)
Proceeds from sale of property and equipment	1	43
Cash paid for business acquisitions, net of cash acquired	1,805	(317,554)
Additions to capitalized software	(5,636)	(3,306)
Purchase of long-term investment	—	(1,000)
Net cash used in investing activities	(23,198)	(335,410)
Cash flow from financing activities:		
Cash received from debt borrowings	45,000	—
Repayments of debt	(253,400)	(155,325)
Proceeds from exercise of stock options	35,855	19,212
Withholding taxes related to equity award net share settlement	(3,057)	(4,615)
Income tax benefit related to exercise of stock options	—	23,760
Purchase of common stock for treasury	—	(11)
Payment of fees related to refinancing activities	—	(222)
Dividends paid on common stock	(25,521)	(24,790)
Net cash used in financing activities	(201,123)	(141,991)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	3,076	(872)
Net decrease in cash, cash equivalents and restricted cash	(27,424)	(338,937)
Cash, cash equivalents and restricted cash, beginning of period	119,674	436,977
Cash, cash equivalents and restricted cash, end of period	\$ 92,250	\$ 98,040

See Notes to Condensed Consolidated Financial Information.

SS&C Technologies Holdings, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Information

Note 1. Reconciliation of Revenues to Adjusted Revenues

Adjusted revenues represents revenues adjusted for one-time purchase accounting adjustments to fair value deferred revenue acquired in business combinations. Adjusted revenues are presented because we use this measure to evaluate performance of our business against prior periods and believe it is a useful indicator of the underlying performance of the Company. Adjusted revenues are not a recognized term under generally accepted accounting principles (GAAP). Adjusted revenues does not represent revenues, as that term is defined under GAAP, and should not be considered as an alternative to revenues as an indicator of our operating performance. Adjusted revenues as presented herein is not necessarily comparable to similarly titled measures. Below is a reconciliation between adjusted revenues and revenues, the GAAP measure we believe to be most directly comparable to adjusted revenues.

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues	\$ 410,980	\$ 373,077	\$ 818,679	\$ 697,208
Purchase accounting adjustments to deferred revenue	3,107	11,335	4,927	30,318
Adjusted revenues	<u>\$ 414,087</u>	<u>\$ 384,412</u>	<u>\$ 823,606</u>	<u>\$ 727,526</u>

The following is a breakdown of recurring and non-recurring revenues and adjusted recurring and non-recurring revenues.

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Software-enabled services	\$ 272,518	\$ 244,672	\$ 548,970	\$ 450,319
Maintenance and term licenses	113,614	103,392	224,171	198,512
Total recurring revenues	<u>386,132</u>	<u>348,064</u>	<u>773,141</u>	<u>648,831</u>
Perpetual licenses	3,822	5,039	6,650	10,254
Professional services	21,026	19,974	38,888	38,123
Total non-recurring revenues	<u>24,848</u>	<u>25,013</u>	<u>45,538</u>	<u>48,377</u>
Total revenues	<u>\$ 410,980</u>	<u>\$ 373,077</u>	<u>\$ 818,679</u>	<u>\$ 697,208</u>

Software-enabled services	\$ 272,518	\$ 244,763	\$ 548,970	\$ 450,549
Maintenance and term licenses	114,916	111,324	225,679	221,274
Total adjusted recurring revenues	<u>387,434</u>	<u>356,087</u>	<u>774,649</u>	<u>671,823</u>
Perpetual licenses	3,822	5,039	6,650	10,254
Professional services	22,831	23,286	42,307	45,449
Total adjusted non-recurring revenues	<u>26,653</u>	<u>28,325</u>	<u>48,957</u>	<u>55,703</u>
Total adjusted revenues	<u>\$ 414,087</u>	<u>\$ 384,412</u>	<u>\$ 823,606</u>	<u>\$ 727,526</u>

Note 2. Reconciliation of Operating Income to Adjusted Operating Income

Adjusted operating income represents operating income adjusted for amortization of intangible assets, stock-based compensation, purchase accounting adjustments for deferred revenue and related costs and other expenses. Adjusted operating income is presented because we use this measure to evaluate performance of our business and believe it is a useful indicator of the underlying performance of the Company. Adjusted operating income is not a recognized term under GAAP. Adjusted operating income does not represent operating income, as that term is defined under GAAP, and should not be considered as an alternative to operating income as an indicator of our operating performance. Adjusted operating income as presented herein is not necessarily comparable to similarly titled measures. The following is a reconciliation between adjusted operating income and operating income, the GAAP measure we believe to be most directly comparable to adjusted operating income.

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating income	\$ 89,985	\$ 66,037	\$ 179,702	\$ 116,481
Amortization of intangible assets	52,742	51,995	105,150	101,675
Stock-based compensation	10,378	12,566	21,278	27,913
Capital-based taxes	375	—	750	472
Purchase accounting adjustments (1)	2,653	8,630	3,005	24,258
Other (2)	1,212	1,301	2,896	4,919
Adjusted operating income	<u>\$ 157,345</u>	<u>\$ 140,529</u>	<u>\$ 312,781</u>	<u>\$ 275,718</u>

- (1) Purchase accounting adjustments include (a) an adjustment to increase revenues by the amount that would have been recognized if deferred revenue were not adjusted to fair value at the date of acquisitions and (b) an adjustment to increase personnel and commissions expense by the amount that would have been recognized if prepaid commissions and deferred personnel costs were not adjusted to fair value at the date of the acquisitions.

- (2) Other includes expenses and income that are permitted to be excluded per the terms of our Credit Agreement from Consolidated EBITDA, a financial measure used in calculating our covenant compliance. These include expenses and income related to currency transactions, facilities and workforce restructuring, legal settlements and business combinations, among other infrequently occurring transactions.

Note 3. Reconciliation of Net Income to EBITDA, Consolidated EBITDA and Adjusted Consolidated EBITDA

EBITDA represents net income before interest expense, income taxes, depreciation and amortization. Consolidated EBITDA, defined under our Credit Agreement entered into in July 2015, as amended, is used in calculating covenant compliance, and is EBITDA adjusted for certain items. Consolidated EBITDA is calculated by subtracting from or adding to EBITDA items of income or expense described below. Adjusted consolidated EBITDA is calculated by subtracting acquired EBITDA from consolidated EBITDA. EBITDA, consolidated EBITDA and adjusted consolidated EBITDA are presented because we use these measures to evaluate performance of our business and believe them to be useful indicators of an entity's debt capacity and its ability to service debt. EBITDA, consolidated EBITDA and adjusted consolidated EBITDA are not recognized terms under GAAP and should not be considered in isolation or as alternatives to operating income, net income or cash flows from operating activities as indicators of our operating performance. The following is a reconciliation of EBITDA, consolidated EBITDA and adjusted consolidated EBITDA to net income.

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,
	2017	2016	2017	2016	2017
Net income	\$ 51,151	\$ 28,221	\$ 99,298	\$ 35,226	\$ 195,068
Interest expense, net	26,295	32,846	55,315	65,935	117,834
Provision for income tax	11,342	4,982	21,495	13,485	40,630
Depreciation and amortization	58,656	58,167	117,213	113,440	232,456
EBITDA	147,444	124,216	293,321	228,086	585,988
Stock-based compensation	10,378	12,566	21,278	27,913	43,929
Capital-based taxes	375	—	750	472	1,760
Acquired EBITDA and cost savings (1)	81	1,046	889	5,814	6,274
Non-cash portion of straight-line rent expense	478	769	546	1,553	1,191
Loss on extinguishment of debt	—	—	2,326	—	2,326
Purchase accounting adjustments (2)	2,653	8,630	3,005	24,258	10,366
Other (3)	2,409	1,289	4,164	6,754	3,301
Consolidated EBITDA	\$ 163,818	\$ 148,516	\$ 326,279	\$ 294,850	\$ 655,135
Less: acquired EBITDA	(81)	(1,046)	(889)	(5,814)	(6,274)
Adjusted Consolidated EBITDA	\$ 163,737	\$ 147,470	\$ 325,390	\$ 289,036	\$ 648,861

- (1) Acquired EBITDA reflects the EBITDA impact of significant businesses that were acquired during the period as if the acquisition occurred at the beginning of the period, as well as cost savings enacted in connection with acquisitions.
- (2) Purchase accounting adjustments include (a) an adjustment to increase revenues by the amount that would have been recognized if deferred revenue were not adjusted to fair value at the date of acquisitions and (b) an adjustment to increase personnel and commissions expense by the amount that would have been recognized if prepaid commissions and deferred personnel costs were not adjusted to fair value at the date of the acquisitions.
- (3) Other includes expenses and income that are permitted to be excluded per the terms of our Credit Agreement from Consolidated EBITDA, a financial measure used in calculating our covenant compliance. These include expenses and income related to currency transactions, facilities and workforce restructuring, legal settlements and business combinations, among other infrequently occurring transactions.

Note 4. Reconciliation of Net Income to Adjusted Net Income and Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share

Adjusted net income and adjusted diluted earnings per share represent net income and earnings per share before amortization of intangible assets and deferred financing costs, stock-based compensation, capital-based taxes and other unusual and non-recurring items. Adjusted net income and adjusted diluted earnings per share are not recognized terms under GAAP, do not represent net income or diluted earnings per share, as those terms are defined under GAAP, and should not be considered as alternatives to net income or diluted earnings per share as indicators of our operating performance. Adjusted net income and adjusted diluted earnings per share are important to management and investors because they represent our operational performance exclusive of the effects of amortization of intangible assets and deferred financing costs, stock-based compensation, capital-based taxes, other unusual and non-recurring items, purchase accounting adjustments, and loss on extinguishment of debt that are not operational in nature or comparable to those of our competitors. The following is a reconciliation between adjusted net income and adjusted diluted earnings per share and net income and diluted earnings per share.

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
GAAP – Net income	\$ 51,151	\$ 28,221	\$ 99,298	\$ 35,226
Plus: Amortization of intangible assets	52,742	51,995	105,150	101,675
Plus: Amortization of deferred financing costs and original issue discount	2,625	2,659	5,281	5,312
Plus: Stock-based compensation	10,378	12,566	21,278	27,913
Plus: Capital-based taxes	375	—	750	472
Plus: Loss on extinguishment of debt	—	—	2,326	—
Plus: Purchase accounting adjustments (1)	2,653	8,630	3,005	24,258
Plus: Other (2)	2,409	1,289	4,164	6,754
Income tax effect (3)	(26,087)	(25,914)	(52,074)	(46,742)
Adjusted net income	\$ 96,246	\$ 79,446	\$ 189,178	\$ 154,868
Adjusted diluted earnings per share	\$ 0.46	\$ 0.39	\$ 0.90	\$ 0.76
GAAP diluted earnings per share	\$ 0.24	\$ 0.14	\$ 0.47	\$ 0.17
Diluted weighted-average shares outstanding	211,299	204,916	210,478	204,596

- (1) Purchase accounting adjustments include (a) an adjustment to increase revenues by the amount that would have been recognized if deferred revenue were not adjusted to fair value at the date of acquisitions and (b) an adjustment to increase personnel and commissions expense by the amount that would have been recognized if prepaid commissions and deferred personnel costs were not adjusted to fair value at the date of the acquisitions.
- (2) Other includes expenses and income that are permitted to be excluded per the terms of our Credit Agreement from Consolidated EBITDA, a financial measure used in calculating our covenant compliance. These include expenses and income related to currency transactions, facilities and workforce restructuring, legal settlements and business combinations, among other infrequently occurring transactions.
- (3) An estimated normalized effective tax rate of 28% has been used to adjust the provision for income taxes for the purpose of computing adjusted net income.