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SSNC - Q3 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 third-quarter 2015 earnings call.

(Operator Instructions)

As a reminder, this conference is been recorded. I would like introduce your host for today's conference, Miss Justine Stone. Ma'am, please begin.

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

Hi, everyone, thank you for joining our Q3 2015 earnings call. I am Justine Stone investor relations for SS&C. With me 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 the various remarks we make today about future expectations, plans and prospects, including the financial outlook we provide, constitute forward-looking statements for purposes of the Safe Harbor Provision under the Private Security Litigation Reform Act of 1995.

Actual results may differ materially from those indicated by these forward-looking statements as a result of price important factors, including those discussed in the risk factors section of our most recent annual report on Form 10-K, which is on file with the SEC and can also be accessed on our website. These forward-looking statements represent expectations only as of today, November 2, 2015. While the Company may elect to update these forward-looking statements it specifically disclaims any obligation to do so.

During today's call 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.

A letter the call over to Bill.

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

Thanks, Justine. SS&C had a very exciting third quarter.

We closed on our acquisition of Advent Software in early July and announced our intention to acquire Citi alternatives funds services August 18. We acquired Varden Technologies on September 2 and announced our intention to acquire Primatics Financial on September 14.

SS&C grew our top line by over 60% to $311 million and adjusted net income by over 28%. Our EBITDA margin for Q3 came in at 42%.

This performance is a testament to SS&C's superior solutions, the technologists we employ that are constantly innovating and our relentless focus on sales and marketing to win new clients. We also have very capable managers that deliver first-class service to our customers every day.

We've made tremendous strides with the integration of HiPortfolio and Anova and are tracking ahead on the Advent cost synergies. We are beginning to see positive momentum in our revenue on the Advent cross sales efforts.

With that I go through over to Norm.

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

Thanks, Bill. SS&C's third quarter is marked by our acquisition activity, closing Advent and announcing three additional acquisitions, but also by our strong results and ability to maintain and improve a lot of our business.

As of September 30, SS&C has owned DST Global Solutions business for 10 months. During this time frame SS&C HiPort and Anova have achieved numerous milestones, including $13.1 million of run rate cost synergies, expanded services for nearly 20 customers and solution integration. HiPort Anova has been integrated with SS&C's world class solution for performance and attribution, hosting and outsourcing and client communications and reporting. Globally, customers have benefited from the seamless integration of solutions.

We've also achieved some of our goals in relation to our acquisition of Advent Software, which closed July 8. We are tracking ahead of plan on the $45 million three-year synergy target with $30 million in run rate synergies implemented as of September 30. We've also initiated a formal cross sale program that is gaining traction.

The leadership changes and reorganization will allow us to offer the highest level of service and support and all of our clients an even better positioned to succeed. Pete Hess who has served as Advent's President and CEO will lead SS&C's Advent business unit as senior vice president and general manager and will receive the establishment of two distinct market-facing teams, SS&C Advent Advisory Market Group and SS&C Advent Asset Management and Alternative Markets Group. We are excited to usher Advent into a new phase of growth and innovation and to deliver expanded benefits that we can now bring to our clients as a combined force.

Now I'd like reveal some of the key deals for Q3. We won business from four Australian clients to develop a [Frankens] credits module for HiPortfolio, which is an Australian tax incantation applied to dividends. Our current money market manager client is enhancing their global platform to support automation of cash, credit transactions for US and EMEA operations that are currently handled annually.

The mid-size Northeastern Bank joins our ASP fixed income and debt and derivatives products to manage its trade and derivatives portfolio. SS&C offering scored the highest on feature function and support as compared to any other provider that bid on the business. We believe there are many more banks we can this will deliver the solution to.

Financial management firm chose to host and have integrated data manager for SS&C Advent APX Moxy solution. We are seeing more opportunities like utilizing Advent's on demand services for prospects that currently use our competitors' solutions.

An $11 billion asset manager, who is an existing Advent APX client, purchased SS&C reconciliation tool. And finally a Caribbean investment and wealth manager, a long standing PORTIA client converted to our full BPO services.

I will now turn it over to Rahul to discuss the alternatives' business.

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

Thanks, Norm.

SS&C's alternatives business had a 7% increase in revenue for Q3 2015 compared to Q3 2014. We continue to see sales trends and competitive take-aways as well as winning new launch mandates. A newly formed private capital group signed its first customer and is gaining momentum in building a pipeline.

In August, SS&C announced our agreement to acquire Citi's alternative funds services business for $425 million, subject to certain adjustments. We expect that this acquisition will position SS&C as the second largest fund administrator in the world.

Citi alternative investment services includes a team of 1,700 professionals across the globe, including offices in New York, New York, Jersey City, New Jersey, Columbus, Ohio, Dublin and Gurgaon, India. We are excited close this deal in early 2016 and look forward to having them join SS&C.

Key deals for the second quarter include the following. A global investment bank collected SS&C for fund administration for its high-volume trading hedge fund. Trade capture processing and trade compression capabilities was an important selling point and we believe our trade processing and compression capabilities will be useful in winning other high-volume trading mandates in the future.

A $4 billion credit fund converted from a competitor to SS&C's fund services platform because we could better handle their complex structure. A global asset manager converted to SS&C's fund services platform from a competitor for our superior middle and back-office capabilities.

A $300 million start-up fund chose SS&C for our expertise in credit and complex structures, in particular as it relates to profit and loss allocation capabilities. As fund structures continue to get more complex, our ability to automate allocations and fee calculations is increasingly advantageous in conversations with prospects.

A Singapore-based real estate investment firm chose SS&C's private equity fund services and treasury services. We were chosen for expertise in complex structures and the firm's asset classes specifically around real estate. The fund is well known in the region and we hope to build on this win.

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

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

Thanks, Rahul.

Results for the third quarter were GAAP revenue of $280.9 million. A GAAP net loss of $34.6 million and a diluted loss per share $0.36. Adjusted revenue was $311.4 million and excluded the adjustment for acquired deferred revenue in the Advent and HPA acquisition.

We closed the Advent acquisition on July 8, but we determined that the first seven days of July were not significant to our results. So we used as a simplified method and started Advent results in our financials at the beginning of the quarter.

Adjusted revenue increased $118.8 million, or 61.7% in Q3. Advent contributed $101.8 million of adjusted revenue in the quarter and our HPA business, the DST acquisition, contributed $15.2 million. We also had negative impact from foreign exchange currencies of $3.7 million or 1.9% of the quarter.

Adjusted operating income was $125.3 million. It increased $46.7 million or 59% from the third quarter of 2014. Operating margins decreased to 40.2% from 40.8% in Q3 of FY14. Margins were impacted by expenses growing faster than revenues in certain businesses as we made investments for the future.

The acquisitions had strong performance in the quarter, as both Advent and the HPA business had operating margins of over 41%. Synergies at both acquisitions are progressing ahead of plan. Advent had cost synergies of $6.6 million in the quarter and a $30 million run rate is expected of the January 2016.

Adjusted consolidated EBITDA was $130.8 million or 42% of revenue. Net interest for the quarter was $32.6 million and includes $2.6 million of non-cash amortized financing costs and OID. Interest expense increased due to the $3 million credit facility and notes we put in place to acquire Advent.

We recorded a GAAP tax benefit in the quarter of $6.5 million or 16% of pretax loss. The tax benefit was impacted by certain acquisition costs that are non-deductible for tax purposes.

Adjusted net income was $68.6 million and adjusted EPS was $0.68. Adjusted net income excludes $43.3 million of amortization of intangible assets. $23.1 million of stock-based compensation. $34.4 million loss on the extinguishment of debt.

$13.5 million of acquisition deal costs. $2.6 million in non-cash debt issuance costs and $2.9 million of severance pay related to the Advent acquisition. $27.3 million of personal accounting, which includes the revenue adjustment and $6.0 million gain we excluded mostly related to FX translations of certain balance sheet items. And we use an effective tax rate of 28% for adjusted income.

On the balance sheet, as of September 30, we had $503.8 million in cash and $2.9 billion of gross debt for a net debt of $2.396 billion. Operating cash flow for the nine months was $120.6 millions a $43.7 million decrease from 2014, but we had approximately $66.4 million of Advent and financing transaction costs that impacted the Q3 cash flow.

Highlights for the nine months in the quarter on cash flow. We paid down $180 million of debt since the Advent acquisition on July 8. We've used $12.8 million for capital expenditures and capitalized software for the nine months. For the nine months we've paid $35.9 million in cash taxes compared to $27.8 million in 2014. Our accounts receivable to DSO was 45 days as of September.

In financing acquisition, proceeds from the option exercises of $10.6 million and we had a tax benefit related to those option exercise of $11.1 million. And then we had the $12.1 million dividend in Q3 for a year-to-date total of $33.2 million.

Our LTM EBITDA, which we used for covenant compliance and includes acquisitions as if they're owned for the full period, an implemented cost savings was $429.3 million as of September and includes $10.6 million of acquired EBITDA and cost savings related to DST acquisition and $130.6 million (inaudible) the debt position. [Embedded] on net debt of approximately $2.4 billion, our total leverage ratio was 4.5 times.

On the outlook for Q4, our current expectation for the fourth quarter of 2015 is revenue in the range of $312 million to $320 million, adjusted net income of $68.4 million to $72.2 million and diluted shares in a ranch of $101.9 million to $102.4 million.

We've assume that we'll achieve about the $7 million of synergies in the fourth quarter with the Advent acquisition. And our total adjusted operating margins for the total company will be approximately 40.3 to 40.6 in the fourth quarter.

And for the full year, we expect cash from operating activities to be in the range of $210 million to $220 million and again that includes the $66 million of deal and financing costs that negatively impact cash flow. And capital expenditures in the range of 2% to 2.4% of revenues for the full year.

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

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

Thanks, Patrick. Our results are indicative of SS&C's leverageable business model and the deep industry expertise we possess. Management is concentrating on the integration of our recent acquisitions to ensure a seamless client experience.

As many of you are aware, we're hosting an analyst day this coming Wednesday, November 4 in New York City. That day we will also be ringing the opening bell for NASDAQ. We are excited to give you a deeper look into our business with presentations by senior management, we'll also be having a webcast available for those of you who cannot attend.

Any of you that need additional information please contact Justine. And now we will open it up for questions.

QUESTIONS AND ANSWERS

Operator

Thank you, sir.

(Operator Instructions)

Ashish Sabadra, Deutsche Bank.

Ashish Sabadra - *Deutsche Bank - Analyst*

Congrats on the solid results, the margin definitely came way ahead of what we were expecting and, Patrick, you talked about the synergies, cost synergies running ahead $30 million for the quarter. Just so that -- when you look at it, what do you think about the cost synergies now, given the recent guidance of $45 million? What do you think is realistically achievable given the solid progress that you've made so far?

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

Ashish, I will take it for a second and then Patrick can add and Norm perhaps. We have a really talented team at Advent and we are focusing on how we operate the business, kind of dove tailing a lot of the strengths that they have. I think that we are increasingly confident on the $45 million.

But I wouldn't say that we of yet decided to move that number up. I do think that our confidence level is very high and that we have done some things more quickly and Pete's done a good job. The two businesses that Norm spoke about, both the advisory and the institutional and alternatives business, are run by very talented guys in David Welling and Rob Roley. So we have high expectations of them. And I think that Jim Cox has done a good job on keeping control of the expenses and really giving us heads up in areas we can continue to find synergies and really try to improve the business.

We are not afraid to spend the money either as we are trying to accelerate revenues. Patrick, I don't have anything to add.

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

I think that was a pretty good summary. I think we've got a ways to go to get to $45 million. I think we're doing really well. We are probably, at this point with a $30 million run rate on January 1, we are probably running about six months ahead of where we had planned. So I think we are doing pretty good and we are confident of achieving all the synergies.

Ashish Sabadra - *Deutsche Bank - Analyst*

That sounds great. Just on the revenue synergies side. Can you just give us some more color around wrapping more services around the software license model. How that is coming along and also you can comment on the pipeline for Advent in particular or in general?

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

I will take that, Bill.

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

Sure.

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

A couple things in relation to the synergies we talked about earlier, you see we move pretty fast and one of the reasons we wanted to that is we wanted to focus on revenue synergies. So we have a formal cross sales program in place. It's important that this year we reach out to as many prospects as we can to start getting a comfort level for which of our products and services they have an appetite for. And we're already seeing some things in regular services and Syncova, which is an Advent product and service, our reconciliation tool. So we're already seeing some traction there and that's what we are going to continue to focus on and roll out more formal marketing campaigns going forward.

But that is really what we are trying to do is drive the growth. There will be opportunities over the course of the next 18 months as we see what makes sense to capture some more cost synergies, but the real focus right now is going to be on driving revenue growth.

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

And I would say, Norm, there's been several things we've done together that has already begun to bear fruit, where we have been able to add our hosting and data center capabilities, our ASP and ASP Plus capabilities and also, as Norm said, the Syncova collateral optimization is a big help in a big win we had recently and we have other parts of the Advent offering that is being cross sold as we speak.

I think one thing to remember is we expected to close Advent in late April or early May and we ended up closing on July 8, which puts us back a couple months, but we are revving up the machine and we are pretty optimistic.

Ashish Sabadra - *Deutsche Bank - Analyst*

That's great. That's great, Bill. And just maybe quickly on Citi. Any update on the timing of that acquisition?

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

We expect it to be done in the first quarter of FY16 and we would hope it would be early in the first quarter.

Ashish Sabadra - *Deutsche Bank - Analyst*

That's great. Thanks again and congrats on the quarter.

Operator

Brad Zelnick, Jefferies.

A.J. Ljubich - *Jefferies & Co. - Analyst*

High this is A.J. Ljubich on for Brad. Just wondering, for the whole year revenue guidance has been brought down a little bit. Can you talk about some of the factors that caused this and are you considering any revenue from Primatics factored into that full-year revenue guidance?

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

Right now we don't have any Primatics revenue in our guidance, although we do expect that to close this quarter. And then I think that, again as I just said, we closed Advent 60 days later than we expected. Some of the revenue synergies that we expected to get, we have been hampered by a little bit by closing 60 days later

And, secondly, I don't think September was a very good month for the markets. So that kind of tempers where we're at and we also have not had any luck at all with FX. So we've had headwinds on FX the whole year. I still think that we're very optimistic on driving a lot of revenue and, obviously, we are driving a lot of earnings.

A.J. Ljubich - *Jefferies & Co. - Analyst*

Great. Thanks. And just one quick follow-up, as you think about your sort general organic growth target of 5% to 10%. What do you think the prospects are for that going forward and do you expect to drive you, potentially, to the higher end of that range?

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

I think, again, it comes down to attitude. I think that our people are getting used to each other and understanding that we are aggressive. And so we go after and win and we've been having a lot of luck lately on take-aways and there is a lot of stuff that we have signed that hasn't showed up at all in the financial statements, as almost everything we sell now is term based and so we get it a month at a time.

So we are pretty excited about what our pipelines look like and we believe we have some really talented sales managers with really talented sales force. Whether that is Eamonn Greaves or it's Marc Flamini or it's Jack Quinn and a number of others, Mark Bramley in Crompton. We have high expectations and, I believe, as we start knocking the ball around a little bit that we are going to see is a lot of synergies come in and a lot of things that we can sell that we never even dreamed our clients needed thus far.

A.J. Ljubich - *Jefferies & Co. - Analyst*

Great, thank you.

Operator

Peter Heckmann, Avondale.

Peter Heckmann - *Avondale Partners - Analyst*

Good afternoon, everyone. I wanted to follow up on trends that you saw in the alternative space in the quarter. Can you talk about any noticeable changes in net flows given some the volatility, either by sector or by geography. Anything worth calling out there? And when you think about the total AUA, how much should we expect to really track with the broader market as well as -- how does the pending add of Citi change the composition of the AUA? Is there anything to call out there in terms of how we should be thinking about that?

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

This is Rahul. You think in terms of AUA in the quarter, we actually saw it go down $9 billion from $668 billion. Actually, we saw it go down $11 billion. $668 billion to $657 billion. You think that what we would expect to see in terms of cyclical. That's obviously the net of new client additions, performance as well as fund flows. You think in terms of sectors, the hedge funds, obviously, got impacted, the majority of that. I think we're continuing to see lift in private equity and those assets, obviously, don't fluctuate quarter to quarter.

Citi's composition in the hedge fund client base looks very much like ours but Citi does have a pretty big private equity business that will add a bunch of assets. So, if anything, post Citi we expect to have as a percentage of our total a greater percentage of private equity assets than before.

Peter Heckmann - *Avondale Partners - Analyst*

Okay. And then in terms of thinking about those Advent synergies, if we're looking at $6 million in the third quarter and $7 million in the fourth, what's the delta that gets us to that $30 million run rate? Were there some additional synergies that I wasn't aware of or is there something that's occurring at that time?

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

There are additional synergies that we've implemented that aren't in place until January 1.

Peter Heckmann - *Avondale Partners - Analyst*

January 1, okay. Great.

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

So today we're running about a $25 million run rate if you look at what benefit we've got on the P&L. And then the fourth quarter we will be running at a $28 million annual run rate, $7 million times 4 and on January 1 we should be running at $30 million.

Peter Heckmann - *Avondale Partners - Analyst*

That makes sense.

Operator

Rayna Kumar, Evercore ISI.

Rayna Kumar - *Evercore ISI - Analyst*

Could you call out organic growth rate and any FX headwinds for the quarter?

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

The FX was $3.7 million on the revenue, line item.

Rayna Kumar - *Evercore ISI - Analyst*

And the organic growth rate?

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

A little bit under 3%.

Rayna Kumar - *Evercore ISI - Analyst*

Could you discuss your timeline to bring margins from the Citi acquisition up to your consolidated margins?

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

I think it'll probably take us a couple of years, probably two to three years, to get them up to our current EBITDA margins and we expect to see marginal improvement from Citi starting in 2016 and it'll probably pretty phased. We will probably get one bump early as we make some changes in the integration process and then we expect to have steady improvement until we get up to our margins.

Rayna Kumar - *Evercore ISI - Analyst*

Got it. That is very helpful and then just one last question. It looks like you saw a slow down in organic revenue growth. What were the drivers to that and how are you going to bring it back up to your 5% to 10% target? Thank you.

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

Again on the organic revenue growth, obviously, we were working hard in trying to close Advent and, like I said, in May and we didn't get to close them until July 8. And then I think some of the things that we've done, just as a business, we are adding additional business all the time and I think that getting away from perpetual licenses has put a little bit of a short-term and a little slower on our organic revenue growth than we would have liked.

As professional licenses are becoming more and more difficult to close, particularly large ones. Right? More and more of our clients want to buy by the drink, which really lends itself to a term-license revenue model. Already we're at 91% recurring revenue basis.

So I think as we ramp-up additional products and services cross-selling into the Advent client base and then continuing to perform on the HiPortfolio and try to drive our institutional business back into the 5%, 6% range, I think, is where our real challenges is because, obviously, from our alternatives, which is -- our biggest business grew at about 7% in the third quarter. So I think those were where are challenges are and we are doing a number of things to drive some revenue growth in the license businesses that the run around the world.

Rayna Kumar - *Evercore ISI - Analyst*

Thank you.

Operator

Chris Shutler, William Blair.

Andrew Nicholas - *William Blair & Company - Analyst*

This is Andrew Nicholas filling in for Chris. I believe there was a recent conference, Bill, you commented that you see opportunity next couple of years to consolidate the back end of your portfolio accounting systems. Just wondering if you could provide some additional detail on what products you're talked about there. How developed that plan is and, possibly, the eventual cost savings that you see from doing that.

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

Yes, I don't think that we are at all concerned about the advantage we get out of cost savings. We don't think it is going to be very much. The only reason that we would move to collapsing any of our service offerings is because we think we have a service level commitment with a different product that would satisfy our clients more than what they are being satisfied now.

We are very driven by what our client preferences are. So while last year, I think the biggest win was a San Francisco based fund of funds that is on our total return product. Also the new private capital business that we have is also running on our total return product and we just signed one of the largest family offices in the country. So we are excited about that. We have as this capability, I think Norm talked a little bit before about how we're doing a franking model with four large Australian clients. That is all built around the HiPortfolio database and intelligence that's built in there.

So we think Geneva is a real harsh forest and we think that if there's opportunities for us to build that out and be able to incorporate a lot functionality, it already has a wonderful technical underpinnings. But you don't just bring in Australia and capital gains or Australian franking or Swiss GAAP or bill S3 accounting in Canada or the regulatory requirements of the Fed. There is just a lot of things that you have to look at and what you don't want to do is upset your clients through the transition period.

So we are not doing that for anything to do with a cost savings initiative. We are doing it more in order to be able to satisfy our clients' needs and trying to make sure that we're meeting what they want to do over both the short and long-term.

Andrew Nicholas - *William Blair & Company - Analyst*

Makes sense. Thank you. And that a question for Rahul, I believe, can you talk a little about the pipeline in fund administration? Looks like you guys had quite a few nice wins in the third quarter. Was just wondering how some of those additional sales have progressed and if there are any prospects that have fallen out of the pipeline. Thank you.

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

I think as Bill said, we are continuing to see trends, particularly in competitive take-aways, I think we are getting to that time of the year were folks at providers in the new year and there's a pretty healthy pipeline built up as a result of that. I think the other area that has been particularly strong for us and continues to be strong is our private equity business. We've seen greater outsourcing in the private equity area and we continue to see some pretty large fund groups speak to us.

Andrew Nicholas - *William Blair & Company - Analyst*

Great. Thank you.

Operator

Hugh Miller, Macquarie.

Hugh Miller - *Macquarie Research Equities - Analyst*

Just had a question following up on the comment about the PE space, obviously, you guys mentioned about having a greater expression post the CFS deal. Where do things stand now for the percentage of admin that is outsourced and is there anything coming down the road that could be an inflection point to kind of see a greater shift toward the demand for outsource?

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

You think our estimate is probably 15% maybe 20% of the private equity industry based in terms of AUA outsources now. It tends to be smaller middle-market funds, I think a lot of the great big private equity firms that have built big operations are still in the exploratory stages. And those are some of the folds that we're having conversations with. We do think that both as a result of the ability to access technology on the scale of which we've invested in it, as well some of our experts, are moving those folks closer to outsourcing, but it's a process.

Hugh Miller - *Macquarie Research Equities - Analyst*

Okay. And you guys have talked in the past about Advent and they had kind of tossed in professional services for free when they were selling licensing services and it being a bad habit. Can you just talk about what's been the initial client reaction as you've gone into maybe tried to change that strategy. Are clients comfortable with that? Are you seeing any pushback? Any color there?

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

I'll take that, Bill. I think one of the things that professional services -- it's important to understand with professional services is we're adding value to our customers, so we think what's pretty clear is the Advent team in particular has a very strong level of expertise. They are worth paying and they are worth getting paid their full rate. So that's more of a process and a cultural change that the client's not going to notice because each time we sell the business, we are selling our value proposition. But we have team looking at that, there is a formal process and we have a strategy to improve those margins and we expect that that will happen pretty quickly.

Hugh Miller - *Macquarie Research Equities - Analyst*

Okay. And last question for me, we saw days outstanding at, I think, about 45 days. As we think about 2016 and as you have the CFS franchise tucked in, and with Advent as well, what should we think about as a targeted days sale outstanding for the combined franchise?

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

This is Patrick. The uptick this quarter, I think we have been running around 42 days or so prior to Advent, the uptick this quarter is pretty much, for the most part, due to Advent. I think they've got a lot different DSO characteristics than our business because what they are doing is they are billing annual contracts at a time, where we are billing monthly.

So the collection process on the Advent takes a little bit longer. It is not an issue of them having any bad debt exposure because they haven't historically. But it takes a little longer to collect the large annual license billings. And so I would expect we would probably be around the 44 to 45 to 46 days when you combine us with Advent.

Hugh Miller - *Macquarie Research Equities - Analyst*

Okay. That's helpful. Thank you very much.

Operator

Sterling Auty, JPMorgan.

Sterling Auty - *JPMorgan - Analyst*

Bill, you kind of touched on Primatics in terms of close, but maybe to help investors, can you just summarize both Varden and Primatics the approximate close dates and what you think it actually will contribute as it layers in?

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

Yes. Great to hear you, Sterling. We're honored.

Sterling Auty - *JPMorgan - Analyst*

Great to be heard.

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

Varden we closed September 14 or September 18 and that is a great technology. We bought stuff in Boston. I think the ultimate payout will be about $25 million for that business. We are excited about the technology.

It should probably generate $10 million a year in revenue or so and a few million in EBITDA to start with, but we think we can leverage it across our client base and, obviously, they haven't had anything like the 150 strong sales marketing organization we have that can help market for them. So we're excited about that. We've got some really talented people in that group. And we have a big presence in Boston that will really help launch that for us.

Primatics is in Arlington, Virginia, or McLean, Virginia, and they have about 350 people. They are very sophisticated in loan analysis and loan information delivery to places like the Fed, the Treasury, and the SEC. So it's a very critical part of the analysis of loans and we are excited to have about 55 clients. They generate -- this year we expect them to generate FY15 they will generate $55 million to $56 million in revenue. We expect it to tick up next year and we think that they will be running at 25% to 30% margins in 2016. So they ought to be generating between $12 million to $14 million in EBITDA.

We are excited about both of them. We think loans is a very strong asset class and we think that is going to continue. The world is searching for yield and this is one of the only places that they can get it and we think that we are well positioned and we think that Primatics will help us in that regard.

Sterling Auty - *JPMorgan - Analyst*

That's great. And you mentioned earlier the prepared remarks or in the answer to one of the questions. The challenging market in September and we get that question a lot from investors. So anything you can do to help characterize how investors should look at different moves in the markets, whether it be equity markets, fixed income markets, other and how they should think about the impact on your business would be very helpful.

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

Yes. Sterling, I think as long as the United States remains a democracy, and maybe we have a capitalist as a president, I think we will be in pretty good shape. I think that the United States has been around for 240 years or so and I think that there will be transitory ups and downs. Will there be another financial crisis like 2008, 2009? I kind of doubt it. Right? There hasn't really been another Great Depression even though there have been some periods of very low growth and recessions. And I think that it is always lessons learned.

Something else will happen and it will be bad, but it probably won't be as bad as the Great Depression and it probably won't be as bad as the financial crisis. But I think our job as managers and executives is to stay on top of things and listen to our clients and try to be able to move with them as they are executing their strategic plans as a really valued partner. A lot of you on the call work for the big places that one of the challenges is that you just get bigger. And then when you guys get smaller it is very, very difficult for your organizations. And that is why you are seeing such a move towards an outsourced model.

The only way the outsourced model is going to work for us in a 10 times revenue multiple for us is that we gather expertise. Right? So when Rahul talks about 1,700 people from Citi, the productivity that we will be able to get out of that 1,700 people is enormous.

The 350 people that we get from Primatics, those are all people that either they build loan systems, they implement loan systems, they design systems for loans or they answer questions on loans, or they sell loan systems. For me to go out from scratch and try to build a workforce of 350 people would it take me several years. Same thing with Citi. I couldn't get 1,700 people in hedge funds and private equity funds, it would take me a multitude of years. So you see what we've done with GlobeOps, you've seen what we've done with DST International, HiPortfolio and Anova.

We are confident in our ability to drive earnings and we are also really confident in our ability to build systems that people want to be able to accelerate our revenue. I think that is what is going to happen over the next several quarters and I just think it's a question of -- you go back a couple of years, even back to 2011, which is four years ago, SS&C is doing $381 million in revenue. This year we're going to do [$1.05] billion and next year we're going to do another few hundred million above that. So I'm just excited about where we are, what we are doing, the talent that we have and then the dedication and the will that I think the management team here exhibits.

Sterling Auty - *JPMorgan - Analyst*

That's great. Thank you, Bill. I appreciate that.

Operator

(Operator Instructions)

Chris Donat, Sandler O'Neill.

Chris Donat - *Sandler O'Neill - Analyst*

Bill, just wanted to comment on something you had in your prepared remarks and the press release that the opportunities presenting themselves today are larger and more lucrative than ever. Are you talking about opportunities like mergers like you just answered in the last question? Or is this more new clients or both?

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

Yes, Chris, I really think it's both. I think as you satisfy these larger and more sophisticated companies -- we did a large lift out of Aries a couple years ago and it is really been a success. It's not perfect nothing is ever perfect in this business. It's a detail business.

But, you know, when other large organizations sees that they don't have to hire all those people, right? All of you are in the research, the trading, the portfolio management, aka what's considered the front office in financial services. And more and more, when people walk around and see how big the IT department is getting or how big the accounting departments getting or the reconciliations department, and then oh my goodness, when we have all of those people we are going to have to have a bigger HR department. And once we have a bigger HR department, we certainly have to have a bigger legal department.

So pretty much what used to be a research, trading and portfolio management organization now becomes a very large institution that has to have all kinds of helpers. And so I think the outsourced model is not going away and if we can gather the resources and expertise, we have a great chance. And, lastly, I think on the acquisitions is I don't think that Citi is going to be the last major bank to decide to get out of this business. My guess over the next two or three years, there'll be at least four or five of them that get out of this business and my guess is that SS&C will nab at least one and probably more than one.

Chris Donat - *Sandler O'Neill - Analyst*

Okay. Awesome. And then just one question about the private equity business. Because there is not a lot of quarter in quarter out volatility in the marks there, but, I guess this might be for Patrick or Rahul. Is there a typical seasonality as you think about brining on the Citi business? Do you see private equity marks more typically happen in the fourth quarter or is that not really a seasonal thing?

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

This is Rahul. I think that the people make administration decisions pretty evenly during the course of the year. We've certainly seen pretty even growth in the private equity over the course of the year. Maybe a little more bunch towards year end because there is year end and the completion of the audit and financial statements are the natural time. But I say pretty even.

Chris Donat - *Sandler O'Neill - Analyst*

Okay. Got it. Thanks very much.

Operator

At this time I showed no further questions in the queue. I would like to back to Mr. Bill Stone for any closing comments.

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

Once again we really appreciate people coming and listening to us for our third quarter. I think we had 120 people on the call today, which is the most we've ever had. We continue to execute, that's really what we build a business on, and I think that you'll see over the next several quarters that we will be sticking to that knitting and we look forward to talking to you after the first of the year. And I hope everybody has a happy holiday season and we will talk to you in probably February. Thanks.

Operator

Ladies and gentleman, thank you for your participation in today's conference. This concludes the program. You may now disconnect. Everyone have a great day.
