

FTF NEWS

June 30, 2015

Q & A: 'It's Amazing How Money Talks'

Pete Hess, president and CEO of Advent Software, and Bill Stone, chairman and CEO of SS&C Technologies, offer insight into the conditions behind SS&C's acquisition of Advent.

Editor's note: This is another in a series of stories about SS&C Technologies and its acquisition of Advent Software. In mid-June, the U.S. Department of Justice cleared SS&C Technologies Holdings' pending \$2.7 billion cash acquisition of Advent Software, which was announced in February. When asked if this action means that the acquisition was going to happen during the second quarter, a spokesperson for SS&C says the company expects the deal to close during the third quarter of this year. In the meantime, Pete Hess, president and CEO of Advent Software, and Bill Stone, chairman and CEO of SS&C Technologies, provide more insight into the conditions behind the acquisition. Hess and Stone spoke to FTF News during the Advent Connect user conference mid-June in Las Vegas.

Q: How does the acquisition impact the vision and mission of Advent Software?

HESS: I think in a perfect world, investment managers would mainly focus on adding clients and making good investment decisions for their customers. But they also have to run infrastructure and technology and put a lot of focus on operations that distract their focus and resources from the things that make them money.

So, fundamentally, what can we do to shift that balance of focus and investment within

the investment manager to the things that make them money and away from the things that don't — a combination of technology and services to move that dial.

We've been incrementally chipping away at giving them better technology so that there were fewer spreadsheets and fewer people. They could get into new lines of business or strategies [and we] let them do that with a minimum of hiring.

We would always say to our clients, 'Before you hire anybody, call me up. Maybe there's something we can automate for you.' That was the approach.

Now, I think things have accelerated in terms of the complexity in their business with regulation. A lot of these investment managers, they're hanging it up. They're selling to somebody or they're going out of business.

If Advent and SS&C together can enable them to stay in business and not sell their companies or enable smaller companies to start up despite the added expense of all the regulatory stuff they have to deal with in compliance, that's a great aspiration for us.

That's why I think [the SS&C acquisition] is a lot more interesting because we can jump right ahead in terms of how close we are to that vision.



Pete Hess

STONE: I think in this space there are fewer and fewer people aspiring to come here. We have to attract people to this space. It's not easy. So, when Pete starts talking about automating things, it's necessity as much as it is regulation and things like that.

The ability for us to offer the range of outsourcing services that SS&C does to that very large-scale Advent client base is something that I think will be very attractive over time.

Our system hasn't been down for four minutes in over four years. That sort of scale, that expertise, that delivery mechanism, is very valuable to these people. If their system goes down during the trading day, they don't have current positions [and] sometimes, they have to wait on executions.



There's a lot of value in being able to offer different money managers, different levels of service based on their sophistication and their willingness to invest in that business.

Q: Pete, you had mentioned that you hadn't actually gotten there as far as the vision. I'm just wondering what you mean by that.

HESS: For a large number of our clients, we can't run their back office for them as a standalone company.

We do it for advisers and wealth management companies but we don't do it for hedge funds and we don't do it for traditional asset managers. So, we're not able to offer that to them.

We have many clients who are in that business. They use our tools to do that ... they're service providers.

But, for us, we want the relationship with the client, really, as much of it as we can and to grow our business. We're lacking those capabilities and the software.

There's a functional footprint that you need to run on at an investment management company. Half of that functional footprint, Advent addresses. We really want our clients to have the best tools within that functional footprint that we've earmarked as being what we should be doing. But we've been slow to get to the place where we're offering the absolute best tools for all those capabilities. SS&C has those best tools, so we can plug them in and we're there.

The gap between the vision and where we are is a combination of services that we don't offer and products that aren't yet mature enough to be the best.

Q: There was mention that this acquisition was discussed before. Was there something that sealed the deal this time around? Was there a particular aspect about it?

STONE: I think \$44 and quarter. It's amazing how money talks.

HESS: I said in the meeting this morning we dated for a while before we decided to get married. You needed to go through that journey. It was when [SS&C] bought GlobeOp and became a customer, our biggest customer and a great one. We had this really good relationship that started to cultivate.

Then it was like, 'Okay. That's comfortable.' I see the benefits of pulling this together. And then as Bill said, \$44 and 25 cents.

STONE: Also, the scale that we bring to the table is a lot different. ... What we found is that our ability to combine the service level with the technology is such a gigantic revenue accelerator. ... You move away from a license and a maintenance or even a term license to a basis-point charge based on AUM [assets under management] and service level.

You may take our list services. You may take our compliance services. You may take our hosting services. You may take our data services. You may take our financial statement services. You may take our footnote services. You may take our taxes. Almost everyone takes our NAV [net asset value]. You might take our regulatory solutions business.

The client wants these services and so your ability to have a \$20 million client, a \$30 million client is vastly enhanced versus in a license business when you get



Bill Stone

a \$5 million license — that is enormous. Then you get 20 percent maintenance generally on those kinds of things. That really means you get a \$1 million per year versus \$20 million.

At the end of five years — we're all very good at math — in one instance you got \$5 million and the other instance, you get \$100 million. It's unbelievable how it changes the math.

Q: Pete, what more do you want to do for the company? Do you want to just take your money and retire?

HESS: I think my wife wants that, but, no, I'm going to stay. ... It's just fun. When you've got a winning solution in anything you're doing, why would you walk away from that? I'm loyal to the employees. I'm loyal to the customers. I think there's a lot of really cool stuff that we can do. I think SS&C is going to be extremely successful. You want to be on a winning team. I like this industry. I love what I do. No, I'm not going to retire.

STONE: He's also the architect of this deal. A lot of times, the architect would like to see the building get built. **FTF**

<http://www.ftfnews.com/news/qa-its-amazing-how-money-talks/>

This reproduction is licensed via the CLA for a single reader use and should not be forwarded. The content is the copyright of the publication in question and the publication should be contacted regarding further reproduction, forwarding internally or to third parties.
NLA licensed copy. No further copies can be made except under licence

Financial Technologies Forum LLC. Copyright 2015. To subscribe, please visit ftfnews.com or call 646-395-6340.
For more information about reprints please contact info@ftfnews.com.