



SS&C Technologies (NASDAQ:SSNC)

Q4 2022 Earnings Results



Safe Harbor Statement

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Q4 2022 Highlights

- SS&C generated net cash from operating activities of \$369.7 million for the three months ended December 31, 2022, and \$1,134.3 million for the twelve months ended December 31, 2022.
- Q4 2022 we bought back 1.8 million shares for \$90.7 million, at an average price of \$50.14 per share.
- We paid down \$166.2 million in debt in Q4 2022, bringing our net leverage ratio to 3.40 times consolidated EBITDA attributable to SS&C.
- SS&C reported GAAP net income attributable to SS&C of \$207.5 million and adjusted consolidated EBITDA attributable to SS&C of \$518.6 million for Q4 2022.
- GAAP net income margin for Q4 2022 was 15.5%. Adjusted consolidated EBITDA margin for Q4 2022 was 38.7%, a 70 basis point increase from Q3 2022.
- Completed the acquisition of Complete Financial Ops, Inc., expanding our fund administration capabilities in servicing venture capital and family office funds.

Q4 2022 financial highlights

Metric	Q4 2022	Q4 2021	\$ +/-	% +/-
Adjusted Revenues (\$M)	\$1,339.1	\$1,296.2	\$42.9	3.3%
Adjusted Operating Income attributable to SS&C (\$M)	\$502.1	\$507.5	(\$5.4)	(1.1%)
Adjusted Consolidated EBITDA attributable to SS&C (\$M)	\$518.6	\$522.9	(\$4.3)	(0.8%)
Adjusted Consolidated EBITDA margin attributable to SS&C	38.7%	40.3%	(160 bps)	-
Adjusted Diluted Earnings Per Share attributable to SS&C	\$1.16	\$1.28	(\$0.12)	(9.4%)
Operating Cash Flow for the twelve months ended December 31 st (\$M)	\$1,134.3	\$1,429.0	(\$294.7)	(20.6%)

Note: See appendix for reconciliation of non-GAAP financial measures



Debt review and capital allocation

- Operating cash flow was \$1,134.3 million for the twelve months ended December 31, 2022
- Debt
 - Net leverage ratio is 3.40x, secured net leverage ratio is 2.40x LTM consolidated EBITDA attributable to SS&C of \$2,010.3 million.
 - Paid down \$166.2 million in debt in Q4 2022.
- Shareholder Returns
 - Treasury stock buybacks for Q4 2022 were 1.8 million shares for \$90.7 million, at an average price of \$50.14 per share. For full year 2022, treasury stock buybacks were 7.8 million shares for \$476.1 million at an average price of \$61.01 per share.
 - Paid \$201.3 million in common stock dividends for the twelve months ended December 31, 2022.
- Acquisitions
 - Completed the acquisition of Complete Financial Ops, Inc., expanding our fund administration capabilities in servicing venture capital and family office funds.

Organic Growth Calculations 2022



	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Total Adjusted Revenues (\$M)	1,296.2	1,330.0	1,322.0	1,339.1	5,287.3
Fx (\$M)	8.7	24.0	32.7	28.7	94.1
Acquisitions (\$M)	(17.4)	(65.6)	(68.2)	(72.5)	(223.7)
Organic Revenues (\$M)	1,287.5	1,288.4	1,286.5	1,295.3	5,157.7
Adjustments (\$M)	0.9	0.2	0.1	0.5	1.7
Adjusted Organic Revenues (\$M)	1,288.4	1,288.6	1,286.6	1,295.8	5,159.4
Organic Revenue Growth Rate (%)	4.3%	2.2%	1.6%	0.0%	2.0%



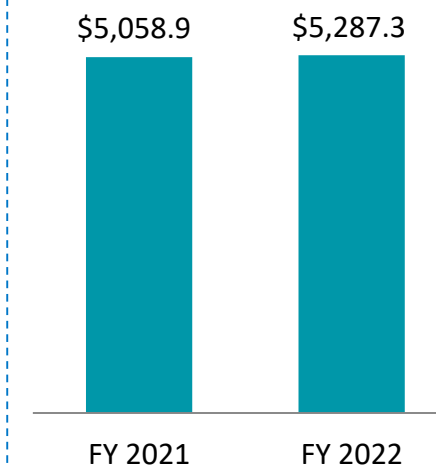
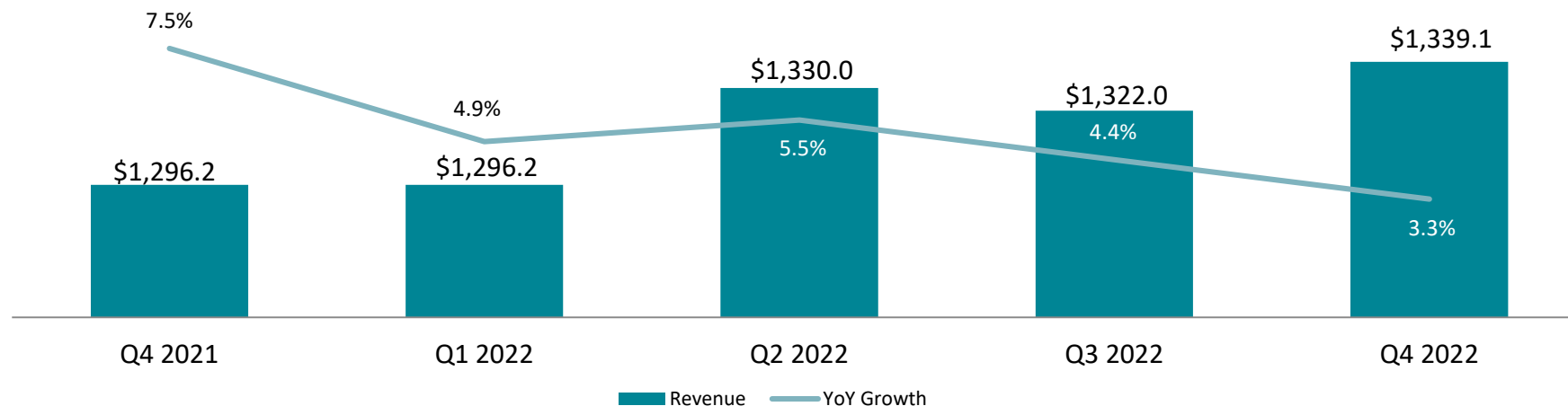
Adjusted Organic Growth by Business

- Organic Growth excluding Healthcare **1.3%** for Q4 2022, and **3.7%** for FY 2022

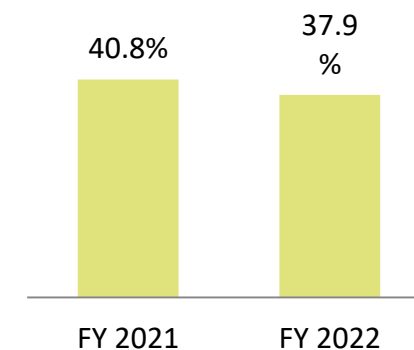
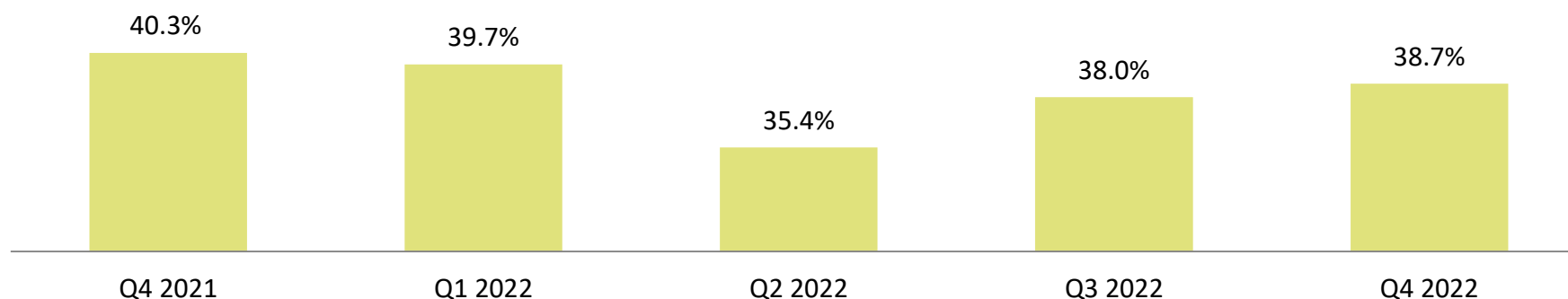
Business	2021 Revenue Base	Q3	Q4	FY 2022	
Alternatives	\$1.1 B	4.0%	4.5%	6.7%	Private Markets growing in high teens
Advent	\$540 M	7.8%	1.0%	6.7%	
DST Financial Services	\$1.8 B	(2.2%)	(3.2%)	(2.0%)	
I&IM	\$280 M	15.7%	4.9%	6.0%	Gaining traction with Aloha and Singularity
Healthcare	\$370 M	(20.3%)	(17.5%)	(19.5%)	Healthcare business impacted by expected client losses
Eze/Financial Markets	\$310 M	3.8%	(0.2%)	6.8%	
Intralinks	\$420 M	7.2%	3.6%	10.2%	Slower M&A market has impacted our Intralinks business, but alternatives continues to grow 15%+

Adjusted revenue and margins

Adjusted revenue (\$M)



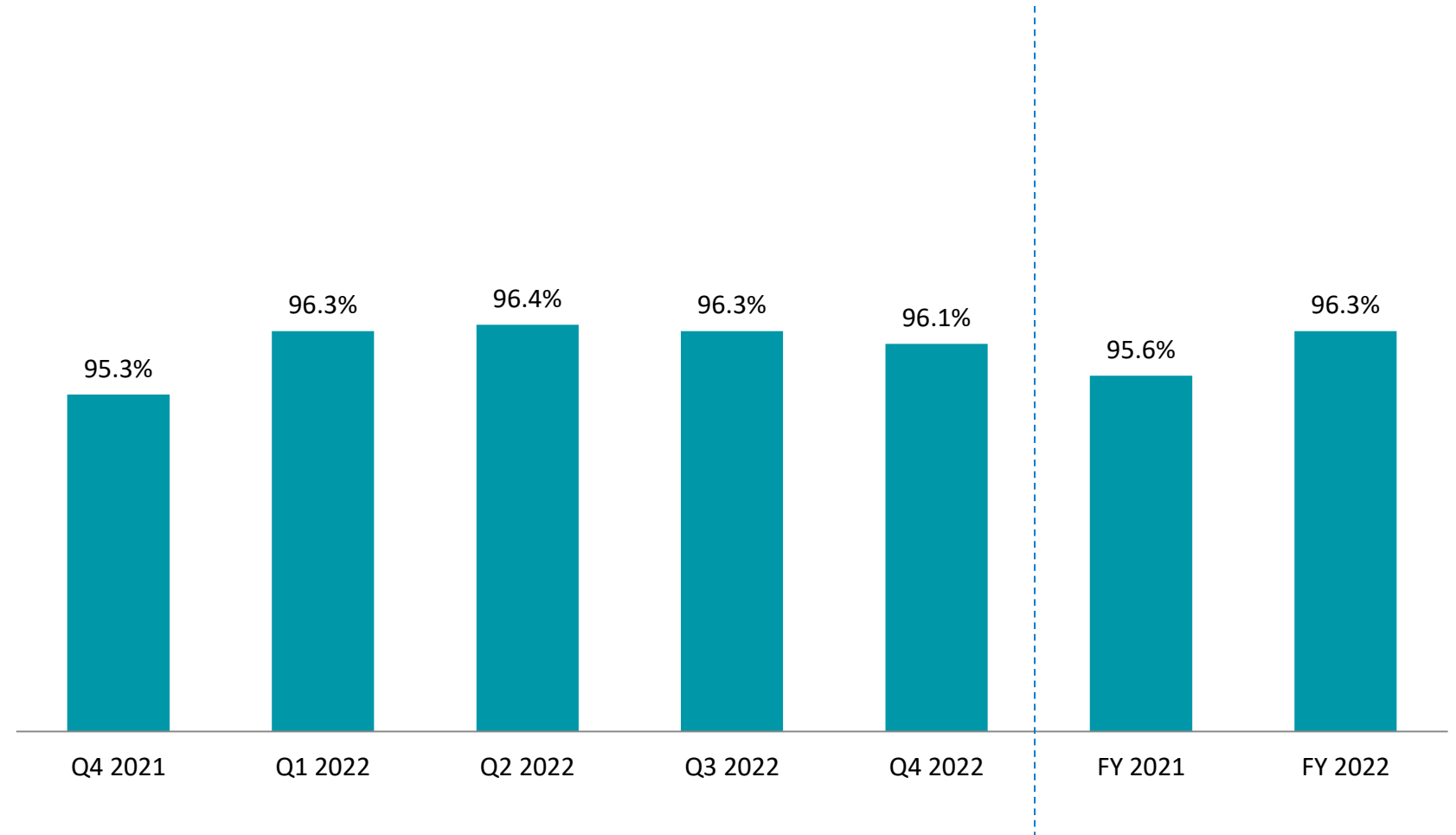
Adjusted consolidated EBITDA margin (%)



Note: See appendix for reconciliation of non-GAAP financial measures

Revenue retention rates

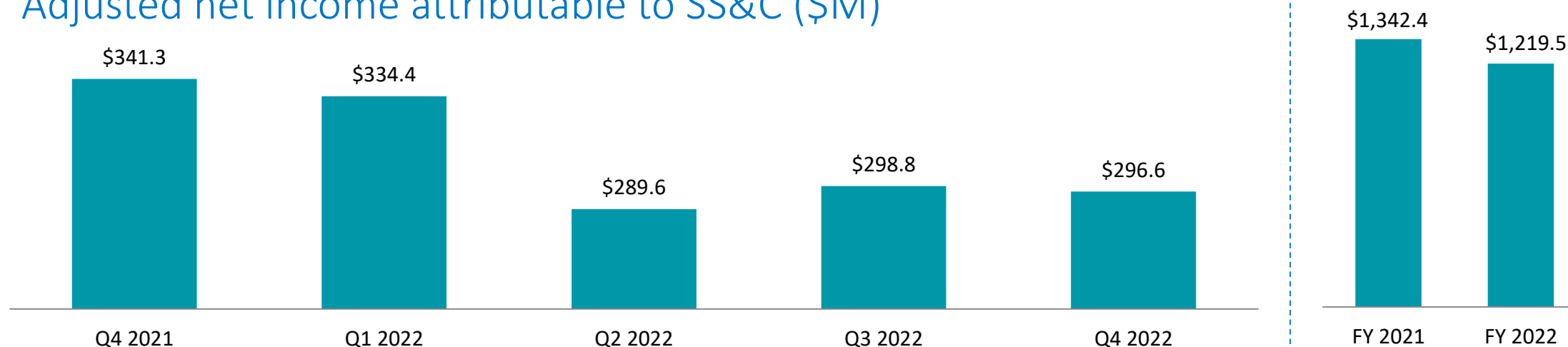
- Quarterly retention rate is based on a rolling prior twelve months.
- Yearly retention is the average of four quarters.
- Acquisitions are not included in retention rate calculation until one year post-acquisition.



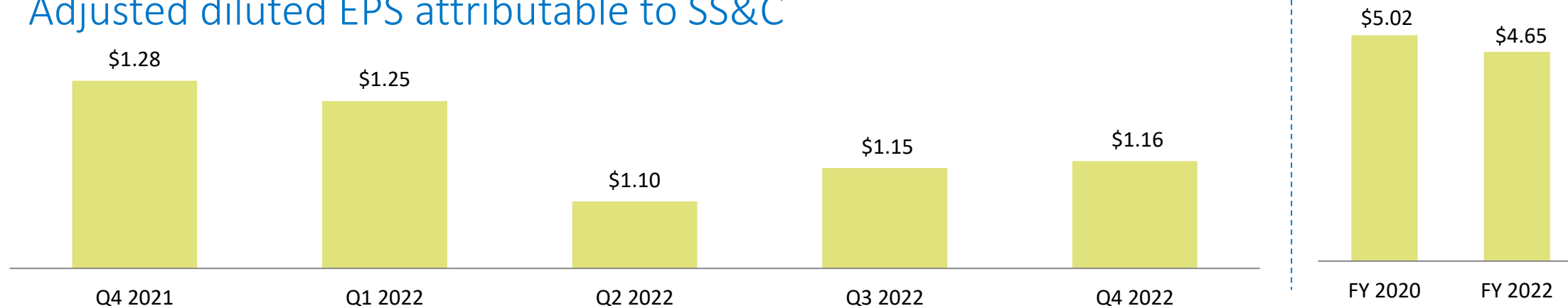
Note: Retention rates calculated for financial services businesses

Adjusted net income and adjusted diluted EPS attributable to SS&C

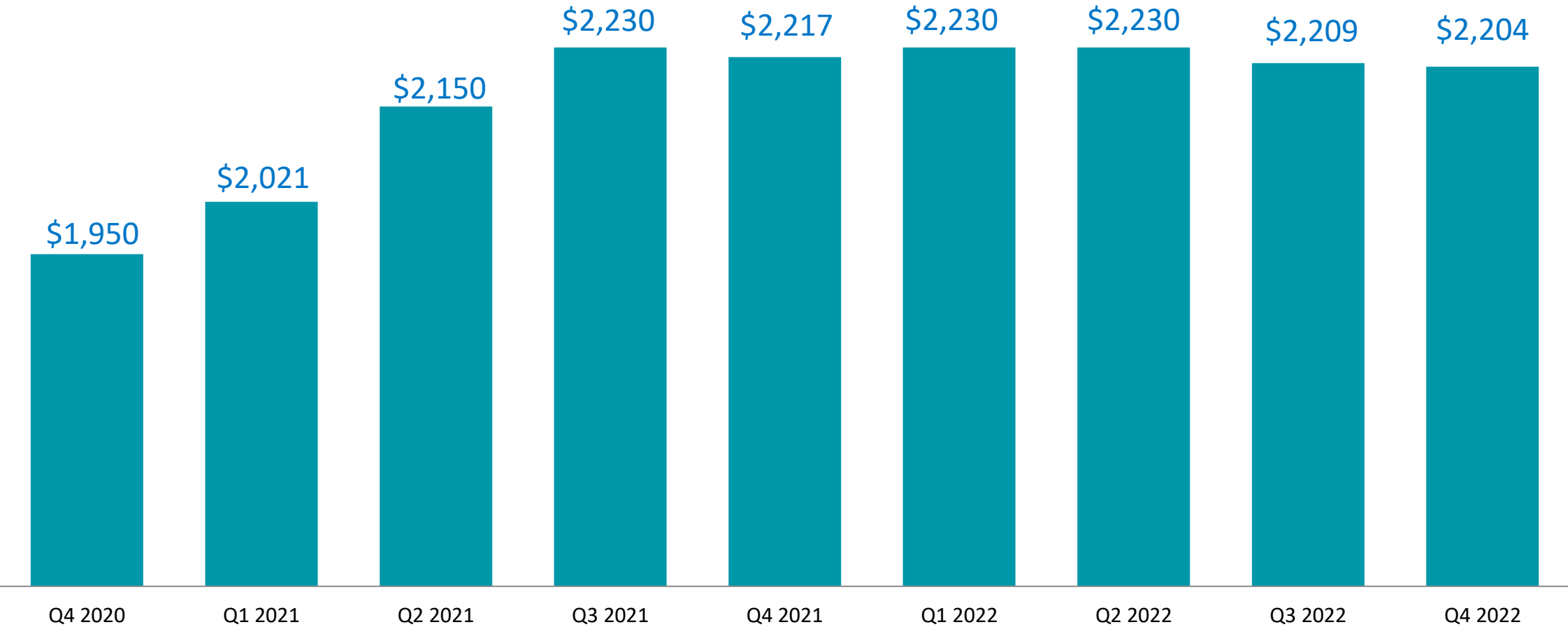
Adjusted net income attributable to SS&C (\$M)



Adjusted diluted EPS attributable to SS&C



Alternative Assets under Administration (\$B)



Guidance



	Q1 2023	FY 2023
Adjusted Revenues (\$M)	\$1,332.0 – \$1,372.0	\$5,455.0 – \$5,655.0
Organic growth Midpoint (%)	1.0%	4.0%
Adjusted Net Income attributable to SS&C (\$M)	\$282.0 – \$299.0	\$1,190.0 – \$1,285.0
Adjusted Diluted Earnings Per Share attributable to SS&C	\$1.10 – \$1.16	\$4.67 – \$4.97
Cash from Operating Activities (\$M)	–	\$1,275.0 – \$1,375.0
Capital Expenditures (% of revenue)	–	3.8% – 4.0%
Diluted Shares (M)	256.0 – 257.0	255.0 – 258.5
Effective Income Tax Rate (%)	26%	26%

SS&C does not provide reconciliations of guidance for Adjusted Revenues and Adjusted Net Income to comparable GAAP measures, in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. SS&C is unable, without unreasonable efforts, to forecast certain items required to develop meaningful comparable GAAP financial measures. These items include acquisition transactions and integration, foreign exchange rate changes, as well as other non-cash and other adjustments as defined under the Company's Credit agreement, that are difficult to predict in advance in order to include in a GAAP estimate. The unavailable information could have a significant impact on Q1 2023 and FY 2023 GAAP financial results.

Appendix

Disclosures relating to non-GAAP financial measures



Reconciliation of revenues to adjusted revenues

Adjusted revenues represents revenues adjusted to include a) amounts that would have been recognized if deferred revenue were not adjusted to fair value at the date of acquisition and b) amounts that would have been recognized if not for adjustments to deferred revenue and retained earnings related to the adoption of ASC 606. Adjusted revenues is 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 our business. Adjusted revenues is 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 presented by other companies. Below is a reconciliation of adjusted revenues to revenues, the GAAP measure we believe to be most directly comparable to adjusted revenues.

(in millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Revenues	\$ 1,338.3	\$ 1,294.2	\$ 5,283.0	\$ 5,051.0
ASC 606 adoption impact	(0.7)	0.3	(2.3)	0.7
Purchase accounting adjustments impact on revenue	1.5	1.7	6.6	7.2
Adjusted revenues	<u>\$ 1,339.1</u>	<u>\$ 1,296.2</u>	<u>\$ 5,287.3</u>	<u>\$ 5,058.9</u>

The following is a breakdown of software-enabled services and license, maintenance and related revenues and adjusted software-enabled services and license, maintenance and related revenues.

(in millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Software-enabled services	\$ 1,068.2	\$ 1,085.7	\$ 4,273.9	\$ 4,256.1
License, maintenance and related	270.1	208.5	1,009.1	794.9
Total revenues	<u>\$ 1,338.3</u>	<u>\$ 1,294.2</u>	<u>\$ 5,283.0</u>	<u>\$ 5,051.0</u>
Software-enabled services	\$ 1,069.1	\$ 1,087.3	\$ 4,278.4	\$ 4,263.1
License, maintenance and related	270.0	208.9	1,008.9	795.8
Total adjusted revenues	<u>\$ 1,339.1</u>	<u>\$ 1,296.2</u>	<u>\$ 5,287.3</u>	<u>\$ 5,058.9</u>

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, ASC 606 adoption impact 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 our underlying performance. 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 by other companies. 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 millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Operating income	\$ 301.3	\$ 320.2	\$ 1,142.9	\$ 1,242.3
Amortization of intangible assets	158.1	148.7	595.4	586.3
Stock-based compensation	31.6	31.3	124.8	114.0
Purchase accounting adjustments (1)	5.1	4.1	20.7	23.9
ASC 606 adoption impact	(0.6)	0.3	(1.9)	1.0
Acquisition related (2)	5.7	3.8	34.1	6.8
Facilities and workforce restructuring	6.8	1.0	32.3	30.0
Other (3)	(5.4)	(0.8)	(4.9)	0.9
Adjusted operating income	\$ 502.6	\$ 508.6	\$ 1,943.4	\$ 2,005.2
Adjusted operating income attributable to noncontrolling interest (4)	(0.5)	(1.1)	(1.1)	(2.0)
Adjusted operating income attributable to SS&C common stockholders	<u>\$ 502.1</u>	<u>\$ 507.5</u>	<u>\$ 1,942.3</u>	<u>\$ 2,003.2</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 acquisition, (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 and (c) an adjustment to decrease depreciation expense by the amount that would not have been recognized if property, plant and equipment were not adjusted to fair value at the date of acquisition.
- 2) Acquisition related includes costs related to both current acquisitions and the resolution of pre-acquisition matters for prior period acquisitions.
- 3) Other includes additional 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.
- 4) On July 15, 2021, we entered into a joint venture named DomaniRx, LLC in which we are the majority interest holder and primary beneficiary. As such, we consolidate DomaniRx, LLC as a variable interest entity. Adjusted operating income attributable to noncontrolling interest represents adjusted operating income based on the ownership interest retained by the respective noncontrolling parties.

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 April 2018, 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 (as defined below) 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. These measures are not necessarily comparable to similarly titled measures by other companies. The following is a reconciliation of EBITDA, Consolidated EBITDA and Adjusted Consolidated EBITDA to net income.

(in millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Net income	\$ 207.6	\$ 251.2	\$ 649.0	\$ 800.6
Interest expense, net	104.9	49.0	307.9	201.6
Provision for income taxes	65.0	38.3	227.1	236.4
Depreciation and amortization	177.4	167.2	671.6	667.4
EBITDA	554.9	505.7	1,855.6	1,906.0
Stock-based compensation	31.6	31.3	124.8	114.0
Acquired EBITDA and cost savings (1)	—	—	4.2	1.3
Loss on extinguishment of debt	1.4	7.4	5.5	10.9
Equity in earnings of unconsolidated affiliates, net	(28.5)	(23.5)	(25.8)	(25.4)
Purchase accounting adjustments (2)	2.2	1.5	9.4	6.3
ASC 606 adoption impact	(0.6)	0.3	(1.9)	1.0
Foreign currency translation (gains) losses	(10.8)	(1.0)	11.2	8.1
Investment (gains) losses	(43.1)	(3.3)	(38.7)	(30.1)
Facilities and workforce restructuring	6.8	1.0	32.3	30.0
Acquisition related (3)	11.8	4.4	41.5	45.0
Other (4)	(6.6)	0.2	(6.7)	1.0
Consolidated EBITDA	\$ 519.1	\$ 524.0	\$ 2,011.4	\$ 2,068.1
Acquired EBITDA and cost savings (1)	—	—	(4.2)	(1.3)
Adjusted Consolidated EBITDA	\$ 519.1	\$ 524.0	\$ 2,007.2	\$ 2,066.8
Adjusted Consolidated EBITDA attributable to noncontrolling interest (5)	(0.5)	(1.1)	(1.1)	(2.0)
Adjusted Consolidated EBITDA attributable to SS&C common stockholders	\$ 518.6	\$ 522.9	\$ 2,006.1	\$ 2,064.8

Reconciliation of net income to EBITDA, consolidated EBITDA and adjusted consolidated EBITDA

- 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 (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 and (c) an adjustment to increase or decrease rent expense by the amount that would have been recognized if lease obligations were not adjusted to fair value at the date of acquisitions.
- 3) Acquisition related includes costs related to both current acquisitions and the resolution of pre-acquisition matters for prior period acquisitions.
- 4) Other includes additional 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.
- 5) On July 15, 2021, we entered into a joint venture named DomaniRx, LLC in which we are the majority interest holder and primary beneficiary. As such, we consolidate DomaniRx, LLC as a variable interest entity. Adjusted Consolidated EBITDA attributable to noncontrolling interest represents adjusted Consolidated EBITDA based on the ownership interest retained by the respective noncontrolling parties.

Reconciliation of net income to adjusted net income attributable to SS&C and diluted earnings per share to adjusted diluted earnings per share attributable to SS&C

Adjusted net income and adjusted diluted earnings per share attributable to SS&C represent net income and earnings per share attributable to SS&C before amortization of intangible assets and deferred financing costs, stock-based compensation, purchase accounting adjustments and other items. We consider adjusted net income and adjusted diluted earnings per share attributable to SS&C to be 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, purchase accounting adjustments, loss on extinguishment of debt and other items, that are not operational in nature or comparable to those of our competitors. Adjusted net income and adjusted diluted earnings per share are not recognized terms under GAAP. Adjusted net income and adjusted diluted earnings per share 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 attributable to SS&C as presented herein are not necessarily comparable to similarly titled measures presented by other companies. Below is a reconciliation of adjusted net income and adjusted diluted earnings per share attributable to SS&C to net income and diluted earnings per share attributable to SS&C, the GAAP measures we believe to be most directly comparable to adjusted net income and adjusted diluted earnings per share.

(in millions, except per share data)	Three Months Ended December 31,		December 31,	
	2022	2021	2022	2021
GAAP – Net income	\$ 207.6	\$ 251.2	\$ 649.0	\$ 800.6
Amortization of intangible assets	158.1	148.7	595.4	586.3
Amortization of deferred financing costs and original issue discount	3.7	3.2	13.9	13.2
Stock-based compensation	31.6	31.3	124.8	114.0
Loss on extinguishment of debt	1.4	7.4	5.5	10.9
Purchase accounting adjustments (1)	5.1	4.1	20.7	23.9
ASC 606 adoption impact	(0.6)	0.3	(1.9)	1.0
Equity in earnings of unconsolidated affiliates, net	(28.5)	(23.5)	(25.8)	(25.4)
Foreign currency translation (gains) losses	(10.8)	(1.0)	11.2	8.1
Investment (gains) losses	(43.1)	(3.3)	(38.7)	(30.1)
Facilities and workforce restructuring	6.8	1.0	32.4	30.0
Acquisition related (2)	11.8	4.4	41.5	45.0
Other (3)	(6.6)	0.8	(5.6)	2.9
Income tax effect (4)	(39.4)	(82.1)	(201.8)	(236.0)
Adjusted net income	\$ 297.1	\$ 342.5	\$ 1,220.6	\$ 1,344.4
Adjusted net income attributable to noncontrolling interest (5)	(0.5)	(1.1)	(1.1)	(2.0)
Adjusted net income attributable to SS&C common stockholders	\$ 296.6	\$ 341.4	\$ 1,219.5	\$ 1,342.4
Adjusted diluted earnings per share attributable to SS&C common stockholders	\$ 1.16	\$ 1.28	\$ 4.65	\$ 5.02
GAAP diluted earnings per share attributable to SS&C common stockholders	\$ 0.81	\$ 0.94	\$ 2.48	\$ 2.99
Diluted weighted-average shares outstanding	256.4	267.0	262.0	267.3

Reconciliation of net income to adjusted net income and diluted earnings per share to adjusted diluted earnings per share

- 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 acquisition, (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 and (c) an adjustment to decrease depreciation expense by the amount that would not have been recognized if property, plant and equipment were not adjusted to fair value at the date of acquisition.
- 2) Acquisition related includes costs related to both current acquisitions and the resolution of pre-acquisition matters for prior period acquisitions.
- 3) Other includes additional 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.
- 4) An estimated normalized effective tax rate of approximately 26% for the three and twelve months ended December 31, 2022 and 2021, respectively, has been used to adjust the provision for income taxes for the purpose of computing adjusted net income.
- 5) On July 15, 2021, we entered into a joint venture named DomaniRx, LLC in which we are the majority interest holder and primary beneficiary. As such, we consolidate DomaniRx, LLC as a variable interest entity. Adjusted net income attributable to noncontrolling interest represents adjusted net income based on the ownership interest retained by the respective noncontrolling parties.

