



SS&C Technologies (NASDAQ:SSNC)

Q3 2019 Earnings Results



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Q3 2019 financial highlights

Metric	Q3 2019	Q3 2018	\$ +/-	% +/-
Adjusted Revenues (\$M)	\$1,150.8	\$1,002.9	\$147.9	14.7%
Adjusted Operating Income (\$M)	\$425.6	\$344.7	\$80.9	23.5%
Adjusted Consolidated EBITDA (\$M)	\$445.8	\$365.9	\$79.9	21.8%
Adjusted Net Income (\$M)	\$245.3	\$199.8	\$45.5	22.8%
Adjusted Diluted Earnings Per Share	\$0.93	\$0.79	\$0.14	17.7%
Operating cash flow nine months ended September 2019 and 2018 (\$M)	\$755.0	\$322.4	\$432.6	134.2%

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



Debt review and capital allocation

- \$755.0 million provided by operating cash flow for the nine months ended September 30, 2019, up \$432.6 million, or 134.2% over the same period in 2018
- Debt Pay down
 - Paid down \$629.1 million of net debt in the nine months ended September 30, 2019
 - Net leverage ratio is 4.05x consolidated EBITDA
- Shareholder Returns
 - Paid \$25.4 million in dividends in Q3 2019 or \$76 million in the nine months ended September 30, 2019
 - Repurchased 1.3 million shares of SS&C stock for \$60.3 million at an average price of \$45.00 per share
- Acquisitions
 - Investrack – closed October 2019
 - Algorithmics – expected to close in the fourth quarter 2019

Organic growth adjustments 2019



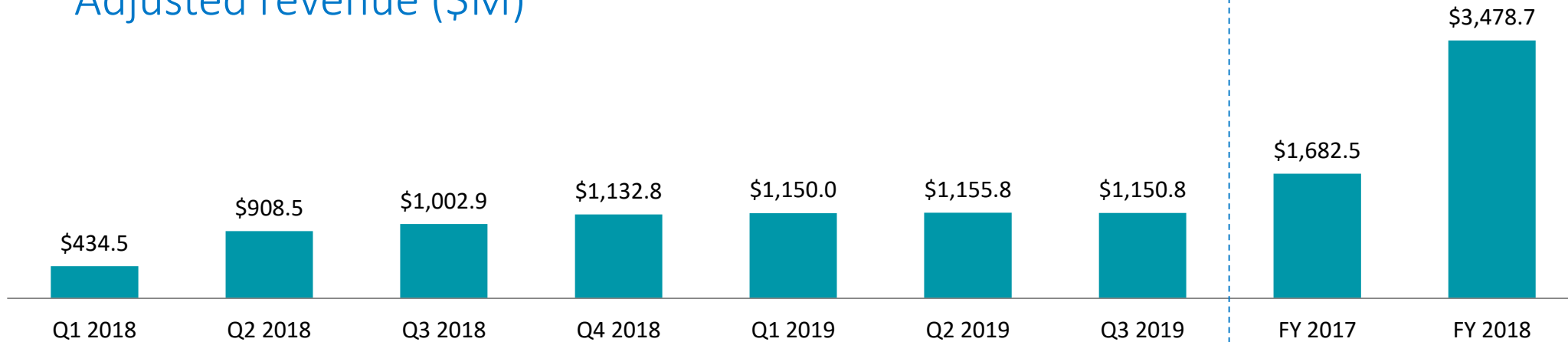
	Q1 2019		Q2 2019		Q3 2019
Total Adjusted Revenues (\$M)	1,150.0		1,155.8		1,150.8
Fx (\$M)	2.7		9.2		9.0
Acquisitions (\$M)	(712.4)		(244.3)		(148.8)
Organic Revenues (\$M)	440.3		920.7		1,011.0
Adjustments (\$M)	--		20.1 ¹		24.1 ²
Adjusted Organic Revenues (\$M)	440.3		940.8		1,035.1
Adjusted Organic Revenue Growth Rate (%)	1.3%		3.6%		3.2%

¹Adjustments include \$4.0mm for out-of-pocket expense reimbursements, and \$16.1mm for DST clients that terminated pre-acquisition.

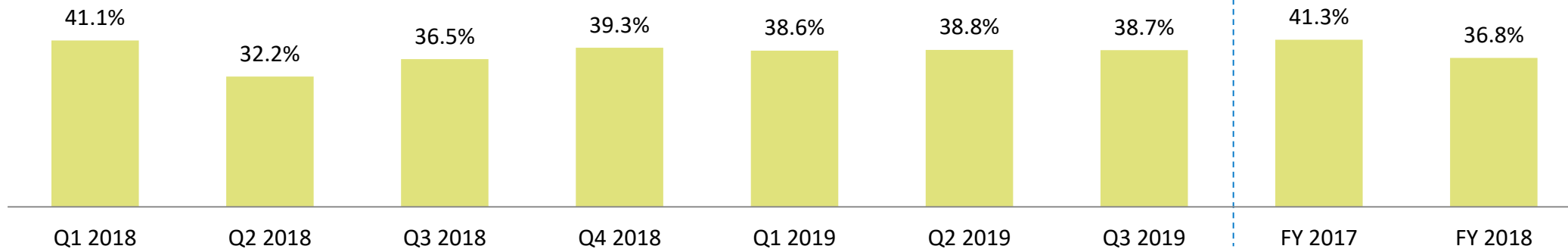
²Adjustments include \$5.8mm for out-of-pocket expense reimbursements, and \$18.3mm for DST clients that terminated pre-acquisition.

Adjusted revenue and margins

Adjusted revenue (\$M)

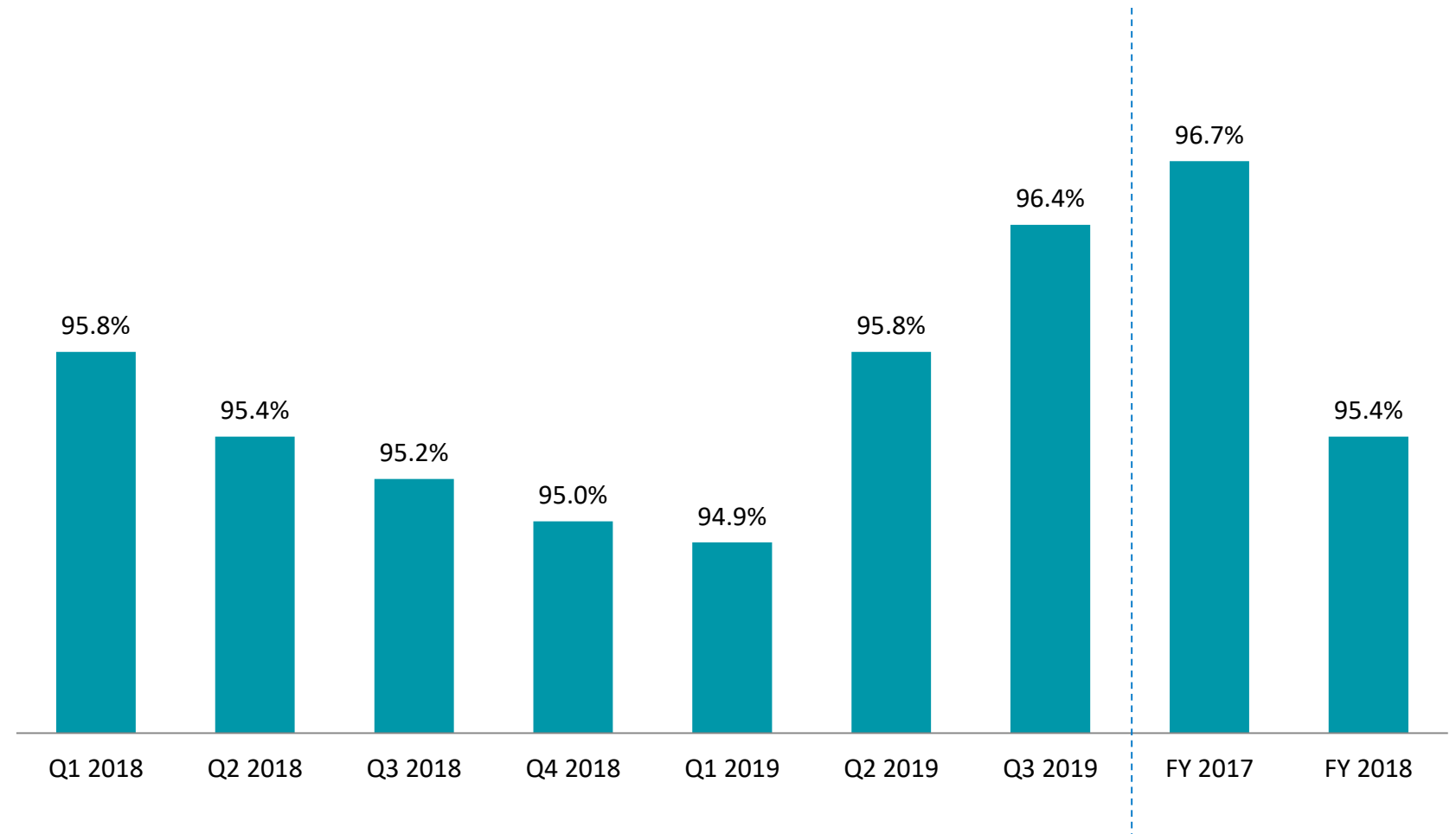


Adjusted consolidated EBITDA margin (%)



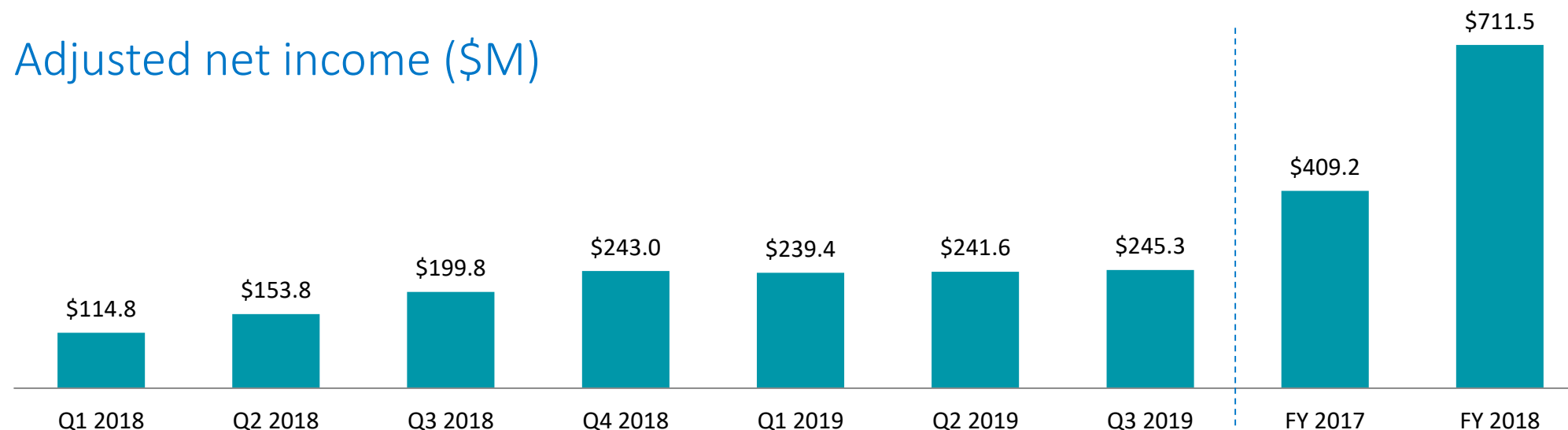
- Quarterly retention rate is based on a rolling prior twelve months.
- Yearly retention is the average of four quarters.
- Acquisitions are not included in retention rate calculation until one year post-acquisition.

Revenue retention rates

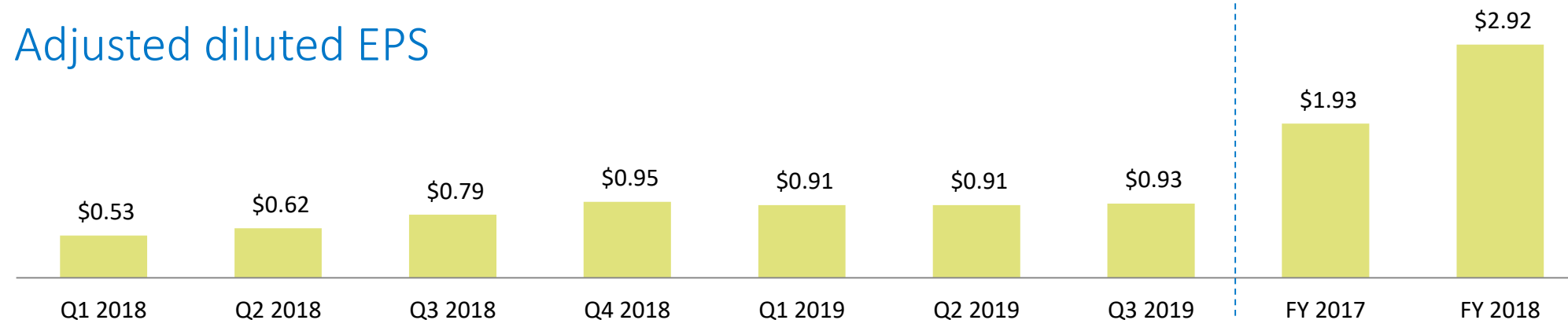


Adjusted net income and adjusted diluted EPS

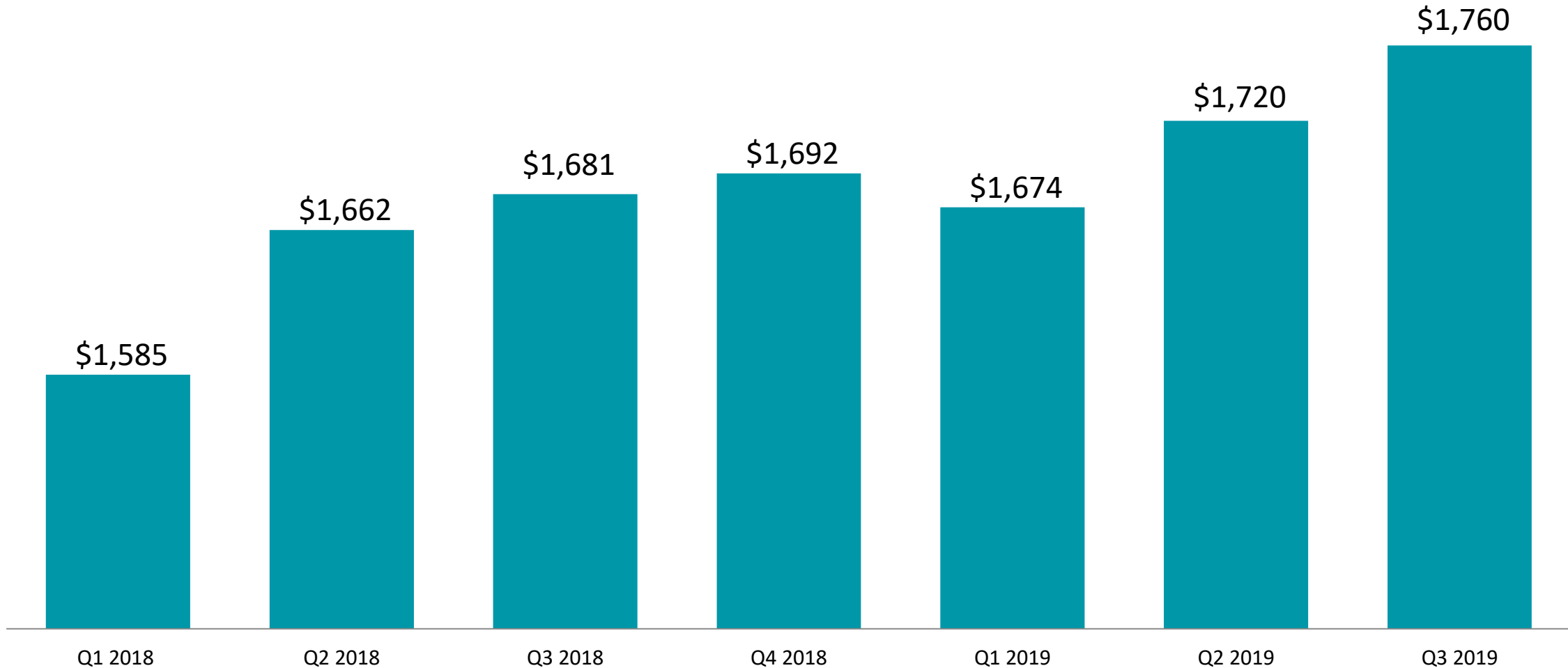
Adjusted net income (\$M)



Adjusted diluted EPS



Alternative Assets under Administration (\$B)



Guidance



	Q4 2019	FY 2019
Adjusted Revenues (\$M)	\$1,153.5 – \$1,183.5	\$4,610.1 – \$4,640.1
Adjusted Net Income (\$M)	\$247.0 – \$264.0	\$973.3 – \$990.3
Cash from Operating Activities (\$M)	–	\$1,160.0 – \$1,200.0
Capital Expenditures (% of revenue)	–	2.7% – 3.0%
Diluted Shares (M)	267.0 – 265.0	264.7 – 264.4
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 Q3 2019 and FY 2019 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues	\$ 1,144.2	\$ 992.4	\$ 3,429.4	\$ 2,310.1
ASC 606 adoption impact	4.0	7.2	12.1	28.6
Purchase accounting adjustments impact on revenue	2.6	3.3	15.1	7.2
Adjusted revenues	<u>\$ 1,150.8</u>	<u>\$ 1,002.9</u>	<u>\$ 3,456.6</u>	<u>\$ 2,345.9</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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Software-enabled services	\$ 960.0	\$ 827.3	\$ 2,894.7	\$ 1,863.7
License, maintenance and related	184.2	165.1	534.7	446.4
Total revenues	<u>\$ 1,144.2</u>	<u>\$ 992.4</u>	<u>\$ 3,429.4</u>	<u>\$ 2,310.1</u>
Software-enabled services	\$ 962.8	\$ 830.5	\$ 2,910.4	\$ 1,869.5
License, maintenance and related	188.0	172.4	546.2	476.4
Total adjusted revenues	<u>\$ 1,150.8</u>	<u>\$ 1,002.9</u>	<u>\$ 3,456.6</u>	<u>\$ 2,345.9</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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating income	\$ 227.6	\$ 180.6	\$ 653.1	\$ 216.7
Amortization of intangible assets	160.2	114.5	489.8	275.9
Stock-based compensation	17.1	18.4	55.7	76.1
Purchase accounting adjustments (1)	11.4	13.7	41.0	27.0
ASC 606 adoption impact	4.1	7.2	12.3	28.8
Other (2)	5.2	10.3	20.8	163.9
Adjusted operating income	<u>\$ 425.6</u>	<u>\$ 344.7</u>	<u>\$ 1,272.7</u>	<u>\$ 788.4</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) 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 foreign currency transactions, facilities and workforce restructuring, legal settlements and business acquisitions.

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 September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,
	2019	2018	2019	2018	2019
Net income	\$ 95.0	\$ 57.0	\$ 296.9	\$ 44.5	\$ 355.6
Interest expense, net	98.5	78.1	304.4	173.7	401.6
Provision (benefit) for income taxes	23.7	60.9	73.9	(28.3)	124.1
Depreciation and amortization	190.1	146.2	582.8	342.9	758.5
EBITDA	407.3	342.2	1,258.0	532.8	1,639.8
Stock-based compensation	17.1	18.4	55.7	76.1	76.4
Acquired EBITDA and cost savings (1)	5.5	9.8	39.8	272.7	85.8
Non-cash portion of straight-line rent expense	(0.1)	(0.1)	0.3	(0.2)	0.4
Loss on extinguishment of debt	—	—	7.1	44.4	6.0
Equity in earnings of unconsolidated affiliates, net	0.1	(1.7)	(2.1)	(2.8)	(1.4)
Purchase accounting adjustments (2)	1.9	3.2	12.4	8.0	22.2
ASC 606 adoption impact	4.1	7.2	12.3	28.8	23.7
Other (3)	15.4	(3.3)	(6.3)	149.3	15.1
Consolidated EBITDA	\$ 451.3	\$ 375.7	\$ 1,377.2	\$ 1,109.1	\$ 1,868.0
Less: acquired EBITDA and cost savings (1)	(5.5)	(9.8)	(39.8)	(272.7)	(85.8)
Adjusted Consolidated EBITDA	<u>\$ 445.8</u>	<u>\$ 365.9</u>	<u>\$ 1,337.4</u>	<u>\$ 836.4</u>	<u>\$ 1,782.2</u>

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 acquisition 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 foreign currency transactions, investment gains and losses, facilities and workforce restructuring, legal settlements, business acquisitions and other items.

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, purchase accounting adjustments and other items. We consider adjusted net income and adjusted diluted earnings per share 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 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 to net income and diluted earnings per share, the GAAP measures we believe to be most directly comparable to adjusted net income and adjusted diluted earnings per share.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(in millions, except per share data)				
GAAP – Net income	\$ 95.0	\$ 57.0	\$ 296.9	\$ 44.5
Plus: Amortization of intangible assets	160.2	114.5	489.8	275.9
Plus: Amortization of deferred financing costs and original issue discount	4.5	3.4	13.3	9.5
Plus: Stock-based compensation	17.1	18.4	55.7	76.1
Plus: Loss on extinguishment of debt	—	—	7.1	44.4
Plus: Purchase accounting adjustments (1)	11.4	13.7	41.0	27.0
Plus: ASC 606 adoption impact	4.1	7.2	12.3	28.8
Plus (Less): Equity in earnings of unconsolidated affiliates, net	0.1	(1.7)	(2.1)	(2.8)
Plus (Less): Other (2)	15.4	(3.3)	(6.3)	149.3
Income tax effect (3)	(62.5)	(9.4)	(181.4)	(184.3)
Adjusted net income	<u>\$ 245.3</u>	<u>\$ 199.8</u>	<u>\$ 726.3</u>	<u>\$ 468.4</u>
Adjusted diluted earnings per share	\$ 0.93	\$ 0.79	\$ 2.75	\$ 1.96
GAAP diluted earnings per share	\$ 0.36	\$ 0.23	\$ 1.12	\$ 0.19
Diluted weighted-average shares outstanding	262.7	252.6	264.1	239.5

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) 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 foreign currency transactions, investment gains and losses, facilities and workforce restructuring, legal settlements, business acquisitions and other items.
- 3) An estimated normalized effective tax rate of approximately 26% for the three and nine months ended September 30, 2019 and 26% and 25% for the three and nine months ended September 30, 2018, respectively, has been used to adjust the provision for income taxes for the purpose of computing adjusted net income.



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