

SS&C Technologies Holdings Inc  
Form 10-K  
February 26, 2015  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-K**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2014**

**Commission file number: 001-34675**

**SS&C TECHNOLOGIES HOLDINGS, INC.**

**(Exact name of Registrant as Specified in Its Charter)**

|  |                            |
|--|----------------------------|
| <b>Delaware</b>                        | <b>71-0987913</b>          |
| <b>(State or Other Jurisdiction of</b> | <b>(I.R.S. Employer</b>    |
| <b>Incorporation or Organization)</b>  | <b>Identification No.)</b> |
| <b>80 Lamberton Road</b>               |                            |
| <b>Windsor, CT 06095</b>               |                            |

**(Address of Principal Executive Offices, Including Zip Code)**

**860-298-4500**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class                      | Name of Each Exchange on Which Registered |
|--|---|
| Common Stock, \$0.01 par value per share | The NASDAQ Global Select Market           |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2014, the aggregate market value of the registrant's common stock held by non-affiliates was \$3,135,620,699 based on the closing sale price per share of the registrant's common stock on The NASDAQ Global Select Market on such date.

There were 84,282,692 shares of the registrant's common stock outstanding as of February 23, 2015.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Part III of this annual report on Form 10-K incorporates by reference certain information from the registrant's definitive proxy statement for the 2015 annual meeting of stockholders, which the registrant intends to file pursuant to Regulation 14A with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year end of December 31, 2014. With the exception of the sections of the definitive proxy statement specifically incorporated herein by reference, the definitive proxy statement is not deemed to be filed as part of this annual report on Form 10-K.

**Table of Contents**

**SS&C TECHNOLOGIES HOLDINGS, INC.**

**ANNUAL REPORT ON FORM 10-K**

**For the Fiscal Year Ended December 31, 2014**

**TABLE OF CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <b><u>PART I</u></b>  |             |
| Item 1. <u>Business</u>   | 4           |
| Item 1A. <u>Risk Factors</u>  | 18          |
| Item 1B. <u>Unresolved Staff Comments</u>   | 33          |
| Item 2. <u>Properties</u>   | 33          |
| Item 3. <u>Legal Proceedings</u>  | 33          |
| Item 4. <u>Mine Safety Disclosures</u>  | 34          |
| <b><u>PART II</u></b>   |             |
| Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 35          |
| Item 6. <u>Selected Financial Data</u>  | 37          |
| Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                        | 38          |
| Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>  | 52          |
| Item 8. <u>Financial Statements and Supplementary Data</u>  | 52          |
| Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>                         | 52          |
| Item 9A. <u>Controls and Procedures</u>   | 52          |
| Item 9B. <u>Other Information</u>   | 53          |
| <b><u>PART III</u></b>  |             |
| Item 10. <u>Directors, Executive Officers and Corporate Governance</u>  | 54          |
| Item 11. <u>Executive Compensation</u>  | 54          |
| Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>              | 54          |
| Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>                                   | 54          |
| Item 14. <u>Principal Accountant Fees and Services</u>  | 54          |
| <b><u>PART IV</u></b>   |             |
| Item 15. <u>Exhibits and Financial Statement Schedules</u>  | 55          |
| <u>Signatures</u>   | 56          |
| <u>Consolidated Financial Statements</u>  | F-6         |
| <u>Exhibit Index</u>  | F-31        |

**Table of Contents**

**FORWARD-LOOKING INFORMATION**

This annual report contains forward-looking statements within the meaning of the U.S. federal securities laws. All statements contained herein that are not statements of historical fact are forward-looking statements, including, without limitation, statements regarding future financial performance, funding requirements and liquidity; management's plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, competitive strengths or market position, acquisitions and related synergies; growth, declines and other trends in markets we sell into; the anticipated impact of adopting new accounting pronouncements; the anticipated outcome of outstanding claims, legal proceedings, tax audits and other contingent liabilities; foreign currency exchange rates and fluctuations in those rates; general economic conditions; assumptions underlying any of the foregoing; and any other statements that address events or developments that we intend or believe will or may occur in the future. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "estimates," "p," "forecasts," "may" and "should" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words. Forward-looking statements are not guarantees of future performance and actual results may differ materially from those envisaged by such forward-looking statements. The factors discussed under "Item 1A. Risk Factors," among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. You should not place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call or other communication in which they are made. We expressly disclaim any obligation to update our forward-looking statements, whether as a result of new information, future events or circumstances, or otherwise, except as required by law.

The following are our registered trademarks and/or service marks in the United States and/or in other countries: ADVISORWARE, BENEFIX, DBC, FIXLINK, FUNDRUNNER, GLOBEOP, GORISK, HIPORTFOLIO, MARGINMAN, MAXIMIS, PACER, PAGES, PORTIA, PORTPRO, RECON, SKYLINE, SYLVAN, TRADEDESK, TRADETHRU, TRADEWARE, TRADEWARE GLOBAL, and ZOOLOGIC. SS&C Technologies, Inc. and/or its subsidiaries in the United States and/or in other countries have trademark or service mark rights to certain other names and marks referred to in this annual report.

SS&C Technologies Holdings, Inc., or "SS&C Holdings," is our top-level holding company. SS&C Technologies, Inc., or "SS&C," is our primary operating company and a wholly-owned subsidiary of SS&C Technologies Holdings, Inc.

We, us, our and the Company mean SS&C Technologies Holdings, Inc. and its consolidated subsidiaries, including SS&C.

Unless context otherwise requires, references to our "common stock" includes both shares of our common stock and shares of our Class A non-voting common stock.

**Table of Contents**

**PART I**

**ITEM 1. BUSINESS**

**Overview**

We are a leading provider of mission-critical, sophisticated software products and software-enabled services that allow financial services providers to automate complex business processes and effectively manage their information processing requirements. Our portfolio of software products and rapidly deployable software-enabled services allows our clients to automate and integrate front-office functions such as trading and modeling, middle-office functions such as portfolio management and reporting, and back-office functions such as accounting, performance measurement, reconciliation, reporting, processing and clearing. Our solutions enable our clients to focus on core operations, better monitor and manage investment performance and risk, improve operating efficiency and reduce operating costs. We provide our solutions globally to more than 7,000 clients, principally within the institutional asset management, alternative investment management and financial institutions vertical markets. In addition, our clients include commercial lenders, corporate treasury groups, insurance and pension funds, municipal finance groups and real estate property managers.

We provide the global financial services industry with a broad range of software-enabled services, which consist of software-enabled outsourcing services and subscription-based on-demand software that are managed and hosted at our facilities, and specialized software products, which are deployed at our clients' facilities. Our software-enabled services, which combine the strengths of our proprietary software with our domain expertise, enable our clients to contract with us to provide many of their mission-critical and complex business processes. For example, we utilize our software to offer comprehensive fund administration services for alternative investment managers, including fund manager services, transfer agency services, funds-of-funds services, tax processing and accounting. We offer clients the flexibility to choose from multiple software delivery options, including on-premise applications and hosted, multi-tenant or dedicated applications. Additionally, we provide certain clients with targeted, blended solutions based on a combination of our various software and software-enabled services. We believe that our software-enabled services provide superior client support and an attractive alternative to clients that do not wish to install, manage and maintain complicated financial software.

Our business model is characterized by substantial contractually recurring revenues, high operating margins and significant cash flow. We generate revenues primarily through our high-value software-enabled services, which are typically sold on a long-term subscription basis and integrated into our clients' business processes. Our software-enabled services are generally provided under non-cancelable contracts with initial terms of one to five years that require monthly or quarterly payments and are subject to automatic annual renewal at the end of the initial term unless terminated by either party. We also generate revenues by licensing our software to clients through either perpetual or term licenses and by selling maintenance services. Maintenance services are generally provided under annually renewable contracts. As a consequence, a significant portion of our revenues consists of subscription payments and maintenance fees and is contractually recurring in nature. Our pricing typically scales as a function of our clients' assets under management, the complexity of asset classes managed and the volume of transactions.

Our contractually recurring revenue model helps us minimize the fluctuations in revenues and cash flows typically associated with up-front, perpetual software license revenues and enhances our ability to manage costs. Our contractually recurring revenues, which we define as our software-enabled services and maintenance revenues, represented 91% of total revenues in the year ended December 31, 2014. We have experienced average revenue retention rates in each of the last five years of greater than 90% on our software-enabled services and maintenance

contracts for our core enterprise products. We believe that the high value-added nature of our products and services has enabled us to maintain our high revenue retention rates and significant operating margins.

We generated revenues of \$767.9 million for the year ended December 31, 2014 as compared to revenues of \$712.7 million for the year ended December 31, 2013. In 2014, we generated 75% of our revenues from clients in

## **Table of Contents**

North America and 25% from clients outside North America. Our revenues are highly diversified, with our largest client in 2014 accounting for less than 5% of our revenues. Additional financial information, including geographic information, is available in our consolidated financial statements and Note 14 to our consolidated financial statements.

## **Our industry**

We serve a number of vertical markets within the financial services industry, including alternative investment funds, investment management firms, insurance companies, banks and brokerage firms. We believe that financial services providers will increasingly turn to information technology, or IT, solutions as a result of economic challenges and heightened regulatory requirements. Financial service firms are in a search for more risk-averse business strategies and simplified regulatory compliance. As a result, we believe the financial services industry will continue to increase its investments in IT solutions in 2015.

## **Opportunities**

We believe that we are well positioned to address the ongoing business and regulatory needs of the clients we seek to serve in the financial services industry, taking into account a competitive environment that reflects the following competitive dynamics.

*Asset Classes and Securities Products Growing in Volume and Complexity.* Investment professionals must increasingly track and invest in numerous asset classes that are far more complex than traditional equity and debt instruments. These assets require more sophisticated systems to automate functions such as trading and modeling, portfolio management, accounting, performance measurement, reconciliation, reporting, processing and clearing. Manual tracking of orders and other transactions is not effective for these assets. In addition, as the business knowledge requirements increase, financial services firms see increasing value in outsourcing the management of these assets to firms such as SS&C that offer software-enabled services.

*Increasing Regulatory Requirements and Investor Demand for Transparency.* Recent market and economic conditions have led to new legislation and numerous proposals for changes in the regulation of the financial services industry, including significant additional legislation and regulation in the United States. Several high-profile scandals have also led to increased investor demand for transparency. The financial services industry must meet these complicated and burdensome requirements, and many financial service firms have struggled to do so. In addition, as the financial services industry continues to grow in complexity, we anticipate regulatory oversight will continue to impose new demands on financial services providers, as hedge funds are experiencing similar regulatory pressures. In addition, financial services providers continue to face increasing regulatory oversight from domestic organizations such as the Financial Industry Regulatory Authority, U.S. Treasury Department, Securities and Exchange Commission, New York Stock Exchange, National Association of Insurance Commissioners and U.S. Department of Labor as well as foreign regulatory bodies such as the Office of Supervision of Financial Institutions in Ottawa, Canada, Financial Services Association in London, England and Ministry of Finance in Tokyo, Japan.

*Increasing Willingness to Implement Solutions from Independent Software Vendors and Outsource IT Operations.* Historically, financial services providers have relied in large part on their internal IT departments to supply the systems required to manage, analyze and control vast amounts of data. Alternatively, rather than internally developing applications that automate business processes, more financial services providers are implementing advanced software solutions from independent software vendors to replace their current systems, which are often cumbersome, time-consuming to operate and expensive to implement, customize, update and support. Additionally, financial services providers globally are outsourcing a growing percentage of their business processes to benefit from best-in-class process execution, focus on core operations, quickly expand into new markets, reduce costs, streamline



organizations, handle increased transaction volumes and ensure system redundancy. We believe that one of the key challenges faced by investment management industry participants is how to expand their use of third-party service providers to address the increasing complexity of new products and

## **Table of Contents**

the growing investor and regulatory information demands. For example, many alternative investment firms lack the substantial in-house IT resources necessary to establish and manage the complex IT infrastructures their investment professionals require. These firms increasingly seek end-to-end solutions to outsource their operations from the front-office through the back-office.

*Intense Global Competition Among Financial Services Providers.* Competition within the financial services industry has become intense as financial services providers expand into new markets and offer new services to their clients in an effort to maximize their profitability. Additionally, a significant number of small- and medium-sized organizations, such as hedge funds, have begun to compete with large financial institutions as they seek to attract new clients whose assets they can manage. As traditional equity and debt instruments become more commoditized, financial services providers are expanding into more complex product and service offerings to drive profitability. In response to these increasingly competitive conditions worldwide, financial services organizations seek to rapidly expand into new markets, manage operational enterprise risk, increase front-office productivity and drive cost savings by utilizing software to automate and integrate their mission-critical and labor intensive business processes.

### **Our competitive strengths**

We believe that we have several key competitive strengths that position us well in the marketplace. These strengths include:

*Enhanced Capability Through Software Ownership.* We use our proprietary software products and infrastructure to provide our software-enabled services, strengthening our overall operating margins and providing a competitive advantage. Because we primarily use our own proprietary software in the execution of our software-enabled services and generally own and control our products' source code, we can quickly identify and deploy product improvements and respond to client feedback, enhancing the competitiveness of our software and software-enabled service offerings. This continuous feedback process provides us with a significant advantage over many of our competitors, specifically those software competitors that do not provide a comparable model and therefore do not have the same level of hands-on experience with their products.

*Broad Portfolio of Products and Services Focused on Financial Services Organizations.* Our broad portfolio of over 80 software products and software-enabled services allows professionals in the financial services industry to efficiently and rapidly analyze and manage information, increase productivity, devote more time to critical business decisions and reduce costs. Our products and services automate our clients' most mission-critical, complex business processes, and improve their operational efficiency. We believe our product and service offerings position us as a leader within the specific verticals of the financial services software and services market in which we compete. We provide highly flexible, scalable and cost-effective solutions that enable our clients to track complex securities, better employ sophisticated investment strategies, scale efficiently and meet evolving regulatory requirements. Our solutions allow our clients to automate and integrate their front-office, middle-office and back-office functions, thus enabling straight-through processing.

*Independent Fund Administration Services.* The third-party service providers that participate in the alternative investment market include fund managers, auditors, fund administrators, attorneys, custodians and prime brokers. Each provider performs a valuable function with the intention of providing transparency of the fund's assets and the valuation of those assets. Conflicts of interest may arise when the above parties attempt to provide more than one of these services. The industry is increasingly recognizing these conflicts and, as a result, seeking independent fund administrators such as SS&C.

*Scalable Software and Software-Enabled Services.* We have designed our software and software-enabled services to accommodate significant additional business volumes with limited incremental costs. The ability to generate additional revenues from increased volumes without incurring substantial incremental costs provides us with opportunities to improve our operating margins.

## **Table of Contents**

*Deep Domain Knowledge and Extensive Industry Experience.* As of December 31, 2014, we had 4,226 development, service and support professionals with significant expertise across the industries that we serve and a deep working knowledge of our clients' businesses. We were founded in 1986 by William C. Stone, who has served as our Chairman and Chief Executive Officer since our inception. Our senior management team has a track record of operational excellence and an average of more than 15 years of experience in the software and financial services industries. By leveraging our domain expertise and knowledge, we have developed, and continue to improve, our mission-critical software products and services to enable our clients to overcome the complexities inherent in their businesses. For example, our Complete Asset Management, Reporting and Accounting, or CAMRA, software, which supports the entire portfolio management function across all typical securities transactions, was originally released in 1989 and has been continually updated to meet our clients' new business requirements.

*Trusted Provider to Our Highly Diversified and Growing Client Base.* By providing mission-critical, reliable software products and services for more than 25 years, we have become a trusted provider to the financial services industry. We have developed a large and growing installed base within multiple segments of the financial services industry. Our clients include some of the largest and most well-recognized firms in the financial services industry. We believe that our high-quality products and superior services have led to long-term client relationships, some of which date from our earliest days of operations. Our strong client relationships, coupled with the fact that many of our current clients use our products for a relatively small portion of their total funds and investment vehicles under management, provide us with a significant opportunity to sell additional solutions to our existing clients and drive future revenue growth at lower cost.

*Superior Client Support and Focus.* Our ability to rapidly deliver improvements and our reputation for superior service have proven to be a strong competitive advantage when developing client relationships. We provide our larger clients with a dedicated client support team whose primary responsibility is to answer questions and provide solutions to address ongoing needs. We also offer the SS&C Solution Center, an interactive website that serves as an exclusive online client community where clients can find answers to product questions, exchange information, share best practices and comment on business issues. We believe a close and active service and support relationship significantly enhances client satisfaction, strengthens client relationships and furnishes us with information regarding evolving client issues.

## **Our growth strategy**

We intend to be the leading provider of superior technology solutions to the financial services industry. The key elements of our growth strategy include:

*Continue to Develop Software-Enabled Services, Cloud-Based Software and Mobility.* Since our founding in 1986, we have focused on building substantial financial services domain expertise through close working relationships with our clients. We have developed a deep knowledge base that enables us to respond to our clients' most complex financial, accounting, actuarial, tax and regulatory needs. We intend to maintain and enhance our technological leadership by using our domain expertise to build valuable new software-enabled services and solutions, continuing to invest in internal development and opportunistically acquiring products and services that address the highly specialized needs of the financial services industry. Our internal product development team works closely with marketing and client service personnel to ensure that product evolution reflects developments in the marketplace and trends in client requirements. In addition, we intend to continue to develop our products in a cost-effective manner by leveraging common components across product families. We believe that we enjoy a competitive advantage because we can address the investment and financial management needs of high-end clients by providing industry-tested products and services, including cloud-based services and related mobility platforms that meet global market demands and enable our clients to automate and integrate their front-, middle- and back-office functions for improved productivity,

reduced manual intervention and bottom-line savings. Our software-enabled services revenues increased from \$406.5 million for the year ended December 31, 2012 to \$592.5 million for the year ended December 31, 2014, representing a compound annual growth rate of 20.7%.

## **Table of Contents**

*Expand Our Client Base.* Our client base of more than 7,000 clients represents a fraction of the total number of financial services providers globally. As a result, we believe there is substantial opportunity to grow our client base over time as our products become more widely adopted. We have a substantial opportunity to capitalize on the increasing adoption of mission-critical, sophisticated software and software-enabled services by financial services providers as they continue to replace inadequate legacy solutions and custom in-house solutions that are inflexible and costly to maintain.

*Increase Revenues from Existing Clients.* We believe our established client base presents a substantial opportunity for growth. Revenues from our existing clients generally grow along with the amount and complexity of assets that they manage and the volume of transactions that they execute. While we expect to continue to benefit from the financial services industry's growing assets under management, expanding asset classes, and increasing transaction volumes, we also intend to leverage our deep understanding of the financial services industry to identify other opportunities to increase our revenues from our existing clients. Many of our current clients use our products only for a portion of their total assets under management and investment funds, providing us with significant opportunities to expand our business relationship and revenues. We have been successful in, and expect to continue to focus our marketing efforts on, providing additional modules or features to the products and services our clients already use, as well as cross-selling our other products and services. Additionally, we intend to sell additional software products and services to new divisions and new funds of our existing client base. Our client services team is primarily responsible for expanding our relationships with current clients. Moreover, our high quality of service helps us maintain significant client retention rates and long-lasting client relationships.

*Continue to Capitalize on Acquisitions of Complementary Businesses and Technologies.* We intend to continue to employ a highly disciplined and focused acquisition strategy to broaden and enhance our product and service offerings, expand our intellectual property portfolio, add new clients and supplement our internal development efforts. We believe our acquisitions have been an extension of our research and development effort that has enabled us to purchase proven products and remove the uncertainties associated with software development projects. We will seek to opportunistically acquire, at reasonable valuations, businesses, products and technologies in our existing or complementary vertical markets that will enable us to better satisfy our clients' rigorous and evolving needs. We have a proven ability to integrate complementary businesses as demonstrated by the 40 businesses we have acquired since 1995. Our experienced senior management team leads a rigorous evaluation of our targets to ensure that they satisfy our product or service needs and will successfully integrate with our business while meeting our targeted financial goals. As a result, our acquisitions have contributed marketable products or services that have added to our revenues. Through the broad reach of our direct sales force and our large installed client base, we believe we can market these acquired products and services to a large number of prospective clients. Additionally, we have been able to improve the operational performance and profitability of our acquired businesses, creating significant value for our stockholders.

*Strengthen Our International Presence.* We believe that there is a significant market opportunity to provide software and services to financial services providers outside North America. In the year ended December 31, 2014, we generated 25% of our revenues from clients outside North America. We are building our international operations in order to increase our sales outside North America. We plan to continue to expand our international market presence by leveraging our existing software products and software-enabled services. For example, we believe that the rapidly growing alternative investment management market in Europe presents a compelling growth opportunity.

## **Our acquisitions**

As mentioned above, we intend to continue to employ a highly disciplined and focused acquisition strategy. Our past acquisitions have enabled us to expand our product and service offerings into new markets or client bases within the

financial services industry. The addition of new products and services has also enabled us to market other products and services to acquired client bases. We believe our acquisitions have been an extension

**Table of Contents**

of our research and development effort and have enabled us add to our product and service offerings without incurring the uncertainties sometimes associated with software development projects.

Since 1995, we have acquired 40 businesses within our industry. These acquisitions have contributed marketable products and services, which have added to our revenues and earnings. We have generally been able to improve the operating performance and profitability of our acquired businesses. We seek to reduce the costs of the acquired businesses by consolidating sales and marketing efforts and by eliminating redundant administrative tasks and research and development expenses. In many cases, we have also been able to increase revenues generated by acquired products and services by leveraging our existing products and services, larger sales capabilities and client base.

We generally seek to acquire companies that satisfy our financial metrics, including expected return on investment. Through our acquisitions, we seek companies that:

provide complementary products or services in the financial services industry;

possess proven technology and an established client base that will provide a source of ongoing revenue and to whom we may be able to sell existing products and services;

expand our intellectual property portfolio to complement our business;

address a highly specialized problem or a market niche in the financial services industry;

expand our global reach into strategic geographic markets; and

have solutions that lend themselves to being delivered as software-enabled services.

We believe, based on our experience, that there are numerous solution providers addressing highly particularized financial services needs or providing specialized services that would meet our disciplined acquisition criteria.

Acquisitions are discussed further in *Liquidity and Capital Resources* and in Notes 12 and 16 to our consolidated financial statements, including our agreement to acquire Advent Software, Inc., or Advent. The following table provides a list of the most substantial acquisitions we have made since 1995:

| <b>Acquisition Date</b> | <b>Acquired Business</b> | <b>Contract Purchase Price</b> | <b>Acquired Capabilities, Products and Services</b>                                |
|-------------------------|--------------------------|--------------------------------|--|
| February 2005           | EisnerFast               | \$ 25,300,000                  | Expanded fund administration services to the hedge fund and private equity markets |
| April 2005              | Financial Models Company | \$ 159,000,000                 | Expanded front-, middle- and back-office products and services to the investment   |



Edgar Filing: SS&C Technologies Holdings Inc - Form 10-K

|               |                                 |    |             |   |
|---------------|---------------------------------|----|-------------|---|
|               |                                 |    |             | management industry including Pacer, Pages, Recon and Sylvan products   |
| October 2005  | Open Information Systems        | \$ | 24,000,000  | Entered money market, custody and security lending market with Global Debt Manager, Information Manager and Money Market Manager products |
| November 2009 | TheNextRound                    | \$ | 21,000,000  | Expanded private equity client base with TNR Solution product   |
| December 2009 | Tradeware                       | \$ | 22,500,000  | Expanded electronic trading offering in broker/dealer market  |
| December 2010 | TimeShareWare                   | \$ | 30,500,000  | Added shared ownership property management platform to real estate offering   |
| May 2012      | Thomson Reuters PORTIA Business | \$ | 170,000,000 | Added portfolio management software and outsourcing services for institutional managers   |

**Table of Contents**

| <b>Acquisition Date</b> | <b>Acquired Business</b>        | <b>Contract Purchase Price</b> | <b>Acquired Capabilities, Products and Services</b>                                    |
|-------------------------|---------------------------------|--------------------------------|--|
| June 2012               | GlobeOp Financial Services S.A. | \$ 834,400,000                 | Expanded fund administration services in hedge fund and other asset management sectors |
| November 2014           | DST Global Solutions            | \$ 95,000,000                  | Added investment management software and services                                      |

**Products and services**

Our products and services allow professionals in the financial services industry to automate complex business processes within financial services providers and are instrumental in helping our clients manage significant information processing requirements. Our solutions enable our clients to focus on core operations, better monitor and manage investment performance and risk, improve operating efficiency and reduce operating costs. Our portfolio of over 80 products and software-enabled services allows our clients to automate and integrate front-office functions such as trading and modeling, middle-office functions such as portfolio management and reporting, and back-office functions such as accounting, performance measurement, reconciliation, reporting, processing and clearing.

***Portfolio management/accounting***

Our products and services for portfolio management span most of our vertical markets and offer our clients a wide range of investment management solutions. Some of our portfolio management products include:

*AdvisorWare.* AdvisorWare software supports hedge funds, funds-of-funds and family offices with sophisticated global investment, trading and management concerns, and/or complex financial, tax, partnership and allocation reporting requirements. It delivers comprehensive multicurrency investment management, financial reporting, performance fee calculations, net asset value calculations, contact management and partnership accounting in a straight-through processing environment.

*CAMRA.* CAMRA (Complete Asset Management, Reporting and Accounting) software supports the integrated management of asset portfolios by investment professionals operating across a wide range of institutional investment entities. CAMRA is a multi-user, integrated solution tailored to support the entire portfolio management function and includes features to execute, account for and report on all typical securities transactions.

*Debt & Derivatives.* Debt & Derivatives is a comprehensive financial application software package designed to process and analyze all activities relating to derivative and debt portfolios, including pricing, valuation and risk analysis, derivative processing, accounting, management reporting and regulatory reporting. Debt & Derivatives delivers real-time transaction processing to treasury and investment professionals, including traders, operations staff, accountants and auditors.

*Global Wealth Platform.* A web-based service, Global Wealth Platform combines our core asset management product functions with an innovative, easy-to-use interface. Global Wealth Platform provides an integrated suite with key components modeling, trading, portfolio accounting, client communications and other mission critical workflows as an on-demand, software-enabled service.

*HiPortfolio.* HiPortfolio® is an investment accounting and asset servicing solution. It provides full life cycle processing including comprehensive investment and fund accounting capabilities, flexible transaction processing from order capture to post-trade activity, and proven support for middle- and back-office operations.

*MAXIMIS*. MAXIMIS is a real-time intranet-enabled portfolio management solution for insurance companies, pension funds and institutional asset managers. Its key product functions include portfolio analysis,

## **Table of Contents**

investment management, trade processing, cash processing, multi-currency accounting, regulatory reporting, operations and analysis and management reporting.

*Pacer.* Pacer is a portfolio management and accounting system designed to manage diversified global portfolios and meet the unique management and accounting needs of all business streams, from institutional and pension management, to separately managed accounts, private client portfolios, mutual funds and unit trusts.

*Pages.* Pages is a client communication system that generates unique individual client statements and slide presentations for print, electronic or face-to-face meetings. Pages helps enhance customer services by producing client statements that automatically assemble data from portfolio management, customer relationship management, performance measurement and other investment systems.

*PORTIA.* PORTIA is a comprehensive middle-to-back-office software solution designed to streamline the operations of global investment managers. PORTIA's functionality supports a broad range of global asset types, fixed income analytics & analysis, multi-currency transaction processing, corporate actions and presentation-quality reporting implemented with flexible deployment options. Built on an open architecture, PORTIA enables real-time integration with other systems, applications, data providers and counterparties to run operations more efficiently and effectively.

*Recon.* Recon is a transaction, position and cash reconciliation system that streamlines reconciliation by identifying exceptions and providing effective workflow tools to resolve issues faster, thereby reducing operational risk. Recon automatically reconciles transactions, holdings and cash from multiple sources.

*SS&C Anova.* SS&C Anova acts as a central data hub, consolidating and aggregating critical holding, position and transaction data in near real time. Its robust performance and attribution engine provides a detailed breakdown of the sources of risk and return from portfolio holdings, enabling clients to understand and react to their portfolio performance.

*Sylvan.* Sylvan is a performance measurement, attribution and composite management platform that is designed to streamline the calculation and reporting of performance measurement requirements.

*TNR Solution.* TNR Solution is a software product for private equity, hedge funds, funds of hedge funds and family offices. Built around Microsoft's .NET platform, the product gives end users the flexibility to manage all aspects of their operations from contact management, fund raising, investor relations, fund, portfolio and deal management, general ledger and reporting.

*Total Return.* Total Return is a portfolio management and partnership accounting system directed toward the hedge fund and family office markets. It is a multi-currency system, designed to provide financial and tax accounting and reporting for businesses with high transaction volumes.

## ***Trading/treasury operations***

Our comprehensive real-time trading systems offer a wide range of trade order management solutions that support both buy-side and sell-side trading. Our full-service trade processing systems deliver comprehensive processing for global treasury and derivative operations. Solutions are available to clients either through a license or as a software-enabled service. Some of our trading and treasury operations products include:

*Antares.* Antares is a comprehensive, real-time, event-driven trading and profit and loss reporting system designed to integrate trade modeling with trade order management. Antares enables clients to trade and report fixed-income,

equities, foreign exchange, futures, options, repos and many other instruments across different asset classes. Antares also offers an add-on option of integrating Heatmaps data visualization technology to browse and navigate holdings information.

## **Table of Contents**

*MarginMan.* MarginMan delivers collateralized trading software to the foreign exchange marketplace. MarginMan supports collateralized foreign exchange trading, precious metals trading and over-the-counter foreign exchange options trading.

*MarketLook Information System (MLIS).* MLIS allows traders anywhere in the world access to market color and size directly from traders on the trading floor of the New York Stock Exchange.

*TradeThru.* TradeThru is a web-based treasury and derivatives operations service that supports multiple asset classes and provides multi-bank, multi-entity and multi-currency integration of front-, middle- and back-office trade functions for financial institutions. TradeThru is available either through a license or as a software-enabled service. The system delivers automated front- to back-office functions throughout the lifecycle of a trade, from deal capture to settlement, risk management, accounting and reporting. TradeThru also provides data to other external systems, such as middle-office analytic and risk management systems and general ledgers. TradeThru provides one common instrument database, counterparty database, audit trail and end-of-day runs.

## ***Financial modeling***

We offer several powerful analytical software and financial modeling applications for the insurance industry. We also provide analytical software and services to the municipal finance groups market. Some of our financial modeling products include:

*DBC Product Suite.* We provide analytical software and services to municipal finance groups. Our suite of DBC products addresses a broad spectrum of municipal finance concerns, including general bond structures, revenue bonds, housing bonds, student loans and insured revenue bonds and securitizations.

*Global Markets Risk.* Global Markets Risk provides a comprehensive view of risk across all asset classes for banks, hedge funds, asset managers, insurance companies and pension funds. Risk Analytics is designed for risk managers who need better tracking, managing and reporting of value-at-risk and ex-ante risk measures across all asset classes.

## ***Loan management/accounting***

Our loan management/accounting products include:

*LMS Loan Suite.* The LMS Loan Suite is a single database application that provides comprehensive loan management throughout the life cycle of a loan, from the initial request to final disposition. We have structured the flexible design of the LMS Loan Suite to meet the most complex needs of commercial lenders and servicers worldwide. The LMS Loan Suite includes both the LMS Originator and the LMS Servicer, facilitating integrated loan portfolio processing.

## ***Property management***

Some of our property management products include:

*SKYLINE.* SKYLINE is a comprehensive property management system that integrates all aspects of real estate property management, from prospect management to lease administration, work order management, accounting and reporting. By providing a single-source view of all real estate holdings, SKYLINE functions as an integrated lease administration system, a historical property/portfolio knowledge base and a robust accounting and financial reporting system, enabling users to track each property managed, including data on specific units and tenants.

*TimeShareWare.* TimeShareWare Enterprise incorporates a Service Oriented Architecture (SOA) and provides the tools, structure, and performance needed to accommodate management of complex and demanding resort operations, including sales and marketing, management, contract processing, loan servicing and property management.

## **Table of Contents**

### ***Money market processing***

Our money market processing products include:

*Global Debt Manager.* Global Debt Manager is a robust browser-based application for corporate and municipal bond accounting. Fully integrated with Money Market Manager (M3), Global Debt Manager offers processing for conventional and structured debt within a secure and flexible platform.

### ***Software-enabled services***

Some of our software-enabled services include:

*Evare.* Evare is a leader in financial data acquisition, transformation and delivery services. Global managed services connect our clients and their counterparties using each firm's preferred method of connectivity, custom data formats, and industry standards. All parties utilize their existing systems and protocols without having to upgrade or install software.

*e-Investor.* SS&C's e-Investor provides an end-to-end investor transaction processing platform designed to automate the delivery, completion, submission, and tracking of all investor transactions. When coupled with SS&C's e-Fulfillment, the solution can deliver targeted marketing material and subscription documents through a secure web interface to potential investors, with detailed activity tracking. Once delivered, the prospect (or financial advisor) can complete the subscription document online, leveraging e-Investor's extensive and flexible data validation and dependency rules.

*GoTrade+.* GoTrade+ automates trade capture as trades occur over a real-time web-based portal that displays life cycle status, documents, valuations, exposures, collateral and cash positions. It enables clients to trade with confidence in the knowledge that the most complex trades are followed through by a highly experienced and expert team.

*GoRisk.* A cross-asset and cross strategy application, GoRisk allows portfolio and risk managers to monitor risk analytics across their trading strategies. GoRisk provides key risk analytics across funds-of-funds and managed account platforms.

*SS&C Direct.* We provide comprehensive software-enabled services through our SS&C Direct operating unit for portfolio accounting, reporting and analysis functions. Since 1997, SS&C Direct has offered ASP, business process outsourcing (BPO) and blended outsourcing services to institutional asset managers, insurance companies, hedge funds and financial institutions.

The SS&C Direct service includes:

full BPO investment accounting and investment operations services,

hosting of a company's application software,



automated workflow integration,

automated quality control mechanisms, and

extensive interface and connectivity services to custodian banks, data service providers, depositories and other external entities.

*SS&C GlobeOp.* We provide comprehensive on- and offshore fund administration services to hedge fund and other alternative investment managers using our proprietary software products. SS&C GlobeOp offers fund manager services, transfer agency services, funds-of-funds services, tax processing, compliance services and accounting processing. SS&C GlobeOp supports all fund types and investment strategies. Market segments served include hedge funds, funds-of-funds and private equity firms.

## **Table of Contents**

*SSCNet.* SSCNet is a global trade network linking investment managers, broker-dealers, clearing agencies, custodians and interested parties. SSCNet's real-time trade matching utility and delivery instruction database facilitate integration of front-, middle- and back-office functions, reducing operational risk and costs.

*SVC.* SVC is a single source for securities data that consolidates data from leading global sources to provide clients with the convenience of one customized data feed. SVC provides clients with seamless, timely and accurate data for pricing, corporate actions, dividends, interest payments, foreign exchange rates and security master for global financial instruments.

*Tradeware FIXLink.* Tradeware FIXLink is a FIX network for IOIs, trades, orders, and allocations, providing a reliable broker-neutral and platform-neutral FIX connectivity service to broker-dealers and institutions.

### ***Professional services***

We offer a range of professional services to assist clients. Professional services consist of consulting and implementation services, including the initial installation of systems, conversion of historical data and ongoing training and support. Our in-house consulting teams work closely with the client to ensure the smooth transition and operation of our systems. Our consulting teams have a broad range of experience in the financial services industry and include certified public accountants, chartered financial analysts, mathematicians and IT professionals from the asset management, real estate, investment, insurance, hedge fund, municipal finance and banking industries. We believe our commitment to professional services facilitates the adoption of our software products across our target markets. For the year ended December 31, 2014, revenues from professional services represented 4% of total revenues.

### ***Product support***

We believe a close and active service and support relationship is important to enhancing client satisfaction and furnishes an important source of information regarding evolving client issues. We provide our larger clients with a dedicated client support team whose primary responsibility is to answer questions and provide solutions to address ongoing needs. Direct telephone support is provided during extended business hours, and additional hours are available during peak periods. We also offer the SS&C Solution Center, a website that serves as an exclusive online community for clients, where clients can find answers to product questions, exchange information, share best practices and comment on business issues. Approximately every two weeks, we distribute via the Internet our software and services *eBriefings*, which are industry-specific newsletters available for key geographic regions around the world. We supplement our service and support activities with comprehensive training. Training options include regularly hosted classroom and online instruction, *Zoologic Learning Academy*, and online client seminars, or webinars, that address current, often technical, issues in the financial services industry.

We periodically make maintenance releases of licensed software available to our clients, as well as regulatory updates (generally during the fourth quarter, on a when and if available basis), to meet industry reporting obligations and other processing requirements.

### **Clients**

We have over 7,000 clients globally in the financial services industry that require a full range of information management and analysis, accounting, actuarial, reporting and compliance software on a timely and flexible basis. Our clients include multinational banks, retail banks and credit unions, hedge funds, funds of funds and family offices, institutional asset managers, insurance companies and pension funds, municipal finance groups, brokers/dealers, financial exchanges, commercial lenders, real estate lenders and property managers. Our clients include many of the

largest and most well-recognized firms in the financial services industry. During the year ended December 31, 2014, our top 10 clients represented approximately 17% of revenues, with no single client accounting for more than 5% of revenues.

## **Table of Contents**

### **Sales and marketing**

We believe a direct sales organization is essential to the successful implementation of our business strategy, given the complexity and importance of the operations and information managed by our products, the extensive regulatory and reporting requirements of each industry, and the unique dynamics of each vertical market. Our dedicated direct sales and support personnel are located in various sales offices worldwide and routinely undergo product and sales training. We also use telemarketing to support sales of our real estate property management products and work through alliance partners that sell our software-enabled services to their correspondent banking clients.

Our marketing personnel have extensive experience in high tech marketing to the financial services industry and are responsible for identifying market trends, evaluating and developing marketing opportunities, generating client leads and providing sales support. Our marketing activities, which focus on the use of the Internet as a cost-effective means of reaching current and potential clients, include:

content-rich, periodic software and services *eBriefings* targeted at clients and prospects in each of our vertical and geographic markets,

regular product-focused webinars,

seminars and symposiums,

trade shows and conferences, and

e-marketing campaigns.

Some of the benefits of our Internet-based marketing strategy include lower marketing costs, more direct contacts with actual and potential clients, increased marketing leads, distribution of more up-to-date marketing information and an improved ability to measure marketing initiatives.

The marketing department also supports the sales force with appropriate documentation or electronic materials for use during the sales process.

### **Product development and engineering**

We believe we must introduce new products and offer product innovation on a regular basis to maintain our competitive advantage. To meet these goals, we use multidisciplinary teams of highly trained personnel and leverage this expertise across all product lines. We have invested heavily in developing a comprehensive product analysis process to ensure a high degree of product functionality and quality. Maintaining and improving the integrity, quality and functionality of existing products is the responsibility of individual product managers. Product engineering management efforts focus on enterprise-wide strategies, implementing best-practice technology regimens, maximizing resources and mapping out an integration plan for our entire umbrella of products as well as third-party products. For the years ended December 31, 2012, 2013 and 2014, our research and development expenses were \$45.8 million, \$53.9 million and \$57.3 million, respectively. In addition, we have made significant investments in intellectual

property through our acquisitions.

Our research and development engineers work closely with our marketing and support personnel to ensure that product evolution reflects developments in the marketplace and trends in client requirements. We have generally issued a major release of our core products during the second or third quarter of each fiscal year, which includes both functional and technical enhancements. We also provide an annual release in the fourth quarter to reflect evolving regulatory changes in time to meet clients' year-end reporting requirements.

### **Competition**

The market for financial services software and services is competitive, rapidly evolving and highly sensitive to new product introductions and marketing efforts by industry participants, although high conversion costs can

---

**Table of Contents**

create barriers to adoption of new products or technologies. The market is fragmented and served by both large-scale firms with broad offerings as well as firms that target only local markets or specific types of clients. We also face competition from information systems developed and serviced internally by the IT departments of large financial services firms. We believe that we generally compete effectively as to the factors identified for each market below, although some of our existing competitors and potential competitors have substantially greater financial, technical, distribution and marketing resources than we have and may offer products with different functions or features that are more attractive to potential customers than our offerings.

*Alternative Investments:* In our alternative investments market, we compete with multiple vendors that may be categorized into two groups, the first consisting of independent specialized administration providers, which are generally smaller than us, and the second including prime brokerage and other firms offering fund administration services. Major competitors in this market include CITCO Group and State Street Bank. The key competitive factors in marketing software and services to the alternative investment industry are the need for independent fund administration, features and adaptability of the software, level and quality of customer support, level of software development expertise and total cost of ownership. Our strengths in this market are our expertise, our independence, our ability to deliver functionality by multiple methods and our technology, including the ownership of our own software.

*Asset Management:* In our asset management market, we compete with a variety of other vendors depending on client characteristics such as size, type, location, computing environment and functionality requirements. Competitors in this market range from larger providers of integrated portfolio management systems and outsourcing services, such as SunGard, BNY Mellon Financial (Eagle Investment Systems) and Advent, to smaller providers of specialized applications and technologies such as StatPro, Charles River Development and others. We also compete with internal processing and information technology departments of our clients and prospective clients. The key competitive factors in marketing asset management solutions are the reliability, accuracy, timeliness and reporting of processed information to internal and external customers, features and adaptability of the software, level and quality of customer support, level of software development expertise and return on investment. Our strengths in this market are our technology, our ability to deliver functionality by multiple delivery methods and our ability to provide cost-effective solutions for clients.

*Insurance and Pension Funds:* In our insurance and pension funds market, we compete with a variety of vendors depending on client characteristics such as size, type, location, computing environment and functionality requirements. Competitors in this market range from large providers of portfolio management systems, such as State Street Bank (Princeton Financial Systems) and SunGard, to smaller providers of specialized applications and services.

We also compete with outsourcers, as well as the internal processing and information technology departments of our clients and prospective clients. The key competitive factors in marketing insurance and pension plan systems are the accuracy, timeliness and reporting of processed information provided to internal and external clients, features and adaptability of the software, level and quality of customer support, economies of scale and return on investment. Our strengths in this market are our years of experience, our top-tier clients, our ability to provide solutions by multiple delivery methods, our cost-effective and customizable solutions and our expertise.

*Real Estate Property Management:* In our real estate property management market, we compete with numerous software vendors consisting of smaller specialized real estate property management solution providers and larger property management software vendors with more dedicated resources than our real estate property management business, such as Yardi Systems. The key competitive factors in marketing property management and timeshare systems are the features and adaptability of the software, level of quality and customer support, degree of responsiveness and overall net cost. Our strengths in this market are the quality of our software and our reputation

with our clients.

## **Table of Contents**

*Financial Institutions:* In our financial institutions market, there are multiple software and services vendors that are either smaller providers of specialized applications and technologies or larger providers of enterprise systems, such as SunGard and Misys. We also compete with outsourcers as well as the internal processing and information technology departments of our clients and prospective clients. The key competitive factors in marketing financial institution software and services include accuracy and timeliness of processed information provided to clients, features and adaptability of the software, level and quality of customer support, level of software development expertise, total cost of ownership and return on investment. Our strengths in this market are our flexible technology platform and our ability to provide integrated solutions for our clients.

*Commercial Lending:* In our commercial lending market, we compete with a variety of other vendors depending on client characteristics such as size, type, location and functional requirements. Competitors in this market range from large competitors whose principal businesses are not in the loan management business, such as PNC Financial Services (Midland Loan Services), to smaller providers of specialized applications and technologies. The key competitive factors in marketing commercial lending solutions are the accuracy, timeliness and reporting of processed information provided to customers, level of software development expertise, level and quality of customer support and features and adaptability of the software. Our strength in this market is our ability to provide both broadly diversified and customizable solutions to our clients.

*Financial Markets:* In our financial markets, our competition falls into two categories – the internal development organizations within financial enterprises and specialized financial vendors, such as SunGard and Fidessa. The key competitive factors in marketing financial markets technology solutions are a proven track record of delivering high quality solutions, level of responsiveness and overall net cost. Our strengths in this market are a successful track record of delivering solutions and our reputation with our clients.

## **Proprietary rights**

We rely on a combination of trade secret, copyright, trademark and patent law, nondisclosure agreements and technical measures to protect our proprietary technology. We have registered trademarks for many of our products and will continue to evaluate the registration of additional trademarks as appropriate. We generally enter into confidentiality and/or license agreements with our employees, distributors, clients and potential clients. We seek to protect our software, documentation and other written materials under trade secret and copyright laws, which afford limited protection. These efforts may be insufficient to prevent third parties from asserting intellectual property rights in our technology. Furthermore, it may be possible for unauthorized third parties to copy portions of our products or to reverse engineer or otherwise obtain and use proprietary information, and third parties may assert ownership rights in our proprietary technology. For additional risks relating to our proprietary technology, please see Risk Factors Risks Relating to Our Business. If we are unable to protect our proprietary technology and other confidential information, our success and our ability to compete will be subject to various risks, such as third-party infringement claims, unauthorized use of our technology, disclosure of our proprietary information or inability to license technology from third parties.

Rapid technological change characterizes the software development industry. We believe factors such as the technological and creative skills of our personnel, new product developments, frequent product enhancements, name recognition and reliable service and support are more important to establishing and maintaining a leadership position than legal protections of our technology.

## **Employees**

As of December 31, 2014, we had 4,674 full-time employees, consisting of:



690 employees in research and development;

3,351 employees in consulting and services;

182 employees in sales and marketing;

## **Table of Contents**

185 employees in client support; and

266 employees in finance and administration.

As of December 31, 2014, 2,754 of our employees were in our international operations. No employee is covered by any collective bargaining agreement. We believe that we have good relations with our employees.

## **Additional Information**

We were incorporated in Delaware in July 2005, as the successor to a corporation originally formed in Connecticut in March 1986. Our principal executive offices are located at 80 Lambertson Road, Windsor, Connecticut 06095, and the telephone number of our principal executive offices is (860) 298-4500.

Our Internet website address is [www.ssctech.com](http://www.ssctech.com). We make available, free of charge, on our Internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments thereto that we have filed or furnished with the Securities and Exchange Commission, as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission. We are not, however, including the information contained on our website, or information that may be accessed through links on our website, as part of, or incorporating such information by reference into, this annual report on Form 10-K.

## **ITEM 1A. RISK FACTORS**

You should carefully consider the following risk factors, in addition to other information included in this annual report on Form 10-K and the other reports we submit to the Securities and Exchange Commission. If any of the following risks occur, it could materially affect our business, operating results, cash flows and financial condition and possibly lead to a decline in our stock price. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies. Additional risks and uncertainties not currently known to us or that we currently believe are not material may also impair our business, operating results, cash flows and financial condition.

### **Risks Relating to Our Business**

*Our business is greatly affected by changes in the state of the general economy and the financial markets, and uncertainty in the general economy or the financial services industry could disproportionately affect the demand for our products and services.*

In recent years, the global economy has experienced a significant recession, severe disruptions in the credit markets, increased uncertainty about economic, political and market conditions, and periods of heightened volatility in a variety of financial and other markets, including commodity prices and currency rates, all of which have had at times a material and adverse effect on the financial markets and the activity levels of our clients. While the United States economy may technically have come out of the recession, the recovery is fragile and may not be sustainable for any specific period of time, and the economy could slip back into an even more significant recession. Our clients include a range of organizations in the financial services industry whose success is linked to the health of the economy generally and of the financial markets specifically. Unfavorable or uncertain economic conditions, economic instability or economic downturns could: (i) cause our clients or prospective clients to cancel, reduce or delay planned expenditures for our products and services; (ii) impair our clients' ability to pay for products they have purchased; or (iii) cause our clients to process fewer transactions through our software-enabled services, renegotiate their contracts

with us, move their IT solutions in-house, switch to lower-priced solutions offered by our competitors or exit the industry. Fluctuations in the value of assets under our clients' management could also adversely affect our revenues because pricing in many of our agreements is adjusted based on assets under management. We cannot predict the occurrence, timing or duration

## **Table of Contents**

of any economic downturn, generally, or in the markets in which our businesses operate. Turbulence in the U.S. and international markets, renewed concern about the strength and sustainability of a recovery and prolonged declines in business consumer spending could materially adversely affect our business and financial statements, and the liquidity and financial condition of our clients.

### ***Consolidations and failures in the financial services industry could adversely affect us by causing a decline in demand for our products and services.***

If banks and financial services firms fail or consolidate, there could be a decline in demand for our products and services. Failures, mergers and consolidations of banks and financial institutions reduce the number of our clients and potential clients, which could adversely affect our revenues even if these events do not reduce the aggregate activities of the consolidated entities. Further, if our clients fail and/or merge with or are acquired by other entities that are not our clients, or that use fewer of our products and services, they may discontinue or reduce their use of our products and services. It is also possible that the larger financial institutions resulting from mergers or consolidations would have greater leverage in negotiating terms with us. In addition, these larger financial institutions could decide to perform in-house some or all of the services that we currently provide or could provide or to consolidate their processing on a non-SS&C system. The resulting decline in demand for our products and services could have a material adverse effect on our business and financial statements.

### ***Our business has become increasingly focused on the hedge fund industry, and we are subject to the variations and fluctuations of that industry.***

As a result of our acquisition of GlobeOp Financial Services S.A., or GlobeOp, in May 2012, a higher percentage of our clients are hedge funds or funds of hedge funds. These clients and our business relating to them are affected by trends, developments and risks associated with the global hedge fund industry. The market environment for hedge funds involves risk and has suffered significant turmoil in recent years, including as a result of substantial changes in global economies, stock market declines, credit crises, failures of financial institutions, government bail-out plans and new regulatory initiatives. Even in the absence of such disruptions to the global economy, the global hedge fund industry is subject to fluctuations in assets under management that are impossible to predict or anticipate. These risks could significantly and adversely affect some or all of our clients, which could adversely affect our business and financial statements. In addition, market forces have negatively impacted liquidity for many of the financial instruments in which hedge fund clients trade, which, in turn, could negatively impact our ability to access independent pricing sources for valuing those instruments.

### ***If we are unable to retain and attract clients, our revenues and net income would remain stagnant or decline.***

If we are unable to keep existing clients satisfied, sell additional products and services to existing clients or attract new clients, then our revenues and net income would remain stagnant or decline. A variety of factors could affect our ability to successfully retain and attract clients, including:

the level of demand for our products and services;

the level of client spending for information technology;

the level of competition from internal client solutions and from other vendors;

the quality of our client service and the performance of our products;

our ability to update our products and services and develop new products and services needed by clients;

our ability to understand the organization and processes of our clients; and

our ability to integrate and manage acquired businesses.

## **Table of Contents**

***We face significant competition with respect to our products and services, which may result in price reductions, reduced gross margins or loss of market share.***

The market for financial services software and services is competitive, rapidly evolving and highly sensitive to new product and service introductions and marketing efforts by industry participants. The market is also highly fragmented and served by numerous firms that target only local markets or specific client types. We also face competition from information systems developed and serviced internally by the IT departments of financial services firms.

Some of our current and potential competitors may have significantly greater financial, technical, distribution and marketing resources, generate higher revenues and have greater name recognition. Our current or potential competitors may develop products comparable or superior to those developed by us, or adapt more quickly to new technologies, evolving industry trends or changing client or regulatory requirements. It is also possible that our competitors may enter into alliances with each other or other third parties, and through such alliances, acquire increased market share. Increased competition may result in price reductions, reduced gross margins and loss of market share. Accordingly, our business may not grow as expected and may decline.

***Catastrophic events may adversely affect our business.***

A war, terrorist attack, natural disaster, pandemic or other catastrophe may adversely affect our business. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our clients, the financial markets or the overall economy and reducing our ability to provide, our clients' ability to use, and the demand for, our products and services. The potential for a direct effect on our business operations is due primarily to our significant investment in infrastructure. Although we maintain redundant facilities and have contingency plans in place to protect against both man-made and natural threats, it is impossible to fully anticipate and protect against all potential catastrophes. A computer virus, security breach, criminal act, military action, power or communication failure, flood, severe storm or the like could lead to service interruptions and data losses for clients, disruptions to our operations, or damage to important facilities. In addition, such an event may cause clients to cancel their agreements with us for our products or services. Any of these events could adversely affect our business and financial statements.

***Our software-enabled services may be subject to disruptions or failures that could adversely affect our reputation and our business.***

Our software-enabled services maintain and process confidential data on behalf of our clients, some of which is critical to their business operations. For example, our trading systems maintain account and trading information for our clients and their customers. Our internal technology infrastructure on which our software-enabled services depend may be subject to disruptions or may otherwise fail to operate properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control and that could adversely affect our ability to process transactions, provide services or otherwise appropriately conduct our business activities. Such events include information technology attacks or failures, threats to physical security, sudden increases in transaction volumes, electrical or telecommunications outages, damaging weather or other acts of nature, or employee or contractor error or malfeasance. In particular, cybersecurity threats have become prevalent in our industry as well as for many firms that process information. Cybersecurity threats are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, information security breaches or employee or contractor error or malfeasance and other electronic security breaches that could lead to disruptions in systems, unauthorized release or destruction of our or our clients' or other parties' confidential or otherwise protected information and corruption of data. In the last few years there have been many successful advanced pervasive threats that have damaged several prominent companies in spite of strong information security measures, and we expect that the risks associated with cyber-attacks and the costs of preventing such attacks will continue to increase in the future.

We and our clients are regularly the target of attempted cyber-attacks, including denial-of-service attacks, and we must continuously

## **Table of Contents**

monitor and develop our systems to protect our technology infrastructure and data from misappropriation or corruption. Although we expend significant resources and oversight efforts in an attempt to ensure that we maintain appropriate safeguards with respect to cyber-attacks, there is no guarantee that our systems and procedures are adequate to protect against all security breaches.

If our software-enabled services are disrupted or fail for any reason, or if our systems or facilities are infiltrated or damaged by unauthorized persons, we and our clients could experience data loss, financial loss, harm to their reputation and significant business interruption. If that happens, we may be exposed to significant liability, our reputation may be harmed, our clients may be dissatisfied and we may lose business. Given the unpredictability of the timing, nature and scope of such failures or disruptions, we could potentially experience significant costs and exposures, including production downtimes, operational delays, other detrimental impacts on our operations or ability to provide services to our customers, the compromising of confidential or otherwise protected information, misappropriation, destruction or corruption of data, security breaches, other manipulation or improper use of our systems or networks, financial losses from remedial actions, loss of business, potential liability, regulatory inquiries, enforcements, actions and fines and/or damage to our reputation, any of which could have a material adverse effect on our business and financial statements.

***If third party service providers on which we rely, or other third parties with which we do business or which facilitate our business activities, suffer disruptions to their information technology systems, our business could be harmed.***

In providing our software-enabled services to our customers, we depend upon information technology infrastructure that is primarily managed by our firm, but we also depend on third party service providers to provide some of the information technology infrastructure on which we rely. Although we seek to ensure that appropriate security and other standards are maintained by these third parties, these third parties are also subject to the risks discussed in the preceding risk factor, and there is no guarantee that they will maintain systems and procedures sufficient to protect against system failures and security breaches, including as a result of cyber-attacks.

In addition, the third parties with which we do business or which facilitate our business activities, including financial intermediaries, are susceptible to the risks described in the preceding risk factor (including regarding the third parties with which they are similarly interconnected), and our or their business operations and activities may therefore be adversely affected, perhaps materially, by failures, terminations, errors or malfeasance by, or attacks or constraints on, one or more financial, technology or infrastructure institutions or intermediaries with whom they are interconnected or conduct business.

***Our role as a fund administrator has in the past, and may in the future, expose us to claims and litigation from clients, their investors, regulators or other third parties.***

As a service provider, we have been, and may in the future be, subject to claims and lawsuits from investors, regulators, liquidators, other third parties and our clients, some of which pursue high-risk investment strategies and all of which are subject to substantial market risk, in the event that the underlying fund suffers investment losses, becomes insolvent, files for bankruptcy or otherwise becomes defunct. Even if we are not ultimately found to be liable, defending such claims or lawsuits could be time-consuming, divert management resources, harm our reputation and cause us to incur significant expenses. These claims or lawsuits could have an adverse effect on our business and financial statements.

As discussed under **Legal Proceedings** in Item I, Part 3 of this Form 10-K, we are a party to a U.K. arbitration relating to valuation agent services performed by GlobeOp for certain Millennium funds. We are vigorously contesting the



ongoing UK Arbitration. However, litigation is subject to inherent uncertainty and this matter could ultimately be decided against GlobeOp. We could be required to pay substantial damages, which could have a material adverse effect on our business and financial statements. In addition, because this is an

## Table of Contents

arbitration proceeding, it could result in a less predictable outcome than court litigation and is not subject to appeal, except for fundamental procedural defects. We have incurred, and during the pendency of these actions, will continue to incur significant costs and, until resolved, these matters will continue to divert the attention of our management and other resources that would otherwise be engaged in other business activities.

*We may not achieve the anticipated benefits from our acquisitions and may face difficulties in integrating our acquisitions.*

We have acquired and intend in the future to acquire companies, products or technologies that we believe could complement or expand our business, augment our market coverage, enhance our technical capabilities or otherwise offer growth opportunities. However, acquisitions could subject us to contingent or unknown liabilities, and we may have to incur debt or severance liabilities or write off investments, infrastructure costs or other assets. Our success is also dependent on our ability to complete the integration of the operations of acquired businesses in an efficient and effective manner, which may be difficult to accomplish in the rapidly changing financial services software and services industry. We may not realize the benefits we anticipate from acquisitions, such as lower costs, increased revenues, synergies and growth opportunities, or we may realize such benefits more slowly than anticipated, due to our inability to:

combine operations, facilities and differing firm cultures;

maintain employee morale or retain the clients or employees of acquired entities;

generate market demand for new products and services;

coordinate geographically dispersed operations and successfully adapt to the complexities of international operations, including compliance with laws, rules and regulations in multiple jurisdictions;

integrate the technical teams of acquired companies with our engineering organization; or

incorporate acquired technologies, products and services into our current and future product and service lines.

The process of integrating the operations of acquired companies could disrupt our ongoing operations, divert management from day-to-day responsibilities, increase our expenses and harm our business or financial statements. Acquisitions may also place a significant strain on our administrative, operational, financial and other resources. In addition, certain of our acquisitions have generated disputes with stockholders or management of acquired companies that have required the expenditure of our resources to address or have led to litigation; any such disputes may reduce the value we hope to realize from our acquisitions, either by increasing our costs of the acquisition, reducing our opportunities to realize revenues from the acquisition or imposing litigation costs or adverse judgments on us. Acquisitions may also expose us to litigation from our stockholders arising out of the acquisition, which, even if unsuccessful, could be costly to defend and serve as a distraction to management.

***We have substantial operations and a significant number of employees in India and we are therefore subject to regulatory, economic and political uncertainties in India.***

We currently have approximately 1,800 employees located in India. The economy of India may differ favorably or unfavorably from the United States economy and our business may be adversely affected by the general economic conditions and economic and fiscal policy in India, including changes in exchange rates and controls, interest rates and taxation policies. In particular, in recent years, India's government has adopted policies that are designed to promote foreign investment, including significant tax incentives, relaxation of regulatory restrictions, liberalized import and export duties and preferential rules on foreign investment and repatriations. These policies may not continue. In addition, we are subject to risks relating to social stability, political, economic or diplomatic developments affecting India in the future.

**Table of Contents**

India faces major challenges in the years ahead sustaining the economic growth that it has experienced over the past several years. These challenges include the need for substantial infrastructure development and improving access to healthcare and education. Our ability to recruit, train and retain qualified employees and develop and operate our facilities in India could be adversely affected if India does not successfully meet these challenges.

*We expect that our operating results, including our profit margins and profitability, may fluctuate over time.*

Historically, our revenues, profit margins and other operating results have fluctuated from period to period and over time primarily due to the timing, size and nature of our license and service transactions. See Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion on fluctuations in revenues, profit margins and other operating results. Additional factors that may lead to such fluctuation include:

the timing of the introduction and the market acceptance of new products, product enhancements or services by us or our competitors;

the lengthy and often unpredictable sales cycles of large client engagements;

the amount and timing of our operating costs and other expenses;

the financial health of our clients;

changes in the volume of assets under our clients' management;

cancellations of maintenance and/or software-enabled services arrangements by our clients;

changes in local, national and international regulatory requirements;

acquisitions during the relevant period;

implementation of our licensing contracts and software-enabled services arrangements;

changes in economic and financial market conditions; and

changes in the types of products and services we provide.

*We are dependent on our senior management and their continued performance and productivity.*

We are dependent on the continued efforts of the members of our senior management. The loss of any of the members of our senior management may cause a significant disruption in our business, jeopardize existing customer relationships, impair our compliance efforts as a public company, and have a material adverse effect on our business objectives. We do not maintain key man life insurance policies for any senior officer or manager.

***If we cannot attract, train and retain qualified employees, we may not be able to provide adequate technical expertise and customer service to our clients.***

We believe that our success is due in part to our ability to attract, train and retain highly skilled employees. Competition for qualified personnel in the software and hedge fund industries is intense, and we have, at times, found it difficult to attract and retain skilled personnel for our operations. Our failure to attract and retain a sufficient number of highly skilled employees could prevent us from developing and servicing our products at the same levels as our competitors; therefore, we may lose potential clients and suffer a decline in revenues.

## **Table of Contents**

***If we are unable to protect our proprietary technology and other confidential information, our success and our ability to compete will be subject to various risks, such as third-party infringement claims, unauthorized use of our technology, disclosure of our proprietary information or inability to license technology from third parties.***

Our success and ability to compete depends in part upon our ability to protect our proprietary technology and other confidential information. We rely on a combination of patent, trade secret, copyright and trademark law, nondisclosure agreements, license agreements and technical measures to protect our proprietary technology and other confidential information. We have registered trademarks for some of our products and will continue to evaluate the registration of additional trademarks as appropriate. We generally enter into confidentiality agreements with our employees, distributors, clients and potential clients. These efforts may be insufficient to prevent third parties from misappropriating or asserting rights in our intellectual property and technology. Furthermore, it may be possible for unauthorized third parties to copy portions of our products or to reverse engineer or otherwise obtain and use our proprietary information.

Existing patent and copyright laws afford only limited protection. Third parties may develop substantially equivalent or superseding proprietary technology or may offer equivalent products in competition with our products, thereby substantially reducing the value of our proprietary rights. A number of third parties hold patents and other intellectual property rights with application in the financial services field. Consequently, we are subject to the risk that such third parties will claim that our products infringe their intellectual property rights, including their patent rights. Such claims, if successful, could result in expensive and time-consuming litigation and impair our intellectual property rights.

We incorporate open source software into a limited number of our software products. We monitor our use of open source software in an effort to avoid subjecting our products to unfavorable conditions or conditions we do not intend. Although we believe that we have complied with our obligations under the applicable licenses for open source software that we use, there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses. As a result, the potential impact of these terms is uncertain and may result in unanticipated obligations or restrictions regarding those of our products, technologies or solutions affected.

We have acquired and may acquire important technology rights through our acquisitions and have often incorporated and may incorporate features of these technologies across many of our products and services. As a result, we are subject to the above risks and the additional risk that the seller of the technology rights may not have appropriately protected the intellectual property rights we acquired. Indemnification and other rights under applicable acquisition documents are limited in term and scope and therefore provide us with only limited protection.

In addition, we rely on third-party software in providing some of our products and services. If we lose our licenses to use such software or if such licenses are found to infringe upon the rights of others, we will need to seek alternative means of obtaining the licensed software to continue to provide our products or services. Our inability to replace such software, or to replace such software in a timely manner, could significantly disrupt our business and our ability to deliver products and services to our clients, and adversely affect our financial results.

***We could become subject to litigation regarding intellectual property rights, which could seriously harm our business and require us to incur significant costs.***

In recent years, there has been a high incidence of litigation in the United States involving patents and other intellectual property rights. We are from time to time a party to litigation to enforce our intellectual property rights or as a result of an allegation that we infringe a third party's intellectual property rights, including patents, trademarks and copyrights. From time to time, we have received notices claiming our technology may infringe third-party intellectual property rights or otherwise threatening to assert intellectual property rights. These claims and any resulting lawsuit, if

successful, could subject us to significant liability for damages and invalidation of

## **Table of Contents**

our proprietary rights. These lawsuits, regardless of their success, could be time-consuming and expensive to resolve, adversely affect our revenues, profitability and prospects, and divert management time and attention. These claims and threats could also cause us to undertake to re-engineer our products or services or obtain a license of third-party technologies on unfavorable terms.

### ***We may be unable to adapt to rapidly changing technology and evolving industry standards and regulatory requirements.***

Rapidly changing technology, evolving industry standards and regulatory requirements and new product and service introductions characterize the market for our products and services. Our future success will depend in part upon our ability to enhance our existing products and services and to develop and introduce new products and services to keep pace with such changes and developments and to meet changing client needs. The process of developing our software products is complex and is expected to become increasingly complex and expensive in the future due to the introduction of new platforms, operating systems and technologies. Current areas of significant technological change include mobility, cloud-based computing and the processing and analyzing of large amounts of data. Our ability to keep up with technology and business and regulatory changes is subject to a number of risks, including that:

we may find it difficult or costly to update our services and software and to develop new products and services quickly enough to meet our clients' needs;

we may find it difficult or costly to make some features of our software work effectively and securely over the Internet or with new or changed operating systems;

we may find it difficult or costly to update our software and services to keep pace with business, evolving industry standards, regulatory requirements and other developments in the industries in which our clients operate; and

we may be exposed to liability for security breaches that allow unauthorized persons to gain access to confidential information stored on our computers or transmitted over our network.

Our failure to enhance our existing products and services and to develop and introduce new products and services to promptly address the needs of our clients and a changing marketplace could adversely affect our business and financial statements.

### ***Undetected software design defects, errors or failures, or employee errors, may result in defects, delays, loss of our clients' data, litigation against us and harm to our reputation and business.***

Our software products are highly complex and sophisticated and could contain design defects or software errors that are difficult to detect and correct. Errors or bugs in our software may affect the ability of our products to work with other hardware or software products, delay the development or release of new products or new versions of products, result in the loss of client data, damage our reputation, affect market acceptance of our products or result in the rejection of our products by the market, cause loss of revenues, divert development resources, increase product liability and warranty claims, and increase service and support costs. We cannot be certain that, despite testing by us and our clients, errors will not be found in new products or new versions of products. Moreover, our clients engage in



complex trading activities and this complexity increases the likelihood that our employees may make errors. Employee errors, poor employee performance or misconduct may be difficult to detect and deter. These product defects or errors in the product operations, or employee errors, poor performance or misconduct, could cause damages to our clients for which they may assert claims or lawsuits against us. The cost of defending such a lawsuit, regardless of its merit, could be substantial and could divert management's attention and result in reputational harm. In addition, if our business liability insurance coverage proves inadequate with respect to a claim or future coverage is unavailable on acceptable terms or at all, we may be liable for payment of substantial damages. Any or all of these potential consequences could have an adverse impact on our business and financial statements.

---

**Table of Contents**

***Our business is subject to evolving regulations and increased scrutiny from regulators.***

Our business is subject to evolving and increasing regulation, and our relationships with our clients may subject us to increased scrutiny from a number of regulators, including the Bermuda Monetary Authority (BMA), British Virgin Islands Financial Services Commission (BVIFSC), Centrale Bank van Curacao en Sint Maarten, Commodity Futures Trading Commission (CFTC), Federal Trade Commission (FTC), Cayman Islands Monetary Authority (CIMA), Commission de Surveillance du Secteur Financier (CSSF), Financial Industry Regulatory Authority (FINRA), Financial Conduct Authority (FCA), Central Bank of Ireland (CBI), National Futures Association (NFA), Ontario Securities Commission (OSC), the Securities and Exchange Commission (SEC), Securities Commission of the Bahamas (SCB), U.S. Treasury Department and other government entities that regulate the financial services, hedge fund and hedge fund services industry in the United States, the United Kingdom and the other jurisdictions in which we operate. These regulations may limit or curtail our activities, including activities that might be profitable, and changes to existing regulations may affect our ability to continue to offer our existing products and services, or to offer products and services we may wish to offer in the future. As a result of the changes in the global economy and the turmoil in global financial markets in recent years, the risk of additional government regulation has increased.

The European Union's Alternative Investment Fund Managers Directive (AIFMD) and the United States' Dodd-Frank Wall Street Reform and Consumer Protection Act, among other initiatives, pose significant changes to the regulatory environment in which we and our clients operate. The impact of these regulatory changes remains uncertain. If we fail to comply with any applicable laws, rules or regulations, we may be subject to censure, fines or other sanctions, including revocation of our licenses and/or registrations with various regulatory agencies, criminal penalties and civil lawsuits.

The U.S. Foreign Corrupt Practices Act and anti-bribery laws in other jurisdictions, including the U.K. Bribery Act, generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantage. While our policies mandate compliance with these anti-bribery laws, reckless or other inappropriate acts committed by our affiliates, employees or agents that violate anti-bribery laws could result in severe criminal or civil sanctions.

A failure to comply with these laws, rules or regulations, or allegations of such noncompliance, could adversely affect our business, reputation and financial statements.

***Additional tax expense or additional tax exposures could affect our future profitability.***

We are subject to income taxes in the United States and various international jurisdictions. Changes in tax laws and regulations, as well as changes in related interpretations and other tax guidance could materially impact our tax receivables and liabilities and our deferred tax assets and deferred tax liabilities. Additionally, in the ordinary course of business we are subject to examinations by various authorities, including tax authorities. In addition to ongoing investigations, there could be additional investigations launched in the future by governmental authorities in various jurisdictions, and existing investigations could be expanded. The global and diverse nature of our operations means that these risks will continue to exist and additional investigations, proceedings and contingencies will arise from time to time. Our business and financial statements may be affected by the outcome of investigations, proceedings and other contingencies that cannot be predicted with certainty.

***A substantial portion of our revenues are derived, and a substantial portion of our operations are conducted, outside the United States.***

For the years ended December 31, 2012, 2013 and 2014, international revenues accounted for 35%, 35% and 33%, respectively, of our total revenues. We sell certain of our products, such as MarginMan and Pacer, primarily outside the United States. Our international business is subject to a variety of risks, including:

potential changes in a specific country's or region's political or economic climate;

**Table of Contents**

the need to comply with a variety of local regulations and laws, U.S. export controls, the U.S. Foreign Corrupt Practices Act and the UK Bribery Act;

fluctuations in foreign currency exchange rates;

application of discriminatory fiscal policies;

potential changes in tax laws and the interpretation of such laws; and

potential difficulty enforcing third-party contractual obligations and intellectual property rights.

Such factors could adversely affect our business and financial statements.

***We are exposed to fluctuations in currency exchange rates that could negatively impact our operating results and financial condition.***

Because a significant portion of our business is conducted outside the United States and significant revenues are generated outside the United States, we face exposure to adverse movements in foreign currency exchange rates. Fluctuations in currencies relative to currencies in which our earnings are generated also make it more difficult to perform period-to-period comparisons of our reported results of operations. Because our consolidated financial statements are reported in U.S. dollars, translation of sales or earnings generated in other currencies into U.S. dollars can result in a significant increase or decrease in the reported amount of those sales or earnings. In addition, we incur currency transaction risk whenever we enter into either a purchase or a sales transaction using a currency other than the local currency of the transacting entity. Given the volatility of exchange rates, we cannot be assured we will be able to effectively manage our currency translation or transaction risk, and significant changes in the value of foreign currencies relative to the U.S. dollar could adversely affect our financial statements. See Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion on the foreign currency translation impact on operating results and financial condition.

We do not currently engage in hedging activities. Changes in economic or political conditions globally and in any of the countries in which we operate could result in exchange rate movements, new currency or exchange controls or other restrictions being imposed on our operations.

***A material weakness in our internal controls could have a material adverse effect on us.***

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot do so, our reputation and operating results could be harmed. A material weakness in our internal control over financial reporting could adversely impact our ability to provide timely and accurate financial information. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, controls can be circumvented by individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in conditions or deterioration in the degree of compliance with policies or procedures may occur. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. If we are unable to report financial information timely and accurately or to maintain effective disclosure controls and procedures, our stock price could be negatively impacted

and we could be subject to, among other things, regulatory or enforcement actions by the SEC, which could have a material adverse effect on our business and financial statements.

**Table of Contents**

**Risks Relating to Our Indebtedness**

***Our substantial and increasing indebtedness could adversely affect our financial health and operations.***

We currently have a substantial amount of indebtedness. Borrowings under our current senior credit facility totaled approximately \$645.0 million as of December 31, 2014. To fund our acquisition of Advent Software, Inc., or Advent, and to refinance our existing indebtedness and Advent's existing indebtedness, we expect to incur substantial indebtedness under a senior secured credit facility and senior unsecured notes. This indebtedness could have adverse consequences. For example, it may:

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund acquisitions, working capital, capital expenditures, research and development efforts and other general corporate purposes;

increase our vulnerability to and limit our flexibility in planning for, or reacting to, change in our business and the industry in which we operate;

restrict our ability to make certain distributions with respect to our capital stock due to restricted payment and other financial covenants in our credit facilities and other financing agreements;

expose us to the risk of increased interest rates as borrowings under our senior credit facility are subject to variable rates of interest;

place us at a competitive disadvantage compared to our competitors that have less debt; and

limit our ability to borrow additional funds.

In addition, the agreement governing our current senior credit facility contains, and the agreement governing our new senior credit facility will contain, financial and other restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts.

***To service our indebtedness, we require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.***

We are currently obligated to make periodic interest payments on our senior debt of approximately \$18.9 million annually. In connection with the Advent acquisition, we expect debt interest payments to substantially increase. Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

If our business fails to generate sufficient cash flow from operations and future borrowings are not available to us, we may not be able to pay our indebtedness or fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and joint ventures. We may not be able to effect such actions, if necessary, on commercially reasonable terms or at all.

***Restrictive covenants in the agreements governing our indebtedness may restrict our ability to pursue our business strategies.***

The agreements governing our indebtedness will limit our ability, among other things, to:

incur additional indebtedness;

make certain investments;

**Table of Contents**

sell assets, including capital stock of certain subsidiaries;

declare or pay dividends, repurchase or redeem stock or make other distributions to stockholders;

consolidate, merge, liquidate or dissolve;

enter into transactions with our affiliates; and

incur liens.

In addition, the agreement governing our senior credit facility also requires us, and the agreement governing our new senior credit facility will continue to require us, to maintain compliance with specified leverage ratios. Our ability to comply with these provisions may be affected by events beyond our control, and these provisions could limit our ability to plan for or react to market conditions, meet capital needs or otherwise conduct our business activities and plans.

Our inability to comply with any of these provisions could result in a default under one or more of the agreements governing our indebtedness. If such a default occurs under one such agreement, the creditors under another debt agreement may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable. In addition, the lenders under our senior credit facility would have the right to terminate any commitments they have to provide further borrowings.

If we are unable to repay outstanding borrowings when due, the lenders under our senior credit facility also have the right to proceed against the collateral, including our available cash and substantially all of our domestic assets and the assets of our domestic subsidiaries, granted to them to secure the indebtedness under that facility. If the indebtedness under our senior credit facility were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that indebtedness and our other indebtedness.

**Risks Related to Our Pending Acquisition of Advent Software, Inc.**

*The anticipated benefits of our pending acquisition of Advent may not be realized or those benefits may take longer to realize than expected.*

The success of our pending acquisition of Advent will depend, to a large extent, on our ability to realize the anticipated benefits and cost savings derived from this transaction and our ability to integrate the two organizations and businesses. The combination of two independent businesses is a complex, costly and time-consuming process. As a result, Advent and we will devote significant management attention and resources prior to closing to prepare for integrating, and we will devote significant management attention and resources post-closing to integrate the business practices and operations of both organizations. The integration process may disrupt the businesses and, if implemented ineffectively, would impair the realization of the full expected benefits.

In addition, we continue to evaluate our estimates of synergies to be realized from the acquisition, so our actual cost-savings could differ materially from our current estimates. We cannot assure you that we will achieve the full amount of cost-savings on the schedule anticipated or at all.



A failure to meet the challenges involved in integrating the two businesses and to realize the anticipated benefits of the transaction could cause an interruption of, or a loss of momentum in, the activities of the post-acquisition company and could adversely affect its results of operations. In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customer and other business relationships, and diversion of management's attention. The difficulties of combining the operations of the companies include, among others:

the diversion of management's attention to integration matters;

difficulties in achieving anticipated cost savings, synergies, business opportunities and growth;

**Table of Contents**

difficulties in the integration of operations, software and technology systems;

difficulties in conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures between the two companies;

difficulties in the assimilation of employees;

difficulties in managing the expanded operations of a significantly larger and more complex company;

challenges in keeping existing customers and obtaining new customers;

potential unknown liabilities, adverse consequences and unforeseen increased expenses and unanticipated competitive responses associated with our pending acquisition of Advent; and

coordinating a more geographically dispersed organization.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and results of operations of the post-acquisition company. In addition, even if our operations are integrated successfully with Advent, the full benefits of the transactions may not be realized, including the synergies, cost savings or sales or growth opportunities that are expected. These benefits may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the integration of our business with Advent. An inability to realize the full extent of, or any of, the anticipated benefits of the acquisition, as well as any delays encountered in the integration process, could have an adverse effect on our financial condition, results of operations and cash flows. All of these factors could cause dilution to our earnings per share, decrease or delay the expected accretive effect of the transaction, and negatively impact the price of our common stock.

***We will incur costs as a result of our pending acquisition of Advent.***

We will incur substantial expenses in connection with our pending acquisition of Advent and over a period of time following the completion of the acquisition. While we have assumed that a certain level of transaction expenses will be incurred, factors beyond our control could affect the total amount or the timing of these expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately.

***Failure to consummate the Advent acquisition or termination of the acquisition agreement could negatively affect us.***

Our business may be adversely impacted if we cannot pursue opportunities that might benefit us because our management is focused on our pending acquisition of Advent. We will not realize any of the anticipated benefits of our pending acquisition of Advent until it is completed. Our pending acquisition of Advent may not close for various reasons, including our inability to obtain regulatory approvals, satisfy closing conditions, or because Advent terminates the acquisition agreement in favor of another potential acquirer. In the event that we are unable to consummate the

pending acquisition of Advent, the market price of our common stock may decline to the extent that the current market price reflects a market assumption that our pending acquisition will be completed.

***We and Advent must obtain required approvals and consents to consummate the pending acquisition, which if delayed or not granted or granted with unacceptable conditions, may prevent, delay or jeopardize the consummation of the transaction, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the transaction.***

Our pending acquisition of Advent is subject to customary closing conditions. These closing conditions include, among others, the receipt of required approvals by Advent shareholders and the expiration or

## **Table of Contents**

termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The governmental authorities whose approval we need generally have broad discretion in making their decisions. We can provide no assurance that required approvals and consents will be obtained in a timely manner or at all. Further, no assurance can be given that the required Advent shareholder approval will be obtained or that the required closing conditions will be satisfied, and, if all required consents and approvals are obtained and the closing conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the approvals or clearances.

### **Risks Relating to Ownership of Our Common Stock**

*If equity research analysts do not publish or cease publishing research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline.*

The trading market for our common stock is influenced by the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price of our stock or trading volume in our stock could decline if one or more equity analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing regular reports about us or our business.

*The market price of our common stock may be volatile, which could result in substantial losses for investors in our common stock.*

Shares of our common stock were sold in our initial public offering, or IPO, at a price of \$15.00 per share on March 31, 2010, and in the five intervening years our common stock has traded as high as \$64.99 and as low as \$13.27. An active, liquid and orderly market for our common stock may not be sustained, which could depress the trading price of our common stock. In addition, the market price of our common stock may fluctuate significantly. Some of the factors that may cause the market price of our common stock to fluctuate include:

fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;

changes in estimates of our financial results or recommendations by securities analysts;

failure of any of our products to achieve or maintain market acceptance;

changes in market valuations of similar companies;

success of competitive products;

changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;

announcements by us or our competitors of significant products, contracts, acquisitions or strategic alliances;

regulatory developments in any of our markets;

litigation involving our company, our general industry or both;

additions or departures of key personnel;

investors' general perception of us; and

changes in general economic, industry and market conditions.

In addition, if the market for technology stocks, financial services stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could

## **Table of Contents**

cause our stock price to fall and may expose us to class action lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

***William C. Stone, our Chairman of the Board and Chief Executive Officer, exerts significant control over our company.***

As of February 23, 2015, William C. Stone, our Chairman of the Board and Chief Executive Officer, beneficially owned approximately 19.9% of the outstanding shares of our common stock. We are party to a stockholders agreement with Mr. Stone, pursuant to which Mr. Stone has the right to nominate four members of our board of directors, one of which will be Mr. Stone for so long as he is our Chief Executive Officer. As a result, Mr. Stone has significant influence over our policy and affairs and matters requiring stockholder approval.

***SS&C Holdings is a holding company with no operations or assets of its own and its ability to pay dividends is limited or otherwise restricted.***

SS&C Holdings has no direct operations and no significant assets other than the stock of SS&C. The ability of SS&C Holdings to pay dividends is limited by its status as a holding company and by the terms of the agreement governing our senior credit facility. See Risk factors Risks relating to our indebtedness Restrictive covenants in the agreement governing our senior credit facility may restrict our ability to pursue our business strategies. Moreover, none of the subsidiaries of SS&C Holdings is obligated to make funds available to SS&C Holdings for the payment of dividends or otherwise. In addition, Delaware law imposes requirements that may restrict the ability of our subsidiaries, including SS&C, to pay dividends to SS&C Holdings. These limitations could reduce our attractiveness to investors.

***Our management has broad discretion in the use of our existing cash resources and may not use such funds effectively.***

Our management has broad discretion in the application of our cash resources. Accordingly, our stockholders will have to rely upon the judgment of our management with respect to our existing cash resources, with only limited information concerning management's specific intentions. Our management may spend our cash resources in ways that our stockholders may not desire or that may not yield a favorable return. The failure by our management to apply these funds effectively could harm our business.

***Provisions in our certificate of incorporation and bylaws might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.***

Provisions of our certificate of incorporation and bylaws and Delaware law may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

limitations on the removal of directors;

a classified board of directors so that not all members of our board are elected at one time;

advance notice requirements for stockholder proposals and nominations;

the inability of stockholders to call special meetings;

the ability of our board of directors to make, alter or repeal our bylaws;

the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval, which could be used to institute a rights plan, or a poison pill,

## **Table of Contents**

that would work to dilute the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors; and

a prohibition on stockholders from acting by written consent.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that our stockholders could receive a premium for their shares of common stock in an acquisition.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 2. PROPERTIES**

We lease our corporate offices, which consist of approximately 93,500 square feet of office space located in 80 Lamberton Road, Windsor, CT 06095. In 2013, we extended the lease term through October 2022. We utilize facilities and offices in twenty-four other locations in the United States and have offices in Europe, Asia, Australia and Africa. We lease all of our facilities and offices except for our offices in Yorktown, New York, and Harrison, New York, which we own. We believe that our facilities are in good condition and generally suitable to meet our needs for the foreseeable future; however, we will continue to seek additional space as needed to satisfy our growth.

### **ITEM 3. LEGAL PROCEEDINGS**

#### **Millennium Actions**

Several actions (the Millennium Actions ) have been filed in various jurisdictions against the Company's subsidiary, GlobeOp Financial Services S.A. ( GlobeOp ), alleging claims and damages with respect to a valuation agent services agreement performed by GlobeOp for the Millennium Global Emerging Credit Fund, L.P. and Millennium Global Emerging Credit Fund Ltd. (the Millennium Funds ). These actions include (i) a putative class action in the U.S. District Court for the Southern District of New York (the U.S. Class Action ) on behalf of a putative class of investors in the Millennium Funds filed in May 2012 asserting claims of \$844 million (the alleged aggregate value of assets under management by the Millennium Funds at the funds' peak valuation); (ii) an arbitration proceeding in the United Kingdom (the UK Arbitration ) on behalf of Millennium Global Investments Ltd. and Millennium Asset Management Ltd., the Millennium Funds' investment manager and administrative manager, respectively (together, the Millennium Managers ), which commenced with a request for arbitration in July 2011, seeking an indemnity of \$26.5 million for sums paid by way of settlement to the Millennium Funds in a separate arbitration to which GlobeOp was not a party, as well as an indemnity for any losses that may be incurred by the Millennium Managers in the U.S. Class Action; and (iii) a claim in the same arbitration proceeding by the liquidators on behalf of the Millennium Global Emerging Credit Master Fund Ltd. (the Master Fund ) against GlobeOp for damages alleged to be in excess of \$160 million. These actions allege that GlobeOp breached its contractual obligations and/or negligently breached a duty of care in the performance of services for the Millennium Fund and that, *inter alia*, GlobeOp should have discovered and reported a fraudulent scheme perpetrated by the portfolio manager employed by the investment manager. The U.S. Class Action also asserts claims against SS&C identical to the claims against GlobeOp in that action. In the arbitration, GlobeOp



has asserted counterclaims against both the Millennium Managers and the Master Fund for indemnity, including in respect of the U.S. Class Action.

Hearings in the UK Arbitration were conducted in London in July and August 2013, September 2014 and December 2014.

**Table of Contents**

GlobeOp has secured insurance coverage that provides reimbursement of various litigation costs up to pre-determined limits. Since 2012, GlobeOp has been reimbursed for litigation costs under the applicable insurance policy.

In January 2014, GlobeOp, SS&C, the Millennium Managers and the plaintiff in the U.S. Class Action entered into a settlement agreement resolving all disputes and claims between and among the parties (including a separate mutual release between and among GlobeOp and SS&C, on the one hand, and the Millennium Managers on the other that covers claims asserted in the UK Arbitration). The settlement agreement was approved by the United States District Court for the Southern District of New York on July 7, 2014 and consummated in August 2014. Accordingly, the U.S. Class Action matter has been dismissed with prejudice and is now concluded. GlobeOp's insurers funded the entirety of the settlement amount contemplated to be contributed by GlobeOp. The resolution of the U.S. Class Action does not affect the claims, counterclaims and/or defenses as between GlobeOp and the Master Fund that have been asserted in the UK Arbitration.

The Company cannot predict the outcome of the UK Arbitration. The Company believes that it has strong defenses and is vigorously contesting the UK Arbitration (as described above, the U.S. Class Action has been concluded). The amount of any potential loss, if any at all, cannot be reasonably estimated at this time.

In addition to the foregoing legal proceedings, from time to time, the Company is subject to other legal proceedings and claims. In the opinion of the Company's management, the Company is not involved in any other such litigation or proceedings with third parties that management believes would have a material adverse effect on the Company or its business.

**ITEM 4. *MINE SAFETY DISCLOSURES***

Not applicable.

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock trades on The NASDAQ Global Select Market under the symbol **SSNC**. The following table sets forth, for the periods indicated, the high and low sales prices of our common stock as reported by The NASDAQ Global Select Market:

|                | <b>High</b> | <b>Low</b> |
|----------------|-------------|------------|
| <b>2014</b>    |             |            |
| Fourth quarter | \$ 59.76    | \$ 41.67   |
| Third quarter  | \$ 46.58    | \$ 41.51   |
| Second quarter | \$ 46.22    | \$ 35.47   |
| First quarter  | \$ 46.61    | \$ 37.17   |
|                | <b>High</b> | <b>Low</b> |
| <b>2013</b>    |             |            |
| Fourth quarter | \$ 44.26    | \$ 34.67   |
| Third quarter  | \$ 39.94    | \$ 32.51   |
| Second quarter | \$ 34.44    | \$ 27.54   |
| First quarter  | \$ 30.24    | \$ 22.22   |

On February 23, 2015, the closing price reported on The NASDAQ Global Select Market of our common stock was \$62.00 per share. As of February 23, 2015, we had approximately 19 holders of record of our common stock.

There is no established public trading market for shares of our Class A non-voting common stock. As of February 23, 2015, William C. Stone, our Chairman and Chief Executive Officer, was the only holder of record of our Class A non-voting common stock. Each share of Class A non-voting common stock automatically converts into one share of our common stock upon (i) the expiration, with respect to a holder of Class A non-voting common stock, of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, such that such holder could acquire shares of common stock issuable upon conversion of such holder's shares of Class A non-voting common stock in compliance with the HSR Act, (ii) any other event, the occurrence of which results in the ability of a holder of Class A non-voting Common Stock to acquire the shares of common stock issuable upon conversion of the Class A non-voting common stock pursuant in compliance with the HSR Act or (iii) the sale of such share of Class A non-voting common stock to a person or entity (x) that would not be required to make a filing under the HSR Act to acquire an equal number of shares of common stock or (y) for which the waiting period under the HSR Act applicable to such person acquiring an equal number of shares of common stock has expired.

In November 2014, our Board of Directors declared its first quarterly cash dividend of \$0.125 per share of common stock, which was paid in December 2014. Our ability to pay dividends is limited by our status as a holding company and by the terms of the agreement governing our senior credit facility, insofar as we may seek to pay dividends out of funds made available to us by our subsidiaries, because our debt instruments directly or indirectly impose certain limitations on our subsidiaries' ability to pay dividends or make loans to us. Any future determination as to the declaration and payment of dividends will be at the discretion of our Board of Directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital

requirements, current and anticipated cash needs, plans for expansion, and other factors our Board of Directors may deem relevant.

Our equity plan information required by this item is incorporated by reference to the information in Part III, Item 12 of this annual report on Form 10-K.

**Table of Contents****Performance graph**

This performance graph shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of SS&C Technologies Holdings, Inc. under the Exchange Act.

The following graph shows a comparison from March 31, 2010 (the date our common stock commenced trading on The NASDAQ Global Select Market) through December 31, 2014 of cumulative total return for our common stock, the NASDAQ Composite Index and the NASDAQ Computer and Data Processing Index. Such returns are based on historical results and are not intended to suggest future performance. Data for the NASDAQ Composite Index and the NASDAQ Computer and Data Processing Index assume reinvestment of dividends.

**COMPARISON OF CUMULATIVE TOTAL RETURN\***

**Among SS&C Technologies Holdings, Inc., the NASDAQ Composite Index**

**And the NASDAQ Computer and Data Processing Index**

\* \$100 invested in stock on 3/31/2010. Return calculations of indices assume the reinvestment of dividends.

|   | 3/31/2010 | 12/31/2010 | 12/31/2011 | 12/31/2012 | 12/31/2013 | 12/31/2014 |
|---|-----------|------------|------------|------------|------------|------------|
| SS&C Technologies Holdings, Inc.        | 100       | 136        | 120        | 153        | 294        | 389        |
| NASDAQ Composite-Total Returns          | 100       | 112        | 111        | 130        | 182        | 209        |
| NASDAQ Computer & Data Processing Index | 100       | 113        | 110        | 125        | 180        | 192        |

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA**

The five-year selected financial data set forth below should be read in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this annual report on Form 10-K.

|   | 2014(5)                               | 2013(4)      | 2012(3)      | 2011(2)      | 2010(1)      |
|---|---------------------------------------|--------------|--------------|--------------|--------------|
|   | (In thousands, except per share data) |              |              |              |              |
| <b>STATEMENT OF COMPREHENSIVE INCOME</b>        |                                       |              |              |              |              |
| Revenues  | \$ 767,861                            | \$ 712,702   | \$ 551,842   | \$ 370,828   | \$ 328,905   |
| Operating income                                | 200,372                               | 182,968      | 123,216      | 93,777       | 79,840       |
| Net income                                      | 131,127                               | 117,895      | 45,820       | 51,021       | 32,413       |
| Earnings per share                              |                                       |              |              |              |              |
| Basic   | \$ 1.57                               | \$ 1.45      | \$ 0.59      | \$ 0.67      | \$ 0.47      |
| Diluted   | \$ 1.50                               | \$ 1.38      | \$ 0.55      | \$ 0.63      | \$ 0.44      |
| Weighted average shares outstanding             |                                       |              |              |              |              |
| Basic   | 83,314                                | 81,195       | 78,321       | 76,482       | 69,027       |
| Diluted   | 87,331                                | 85,616       | 82,888       | 80,709       | 73,079       |
| Cash dividends declared per share               | \$ 0.125                              |              |              |              |              |
| <b>BALANCE SHEET</b>                            |                                       |              |              |              |              |
| Total assets                                    | \$ 2,285,322                          | \$ 2,275,324 | \$ 2,362,905 | \$ 1,207,608 | \$ 1,275,726 |
| Total long-term debt, including current portion | 638,905                               | 774,507      | 1,012,138    | 100,000      | 290,794      |
| Stockholders' equity                            | 1,346,670                             | 1,231,708    | 1,075,503    | 980,103      | 857,183      |

- (1) On February 3, 2010, we acquired the assets and business associated with Geller & Company LLC's Geller Investment Partnership Services division. On October 1, 2010, we acquired all of the outstanding stock of thinkorswim Technologies, Inc. On December 6, 2010, we acquired the all of the outstanding stock of PC Consulting d/b/a TimeShareWare.
- (2) On March 10, 2011, we acquired all of the outstanding stock of BenefitsXML, Inc. On September 8, 2011, we acquired all of the outstanding stock of BDO Simpson Xavier Fund Administration Services Limited, a division of BDO.
- (3) On May 9, 2012, we acquired the assets and business associated with Thomson Reuter's PORTIA Business. In the second quarter of 2012, we acquired of all of the outstanding stock of GlobeOp Financial Services, S.A. On September 27, 2012, we acquired the assets and business of Gravity Financial. See Note 12 to our consolidated financial statements.
- (4) On October 1, 2013, we acquired all of the outstanding stock of Prime Management Limited. See Note 12 to our consolidated financial statements.
- (5) On November 30, 2014, we acquired all of the outstanding stock of DST Global Solutions Ltd. and the assets and business of DST Global Solutions LLC, together DSTGS, subsidiaries of DST Systems, Inc. See Note 12 to our consolidated financial statements.

---

**Table of Contents****ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Overview**

We are a leading provider of mission-critical, sophisticated software products and software-enabled services that allow financial services providers to automate complex business processes and effectively manage their information processing requirements. Our portfolio of software products and rapidly deployable software-enabled services allows our clients to automate and integrate front-office functions such as trading and modeling, middle-office functions such as portfolio management and reporting, and back-office functions such as accounting, performance measurement, reconciliation, reporting, processing and clearing. Our solutions enable our clients to focus on core operations, better monitor and manage investment performance and risk, improve operating efficiency and reduce operating costs. We provide our solutions globally to more than 7,000 clients, principally within the institutional asset management, alternative investment management and financial institutions vertical markets. In addition, our clients include commercial lenders, corporate treasury groups, insurance and pension funds, municipal finance groups and real estate property managers.

Since 2012, through a combination of strategic acquisitions and internal development of new products and services, we have expanded our presence in current markets and entered new markets, increased our contractually recurring revenues, more than doubled our operating income and expanded our reach in the financial services market. Our acquisitions since 2012 have expanded our offerings for alternative investment managers and added to our portfolio management systems. Our acquisitions of GlobeOp Financial Services, S.A., or GlobeOp, and Thomson Reuters PORTIA Business, or the PORTIA Business, in 2012 significantly expanded our geographic footprint, most notably in Europe and Asia, and client base and added broader employee expertise.

Our contractually recurring revenues, which we define as our maintenance revenues and software-enabled services revenues, were \$698.1 million in 2014, compared to \$656.0 million and \$500.2 million in 2013 and 2012, respectively. In 2014, contractually recurring revenues represented 90.9% of total revenues, compared to 92.0% and 90.6% in 2013 and 2012, respectively. We believe our high level of contractually recurring revenues provides us with the ability to better manage our costs and capital investments. Our revenues from sales outside the United States were \$253.1 million in 2014, compared to \$246.0 million and \$191.4 million in 2013 and 2012, respectively.

As we have expanded our business, we have focused on increasing our contractually recurring revenues. Since 2012, we have seen increased demand in the financial services industry for our software-enabled services from existing and new customers. We have taken a number of steps to support that demand, such as automating our software-enabled services delivery methods, expanded our service offerings and providing our employees with sales incentives. We have also acquired businesses that offer software-enabled services or have a large base of maintenance clients. Our software-enabled services revenues increased from \$406.5 million in 2012 to \$592.5 million in 2014. Our maintenance revenues increased from \$93.8 million in 2012 to \$105.6 million in 2014. Maintenance customer retention rates have continued to be in excess of 90% for our core enterprise products, and we have maintained both pricing levels for new contracts and annual price increases for existing contracts. To support the growth in our software-enabled services revenues and maintain our level of customer service, we have added personnel, expanded our facilities and invested in information technology. These investments and automation improvements in our software-enabled services have served to improve gross margins. Although our acquisitions of GlobeOp and the PORTIA Business in 2012 added a significant amount of amortization expense related to intangible assets, which initially caused a decrease in our gross margins, our gross margins have increased from 45.7% in 2012 to 46.5% in 2014.

In connection with the acquisitions of GlobeOp and the PORTIA Business in the second quarter of 2012, we entered into a new credit agreement, which is described in [Liquidity and Capital Resources](#) , to fund a portion of the purchase prices and refinance amounts outstanding under our prior senior credit facility.



## **Table of Contents**

We generated \$252.5 million in cash from operating activities in 2014, compared to \$208.3 million and \$134.4 million in 2013 and 2012, respectively. In 2014, we used our operating cash flow, \$75.0 million in proceeds received from our revolving credit facility and existing cash to repay \$212.0 million of debt, acquire DST Global Solutions Ltd. and DST Global Solutions LLC, together DSTGS, subsidiaries of DST Systems, Inc., invest in capital expenditures in our business and buy back \$11.2 million in shares of common stock for treasury and pay \$10.5 million in dividends.

In February 2015, we entered into a definitive agreement with Advent Software, Inc., or Advent, wherein SS&C will acquire Advent for an enterprise value of approximately \$2.7 billion in cash, equating to \$44.25 per share plus assumption of debt. The closing, which is expected to occur in the second quarter of 2015, remains subject to Advent stockholder approval, clearances by relevant regulatory authorities and satisfaction of customary closing conditions (as discussed in *Liquidity and Capital Resources* and Note 16 to our consolidated financial statements).

*Acquisitions.* To supplement our growth, we evaluate and execute acquisitions that provide complementary products or services, add proven technology and an established client base, expand our intellectual property portfolio or address a highly specialized problem or a market niche. Since the beginning of 2012, we have spent approximately \$1,058 million to acquire six businesses in the financial services industry, using a combination of cash and debt financing (as discussed in Notes 6 and 12 to our consolidated financial statements).

The following table lists the businesses we have acquired since January 1, 2012:

| <b>Acquired Business</b> | <b>Acquisition Date</b> | <b>Acquired Capabilities, Products and Services</b>                                     |
|--------------------------|-------------------------|---|
| DST Global Solutions     | November 2014           | Added investment management software and services                                       |
| Prime Management Limited | October 2013            | Expanded fund administration services in the insurance linked securities market         |
| Hedgematrix LLC          | October 2012            | Expanded fund administration services in southwest USA                                  |
| Gravity                  | September 2012          | Expanded fund administration services in northeast USA                                  |
| GlobeOp                  | June 2012               | Expanded fund administration services in hedge fund and other asset management sectors  |
| The PORTIA Business      | May 2012                | Added portfolio management software and outsourcing services for institutional managers |

The discussion in this Part II, Item 7 of this Annual Report on Form 10-K includes the operations of the business listed in the table above for the respective time periods each was owned by SS&C.

## **Results of Operations**

### *Revenues*

Our revenues consist primarily of software-enabled services and maintenance revenues, and, to a lesser degree, software license and professional services revenues. As a general matter, fluctuations in our software-enabled services revenues are attributable to the number of new software-enabled services clients as well as total assets under management in our clients' portfolios and the number of outsourced transactions provided to our existing clients, while our software license and professional services revenues tend to fluctuate based on the number of new licensing clients. Maintenance revenues vary based on the rate by which we add or lose maintenance clients over time and, to a lesser

extent, on the annual increases in maintenance fees, which are generally tied to the consumer price index.

**Table of Contents**

The following table sets forth the percentage of our total revenues represented by each of the following sources of revenues for the periods indicated:

|                           | <b>Year Ended December 31,</b> |             |             |
|---------------------------|--------------------------------|-------------|-------------|
|                           | <b>2014</b>                    | <b>2013</b> | <b>2012</b> |
| <b>Revenues:</b>          |                                |             |             |
| Software-enabled services | 77%                            | 78%         | 74%         |
| Software licenses         | 5                              | 4           | 4           |
| Maintenance               | 14                             | 14          | 17          |
| Professional services     | 4                              | 4           | 5           |
| <b>Total revenues</b>     | <b>100%</b>                    | <b>100%</b> | <b>100%</b> |

The following table sets forth revenues (dollars in thousands) and percent change in revenues for the periods indicated:

|                           | <b>Year Ended December 31,</b> |                   |                   | <b>Percent Change from Prior Period</b> |             |
|---------------------------|--------------------------------|-------------------|-------------------|---|-------------|
|                           | <b>2014</b>                    | <b>2013</b>       | <b>2012</b>       | <b>2014</b>                             | <b>2013</b> |
| <b>Revenues:</b>          |                                |                   |                   |   |             |
| Software-enabled services | \$ 592,528                     | \$ 552,565        | \$ 406,477        | 7%                                      | 36%         |
| Software licenses         | 36,339                         | 28,687            | 22,466            | 27                                      | 28          |
| Maintenance               | 105,598                        | 103,409           | 93,760            | 2                                       | 10          |
| Professional services     | 33,396                         | 28,041            | 29,139            | 19                                      | (4)         |
| <b>Total revenues</b>     | <b>\$ 767,861</b>              | <b>\$ 712,702</b> | <b>\$ 551,842</b> | <b>8</b>                                | <b>29</b>   |

*Fiscal 2014 versus Fiscal 2013.* Our revenues increased in 2014 as compared to 2013 primarily due to a continued increase in demand for our fund administration services from alternative investment managers as well as revenues related to our acquisitions of DSTGS and Prime, for which revenues increased \$13.8 million. These increases were partially offset by the unfavorable impact from foreign currency translation of \$3.2 million, which resulted from the strength of the U.S. dollar relative to currencies such as the Canadian dollar and the Australian dollar. Our software licenses revenues increased primarily due to the impact of a significant perpetual license in the period and increased demand for our Institutional software products. Additionally, professional services revenues increased due to a rise in the number of product implementation projects in 2014.

*Fiscal 2013 versus Fiscal 2012.* Our revenues increased in 2013 as compared to 2012 primarily due to revenues related to our 2012 acquisitions of GlobeOp and the PORTIA Business, for which revenues increased \$119.2 million, reflecting a full year of activity, as well as a continued increase in demand for our hedge fund and private equity services from alternative investment managers. These increases were partially offset by the unfavorable impact from foreign currency translation of \$2.0 million, which resulted from the strength of the U.S. dollar relative to currencies such as the Canadian dollar and the Australian dollar. Our software licenses revenues increased due to increased

demand for our PORTIA, CAMRA, and Pages software products. Additionally, revenues associated with term licenses increased. Maintenance revenues experienced a substantial increase due to revenues related to the PORTIA Business, which contributed \$9.6 million in 2013, reflecting a full year of activity.

*Cost of Revenues*

Cost of software-enabled services revenues consists primarily of the cost related to personnel utilized in servicing our software-enabled services clients and amortization of intangible assets. Cost of software license

**Table of Contents**

revenues consists primarily of amortization of completed technology, royalties, third-party software, and the costs of product media, packaging and documentation. Cost of maintenance revenues consists primarily of technical client support, costs associated with the distribution of products and regulatory updates and amortization of intangible assets. Cost of professional services revenues consists primarily of the cost related to personnel utilized to provide implementation, conversion and training services to our software licensees, as well as system integration and custom programming consulting services.

The following table sets forth each of the following cost of revenues as a percentage of their respective revenue source for the periods indicated:

|                                   | <b>Year Ended December 31,</b> |             |             |
|-----------------------------------|--------------------------------|-------------|-------------|
|                                   | <b>2014</b>                    | <b>2013</b> | <b>2012</b> |
| Cost of revenues:                 |                                |             |             |
| Cost of software-enabled services | 58%                            | 58%         | 58%         |
| Cost of software licenses         | 10                             | 18          | 28          |
| Cost of maintenance               | 39                             | 40          | 43          |
| Cost of professional services     | 69                             | 70          | 65          |
| Total cost of revenues            | 53                             | 55          | 54          |
| Gross margin percentage           | 47                             | 45          | 46          |

The following table sets forth cost of revenues (dollars in thousands) and percent change in cost of revenues for the periods indicated:

|                                   | <b>Year Ended December 31,</b> |             |             | <b>Percent Change<br/>from Prior<br/>Period</b> |             |
|-----------------------------------|--------------------------------|-------------|-------------|---|-------------|
|                                   | <b>2014</b>                    | <b>2013</b> | <b>2012</b> | <b>2014</b>                                     | <b>2013</b> |
| Cost of revenues:                 |                                |             |             |   |             |
| Cost of software-enabled services | \$ 342,625                     | \$ 322,719  | \$ 234,214  | 6%  | 38%         |
| Cost of software licenses         | 3,701                          | 5,302       | 6,336       | (30)  | (16)        |
| Cost of maintenance               | 41,254                         | 41,046      | 40,394      | 1   | 2           |
| Cost of professional services     | 23,151                         | 19,733      | 18,973      | 17  | 4           |
| Total cost of revenues            | \$ 410,731                     | \$ 388,800  | \$ 299,917  | 6   | 30          |

*Fiscal 2014 versus Fiscal 2013.* Our gross margins increased in 2014 primarily due to cost reduction synergies with respect to the businesses acquired since 2012. Our total cost of revenues increased in 2014 primarily as a result of an increase in cost of software-enabled services revenues to support the increased demand for our fund administration services for alternative investment managers, as well as a result of costs associated with acquired businesses. The decrease in cost of software licenses was primarily due to a decrease in amortization expense due to the accelerated amortization methods utilized for our intangible assets.

*Fiscal 2013 versus Fiscal 2012.* Our gross margin decreased slightly in 2013 primarily due to an increase in amortization expense related to intangible assets acquired in the acquisitions of GlobeOp and the PORTIA Business, partially offset by cost reduction synergies with respect to the acquired businesses. Our total cost of revenues

increased in 2013 primarily due to our acquisitions of GlobeOp and the PORTIA Business. These increases were partially offset by a decrease in costs of \$3.0 million related to the favorable effect of foreign currency translation resulting from the strength of the U.S. dollar relative to currencies such as the Indian rupee and the Canadian dollar. Additionally, cost of software-enabled services revenues increased to support the increased demand for our hedge fund and private equity services from alternative investment managers.

**Table of Contents***Operating Expenses*

Selling and marketing expenses consist primarily of the personnel costs associated with the selling and marketing of our products, including salaries, commissions and travel and entertainment. Such expenses also include amortization of intangible assets, the cost of branch sales offices, trade shows and marketing and promotional materials. Research and development expenses consist primarily of personnel costs attributable to the enhancement of existing products and the development of new software products. General and administrative expenses consist primarily of personnel costs related to management, accounting and finance, information management, human resources and administration and associated overhead costs, as well as fees for professional services. Transaction costs consist primarily of legal, third-party valuation and other fees related to our acquisitions of GlobeOp and the PORTIA Business.

The following table sets forth the percentage of our total revenues represented by each of the following operating expenses for the periods indicated:

|                            | <b>Year Ended December 31,</b> |             |             |
|----------------------------|--------------------------------|-------------|-------------|
|                            | <b>2014</b>                    | <b>2013</b> | <b>2012</b> |
| Operating expenses:        |                                |             |             |
| Selling and marketing      | 6%                             | 6%          | 6%          |
| Research and development   | 7                              | 8           | 8           |
| General and administrative | 7                              | 6           | 6           |
| Transaction costs          |                                |             | 3           |
| Total operating expenses   | 20                             | 20          | 23          |

The following table sets forth operating expenses (dollars in thousands) and percent change in operating expenses for the periods indicated:

|                            | <b>Year Ended December 31,</b> |             |             | <b>Percent Change<br/>from Prior<br/>Period</b> |             |
|----------------------------|--------------------------------|-------------|-------------|---|-------------|
|                            | <b>2014</b>                    | <b>2013</b> | <b>2012</b> | <b>2014</b>                                     | <b>2013</b> |
| Operating expenses:        |                                |             |             |   |             |
| Selling and marketing      | \$ 48,592                      | \$ 41,885   | \$ 33,858   | 16%   | 24%         |
| Research and development   | 57,287                         | 53,862      | 45,779      | 6   | 18          |
| General and administrative | 50,879                         | 45,187      | 34,797      | 13  | 30          |
| Transaction costs          |                                |             | 14,275      | 0   | (100)       |
| Total operating expenses   | \$ 156,758                     | \$ 140,934  | \$ 128,709  | 11  | 9           |

*Fiscal 2014 versus 2013.* The increase in total operating expenses in 2014 was primarily due an increase in selling and marketing expenses increased as we expanded the size of our sales force. Additionally, general and administrative expenses as a result of legal expenses related to an IP infringement lawsuit, which was settled during the second quarter of 2014, costs related to DSTGS and Prime and expenses associated with office consolidations.

*Fiscal 2013 versus 2012.* The increase in total operating expenses in 2013 was primarily due to costs related to GlobeOp and the PORTIA Business, reflecting a full year of activity, and an increase in stock-based compensation,

partially offset by a decrease in costs of \$0.9 million related to the favorable impact from foreign currency translation, resulting from the relative strength of the U.S. dollar to currencies such as the Indian rupee.

*Comparison of Fiscal 2014, 2013 and 2012 for Interest, Taxes and Other*

*Interest income and interest expense.* We had interest expense of \$27.2 million in 2014 compared to \$42.4 million in 2013 and \$32.9 million in 2012. The decrease in interest expense in 2014 reflects the lower



**Table of Contents**

average debt balance resulting from repayments of the credit facility and a decrease in average interest rates resulting from the 2013 and 2014 repricings. The increase in interest expense in 2013 reflected a full year of interest associated with the credit facility that we entered into during the second quarter of 2012 in connection with our acquisitions of GlobeOp and the PORTIA Business, partially offset by a decrease in average interest rates. We had interest income of \$1.7 million in 2014 compared to \$1.1 million in 2013 and \$0.4 million in 2012. The increase in interest income in 2014 and 2013 resulted from higher average cash balances.

*Other income (expense), net.* Other income, net for 2014 and 2013 consisted primarily of foreign currency transaction gains. Other expense, net for 2012 consisted primarily of foreign currency transaction losses and a loss recorded on foreign currency contracts associated with our acquisition of GlobeOp, which is discussed further in Note 12 to our consolidated financial statements.

*Loss on extinguishment of debt.* Loss on extinguishment of debt in 2012 consisted of write-offs of deferred financing costs associated with the repayment of our prior senior credit facility.

*Provision for Income Taxes.*

The following table sets forth the provision for income taxes (dollars in thousands) and effective tax rates for the periods indicated:

|                            | <b>Year Ended December 31,</b> |             |             |
|----------------------------|--------------------------------|-------------|-------------|
|                            | <b>2014</b>                    | <b>2013</b> | <b>2012</b> |
| Provision for income taxes | \$ 46,527                      | \$ 27,292   | \$ 24,665   |
| Effective tax rate         | 26%                            | 19%         | 35%         |

Our 2014, 2013 and 2012 effective tax rates differ from the statutory rate primarily due to the effect of our foreign operations. The increase in effective rate from 2013 to 2014 was primarily due to an increase in domestic earnings from the prior year, the unfavorable impact of enacted tax law changes in New York, a decrease in benefits from research and development credits, and the absence of favorable items recorded in 2013, most notably the release of an uncertain tax position, and an enacted tax law change in the United Kingdom, partially offset by a decrease in expense attributable to deferred taxes recorded on foreign unremitted earnings. The decrease in effective rate from 2012 to 2013 was primarily due to an increase in operations outside the United States, which are subject to lower tax rates than the U.S. statutory rate, research and development tax credits, the release of an uncertain income tax position, a decrease in the impact of foreign valuation allowances and non-deductible transaction costs in 2012, partially offset by an increase in expense attributable to deferred taxes recorded on foreign unremitted earnings in 2013. We had \$121.2 million of deferred tax liabilities and \$23.0 million of deferred tax assets at December 31, 2014.

Our effective tax rate includes the effect of operations outside the United States, which historically have been taxed at rates lower than the U.S. statutory rate. While we have income from multiple foreign sources, the majority of our non-U.S. operations are in Canada, India and the United Kingdom, where the statutory rates were 26.5%, 34.0% and 21.5%, respectively, in 2014, 26.5%, 34.0% and 23.3%, respectively, in 2013, and 26.5%, 32.4% and 24.5%, respectively, in 2012. A future proportionate change in the composition of income before income taxes from foreign and domestic tax jurisdictions could impact our periodic effective tax rate.

**Liquidity and Capital Resources**

Our principal cash requirements are to finance the costs of our operations pending the billing and collection of client receivables, to fund payments with respect to our indebtedness, to invest in research and development and to acquire complementary businesses or assets. We expect our cash on hand and cash flows from operations to provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending for at least the next twelve months.

## **Table of Contents**

In February 2015, we entered into a definitive agreement with Advent wherein SS&C will acquire Advent for an enterprise value of approximately \$2.7 billion in cash, equating to \$44.25 per share plus assumption of debt. The closing, which is expected to occur in the second quarter of 2015, remains subject to Advent stockholder approval, clearances by relevant regulatory authorities and satisfaction of customary closing conditions. SS&C plans to fund the acquisition and refinancing of existing debt with \$3.0 billion of debt financing, cash on hand and approximately \$400 million of equity (as discussed in Note 16 to our consolidated financial statements).

Also in February 2015, our Board of Directors declared a quarterly cash dividend of \$0.125 per share of common stock payable on March 16, 2015 to stockholders of record as of the close of business on March 2, 2015.

Our cash and cash equivalents at December 31, 2014 were \$109.6 million, an increase of \$25.1 million from \$84.5 million at December 31, 2013. The increase in cash is primarily due to cash provided by operations as well as cash received from our revolving credit facility and proceeds from stock option exercises and the related income tax benefits. These increases were partially offset by cash used for repayments of debt, business acquisitions, capital expenditures, repurchases of our common stock and dividends. See Notes 4, 6 and 12 to our consolidated financial statements for further discussion of equity, debt and acquisitions, respectively.

Net cash provided by operating activities was \$252.5 million in 2014. Cash provided by operating activities primarily resulted from net income of \$131.1 million adjusted for non-cash items of \$89.4 million and changes in our working capital accounts (excluding the effect of acquisitions) totaling \$32.0 million. The changes in our working capital accounts were driven by changes in income taxes prepaid and payable, increases in accrued expenses, accounts payable and deferred maintenance and other revenues and a decrease in accounts receivable, partially offset by increases in prepaid expenses and other current assets. The change in income taxes prepaid and payable was primarily related to the income tax benefits received from option exercises (included in the non-cash items) and a refund received for prior year return. The increase in accounts payable was primarily due to timing of payments. The increase in deferred maintenance and other revenue was primarily due to the collection of annual maintenance fees. The decrease in accounts receivable was primarily due to an improvement in days sales outstanding, partially offset by revenue growth.

Investing activities used net cash of \$104.4 million in 2014, primarily related to \$86.9 million in net cash paid for our acquisition of DSTGS, \$15.0 million in cash paid for capital expenditures, and \$3.5 million in cash paid for capitalized software, partially offset by the release of restricted cash of \$1.0 million.

Financing activities used net cash of \$120.1 million in 2014, representing \$212.0 million in repayments of debt, \$11.2 million in purchases of common stock for treasury, \$10.5 million related to the payment of our quarterly dividends, \$0.5 million related to the payment of refinancing fees and \$0.5 million related to the payment of the Prime contingent consideration liability. These payments were partially offset by \$75.0 million in proceeds from our revolving credit facility, proceeds of \$24.1 million from stock option exercises and income tax windfall benefits of \$15.5 million related to the exercise of stock options.

We have made a permanent reinvestment determination in certain non-U.S. operations that have historically generated positive operating cash flows. At December 31, 2014, we held approximately \$71.6 million in cash and cash equivalents at non-U.S. subsidiaries where we had made such a determination and in turn no provision for U.S. income taxes had been made. At December 31, 2014, we held approximately \$29.3 million in cash by subsidiaries of SS&C Technologies Holdings Europe S.A.R.L., or SS&C Sarl, the foreign borrower under our credit facility that will be used to facilitate debt servicing of SS&C Sarl. At December 31, 2014, we held approximately \$24.0 million in cash at our Indian operations that if repatriated to our foreign debt holder would incur distribution taxes of approximately \$4.1 million.



**Table of Contents****Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

**Contractual Obligations**

The following table summarizes our contractual obligations as of December 31, 2014 that require us to make future cash payments (in thousands):

| Contractual Obligations and Other Commitments   | Total             | Payments Due by Period |                   |                   |                   |                  |
|---|-------------------|------------------------|-------------------|-------------------|-------------------|------------------|
|   |                   | Less than 1 Year       | 1-3 Years         | 3-5 Years         | More than 5 Years | All Other        |
| Short-term and long-term debt                   | \$ 645,000        | \$ 20,470              | \$ 217,150        | \$ 407,380        | \$                | \$               |
| Interest payments(1)                            | 74,308            | 18,983                 | 36,175            | 19,150            |                   |                  |
| Operating lease obligations(2)                  | 89,778            | 15,776                 | 28,932            | 20,907            | 24,163            |                  |
| Purchase obligations(3)                         | 21,615            | 12,354                 | 6,985             | 2,276             |                   |                  |
| Uncertain tax positions and related interest(4) | 18,537            |                        |                   |                   |                   | 18,537           |
| <b>Total contractual obligations</b>            | <b>\$ 849,238</b> | <b>\$ 67,583</b>       | <b>\$ 289,242</b> | <b>\$ 449,713</b> | <b>\$ 24,163</b>  | <b>\$ 18,537</b> |

- (1) Reflects interest payments on our Credit Facility at an assumed interest rate of one-month LIBOR of 0.17% plus 2.00% for U.S. dollar loans on our Term A-2 facility, one month LIBOR of 0.17% plus 2.50% for our revolving credit facility and 3.25% on our Term B-1 and B-2 facilities.
- (2) We are obligated under noncancelable operating leases for office space and office equipment. The lease for the corporate facility in Windsor, Connecticut expires in 2022. We sublease office space under noncancelable leases. For the years ended December 31, 2012, 2013 and 2014, we received rental income under these leases of \$1.4 million, \$1.2 million and \$0.2 million, respectively. The effect of the rental income to be received in the future has not been included in the table above.
- (3) Purchase obligations include the minimum amounts committed under contracts for goods and services.
- (4) As of December 31, 2014, our liability for uncertain tax positions and related net interest payable was \$15.7 million and \$2.9 million, respectively. We are unable to reasonably estimate the timing of such liability and interest payments in individual years beyond 12 months due to uncertainties in the timing of the effective settlement of tax positions.

**Credit Facility**

On March 14, 2012, in connection with our acquisition of GlobeOp, we entered into a credit agreement with SS&C and SS&C Sarl as the borrowers, which we refer to as the Credit Agreement. The Credit Agreement has four tranches of term loans: (i) a \$0 term A-1 facility with a five and one-half year term for borrowings by SS&C, (ii) a \$325.0 million term A-2 facility with a five and one-half year term for borrowings by SS&C Sarl, (iii) a \$725.0 million term B-1 facility with a seven year term for borrowings by SS&C and (iv) a \$75.0 million term B-2 facility with a seven

year term for borrowings by SS&C Sarl. In addition, the Credit Agreement had a \$142.0 million bridge loan facility, of which \$31.6 million was immediately drawn, with a 364-day term available for borrowings by SS&C Sarl and has a revolving credit facility with a five and one-half year term available for borrowings by SS&C with \$100.0 million in commitments. The revolving credit facility contains a \$25.0 million letter of credit sub-facility and a \$20.0 million swingline loan sub-facility. The bridge loan was repaid in July 2012 and is no longer available for borrowing.

The term loans and the revolving credit facility bear interest, at the election of the borrowers, at the base rate (as defined in the Credit Agreement) or LIBOR, plus the applicable interest rate margin for the revolving credit

## **Table of Contents**

facility. The term A loans and the revolving credit facility initially bore interest at either LIBOR plus 2.75% or at the base rate plus 1.75%, and then will be subject to a step-down at any time SS&C's consolidated net senior secured leverage ratio is less than 3.00 times, to 2.50% in the case of the LIBOR margin, and 1.50% in the case of the base rate margin. The term B loans initially bore interest at either LIBOR plus 4.00% or at base rate plus 3.00%, with LIBOR subject to a 1.00% floor.

In November 2014, we drew down on the revolving credit facility in the amount of \$75.0 million to fund part of the purchase price of the acquisition of DSTGS. See Note 12 to our consolidated financial statements for further discussion of acquisitions.

In February 2014, we completed a repricing of our term A loans, which replaced these loans with new term A loans at the same outstanding principal balance, but at a different interest rate. The applicable interest rates have been reduced to either LIBOR plus 2.0% or the base rate plus 1.0%. The maturity date of the new loans remains December 8, 2017, and no changes were made to the financial accounts or scheduled amortization. See Note 6 to our consolidated financial statements.

In June 2013, we completed a repricing of our term B-1 loans and term B-2 loans, which replaced these loans with new term B-1 loans and term B-2 loans at the same outstanding principal balance, but at a different interest rate. The applicable interest rates have been reduced to either LIBOR plus 2.75% or the base rate plus 1.75%, and the LIBOR floor has been reduced from 1.00% to 0.75%, subject to a step-down at any time that the consolidated net senior secured leverage ratio is less than 2.75 times, to 2.50% in the case of the LIBOR margin, and 1.50% in the case of the base rate margin. The maturity date of the new loans remains June 8, 2019, and no changes were made to the financial covenants or scheduled amortization.

The initial proceeds of the borrowings under the Credit Agreement were used to satisfy a portion of the consideration required to fund our acquisition of GlobeOp and refinance amounts outstanding under SS&C's prior senior credit facility. As of December 31, 2014, there was \$149.8 million in principal amount outstanding under the term A-2 facility, \$380.8 million in principal amount outstanding under the term B-1 facility, \$39.4 million in principal amount outstanding under the term B-2 facility and \$75.0 million in principal amount outstanding under the revolving credit facility.

Holdings, SS&C and the material domestic subsidiaries of SS&C have pledged substantially all of their tangible and intangible assets to support the obligations of SS&C and SS&C Sarl under the Credit Agreement. In addition, SS&C Sarl has agreed, in certain circumstances, to cause subsidiaries in foreign jurisdictions to guarantee SS&C Sarl's obligations and pledge substantially all of their assets to support the obligations of SS&C Sarl under the Credit Agreement.

The Credit Agreement contains customary covenants limiting our ability and the ability of our subsidiaries to, among other things, pay dividends, incur debt or liens, redeem or repurchase equity, enter into transactions with affiliates, make investments, merge or consolidate with others or dispose of assets. In addition, the Credit Agreement contains a financial covenant requiring SS&C to maintain a consolidated net senior secured leverage ratio. As of December 31, 2014, we were in compliance with the financial and non-financial covenants.

The Credit Agreement contains various events of default (including failure to comply with the covenants contained in the Credit Agreement and related agreements) and upon an event of default, the lenders may, subject to various customary cure rights, require the immediate repayment of all amounts outstanding under the term loans, the bridge loans and the revolving credit facility and foreclose on the collateral.

***Covenant Compliance***

Under the Credit Agreement, we are required to satisfy and maintain a specified financial ratio and other financial condition tests. As of December 31, 2014, we were in compliance with the financial ratios and other



## **Table of Contents**

financial condition tests. Our continued ability to meet this financial ratio and these tests can be affected by events beyond our control, and we cannot assure you that we will continue to meet this ratio and these tests. A breach of any of these covenants could result in a default under the Credit Agreement. Upon the occurrence of any event of default under the Credit Agreement, the lenders could elect to declare all amounts outstanding under the Credit Agreement to be immediately due and payable and terminate all commitments to extend further credit.

Consolidated EBITDA is a non-GAAP financial measure used in key financial covenants contained in the Credit Agreement, which is a material facility supporting our capital structure and providing liquidity to our business. Consolidated EBITDA is defined as earnings before interest, taxes, depreciation and amortization (EBITDA), further adjusted to exclude unusual items and other adjustments permitted in calculating covenant compliance under the Credit Agreement. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Consolidated EBITDA is appropriate to provide additional information to investors to demonstrate compliance with the specified financial ratio and other financial condition tests contained in the Credit Agreement.

Management uses Consolidated EBITDA to gauge the costs of our capital structure on a day-to-day basis when full financial statements are unavailable. Management further believes that providing this information allows our investors greater transparency and a better understanding of our ability to meet our debt service obligations and make capital expenditures.

Any breach of covenants in the Credit Agreement that are tied to ratios based on Consolidated EBITDA could result in a default under that agreement, in which case the lenders could elect to declare all amounts borrowed immediately due and payable and to terminate any commitments they have to provide further borrowings. Any default and subsequent acceleration of payments under the Credit Agreement would have a material adverse effect on our results of operations, financial position and cash flows. Additionally, under the Credit Agreement, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is also tied to ratios based on Consolidated EBITDA.

Consolidated EBITDA does not represent net income or cash flow from operations as those terms are defined by generally accepted accounting principles, or GAAP, and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. Further, the Credit Agreement requires that Consolidated EBITDA be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or any complete fiscal year.

Consolidated EBITDA is not a recognized measurement under GAAP and investors should not consider Consolidated EBITDA as a substitute for measures of our financial performance and liquidity as determined in accordance with GAAP, such as net income, operating income or net cash provided by operating activities. Because other companies may calculate Consolidated EBITDA differently than we do, Consolidated EBITDA may not be comparable to similarly titled measures reported by other companies. Consolidated EBITDA has other limitations as an analytical tool, when compared to the use of net income, which is the most directly comparable GAAP financial measure, including:

Consolidated EBITDA does not reflect the provision of income tax expense in our various jurisdictions;

Edgar Filing: SS&C Technologies Holdings Inc - Form 10-K

Consolidated EBITDA does not reflect the significant interest expense we incur as a result of our debt leverage;

Consolidated EBITDA does not reflect any attribution of costs to our operations related to our investments and capital expenditures through depreciation and amortization charges;

Consolidated EBITDA does not reflect the cost of compensation we provide to our employees in the form of stock option awards; and

Consolidated EBITDA excludes expenses that we believe are unusual or non-recurring, but which others may believe are normal expenses for the operation of a business.

**Table of Contents**

The following is a reconciliation of net income to Consolidated EBITDA as defined in our senior credit facility.

|  | Year Ended December 31, |                   |                   |
|--|-------------------------|-------------------|-------------------|
|  | 2014                    | 2013              | 2012              |
|  | (In thousands)          |                   |                   |
| Net income                                   | \$ 131,127              | \$ 117,895        | \$ 45,820         |
| Interest expense, net (1)                    | 25,472                  | 41,279            | 36,856            |
| Income tax provision                         | 46,527                  | 27,292            | 24,665            |
| Depreciation and amortization                | 99,831                  | 99,780            | 75,814            |
| <b>EBITDA</b>                                | <b>302,957</b>          | <b>286,246</b>    | <b>183,155</b>    |
| Purchase accounting adjustments (2)          | 476                     | (52)              | 894               |
| Capital-based taxes                          | 6                       | 182               | (785)             |
| Unusual or non-recurring charges (gains) (3) | 4,876                   | (3,121)           | 31,629            |
| Acquired EBITDA (4)                          | 11,405                  | 890               | 35,531            |
| Stock-based compensation                     | 11,483                  | 8,386             | 5,590             |
| Other (5)                                    | 315                     | 235               | (17)              |
| <b>Consolidated EBITDA, as defined</b>       | <b>\$ 331,518</b>       | <b>\$ 292,766</b> | <b>\$ 255,997</b> |

- (1) Interest expense includes loss from extinguishment of debt shown as a separate line item on our Consolidated Statements of Comprehensive Income
- (2) Purchase accounting adjustments include (a) an adjustment to increase rent expense by the amount that would have been recognized if lease obligations were not adjusted to fair value at the date of acquisitions and (b) 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.
- (3) Unusual or non-recurring charges include foreign currency gains and losses, proceeds from legal and other settlements, severance expenses, transaction costs, losses on currency contracts and other one-time expenses, such as expenses associated with the facilities consolidations, bond redemptions, acquisitions and the sale of fixed assets.
- (4) 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.
- (5) Other includes the non-cash portion of straight-line rent expense.

Our covenant requirement for net senior secured leverage ratio and the actual ratio for the year ended December 31, 2014 are as follows:

|  | Covenant<br>Requirement | Actual<br>Ratio |
|--|-------------------------|-----------------|
| Maximum consolidated net senior secured leverage to Consolidated EBITDA ratio <sup>(1)</sup> | 4.75x                   | 1.62x           |

(1)

Calculated as the ratio of consolidated senior secured funded debt, net of cash and cash equivalents, to Consolidated EBITDA, as defined by the Credit Agreement, for the period of four consecutive fiscal quarters ended on the measurement date. Consolidated senior secured funded debt is comprised of indebtedness for borrowed money, notes, bonds or similar instruments, letters of credit, deferred purchase price obligations and capital lease obligations. This covenant is applied at the end of each quarter.

**Critical Accounting Estimates**

A number of our accounting policies require the application of significant judgment by our management, and such judgments are reflected in the amounts reported in our consolidated financial statements. In applying these policies, our management uses its judgment to determine the appropriate assumptions to be used in the

## **Table of Contents**

determination of estimates. Those estimates are based on our historical experience, terms of existing contracts, management's observation of trends in the industry, information provided by our clients and information available from other outside sources, as appropriate. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, goodwill and other intangible assets and other contingent liabilities. Actual results may differ significantly from the estimates contained in our consolidated financial statements. We believe that the following are our critical accounting policies.

### ***Revenue Recognition***

Our revenues consist primarily of software-enabled services and maintenance revenues, and, to a lesser degree, software license and professional services revenues.

Software-enabled services revenues, which are based on a monthly fee or are transaction-based, are recognized as the services are performed. Software-enabled services are generally provided under non-cancelable contracts with initial terms of one to five years that require monthly or quarterly payments, and are subject to automatic annual renewal at the end of the initial term unless terminated by either party.

We recognize software-enabled services revenues on a monthly basis as the software-enabled services are provided and when persuasive evidence of an arrangement exists, the price is fixed or determinable and collectability is reasonably assured. We do not recognize any revenues before services are performed. Certain contracts contain additional fees for increases in market value, pricing and trading activity. Revenues related to these additional fees are recognized in the month in which the activity occurs based upon our summarization of account information and trading volume.

We recognize revenues from the sale of software licenses when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed or determinable and collection of the resulting receivable is reasonably assured. Our products generally do not require significant modification or customization of the underlying software and, accordingly, the implementation services we provide are not considered essential to the functionality of the software.

We use a signed license agreement as evidence of an arrangement for the majority of our transactions. Delivery generally occurs when the product is delivered to a common carrier F.O.B. shipping point, or if delivered electronically, when the client has been provided with access codes that allow for immediate possession via a download. Although our arrangements generally do not have acceptance provisions, if such provisions are included in the arrangement, then delivery occurs at acceptance, unless such acceptance is deemed perfunctory. At the time of the transaction, we assess whether the fee is fixed or determinable based on the payment terms. Collection is assessed based on several factors, including past transaction history with the client and the creditworthiness of the client. The arrangements for perpetual software licenses are generally sold with maintenance and professional services. We allocate revenue to the delivered components, normally the license component, using the residual value method based on vendor-specific objective evidence of the fair value of the undelivered elements. The total contract value is attributed first to the maintenance and customer support arrangement based on the fair value, which is derived from substantive renewal rates. Fair value of the professional services is based upon stand-alone sales of those services. Professional services are generally billed at an hourly rate plus out-of-pocket expenses. Professional services revenues are recognized as the services are performed. Maintenance agreements generally require us to provide technical support and software updates to our clients (on a when-and-if-available basis). We generally provide maintenance services under one-year renewable contracts. Maintenance revenues are recognized ratably over the term of the contract.

We also sell term licenses with maintenance. These arrangements range from one to seven years where vendor-specific objective evidence does not exist for the maintenance element in the term licenses. Revenues are recognized ratably over the contractual term of the arrangement.

## **Table of Contents**

We occasionally enter into software license agreements requiring significant customization or fixed-fee professional service arrangements. We account for these arrangements in accordance with the percentage-of-completion method based on the ratio of hours incurred to expected total hours; accordingly we must estimate the costs to complete the arrangement utilizing an estimate of man-hours remaining. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that completion costs may be revised. Such revisions are recognized in the period in which the revisions are determined. Due to the complexity of some software license agreements, we routinely apply judgments to the application of software revenue recognition accounting principles to specific agreements and transactions. Different judgments or different contract structures could have led to different accounting conclusions, which could have a material effect on our reported results of operations.

### ***Long-lived Assets, Intangible Assets and Goodwill***

We must test goodwill annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill or indefinite-lived intangible assets may be impaired). Historically, we have tested the recoverability of goodwill based on our reporting unit structure by comparing fair value to carrying value. To the extent that we do not achieve our revenue or operating cash flow plans or other measures of fair value decline, including external valuation assumptions, our current goodwill carrying value could be impaired. Additionally, since fair value is also based in part on the market approach, if our stock price declines, it is possible we could be required to perform the second step of the goodwill impairment test and impairment could result. The first step of the impairment analysis indicated that the fair value significantly exceeded the carrying value at December 31, 2014.

We assess the impairment of identifiable intangibles, long-lived assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

significant underperformance relative to historical or projected future operating results;

significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and

significant negative industry or economic trends.

When we determine that the carrying value of intangibles and long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of potential impairment, we assess whether an impairment has occurred based on whether net book value of the assets exceeds related projected undiscounted cash flows from these assets. We consider a number of factors, including past operating results, budgets, economic projections, market trends and product development cycles in estimating future cash flows. Differing estimates and assumptions as to any of the factors described above could result in a materially different impairment charge, if any, and thus materially different results of operations.

### ***Acquisition Accounting***

In connection with our acquisitions, we allocate the purchase price to the assets and liabilities we acquire, such as net tangible assets, completed technology, in-process research and development, client contracts, other identifiable intangible assets, deferred revenue and goodwill. We applied significant judgments and estimates in determining the

fair market value of the assets acquired and their useful lives. For example, we have determined the fair value of existing client contracts based on the discounted estimated net future cash flows from such client contracts existing at the date of acquisition and the fair value of the completed technology based on the relief-from-royalties method on estimated future revenues of such completed technology and assumed obsolescence factors. While actual results during the years ended December 31, 2014, 2013 and 2012 were consistent with our estimated cash flows and we did not incur any impairment charges during those years, different estimates and assumptions in valuing acquired assets could yield materially different results.



---

**Table of Contents*****Stock-based Compensation***

Using the fair value recognition provisions of relevant accounting literature, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the appropriate service period. Determining the fair value of stock-based awards requires considerable judgment, including estimating the expected term of stock options, expected volatility of our stock price, and the number of awards expected to be forfeited. In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, we estimate the likelihood of achieving the performance goals. Differences between actual results and these estimates could have a material effect on our financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recorded for non-qualified stock options. The realizability of the deferred tax asset is ultimately based on the actual value of the stock-based award upon exercise. If the actual value is lower than the fair value determined on the date of grant, then there could be an income tax expense for the portion of the deferred tax asset that is not realizable.

***Income Taxes***

The carrying value of our deferred tax assets assumes that we will be able to generate sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions. If these estimates and related assumptions change in the future, we may be required to record additional valuation allowances against our deferred tax assets resulting in additional income tax expense in our Consolidated Statements of Comprehensive Income. On a quarterly basis, we evaluate whether deferred tax assets are realizable and assess whether there is a need for additional valuation allowances. The carrying value of our deferred tax assets and liabilities is recorded based on the statutory rates that we expect our deferred tax assets and liabilities to reverse into income. We estimate the state rate at which our deferred tax assets and liabilities will reverse based on estimates of state income apportionment for future years. Each of these estimates requires significant judgment on the part of our management. In addition, we evaluate the need to provide additional tax provisions for adjustments proposed by taxing authorities.

As of December 31, 2014, we had \$15.7 million in liabilities associated with unrecognized tax benefits. All of the unrecognized tax benefits, if recognized, would decrease our effective tax rate and increase our net income. Additionally, we recognize accrued interest and penalties relating to unrecognized tax benefits as a component of the income tax provision.

***Recent Accounting Pronouncements***

In August 2014, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update, or ASU, No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This ASU establishes specific guidance to an organization's management on their responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern. The provisions of ASU 2014-15 are effective for interim and annual periods beginning after December 15, 2016. This ASU is not expected to have an impact on our financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), or ASU 2014-09. The objective of ASU 2014-09 is to clarify the principles for recognizing revenue by removing inconsistencies and weaknesses in revenue requirements; providing a more robust framework for addressing revenue issues; improving comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; and providing more useful information to users of financial statements through improved revenue disclosure requirements. The provisions of ASU 2014-09 are effective for interim and annual periods beginning after December 15, 2016. We are currently evaluating the impact of this standard on our financial position, results of

operations and cash flows.

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit

## **Table of Contents**

Carryforward Exists, or ASU 2013-11. The objective of ASU 2013-11 is to end some inconsistent practices with regard to the presentation on the balance sheet of unrecognized tax benefits. ASU 2013-11 is effective for financial statement periods beginning after December 15, 2013, with early adoption permitted. The adoption of this standard in the first quarter of 2014 did not have a material impact on our financial position, results of operations or cash flows.

### **Item 7A. *Quantitative and Qualitative Disclosures About Market Risk***

We do not use derivative financial instruments for trading or speculative purposes. We have invested our available cash in short-term, highly liquid financial instruments, having initial maturities of three months or less. When necessary, we have borrowed to fund acquisitions.

At December 31, 2014, we had total variable interest rate debt of \$645.0 million. As of December 31, 2014, a 1% change in interest rates would result in a change in interest expense of approximately \$4.0 million per year.

During 2014, approximately 33% of our revenues were from clients located outside the United States. A portion of the revenues from clients located outside the United States is denominated in foreign currencies, primarily the Canadian dollar. While revenues and expenses of our foreign operations are primarily denominated in their respective local currencies, some subsidiaries do enter into certain transactions in currencies that are different from their local currency. These transactions consist primarily of cross-currency intercompany balances and trade receivables and payables. As a result of these transactions, we have exposure to changes in foreign currency exchange rates that result in foreign currency transaction gains and losses, which we report in other income (expense). These outstanding amounts were not material for the year ended December 31, 2014. The amount of these balances can fluctuate in the future as we bill customers and buy products or services in currencies other than our functional currency, which could increase our exposure to foreign currency exchange rates. We continue to monitor our exposure to foreign exchange rates as a result of our acquisitions and changes in our operations. We do not enter into any market risk sensitive instruments for trading purposes.

The foregoing risk management discussion and the effect thereof are forward-looking statements. Actual results in the future may differ materially from these projected results due to actual developments in global financial markets. The analytical methods used by us to assess and minimize risk discussed above should not be considered projections of future events or losses.

### **Item 8. *Financial Statements and Supplementary Data***

Information required by this item is contained in our consolidated financial statements, related footnotes and the report of PricewaterhouseCoopers LLP, which information follows the signature page to this annual report and is incorporated herein by reference.

### **Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*** None.

### **Item 9A. *Controls and Procedures***

***Disclosure Controls and Procedures***

Our management, with the participation of our chief executive officer and chief financial officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2014. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed,

## **Table of Contents**

summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2014, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

### ***Report of Management on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that: 1) pertain to maintaining records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets; 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles and that receipts and expenditures are made in accordance with management and board of director authorization; and 3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2014. In November 2014, we acquired DST Global Solutions Ltd. and DST Global Solutions LLC, together DSTGS, subsidiaries of DST Systems, Inc. Management has excluded all of the DSTGS-related entities from its assessment of internal control over financial reporting as of December 31, 2014 because it was acquired by us in a purchase business combination during 2014. These acquired DSTGS entities total assets and total revenues each represent approximately 1% of the related consolidated financial statement amounts as of and for the year ended December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

### ***Changes in Internal Control Over Financial Reporting***

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. *Other Information***

None.

**Table of Contents**

**PART III**

**Item 10. *Directors, Executive Officers and Corporate Governance***

Incorporated by reference from the information in the Company's proxy statement for the 2015 annual meeting of stockholders, which the Company intends to file within 120 days after the end of the fiscal year to which this annual report on Form 10-K relates.

**Item 11. *Executive Compensation***

Incorporated by reference from the information in the Company's proxy statement for the 2015 annual meeting of stockholders, which the Company intends to file within 120 days after the end of the fiscal year to which this annual report on Form 10-K relates.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Incorporated by reference from the information in the Company's proxy statement for the 2015 annual meeting of stockholders, which the Company intends to file within 120 days after the end of the fiscal year to which this annual report on Form 10-K relates.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence***

Incorporated by reference from the information in the Company's proxy statement for the 2015 annual meeting of stockholders, which the Company intends to file within 120 days after the end of the fiscal year to which this annual report on Form 10-K relates.

**Item 14. *Principal Accountant Fees and Services***

Incorporated by reference from the information in the Company's proxy statement for the 2015 annual meeting of stockholders, which the Company intends to file within 120 days after the end of the fiscal year to which this annual report on Form 10-K relates.

**Table of Contents****PART IV****Item 15. Exhibits and Financial Statement Schedules****(a)****1. Financial Statements**

The following financial statements are filed as part of this annual report:

| <b>Document</b>  | <b>Page</b> |
|--|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u>   | F-1         |
| <u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u>  | F-2         |
| <u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012</u>            | F-3         |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012</u>                      | F-4         |
| <u>Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012</u> | F-5         |
| <u>Notes to Consolidated Financial Statements</u>  | F-6         |

**2. Financial Statement Schedules**

Financial statement schedules are not submitted because they are not applicable, not required or the information is included in our consolidated financial statements.

**3. Exhibits**

The attached list of exhibits in the Exhibit Index immediately preceding the exhibits to this annual report is incorporated herein by reference in response to this item.



**Table of Contents****SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SS&C TECHNOLOGIES HOLDINGS,  
INC.

By: /s/ William C. Stone  
William C. Stone  
Chairman of the Board and Chief  
Executive Officer

Date: February 26, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <b>Signatures</b>                                    | <b>Title</b>  | <b>Date</b>       |
|--|---|-------------------|
| /s/ William C. Stone<br>William C. Stone             | Chairman of the Board and Chief<br>Executive Officer<br>(Principal Executive Officer)                   | February 26, 2015 |
| /s/ Patrick J. Pedonti<br>Patrick J. Pedonti         | Senior Vice President and Chief<br>Financial Officer<br>(Principal Financial and<br>Accounting Officer) | February 26, 2015 |
| /s/ Normand A. Boulanger<br>Normand A. Boulanger     | Director  | February 26, 2015 |
| /s/ William A. Etherington<br>William A. Etherington | Director  | February 26, 2015 |
| /s/ Allan M. Holt<br>Allan M. Holt                   | Director  | February 26, 2015 |
| /s/ Michael E. Daniels<br>Michael E. Daniels         | Director  | February 26, 2015 |
| /s/ Jonathan E. Michael<br>Jonathan E. Michael       | Director  | February 26, 2015 |
| /s/ David A. Varsano<br>David A. Varsano             | Director  | February 26, 2015 |
| /s/ Michael J. Zamkow<br>Michael J. Zamkow           | Director  | February 26, 2015 |



---

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of SS&C Technologies Holdings, Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of SS&C Technologies Holdings, Inc. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in the Report of Management on Internal Control Over Financial Reporting, management has excluded DST Global Solutions Ltd. and DST Global Solutions LLC (DSTGS) from its assessment of internal control over financial reporting as of December 31, 2014 because it was acquired by the Company in a purchase business combination during 2014. We have also excluded DSTGS from our audit of internal control over financial reporting. DSTGS and its related entities are wholly-owned subsidiaries of the Company whose total assets and total revenues

each represent 1% of the related consolidated financial statement amounts as of and for the year ended December 31, 2014.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut

February 26, 2015

F-1

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

|   | <b>December 31,<br/>2014</b>                 | <b>December 31,<br/>2013</b> |
|---|--|------------------------------|
|   | <b>(In thousands, except per share data)</b> |                              |
| <b>ASSETS</b>   |  |                              |
| Current assets:   |  |                              |
| Cash  | \$ 109,577                                   | \$ 84,470                    |
| Accounts receivable, net of allowance for doubtful accounts of \$2,241 and \$2,500, respectively      | 94,359                                       | 91,221                       |
| Prepaid expenses and other current assets   | 14,927                                       | 16,567                       |
| Prepaid income taxes  | 11,857                                       | 19,932                       |
| Deferred income taxes   | 2,975  | 6,526                        |
| Restricted cash   | 1,477  | 2,460                        |
| <b>Total current assets</b>   | <b>235,172</b>                               | <b>221,176</b>               |
| Property, plant and equipment:  |  |                              |
| Land  | 2,655  | 2,655                        |
| Building and improvements   | 28,521                                       | 30,053                       |
| Equipment, furniture, and fixtures  | 79,564                                       | 65,977                       |
|   | 110,740                                      | 98,685                       |
| Less: accumulated depreciation  | (56,463)                                     | (46,988)                     |
| <b>Net property, plant and equipment</b>  | <b>54,277</b>                                | <b>51,697</b>                |
| Deferred income taxes   | 1,135  | 1,077                        |
| Goodwill  | 1,573,227                                    | 1,541,386                    |
| Intangible and other assets, net of accumulated amortization of \$416,708 and \$338,888, respectively | 421,511                                      | 459,988                      |
| <b>Total assets</b>   | <b>\$ 2,285,322</b>                          | <b>\$ 2,275,324</b>          |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |  |                              |
| Current liabilities:  |  |                              |
| Current portion of long-term debt (Note 6)  | \$ 20,470                                    | \$ 23,212                    |
| Accounts payable  | 12,004                                       | 8,368                        |
| Income taxes payable  | 1,116  | 2,169                        |
| Accrued employee compensation and benefits  | 53,975                                       | 44,664                       |
| Deferred taxes  | 110  |                              |
| Other accrued expenses  | 30,666                                       | 26,028                       |
| Deferred maintenance and other revenue  | 73,254                                       | 62,561                       |
| <b>Total current liabilities</b>  | <b>191,595</b>                               | <b>167,002</b>               |
| Long-term debt, net of current portion (Note 6)   | 618,435                                      | 751,295                      |

Edgar Filing: SS&C Technologies Holdings Inc - Form 10-K

|  |              |              |
|--|--------------|--------------|
| Other long-term liabilities  | 26,446       | 14,913       |
| Deferred income taxes  | 102,176      | 110,406      |
| Total liabilities  | 938,652      | 1,043,616    |
| Commitments and contingencies (Note 13)  |              |              |
| Stockholders' equity (Notes 2 and 4):  |              |              |
| Common stock:  |              |              |
| Class A non-voting common stock, \$0.01 par value per share,<br>5,000 shares authorized; 2,704 shares issued and outstanding   | 27           | 27           |
| Common stock, \$0.01 par value per share, 100,000 shares authorized;<br>82,268 shares and 80,478 shares issued, respectively, and 81,482 shares<br>and 79,967 shares outstanding, respectively, of which 17 and 25 are<br>unvested, respectively | 822          | 804          |
| Additional paid-in capital   | 964,845      | 913,816      |
| Accumulated other comprehensive income   | (15,121)     | 30,374       |
| Retained earnings  | 414,082      | 293,449      |
|  | 1,364,655    | 1,238,470    |
| Less: cost of common stock in treasury, 786 and 511 shares, respectively   | (17,985)     | (6,762)      |
| Total stockholders' equity   | 1,346,670    | 1,231,708    |
| Total liabilities and stockholders' equity   | \$ 2,285,322 | \$ 2,275,324 |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents**

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|                                     | <b>Year Ended December 31,</b>               |                   |                  |
|-------------------------------------|--|-------------------|------------------|
|                                     | <b>2014</b>                                  | <b>2013</b>       | <b>2012</b>      |
|                                     | <b>(In thousands, except per share data)</b> |                   |                  |
| <b>Revenues:</b>                    |  |                   |                  |
| Software-enabled services           | \$ 592,528                                   | \$ 552,565        | \$ 406,477       |
| Software licenses                   | 36,339                                       | 28,687            | 22,466           |
| Maintenance                         | 105,598                                      | 103,409           | 93,760           |
| Professional services               | 33,396                                       | 28,041            | 29,139           |
| <b>Total revenues</b>               | <b>767,861</b>                               | <b>712,702</b>    | <b>551,842</b>   |
| <b>Cost of revenues:</b>            |  |                   |                  |
| Software-enabled services           | 342,625                                      | 322,719           | 234,214          |
| Software licenses                   | 3,701  | 5,302             | 6,336            |
| Maintenance                         | 41,254                                       | 41,046            | 40,394           |
| Professional services               | 23,151                                       | 19,733            | 18,973           |
| <b>Total cost of revenues</b>       | <b>410,731</b>                               | <b>388,800</b>    | <b>299,917</b>   |
| <b>Gross profit</b>                 | <b>357,130</b>                               | <b>323,902</b>    | <b>251,925</b>   |
| <b>Operating expenses:</b>          |  |                   |                  |
| Selling and marketing               | 48,592                                       | 41,885            | 33,858           |
| Research and development            | 57,287                                       | 53,862            | 45,779           |
| General and administrative          | 50,879                                       | 45,187            | 34,797           |
| Transaction costs                   |  |                   | 14,275           |
| <b>Total operating expenses</b>     | <b>156,758</b>                               | <b>140,934</b>    | <b>128,709</b>   |
| <b>Operating income</b>             | <b>200,372</b>                               | <b>182,968</b>    | <b>123,216</b>   |
| Interest income                     | 1,705  | 1,116             | 417              |
| Interest expense                    | (27,177)                                     | (42,395)          | (32,918)         |
| Other income (expense), net         | 2,754  | 3,498             | (15,875)         |
| Loss on extinguishment of debt      |  |                   | (4,355)          |
| <b>Income before income taxes</b>   | <b>177,654</b>                               | <b>145,187</b>    | <b>70,485</b>    |
| Provision for income taxes (Note 5) | 46,527                                       | 27,292            | 24,665           |
| <b>Net income</b>                   | <b>\$ 131,127</b>                            | <b>\$ 117,895</b> | <b>\$ 45,820</b> |
| <b>Basic earnings per share</b>     | <b>\$ 1.57</b>                               | <b>\$ 1.45</b>    | <b>\$ 0.59</b>   |

|  |            |            |           |
|--|------------|------------|-----------|
| Basic weighted average number of common shares outstanding                         | 83,314     | 81,195     | 78,321    |
| Diluted earnings per share   | \$ 1.50    | \$ 1.38    | \$ 0.55   |
| Diluted weighted average number of common and common equivalent shares outstanding | 87,331     | 85,616     | 82,888    |
| Net income   | \$ 131,127 | \$ 117,895 | \$ 45,820 |
| Other comprehensive (loss) income, net of tax:                                     |            |            |           |
| Foreign currency exchange translation adjustment                                   | (45,495)   | (21,144)   | 26,105    |
| Total comprehensive (loss) income, net of tax                                      | (45,495)   | (21,144)   | 26,105    |
| Comprehensive income   | \$ 85,632  | \$ 96,751  | \$ 71,925 |

The accompanying notes are an integral part of these consolidated financial statements.



Table of Contents**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | <b>Year Ended December 31,</b> |                 |                  |
|--|--------------------------------|-----------------|------------------|
|  | <b>2014</b>                    | <b>2013</b>     | <b>2012</b>      |
|  | <b>(In thousands)</b>          |                 |                  |
| <b>Cash flow from operating activities:</b>  |                                |                 |                  |
| Net income   | \$ 131,127                     | \$ 117,895      | \$ 45,820        |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                |                 |                  |
| Depreciation and amortization  | 99,831                         | 99,780          | 75,814           |
| Stock-based compensation expense   | 11,483                         | 8,386           | 5,590            |
| Income tax benefit related to exercise of stock options                                  | (15,454)                       | (24,194)        | (3,531)          |
| Amortization and write-offs of loan origination costs                                    | 5,839                          | 5,830           | 9,215            |
| Loss on sale or disposition of property and equipment                                    | 687                            | 317             | 13               |
| Deferred income taxes  | (13,583)                       | (11,069)        | (6,350)          |
| Provision for doubtful accounts  | 610                            | 666             | 413              |
| <b>Changes in operating assets and liabilities, excluding effects from acquisitions:</b> |                                |                 |                  |
| Accounts receivable  | 3,902                          | 814             | (14,051)         |
| Prepaid expenses and other current assets  | (6,419)                        | (4,695)         | 7,579            |
| Accounts payable   | 1,525                          | (4,032)         | 1,835            |
| Accrued expenses   | 10,140                         | 1,695           | 3,015            |
| Income taxes prepaid and payable   | 21,560                         | 18,060          | 5,039            |
| Deferred maintenance and other revenue   | 1,284                          | (1,184)         | 4,021            |
| <b>Net cash provided by operating activities</b>   | <b>252,532</b>                 | <b>208,269</b>  | <b>134,422</b>   |
| <b>Cash flow from investing activities:</b>  |                                |                 |                  |
| Additions to property and equipment  | (15,040)                       | (11,921)        | (17,187)         |
| Proceeds from sale of property and equipment   | 42                             | 67              | 374              |
| Cash paid for business acquisitions, net of cash acquired (Note 12)                      | (86,911)                       | (3,657)         | (967,149)        |
| Additions to capitalized software  | (3,517)                        | (2,399)         | (1,105)          |
| Net changes in restricted cash   | 983                            |                 |                  |
| Other  |                                |                 | 87               |
| <b>Net cash used in investing activities</b>   | <b>(104,443)</b>               | <b>(17,910)</b> | <b>(984,980)</b> |
| <b>Cash flow from financing activities:</b>  |                                |                 |                  |
| Cash received from debt borrowings   | 75,000                         |                 | 1,304,037        |
| Repayments of debt   | (212,000)                      | (239,000)       | (425,600)        |
| Proceeds from exercise of stock options  | 24,110                         | 27,817          | 14,354           |
| Payment of contingent consideration  | (500)                          |                 | (1,800)          |
| Income tax benefit related to exercise of stock options                                  | 15,454                         | 24,194          | 3,531            |
| Purchase of common stock for treasury  | (11,223)                       | (943)           |                  |

Edgar Filing: SS&C Technologies Holdings Inc - Form 10-K

|   |            |           |           |
|---|------------|-----------|-----------|
| Payment of fees related to refinancing activities         | (512)      | (1,917)   |           |
| Common stock dividends                                    | (10,494)   |           |           |
| Net cash (used in) provided by financing activities       | (120,165)  | (189,849) | 894,522   |
| Effect of exchange rate changes on cash                   | (2,817)    | (2,200)   | 1,878     |
| Net increase (decrease) in cash                           | 25,107     | (1,690)   | 45,842    |
| Cash, beginning of period                                 | 84,470     | 86,160    | 40,318    |
| Cash, end of period                                       | \$ 109,577 | \$ 84,470 | \$ 86,160 |
| Supplemental disclosure of cash paid for:                 |            |           |           |
| Interest  | \$ 21,330  | \$ 36,551 | \$ 29,550 |
| Income taxes, net of refunds                              | \$ 33,414  | \$ 21,584 | \$ 28,817 |
| Supplemental disclosure of non-cash investing activities: |            |           |           |

See Note 12 for a discussion of acquisitions.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

|   | Class A<br>Common<br>Stock       |        | Common<br>Stock                  |        | Accumulated  |                      |  | Total             |                        |
|---|----------------------------------|--------|----------------------------------|--------|--|----------------------|--|-------------------|------------------------|
|   | Number<br>of<br>Issued<br>Shares | Amount | Number<br>of<br>Issued<br>Shares | Amount | Additional<br>Paid-in<br>Capital<br>(In thousands) | Retained<br>Earnings | Other<br>Comprehensive<br>Income<br>(Loss) | Treasury<br>Stock | Stockholders<br>Equity |
| Balance, at<br>December 31,<br>2011                           | 1,429                            | \$ 14  | 76,723                           | \$ 767 | \$ 829,994   | \$ 129,734           | \$ 25,413                                  | \$ (5,819)        | \$ 980,103             |
| Net income  |                                  |        |                                  |        |  | 45,820               |  |                   | 45,820                 |
| Foreign exchange<br>translation<br>adjustment                 |                                  |        |                                  |        |  |                      | 26,105                                     |                   | 26,105                 |
| Stock-based<br>compensation<br>expense                        |                                  |        |                                  |        | 5,590  |                      |  |                   | 5,590                  |
| Exercise of<br>options  |                                  |        | 1,418                            | 14     | 14,340   |                      |  |                   | 14,354                 |
| Income tax benefit<br>related to exercise<br>of stock options |                                  |        |                                  |        | 3,531  |                      |  |                   | 3,531                  |
| Balance, at<br>December 31,<br>2012                           | 1,429                            | \$ 14  | 78,141                           | \$ 781 | \$ 853,455   | \$ 175,554           | \$ 51,518                                  | \$ (5,819)        | \$ 1,075,503           |
| Net income  |                                  |        |                                  |        |  | 117,895              |  |                   | 117,895                |
| Foreign exchange<br>translation<br>adjustment                 |                                  |        |                                  |        |  |                      | (21,144)                                   |                   | (21,144)               |
| Stock-based<br>compensation<br>expense                        |                                  |        |                                  |        | 8,386  |                      |  |                   | 8,386                  |
| Exercise of<br>options  | 1,275                            | 13     | 2,312                            | 23     | 27,781   |                      |  |                   | 27,817                 |
| Income tax benefit<br>related to exercise<br>of stock options |                                  |        |                                  |        | 24,194   |                      |  |                   | 24,194                 |
|   |                                  |        | 25                               |        |  |                      |  |                   |                        |

|   |       |       |        |        |            |            |             |             |  |              |
|---|-------|-------|--------|--------|------------|------------|-------------|-------------|--|--------------|
| Issuance of common stock                                |       |       |        |        |            |            |             |             |  |              |
| Purchase of common stock                                |       |       |        |        |            |            |             | (943)       |  | (943)        |
| Balance, at December 31, 2013                           | 2,704 | \$ 27 | 80,478 | \$ 804 | \$ 913,816 | \$ 293,449 | \$ 30,374   | \$ (6,762)  |  | \$ 1,231,708 |
| Net income  |       |       |        |        |            | 131,127    |             |             |  | 131,127      |
| Foreign exchange translation adjustment                 |       |       |        |        |            |            |             | (45,495)    |  | (45,495)     |
| Stock-based compensation expense                        |       |       |        |        |            | 11,483     |             |             |  | 11,483       |
| Exercise of options                                     |       |       | 1,790  | 18     | 24,092     |            |             |             |  | 24,110       |
| Income tax benefit related to exercise of stock options |       |       |        |        |            | 15,454     |             |             |  | 15,454       |
| Cash dividends declared \$0.125 per share (Note 4)      |       |       |        |        |            |            |             | (10,494)    |  | (10,494)     |
| Purchase of common stock                                |       |       |        |        |            |            |             | (11,223)    |  | (11,223)     |
| Balance, at December 31, 2014                           | 2,704 | \$ 27 | 82,268 | \$ 822 | \$ 964,845 | \$ 414,082 | \$ (15,121) | \$ (17,985) |  | \$ 1,346,670 |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents**

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*SS&C Technologies Holdings, Inc., or Holdings, is our top-level holding company. SS&C Technologies, Inc., or SS&C, is our primary operating company and a wholly-owned subsidiary of SS&C Technologies Holdings, Inc. The Company means SS&C Technologies Holdings, Inc. and its consolidated subsidiaries, including SS&C.*

**1. Organization**

The Company provides software products and software-enabled services to the financial services industry, primarily in North America. The Company also has operations in Europe, Asia, Australia and Africa. The Company's portfolio of over 80 products and software-enabled services allows its clients to automate and integrate front-office functions such as trading and modeling, middle-office functions such as portfolio management and reporting, and back-office functions such as accounting, performance measurement, reconciliation, reporting, processing and clearing. The Company provides its products and related services in eight vertical markets in the financial services industry:

1. Alternative investments;
2. Insurance and pension funds;
3. Asset and wealth management;
4. Financial institutions;
5. Commercial lenders;
6. Real estate property management;
7. Municipal finance; and
8. Financial markets.

**2. Summary of Significant Accounting Policies**

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles ( GAAP ) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, collectability of accounts receivable, costs to complete certain contracts, valuation of acquired assets and liabilities, valuation of stock options, income tax accruals and the value of deferred tax assets. Estimates are also used to determine the remaining economic lives and carrying value of fixed assets, goodwill and intangible assets. Actual results could differ from those estimates.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant accounts, transactions and profits between the consolidated companies have been eliminated in consolidation. Unconsolidated investments in entities over which the Company does not have control but has the ability to exercise influence over operating and financial policies, if any, are accounted for under the equity method of accounting. Earnings and losses from such investments are recorded on a pre-tax basis, if any.

**Table of Contents**

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

***Revenue Recognition***

The Company's payment terms for software licenses typically require that the total fee be paid upon signing of the contract. Maintenance services are typically due in full at the beginning of the maintenance period. Professional services and software-enabled services are typically due and payable monthly in arrears. Normally, the Company's arrangements do not provide for any refund rights, and payments are not contingent on specific milestones or customer acceptance conditions. For arrangements that do contain such provisions, the Company defers revenue until the rights or conditions have expired or have been met.

Unbilled accounts receivable primarily relates to professional services and software-enabled services revenue that has been earned as of month end but is not invoiced until the subsequent month, and to software license revenue that has been earned and is realizable but not invoiced to clients until future dates specified in the client contract.

Deferred revenue consists of payments received related to product delivery, maintenance and other services, which have been paid by customers prior to the recognition of revenue. Deferred revenue relates primarily to cash received for maintenance contracts in advance of services being performed over the contractual term.

***Software-enabled Services Revenue***

The Company's software-enabled services arrangements make its software applications available to its clients for processing of transactions. The software-enabled services arrangements provide an alternative for clients who do not wish to install, run and maintain complicated financial software. Under the arrangements, the client does not have the right to take possession of the software, rather, the Company agrees to provide access to its applications, remote use of its equipment to process transactions, access to client's data stored on its equipment, and connectivity between its environment and the client's computing systems. Software-enabled services are generally provided under non-cancelable contracts with initial terms of one to five years that require monthly or quarterly payments, and are subject to automatic annual renewal at the end of the initial term unless terminated by either party.

The Company recognizes software-enabled services revenues on a monthly basis as the software-enabled services are provided and when pervasive evidence of an arrangement exists, the price is fixed or determinable and collectability is reasonably assured. The Company does not recognize any revenue before services are performed. Certain contracts contain additional fees for increases in market value, pricing and trading activity. Revenues related to these additional fees are recognized in the month in which the activity occurs based upon the Company's summarization of account information and trading volume.

***Software Licenses Revenue***

The Company follows the principles of accounting standards relating to software revenue recognition, which provide guidance on applying GAAP in recognizing revenue on software transactions. Accounting standards require that revenue recognized from software transactions be allocated to each element of the transaction based on the relative fair values of the elements, such as software products, specified upgrades, enhancements, post-contract client support, installation or training. The determination of fair value is based upon vendor-specific objective evidence ( VSOE ). The

Company recognizes software licenses revenues allocated to software products and enhancements generally upon delivery of each of the related products or enhancements, assuming all other revenue recognition criteria are met. In the rare occasion that a software license agreement includes the right to a specified upgrade or product, the Company defers all revenues under the arrangement until the specified upgrade or product is delivered, since typically VSOE does not exist to support the fair value of the specified upgrade or product.

F-7



**Table of Contents**

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company generally recognizes revenue from sales of software or products including proprietary software upon product shipment and receipt of a signed contract, provided that collection is probable and all other revenue recognition criteria are met. The Company sells perpetual software licenses in conjunction with professional services for installation and maintenance. For these arrangements, the total contract value is attributed first to the maintenance arrangement based on its fair value, which is derived from stated renewal rates. The contract value is then attributed to professional services based on estimated fair value, which is derived from the rates charged for similar services provided on a stand-alone basis. The Company's software license agreements generally do not require significant modification or customization of the underlying software, and, accordingly, implementation services provided by the Company are not considered essential to the functionality of the software. The remainder of the total contract value is then attributed to the software license based on the residual method.

The Company also sells term licenses ranging from one to seven years, some of which include bundled maintenance services. For those arrangements with bundled maintenance services, VSOE does not exist for the maintenance element and therefore the total fee is recognized ratably over the contractual term of the arrangement. The Company classifies revenues from bundled term license arrangements as both software licenses and maintenance revenues by allocating a portion of the revenues from the arrangement to maintenance revenues and classifying the remainder in software licenses revenues. The Company uses its renewal rates for maintenance under perpetual license agreements for the purpose of determining the portion of the arrangement fee that is classified as maintenance revenues.

The Company occasionally enters into license agreements requiring significant customization of the Company's software. The Company accounts for the license fees under these agreements on the percentage-of-completion basis. This method requires estimates to be made for costs to complete the agreement utilizing an estimate of development man-hours remaining. Revenue is recognized each period based on the hours incurred to date compared to the total hours expected to complete the project. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that completion costs may be revised. Such revisions are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are determined on a contract-by-contract basis, and are made in the period in which such losses are first estimated or determined.

***Maintenance Revenue Agreements***

Maintenance agreements generally require the Company to provide technical support and software updates (on a when-and-if-available basis) to its clients. Such services are generally provided under one-year renewable contracts. Maintenance revenues are recognized ratably over the term of the maintenance agreement.

***Professional Services Revenue***

The Company provides consulting and training services to its clients. Revenues for such services are generally recognized over the period during which the services are performed. The Company typically charges for professional services on a time-and-materials basis. However, some contracts are for a fixed fee. For the fixed-fee arrangements, an estimate is made of the total hours expected to be incurred to complete the project. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that completion costs may be revised. Such revisions are recognized in the period in which the revisions are determined. Revenues are recognized each period based on the

hours incurred to date compared to the total hours expected to complete the project.

F-8

**Table of Contents**

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

***Research and Development***

Research and development costs associated with computer software are charged to expense as incurred. Capitalization of internally developed computer software costs begins upon the establishment of technological feasibility based on a working model. Net capitalized software costs of \$4.2 million and \$3.5 million are included in the December 31, 2014 and 2013 balance sheets, respectively, under Intangible and other assets .

The Company's policy is to amortize these costs upon a product's general release to the client. Amortization of capitalized software costs is calculated by the greater of (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product, including the period being reported on, typically two to five years. It is reasonably possible that those estimates of anticipated future gross revenues, the remaining estimated economic life of the product, or both could be reduced significantly due to competitive pressures. Amortization expense related to capitalized software development costs was \$1.8 million, \$1.0 million, and \$0.5 million for each of the years ended December 31, 2014, 2013, and 2012, respectively.

***Stock-based Compensation***

Using the fair value recognition provisions of relevant accounting literature, stock-based compensation cost is measured at the grant date based on the estimated fair value of the award and is recognized as expense over the appropriate service period. Determining the fair value of stock-based awards requires considerable judgment, including estimating the expected term of stock options, expected volatility of the Company's stock price, and the number of awards expected to be forfeited. Differences between actual results and these estimates could have a material effect on the Company's financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recorded for non-qualified option awards. The realizability of the deferred tax asset is ultimately based on the actual value of the stock-based award upon exercise. If the actual value is lower than the fair value determined on the date of grant, then there could be an income tax expense for the portion of the deferred tax asset that is not realizable.

***Other Income (Expense), Net***

Other income, net for 2014 consists primarily of foreign currency transaction gains of \$2.9 million. The gains were partially offset by an increase of \$0.4 million to the contingent consideration liability for the acquisition of Prime Management Limited ( Prime ). Other income, net for 2013 consists primarily of foreign currency transaction gains of \$3.4 million. Other expense, net for 2012 consists primarily of foreign currency transaction losses of \$12.4 million and a loss of \$3.8 million recorded on foreign currency contracts associated with the acquisition of GlobeOp Financial Services, S.A. ( GlobeOp ), which is discussed further in Note 12. These losses were partially offset by a reduction of the Company's remaining contingent consideration liability associated with the BenefitsXML, Inc. acquisition from \$0.3 million to \$0.

***Income Taxes***

The Company accounts for income taxes in accordance with the relevant accounting literature. An asset and liability approach is used to recognize deferred tax assets and liabilities for the future tax consequences of items that are recognized in the Company's financial statements and tax returns in different years. A valuation allowance is established against net deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the net deferred tax assets will not be realized.

F-9

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company accounts for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

***Cash and Cash Equivalents***

The Company considers all highly liquid marketable securities with original maturities of three months or less at the date of acquisition to be cash equivalents. The Company did not hold any cash equivalents at December 31, 2014 and 2013.

***Restricted Cash***

Restricted cash includes monies held by a bank as security for letters of credit issued due to lease requirements for office space. The letter of credits are expected to be renewed within the next twelve months, and as such, the restricted cash is classified as a current asset on the Consolidated Balance Sheet. Additionally, movements of restricted cash are included in other investing activities on the Consolidated Statement of Cash Flows.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is calculated using a combination of straight-line and accelerated methods over the estimated useful lives of the assets as follows:

| <b>Description</b>   | <b>Useful Life</b>                             |
|--|--|
| Land   |  |
| Buildings and improvements   | 40 years                                       |
| Equipment and software   | 3-5 years                                      |
| Furniture and fixtures   | 7-10 years                                     |
| Leasehold improvements   | Shorter of lease term or estimated useful life |
| Depreciation expense for the years ended December 31, 2014, 2013 and 2012 was \$14.3 million, \$14.7 million and \$10.7 million, respectively. |  |

Maintenance and repairs are expensed as incurred. The costs of sold or retired assets are removed from the related asset and accumulated depreciation accounts and any gain or loss is included in other income (expense), net.

***Goodwill and Intangible Assets***

The Company tests goodwill annually for impairment as of December 31st (and in interim periods if certain events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount). The Company has completed the required impairment tests for goodwill and has determined that no impairment existed as of December 31, 2014 or 2013. The first step of the impairment analysis, which is based on our reporting unit structure, indicated that the fair value significantly exceeded the carrying value at December 31, 2014. There were no other indefinite-lived intangible assets as of December 31, 2014 or 2013.

F-10

Table of Contents**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table summarizes changes in goodwill (in thousands):

|  |                     |
|--|---------------------|
| <b>Balance at December 31, 2012</b>              | 1,559,607           |
| 2013 acquisitions                                | 910                 |
| Adjustments to previous acquisitions             | (202)               |
| Income tax benefit on rollover options exercised | (3,567)             |
| Effect of foreign currency translation           | (15,362)            |
| <b>Balance at December 31, 2013</b>              | 1,541,386           |
| 2014 acquisition                                 | 66,511              |
| Effect of foreign currency translation           | (34,670)            |
| <b>Balance at December 31, 2014</b>              | <b>\$ 1,573,227</b> |

Completed technology and other identifiable intangible assets are amortized over lives ranging from three to 17 years based on the ratio that current cash flows for the intangible asset bear to the total of current and expected future cash flows for the intangible asset. Amortization expense associated with completed technology and other amortizable intangible assets was \$83.7 million, \$84.1 million and \$64.6 million for the years ended December 31, 2014, 2013 and 2012, respectively.

A summary of the components of intangible assets is as follows (in thousands):

|                                | <b>December 31,</b> |                   |
|--------------------------------|---------------------|-------------------|
|                                | <b>2014</b>         | <b>2013</b>       |
| Customer relationships         | \$ 604,638          | \$ 599,186        |
| Completed technology           | 154,043             | 122,758           |
| Trade names                    | 39,876              | 36,072            |
| Other                          | 2,774               | 2,887             |
|                                | 801,331             | 760,903           |
| Less: accumulated amortization | (412,897)           | (336,712)         |
|                                | <b>\$ 388,434</b>   | <b>\$ 424,191</b> |

Total estimated amortization expense, related to intangible assets, for each of the next five years, as of December 31, 2014, is expected to approximate (in thousands):

**Year Ending December 31,**

|      |           |
|------|-----------|
| 2015 | \$ 87,466 |
| 2016 | 78,591    |
| 2017 | 60,187    |
| 2018 | 53,906    |
| 2019 | 44,041    |

\$ 324,191

***Impairment of Long-Lived Assets***

The Company evaluates the recoverability of its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the assets carrying value unlikely. An impairment loss would



**Table of Contents**

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. The Company has identified no such impairment losses in the years ended December 31, 2014 and 2013.

***Concentration of Credit Risk***

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, cash equivalents, marketable securities, and trade receivables. The Company has cash investment policies that limit investments to investment grade securities. Concentrations of credit risk, with respect to trade receivables, are limited due to the fact that the Company's client base is highly diversified. As of December 31, 2014 and 2013, the Company had no significant concentrations of credit.

***International Operations and Foreign Currency***

The functional currency of each foreign subsidiary is the local currency. Accordingly, assets and liabilities of foreign subsidiaries are translated to U.S. dollars at period-end exchange rates, and capital stock accounts are translated at historical rates. Revenues and expenses are translated using the average rates during the period. The resulting translation adjustments are excluded from net earnings and accumulated as a separate component of stockholders equity. Foreign currency transaction gains and losses are included within other income (expense) in the results of operations in the periods in which they occur.

***Comprehensive Income***

Items defined as comprehensive income, such as foreign currency translation adjustments, are separately classified in the financial statements. The accumulated balance of other comprehensive income is reported separately from retained earnings and additional paid-in capital in the equity section of the Consolidated Balance Sheet. Total comprehensive income consists of net income and other accumulated comprehensive income disclosed in the equity section of the Consolidated Balance Sheet.

***Recent Accounting Pronouncements***

In August 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ( ASU 2014-15 ). This ASU establishes specific guidance to an organization's management on their responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern. The provisions of ASU 2014-15 are effective for interim and annual periods beginning after December 15, 2016. This ASU is not expected to have an impact on the Company's financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ( ASU 2014-09 ). The objective of ASU 2014-09 is to clarify the principles for recognizing revenue by removing inconsistencies and weaknesses in revenue requirements; providing a more robust framework for addressing revenue issues; improving comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; and providing more useful information to users of financial statements through improved revenue disclosure

requirements. The provisions of ASU 2014-09 are effective for interim and annual periods beginning after December 15, 2016. The Company is currently evaluating the impact of this standard on its financial position, results of operations and cash flows.

F-12

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ( ASU 2013-11 ). The objective of ASU 2013-11 is to end some inconsistent practices with regard to the presentation on the balance sheet of unrecognized tax benefits. ASU 2013-11 is effective for financial statement periods beginning after December 15, 2013, with early adoption permitted. The adoption of this standard in the first quarter of 2014 did not have a material impact on the Company's financial position, results of operations or cash flows.

***Basic and Diluted Earnings per Share***

Earnings per share ( EPS ) is calculated in accordance with the relevant standards. Basic EPS includes no dilution and is computed by dividing income available to the Company's common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income by the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist of stock options and restricted stock using the treasury stock method. Common equivalent shares are excluded from the computation of diluted earnings per share if the effect of including such common equivalent shares is anti-dilutive because their total assumed proceeds exceed the average fair value of common stock for the period. The Company has two classes of common stock, each with identical participation rights to earnings and liquidation preferences, and therefore the calculation of EPS as described above is identical to the calculation under the two-class method.

The following table sets forth the weighted average common shares used in the computation of basic and diluted EPS (in thousands):

|   | <b>Year Ended December 31,</b> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <b>2014</b>                    | <b>2013</b> | <b>2012</b> |
| Weighted average common shares outstanding used in calculation of basic EPS                         | 83,314                         | 81,195      | 78,321      |
| Weighted average common stock equivalents options and restricted shares                             | 4,017                          | 4,421       | 4,567       |
| Weighted average common and common equivalent shares outstanding used in calculation of diluted EPS | 87,331                         | 85,616      | 82,888      |

Options to purchase 1,841,840, 133,598 and 703,446 shares were outstanding for the years ended December 31, 2014, 2013 and 2012, respectively, but were not included in the computation of diluted EPS because the effect of including the options would be anti-dilutive.

**3. Accounts Receivable, net**

Accounts receivable are as follows (in thousands):

|                                    | <b>December 31,</b> |               |
|------------------------------------|---------------------|---------------|
|                                    | <b>2014</b>         | <b>2013</b>   |
| Accounts receivable                | \$ 58,223           | \$ 57,634     |
| Unbilled accounts receivable       | 38,377              | 36,087        |
| Allowance for doubtful accounts    | (2,241)             | (2,500)       |
| <br>Total accounts receivable, net | <br>\$ 94,359       | <br>\$ 91,221 |

F-13

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table represents the activity for the allowance for doubtful accounts during the years ended December 31, 2014, 2013 and 2012 (in thousands):

| <b>Allowance for Doubtful Accounts:</b> | <b>Year Ended December 31,</b> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <b>2014</b>                    | <b>2013</b> | <b>2012</b> |
| Balance at beginning of period          | \$ 2,500                       | \$ 2,359    | \$ 2,006    |
| Charge to costs and expenses            | 610                            | 666         | 413         |
| Write-offs, net of recoveries           | (785)                          | (510)       | (400)       |
| Other adjustments                       | (84)                           | (15)        | 340         |
| Balance at end of period                | \$ 2,241                       | \$ 2,500    | \$ 2,359    |

Management establishes the allowance for doubtful accounts based on historical bad debt experience. In addition, management analyzes client accounts, client concentrations, client creditworthiness, current economic trends and changes in the client's payment terms when evaluating the adequacy of the allowance for doubtful accounts.

**4. Stockholders' Equity**

At December 31, 2014, 100,000,000 shares of common stock were authorized and 82,268,722 and 81,482,283 shares of common stock were issued and outstanding, respectively, of which 17,188 were unvested. At December 31, 2013, 100,000,000 shares of common stock were authorized and 80,478,620 and 79,966,907 shares of common stock were issued and outstanding, respectively, of which 25,000 were unvested.

At December 31, 2014 and 2013, 5,000,000 shares of Class A non-voting common stock were authorized and 2,703,846 were issued and outstanding.

In November 2014, the Company's Board of Directors authorized the continued repurchase of up to \$200 million of the Company's common stock on the open market or in privately negotiated transactions. Under the repurchase programs, the Company purchased a total of 274,726 shares for approximately \$11.2 million during the year ended December 31, 2014 and a total of 23,900 shares for approximately \$0.9 million during the year ended December 31, 2013. The Company uses the cost method to account for treasury stock purchases. Under the cost method, the price paid for the stock is charged to the treasury stock account.

The following table summarizes information about quarterly share repurchases:

| <b>Quarter</b> | <b>Fiscal 2014 Price Range</b> |             |            | <b>Fiscal 2013 Price Range</b> |             |            |
|----------------|--------------------------------|-------------|------------|--------------------------------|-------------|------------|
|                | <b>Shares</b>                  | <b>High</b> | <b>Low</b> | <b>Shares</b>                  | <b>High</b> | <b>Low</b> |
| First          | 90,226                         | \$ 39.99    | \$ 38.06   |                                | \$          | \$         |

Edgar Filing: SS&C Technologies Holdings Inc - Form 10-K

|        |         |          |          |        |          |          |
|--------|---------|----------|----------|--------|----------|----------|
| Second | 95,800  | 44.48    | 39.04    |        |          |          |
| Third  | 88,700  | 43.95    | 42.72    |        |          |          |
| Fourth |         |          |          | 23,900 | 40.00    | 39.33    |
| Total  | 274,726 | \$ 44.48 | \$ 38.06 | 23,900 | \$ 40.00 | \$ 39.33 |

Also in November 2014, the Company's Board of Directors adopted a quarterly dividend policy under which it intends to declare quarterly cash dividends on shares of its common stock and Class A non-voting common stock in the amount of \$0.125 per share. The first quarterly cash dividend was declared and subsequently paid on December 15, 2014 to stockholders of record as of the close of business on December 1, 2014.

F-14

Table of Contents**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****5. Income Taxes**

The sources of income before income taxes were as follows (in thousands):

|                                   | <b>Year Ended December 31,</b> |                   |                  |
|-----------------------------------|--------------------------------|-------------------|------------------|
|                                   | <b>2014</b>                    | <b>2013</b>       | <b>2012</b>      |
| U.S.                              | \$ 124,032                     | \$ 90,332         | \$ 50,710        |
| Foreign                           | 53,622                         | 54,855            | 19,775           |
| <b>Income before income taxes</b> | <b>\$ 177,654</b>              | <b>\$ 145,187</b> | <b>\$ 70,485</b> |

The income tax provision consists of the following (in thousands):

|                  | <b>Year Ended December 31,</b> |                  |                  |
|------------------|--------------------------------|------------------|------------------|
|                  | <b>2014</b>                    | <b>2013</b>      | <b>2012</b>      |
| <b>Current:</b>  |                                |                  |                  |
| Federal          | \$ 36,877                      | \$ 24,634        | \$ 13,690        |
| Foreign          | 13,603                         | 6,339            | 12,169           |
| State            | 9,630                          | 6,502            | 5,156            |
| <b>Total</b>     | <b>60,110</b>                  | <b>37,475</b>    | <b>31,015</b>    |
| <b>Deferred:</b> |                                |                  |                  |
| Federal          | (9,697)                        | (6,986)          | (3,085)          |
| Foreign          | (5,318)                        | (987)            | (3,649)          |
| State            | 1,432                          | (2,210)          | 384              |
| <b>Total</b>     | <b>(13,583)</b>                | <b>(10,183)</b>  | <b>(6,350)</b>   |
| <b>Total</b>     | <b>\$ 46,527</b>               | <b>\$ 27,292</b> | <b>\$ 24,665</b> |

The reconciliation between the expected tax expense and the actual tax provision is computed by applying the U.S. federal corporate income tax rate of 35% to income before income taxes as follows (in thousands):

|  | <b>Year Ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2014</b>                    | <b>2013</b> | <b>2012</b> |

Edgar Filing: SS&C Technologies Holdings Inc - Form 10-K

|   |           |           |           |
|---|-----------|-----------|-----------|
| Computed expected tax expense                             | \$ 62,179 | \$ 50,816 | \$ 24,670 |
| Increase (decrease) in income tax expense resulting from: |           |           |           |
| State income taxes (net of federal income tax benefit)    | 7,888     | 2,751     | 2,097     |
| Foreign operations  | (26,232)  | (17,942)  | (4,693)   |
| Rate change impact on tax liabilities                     |           | (2,679)   | (2,367)   |
| Effect of valuation allowance                             | 1,351     | 785       | 3,525     |
| Uncertain tax positions                                   | 3,262     | (2,791)   | (193)     |
| Tax credits   | (993)     | (3,325)   |           |
| Non-deductible transaction costs                          |           |           | 1,723     |
| Other   | (928)     | (323)     | (97)      |
| Provision for income taxes                                | \$ 46,527 | \$ 27,292 | \$ 24,665 |

F-15



**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The components of deferred income taxes at December 31, 2014 and 2013 are as follows (in thousands):

|                                  | 2014                      |                                | 2013                      |                                |
|----------------------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
|                                  | Deferred<br>Tax<br>Assets | Deferred<br>Tax<br>Liabilities | Deferred<br>Tax<br>Assets | Deferred<br>Tax<br>Liabilities |
| Deferred compensation            | \$ 13,956                 | \$                             | \$ 13,291                 | \$                             |
| Net operating loss carryforwards | 11,788                    |                                | 5,813                     |                                |
| Tax credit carryforwards         | 4,771                     |                                | 8,535                     |                                |
| Accrued expenses                 | 4,236                     |                                | 1,704                     |                                |
| Impaired investment interest     | 842                       |                                | 829                       |                                |
| Customer relationships           |                           | 71,557                         |                           | 86,562                         |
| Other intangible assets          |                           | 29,403                         |                           | 24,923                         |
| Trade names                      |                           | 5,772                          |                           | 5,831                          |
| Unremitted foreign earnings      |                           | 5,709                          |                           | 5,745                          |
| Acquired technology              |                           | 5,295                          |                           | 1,365                          |
| Property and equipment           |                           | 3,031                          |                           | 4,115                          |
| Other                            |                           | 383                            | 611                       |                                |
| <b>Total</b>                     | <b>35,593</b>             | <b>121,150</b>                 | <b>30,783</b>             | <b>128,541</b>                 |
| Valuation allowance              | (12,619)                  |                                | (5,045)                   |                                |
| <b>Total</b>                     | <b>\$ 22,974</b>          | <b>\$ 121,150</b>              | <b>\$ 25,738</b>          | <b>\$ 128,541</b>              |

At December 31, 2014 and 2013, the Company had accrued deferred income taxes of \$5.7 million on its unremitted earnings of its Canadian subsidiary. The Company had not accrued deferred income taxes on unremitted earnings of any of its other non-U.S. subsidiaries. The earnings were approximately \$76.8 million as of December 31, 2014. It is not practicable to estimate the amount of tax that would be payable upon repatriation of the earnings as such earnings are expected to be permanently reinvested overseas.

At December 31, 2014, the Company had foreign net operating loss carryforwards of \$46.3 million, of which \$46.1 million can be carried forward indefinitely. The remaining \$0.2 million will begin to expire in 2016. The Company had domestic state net operating loss carryforwards of \$0.1 million, which will begin to expire in 2031.

At December 31, 2014, the Company had tax credit carryforwards of \$4.8 million relating to domestic and foreign jurisdictions, of which \$3.8 million relate to domestic tax credits that are expected to be utilized before they begin to expire in 2015 and \$1.0 million relate to alternative minimum tax credit carryforwards at the Company's India operations that are expected to be utilized before they begin to expire in 2022.

The Company has recorded valuation allowances of \$12.6 million at December 31, 2014 related to certain foreign net operating loss carryforwards and \$5.0 million at December 31, 2013 related to certain foreign net operating loss and tax credit carryforwards. The change in the valuation allowance is primarily due to a valuation allowance recorded on acquired net operating loss carryforwards.

The Company operates under tax holidays in some foreign jurisdictions, which begin to expire in 2017. The availability of the tax holidays are subject to fulfillment of certain conditions. The impact of the tax holidays decreased foreign taxes by \$0.6 million, which had a benefit of \$0.01 per share (diluted) for the year ended December 31, 2014.

Table of Contents**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table summarizes the activity related to the Company's unrecognized tax benefits for the years ended December 31, 2014 and 2013 (in thousands):

|   |                  |
|---|------------------|
| <b>Balance at January 1, 2013</b>               | \$ 7,832         |
| Increases related to current year tax positions | 4,693            |
| Increases related to prior tax positions        | 265              |
| Lapse in statute of limitation                  | (4,850)          |
| Foreign exchange translation adjustment         | (300)            |
| <b>Balance at December 31, 2013</b>             | 7,640            |
| Increases related to current year tax positions | 3,668            |
| Decreases related to prior tax positions        | (68)             |
| Increases related to acquired tax positions     | 4,606            |
| Lapse in statute of limitation                  |                  |
| Foreign exchange translation adjustment         | (189)            |
| <b>Balance at December 31, 2014</b>             | <b>\$ 15,657</b> |

The Company accrued potential penalties and interest on the unrecognized tax benefits of \$0.3 million and \$0.1 million during 2014 and 2013, respectively, and has recorded a total liability for potential penalties and interest, including penalties and interest related to acquired unrecognized tax benefits, of \$2.9 million and \$0.1 million at December 31, 2014 and 2013, respectively. The Company's unrecognized tax benefits as of December 31, 2014 relate to domestic and foreign taxing jurisdictions and are recorded in other long-term liabilities on the Company's Consolidated Balance Sheet at December 31, 2014.

The Company is subject to examination by tax authorities throughout the world, including such major jurisdictions as the U.S., Canada, United Kingdom, India, Connecticut and New York. In these major jurisdictions, the Company is no longer subject to examination by tax authorities for years prior to 2009, 2010, 2011, 2011, 2009 and 2009, respectively. The Company's U.S. federal income tax returns are currently under audit for the tax periods ended December 31, 2009 through 2013. The Company's Connecticut and New York state income tax returns are currently under audit for the tax periods ended December 31, 2009 through 2011.

**6. Debt**

At December 31, 2014 and 2013, debt consisted of the following (in thousands):

|  |                                   |
|--|-----------------------------------|
|  | <b>December 31,</b>               |
|  | <b>2014                  2013</b> |

Edgar Filing: SS&C Technologies Holdings Inc - Form 10-K

|  |            |            |
|--|------------|------------|
| Credit facility, weighted-average interest rate of 2.93% and 3.09%, respectively | \$ 645,000 | \$ 782,000 |
| Unamortized original issue discount  | (6,095)    | (7,493)    |
|  | 638,905    | 774,507    |
| Short-term borrowings and current portion of long-term debt                      | (20,470)   | (23,212)   |
| Long-term debt   | \$ 618,435 | \$ 751,295 |

The carrying value of the Company's credit facilities approximate fair value given the variable rate nature of the debt, and as such, are a Level 2 liability (as discussed in Note 8).

F-17

---

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Capitalized financing costs of \$4.4 million, \$4.4 million and \$2.6 million were amortized to interest expense in the years ended December 31, 2014, 2013 and 2012, respectively, and the Company amortized to interest expense \$1.4 million, \$1.4 million and \$0.8 million of the original issue discount associated with the credit agreement ( Credit Agreement ) for the years ended December 31, 2014, 2013 and 2012, respectively. The unamortized balance of capitalized financing costs is included in intangible and other assets in the Company's Consolidated Balance Sheet. Additionally, the Company had \$4.4 million in losses on extinguishment of debt associated with the repayment of the prior senior credit facility in 2012, as shown on the Company's Consolidated Statements of Comprehensive Income and described below.

*Credit facility.* On March 14, 2012, Holdings entered into a Credit Agreement with SS&C and SS&C Technologies Holdings Europe S.A.R.L., an indirect wholly-owned subsidiary of SS&C ( SS&C Sarl ), as the borrowers. The Credit Agreement has four tranches of term loans: (i) a \$0 term A-1 facility with a five and one-half year term for borrowings by SS&C, (ii) a \$325 million term A-2 facility with a five and one-half year term for borrowings by SS&C Sarl, (iii) a \$725 million term B-1 facility with a seven year term for borrowings by SS&C and (iv) a \$75 million term B-2 facility with a seven year term for borrowings by SS&C Sarl. In addition, the Credit Agreement had a \$142 million bridge loan facility, of which \$31.6 million was immediately drawn, with a 364-day term available for borrowings by SS&C Sarl and has a revolving credit facility with a five and one-half year term available for borrowings by SS&C with \$100 million in commitments. The revolving credit facility contains a \$25 million letter of credit sub-facility and a \$20 million swingline loan sub-facility. The bridge loan was repaid in July 2012 and is no longer available for borrowing.

The term loans and the revolving credit facility bear interest, at the election of the borrowers, at the base rate (as defined in Credit Agreement) or LIBOR, plus the applicable interest rate margin for the credit facility. The term A loans and the revolving credit facility initially bore interest at either LIBOR plus 2.75% or at the base rate plus 1.75%, and then will be subject to a step-down based on SS&C's consolidated net senior secured leverage ratio and would be equal to 2.50% in the case of the LIBOR margin, and 1.50% in the case of the base rate margin. The term B loans initially bore interest at either LIBOR plus 4.00% or at base rate plus 3.00%, with LIBOR subject to a 1.00% floor.

In November 2014, the Company drew down on the revolving credit facility in the amount of \$75.0 million to fund part of the purchase price of the acquisition of DST Global Solutions Ltd. and DST Global Solutions LLC (together DSTGS ), subsidiaries of DST Systems, Inc. See Note 12 for further discussion of acquisitions.

In February 2014, the Company completed a repricing of its term A-2 loans, which replaced these loans with new term A-2 loans at the same outstanding principal balance but at a different interest rate. The applicable interest rates were reduced to either LIBOR plus 2.0% or the base rate plus 1.0%. The maturity date of the new loans remains December 8, 2017, and no changes were made to the financial covenants or scheduled amortization.

In June 2013, the Company completed a repricing of its term B-1 loans and term B-2 loans, which replaced these loans with new term B-1 loans and term B-2 loans at the same outstanding principal balance, but at a different interest rate. The applicable interest rates were reduced to either LIBOR plus 2.75% or the base rate plus 1.75%, and the LIBOR floor was reduced from 1.00% to 0.75%, subject to a step-down at any time that the consolidated net senior secured leverage ratio is less than 2.75 times, to 2.50% in the case of the LIBOR margin, and 1.50% in the case of the

base rate margin. The maturity date of the new loans remains June 8, 2019, and no changes were made to the financial covenants or scheduled amortization.

The repricing of the debt was evaluated in accordance with FASB Accounting Standards Codification 470-50, Debt Modifications and Extinguishments, for modification and extinguishment accounting. The Company

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

accounted for the repricing as a debt modification with respect to amounts that remained in the syndicate and a debt extinguishment with respect to the amounts that exited the syndicate.

Holdings, SS&C and the material domestic subsidiaries of SS&C have pledged substantially all of their tangible and intangible assets as security to support the obligations of SS&C and SS&C Sarl under the Credit Agreement. In addition, SS&C Sarl has agreed, in certain circumstances, to cause subsidiaries in foreign jurisdictions to guarantee SS&C Sarl's obligations and pledge substantially all of their assets to support the obligations of SS&C Sarl under the Credit Agreement. The Credit Agreement contains customary restrictive covenants and a financial covenant requiring the Company to maintain a specified consolidated net senior secured leverage ratio. As of December 31, 2014, the Company was in compliance with the financial and non-financial covenants.

In connection with the entry into the Credit Agreement, SS&C terminated its prior senior credit facility ( Senior Credit Facility ) and used the initial proceeds of the borrowings to repay all amounts outstanding under the Senior Credit Facility, including an aggregate principal amount of outstanding borrowings of approximately \$260.0 million, and to satisfy a portion of the consideration required to fund the Company's acquisition of GlobeOp. At the time of the termination of the Senior Credit Facility, all liens and other security interests that SS&C had granted to the lenders under the Senior Credit Facility were released.

At December 31, 2014, annual maturities of long-term debt during the next five years and thereafter are as follows (in thousands):

| <b><u>Year ending December 31,</u></b> |            |
|--|------------|
| 2015                                   | \$ 20,470  |
| 2016                                   | 22,495     |
| 2017                                   | 194,655    |
| 2018                                   | 4,277      |
| 2019 and thereafter                    | 403,103    |
|  | \$ 645,000 |

**7. Derivatives and Hedging Activities**

Derivative financial instruments are recognized on the consolidated balance sheets as either assets or liabilities and are measured at fair value. Changes in the fair values of derivatives are recorded each period in earnings or accumulated other comprehensive income, depending on whether a derivative qualifies for hedge accounting and is effective as part of a hedged transaction. Gains and losses on derivative instruments reported in accumulated other comprehensive income are subsequently included in earnings in the periods in which earnings are affected by the hedged item. The Company does not use derivative instruments for speculative purposes. The Company had no derivative instruments as of December 31, 2014 and 2013.

On March 14, 2012, SS&C and SS&C Sarl entered into a cooperation agreement with GlobeOp, pursuant to which SS&C Sarl issued an announcement disclosing that the Company and GlobeOp had agreed on the terms of a recommended cash offer (the Offer ) to be made by SS&C Sarl to acquire the entire issued and to be issued share capital of GlobeOp for cash of 485 pence per share. As a result of the Offer s foreign currency denomination, the Company was exposed to market risks relating to fluctuations in foreign currency exchange rates. In conjunction with the Offer, the Company entered into a forward currency transaction and a currency option transaction to protect against the foreign currency exchange rate risk that existed. The transactions were contingent upon the Offer meeting the acceptance conditions and were not designated as hedge transactions.

F-19



**Table of Contents**

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

During the three months ended June 30, 2012, the forward contract was utilized at an average exchange rate of \$1.584 to £1.0 on a notional amount of £423.0 million, and the option contract was sold. These transactions resulted in a loss of \$14.3 million recorded in other expense on the Consolidated Statements of Comprehensive Income for the year ended December 31, 2012.

**8. Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The authoritative guidance relating to fair value measurements and disclosure establishes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from or corroborated by observable market data through correlation.

Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value.

A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

As of December 31, 2014 and 2013, the Company did not have any significant nonfinancial assets and nonfinancial liabilities that are measured at fair value on a non-recurring basis.

***Recurring Fair Value Measurements***

The Company did not have any financial assets or liabilities that were measured at fair value as of December 31, 2014. The table below segregates all financial assets and liabilities that were measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine their fair value at the measurement date in 2013 (in thousands):

|                          | <b>Total Carrying<br/>Value at<br/>December 31, 2013</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|--------------------------|--|----------------|----------------|----------------|
| Assets                   | \$   | \$             | \$             | \$             |
| Liabilities:             |  |                |                |                |
| Contingent consideration | \$ 500   | \$             | \$             | \$ 500         |
| Total liabilities        | \$ 500   | \$             | \$             | \$ 500         |

The Company determines the fair value of the contingent consideration liabilities associated with its acquisitions based on the potential payments of the liability associated with the unobservable input of the estimated post-acquisition financial results (the achievement of certain revenue and EBITDA targets) of the related acquisition through a certain date. As such, contingent consideration liabilities are a Level 3 liability. As

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

of December 31, 2013, the Company's contingent consideration liability was measured at fair value using estimated future cash flows based on the potential payments of the liability based on the unobservable input of the estimated post-acquisition financial results of Prime Management Limited ( Prime ) through September 30, 2014. The Company increased this contingent consideration liability to a fair value of \$0.9 million and recorded the adjustment of \$0.4 million to other expense in the second quarter of 2014. This consideration was paid out in the fourth quarter of 2014. See Note 12 for further discussion of acquisitions.

The carrying amounts and fair values of financial instruments at December 31, 2014 and 2013 are as follows (in thousands):

|                               | 2014               |               | 2013               |               |
|-------------------------------|--------------------|---------------|--------------------|---------------|
|                               | Carrying<br>Amount | Fair<br>Value | Carrying<br>Amount | Fair<br>Value |
| <b>Financial liabilities:</b> |                    |               |                    |               |
| Credit facility               | \$ 645,000         | \$ 641,141    | \$ 774,507         | \$ 783,606    |

The above fair values were computed based on comparable quoted market prices or an estimate of the amount to be paid to terminate or settle the agreement, as applicable. The fair values of cash, accounts receivable, net, short-term borrowings, and accounts payable approximate the carrying amounts due to the short-term maturities of these instruments.

**9. Leases**

The Company is obligated under noncancelable operating leases for office space and office equipment. Total rental expense was \$16.7 million, \$17.7 million and \$16.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. The lease for the corporate facility in Windsor, Connecticut expires in 2022. Future minimum lease payments under the Company's operating leases, excluding future sublease income, as of December 31, 2014, are as follows (in thousands):

| <b>Year Ending December 31,</b> |           |
|---------------------------------|-----------|
| 2015                            | \$ 15,776 |
| 2016                            | 15,433    |
| 2017                            | 13,499    |
| 2018                            | 11,178    |
| 2019 and thereafter             | 33,892    |
|                                 | \$ 89,778 |

The Company subleases office space to other parties under noncancelable leases. The Company received rental income under these leases of \$0.2 million, \$1.2 million, and \$1.4 million for the years ended December 31, 2014, 2013, and 2012, respectively. There are no future minimum lease receipts under these leases as of December 31, 2014.

#### **10. Defined Contribution Plans**

The Company has a 401(k) Retirement Plan (the Plan ) that covers substantially all domestic employees. Each employee may elect to contribute to the Plan, through payroll deductions, up to 50% of his or her cash compensation, subject to certain limitations. The Plan provides for a Company match of employees' contributions in an amount equal to 50% of an employee's contributions up to \$4,000 per year. The Company

---

**Table of Contents**

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

offers employees a selection of various public mutual funds and several other investment options through a brokerage account but does not include Company common stock as an investment option in its Plan.

During the years ended December 31, 2014, 2013 and 2012, the Company incurred \$4.1 million, \$3.9 million and \$3.1 million, respectively, of matching contribution expenses related to the Plan.

**11. Stock-based Compensation**

In February 2014, the Company's Board of Directors adopted an equity-based incentive plan (the 2014 Plan), which authorizes stock options to be granted for up to 3,000,000 shares of the Company's common stock. Under the 2014 Plan, which became effective in May 2014 upon stockholder approval, the exercise price of stock options is set on the grant date and may not be less than the fair market value per share on such date. Generally, stock options expire ten years from the date of grant. The Company has granted time-based stock options under the 2014 Plan.

In April 2008, the Company's Board of Directors adopted, and its stockholders approved, an equity-based incentive plan (the 2008 Plan), which authorizes equity awards to be granted for up to 9,498,306 shares of the Company's common stock, which is calculated based on an initial authorization of 1,416,661 shares of the Company's common stock and an annual increase to be added on the first day of each of the Company's fiscal years during the term of the 2008 Plan beginning in fiscal 2009 equal to the lesser of (i) 1,416,661 shares of common stock, (ii) 2% of the outstanding shares on such date or (iii) an amount determined by the Company's board of directors. Under the 2008 Plan, which became effective in July 2008, the exercise price of awards is set on the grant date and may not be less than the fair market value per share on such date. Generally, awards expire ten years from the date of grant. The Company has granted time-based options under the 2008 Plan.

In August 2006, the Company's Board of Directors adopted an equity-based incentive plan (the 2006 Plan), which authorizes equity awards to be granted for up to 11,173,819 shares of the Company's common stock. Under the 2006 Plan, the exercise price of awards is set on the grant date and may not be less than the fair market value per share on such date. Generally, awards expire ten years from the date of grant. The Company has granted restricted shares of its common stock and both time-based and performance-based options under the 2006 Plan.

The Company generally settles stock option exercises with newly issued common shares.

*Restricted shares.* During the year ended December 31, 2013, the Company granted 25,000 restricted shares of its common stock under the 2006 Plan, which vested 25% on the first anniversary of the grant date and continue to vest 1/12th of the remaining balance each quarter thereafter for three years. The restricted shares vest in full upon a change in control, subject to certain conditions.

*Time-based options.* Time-based options granted under the 2006 Plan, the 2008 Plan or the 2014 Plan generally vest 25% on the first anniversary of the grant date and 1/36th of the remaining balance each month thereafter for 36 months. All outstanding time-based options vest upon a change in control, subject to certain conditions. Time-based options granted during 2014, 2013 and 2012 have a weighted-average grant date fair value of \$12.77, \$9.86 and \$5.79 per share, respectively, based on the Black-Scholes option pricing model. Compensation expense is

recorded on a straight-line basis over the requisite service period. The fair value of time-based options vested during the years ended December 31, 2014, 2013 and 2012 was approximately \$11.3 million, \$8.2 million and \$4.9 million, respectively. At December 31, 2014, there was approximately \$48.2 million of unearned non-cash stock-based compensation related to time-based options that the Company expects to recognize as expense over a weighted average remaining period of approximately three years.

F-22

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the time-based options valued using the Black-Scholes option-pricing model, the Company used the following weighted-average assumptions:

|                                   | <b>Time-Based awards</b> |             |             |
|-----------------------------------|--------------------------|-------------|-------------|
|                                   | <b>2014</b>              | <b>2013</b> | <b>2012</b> |
| Expected term to exercise (years) | 4.0                      | 4.0         | 4.0         |
| Expected volatility               | 29.04%                   | 28.04%      | 32.14%      |
| Risk-free interest rate           | 1.36%                    | 1.16%       | 0.45%       |
| Expected dividend yield           | 0.84%                    | 0%          | 0%          |

Expected volatility prior to March 2014 was based on a combination of the Company's historical volatility as a public company and historical volatility of the Company's peer group. Beginning in March 2014 on the four-year anniversary of the Company's initial public offering, expected volatility is based on the Company's historical volatility as a public company. Expected term to exercise is based on the Company's historical stock option exercise experience.

*Total restricted stock and stock options.* The amount of stock-based compensation expense recognized in the Company's Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012 was as follows (in thousands):

| <b>Statement of Comprehensive Income Classification</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|-------------|
| Cost of software-enabled services                       | \$ 3,940    | \$ 2,925    | \$ 1,557    |
| Cost of maintenance                                     | 282         | 273         | 228         |
| Cost of professional services                           | 443         | 338         | 239         |
| Total cost of revenues                                  | 4,665       | 3,536       | 2,024       |
| Selling and marketing(1)                                | 2,265       | 1,475       | 1,001       |
| Research and development                                | 1,165       | 901         | 574         |
| General and administrative(2)                           | 3,388       | 2,474       | 1,991       |
| Total operating expenses                                | 6,818       | 4,850       | 3,566       |
| Total stock-based compensation expense                  | \$ 11,483   | \$ 8,386    | \$ 5,590    |

- (1) For the years ended December 31, 2014 and 2013, includes stock-based compensation expense of \$0.2 million and \$0.1 million, respectively, associated with restricted shares of its common stock. At December 31, 2014, there was approximately \$0.6 million of unearned non-cash stock-based compensation related to the restricted stock that the Company expects to recognize as expense over a remaining period of 32 months. At December 31,

2013, there was approximately \$0.8 million of unearned non-cash stock-based compensation related to the restricted stock that the Company expects to recognize as expense over a remaining period of 44 months.

- (2) For the year ended December 31, 2013, includes stock-based compensation expense of \$0.1 million associated with restricted Class A stock. At December 31, 2013, there was no unearned non-cash stock based compensation related to the restricted stock. For the year ended December 31, 2012, includes stock-based compensation expense of \$0.7 million associated with restricted Class A stock. At December 31, 2012, there was approximately \$0.1 million of unearned non-cash stock-based compensation related to the restricted stock that the Company recognized as expense over a remaining period of three months. The associated future income tax benefit recognized was \$3.8 million, \$2.7 million and \$1.9 million for the years ended December 31, 2014, 2013 and 2012, respectively.



**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2014, the amount of cash received from the exercise of stock options was \$24.1 million, with an associated tax benefit realized of \$18.8 million. The intrinsic value of options exercised during the year ended December 31, 2014 was approximately \$56.1 million. For the year ended December 31, 2013, the amount of cash received from the exercise of stock options was \$27.8 million, with an associated tax benefit realized of \$31.8 million. The intrinsic value of options exercised during the year ended December 31, 2013 was approximately \$87.8 million. For the year ended December 31, 2012, the amount of cash received from the exercise of stock options was \$14.4 million, with an associated tax benefit realized of \$6.5 million. The intrinsic value of options exercised during the year ended December 31, 2012 was approximately \$17.6 million.

The following table summarizes stock option activity as of and for the years ended December 31, 2014, 2013 and 2012:

|                                  | <b>Shares</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> |
|----------------------------------|---------------|--|
| Outstanding at December 31, 2011 | 12,083,861    | \$ 9.83  |
| Granted(1)                       | 2,939,750     | 22.39  |
| Cancelled/forfeited              | (194,447)     | 15.37  |
| Exercised                        | (1,418,034)   | 10.12  |
| Outstanding at December 31, 2012 | 13,411,130    | 12.47  |
| Granted(2)                       | 2,024,170     | 40.81  |
| Cancelled/forfeited              | (332,327)     | 20.27  |
| Exercised                        | (3,587,331)   | 7.75   |
| Outstanding at December 31, 2013 | 11,515,642    | 18.70  |
| Granted(3)                       | 2,198,825     | 55.74  |
| Cancelled/forfeited              | (203,586)     | 30.51  |
| Exercised                        | (1,790,233)   | 13.47  |
| Outstanding at December 31, 2014 | 11,720,648    | 26.24  |

- (1) Of the grants during 2012, 2,883,750 were granted under the 2008 Plan and 56,000 were granted under the 2006 Plan.
- (2) Of the grants during 2013, 1,798,420 were granted under the 2008 Plan and 225,750 were granted under the 2006 Plan.
- (3)

Of the grants during 2014, 450,000 were granted under the 2014 Plan, 1,632,825 were granted under the 2008 Plan and 116,000 were granted under the 2006 Plan.

The following table summarizes information about stock options outstanding that are expected to vest and stock options outstanding that are exercisable at December 31, 2014:

| <b>Outstanding, Vested Options Currently Exercisable</b> |  |   |  | <b>Outstanding Options Expected to Vest</b> |  |   |  |
|--|--|---|--|---|--|---|--|
| <b>Shares</b>  | <b>Weighted Average Exercise Price</b> | <b>Aggregate Intrinsic Value<br/>(In thousands)</b> | <b>Weighted Average Remaining Contractual Term<br/>(Years)</b> | <b>Shares</b>                               | <b>Weighted Average Exercise Price</b> | <b>Aggregate Intrinsic Value<br/>(In thousands)</b> | <b>Weighted Average Remaining Contractual Term<br/>(Years)</b> |
| 6,751,718  | \$ 14.92                               | \$ 294,189  | 4.26   | 4,968,930                                   | \$ 41.62                               | \$ 83,805   | 8.98   |

F-24

**Table of Contents**

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**12. Acquisitions**

***DST Global Solutions***

On November 30, 2014, SS&C purchased the assets of DSTGS for approximately \$95.0 million, plus the costs of effecting the transaction and the assumption of certain liabilities. DSTGS provides investment management software and services.

The net assets and results of operations of DSTGS have been included in the Company's consolidated financial statements from December 1, 2014. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of completed technology, customer relationships and trade name, was determined using the income approach. Specifically, the discounted cash flows method was utilized for customer relationships, and the relief-from-royalty method was utilized for the completed technology and trade name. The completed technology is amortized over approximately seven and eight years, customer relationships are amortized over approximately 10 to 15 years and trade names are amortized over approximately 10 years, in each case the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is primarily not tax deductible.

There are \$7.2 million in revenues from DSTGS operations included in the Consolidated Statement of Comprehensive Income for the year ended December 31, 2014.

***Gravity***

On September 27, 2012, SS&C purchased the assets of Gravity Financial ( Gravity ) for approximately \$5.7 million, plus the costs of effecting the transaction and the assumption of certain liabilities. Gravity provides full-service fund administration.

The net assets and results of operations of Gravity have been included in the Company's consolidated financial statements from September 28, 2012. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of trade name and customer relationships, was determined using the income approach. Specifically, the discounted cash flows method was utilized for customer relationships, and the relief-from-royalty method was utilized for the trade name. The intangible assets are amortized each year based on the ratio that the projected cash flows for the intangible assets bear to the total of current and expected future cash flows for the intangible assets. The customer relationships and trade name are each amortized over approximately seven years, in each case the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is tax deductible.

***GlobeOp***

On May 31, 2012, SS&C purchased the issued and to be issued share capital of GlobeOp for approximately \$834.4 million using existing cash and debt financing as discussed in Note 6, plus the costs of effecting the transaction and the assumption of liabilities. GlobeOp provides independent fund services, specializing in middle- and back-office

services and integrated risk-reporting to hedge funds, asset management firms and other sectors of the financial industry.

The net assets and results of operations of GlobeOp have been included in the Company's consolidated financial statements from June 1, 2012. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of completed technology, trade name and customer relationships, was determined using the income approach. Specifically, the

Table of Contents**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

relief-from-royalty method was utilized for the completed technology and trade name, and the discounted cash flows method was utilized for the customer relationships. The intangible assets are amortized each year based on the ratio that the projected cash flows for the intangible assets bear to the total of current and expected future cash flows for the intangible assets. The completed technology is amortized over approximately eight years, customer relationships are amortized over approximately nine years and trade name is amortized over approximately 17 years, in each case the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is not tax deductible.

***The PORTIA Business***

On May 9, 2012, SS&C purchased the assets of Thomson Reuters PORTIA Business ( the PORTIA Business ) for approximately \$170.0 million, plus the costs of effecting the transaction and the assumption of certain liabilities. The PORTIA Business provides a broad set of middle-to-back office capabilities that allow investment managers to track and manage the day-to-day activity in their investment portfolios.

The net assets and results of operations of the PORTIA Business have been included in the Company s consolidated financial statements from May 10, 2012. The purchase price was allocated to tangible and intangible assets based on their fair value at the date of acquisition. The fair value of the intangible assets, consisting of non-compete agreement, completed technology, trade name and customer relationships, was determined using the income approach. Specifically, the discounted cash flows method was utilized for the non-compete agreement and customer relationships, and the relief-from-royalty method was utilized for the completed technology and trade name. The intangible assets are amortized each year based on the ratio that the projected cash flows for the intangible assets bear to the total of current and expected future cash flows for the intangible assets. The non-compete agreement is amortized over approximately three years, completed technology is amortized over approximately seven years, customer relationships are amortized over approximately 10 years and trade name is amortized over approximately nine years, in each case the estimated lives of the assets. The remainder of the purchase price was allocated to goodwill and is tax deductible.

The following summarizes the allocation of the purchase price for the acquisitions of DSTGS (preliminary), Gravity, GlobeOp and the PORTIA Business (in thousands):

|   | <b>DSTGS</b> | <b>Gravity</b> | <b>GlobeOp</b> | <b>The<br/>PORTIA<br/>Business</b> |
|---|--------------|----------------|----------------|------------------------------------|
| Accounts receivable                         | \$ 8,866     | \$ 326         | \$ 21,611      | \$ 8,465                           |
| Fixed assets                                | 2,074        |                | 33,507         | 744                                |
| Other assets                                | 3,392        | 44             | 27,065         | 88                                 |
| Acquired client relationships and contracts | 17,200       | 3,600          | 276,000        | 56,600                             |
| Completed technology                        | 34,200       |                | 39,000         | 9,500                              |
| Trade names                                 | 4,300        | 100            | 15,000         | 1,700                              |
| Non-compete agreements                      |              |                |                | 600                                |

Edgar Filing: SS&C Technologies Holdings Inc - Form 10-K

|  |           |          |            |            |
|--|-----------|----------|------------|------------|
| Goodwill                                 | 66,511    | 1,698    | 503,089    | 104,223    |
| Deferred revenue                         | (10,185)  |          | (731)      | (12,198)   |
| Deferred income taxes                    | (11,626)  |          | (92,302)   |            |
| Other liabilities assumed                | (19,770)  | (34)     | (33,325)   | (561)      |
| Consideration paid, net of cash acquired | \$ 94,962 | \$ 5,734 | \$ 788,914 | \$ 169,161 |

Additionally, the Company acquired Prime in October 2013 for approximately \$4.0 million and Hedgematrix LLC ( Hedgematrix ) in October 2012 for approximately \$3.1 million. The consideration paid, net

F-26

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

of cash acquired above for DSTGS includes an estimated working capital adjustment of approximately \$8.0 million anticipated to be paid in the first quarter of 2015.

The fair value of acquired accounts receivable balances approximates the contractual amounts due from acquired customers, except for approximately \$0.5 million, \$0.3 million and \$1.2 million of contractual amounts that are not expected to be collected as of the acquisition date and that were also reserved by the companies acquired DSTGS, GlobeOp and the PORTIA Business, respectively.

The goodwill associated with each of the transactions above is a result of expected synergies from combining the operations of businesses acquired with the Company and intangible assets that do not qualify for separate recognition, such as an assembled workforce.

The following unaudited pro forma condensed consolidated results of operations are provided for illustrative purposes only and assume that the acquisition of DSTGS occurred on January 1, 2013 and the acquisition of Prime occurred on January 1, 2012. This unaudited pro forma information (in thousands, except per share data) should not be relied upon as being indicative of the historical results that would have been obtained if the acquisitions had actually occurred on that date, nor of the results that may be obtained in the future.

|  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| Revenues   | \$ 830,914  | \$ 789,913  |
| Net income   | \$ 129,903  | \$ 116,730  |
| Basic EPS  | \$ 1.56     | \$ 1.44     |
| Basic weighted average number of common shares outstanding                         | 83,314      | 81,195      |
| Diluted EPS  | \$ 1.49     | \$ 1.36     |
| Diluted weighted average number of common and common equivalent shares outstanding | 87,331      | 85,616      |

**13. Commitments and Contingencies*****Millennium Actions***

Several actions (the Millennium Actions ) have been filed in various jurisdictions against the Company's subsidiary, GlobeOp, alleging claims and damages with respect to a valuation agent services agreement performed by GlobeOp for the Millennium Global Emerging Credit Fund, L.P. and Millennium Global Emerging Credit Fund Ltd. (the Millennium Funds ). These actions include (i) a putative class action in the U.S. District Court for the Southern District of New York (the U.S. Class Action ) on behalf of a putative class of investors in the Millennium Funds filed in May 2012 asserting claims of \$844 million (the alleged aggregate value of assets under management by the Millennium Funds at the funds' peak valuation); (ii) an arbitration proceeding in the United Kingdom (the UK Arbitration ) on behalf of Millennium Global Investments Ltd. and Millennium Asset Management Ltd., the Millennium Funds investment manager and administrative manager, respectively (together, the Millennium Managers ), which commenced with a request for arbitration in July 2011, seeking an indemnity of \$26.5 million for sums paid by way of

settlement to the Millennium Funds in a separate arbitration to which GlobeOp was not a party, as well as an indemnity for any losses that may be incurred by the Millennium Managers in the U.S. Class Action; and (iii) a claim in the same arbitration proceeding by the liquidators on behalf of the Millennium Global Emerging Credit Master Fund Ltd. (the Master Fund ) against GlobeOp for damages alleged to be in excess of \$160 million. These actions allege that GlobeOp breached its contractual obligations and/or negligently breached a duty of care in the performance of services for the Millennium Fund and that, *inter alia*, GlobeOp should have discovered and reported a fraudulent scheme perpetrated by the portfolio manager employed by the investment manager. The U.S. Class Action also asserts

F-27



**Table of Contents**

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

claims against SS&C identical to the claims against GlobeOp in that action. In the arbitration, GlobeOp has asserted counterclaims against both the Millennium Managers and the Master Fund for indemnity, including in respect of the U.S. Class Action.

Hearings in the UK Arbitration were conducted in London in July and August 2013, September 2014 and December 2014.

GlobeOp has secured insurance coverage that provides reimbursement of various litigation costs up to pre-determined limits. Since 2012, GlobeOp has been reimbursed for litigation costs under the applicable insurance policy.

In January 2014, GlobeOp, SS&C, the Millennium Managers and the plaintiff in the U.S. Class Action entered into a settlement agreement resolving all disputes and claims between and among the parties (including a separate mutual release between and among GlobeOp and SS&C, on the one hand, and the Millennium Managers on the other that covers claims asserted in the UK Arbitration). The settlement agreement was approved by the United States District Court for the Southern District of New York on July 7, 2014 and consummated in August 2014. Accordingly, the U.S. Class Action matter has been dismissed with prejudice and is now concluded. GlobeOp's insurers funded the entirety of the settlement amount contemplated to be contributed by GlobeOp. The resolution of the U.S. Class Action does not affect the claims, counterclaims and/or defenses as between GlobeOp and the Master Fund that have been asserted in the UK Arbitration.

The Company cannot predict the outcome of the UK Arbitration. The Company believes that it has strong defenses and is vigorously contesting the UK Arbitration (as described above, the U.S. Class Action has been concluded). The amount of any potential loss, if any at all, cannot be reasonably estimated at this time.

In addition to the foregoing legal proceedings, from time to time, the Company is subject to other legal proceedings and claims. In the opinion of the Company's management, the Company is not involved in any other such litigation or proceedings with third parties that management believes would have a material adverse effect on the Company or its business.

**14. Product and Geographic Sales Information**

The Company operates in one reportable segment. There were no sales to any individual clients during the periods in the three-year period ended December 31, 2014 that represented 10% or more of net sales. The Company attributes net sales to an individual country based upon location of the client.

The Company manages its business primarily on a geographic basis. The Company's reportable regions consist of the United States, Canada, Americas excluding the United States and Canada, Europe and Asia Pacific and Japan. The European region includes European countries as well as the Middle East and Africa.

Revenues by geography for the years ended December 31, were (in thousands):

|  | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|-------------|
| United States                                | \$ 514,803  | \$ 466,670  | \$ 360,438  |
| Canada                                       | 63,037      | 60,980      | 59,206      |
| Americas, excluding United States and Canada | 15,745      | 16,760      | 12,269      |
| United Kingdom                               | 99,163      | 97,079      | 63,064      |
| Europe, excluding United Kingdom             | 49,929      | 51,561      | 41,463      |
| Asia-Pacific and Japan                       | 25,184      | 19,652      | 15,402      |
|  | \$ 767,861  | \$ 712,702  | \$ 551,842  |

F-28

**Table of Contents****SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Long-lived assets as of December 31, were (in thousands):

|  | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|-------------|
| United States                                | \$ 60,373   | \$ 62,577   | \$ 63,402   |
| Canada                                       | 6,376       | 6,881       | 6,979       |
| Americas, excluding United States and Canada | 1,499       | 66          | 111         |
| Europe                                       | 10,204      | 9,426       | 10,071      |
| Asia-Pacific and Japan                       | 4,738       | 5,078       | 7,319       |
|  | \$ 83,190   | \$ 84,028   | \$ 87,882   |

Revenues by product group for the years ended December 31, were (in thousands):

|                                 | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---------------------------------|-------------|-------------|-------------|
| Portfolio management/accounting | \$ 691,915  | \$ 640,075  | \$ 476,703  |
| Trading/treasury operations     | 32,705      | 32,949      | 36,640      |
| Financial modeling              | 8,664       | 8,366       | 8,325       |
| Loan management/accounting      | 8,382       | 6,683       | 7,174       |
| Property management             | 15,217      | 14,622      | 14,830      |
| Money market processing         | 9,421       | 8,279       | 6,169       |
| Training                        | 1,557       | 1,728       | 2,001       |
|                                 | \$ 767,861  | \$ 712,702  | \$ 551,842  |

**15. Selected Quarterly Financial Data (Unaudited)**

Unaudited quarterly results for 2014 and 2013 were:

|                  | <b>First<br/>Quarter</b>                     | <b>Second<br/>Quarter</b> | <b>Third<br/>Quarter</b> | <b>Fourth<br/>Quarter</b> |
|------------------|--|---------------------------|--------------------------|---------------------------|
|                  | <b>(In thousands, except per share data)</b> |                           |                          |                           |
| <b>2014</b>      |  |                           |                          |                           |
| Revenue          | \$ 185,810                                   | \$ 188,722                | \$ 192,598               | \$ 200,731                |
| Gross profit     | 84,311                                       | 86,489                    | 91,215                   | 95,115                    |
| Operating income | 47,025                                       | 45,389                    | 54,363                   | 53,595                    |
| Net income       | 26,448                                       | 27,245                    | 40,827                   | 36,607                    |

Edgar Filing: SS&C Technologies Holdings Inc - Form 10-K

|             |         |         |         |         |
|-------------|---------|---------|---------|---------|
| Basic EPS   | \$ 0.32 | \$ 0.33 | \$ 0.49 | \$ 0.44 |
| Diluted EPS | \$ 0.30 | \$ 0.31 | \$ 0.47 | \$ 0.42 |

|                  | First<br>Quarter                      | Second<br>Quarter | Third<br>Quarter(1) | Fourth<br>Quarter |
|------------------|---------------------------------------|-------------------|---------------------|-------------------|
|                  | (In thousands, except per share data) |                   |                     |                   |
| <b>2013</b>      |                                       |                   |                     |                   |
| Revenue          | \$ 173,218                            | \$ 177,457        | \$ 179,505          | \$ 182,522        |
| Gross profit     | 75,777                                | 80,696            | 83,310              | 84,119            |
| Operating income | 41,996                                | 45,292            | 47,864              | 47,816            |
| Net income       | 21,429                                | 26,119            | 43,466              | 26,881            |
| Basic EPS        | \$ 0.27                               | \$ 0.32           | \$ 0.53             | \$ 0.33           |
| Diluted EPS      | \$ 0.26                               | \$ 0.31           | \$ 0.51             | \$ 0.31           |

F-29

Table of Contents

**SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

- (1) During the third quarter of 2013, the Company's effective rate was benefited by the recognition of previously unrecognized tax benefits of approximately \$7.3 million, an enacted rate change in the United Kingdom, which resulted in a tax benefit of approximately \$2.9 million, and research and development credits and other discrete items, which resulted in tax benefits of approximately \$5.6 million.

**16. Subsequent Event**

*Pending acquisition.* On February 2, 2015, SS&C and Advent Software, Inc. ( Advent ) announced that they have entered into a definitive agreement wherein SS&C will acquire Advent. Under the terms of the agreement, SS&C will purchase Advent for an enterprise value of approximately \$2.7 billion in cash, equating to \$44.25 per share plus assumption of debt. The closing, which is expected to occur in the second quarter of 2015, remains subject to Advent stockholder approval, clearances by relevant regulatory authorities and satisfaction of customary closing conditions. SS&C plans to fund the acquisition and refinancing of existing debt with \$3.0 billion of debt financing, cash on hand and approximately \$400 million of equity. Advent provides software and services to the global investment management industry.

*Dividend declared.* On February 20, 2015, the Company's Board of Directors declared a quarterly cash dividend of \$0.125 per share of common stock payable on March 16, 2015 to stockholders of record as of the close of business on March 2, 2015.

**Table of Contents****EXHIBIT INDEX**

| <b>Exhibit<br/>Number</b> | <b>Description of Exhibit</b>  |
|---------------------------|--|
| 2.3                       | Asset Purchase Agreement, dated February 28, 2012, by and between Thomson Reuters (Markets) LLC and SS&C Technologies, Inc. is incorporated herein by reference to Exhibit 1.1 to SS&C Technologies Holdings, Inc.'s Current Report on Form 8-K, filed on February 29, 2012 (File No. 001-34675)   |
| 2.4                       | Agreement and Plan of Merger, dated as of February 2, 2015, by and among Advent Software, Inc., the Registrant and Arbor Acquisition Company, Inc. is incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed on February 3, 2015 (File No. 001-34675)   |
| 2.5                       | Voting and Support Agreement, dated as of February 2, 2015, by and among the Registrant, Arbor Acquisition Company, Inc., Stephanie G. DiMarco, James Harleen, DiMarco/Harleen Revocable Living Trust and DiMarco/Harleen 1996 Charitable Trust is incorporated herein by reference to Exhibit 2.2 to the Registrant's Current Report on Form 8-K, filed on February 3, 2015 (File No. 001-34675)                                      |
| 3.1                       | Restated Certificate of Incorporation of the Registrant is incorporated herein by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-164043) (the 2010 Form S-1 )   |
| 3.2                       | Amended and Restated Bylaws of the Registrant are incorporated herein by reference to Exhibit 3.4 to the 2010 Form S-1   |
| 10.1                      | Credit Agreement, dated as of March 14, 2012, by and among SS&C Technologies, Inc., the Registrant, the subsidiary guarantors identified therein, Deutsche Bank AG New York Branch and other lenders party thereto is incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on March 14, 2012 (File No. 001-34675)  |
| 10.2                      | First Amendment to Credit Agreement, dated as of May 23, 2012, to the Credit Agreement dated as of March 14, 2012, by and among SS&C Technologies, Inc., the Registrant, the subsidiary guarantors identified therein, Deutsche Bank AG New York Branch and other lenders party thereto is incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on May 24, 2012 (File No. 001-34675) |
| 10.3                      | Stockholders Agreement, dated as of November 23, 2005, by and among the Registrant, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P., William C. Stone and Other Executive Stockholders (as defined therein) is incorporated herein by reference to Exhibit 10.5 to SS&C Technologies, Inc.'s Registration Statement on Form S-4, as amended (File No. 333-135139) (the Form S-4 )  |
| 10.4                      | Amendment No. 1, dated April 22, 2008, to the Stockholders Agreement dated as of November 23, 2005, by and among the Registrant, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P. and William C. Stone is incorporated herein by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-143719) (the 2008 Form S-1 )   |
| 10.5                      | Amendment No. 2, dated March 2, 2010, to the Stockholders Agreement dated as of November 23, 2005, as amended by Amendment No. 1 to the Stockholders Agreement dated April 22, 2008, by  |

Edgar Filing: SS&C Technologies Holdings Inc - Form 10-K

and among the Registrant, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P. and William C. Stone is incorporated herein by reference to Exhibit 10.1 to SS&C Technologies, Inc.'s Current Report on Form 8-K, filed on March 2, 2010 (File No. 000-28430) (the "March 2, 2010 8-K")

F-31

**Table of Contents**

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>   |
|-----------------------|---|
| 10.6                  | Amendment No. 3, dated March 10, 2011, to the Stockholders Agreement dated as of November 23, 2005, as amended by Amendment No. 1 to the Stockholders Agreement dated April 22, 2008, and Amendment No. 2 to the Stockholders Agreement dated March 2, 2010, by and among the Registrant, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P. and William C. Stone is incorporated herein by reference to Exhibit 10.35 to SS&C Technologies, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 000-28430) |
| 10.7                  | Registration Rights Agreement, dated as of November 23, 2005, by and among the Registrant, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P., William C. Stone and Other Executive Investors (as defined therein) is incorporated herein by reference to Exhibit 10.6 to the Form S-4   |
| 10.8                  | 2006 Equity Incentive Plan is incorporated herein by reference to Exhibit 10.1 to SS&C Technologies, Inc.'s Current Report on Form 8-K, filed on August 15, 2006 (File No. 000-28430) (the August 15, 2006 8-K )  |
| 10.9*                 | Forms of 2006 Equity Incentive Plan Amended and Restated Stock Option Grant Notice and Amended and Restated Stock Option Agreement are incorporated herein by reference to Exhibit 10.2 to the March 2, 2010 8-K  |
| 10.10*                | Form of Stock Award Agreement is incorporated herein by reference to Exhibit 10.4 to the August 15, 2006 8-K  |
| 10.11                 | 2008 Stock Incentive Plan is incorporated herein by reference to Exhibit 10.26 to the 2008 Form S-1   |
| 10.12*                | Form of 2008 Stock Incentive Plan Stock Option Grant Notice and Stock Option Agreement is incorporated herein by reference to Exhibit 10.26 to the 2010 Form S-1  |
| 10.13*                | Employment Agreement, dated as of March 11, 2010, by and among William C. Stone, the Registrant and SS&C Technologies, Inc. is incorporated herein by reference to Exhibit 10.27 to the 2010 Form S-1   |
| 10.14*                | Lease Agreement, dated September 23, 1997, by and between SS&C Technologies, Inc. and Monarch Life Insurance Company, as amended by First Amendment to Lease dated as of November 18, 1997, is incorporated herein by reference to Exhibit 10.15 to SS&C Technologies, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 000-28430)  |
| 10.15*                | Second Amendment to Lease, dated as of April 1999, between SS&C Technologies, Inc. and New Boston Lamberton Limited Partnership is incorporated herein by reference to Exhibit 10.12 to SS&C Technologies, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 000-28430) (the 2004 10-K )   |
| 10.16*                | Third Amendment to Lease, effective as of July 1, 1999, between SS&C Technologies, Inc. and New Boston Lamberton Limited Partnership is incorporated herein by reference to Exhibit 10.13 to the 2004 10-K  |
| 10.17*                | Fourth Amendment to Lease, effective as of June 7, 2005, between SS&C Technologies, Inc. and New Boston Lamberton Limited Partnership, is incorporated herein by reference to Exhibit 10.5 to SS&C Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 (File No. 000-28430) (the Q2 2005 10-Q )   |
| 10.18*                | Fifth Amendment to Lease, dated as of November 1, 2006, by and between SS&C Technologies, Inc. and New Boston Lamberton Limited Partnership is incorporated herein by reference to Exhibit 10.25  |





**Table of Contents**

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>  |
|-----------------------|--|
| 10.19*                | Lease Agreement, dated January 6, 1998, by and between Financial Models Company Inc. and Polaris Realty (Canada) Limited, as amended by First Amendment of Lease, dated as of June 24, 1998, and as amended by Second Lease Amending Agreement, dated as of November 13, 1998, is incorporated herein by reference to Exhibit 10.6 to the Q2 2005 10-Q   |
| 10.20*                | Amended and Restated Stock Option Agreement, dated February 16, 2010, between the Registrant and William C. Stone is incorporated herein by reference to Exhibit 10.33 to SS&C Technologies, Inc.'s Annual Report on Form 10-K, filed on February 26, 2010 (File No. 000-28430)  |
| 10.21                 | Form of Director Indemnification Agreement is incorporated herein by reference to Exhibit 10.35 to the 2010 Form S-1   |
| 10.22                 | Restricted Stock Agreement, dated as of January 21, 2011, between the Registrant and William C. Stone is incorporated by reference to Exhibit 10.34 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-171673)   |
| 10.23                 | Amended and Restated Stock Option Agreement, dated May 24, 2011, between the Registrant and William C. Stone is incorporated herein by reference to the Registrant's Current Report on Form 8-K, filed on May 27, 2011 (File No. 001-34675)  |
| 10.24                 | Amended and Restated Stock Option Agreement, dated March 10, 2013, between the Registrant and William C. Stone is incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on March 12, 2013 (File No. 001-34675)  |
| 10.25                 | Fifth Amendment to Credit Agreement, dated as of June 10, 2013, to the Credit Agreement dated as of March 14, 2012, by and among SS&C Technologies, Inc., the Registrant, SS&C Technologies Holdings Europe, certain subsidiaries of the Registrant as guarantors, Deutsche Bank AG New York Branch as administrative agent and as designated 2013 replacement term lender, and each 2013 converting lender is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 (File No. 001-34675) |
| 10.26                 | Sixth Amendment to Credit Agreement, dated as of February 12, 2014, to the Credit Agreement dated as of March 14, 2012, by and among SS&C Technologies, Inc., the Registrant, SS&C Technologies Holdings Europe, the subsidiary guarantors identified therein, Deutsche Bank AG New York Branch and the other lenders party thereto is incorporated herein by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K, filed on February 27, 2014 (File No. 001-34675)   |
| 10.27                 | Form of Restricted Stock Award Agreement under 2006 Equity Incentive Plan is incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2013 (File No. 001-34675)   |
| 10.28*                | SS&C Technologies Holdings, Inc. 2014 Stock Option Plan is incorporated herein by reference to Appendix A to the Company's definitive proxy statement on Schedule 14A, filed on April 16, 2014 (File No. 001-34675)  |
| 10.29*                | SS&C Technologies Holdings, Inc. Executive Bonus Plan is incorporated herein by reference to Appendix B to the Company's definitive proxy statement on Schedule 14A, filed on April 16, 2014 (File No. 001-34675)  |
| 10.30*                | 2014 Stock Option Plan Form of Stock Option Agreement is incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014  |



**Table of Contents**

| <b>Exhibit<br/>Number</b> | <b>Description of Exhibit</b>   |
|---------------------------|---|
| 21                        | Subsidiaries of the Registrant  |
| 23.1                      | Consent of PricewaterhouseCoopers LLP   |
| 31.1                      | Certifications of the Registrant's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 31.2                      | Certifications of the Registrant's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 32                        | Certification of the Registrant's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1351, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished and not filed for purposes of sections 11 or 12 of the Securities Act and section 18 of the Exchange Act) |
| 101.INS                   | XBRL Instance Document.**   |
| 101.SCH                   | XBRL Taxonomy Extension Schema Document.**  |
| 101.CAL                   | XBRL Taxonomy Calculation Linkbase Document.**  |
| 101.LAB                   | XBRL Taxonomy Label Linkbase Document.**  |
| 101.PRE                   | XBRL Taxonomy Presentation Linkbase Document.**   |
| 101.DEF                   | XBRL Taxonomy Extension Definition Linkbase Document.**   |
| 101.REF                   | XBRL Taxonomy Reference Linkbase Document.**  |

\* Management contract or compensatory plan or arrangement filed herewith in response to Item 15(a)(3) of the Instructions to the Annual Report on Form 10-K.

The Registrant hereby agrees to furnish supplementally a copy of any omitted schedules to this agreement to the Securities and Exchange Commission upon its request.

\*\* submitted electronically herewith

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2014 and 2013, (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012, (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012, (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012 and (v) Notes to Condensed Consolidated Financial Statements.