

SS&C TECHNOLOGIES INC

Form 10-Q

November 14, 2011

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

FORM 10-Q

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

For the quarterly period ended September 30, 2011

OR

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

Commission File Number 000-28430

SS&C TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

06-1169696

(I.R.S. Employer Identification No.)

80 Lamberton Road

Windsor, CT 06095

(Address of principal executive offices, including zip code)

860-298-4500

(Registrant's telephone number, including area code)

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 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 ☒

Smaller reporting
company ☐

(Do not check if a 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 ☒

There were 1,000 shares of the registrant's common stock outstanding as of November 11, 2011.

**SS&C TECHNOLOGIES, INC. AND SUBSIDIARIES
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This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "anticipates", "plans", "expects", "should", and similar expressions are intended to identify forward-looking statements. The important factors discussed under the caption "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the Security and Exchange Commission on March 11, 2011, 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. The Company does not undertake an obligation to update its forward-looking statements to reflect future events or circumstances.

Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements**

SS&C TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 76,175	\$ 84,843
Accounts receivable, net of allowance for doubtful accounts of \$2,250 and \$1,986, respectively	44,547	45,531
Prepaid expenses and other current assets	6,312	5,932
Prepaid income taxes	7,332	2,242
Deferred income taxes	1,198	1,142
Total current assets	135,564	139,690
Property and equipment:		
Leasehold improvements	6,519	5,605
Equipment, furniture, and fixtures	32,605	30,407
	39,124	36,012
Less accumulated depreciation	(25,374)	(22,442)
Net property and equipment	13,750	13,570
Deferred income taxes	627	686
Goodwill (Note 9)	924,835	926,668
Intangible and other assets, net of accumulated amortization of \$178,627 and \$153,123, respectively	173,728	195,112
Total assets	\$ 1,248,504	\$ 1,275,726

LIABILITIES AND STOCKHOLDER S EQUITY

Current liabilities:		
Current portion of long-term debt (Note 4)	\$ 1,195	\$ 1,702
Accounts payable	3,322	3,790
Accrued employee compensation and benefits	14,384	16,854
Other accrued expenses	11,877	11,052
Interest payable	2,609	1,305
Deferred maintenance and other revenue	44,361	41,671
Total current liabilities	77,748	76,374

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Long-term debt, net of current portion (Note 4)	171,492	289,092
Other long-term liabilities	13,603	12,343
Deferred income taxes	32,144	40,734
Total liabilities	294,987	418,543
Commitments and contingencies (Note 7)		
Stockholder's equity (Notes 2 and 3):		
Common stock, \$0.01 par value, 1 share authorized; 1 share issued and outstanding		
Additional paid-in capital	818,881	745,771
Accumulated other comprehensive income	18,163	32,699
Retained earnings	116,473	78,713
Total stockholder's equity	953,517	857,183
Total liabilities and stockholder's equity	\$ 1,248,504	\$ 1,275,726

See accompanying notes to Condensed Consolidated Financial Statements.

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SS&C TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Software licenses	\$ 5,786	\$ 5,966	\$ 17,341	\$ 17,629
Maintenance	19,594	18,294	58,459	54,130
Professional services	5,688	4,896	16,815	15,384
Software-enabled services	63,255	53,847	182,518	155,652
Total revenues	94,323	83,003	275,133	242,795
Cost of revenues:				
Software licenses	1,714	1,918	5,089	5,754
Maintenance	8,729	8,224	26,196	24,305
Professional services	3,888	3,625	11,439	10,243
Software-enabled services	32,148	28,570	93,887	82,137
Total cost of revenues	46,479	42,337	136,611	122,439
Gross profit	47,844	40,666	138,522	120,356
Operating expenses:				
Selling and marketing	7,308	6,275	21,216	18,910
Research and development	9,328	7,867	26,353	23,486
General and administrative	7,118	6,939	20,861	19,165
Total operating expenses	23,754	21,081	68,430	61,561
Operating income	24,090	19,585	70,092	58,795
Interest expense, net	(3,215)	(6,743)	(11,816)	(23,818)
Other income, net	348	653	180	653
Loss on extinguishment of debt			(2,881)	(5,480)
Income before income taxes	21,223	13,495	55,575	30,150
Provision for income taxes	6,324	3,641	17,814	6,913
Net income	\$ 14,899	\$ 9,854	\$ 37,761	\$ 23,237

See accompanying notes to Condensed Consolidated Financial Statements.

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SS&C TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September	
	30,	
	2011	2010
Cash flow from operating activities:		
Net income	\$ 37,761	\$ 23,237
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,482	30,356
Amortization of loan origination costs	2,223	2,896
Loss (gain) on sale or disposition of property and equipment	11	(1)
Deferred income taxes	(8,781)	(12,467)
Stock-based compensation expense	9,215	9,181
Provision for doubtful accounts	788	580
Changes in operating assets and liabilities, excluding effects from acquisitions:		
Accounts receivable	581	(2,009)
Prepaid expenses and other assets	(188)	80
Accounts payable	(535)	(2,151)
Accrued expenses and other liabilities	(1,168)	90
Income taxes receivable and payable	(2,429)	(2,392)
Deferred maintenance and other revenue	2,619	229
Net cash provided by operating activities	71,579	47,629
Cash flow from investing activities:		
Additions to property and equipment	(4,437)	(3,265)
Proceeds from sale of property and equipment		51
Cash paid for business acquisitions, net of cash acquired	(19,863)	(11,372)
Additions to capitalized software and other intangibles	(1,264)	(171)
Net cash used in investing activities	(25,564)	(14,757)
Cash flow from financing activities:		
Repayment of debt	(118,210)	(107,670)
Transactions involving SS&C Technologies Holdings, Inc. common stock	63,894	142,777
Net cash (used in) provided by financing activities	(54,316)	35,107
Effect of exchange rate changes on cash and cash equivalents	(367)	(59)

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Net (decrease) increase in cash and cash equivalents	(8,668)	67,920
Cash and cash equivalents, beginning of period	84,843	19,055
Cash and cash equivalents, end of period	\$ 76,175	\$ 86,975
Supplemental disclosure of cash paid for:		
Interest	\$ 9,276	\$ 19,187
Income taxes, net	\$ 23,588	\$ 15,679
Supplemental disclosure of non-cash investing activities:		
See Note 8 for a discussion of acquisitions		

See accompanying notes to Condensed Consolidated Financial Statements.

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SS&C TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

SS&C Technologies, Inc., together with its subsidiaries, is referred to herein as SS&C, the Company, we, our, and us. SS&C Technologies Holdings, Inc., our ultimate parent company, is referred to herein as Holdings.

1. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). These accounting principles were applied on a basis consistent with those of the audited consolidated financial statements contained in SS&C's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission (the SEC) on March 11, 2011 (the 2010 Form 10-K). In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments, except as noted elsewhere in the notes to the condensed consolidated financial statements) necessary for a fair statement of its financial position as of September 30, 2011, the results of its operations for the three and nine months ended September 30, 2011 and 2010 and its cash flows for the nine months ended September 30, 2011 and 2010. These statements do not include all of the information and footnotes required by GAAP for annual financial statements. The financial statements contained herein should be read in conjunction with the audited consolidated financial statements and footnotes as of and for the year ended December 31, 2010, which were included in the 2010 Form 10-K. The December 31, 2010 consolidated balance sheet data were derived from audited financial statements but do not include all disclosures required by GAAP for annual financial statements. The results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the expected results for the full year.

Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment (ASU 2011-08). ASU 2011-08 intends to address concerns about the cost and complexity of performing the first step of the two-step goodwill impairment test required under Topic 350, Intangibles Goodwill and Other. The guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Under ASU 2011-08, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The provisions of ASU 2011-08 will be applied prospectively for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (ASU 2011-05). ASU 2011-05 intends to enhance comparability and transparency of other comprehensive income components. The guidance provides an option to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but consecutive statements. ASU 2011-05 eliminates the option to present other comprehensive income components as part of the statement of changes in stockholders' equity. The provisions of ASU 2011-05 will be applied retrospectively for interim and annual periods beginning after December 15, 2011. Early application is permitted. The FASB has announced that certain aspects of this update may be delayed. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (ASU 2011-04). ASU 2011-04 amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The changes are effective prospectively for interim and annual periods beginning after December 15, 2011. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows, but will require additional financial statement disclosures

related to fair value measurements.

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In February 2011, Holdings completed a follow-on public offering of its common stock at an offering price of \$17.60 per share. The offering included 2,000,000 newly issued shares of common stock sold by Holdings and 9,000,000 existing shares of Holdings common stock sold by selling stockholders. On March 9, 2011, the underwriters of the offering purchased an additional 1,100,000 shares of Holdings common stock to cover over-allotments. Holdings received total net proceeds from the offering, including the sale of shares to cover over-allotments, of approximately \$52.0 million, none of which related to proceeds from the sale of shares by the selling stockholders.

In March 2011, the Company's Board of Directors established SS&C's annual Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) target range for the Company's 2011 fiscal year thus establishing the measurement date for certain outstanding performance-based options. As of that date, the Company estimated the weighted-average fair value of the performance-based options that vest upon the attainment of the 2011 EBITDA target range to be \$11.41 per share. The Company used the following weighted-average assumptions to estimate the option value: expected term to exercise of 2.5 years; expected volatility of 38.0%; risk-free interest rate of 1.0%; and no dividend yield. Expected volatility is based on the historical volatility of the Company's peer group and the Company. Expected term to exercise is based on the Company's historical stock option exercise experience.

During the three months ended September 30, 2011, the Company recorded total stock-based compensation expense of \$3.8 million, of which \$2.9 million related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2011 will meet or exceed the high end of the targeted range. During the nine months ended September 30, 2011, the Company recorded total stock-based compensation expense of \$9.2 million, of which \$6.5 million related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2011 will meet or exceed the high end of the targeted range.

Time-based options represented the remaining \$0.9 million and \$2.7 million of compensation expense recorded during the three and nine months ended September 30, 2011, respectively.

During the three months ended September 30, 2010, the Company recorded total stock-based compensation expense of \$3.9 million, of which \$3.1 million related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2010 would meet or exceed the high end of the targeted range.

During the nine months ended September 30, 2010, the Company recorded total stock-based compensation expense of \$9.2 million, of which \$7.2 million related to the performance-based options based upon management's assessment of the probability that the Company's EBITDA for 2010 would meet or exceed the high end of the targeted range.

Time-based options represented the remaining \$0.8 million and \$2.0 million of compensation expense recorded during the three and nine months ended September 30, 2010, respectively.

The amount of stock-based compensation expense recognized in the Company's condensed consolidated statements of operations was as follows (in thousands):

Statements of operations classification	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cost of maintenance	\$ 101	\$ 106	\$ 231	\$ 231
Cost of professional services	141	146	283	332
Cost of software-enabled services	745	834	1,751	1,924
Total cost of revenues	987	1,086	2,265	2,487
Selling and marketing	577	594	1,385	1,359
Research and development	399	409	886	924
General and administrative	1,818	1,860	4,679	4,411
Total operating expenses	2,794	2,863	6,950	6,694

Total stock-based compensation expense	\$	3,781	\$	3,949	\$	9,215	\$	9,181
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A summary of stock option activity as of and for the nine months ended September 30, 2011 is as follows:

	Shares of Common Stock Underlying Options
Outstanding at January 1, 2011	12,182,192
Granted	221,750
Cancelled/forfeited	(74,663)
Exercised	(1,572,403)
Outstanding at September 30, 2011	10,756,876

Table of Contents**3. Comprehensive Income (Loss)**

Items defined as comprehensive income, such as foreign currency translation adjustments and unrealized gains (losses) on interest rate swaps qualifying as hedges, 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 balance sheet. Total comprehensive income consists of net income and other accumulated comprehensive income disclosed in the equity section of the balance sheet.

The following table sets forth the components of comprehensive income (loss) (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income	\$ 14,899	\$ 9,854	\$ 37,761	\$ 23,237
Foreign currency translation gains (losses)	(24,656)	8,726	(14,536)	5,536
Unrealized gains on interest rate swaps, net of tax		585		1,771
Total comprehensive income (loss)	\$ (9,757)	\$ 19,165	\$ 23,225	\$ 30,544

4. Debt

At September 30, 2011 and December 31, 2010, debt consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
Senior credit facility, term loan portion, weighted-average interest rate of 2.33% and 2.55%, respectively	\$ 106,051	\$ 157,499
11 ³ / ₄ % senior subordinated notes due 2013	66,625	133,250
Capital leases	11	45
	172,687	290,794
Less: short-term borrowings and current portion of long-term debt	(1,195)	(1,702)
Long-term debt	\$ 171,492	\$ 289,092

Capitalized financing costs of \$0.4 million and \$0.5 million were amortized to interest expense during the three months ended September 30, 2011 and 2010, respectively. Capitalized financing costs of \$1.3 million and \$1.6 million were amortized to interest expense during the nine months ended September 30, 2011 and 2010, respectively. The estimated fair value of the Company's 11 ³/₄% senior subordinated notes due 2013 was \$67.3 million and \$137.8 million at September 30, 2011 and December 31, 2010, respectively. The carrying value of the Company's senior credit facility approximates its fair value.

In February 2011, the Company issued a notice of redemption for \$66.6 million in principal amount of its outstanding 11 ³/₄% senior subordinated notes due 2013 at a redemption price of 102.9375% of the principal amount, plus accrued and unpaid interest on such amount to, but excluding, March 17, 2011, the day such redemption was completed. The Company recorded a loss on extinguishment of debt of \$2.9 million in connection with the redemption, which includes the redemption premium of \$2.0 million and \$0.9 million relating to the write-off of capitalized financing costs attributable to the redeemed notes.

5. Derivatives and Hedging Activities

The Company has utilized interest rate swap agreements to manage the floating rate portion of its debt portfolio and follows the provisions of the accounting standard for derivative instruments and hedging activities, which requires that all derivative instruments be recorded on the balance sheet at fair value.

Quarterly variable interest payments were recognized as an increase in interest expense as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Interest rate swaps	\$	\$ 1,085	\$	\$ 3,352

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Changes in the fair value of the interest rate swaps are not included in earnings but are reported as a component of accumulated other comprehensive income (AOCI). The change in the fair value of the interest rate swaps was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Change in fair value recognized in AOCI, net of tax	\$	\$ 585	\$	\$ 1,771

As of September 30, 2011, the Company had no outstanding interest rate swap agreements. As of September 30, 2010, the Company held one receive-variable/pay-fixed interest rate swap with a notional value of \$100 million, which expired on December 31, 2010.

6. Fair Value Measurements

The Company follows the provisions of the accounting standard for fair value measurements with respect to the valuation of its interest rate swap agreements. The fair value measurement standard clarifies that companies are required to use a fair value measure for recognition and disclosure by establishing a common definition of fair value and a framework for measuring fair value, and that companies are required to expand disclosures about fair value measurements.

The accounting standard for fair value measurements and disclosure establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of September 30, 2011, the Company's contingent consideration liability of \$1.8 million associated with the acquisition of BenefitsXML, Inc. (BXML) was measured at fair value based on the potential payments of the liability associated with the unobservable input of the estimated post-acquisition financial results of BXML through February 28, 2013 and, therefore, is a Level 3 liability. See Footnote 8 for further discussion of acquisitions. There was no change in the estimated fair value from the acquisition date through September 30, 2011.

7. Commitments and Contingencies

From time to time, the Company is subject to legal proceedings and claims that arise in the normal course of its business. In the opinion of management, the Company is not involved in any litigation or proceedings by third parties that management believes could have a material adverse effect on the Company or its business.

8. Acquisitions

On March 10, 2011, the Company purchased all of the outstanding stock of BXML for approximately \$15.1 million in cash, plus the costs of effecting the transaction and the assumption of certain liabilities. BXML provides technology solutions for employee benefit plan providers.

The net assets and results of operations of BXML have been included in the Company's consolidated financial statements from March 11, 2011. 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 client contracts, was determined using the income approach. Specifically, the relief-from-royalty method was utilized for the completed technology and trade name, and the discounted cash flows method was utilized for the contractual 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 five years, contractual relationships are amortized over approximately five years and trade name is amortized over approximately seven years, the estimated lives of the assets. The Company has recorded a contingent consideration liability of \$1.8 million, which is based on the attainment of certain revenue and EBITDA targets by the acquired business through February 28, 2013. The total possible undiscounted payments could range from zero to \$3.0 million. The remainder of the purchase price was allocated to goodwill and is tax deductible (excluding the portion relating to the contingent consideration liability,

which is not tax deductible until paid).

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On September 8, 2011, the Company purchased all of the outstanding stock of BDO Simpson Xavier Fund Administration Services Limited (Ireland Fund Admin), a division of BDO, for approximately \$5.9 million in cash plus the assumption of certain liabilities. Ireland Fund Admin is a Dublin-based fund administrator that provides software-enabled services in the European regulated funds market.

The net assets and results of operations of Ireland Fund Admin have been included in the Company's consolidated financial statements from September 8, 2011. The purchase price was allocated to tangible and intangible customer relationships based on their fair value at the date of acquisition. The fair value of customer relationships was determined using the income approach. Specifically, the discounted cash flows method was utilized. The customer relationships are amortized each year based on the ratio that current cash flows for the customer relationships bear to the total of current and expected future cash flows for the customer relationships. The customer relationships are amortized over approximately 6 years, the estimated life of the asset. 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 acquisition of BXML and Ireland Fund Admin (in thousands):

	BXML	Ireland Fund Admin
Accounts receivable	\$ 462	\$ 155
Tangible assets acquired, net of cash received	79	
Acquired customer relationships and contracts	3,700	3,555
Completed technology	1,600	
Trade name	100	
Goodwill	10,984	1,878
Deferred revenue	(190)	
Other liabilities assumed	(1,951)	(523)
Consideration paid, net of cash received	\$ 14,784	\$ 5,065

The fair value of acquired accounts receivable balances for BXML and Ireland Fund Admin approximates the contractual amounts due from acquired customers.

The Company reported revenues of \$3.5 million and \$0.2 million and pretax earnings of \$1.6 million and \$0.1 million from BXML and Ireland Fund Admin, respectively, from their respective acquisition dates through September 30, 2011. The following unaudited pro forma condensed consolidated results of operations are provided for illustrative purposes only and assume that the acquisition of BXML, Ireland Fund Admin, PC Consulting d/b/a TimeShareWare (TSW), thinkorswim Technologies, Inc. (TOS) and Geller Investment Partnership Services (GIPS) occurred on January 1, 2010. This unaudited pro forma information (in thousands) 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues	\$ 94,772	\$ 88,324	\$ 277,842	\$ 261,084
Net income	\$ 14,918	\$ 10,584	\$ 38,054	\$ 26,547

9. Goodwill

The change in carrying value of goodwill for the nine months ended September 30, 2011 was as follows (in thousands):

Balance at December 31, 2010	\$ 926,668
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Adjustments to prior acquisition	782
2011 acquisitions	12,862
Income tax benefit on rollover options exercised	(2,730)
Effect of foreign currency translation	(12,747)
Balance at September 30, 2011	\$ 924,835

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The Company operates in one reportable segment. The Company attributes net sales to an individual country based upon location of the customer. The Company manages its business primarily on a geographic basis. The Company's geographic 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 were (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
United States	\$ 67,162	\$ 58,079	\$ 191,716	\$ 164,791
Canada	13,783	12,338	40,559	36,697
Americas excluding United States and Canada	2,287	1,684	7,261	4,962
Europe	8,762	9,028	28,329	30,597
Asia Pacific and Japan	2,329	1,874	7,268	5,748
	\$ 94,323	\$ 83,003	\$ 275,133	\$ 242,795

Revenues by product group were (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Portfolio management/accounting	\$ 75,308	\$ 66,837	\$ 215,308	\$ 194,388
Trading/treasury operations	9,968	9,650	31,119	29,810
Financial modeling	1,857	2,309	5,793	6,905
Loan management/accounting	1,665	1,232	6,028	3,263
Property management	3,705	1,233	11,197	3,451
Money market processing	1,168	1,117	3,758	3,100
Training	652	625	1,930	1,878
	\$ 94,323	\$ 83,003	\$ 275,133	\$ 242,795

11. Supplemental Guarantor Condensed Consolidating Financial Statements

On November 23, 2005, the Company issued \$205.0 million aggregate principal amount of 11 ³/₄% senior subordinated notes due 2013. The senior subordinated notes are jointly and severally and fully and unconditionally guaranteed on an unsecured senior subordinated basis, in each case subject to certain customary release provisions, by substantially all wholly owned domestic subsidiaries of the Company (collectively "Guarantors"). All of the Guarantors are 100% owned by the Company. All other subsidiaries of the Company, either direct or indirect, do not guarantee the senior subordinated notes ("Non-Guarantors"). The Guarantors also unconditionally guarantee the senior secured credit facilities. There are no significant restrictions on the ability of the Company or any of the subsidiaries that are Guarantors to obtain funds from its subsidiaries by dividend or loan.

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Condensed consolidating financial information as of September 30, 2011 and December 31, 2010 and the three and nine months ended September 30, 2011 and 2010 are presented. The condensed consolidating financial information of the Company and its subsidiaries are as follows (in thousands):

	September 30, 2011				
	SS&C	Total Guarantors	Total Non-Guarantors	Consolidating Adjustments	Total
Cash and cash equivalents	\$ 60,107	\$ 2,832	\$ 13,236	\$	\$ 76,175
Accounts receivable, net	24,511	7,706	12,330		44,547
Prepaid expenses and other current assets	3,143	529	2,640		6,312
Prepaid income taxes	821		6,511		7,332
Deferred income taxes	870	128	200		1,198
Property and equipment, net	8,860	663	4,227		13,750
Investment in subsidiaries	249,719		10,878	(260,597)	
Intercompany balances	87,945	12,773	(114,625)	13,907	
Deferred income taxes, long-term			627		627
Goodwill, intangible and other assets, net	755,445	60,574	282,544		1,098,563
Total assets	\$ 1,191,421	\$ 85,205	\$ 218,568	\$ (246,690)	\$ 1,248,504
Current portion of long-term debt	\$ 1,070	\$	\$ 125	\$	\$ 1,195
Accounts payable	1,991	39	1,292		3,322
Accrued expenses	20,741	2,075	6,054		28,870
Income taxes payable	(10,315)	3,998	6,317		
Deferred maintenance and other revenue	31,554	4,684	8,123		44,361
Long-term debt, net of current portion	165,302		6,190		171,492
Other long-term liabilities	6,757		6,846		13,603
Deferred income taxes, long-term	20,804	3,203	8,137		32,144
Total liabilities	237,904	13,999	43,084		294,987
Stockholder's equity	953,517	71,206	175,484	(246,690)	953,517
Total liabilities and stockholder's equity	\$ 1,191,421	\$ 85,205	\$ 218,568	\$ (246,690)	\$ 1,248,504

	December 31, 2010				
	SS&C	Total Guarantors	Total Non-Guarantors	Consolidating Adjustments	Total
Cash and cash equivalents	\$ 67,256	\$ 2,272	\$ 15,315	\$	\$ 84,843

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Accounts receivable, net	22,607	9,521	13,403		45,531
Prepaid expenses and other current assets	2,527	709	2,696		5,932
Prepaid income taxes	669		1,573		2,242
Deferred income taxes	731	293	118		1,142
Property and equipment, net	7,785	1,148	4,637		13,570
Investment in subsidiaries	260,411			(260,411)	
Intercompany balances	98,707	414	(99,121)		
Deferred income taxes, long-term			686		686
Goodwill, intangible and other assets, net	739,417	88,463	293,900		1,121,780
Total assets	\$ 1,200,110	\$ 102,820	\$ 233,207	\$ (260,411)	\$ 1,275,726
Current portion of long-term debt	\$ 1,410	\$	\$ 292	\$	\$ 1,702
Accounts payable	2,099	90	1,601		3,790
Accrued expenses	18,286	3,568	7,357		29,211
Income taxes payable	(1,548)	101	1,447		
Deferred maintenance and other revenue	29,653	3,498	8,520		41,671
Long-term debt, net of current portion	261,524		27,568		289,092
Other long-term liabilities	6,223		6,120		12,343
Deferred income taxes, long-term	25,280	6,181	9,273		40,734
Total liabilities	342,927	13,438	62,178		418,543
Stockholder's equity	857,183	89,382	171,029	(260,411)	857,183
Total liabilities and stockholder's equity	\$ 1,200,110	\$ 102,820	\$ 233,207	\$ (260,411)	\$ 1,275,726

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Three Months Ended September 30, 2011					
	SS&C	Total	Total Non-	Consolidating	Total
		Guarantors	Guarantors	Adjustments	
Revenue	\$ 41,562	\$ 29,827	\$ 23,536	\$ (602)	\$ 94,323
Cost of revenue	22,802	15,762	8,458	(543)	46,479
Gross profit	18,760	14,065	15,078	(59)	47,844
Operating expenses:					
Selling and marketing	3,643	1,656	2,068	(59)	7,308
Research and development	4,503	2,538	2,287		9,328
General and administrative	5,735	514	869		7,118
Total operating expenses	13,881	4,708	5,224	(59)	23,754
Operating income	4,879	9,357	9,854		24,090
Interest expense, net	(632)	(2)	(2,581)		(3,215)
Other income (expense), net	436	141	(229)		348
Income before income taxes	4,683	9,496	7,044		21,223
Provision for income taxes	2,628	1,583	2,113		6,324
Equity in net income of subsidiaries	12,844			(12,844)	
Net income	\$ 14,899	\$ 7,913	\$ 4,931	\$ (12,844)	\$ 14,899

Three Months Ended September 30, 2010					
	SS&C	Total	Total Non-	Consolidating	Total
		Guarantors	Guarantors	Adjustments	
Revenue	\$ 37,997	\$ 24,582	\$ 20,895	\$ (471)	\$ 83,003
Cost of revenue	21,181	14,128	7,499	(471)	42,337
Gross profit	16,816	10,454	13,396		40,666
Operating expenses:					
Selling and marketing	3,723	1,022	1,530		6,275
Research and development	4,167	1,716	1,984		7,867
General and administrative	5,313	507	1,119		6,939
Total operating expenses	13,203	3,245	4,633		21,081
Operating income	3,613	7,209	8,763		19,585
Interest expense, net	(4,076)		(2,667)		(6,743)
Other income (expense), net	914	(148)	(113)		653
Income before income taxes	451	7,061	5,983		13,495
Provision for income taxes	297	1,307	2,037		3,641
Equity in net income of subsidiaries	9,700			(9,700)	

Net income	\$	9,854	\$	5,754	\$	3,946	\$	(9,700)	\$	9,854
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	Nine Months Ended September 30, 2011				
	SS&C	Total Guarantors	Total Non-Guarantors	Consolidating Adjustments	Total
Revenue	\$ 119,822	\$ 86,253	\$ 70,817	\$ (1,759)	\$ 275,133
Cost of revenue	65,507	46,598	26,117	(1,611)	136,611
Gross profit	54,315	39,655	44,700	(148)	138,522
Operating expenses:					
Selling and marketing	10,958	4,651	5,755	(148)	21,216
Research and development	11,918	7,551	6,884		26,353
General and administrative	16,377	1,628	2,856		20,861
Total operating expenses	39,253	13,830	15,495	(148)	68,430
Operating income	15,062	25,825	29,205		70,092
Interest (expense) income, net	(3,820)	18	(8,014)		(11,816)
Other income (expense), net	899	109	(828)		180
Loss from extinguishment of debt	(2,881)				(2,881)
Income before income taxes	9,260	25,952	20,363		55,575
Provision for income taxes	7,127	4,431	6,256		17,814
Equity in net income of subsidiaries	35,628			(35,628)	
Net income	\$ 37,761	\$ 21,521	\$ 14,107	\$ (35,628)	\$ 37,761

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	Nine Months Ended September 30, 2010				
	SS&C	Total	Total Non-	Consolidating	Total
		Guarantors	Guarantors	Adjustments	
Revenue	\$ 109,343	\$ 70,542	\$ 64,097	\$ (1,187)	\$ 242,795
Cost of revenue	59,826	40,275	23,525	(1,187)	122,439
Gross profit	49,517	30,267	40,572		120,356
Operating expenses:					
Selling and marketing	11,067	3,143	4,700		18,910
Research and development	12,373	5,116			