SS&C Technologies Holdings Inc
Form 10-Q
November 07, 2016

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, 2016

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-34675

SS&C TECHNOLOGIES HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	71-0987913
(State or other jurisdiction of incorporation or organization)	(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 (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

There were 202,815,308 shares of the registrant's common stock outstanding as of November 2, 2016.

SS&C TECHNOLOGIES HOLDINGS, INC.

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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”, “estimates”, “projects”, “forecasts”, “may” and “should” and similar expressions are intended to identify forward-looking statements. The important factors discussed under the caption “Risk Factors” in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on February 29, 2016, 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.

Explanatory Note

On June 24, 2016, SS&C Technologies Holdings, Inc. completed a two-for-one stock split, effective in the form of a stock dividend. All share and per share amounts (other than for the Company's Class A non-voting common stock) have been retroactively restated for all periods presented to reflect the stock split.

PART I

Item 1. Financial Statements
SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data) (Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 101,800	$ 434,159
Accounts receivable, net of allowance for doubtful accounts of $5,315 and $2,957, respectively	237,495	169,951
Prepaid expenses and other current assets	32,720	27,511
Prepaid income taxes	39,776	40,627
Restricted cash	2,116	2,818
Total current assets	413,907	675,066
Property, plant and equipment:		
Land	2,655	2,655
Building and improvements	37,539	37,855
Equipment, furniture, and fixtures	112,909	97,274
	153,103	137,784
Less: accumulated depreciation	(81,975)	(70,641)
Net property, plant and equipment	71,128	67,143
Deferred income taxes	2,071	2,199
Goodwill (Note 3)	3,616,060	3,549,212
Intangible and other assets, net of accumulated amortization of $683,690 and $536,929, respectively	1,519,294	1,508,622
Total assets	$ 5,622,460	$ 5,802,242
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 2)	$ 29,813	$ 32,281
Accounts payable	16,480	11,957
Income taxes payable	—	1,428
Accrued employee compensation and benefits	74,006	83,894
Interest payable	13,259	28,903
Other accrued expenses	50,979	36,231
Deferred revenue	231,285	222,024
Total current liabilities	415,822	416,718
Long-term debt, net of current portion (Note 2)	2,460,457	2,719,070
Other long-term liabilities	61,968	51,434

Deferred income taxes	459,025	509,574
Total liabilities	3,397,272	3,696,796
Commitments and contingencies (Note 8)		
Stockholders' equity (Note 5):		
Common stock:		
Class A non-voting common stock, $0.01 par value per share, 5,000,000 shares authorized; 0 and 2,703,846 shares issued and outstanding, respectively	—	27
Common stock, $0.01 par value per share, 400,000,000 shares authorized; 204,356,540 shares and 193,104,452 shares issued, respectively, and 202,783,271 shares and 191,531,574 shares outstanding, respectively, of which 14,564 and 24,876 are unvested, respectively	2,043	1,932
Additional paid-in capital	1,905,834	1,793,149
Accumulated other comprehensive loss	(112,702)	(83,170)
Retained earnings	448,011	411,493
	2,243,186	2,123,431
Less: cost of common stock in treasury, 1,573,269 and 1,572,878 shares, respectively	(17,998)	(17,985)
Total stockholders' equity	2,225,188	2,105,446
Total liabilities and stockholders' equity	$ 5,622,460	$ 5,802,242

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

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share data) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Software-enabled services	$248,772	$180,744	$699,091	$484,434
Maintenance and term licenses	106,925	80,097	305,437	159,049
Total recurring revenues	355,697	260,841	1,004,528	643,483
Perpetual licenses	4,389	6,508	14,643	22,526
Professional services	23,218	13,545	61,341	33,388
Total non-recurring revenues	27,607	20,053	75,984	55,914
Total revenues	383,304	280,894	1,080,512	699,397
Cost of revenues:				
Software-enabled services	143,074	96,151	403,045	273,301
Maintenance and term licenses	45,458	43,391	138,864	69,896
Total recurring cost of revenues	188,532	139,542	541,909	343,197
Perpetual licenses	608	1,036	1,749	3,081
Professional services	18,887	11,286	51,532	27,396
Total non-recurring cost of revenues	19,495	12,322	53,281	30,477
Total cost of revenues	208,027	151,864	595,190	373,674
Gross profit	175,277	129,030	485,322	325,723
Operating expenses:				
Selling and marketing	27,328	37,082	85,724	64,400
Research and development	37,701	37,389	114,975	74,517
General and administrative	33,345	39,607	91,239	70,370
Total operating expenses	98,374	114,078	291,938	209,287
Operating income	76,903	14,952	193,384	116,436
Interest expense, net	(31,648)	(32,645)	(97,583)	(43,664)
Other income, net	2,655	6,953	820	5,282
Loss on extinguishment of debt	—	(30,417)	—	(30,417)
Income (loss) before income taxes	47,910	(41,157)	96,621	47,637
Provision (benefit) for income taxes	9,163	(6,547)	22,648	16,873
Net income (loss)	$38,747	$(34,610)	$73,973	$30,764
Basic earnings (loss) per share	$0.19	$(0.18)	$0.37	$0.17
Basic weighted average number of common shares outstanding	201,782	193,706	199,365	177,772
Diluted earnings (loss) per share	$0.19	$(0.18)	$0.36	$0.16
Diluted weighted average number of common and common	206,635	193,706	205,334	186,470

equivalent shares outstanding				
Net income (loss)	$38,747	$(34,610)	$73,973	$30,764
Other comprehensive loss, net of tax:				
Foreign currency exchange translation adjustment	(12,060)	(38,005)	(29,532)	(51,416)
Total comprehensive loss, net of tax	(12,060)	(38,005)	(29,532)	(51,416)
Comprehensive income (loss)	$26,687	$(72,615)	$44,441	$(20,652)

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

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)

	For the Nine Months Ended September 30, 2016	2015
Cash flow from operating activities:		
Net income	$73,973	$30,764
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	170,910	100,840
Stock-based compensation expense	40,402	31,435
Income tax benefit related to exercise of stock options	(44,975)	(11,141)
Amortization and write-offs of loan origination costs	7,994	5,473
Loss on extinguishment of debt	—	3,954
Loss on sale or disposition of property and equipment	159	339
Deferred income taxes	(39,712)	(27,030)
Provision for doubtful accounts	2,684	601
Changes in operating assets and liabilities, excluding effects from acquisitions:		
Accounts receivable	(14,603)	(5,234)
Prepaid expenses and other assets	(2,595)	(5,109)
Accounts payable	2,610	(1,755)
Accrued expenses	(18,429)	(28,437)
Income taxes prepaid and payable	44,840	(1,125)
Deferred revenue	13,758	26,992
Net cash provided by operating activities	237,016	120,567
Cash flow from investing activities:		
Additions to property and equipment	(18,870)	(9,462)
Proceeds from sale of property and equipment	69	56
Cash paid for business acquisitions, net of cash acquired	(309,432)	(2,614,785)
Additions to capitalized software	(6,137)	(3,370)
Purchase of long-term investment	(1,000)	—
Net changes in restricted cash	700	—
Net cash used in investing activities	(334,670)	(2,627,561)
Cash flow from financing activities:		
Cash received from debt borrowings, net of original issue discount	—	3,068,075
Repayments of debt	(268,550)	(823,448)
Proceeds from exercise of stock options	34,767	10,618
Withholding taxes related to equity award net share settlement	(7,051)	—
Income tax benefit related to exercise of stock options	44,975	11,141
Proceeds from common stock issuance, net	—	717,802
Purchase of common stock for treasury	(13)	—
Payment of fees related to refinancing activities	(503)	(45,781)
Dividends paid on common stock	(37,452)	(33,216)
Net cash (used in) provided by financing activities	(233,827)	2,905,191
Effect of exchange rate changes on cash and cash equivalents	(878)	(3,964)
Net (decrease) increase in cash and cash equivalents	(332,359)	394,233

Cash and cash equivalents, beginning of period	434,159	109,577
Cash and cash equivalents, end of period	$101,800	$503,810

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

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 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 the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission (the “SEC”) on February 29, 2016 (the “2015 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, 2016, the results of its operations for the three and nine months ended September 30, 2016 and 2015 and its cash flows for the nine months ended September 30, 2016 and 2015. These statements do not include all of the information and footnotes required by GAAP for annual financial statements. The condensed consolidated 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, 2015, which were included in the 2015 Form 10-K. The December 31, 2015 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, 2016 are not necessarily indicative of the expected results for any subsequent quarters or the full year.

Reclassifications

The Company’s prior presentation of revenues on its Condensed Consolidated Statements of Comprehensive Income (Loss) displayed total recurring and total non-recurring revenues. The Company’s current presentation is expanded to illustrate the components of each type of revenue stream. These amounts were previously disclosed in footnote 5 of the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash flow, and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. The Company is currently evaluating the impact of this ASU.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including those interim periods within those fiscal years. This ASU is not expected to have an impact on the Company’s financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This ASU is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The provisions of this ASU are effective for years beginning after December 15, 2016. Early application is permitted. The Company is currently evaluating the impact of this ASU.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU would require lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date; (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessor accounting is largely unchanged under the amendments of this ASU. The provisions of this ASU are effective for years beginning after December 15, 2018. The Company is currently evaluating the impact of this ASU.

In August 2014, the FASB issued 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 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). The objective of ASU 2014-09 is to clarify the principles for recognizing revenue by removing inconsistencies and weaknesses in revenue requirements;

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

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. On August 12, 2015, the FASB issued ASU No. 2015-14, deferring the effective date by one year for ASU No. 2014-09. The provisions of ASU No. 2014-09 will be effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted for annual periods beginning after December 15, 2016. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. We have not yet selected a transition method nor have we determined the impact of the new standard on our consolidated condensed financial statements. The Company is currently evaluating the impact of this standard on its financial position, results of operations and cash flows.

Subsequent to the issuance of ASU No. 2014-09, the FASB has issued the following updates: ASU 2016-08, Revenue from Contracts with Customers (Topic 606) - Principal versus Agent Considerations (Reporting Revenue Gross versus Net); ASU 2016-10, Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing; and ASU 2016-12, Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients. The amendments in these updates affect the guidance contained within ASU 2014-09.

Note 2—Debt

At September 30, 2016 and December 31, 2015, debt consisted of the following (in thousands):

	September 30, 2016	December 31, 2015
Senior secured credit facilities, weighted-average interest rate of 3.91% and 3.94%, respectively	$ 1,951,450	$ 2,220,000
5.875% senior notes due 2023	600,000	600,000
Unamortized original issue discount and debt issuance costs	(61,180)	(68,649)
	2,490,270	2,751,351
Less current portion of long-term debt	29,813	32,281
Long-term debt	$ 2,460,457	$ 2,719,070

Fair value of debt. The carrying amounts and fair values of financial instruments are as follows (in thousands):

	September 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Senior secured credit facilities	$1,951,450	$1,963,242	$2,220,000	$2,202,105
5.875% senior notes due 2023	600,000	631,500	600,000	616,500

The above fair values, which are Level 2 liabilities, were computed based on comparable quoted market prices. 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.

Note 3—Goodwill

The change in carrying value of goodwill as of and for the nine months ended September 30, 2016 is as follows (in thousands):

Balance at December 31, 2015	$3,549,212
2016 acquisitions	91,533
Adjustments to prior acquisitions	(4,720)
Effect of foreign currency translation	(19,965)
Balance at September 30, 2016	$3,616,060

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

Note 4—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 net 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, stock appreciation rights ("SARs"), restricted stock units ("RSUs") and restricted stock awards ("RSAs") 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):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted average common shares outstanding — used in calculation of basic EPS	201,782	193,706	199,365	177,772
Weighted average common stock equivalents — options and restricted shares	4,853	—	5,969	8,698
Weighted average common and common equivalent shares outstanding — used in calculation of diluted EPS	206,635	193,706	205,334	186,470

Weighted average stock options, SARs, RSUs and RSAs representing 10,702,466 and 28,806,708 shares were outstanding for the three months ended September 30, 2016 and 2015, respectively, and weighted average stock options, SARs, RSUs and RSAs representing 14,094,402 and 6,219,720 for the nine months ended September 30, 2016 and 2015, respectively, but were not included in the computation of diluted EPS because the effect of including them would be anti-dilutive. No dilutive securities were included in the diluted EPS calculation for the three months ended September 30, 2015 due to the Company's reported net loss for the quarter.

Conversion of Class A Common Stock. On March 30, 2016, William C. Stone converted 2,703,846 shares of Class A non-voting stock into 2,703,846 shares of common stock. Each share of Class A non-voting common stock converted automatically into one share of the Company's common stock upon the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Dividends. In 2016, the Company paid a quarterly cash dividend of $0.0625 per share of common stock on March 15, 2016, June 15, 2016 and September 15, 2016 to stockholders of record as of the close of business on March 7, 2016, June 1, 2016, and September 1, 2016, respectively, totaling $37.5 million. In 2015, the Company paid quarterly cash dividends of $0.0625 per share of common stock on March 16, 2015, June 15, 2015 and September 15, 2015 to stockholders of record as of the close of business on March 2, 2015, June 1, 2015 and September 1, 2015, respectively, totaling $33.2 million.

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

Note 5—Equity and Stock-based Compensation

On May 25, 2016, the Company's Board of Directors approved a two-for-one stock split to be effected in the form of a stock dividend. The record date for the stock split was June 7, 2016 and the payment date was June 24, 2016. All share and per share amounts (other than for the Company's Class A non-voting common stock) have been retroactively restated for all periods presented to reflect the stock split.

At the Company's annual meeting of shareholders held on May 25, 2016, the Company's shareholders approved the Company's Amended and Restated 2014 Stock Incentive Plan (the "Amended 2014 Plan"). The primary changes to the Amended 2014 Plan are to (i) increase the shares available for equity awards by 24 million shares and (ii) add flexibility to use this plan as the Company's only equity plan by authorizing the issuance of full-value awards (that is, restricted stock and restricted stock units) and expanding the class of participants to include non-employee directors. Following the approval of the 2014 Amended Plan, the Company will no longer make grants under the Company's 2008 Stock Incentive Plan or the Company's 2006 Equity Incentive Plan.

Total stock options, SARs, RSUs and RSAs. The amount of stock-based compensation expense recognized in the Company's Condensed Consolidated Statements of Comprehensive Income (Loss) for three and nine months ended September 30, 2016 was as follows (in thousands):

Condensed Consolidated Statements of Comprehensive Income (Loss) Classification	For the Three Months Ended September 30, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2016	For the Nine Months Ended September 30, 2015
Cost of software-enabled services	$2,732	$1,846	$7,916	$4,976
Cost of maintenance and term licenses	605	589	2,116	791
Cost of recurring revenues	3,337	2,435	10,032	5,767
Cost of professional services	493	530	1,736	855
Cost of non-recurring revenues	493	530	1,736	855
Total cost of revenues	3,830	2,965	11,768	6,622
Selling and marketing	2,521	9,936	8,966	11,423
Research and development	2,004	5,464	6,402	6,359
General and administrative	4,134	4,756	13,266	7,031
Total operating expenses	8,659	20,156	28,634	24,813
Total stock-based compensation expense	$12,489	$23,121	$40,402	$31,435

The following table summarizes stock option and SAR activity as of and for the nine months ended September 30, 2016:

	Shares
Outstanding at December 31, 2015	30,278,364
Granted	1,454,300
Cancelled/forfeited	(1,391,958)
Exercised	(5,762,429)
Outstanding at September 30, 2016	24,578,277

The following table summarizes RSU activity as of and for the nine months ended September 30, 2016:

	Shares
Outstanding at December 31, 2015	957,452
Granted	-
Cancelled/forfeited	(67,266)
Vested	(501,906)
Outstanding at September 30, 2016	388,280

The Company recorded $45.0 million and $11.1 million of income tax benefits related to the exercise of stock options during the nine months ended September 30, 2016 and 2015, respectively. These amounts were recorded entirely to Additional paid-in capital on the Company's Condensed Consolidated Balance Sheets.

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

Note 6—Income Taxes

The effective tax rate was 19% and 16% for the three months ended September 30, 2016 and 2015, respectively, and the effective tax rate was 23% and 35% for the nine months ended September 30, 2016 and 2015, respectively. The change in the effective tax rate for the three months ended September 30, 2016 was primarily due to an increase in pre-tax income from domestic operations taxed at a high statutory rate compared to the prior year, partially offset by the absence of the unfavorable impact of nondeductible transaction costs and repatriation of foreign earnings in the prior year. The change in the effective tax rate for the nine months ended September 30, 2016 was primarily due to the absence of the unfavorable impact of nondeductible transaction costs and repatriation of foreign earnings in the prior year, partially offset by an increase in pre-tax income from domestic operations taxed at a high statutory rate and the unfavorable impact of a change in state apportionment on the Company’s domestic deferred tax liabilities as a result of the acquisition of Citigroup AIS during the first quarter.

Note 7—Acquisitions

Citigroup’s Alternative Investor Services

On March 11, 2016, the Company purchased the assets of Citigroup’s Alternative Investor Services business, which includes Hedge Fund Services and Private Equity Fund Services (“Citigroup AIS”), for approximately $310.2 million, plus the costs of effecting the transaction and the assumption of certain liabilities. Citigroup AIS is a leading provider of hedge fund and private equity fund administration services.

The net assets and results of operations of Citigroup AIS have been included in the Company’s condensed consolidated financial statements from March 11, 2016. The fair value of the intangible assets, consisting of customer relationships and completed technology, was determined using the income approach. Specifically, the excess earnings method was utilized for the customer relationships, and the cost savings method was utilized for the completed technology. The customer relationships 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. Completed technology is amortized based on a straight-line basis. The customer relationships are amortized over an estimated life of approximately thirteen years and completed technology is amortized over an estimated life of approximately four 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 preliminary allocation of the purchase price for the acquisition of Citigroup AIS (in thousands):

	Citigroup AIS
Accounts receivable	$58,479
Fixed assets	103
Other assets	1,985
Acquired client relationships and contracts	124,600
Completed technology	44,600
Goodwill	91,533
Deferred revenue	(3,910)
Other liabilities assumed	(7,229)
Consideration paid, net of cash acquired	$310,161

The consideration paid, net of cash acquired for Citigroup AIS includes a working capital adjustment of $7.9 million, which was received during the third quarter of 2016. This amount is reflected in "Cash paid for business acquisitions, net of cash acquired" for the nine months ended September 30, 2016 on the Company's Condensed Consolidated Statement of Cash Flows.

The fair value of acquired accounts receivable balances for Citigroup AIS approximates the contractual amounts due from acquired customers, except for approximately $1.7 million of contractual amounts that are not expected to be collected as of the acquisition date and that were also reserved by Citigroup AIS.

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

The Company reported revenues totaling $118.6 million from Citigroup AIS from its acquisition date through September 30, 2016.

The following unaudited pro forma condensed consolidated results of operations are provided for illustrative purposes only and assume that the acquisition of Citigroup AIS occurred on January 1, 2015 and acquisitions of Primatics Financial, Varden Technologies and Advent Software, Inc. occurred on January 1, 2014. 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.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	$391,865	$384,312	$1,158,376	$1,160,828
Net income	$45,510	$14,281	$101,393	$14,791
Basic earnings per share	$0.23	$0.07	$0.51	$0.08
Basic weighted average number of common shares outstanding	201,782	193,706	199,365	177,772
Diluted earnings per share	$0.22	$0.07	$0.49	$0.08
Diluted weighted average number of common and common equivalent shares outstanding	206,635	202,624	205,334	186,470

Pending acquisitions

On September 14, 2016, the Company announced the acquisition of Wells Fargo Global Fund Services ("GFS"), a leading provider of comprehensive administration, middle-office, operations and cash/collateral management services to alternative investment managers. The transaction is subject to approvals by relevant regulatory authorities and other customary closing conditions. The transaction is expected to close in the fourth quarter of 2016.

Note 8—Commitments and Contingencies

From time to time, the Company is subject to 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.

Note 9—Supplemental Guarantor Financial Statements

On July 8, 2015, the Company issued $600.0 million aggregate principal amount of 5.875% Senior Notes due 2023 (the “Senior Notes”). The Senior Notes are jointly and severally and fully and unconditionally guaranteed, in each case subject to certain customary release provisions, by substantially all wholly-owned domestic subsidiaries of the Company that guarantee the Company’s Senior Secured Credit Facilities (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 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.

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

Condensed consolidating financial information as of September 30, 2016 and December 31, 2015 and for the three and nine months ended September 30, 2016 are presented. The condensed consolidating financial information of the Company and its subsidiaries are as follows (in thousands):

	September 30, 2016				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Cash and cash equivalents	$—	$ 23,423	$ 78,377	$—	$ 101,800
Accounts receivable, net	—	174,082	63,413	—	237,495
Prepaid expenses and other current assets	—	21,486	11,234	—	32,720
Prepaid income taxes	—	42,909	—	(3,133)	39,776
Restricted cash	—	1,788	328	—	2,116
Net property, plant and equipment	—	32,327	38,801	—	71,128
Investment in subsidiaries	2,868,467	780,155	—	(3,648,622)	—
Intercompany receivables	—	159,942	59,683	(219,625)	—
Deferred income taxes, long-term	—	—	2,071	—	2,071
Goodwill, intangible and other assets, net	—	3,921,368	1,213,986	—	5,135,354
Total assets	$2,868,467	$ 5,157,480	$ 1,467,893	$ (3,871,380)	$ 5,622,460
Current portion of long-term debt	—	15,399	14,414	—	29,813
Accounts payable	—	10,924	5,556	—	16,480
Accrued expenses	7,344	88,178	42,722	—	138,244
Income taxes payable	—	—	3,133	(3,133)	—
Deferred revenue	—	207,664	23,621	—	231,285
Long-term debt, net of current portion	600,000	1,458,478	401,979	—	2,460,457
Other long-term liabilities	—	38,864	23,104	—	61,968
Intercompany payables	35,935	59,683	124,007	(219,625)	—
Deferred income taxes, long-term	—	409,823	49,202	—	459,025
Total liabilities	643,279	2,289,013	687,738	(222,758)	3,397,272
Total stockholders’ equity	2,225,188	2,868,467	780,155	(3,648,622)	2,225,188
Total liabilities and stockholders’ equity	$2,868,467	$ 5,157,480	$ 1,467,893	$ (3,871,380)	$ 5,622,460

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

	December 31, 2015				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Cash and cash equivalents	$—	$ 360,583	$ 73,576	$ —	$ 434,159
Accounts receivable, net	—	127,446	42,505	—	169,951
Prepaid expenses and other current assets	—	15,920	11,591	—	27,511
Prepaid income taxes	—	38,155	2,472	—	40,627
Restricted cash	—	2,490	328	—	2,818
Net property, plant and equipment	—	31,940	35,203	—	67,143
Investment in subsidiaries	2,722,452	654,278	—	(3,376,730)	—
Intercompany receivables	—	100,992	34,220	(135,212)	—
Deferred income taxes, long-term	—	—	2,199	—	2,199
Goodwill, intangible and other assets, net	—	3,861,711	1,196,123	—	5,057,834
Total assets	$ 2,722,452	$ 5,193,515	$ 1,398,217	$ (3,511,942)	$ 5,802,242
Current portion of long-term debt	—	17,243	15,038	—	32,281
Accounts payable	—	7,367	4,590	—	11,957
Accrued expenses	17,006	84,174	47,848	—	149,028
Income taxes payable	—	—	1,428	—	1,428
Deferred revenue	—	202,252	19,772	—	222,024
Long-term debt, net of current portion	600,000	1,646,396	472,674	—	2,719,070
Other long-term liabilities	—	31,748	19,686	—	51,434
Intercompany payables	—	34,220	100,992	(135,212)	—
Deferred income taxes, long-term	—	447,663	61,911	—	509,574
Total liabilities	617,006	2,471,063	743,939	(135,212)	3,696,796
Total stockholders’ equity	2,105,446	2,722,452	654,278	(3,376,730)	2,105,446
Total liabilities and stockholders’ equity	$ 2,722,452	$ 5,193,515	$ 1,398,217	$ (3,511,942)	$ 5,802,242

	For the Three Months Ended September 30, 2016				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues	$—	$ 262,350	$ 121,385	$ (431)	$ 383,304
Cost of revenues	—	137,369	71,089	(431)	208,027
Gross profit	—	124,981	50,296	—	175,277
Operating expenses:					
Selling and marketing	—	20,448	6,880	—	27,328

Research and development	—	26,575	11,126	—	37,701
General and administrative	—	24,824	8,521	—	33,345
Total operating expenses	—	71,847	26,527	—	98,374
Operating income	—	53,134	23,769	—	76,903
Interest expense, net	(8,812)	(16,651)	(6,185)	—	(31,648)
Other (expense) income, net	—	(15,364)	18,019	—	2,655
Earnings from subsidiaries	47,559	30,522	—	(78,081)	—
Income before income taxes	38,747	51,641	35,603	(78,081)	47,910
Provision for income taxes	—	4,082	5,081	—	9,163
Net income	$38,747	$ 47,559	$ 30,522	$ (78,081)	$ 38,747
Other comprehensive loss, net of tax:					
Foreign currency exchange translation adjustment	(12,060)	(12,060)	(10,844)	22,904	(12,060)
Comprehensive income	$26,687	$ 35,499	$ 19,678	$ (55,177)	$ 26,687

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SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

	For the Three Months Ended September 30, 2015				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues	$—	$ 180,515	$ 100,492	$ (113)	$ 280,894
Cost of revenues	—	91,930	60,047	(113)	151,864
Gross profit	—	88,585	40,445	—	129,030
Operating expenses:					
Selling and marketing	—	26,193	10,889	—	37,082
Research and development	—	26,350	11,039	—	37,389
General and administrative	—	33,070	6,537	—	39,607
Total operating expenses	—	85,613	28,465	—	114,078
Operating income	—	2,972	11,980	—	14,952
Interest expense, net	(8,193)	(17,743)	(6,709)	—	(32,645)
Other (expense) income, net	—	(14,182)	21,135	—	6,953
Loss on extinguishment of debt	—	(23,375)	(7,042)	—	(30,417)
(Loss) earnings from subsidiaries	(26,417)	16,349	—	10,068	—
(Loss) income before income taxes	(34,610)	(35,979)	19,364	10,068	(41,157)
(Benefit) provision for income taxes	—	(9,562)	3,015	—	(6,547)
Net (loss) income	$(34,610)	$ (26,417)	$ 16,349	$ 10,068	$ (34,610)
Other comprehensive loss, net of tax:					
Foreign currency exchange translation adjustment	(38,005)	(38,005)	(33,040)	71,045	(38,005)
Comprehensive loss	$(72,615)	$ (64,422)	$ (16,691)	$ 81,113	$ (72,615)

	For the Nine Months Ended September 30, 2016				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues	$—	$ 738,655	$ 343,153	$ (1,296)	$ 1,080,512
Cost of revenues	—	389,133	207,353	(1,296)	595,190
Gross profit	—	349,522	135,800	—	485,322
Operating expenses:					
Selling and marketing	—	64,313	21,411	—	85,724

Research and development	—	80,794	34,181	—	114,975
General and administrative	—	65,906	25,333	—	91,239
Total operating expenses	—	211,013	80,925	—	291,938
Operating income	—	138,509	54,875	—	193,384
Interest expense, net	(26,274)	(52,116)	(19,193)	—	(97,583)
Other (expense) income, net	—	(47,381)	48,201	—	820
Earnings from subsidiaries	100,247	71,885	—	(172,132)	—
Income before income taxes	73,973	110,897	83,883	(172,132)	96,621
Provision for income taxes	—	10,650	11,998	—	22,648
Net income	$73,973	$ 100,247	$ 71,885	$ (172,132)	$73,973
Other comprehensive loss, net of tax:					
Foreign currency exchange translation adjustment	(29,532)	(29,532)	(33,293)	62,825	(29,532)
Comprehensive income	$44,441	$ 70,715	$ 38,592	$ (109,307)	$44,441

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SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

	For the Nine Months Ended September 30, 2015				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues	$—	$ 396,839	$ 303,473	$ (915)	$ 699,397
Cost of revenues	—	193,006	181,583	(915)	373,674
Gross profit	—	203,833	121,890	—	325,723
Operating expenses:					
Selling and marketing	—	43,261	21,139	—	64,400
Research and development	—	45,080	29,437	—	74,517
General and administrative	—	53,482	16,888	—	70,370
Total operating expenses	—	141,823	67,464	—	209,287
Operating income	—	62,010	54,426	—	116,436
Interest expense, net	(8,193)	(23,066)	(12,405)	—	(43,664)
Other (expense) income, net	—	(13,079)	18,361	—	5,282
Loss on extinguishment of debt	—	(23,375)	(7,042)	—	(30,417)
Earnings from subsidiaries	38,957	43,303	—	(82,260)	—
Income before income taxes	30,764	45,793	53,340	(82,260)	47,637
Provision for income taxes	—	6,836	10,037	—	16,873
Net income	$30,764	$ 38,957	$ 43,303	$ (82,260)	$ 30,764
Other comprehensive loss, net of tax:					
Foreign currency exchange translation adjustment	(51,416)	(51,416)	(40,641)	92,057	(51,416)
Comprehensive (loss) income	$(20,652)	$ (12,459)	$ 2,662	$ 9,797	$ (20,652)

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

	For the Nine Months Ended September 30, 2016				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Cash Flow from Operating Activities:					
Net income	$73,973	$ 100,247	$ 71,885	$ (172,132)	$ 73,973
Non-cash adjustments	—	89,915	47,547	—	137,462
Intercompany transactions	35,935	(21,251)	(14,684)	—	—
Earnings from subsidiaries	(100,247)	(71,885)	—	172,132	—
Changes in operating assets and liabilities	(9,661)	40,315	(5,073)	—	25,581
Net cash provided by operating activities	—	137,341	99,675	—	237,016
Cash Flow from Investment Activities:					
Additions to property and equipment	—	(7,672)	(11,198)	—	(18,870)
Proceeds from sale of property and equipment	—	67	2	—	69
Cash paid for business acquisitions, net of cash acquired	—	(214,689)	(94,743)	—	(309,432)
Additions to capitalized software	—	(3,860)	(2,277)	—	(6,137)
Purchase of long-term investment	—	(1,000)	—	—	(1,000)
Net changes in restricted cash	—	702	(2)	—	700
Net cash used in investing activities	—	(226,452)	(108,218)	—	(334,670)
Cash Flow from Financing Activities:					
Repayments of debt	—	(195,500)	(73,050)	—	(268,550)
Transactions involving Holding's common stock	—	35,226	—	—	35,226
Intercompany transactions	—	(87,272)	87,272	—	—
Payment of fees related to refinancing activities	—	(503)	—	—	(503)
Net cash (used in) provided by financing activities	—	(248,049)	14,222	—	(233,827)
Effect of exchange rate changes on cash and cash equivalents	—	—	(878)	—	(878)
Net (decrease) increase in cash and cash equivalents	—	(337,160)	4,801	—	(332,359)
Cash and cash equivalents, beginning of period	—	360,583	73,576	—	434,159
Cash and cash equivalents, end of period	$—	$ 23,423	$ 78,377	$ —	$ 101,800

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SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

	For the Nine Months Ended September 30, 2015				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Cash Flow from Operating Activities:					
Net income	$30,764	$38,957	$ 43,303	$ (82,260)	$30,764
Non-cash adjustments	—	51,400	53,071	—	104,471
Intercompany transactions	—	8	(8)	—	—
Earnings from subsidiaries	(38,957)	(43,303)	—	82,260	—
Changes in operating assets and liabilities	8,193	(10,322)	(12,539)	—	(14,668)
Net cash provided by operating activities	—	36,740	83,827	—	120,567
Cash Flow from Investment Activities:					
Additions to property and equipment	—	(5,496)	(3,966)	—	(9,462)
Proceeds from sale of property and equipment	—	5	51	—	56
Cash paid for business acquisitions, net of cash acquired	—	(2,606,923)	(7,862)	—	(2,614,785)
Additions to capitalized software	—	(1,268)	(2,102)	—	(3,370)
Net changes in restricted cash	—	(1,731)	1,731	—	—
Net cash (used in) provided by investing activities	—	(2,615,413)	(12,148)	—	(2,627,561)
Cash Flow from Financing Activities:					
Cash received from debt borrowings, net of original issue discount	—	2,410,770	657,305	—	3,068,075
Repayments of debt	—	(504,604)	(318,844)	—	(823,448)
Transactions involving Holding's common stock	—	706,345	—	—	706,345
Intercompany transactions	—	399,572	(399,572)	—	—
Payment of fees related to refinancing activities	—	(39,130)	(6,651)	—	(45,781)
Net cash provided by (used in) financing activities	—	2,972,953	(67,762)	—	2,905,191
Effect of exchange rate changes on cash and cash equivalents	—	—	(3,964)	—	(3,964)
Net increase (decrease) in cash and cash equivalents	—	394,280	(47)	—	394,233
Cash and cash equivalents, beginning of period	—	34,651	74,926	—	109,577
Cash and cash equivalents, end of period	$—	$428,931	$ 74,879	$ —	$503,810

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, is intended to provide readers of our Condensed Consolidated Financial Statements with the perspectives of management. It presents, in narrative form, information regarding our financial condition, results of operations, liquidity and certain other factors that may affect our future results. It should be read in conjunction with our 2015 Form 10-K and the Condensed Consolidated Financial Statements included in this Form 10-Q.

Critical Accounting Policies

Certain of our accounting policies require the application of significant judgment by our management, and such judgments are reflected in the amounts reported in our Condensed Consolidated Financial Statements. In applying these policies, our management uses its judgment to determine the appropriate assumptions to be used in the 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. Actual results may differ significantly from the estimates contained in our Condensed Consolidated Financial Statements. There have been no material changes to our critical accounting estimates and assumptions or the judgments affecting the application of those estimates and assumptions since the filing of our 2015 Form 10-K. Our critical accounting policies are described in the 2015 Form 10-K and include:

- Revenue Recognition
- Long-Lived Assets, Intangible Assets and Goodwill
- Acquisition Accounting
- Income Taxes

Acquisition of Citigroup AIS

On March 11, 2016, we purchased all of the assets of Citigroup AIS for approximately $310.2 million, plus the costs of effecting the transaction and the assumption of certain liabilities, which is discussed in Note 7 to our Condensed Consolidated Financial Statements. Citigroup AIS is a leading provider of hedge fund and private equity fund administration services.

The discussion in this Part I, Item 2 of this Quarterly Report on Form 10-Q includes the operations of Citigroup AIS for the period it was owned by SS&C.

Two-for-One Stock Split

On May 25, 2016, the Company's Board of Directors approved a two-for-one stock split to be effected in the form of a stock dividend. The record date for the stock split was June 7, 2016 and the payment date was June 24, 2016. All share and per share amounts (other than for our Class A non-voting common stock) have been retroactively restated for all periods presented to reflect the stock split.

Results of Operations

We derive our revenue from two sources: recurring revenues and, to a lesser degree, non-recurring revenues. Recurring revenues consist of software-enabled services and maintenance and term licenses. 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. Maintenance revenues vary based on customer retention, the number of perpetual licenses and on the annual increases in fees, which are generally tied to the consumer price index, while term license revenues vary based on the rate by which we add or lose clients over time. Non-recurring revenues consist of professional services and perpetual license fees and tend to fluctuate based on the number of new licensing clients and demand for consulting services. See Reclassifications in Note 1 to our Condensed Consolidated Financial Statements for discussion of the change in revenue presentation compared to prior periods.

Revenues

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

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Revenues:				
Software-enabled services	65 %	64 %	65 %	69 %
Maintenance and term licenses	28	29	28	23
Total recurring revenues	93	93	93	92
Perpetual licenses	1	2	1	3
Professional services	6	5	6	5
Total non-recurring revenues	7	7	7	8
Total revenues	100 %	100 %	100 %	100 %

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

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Percent Change from Prior Period	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	Percent Change from Prior Period
Revenues:						
Software-enabled services	$248,772	$180,744	38 %	$699,091	$484,434	44 %
Maintenance and term licenses	106,925	80,097	33	305,437	159,049	92
Total recurring revenues	355,697	260,841	36	1,004,528	643,483	56
Perpetual licenses	4,389	6,508	(33)	14,643	22,526	(35)
Professional services	23,218	13,545	71	61,341	33,388	84
Total non-recurring revenues	27,607	20,053	38	75,984	55,914	36
Total revenues	$383,304	$280,894	36	$1,080,512	$699,397	54

Three Months Ended September 30, 2016 and 2015. Our revenues increased from the prior year period primarily due to revenues related to our acquisitions of Citigroup AIS in the first quarter of 2016, Primatics in the fourth quarter of 2015 and Varden in the third quarter of 2015, which contributed $67.7 million in revenues. Additionally, organic revenues increased $36.4 million, of which approximately $22.0 million was the result of the impact of the fair value adjustment for acquired deferred revenue on the periods. These increases were partially offset by the unfavorable impact from foreign currency translation of $1.8 million, which resulted from the strength of the U.S. dollar relative to the British pound, offset by the weakness of the U.S. dollar relative to the Australian dollar.

Nine Months Ended September 30, 2016 and 2015. Our revenues increased from the prior year period primarily due to revenues related to our acquisitions of Citigroup AIS in the first quarter of 2016, Primatics in the fourth quarter of 2015 and Varden and Advent in the third quarter of 2015, which contributed $353.4 million in revenues. Additionally, organic revenues increased $34.4 million, of which approximately $22.0 million was the result of the impact of the fair value adjustment for acquired deferred revenue on the periods. These increases were partially offset by the unfavorable impact from foreign currency translation of $6.7 million, which resulted from the strength of the U.S. dollar relative to currencies such as the British pound, the Canadian dollar, the South African Rand and the Australian dollar.

Cost of Revenues

Cost of recurring revenues consists primarily of costs related to personnel utilized in servicing our software-enabled services and maintenance contracts and amortization of intangible assets. Cost of non-recurring 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 and amortization of intangible assets.

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

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Cost of revenues:				
Cost of software-enabled services	58 %	53 %	58 %	56 %
Cost of maintenance and term licenses	43	54	45	44
Total cost of recurring revenues	53	53	54	53
Cost of perpetual licenses	14	16	12	14
Cost of professional services	81	83	84	82
Total cost of non-recurring revenues	71	61	70	55
Total cost of revenues	54	54	55	53
Gross margin percentage	46	46	45	47

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

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Percent Change from Prior Period	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	Percent Change from Prior Period
Cost of revenues:						
Cost of software-enabled services	$143,074	$96,151	49 %	$403,045	$273,301	47 %
Cost of maintenance and term licenses	45,458	43,391	5	138,864	69,896	99
Total cost of recurring revenues	188,532	139,542	35	541,909	343,197	58
Cost of perpetual licenses	608	1,036	(41)	1,749	3,081	(43)
Cost of professional services	18,887	11,286	67	51,532	27,396	88
Total cost of non-recurring revenues	19,495	12,322	58	53,281	30,477	75
Total cost of revenues	$208,027	$151,864	37	$595,190	$373,674	59

Three Months Ended September 30, 2016 and 2015. Our total cost of revenues increased primarily due to our acquisitions of Citigroup AIS, Primatics and Varden, which added costs of $45.3 million. Additionally, total cost of revenues increased $13.0 million to support revenue growth, partially offset by the favorable impact from foreign currency translation of $2.1 million for the three months ended September 30, 2016, which resulted from the strength of the U.S. dollar relative to currencies such as the British pound, the Indian Rupee and the Canadian dollar.

Nine Months Ended September 30, 2016 and 2015. Our total cost of revenues increased primarily due to our acquisitions of Citigroup AIS, Primatics, Varden and Advent, which added costs of $212.0 million. Additionally, total cost of revenues increased $15.2 million to support revenue growth, partially offset by the favorable impact from foreign currency translation of $5.6 million for the nine months ended September 30, 2016, which resulted from the strength of the U.S. dollar relative to currencies such as the British pound, the Indian Rupee and the Canadian dollar.

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.

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

	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Operating expenses:				
Selling and marketing	7 %	13 %	8 %	9 %
Research and development	10	13	11	11
General and administrative	9	14	8	10
Total operating expenses	26 %	40 %	27 %	30 %

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

	Three Months Ended September 30, 2016	2015	Percent Change from Prior Period	Nine Months Ended September 30, 2016	2015	Percent Change from Prior Period
Operating expenses:						
Selling and marketing	$27,328	$37,082	(26)%	$85,724	$64,400	33 %
Research and development	37,701	37,389	1	114,975	74,517	54
General and administrative	33,345	39,607	(16)	91,239	70,370	30
Total operating expenses	$98,374	$114,078	(14)	$291,938	$209,287	39

Three Months Ended September 30, 2016 and 2015. The decrease in total operating expenses was primarily due to a decrease in stock-based compensation of $11.5 million as well as a decrease in professional fees of $10.4 million for the three months ended September 30, 2016 as a result of the non-recurrence of these expenses associated with the acquisition of Advent in the prior year period. These decreases were offset by increased operating expenses related to our acquisitions of Citigroup AIS, Primatics and Varden, which added expenses of $9.0 million for the three months ended September 30, 2016. Additionally, total operating expenses includes the favorable impact from foreign currency translation of $1.3 million, which resulted from the strength of the U.S. dollar relative to currencies such as the British pound, the Indian Rupee and the Canadian dollar.

Nine Months Ended September 30, 2016 and 2015. The increase in total operating expenses was primarily due to our acquisitions of Citigroup AIS, Primatics, Varden and Advent, which added expenses of $103.7 million for the nine months ended September 30, 2016. Included in those costs are charges of $8.2 million related to the elimination of redundant positions within the acquired businesses and an increase in stock-based compensation expense of $11.0

million for the nine months ended September 30, 2016. These increases were offset by a decrease in professional fees of $14.9 million for the nine months ended September 30, 2016 primarily due to the acquisition of Advent in the prior year period. Additionally, total operating expenses includes the favorable impact from foreign currency translation of $3.0 million, which resulted from the strength of the U.S. dollar relative to currencies such as the British pound, the Indian Rupee and the Canadian dollar.

Comparison of the Three and Nine Months Ended September 30, 2016 and 2015 for Interest, Taxes and Other

Interest expense, net. We had net interest expense of $31.6 million and $97.6 million for the three and nine months ended September 30, 2016, respectively, compared to $32.6 million and $43.7 million for the three and nine months ended September 30, 2015, respectively. The decrease in interest expense of $1.0 million for the three months ended September 30, 2016 was primarily due to a lower average debt balance as compared to the three months ended September 30, 2015. The increase in interest expense for the nine months ended September 30, 2016 reflects incremental borrowings under the Credit Agreement and Senior Notes in connection with our acquisition of Advent during the third quarter of 2015, which resulted in a higher debt balance. These facilities are discussed further in "Liquidity and Capital Resources".

Other income, net. Other income, net for the three months ended September 30, 2016 and 2015 consisted primarily of foreign currency transaction gains. Other income, net for the nine months ended September 30, 2016 consisted primarily of a gain from a legal settlement. Other income, net for the nine months ended September 30, 2015 consisted primarily of foreign currency transaction gains.

Loss on extinguishment of debt. We recorded a $30.4 million loss on extinguishment of debt in the three months ended September 30, 2015 in connection with the repayment and termination of our Prior Facility, as defined herein. The loss on early extinguishment of debt includes the write-off of a portion of the unamortized capitalized financing fees and the unamortized original issue discounts related to the Prior Facility for amounts accounted for as a debt extinguishment, as well as a portion of the financing fees related to the Credit Agreement for amounts accounted for as a debt modification.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Provision (benefit) for income taxes	$9,163	$(6,547)	$22,648	$16,873
Effective tax rate	19 %	16 %	23 %	35 %

Our September 30, 2016 and 2015 effective tax rates differ from the statutory rate primarily due to the effect of our foreign operations. The increase in the effective tax rate for the three months ended September 30, 2016 was primarily due to an increase in pre-tax income from domestic operations taxed at a high statutory rate, partially offset by the absence of the unfavorable impact of nondeductible transaction costs and repatriation of foreign earnings in the prior year. The decrease in the effective tax rate for the nine months ended September 30, 2016 was primarily due to the absence of the unfavorable impact of nondeductible transaction costs and repatriation of foreign earnings in the prior year, partially offset by an increase in pre-tax income from domestic operations taxed at a high statutory rate and the unfavorable impact of a change in state apportionment on the Company's domestic deferred tax liabilities as a result of the acquisition of Citigroup AIS during the first quarter of 2016. 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 we anticipate the statutory rates to be 26.5%, 34.6% and 20.0%, respectively, in 2016. The consolidated expected effective tax rate for the year ended December 31, 2016 is forecasted to be between 20% and 22%. 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, to acquire complementary businesses or assets and to pay dividends on our common stock. We expect our cash on hand, cash flows from operations, and availability under the Revolving Credit Facility in our Credit Agreement to provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending for at least the next twelve months.

In 2016, we paid quarterly cash dividends of $0.0625 per share of common stock on March 15, 2016, June 15, 2016 and September 15, 2016 to stockholders of record as of the close of business on March 7, 2016, June 1, 2016, and September 1, 2016, respectively, totaling $37.5 million.

Our cash and cash equivalents at September 30, 2016 were $101.8 million, a decrease of $332.4 million from $434.2 million at December 31, 2015. The decrease in cash is primarily due to cash used for acquisitions, repayments of debt, payment of dividends, capital expenditures and payment of withholding taxes related to equity award net share settlement. These decreases were partially offset by cash provided by operations, proceeds from stock option exercises and the related income tax benefits.

Net cash provided by operating activities was $237.0 million for the nine months ended September 30, 2016. Cash provided by operating activities primarily resulted from net income of $74.0 million adjusted for non-cash items of $137.5 million and by changes in our working capital accounts (excluding the effect of acquisitions) totaling $25.6 million. The changes in our working capital accounts were driven by a change in income taxes prepaid and payable and increases in deferred revenues and accounts payable. These changes were partially offset by a decrease in accrued expenses and increases in accounts receivable and prepaid expenses and other assets. The increase in deferred revenues was primarily due to term license and maintenance renewals. The increase in accounts payable was primarily due to the timing of payments. The decrease in accrued expenses was primarily due to the payment of annual employee bonuses in the first quarter of 2016. The increase in accounts receivable was primarily due to an increase in days' sales outstanding related to receivables within recently acquired businesses.

Investing activities used net cash of $334.7 million for the nine months ended September 30, 2016, primarily related to cash paid of $309.4 million (net of cash received) for acquisitions, $18.9 million in capital expenditures and $6.1 million in capitalized software.

Financing activities used net cash of $233.8 million in for the nine months ended September 30, 2016, representing repayments of debt totaling $268.6 million, $37.5 million in quarterly dividends paid and $7.1 million in withholding taxes paid related to equity award net share settlements. These payments were partially offset by proceeds of $34.8 million from stock option exercises and income tax windfall benefits of $45.0 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 September 30, 2016, we held approximately $73.3 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 September 30, 2016, we held approximately $67.2 million in cash that was available to our foreign borrowers under our credit facility and will be used to facilitate debt servicing of those entities. At September 30, 2016, we held approximately $19.9 million in cash at our Indian operations that if repatriated to our foreign debt holder would incur distribution taxes of approximately $3.4 million.

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.

Senior Secured Credit Facilities

On July 8, 2015, in connection with our acquisition of Advent, we entered into a Credit Agreement with SS&C, SS&C European Holdings S.A.R.L., an indirect wholly-owned subsidiary of SS&C, or SS&C Sarl, and SS&C Technologies Holdings Europe S.A.R.L., an indirect wholly-owned subsidiary of SS&C, or SS&C Tech Sarl as the borrowers. The Credit Agreement has four tranches of term loans, or together the Term Loans: (i) a $98 million term A-1 facility with a five year term for borrowings by SS&C Sarl, or Term A-1 Loan; (ii) a $152 million term A-2 facility with a five year term for borrowings by SS&C Tech Sarl, or Term A-2 Loan; (iii) a $1.82 billion term B-1 facility with a seven year term for borrowings by SS&C, or Term B-1 Loan; and (iv) a $410 million term B-2 facility with a seven year term for borrowings by SS&C Sarl, or Term B-2 Loan.

In addition, the Credit Agreement has a revolving credit facility with a five year term available for borrowings by SS&C with $150 million in commitments, or the Revolving Credit Facility. The Revolving Credit Facility contains a $25 million letter of credit sub-facility.

The Term Loans and Revolving Credit Facility, together, the Senior Secured Credit Facilities 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 credit facility. The Term A-1 Loan, Term A-2 Loan and the Revolving Credit Facility initially bear interest at either LIBOR plus 2.75% or at the base rate plus 1.75%, and are subject to a step-down at any time SS&C’s consolidated net senior secured leverage ratio is less than 3.0 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-1 Loan and Term B-2 Loan initially bear interest at either LIBOR plus 3.25%, with LIBOR subject to a 0.75% floor, or at the base rate plus 2.25%, and are subject to a step-down at any time SS&C’s consolidated net leverage ratio is less than 4.0 times, to 3.00% in the case of the LIBOR margin and 2.00% in the case of the base rate margin.

A portion of the initial proceeds from the Term Loans was used to satisfy the consideration required to fund the acquisition of Advent and to repay all amounts outstanding under our then-existing credit facility, or Prior Facility, which was subsequently terminated. At the time of the termination of the Prior Facility, all liens and other security interests that SS&C had granted to the lenders under the Prior Facility were released.

As of September 30, 2016, there was $93.1 million in principal amount outstanding under the Term A-1 Loan, $144.4 million in principal amount outstanding under the Term A-2 Loan, $1,524.5 million in principal amount outstanding under the Term B-1 Loan and $189.5 million in principal amount outstanding under the Term B-2 Loan. As of September 30, 2016, there was no principal amount drawn under the Revolving Credit Facility.

We are required to make scheduled quarterly payments of 0.25% of the original principal amount of the Term B-1 Loan and Term B-2 Loan, with the balance due and payable on the seventh anniversary of its incurrence. We are required to make scheduled quarterly payments of 1.25% of the original principal amount of the Term A-1 Loan and Term A-2 Loan until September 30, 2017 and quarterly payments of 2.50% of the original principal amount of the Term A-1 Loan and Term A-2 Loan from December 31, 2017 until June 30, 2020 with the balance due and payable on the fifth anniversary of the incurrence thereof. No amortization is required under the Revolving Credit Facility.

Our obligations under the Term Loans are guaranteed by (i) Holdings and each of our existing and future U.S. wholly-owned restricted subsidiaries, in the case of the Term B-1 Loan and the Revolving Credit Facility and (ii) Holdings, SS&C and each of our existing and future wholly-owned restricted subsidiaries, in the case of the Term A-1 Loan, the Term A-2 Loan and the Term B-2 Loan.

The obligations of the U.S. loan parties under the Credit Agreement are secured by substantially all of the assets of such persons (subject to customary exceptions and limitations), including a pledge of all of the capital stock of substantially all of the U.S. wholly-owned restricted subsidiaries of such persons (with customary exceptions and limitations) and 65% of the capital stock of certain foreign restricted subsidiaries of such persons (with customary exceptions and limitations). All obligations of the non-U.S. loan parties under the Credit Agreement are secured by substantially all of Holdings' and the other guarantors' assets (subject to customary exceptions and limitations), including a pledge of all of the capital stock of substantially all of Holdings' wholly-owned restricted subsidiaries (with customary exceptions and limitations).

The Credit Agreement includes negative covenants that, among other things and subject to certain thresholds and exceptions, limit our ability and the ability of our restricted subsidiaries to incur debt or liens, make investments (including in the form of loans and acquisitions), merge, liquidate or dissolve, sell property and assets, including capital stock of our subsidiaries, pay dividends on our capital stock or redeem, repurchase or retire our capital stock, alter the business we conduct, amend, prepay, redeem or purchase subordinated debt, or engage in transactions with our affiliates. In addition, the Credit Agreement contains a financial covenant requiring us to maintain a consolidated net senior secured leverage ratio. As of September 30, 2016, we were in compliance with the financial and non-financial covenants.

Senior Notes

On July 8, 2015, in connection with the acquisition of Advent, we issued $600.0 million aggregate principal amount of 5.875% Senior Notes due 2023. The Senior Notes are guaranteed by SS&C and each of our wholly-owned domestic subsidiaries that borrows or guarantees obligations under the Credit Agreement. The guarantees are full and unconditional and joint and several. The Senior Notes are unsecured senior obligations that are equal in right of payments to all existing and future senior debt, including the Credit Agreement.

On April 20, 2016, we commenced an offer to exchange for the Senior Notes, new notes identical in all material respects to the Senior Notes, except that the new notes have been registered under the Securities Act of 1933. The exchange offer expired on May 18, 2016 and 100% of the Senior Notes were exchanged for the new notes.

At any time after July 15, 2018, we may redeem some or all of the Senior Notes, in whole or in part, at the redemption prices set forth in the indenture governing the Senior Notes plus accrued and unpaid interest to the redemption date. At any time on or before July 15, 2018, we may to redeem up to 35% of the aggregate principal amount of the Senior Notes at a redemption price equal to 105.875% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings.

The indenture governing the Senior Notes contains a number of covenants that restrict, subject to certain thresholds and exceptions, our ability and the ability of our restricted subsidiaries to incur debt or liens, make certain investments, pay dividends, dispose of certain assets, engage in mergers or acquisitions or engage in transactions with our affiliates.

As of September 30, 2016, there were $600.0 million in principal amount of Senior Notes outstanding.

Covenant Compliance

Under the Credit Agreement, we are required to satisfy and maintain a specified financial ratio. Our continued ability to meet this financial ratio can be affected by events beyond our control, and we cannot assure you that we will continue to meet this ratio. Any breach of these covenants could result in an event of 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 an event of 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;
- 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.

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

(in thousands)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015	Twelve Months Ended September 30, 2016

Net income (loss)	$38,747	$(34,610)	$73,973	$30,764	$ 86,071
Interest expense, net	31,648	32,645	97,583	43,664	131,276
Income tax provision (benefit)	9,163	(6,547)	22,648	16,873	23,755
Depreciation and amortization	57,470	48,737	170,910	100,840	220,904
EBITDA	137,028	40,225	365,114	192,141	462,006
Stock-based compensation	12,489	23,121	40,402	31,435	53,046
Capital-based taxes	1,000	—	1,472	(636)	2,936
Acquired EBITDA and cost savings (1)	—	1,482	5,814	92,717	14,670
Unusual or non-recurring charges (2)	311	9,719	7,065	19,969	13,244
Loss on extinguishment of debt	—	30,417	—	30,417	—
Purchase accounting adjustments (3)	5,573	27,274	29,831	27,973	51,785
Other (4)	269	78	1,822	220	2,452
Consolidated EBITDA	$156,670	$132,316	$451,520	$394,236	$ 600,139

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(1) Acquired EBITDA reflects the EBITDA impact of significant businesses that were acquired during the period as if the acquisition occurred at the beginning of the period, as well as cost savings enacted in connection with acquisitions.
(2) Unusual or non-recurring charges include foreign currency gains and losses, severance expenses, acquisition expenses and other one-time expenses, such as expenses associated with the facilities consolidations, the sale of fixed assets and proceeds from legal and other settlements.
(3) Purchase accounting adjustments include (a) an adjustment to increase revenues by the amount that would have been recognized if deferred revenue were not adjusted to fair value at the date of acquisitions and (b) an adjustment to increase personnel and commissions expense by the amount that would have been recognized if prepaid commissions and deferred personnel costs were not adjusted to fair value at the date of the acquisitions.
(4) Other includes the non-cash portion of straight-line rent expense.

Our covenant requirement for net senior secured leverage ratio and the actual ratio as of September 30, 2016 are as follows:

	Covenant Requirement	Actual Ratio
Maximum consolidated net senior secured leverage to Consolidated EBITDA ratio[1]	5.50x	3.08x

(1) Calculated as the ratio of consolidated net secured funded indebtedness, 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 net secured funded indebtedness is comprised of indebtedness for borrowed money, letters of credit, deferred purchase price obligations and capital lease obligations, all of which is secured by liens on our property.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash flow, and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. The Company is currently evaluating the impact of this ASU.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including those interim periods within those fiscal years. The Company is currently evaluating the impact of this ASU.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This ASU is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The provisions of this ASU are effective for years beginning after December 15, 2016. Early application is permitted. The Company is currently evaluating the impact of this ASU.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU would require lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date; (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessor accounting is largely unchanged under the amendments of this ASU. The provisions of this ASU are effective for years beginning after December 15, 2018. We are currently evaluating the impact of this ASU.

In August 2014, the FASB issued 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). 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. On August 12, 2015, the FASB issued ASU No. 2015-14, deferring the effective date by one year for ASU No. 2014-09. The provisions of ASU No. 2014-09 will be effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted for annual periods beginning after December 15, 2016. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. We have not yet selected a transition method nor have we determined the impact of the new standard on our consolidated condensed financial statements. We are currently evaluating the impact of this standard on our financial position, results of operations and cash flows.

Subsequent to the issuance of ASU No. 2014-09, the FASB has issued the following updates: ASU 2016-08, Revenue from Contracts with Customers (Topic 606) - Principal versus Agent Considerations (Reporting Revenue Gross versus Net); ASU 2016-10, Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing; and ASU 2016-12, Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients. The amendments in these updates affect the guidance contained within ASU 2014-09.

Item 3. 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 September 30, 2016, we had total debt of $2,551.5 million, including $1,951.5 million of variable interest rate debt. As of September 30, 2016, a 1% increase in interest rates would result in an increase in interest expense of approximately $15.6 million per year.

During the nine months ended September 30, 2016, approximately 27% 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, the majority being 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 nine months ended September 30, 2016. 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 4. Controls and Procedures

Evaluation of 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 September 30, 2016. 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, 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 September 30, 2016, 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.

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 September 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The information regarding certain legal proceedings in which we are involved as set forth in Note 8 – Commitments and Contingencies of the Notes to the Condensed Consolidated Financial Statements (Part I, Item 1 of this Quarterly Report on Form 10-Q) is incorporated by reference into this Item 1.

Item 2. Recent Sales of Unregistered Securities and Use of Proceeds

During the three months ended September 30, 2016, we repurchased shares of our common stock in connection with employee tax withholding obligations for vested restricted stock awards. The following is a summary of the repurchases of our common stock in the third quarter of 2016:

Period (1)	(a) Total Number of Shares Purchased (2)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under Plans or Programs
July 1, 2016 – July 31, 2016	69	$ 29.56	—	$ —
August 1, 2016 – August 31, 2016	—	$ —	—	$ —
September 1, 2016 – September 30, 2016	—	$ —	—	$ —
Total	69		—	

(1) Information is based on settlement dates of repurchase transactions.

(2) Consists of shares of our common stock, par value $0.01 per share. Pursuant to certain restricted stock awards, we allow the surrender of restricted shares by certain employees to satisfy statutory tax withholding obligations on vested restricted stock awards.

Item 6. Exhibits

The exhibits listed in the Exhibit Index immediately preceding such exhibits are filed as part of this Report.

SIGNATURE

Pursuant to the requirements 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/ Patrick J. Pedonti
Patrick J. Pedonti

Senior Vice President and Chief Financial Officer

(Duly Authorized Officer, Principal Financial and Accounting Officer)

Date: November 7, 2016

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
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 1350, 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.*

* submitted electronically herewith
Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at September 30, 2016 and December 31, 2015, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2016 and 2015, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015 and (iv) Notes to Condensed Consolidated Financial Statements.