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SS&C Technologies Holdings Inc
Form 10-Q
May 10, 2018

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 March 31, 2018

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 (I.R.S. Employer
incorporation or organization) Identification No.)

80 Lambertson Road

Windsor, CT 06095

(Address of principal executive offices, including zip code)

860-298-4500

(Registrant's telephone number, including area code)

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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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 238,091,089 shares of the registrant’s common stock outstanding as of May 2, 2018.

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”, “assume”, “intend”, “will”, “continue”, “opportunity”, “predict”, “potential”, “future”, “guarant”, “indicate”, “would”, “could” and “should” and similar expressions are intended to identify forward-looking statements. The important factors discussed under the caption “Risk Factors” in this Quarterly Report on Form 10-Q and in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission on February 28, 2018, 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.

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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)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$74,077	\$ 64,057
Accounts receivable, net of allowance for doubtful accounts of \$7,390 and \$6,739, respectively	264,076	243,900
Contract asset	11,942	—
Prepaid expenses and other current assets	35,559	38,742
Prepaid income taxes	—	12,166
Restricted cash	543	592
Total current assets	386,197	359,457
Property, plant and equipment:		
Land	2,655	2,655
Building and improvements	61,354	59,935
Equipment, furniture, and fixtures	144,825	138,747
	208,834	201,337
Less: accumulated depreciation	(106,840)	(100,381)
Net property, plant and equipment	101,994	100,956
Deferred income taxes	2,041	2,324
Contract asset	22,076	—
Goodwill (Note 4)	3,711,181	3,707,823
Intangible and other assets, net of accumulated amortization of \$1,011,145 and \$953,957, respectively	1,326,095	1,368,956
Total assets	\$5,549,584	\$ 5,539,516
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 3)	\$37,338	\$ 37,863
Accounts payable	17,637	27,087
Income taxes payable	16,182	6,031
Accrued employee compensation and benefits	42,193	96,016
Interest payable	7,620	16,425

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Other accrued expenses	60,875	55,637
Deferred revenue	193,024	204,601
Total current liabilities	374,869	443,660
Long-term debt, net of current portion (Note 3)	1,949,232	2,007,332
Other long-term liabilities	120,621	118,679
Deferred income taxes	288,954	283,457
Total liabilities	2,733,676	2,853,128
Commitments and contingencies (Note 9)		
Stockholders' equity (Note 6):		
Preferred stock, \$0.01 par value per share, 5,000,000 shares authorized; no shares issued	—	—
Class A non-voting common stock, \$0.01 par value per share, 5,000,000 shares authorized;		
no shares issued	—	—
Common stock, \$0.01 par value per share, 400,000,000 shares authorized; 209,375,921 shares		
and 208,109,294 shares issued, respectively, and 207,802,582 shares and 206,535,955 shares		
outstanding, respectively, of which 938 and 1,126 are unvested, respectively	2,094	2,081
Additional paid-in capital	2,057,757	2,018,106
Accumulated other comprehensive loss	(77,438)	(82,655)
Retained earnings	851,495	766,856
	2,833,908	2,704,388
Less: cost of common stock in treasury, 1,573,339 shares	(18,000)	(18,000)
Total stockholders' equity	2,815,908	2,686,388
Total liabilities and stockholders' equity	\$5,549,584	\$ 5,539,516

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

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

	Three Months Ended March 31,	
	2018	2017
Revenues:		
Software-enabled services	\$294,803	\$276,452
License, maintenance and related	127,126	131,247
Total revenues	421,929	407,699
Cost of revenues:		
Software-enabled services	167,416	154,006
License, maintenance and related	62,164	63,453
Total cost of revenues	229,580	217,459
Gross profit	192,349	190,240
Operating expenses:		
Selling and marketing	31,150	30,242
Research and development	38,919	38,449
General and administrative	35,433	31,832
Total operating expenses	105,502	100,523
Operating income	86,847	89,717
Interest expense, net	(25,354)	(29,020)
Other income (expense), net	438	(71)
Loss on extinguishment of debt	—	(2,326)
Income before income taxes	61,931	58,300
Provision for income taxes	10,681	10,153
Net income	\$51,250	\$48,147
Basic earnings per share	\$0.25	\$0.24
Diluted earnings per share	\$0.24	\$0.23
Basic weighted average number of common shares outstanding	206,993	203,376
Diluted weighted average number of common and common equivalent shares outstanding	217,656	209,704
Cash dividends declared and paid per common share	\$0.07	\$0.0625
Net income	\$51,250	\$48,147
Other comprehensive income, net of tax:		
Foreign currency exchange translation adjustment	5,217	10,779
Total comprehensive income, net of tax	5,217	10,779
Comprehensive income	\$56,467	\$58,926

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)

	Three Months Ended March 31,	
	2018	2017
Cash flow from operating activities:		
Net income	\$51,250	\$48,147
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,372	58,557
Stock-based compensation expense	12,702	10,900
Amortization and write-offs of loan origination costs	2,626	2,656
Loss on extinguishment of debt	—	2,326
Loss on sale or disposition of property and equipment	28	10
Deferred income taxes	(12,425)	(7,295)
Provision for doubtful accounts	44	1,154
Changes in operating assets and liabilities, excluding effects from acquisitions:		
Accounts receivable	(19,818)	(7,087)
Prepaid expenses and other assets	(30)	(2,532)
Contract assets	26,847	—
Accounts payable	(10,548)	6,106
Accrued expenses	(54,389)	(72,908)
Income taxes prepaid and payable	19,680	5,077
Deferred revenue	(7,395)	12,777
Net cash provided by operating activities	69,944	57,888
Cash flow from investing activities:		
Additions to property and equipment	(7,163)	(5,990)
Cash paid for business acquisitions, net of cash acquired	(191)	1,805
Additions to capitalized software	(3,945)	(3,277)
Net cash used in investing activities	(11,299)	(7,462)
Cash flow from financing activities:		
Cash received from debt borrowings	45,000	45,000
Repayments of debt	(106,250)	(105,200)
Proceeds from exercise of stock options	29,132	14,017
Withholding taxes paid related to equity award net share settlement	(2,171)	(589)
Fees paid for debt extinguishment	—	(1,363)
Dividends paid on common stock	(14,504)	(12,715)
Net cash used in financing activities	(48,793)	(60,850)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	119	1,663
Net increase (decrease) in cash, cash equivalents and restricted cash	9,971	(8,761)
Cash, cash equivalents and restricted cash, beginning of period	64,649	119,674
Cash, cash equivalents and restricted cash, end of period	\$74,620	\$110,913

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, 2017, filed with the Securities and Exchange Commission (the “SEC”) on February 28, 2018 (the “2017 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 March 31, 2018, the results of its operations for the three months ended March 31, 2018 and 2017 and its cash flows for the three months ended March 31, 2018 and 2017. Certain prior year balances have been reclassified to conform to the current year presentation. Such reclassifications did not affect total revenues, operating income or net income. 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, 2017, which were included in the 2017 Form 10-K. The December 31, 2017 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 months ended March 31, 2018 are not necessarily indicative of the expected results for any subsequent quarters or the full year.

In connection with the adoption of ASC 606, the Company revised its presentation of revenues to illustrate its two primary sources of revenues: software-enabled services revenues and license, maintenance and other related revenues. The Company believes its prior presentation of recurring and non-recurring revenue streams is no longer useful, as the license portion of revenue from multi-year term license agreements is now recognized up-front and is no longer annually recurring in nature.

Recently Adopted 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 Accounting Standards Codification (“ASC”) Topic 230, Statement of Cash Flow, and other Topics. ASU 2016-15 is effective for the Company for its first quarter of fiscal 2018 and the guidance requires application using a retrospective method. The impact of the Company’s adoption of ASU 2016-15 to the Company’s Condensed Consolidated Financial Statements was to reflect the presentation of debt prepayment or debt extinguishment costs as cash outflows from financing activities within the Company’s Condensed Consolidated Statement of Cash Flows. The Company adopted ASU 2016-15, which did not have a material impact on the Company’s financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU, Revenue from Contracts with Customers (Topic 606). ASC 606 supersedes the revenue recognition requirements in ASC 605 and 985 and requires entities to recognize revenue when control of the

promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted ASC 606 as of January 1, 2018 using the modified retrospective transition method. See Note 2 for further details.

Recent Accounting Pronouncements Not Yet Effective

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 the Company for its first quarter of fiscal 2020 and earlier adoption is permitted beginning in the first quarter of fiscal 2019. Application of the ASU is through a cumulative-effect adjustment to retained earnings as of the effective date. The Company is currently evaluating the impact of the pending adoption of ASU 2016-13 on the Company's Condensed Consolidated Financial Statements. This ASU is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

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. Additional disclosures will be required to allow the user to assess the amount, timing and uncertainty of cash flows arising from leasing activities. A modified retrospective transition approach is required for leases

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

existing at the time of adoption. ASU 2016-02 is effective for the Company for its first quarter of fiscal 2019 and earlier adoption is permitted. The impact of the Company's adoption of ASU 2016-02 to the Company's Condensed Consolidated Financial Statements will be to recognize the majority of the Company's operating lease commitments as operating lease liabilities and right-of-use assets upon adoption, which will result in a material increase in the assets and liabilities recorded on the Company's Condensed Consolidated Balance Sheet. The Company is continuing its assessment, which may identify additional impacts this ASU will have on the Company's Condensed Consolidated Financial Statements and related disclosures and internal controls over financial reporting.

Note 2—Revenues

Adoption of ASC Topic 606, "Revenue from Contracts with Customers"

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method for those contracts which were not completed as of the date of adoption. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts continue to be reported in accordance with ASC 605 and 985. The most significant impact of the standard to the Company relates to the timing of revenue recognition for arrangements involving term licenses. Under ASC 606, the Company is required to recognize term license revenues upon the transfer of the license and recognize the associated maintenance revenues over the contract period, as opposed to the Company's prior practice of recognizing both the term license and maintenance revenues ratably over the contract period. In addition, the Company is required to capitalize and amortize incremental costs of obtaining a contract, such as certain sales commission costs, over the expected customer relationship period if the Company expects to recover those costs. The Company previously expensed these costs over the length of the initial contract excluding any renewals.

The Company recorded an increase to retained earnings of \$65.8 million, or \$47.9 million net of tax, as of January 1, 2018 due to the cumulative impact of adopting ASC 606, with the impact primarily related to the Company's term license revenues. The impact to revenues for the three months ended March 31, 2018 related to these adjustments was a decrease of \$11.8 million.

The impact of adoption of ASC 606 on the Company's Condensed Consolidated Statement of Comprehensive Income was as follows (in thousands):

For the Three Months Ended March 31, 2018		
	Balance without adoption of ASC 606	Effect of Change
As Reported		

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Revenues:

License, maintenance and related	\$ 127,126	\$ 122,128	\$ 4,998
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Operating expenses:

Selling and marketing	\$ 31,150	\$ 31,748	\$ (598)
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The impact of adoption of ASC 606 on the Company's Condensed Consolidated Balance Sheet was as follows (in thousands):

	As of March 31, 2018		
	As	Balance	
	Reported	without	Effect of
		adoption	Change
		of ASC	
		606	
Assets:			
Accounts receivable, net	\$264,076	\$265,272	\$(1,196)
Contract asset (current)	11,942	-	11,942
Prepaid expenses and other current assets	35,559	31,943	3,616
Contract asset (non-current)	22,076	-	22,076
Liabilities:			
Deferred revenue	\$193,024	\$230,504	\$(37,480)
Other long-term liabilities	120,621	118,115	2,506

The adoption of ASC 606 had no impact on the Company's total cash flows from operations.

Revenue Recognition

Software-enabled Services Revenue

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

The Company primarily offers software-enabled outsourcing services in which the Company utilizes its own software to offer comprehensive fund administration services for alternative investment managers, including fund manager services, transfer agency services, funds-of-funds services, tax processing and accounting. The Company also offers subscription-based on-demand software applications that are managed and hosted at the Company's facilities. The software-enabled services arrangements provide an alternative for clients who do not wish to install, run and maintain complicated financial software. Under these arrangements, the client does not have the right to take possession of the software, rather, the Company agrees to provide access to its applications, remote use of its equipment to process transactions, access to client's data stored on its equipment, and connectivity between its environment and the client's computing systems.

Software-enabled services are generally provided under contracts with initial terms of one to five years that require monthly or quarterly payments, and are subject to automatic annual renewal at the end of the initial term unless terminated by either party.

In software-enabled services arrangements, the arrangement is a single performance obligation comprised of a series of distinct services that are substantially the same and have the same pattern of transfer to the customer (i.e. distinct months of service). The Company applies a measure of progress (typically time-based) to any fixed consideration and allocates variable consideration to the distinct periods of service based on usage or summarization of account information. These amounts may be constrained and are only included in revenue to the extent we do not expect a significant reversal when the uncertainty associated with the variable consideration is resolved. Revenue is generally recognized over the period the services are provided, which results in revenue recognition that corresponds with the value to the client of the services transferred to date relative to the remaining services promised.

License, Maintenance and Related Revenue Agreements

The Company generates revenues in the form of software license fees and related maintenance and services fees. License fees include perpetual license fees and term license fees which differ mainly in the duration over which the customer benefits from the software. Maintenance and services primarily consist of fees for maintenance services (including support and unspecified upgrades and enhancements when and if they are available) and to a lesser extent professional services which focus on both deployment and training the Company's customers to fully leverage the use of its products although the user can benefit from the software without the Company's assistance.

Under ASC 606, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

Software license performance obligations are functional intellectual property that are distinct as the user can benefit from the software on its own as defined under ASC 606. Software license revenues are recognized at the point of time when the software license has been delivered. Term license fees are typically due in annual installments at the beginning of each annual period and we record a contract asset for amounts recognized as revenue in excess of amounts billed.

The Company recognizes revenues from maintenance ratably over the term of the underlying maintenance contract term because the Company transfers control evenly by providing a stand-ready service. The term of the maintenance contract is usually one year. Renewals of maintenance contracts create new performance obligations that are satisfied over the term with the revenues recognized ratably over the term.

Revenues from professional services consist mostly of services provided on a time and materials basis. The performance obligations are satisfied, and revenues are recognized, over time as the services are provided.

In contracts with multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct. The Company allocates the transaction price to each performance obligation based on its relative standalone selling price out of total consideration of the contract. Standalone selling price is determined utilizing observable prices to the extent available. If the standalone selling price for a performance obligation is not directly observable, the Company estimates it maximizing the use of observable inputs. For maintenance and support, the Company determines the standalone selling price based on the price at which the Company separately sells a renewal contract and the economic relationship between licenses and maintenance. The Company determines the standalone selling price for sales of licenses using the residual approach. For professional services, the Company determines the standalone selling prices based on the price at which the Company separately sells those services.

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

The Company occasionally enters into license agreements requiring significant customization of the Company's software which are not material to the Company's results of operations. The Company accounts for the license and professional service fees under these agreements as a single performance obligation, recognized over time using an input method during the development of the license. This method requires estimates to be made for costs to complete the agreement utilizing an estimate of development man-hours remaining. Revenue is recognized each period based on the hours incurred to date compared to the total hours expected to complete the project. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that completion costs may be revised. Such revisions are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are determined on a contract-by-contract basis, and are made in the period in which such losses are first estimated or determined.

Accounts Receivable, net is primarily comprised of billed and unbilled receivables for which we have an unconditional right to consideration, net of an allowance for doubtful accounts.

Deferred revenues represent mostly unrecognized fees billed or collected for maintenance and professional services. Deferred revenues are recognized as (or when) the Company performs under the contract. Deferred revenues are recorded on a net basis with contract assets at the contract level. Accordingly, approximately \$29.3 million of deferred revenue is presented net within contract assets arising from the same contracts. The amount of revenues recognized in the period that was included in the opening deferred revenues balance was \$76.5 million for the three months ended March 31, 2018.

As of March 31, 2018, revenue of approximately \$266.3 million is expected to be recognized from remaining performance obligations for license, maintenance and related revenues, of which \$174.1 million is expected to be recognized over the next twelve months. Software-enabled services are generally provided under contracts which are cancelable with 90 days' notice.

Revenue Disaggregation

The following table disaggregates our revenues by geography (in thousands):

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	Three Months Ended	
	March 31,	
	2018	2017 (1)
United States	\$302,703	\$296,836
United Kingdom	32,011	27,543
Asia-Pacific and Japan	28,988	26,449
Europe, excluding United Kingdom	27,808	24,876
Canada	18,318	20,628
Americas, excluding United States and Canada	12,101	11,367
Total	\$421,929	\$407,699

(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method.

The following table disaggregates our revenues by source (in thousands):

	Three Months Ended	
	March 31,	
	2018	2017 (1)
Software-enabled services	\$294,803	\$276,452
Maintenance and term licenses	107,756	110,557
Perpetual licenses	4,400	2,828
Professional services	14,970	17,862
Total	\$421,929	\$407,699

(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method.

Costs of Revenues

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

Costs of revenues include all costs, including depreciation and amortization, incurred to produce revenues. Incremental costs of obtaining a contract (e.g., sales commissions) are capitalized and amortized on a basis consistent with the pattern of transfer of goods or services to the customer to which the asset relates over the expected customer relationship period if the Company expects to recover those costs. The Company previously expensed these costs over the length of the initial contract excluding any renewals. The expected customer relationship period is determined based on average historical customer relationship periods, including expected renewals. Expected renewal periods are only included in the expected customer relationship period if commission amounts paid upon renewal are not commensurate with amounts paid on the initial contract. Incremental costs of obtaining a contract include only those costs the Company incurs to obtain a contract that it would not have incurred if the contract had not been obtained. The Company has determined that certain commissions programs meet the requirements to be capitalized. Certain sales commissions associated with multi-year contracts are subject to an employee service requirement. As an action other than each party approving the contract is required to trigger payment of these sales commissions, they are not considered incremental costs to obtain a contract and are expensed as incurred. These costs are included in selling, general and administrative expenses.

Practical Expedients

The Company applies a practical expedient to expense sales commissions as incurred when the amortization period would have been one year or less.

As a practical expedient, the Company does not account for significant financing components if the period between when the Company transfers the promised product or service to the client and when the client pays for that product or service will be one year or less.

For the Company's software-enabled services contracts which are cancelable with 90 days' notice, the Company uses the practical expedient applicable to such contracts and has not disclosed the transaction price for the remaining performance obligations as of the end of each reporting period or when the Company expects to recognize this revenue.

The Company records revenue net of any taxes assessed by governmental authorities.

Note 3—Debt

At March 31, 2018 and December 31, 2017, debt consisted of the following (in thousands):

	March 31, 2018	December 31, 2017
Senior secured credit facilities, weighted-average interest rate of 4.05% and 3.75%, respectively	\$1,430,925	\$1,492,175
5.875% senior notes due 2023	600,000	600,000
Unamortized original issue discount and debt issuance costs	(44,355)	(46,980)
	1,986,570	2,045,195
Less current portion of long-term debt	37,338	37,863
Long-term debt	\$1,949,232	\$2,007,332

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

	March 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Senior secured credit facilities	\$1,430,925	\$1,436,911	\$1,492,175	\$1,500,761
5.875% senior notes due 2023	600,000	630,660	600,000	631,313

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.

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

Note 4—Goodwill

The change in carrying value of goodwill as of and for the three months ended March 31, 2018 is as follows (in thousands):

Balance at December 31, 2017	\$3,707,823
Adjustments to prior acquisitions	208
Effect of foreign currency translation	3,150
Balance at March 31, 2018	\$3,711,181

Note 5—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 following table sets forth the computation of basic and diluted EPS (in thousands, except per share amounts):

	For the Three Months Ended March 31,	
	2018	2017
Net income	\$51,250	\$48,147
Shares:		
Weighted average common shares outstanding — used in calculation of basic EPS	206,993	203,376
Weighted average common stock equivalents — options and restricted shares	10,663	6,328
Weighted average common and common equivalent shares outstanding — used in calculation of diluted EPS	217,656	209,704
Earnings per share - Basic	\$0.25	\$0.24

Earnings per share - Diluted	\$0.24	\$0.23
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SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

Weighted average stock options and SARs representing 182,333 and 14,455,614 shares were outstanding for the three months ended March 31, 2018 and 2017, respectively, but were not included in the computation of diluted EPS because the effect of including them would be anti-dilutive.

Dividends. In 2018, the Company paid a quarterly cash dividend of \$0.07 per share of common stock on March 15, 2018 to stockholders of record as of the close of business on March 1, 2018 totaling \$14.5 million. In 2017, the Company paid a quarterly cash dividend of \$0.0625 per share of common stock on March 15, 2017 to stockholders of record as of the close of business on March 1, 2017, totaling \$12.7 million.

Note 6—Equity and Stock-based Compensation

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 for three months ended March 31, 2018 and 2017 was as follows (in thousands):

Consolidated Statements of Comprehensive Income Classification	For the Three Months Ended March 31,	
	2018	2017
Cost of software-enabled services	\$3,544	\$2,729
Cost of license, maintenance and other related	1,094	1,106
Total cost of revenues	4,638	3,835
Selling and marketing	2,682	2,673
Research and development	2,083	1,987
General and administrative	3,299	2,405
Total operating expenses	8,064	7,065
Total stock-based compensation expense	\$12,702	\$10,900

The following table summarizes stock option and SAR activity as of and for the three months ended March 31, 2018:

	Shares
Outstanding at December 31, 2017	31,339,515

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Granted	347,500
Cancelled/forfeited	(218,882)
Exercised	(1,413,744)
Outstanding at March 31, 2018	30,054,389

The following table summarizes RSU activity as of and for the three months ended March 31, 2018:

	Shares
Outstanding at December 31, 2017	183,076
Granted	24,923
Cancelled/forfeited	(556)
Vested	(14,628)
Outstanding at March 31, 2018	192,815

Note 7—Income Taxes

The effective tax rate was 17.2% and 17.4% for the three months ended March 31, 2018 and 2017, respectively. The change in the effective tax rate for the three months ended March 31, 2018 was primarily due to the decrease in the domestic statutory tax rate from 35% to 21%, offset partially by the unfavorable impact of a tax on Global Intangible Low-Taxed Income (“GILTI”). Both the domestic statutory tax rate decrease and GILTI tax became effective January 1, 2018 as a result of the Tax Cut and Jobs Act of 2017 (“Tax Act”) enacted into law in the U.S. on December 22, 2017. In December 2017, the SEC Staff issued Staff Accounting Bulletin

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

No. 118 (“SAB 118”) to provide guidance on how to implement the accounting required as a result of the Tax Act. Due to the complexity of the Tax Act, SAB 118 allowed companies to record provisional amounts, or reasonable estimates of the tax effects of the Act during a measurement period not to exceed one year beyond the enactment date. Accordingly, we provided provisional amounts for the period ending December 31, 2017 relating to the deemed repatriation provisions, revaluation of deferred taxes, other international provisions and the related state tax impacts. We have not yet completed our accounting related to these items and we did not record any significant adjustments related to our provisional amounts during the period ending March 31, 2018. We will continue to analyze the provisional amounts in conjunction with guidance issued by the Department of Treasury in order to complete our accounting during the measurement period.

Note 8—Acquisitions

The following unaudited pro forma condensed consolidated results of operations are provided for illustrative purposes only and assume that the acquisitions of CommonWealth Fund Services Ltd. and Modestspark occurred on January 1, 2016. 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 March 31, 2017
Revenues	\$ 411,045
Net income	\$ 50,482
Basic EPS	\$ 0.25
Diluted EPS	\$ 0.24
Basic weighted average number of common shares outstanding	203,376
Diluted weighted average number of common and common equivalent shares outstanding	209,704

Note 9—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 litigation or proceedings that would have a material adverse effect on the Company or its business.

Note 10—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 Amended Senior Secured Credit Agreement (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 Amended Senior Secured Credit Agreement. 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 March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017 are presented. The condensed consolidating financial information of the Company and its subsidiaries are as follows (in thousands):

	March 31, 2018			Consolidating and Eliminating Adjustments	Consolidated
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries		
Cash and cash equivalents	\$—	\$ 10,952	\$ 63,125	\$—	\$ 74,077
Accounts receivable, net	—	177,378	86,698	—	264,076
Contract asset	—	11,156	786	—	11,942
Prepaid expenses and other current assets	—	16,100	19,459	—	35,559
Restricted cash	—	543	—	—	543
Net property, plant and equipment	—	61,058	40,936	—	101,994
Investment in subsidiaries	3,512,062	982,351	—	(4,494,413)	—
Intercompany receivables	—	265,532	116,137	(381,669)	—
Deferred income taxes, long-term	—	—	2,041	—	2,041
Long-term contract asset	—	21,406	670	—	22,076
Goodwill, intangible and other assets, net	—	3,836,385	1,200,891	—	5,037,276
Total assets	\$3,512,062	\$ 5,382,861	\$ 1,530,743	\$ (4,876,082)	\$ 5,549,584
Current portion of long-term debt	—	12,199	25,139	—	37,338
Accounts payable	—	8,441	9,196	—	17,637
Accrued expenses	7,344	57,597	45,747	—	110,688
Income taxes payable	—	13,140	3,042	—	16,182
Deferred revenue	—	163,056	29,968	—	193,024
Long-term debt, net of current portion	600,000	1,154,848	194,384	—	1,949,232
Other long-term liabilities	—	83,125	37,496	—	120,621
Intercompany payables	88,810	116,137	176,722	(381,669)	—
Deferred income taxes, long-term	—	262,256	26,698	—	288,954
Total liabilities	696,154	1,870,799	548,392	(381,669)	2,733,676
Total stockholders' equity	2,815,908	3,512,062	982,351	(4,494,413)	2,815,908
Total liabilities and stockholders' equity	\$3,512,062	\$ 5,382,861	\$ 1,530,743	\$ (4,876,082)	\$ 5,549,584

SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

	December 31, 2017				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Cash and cash equivalents	\$—	\$ 21,191	\$ 42,866	\$—	\$ 64,057
Accounts receivable, net	—	173,997	69,903	—	243,900
Prepaid expenses and other current assets	—	19,770	18,972	—	38,742
Prepaid income taxes	—	6,366	5,800	—	12,166
Restricted cash	—	592	—	—	592
Net property, plant and equipment	—	60,774	40,182	—	100,956
Investment in subsidiaries	3,373,730	938,794	—	(4,312,524)	—
Intercompany receivables	—	199,503	74,005	(273,508)	—
Deferred income taxes, long-term	—	—	2,324	—	2,324
Goodwill, intangible and other assets, net	—	3,871,503	1,205,276	—	5,076,779
Total assets	\$3,373,730	\$ 5,292,490	\$ 1,459,328	\$ (4,586,032)	\$ 5,539,516
Current portion of long-term debt	—	12,626	25,237	—	37,863
Accounts payable	—	19,223	7,864	—	27,087
Accrued expenses	16,157	96,540	55,381	—	168,078
Income taxes payable	—	—	6,031	—	6,031
Deferred revenue	—	182,181	22,420	—	204,601
Long-term debt, net of current portion	600,000	1,197,576	209,756	—	2,007,332
Other long-term liabilities	—	82,239	36,440	—	118,679
Intercompany payables	71,185	74,005	128,318	(273,508)	—
Deferred income taxes, long-term	—	254,370	29,087	—	283,457
Total liabilities	687,342	1,918,760	520,534	(273,508)	2,853,128
Total stockholders' equity	2,686,388	3,373,730	938,794	(4,312,524)	2,686,388
Total liabilities and stockholders' equity	\$3,373,730	\$ 5,292,490	\$ 1,459,328	\$ (4,586,032)	\$ 5,539,516

	For the Three Months Ended March 31, 2018				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues	\$—	\$ 287,651	\$ 134,453	\$ (175)	\$ 421,929
Cost of revenues	—	149,678	80,077	(175)	229,580
Gross profit	—	137,973	54,376	—	192,349
Operating expenses:					
Selling and marketing	—	22,025	9,125	—	31,150

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Research and development	—	27,289	11,630	—	38,919
General and administrative	—	26,690	8,743	—	35,433
Total operating expenses	—	76,004	29,498	—	105,502
Operating income	—	61,969	24,878	—	86,847
Interest expense, net	(8,813)	(12,267)	(4,274)	—	(25,354)
Other (expense) income, net	—	(18,846)	19,284	—	438
Earnings from subsidiaries	60,063	33,480	—	(93,543)	—
Income before income taxes	51,250	64,336	39,888	(93,543)	61,931
Provision for income taxes	—	4,273	6,408	—	10,681
Net income	\$51,250	\$ 60,063	\$ 33,480	\$ (93,543)	\$ 51,250
Other comprehensive income, net of tax:					
Foreign currency exchange translation adjustment	5,217	5,217	7,386	(12,603)	5,217
Comprehensive income	\$56,467	\$ 65,280	\$ 40,866	\$ (106,146)	\$ 56,467

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SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

For the Three Months Ended March 31, 2017

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues	\$—	\$ 286,034	\$ 122,100	\$ (435)	\$ 407,699
Cost of revenues	—	144,757	73,137	(435)	217,459
Gross profit	—	141,277	48,963	—	190,240
Operating expenses:					
Selling and marketing	—	22,625	7,617	—	30,242
Research and development	—	27,169	11,280	—	38,449
General and administrative	—	22,608	9,224	—	31,832
Total operating expenses	—	72,402	28,121	—	100,523
Operating income	—	68,875	20,842	—	89,717
Interest expense, net	(8,813)	(15,004)	(5,203)	—	(29,020)
Other (expense) income, net	—	(17,731)	17,660	—	(71)
Loss on extinguishment of debt	—	(1,743)	(583)	—	(2,326)
Earnings from subsidiaries	56,960	28,629	—	(85,589)	—
Income before income taxes	48,147	63,026	32,716	(85,589)	58,300
Provision for income taxes	—	6,066	4,087	—	10,153
Net income	\$48,147	\$ 56,960	\$ 28,629	\$ (85,589)	\$ 48,147
Other comprehensive income, net of tax:					
Foreign currency exchange translation adjustment	10,779	10,779	10,109	(20,888)	10,779
Comprehensive income	\$58,926	\$ 67,739	\$ 38,738	\$ (106,477)	\$ 58,926

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SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

	For the Three Months Ended March 31, 2018				
	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Cash Flow from Operating Activities:					
Net income	\$51,250	\$ 60,063	\$ 33,480	\$ (93,543)	\$ 51,250
Non-cash adjustments	—	48,163	16,184	—	64,347
Intercompany transactions	17,626	(22,927)	5,301	—	—
Earnings from subsidiaries	(60,063)	(33,480)	—	93,543	—
Changes in operating assets and liabilities	(8,813)	(22,644)	(14,196)	—	(45,653)
Net cash provided by operating activities	—	29,175	40,769	—	69,944
Cash Flow from Investment Activities:					
Additions to property and equipment	—	(4,173)	(2,990)	—	(7,163)
Cash paid for business acquisitions, net of cash acquired	—	—	(191)	—	(191)
Additions to capitalized software	—	(2,689)	(1,256)	—	(3,945)
Net cash used in investing activities	—	(6,862)	(4,437)	—	(11,299)
Cash Flow from Financing Activities:					
Cash received from debt borrowings	—	45,000	—	—	45,000
Repayments of debt	—	(90,250)	(16,000)	—	(106,250)
Transactions involving Holding's common stock	—	12,457	—	—	12,457
Intercompany transactions	—	192	(192)	—	—
Net cash used in financing activities	—	(32,601)	(16,192)	—	(48,793)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	119	—	119
Net increase (decrease) in cash, cash equivalents and restricted cash	—	(10,288)	20,259	—	9,971
Cash, cash equivalents and restricted cash, beginning of period	—	21,783	42,866	—	64,649
Cash, cash equivalents and restricted cash, end of period	\$—	\$ 11,495	\$ 63,125	\$ —	\$ 74,620

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SS&C TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(Unaudited)

For the Three Months Ended March 31, 2017

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Cash Flow from Operating Activities:					
Net income	\$48,147	\$ 56,960	\$ 28,629	\$ (85,589)	\$ 48,147
Non-cash adjustments	—	51,401	16,907	—	68,308
Intercompany transactions	17,625	(12,791)	(4,834)	—	—
Earnings from subsidiaries	(56,960)	(28,629)	—	85,589	—
Changes in operating assets and liabilities	(8,812)	(36,492)	(13,263)	—	(58,567)
Net cash provided by operating activities	—	30,449	27,439	—	57,888
Cash Flow from Investment Activities:					
Additions to property and equipment	—	(5,027)	(963)	—	(5,990)
Cash paid for business acquisitions, net of cash acquired	—	1,802	3	—	1,805
Additions to capitalized software	—	(2,331)	(946)	—	(3,277)
Net cash used in investing activities	—	(5,556)	(1,906)	—	(7,462)
Cash Flow from Financing Activities:					
Cash received from debt borrowings	—	45,000	—	—	45,000
Repayments of debt	—	(77,200)	(28,000)	—	(105,200)
Transactions involving Holding's common stock	—	713	—	—	713
Fees paid for debt extinguishment	—	(943)	(420)	—	(1,363)
Intercompany transactions	—	60	(60)	—	—
Net cash used in financing activities	—	(32,370)	(28,480)	—	(60,850)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	1,663	—	1,663
Net decrease in cash, cash equivalents and restricted cash	—	(7,477)	(1,284)	—	(8,761)
Cash, cash equivalents and restricted cash, beginning of period	—	35,511	84,163	—	119,674
Cash, cash equivalents and restricted cash, end of period	\$—	\$ 28,034	\$ 82,879	\$ —	\$ 110,913

Note 11—Subsequent Events

Equity offering. In April 2018, the Company completed a public offering of its common stock. The offering included 30,262,250 newly issued shares of common stock sold by the Company at an offering price to the public of \$47.50 per share for which the Company received total net proceeds of approximately \$1.4 billion.

Acquisition of DST Systems, Inc. On April 16, 2018, the Company purchased all of the outstanding stock of DST Systems, Inc. (“DST”) for approximately \$5.0 billion in cash, plus the costs, fees, expenses and debt assumed in connection with the transaction. In connection with this acquisition, the Company entered into an amended and restated senior secured credit facility pursuant to which the Company borrowed an aggregate of approximately \$7.4 billion (approximately \$524.5 million of which was rolled over from the Company’s existing credit facility). A portion of these proceeds was used to repay the Company’s Senior Notes and the remaining amounts outstanding under the Company’s existing credit facility. In addition, the amended and restated senior secured credit facility includes an undrawn revolving credit facility of \$250.0 million. DST is a global provider of specialized technology, strategic advisory and business operations outsourcing to the financial services and healthcare industries. The net assets and results of operations of DST will be included in the Company’s consolidated financial statements from April 16, 2018. The relevant business combination disclosures will be included in the Company’s consolidated financial statements once preliminary accounting has been completed.

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 2017 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 2017 Form 10-K. Our critical accounting policies are described in the 2017 Form 10-K and include:

- Revenue Recognition

- Long-Lived Assets, Intangible Assets and Goodwill

- Acquisition Accounting

- Stock-based Compensation

- Income Taxes

Acquisition of DST Systems, Inc.

On April 16, 2018, the Company purchased all of the outstanding stock of DST Systems, Inc. ("DST") for approximately \$5.0 billion in cash, plus the costs, fees, expenses and debt assumed in connection with the transaction. In connection with this acquisition, the Company entered into an amended and restated senior secured credit facility pursuant to which the Company borrowed an aggregate of approximately \$7.4 billion (approximately \$524.5 million of which was rolled over from the Company's existing credit facility). A portion of these proceeds was used to repay the Company's Senior Notes and the remaining amounts outstanding under the Company's existing credit facility. In addition, the amended and restated senior secured credit facility includes an undrawn revolving credit facility of \$250.0 million. DST is a global provider of specialized technology, strategic advisory and business operations outsourcing to the financial services and healthcare industries. The net assets and results of operations of DST will be included in the Company's consolidated financial statements from April 16, 2018. The relevant business combination disclosures will be included in the Company's consolidated financial statements once preliminary accounting has been completed.

Results of Operations

We derive our revenue from two sources: software-enabled services revenues and license, maintenance and related revenues. See Note 1 to our Condensed Consolidated Financial Statements for discussion of the change in revenue presentation compared to prior periods. 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. License, maintenance and related revenues consist of term and perpetual license fees, maintenance fees and professional services. Maintenance

revenues vary based on customer retention and on the annual increases in fees, which are generally tied to the consumer price index. License and professional services revenues tend to fluctuate based on the number of new licensing clients, the timing and terms of contract renewals and demand for consulting services.

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 March 31, 2018		2017	
Revenues:				
Software-enabled services	70 %	68 %		
License, maintenance and related	30	32		
Total revenues	100%	100 %		

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

	Three Months Ended March 31, 2018		2017		Percent Change from Prior Period
Revenues:					
Software-enabled services	\$294,803	\$276,452	7	%	
License, maintenance and related	127,126	131,247	(3)	
Total revenues	\$421,929	\$407,699	3		

Three Months Ended March 31, 2018 and 2017. Our revenues increased \$14.2 million or 3.5%. Revenues increased primarily due to increased demand for our software-enabled services. Our acquisitions, which included CommonWealth Fund Services Ltd. (“CommonWealth”) in the fourth quarter of 2017, contributed \$1.8 million in revenues and the favorable impact from foreign currency translation added \$3.3 million, which resulted primarily from the strength of the U.S. dollar relative to the British Pound, the Euro and the Canadian dollar. Software-enabled services revenues increased \$18.4 million or 6.6% primarily due to a continued increase in demand for our fund administration services as well as services for advisory and wealth managers. Acquisitions contributed \$1.8 million and the favorable impact from foreign currency translation was \$1.8 million. License, maintenance and related revenues decreased \$4.1 million or 3.1% primarily due to lower demand for professional services and the impact on term licenses as a result of the implementation of ASC 606. Offsetting the overall decrease in license, maintenance and related revenues was an increase of \$1.5 million due to the favorable impact from foreign currency translation.

Cost of Revenues

Cost of software-enabled services revenues consists primarily of costs related to personnel utilized in servicing our software-enabled services and amortization of intangible assets. Cost of license, maintenance and other related revenues consists primarily of the cost related to personnel utilized in servicing our maintenance contracts and 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 March 31, 2018		2017
--	--	------