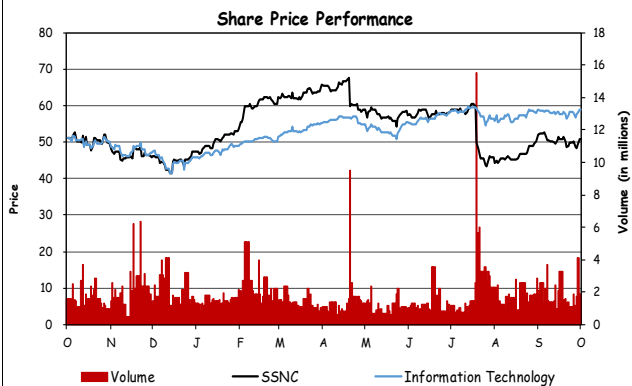


SS&C Technologies Holdings, Inc.	Symbol: SSNC
Analyst	Michael Carman
Buy below	\$42.35
Sell above	\$63.28
Probability of Price Increase	68%
Last Price	\$50.71
Intrinsic Value	\$50.95
Target Dividends	\$0.33
Target Price	\$52.61



Description
 SS&C Technologies Holdings, Inc. provides software products and software-enabled services to financial services and healthcare industries in the United States, Canada, rest of the Americas, Europe, the Asia Pacific, and Japan.

Sector Information Technology
Industry Software
Last Guidance December 11, 2018
Next earnings date October 25, 2019

People
 Stone, William, Founder, Chairman of the Board & CEO
 Kanwar, Rahul, President & COO
 Pedonti, Patrick, Senior VP & CFO
 Frank, Joseph, Senior VP, Chief Legal Officer & Secretary
 Caiafa, Anthony, Chief Technology Officer
 Stone, Justine, Head of Investor Relations

Top Competitors

Envestnet, Inc.	--
Broadridge Financial Solutions, Inc.	CDK Global, Inc.
Synopsys, Inc.	The Sage Group plc
--	--
Global Payments Inc.	RealPage, Inc.

Market Statistics

Market Capitalization (mil)	\$12,866.84
Last Price per share	\$50.71
52 week high	\$67.73
52-week low	\$40.96
Volatility	28.83%
Daily volume (mil)	1.86
Short interest	3.04%
Days to cover short interest	3.59
Beta	1.44

Financials

Profitability	SSNC (LTM)	SSNC Historical	Peers' Median (LTM)
Return on Capital	4.1%	3.92%	11.95%
Adjusted EBITDA Margin	23.1%	25.96%	30.15%
Return on Equity	10.9%	4.8%	12.4%
Adjusted Net margin	14.2%	10.2%	11.3%
Invested Funds	SSNC (LTM)	SSNC Historical	Peers' Median (LTM)
Cash/Capital	-7.0%	-13.9%	10.0%
NWC/Capital	1.0%	1.0%	-2.4%
Operating Assets/Capital	36.3%	53.9%	31.4%
Goodwill/Capital	69.8%	57.4%	57.6%
Capital Structure	SSNC (LTM)	SSNC Historical	Peers' Median (LTM)
Total Debt/(Market Cap.+ Other Claims on Capital)	0.37	0.25	0.13
Minority Interest/(Market Cap.+ Other Claims on Capital)	0.0%	0.0%	0.0%
Preferred Equity/(Market Cap.+ Other Claims on Capital)	0.0%	0.0%	0.0%
CGFS Credit Rating	CCC		BB
Credit Rating Model	b+ to bb-		bb to bb+
Probability of Default Model	bbb-		a- to a
Likely Current Cost of Debt	4.94%		4.02%
Likely Current Cost of Equity (Cost of Debt + MRP)	11.24%		10.31%
Likely Current WACC	9.21%		9.5%

Investment Thesis

UNIQUE LONG-TERM GROWTH PROSPECTS AND MARGIN EXPANSION

I am initiating coverage of SS&C Technologies with a BUY at \$45 and a \$52.61 price target. SSNC is a global provider of software and software-enabled services to thousands of clients, principally within the institutional asset and wealth management, alternative investment management, healthcare, brokerage, retirement, financial advisory and financial institutions vertical markets. Substantial contractually recurring revenues and significant cash flow characterize SSNC's business model. They generate revenues primarily through our high-value software-enabled services. SSNC initiates contracts with terms of one to five years that require monthly or quarterly payments and are subject to annual renewal at the end of the initial term unless terminated by either party. SSNC has a strong history of acquiring complementary businesses through vertical integrations. They use debt as way of financing their acquisitions, then use contractual payments to generate revenue and pay off their debts. As a result, SSNC now has the capacity to fund growth while also reinvesting in structural improvements to its gross margin. I believe SSNC offers the opportunity for growth through strong acquisitions and structured payments from customers.

For the long:

1. Recurring revenues allow for a stable cash flow:

SSNC has a 97% of recurring revenues which makes them a very stable stocks during times of a recession or economic downturn. This is due to the fact that SSNC's primary source of income is through contracts with customers. These contracts can range from one to five years and are automatically renewed unless specified by either party. SSNC will receive a stable cash flow from customers and a short economic downturn should not have too much effect on revenue. This gives SSNC the ability to pay of their debt at a stable rate and allows them to growth through acquisitions.

2. Continued growth through acquisitions:

With Since 1995, SSNC have acquired 53 businesses within their industry. These acquisitions have contributed marketable products and services, which have added to their revenues and earnings. SSNC have generally been able to improve the operating performance and profitability of their acquired businesses. In 2018, SSNC acquired DST systems, Eze Software and Intralinks Holdings for around 8 billion dollars. These acquisitions have translated into \$244.3 million in new revenue for SSNC in the first two quarters of 2019 alone. SSNC finances their acquisitions through long-term debt, which they are able to pay off at a constant rate. SSNC was able to pay down \$414.9 million of net debt as well as only paying \$73.5 million of cash interest compared to \$100 million during the same period last year.

3. Increased outsourcing of IT solutions:

With a growing trend of IT outsourcing within the financial industry, SSNC has positioned themselves in a lucrative opportunity. Many asset managers prefer to focus on generating a higher alpha and reducing operating costs, rather than complete these services in house. Cost optimization allows for certain IT services and operational functions, such as compliance and tax services, to be outsourced to companies such as SSNC because they have built up their customer relations since the time of their inception. In the last two years, 20 of SSNC's largest clients have outsourced some or all of their operational functions to them. Management believes that this opportunity could translate into several hundred million dollars.

For the short:

1. Stock Price directly related to Earnings Calls:

The current outlook on SSNC meeting its earning calls seems positive. They have a history of meeting or beating their earnings calls compared to their guidance. Following the earnings call during the second quarter, SSNC readjusted their year-end guidance and the stock price fell 20%. If SSNC misses their earnings, the stock price could fall again.

2. An economic downturn would make finding new clients difficult:

If SSNC is unable to keep existing clients satisfied, sell additional products and services to existing clients or attract new clients, then revenues and net income would remain stagnant or decline. These revenue sources are substantially dependent on the levels of participation and activity in the securities markets. This level of activity could decline if the US and world economies entered an economic downturn or even a recession.

Key Catalysts for price change

- Recurring revenues for stable cash flows.
- Continued growth through acquisitions.
- Increased outsourcing of IT solutions.

Valuation

My \$52.61 price target is derived from Discounted Levered Free Cash Flow estimates.

Ownership

	Change in Ownership (over the past "Number" months)
Shares outstanding (mil)	253.76
Weighted Diluted shares outstanding (mil)	265.20
Options and Warrants (Shares equivalent)	19.84
% shares held by institutions	86%
% shares held by investments Managers	70%
% shares held by hedge funds	11.49%
% shares held by VC/PE firms	0.460%
% shares held by insiders	12.71%
Poison Pill and Type	NONE

Quarterly Earning Surprises (Actual/Median Estimates)

Revenue	Last 5 quarters
6/30/2018	\$3583.2 (-1%)
9/30/2018	\$3969.6 (-1%)
12/31/2018	\$4444 (-0.6%)
3/31/2019	\$4548.8 (-1.4%)
6/30/2019	\$4592 (-0.5%)
EBITDA	Last 5 quarters
6/30/2018	\$702.8 (-34.1%)
9/30/2018	\$1332.8 (-8.5%)
12/31/2018	\$1542 (-6.7%)
3/31/2019	\$1619.2 (-8.5%)
6/30/2019	\$1653.6 (-9.9%)
History:	Last 9 years
Mean Surprise	-1.02%
99th percentile "surprise" range	-5% to 3%
History:	Last 9 years
Mean Surprise	-15.41%
99th percentile "surprise" range	-44% to 13%

SS&C Technologies Holdings, Inc.		Symbol: SSNC	Cost of Capital Estimates			
Analyst	Michael Carman			CGFS Credit Rating	Credit Rating Model	Probability of Default ModelModel
Buy below	\$42.35		Implied Cost of Borrowing (SSNC)	5.3%	5.8%	4.9%
Sell above	\$63.28		Implied Cost of Borrowing (Peers)	4.5%	5.4%	4.0%
Probability of Price Increase	68%			Base Year	Explicit Period (15 years)	Continuing Period
Last Price	\$50.71		Cost of New Debt Estimate	5.15%		4.53%
Intrinsic Value	\$50.95		Country Risk Premium Estimate	6.30%		6.30%
Target Dividends	\$0.33		Cost of Equity Estimate	11.45%		10.82%
Target Price	\$52.61		WACC Estimate	8.59%		8.01%

Forecast Assumptions						
Fiscal Year	Revenue Growth	EBITDA Margin	CAPEX/Revenue	DPR/CAPEX	Other	
Base Year (Actual)	104.61%	19.7%	1.0%	0.31	SBC/Revenue	1.77%
year 1	9.20%	39.1%	2.5%	0.31		Constant/same as LTM
year 2	2.94%	40.4%	2.6%	0.31	Lease term	10
year 3	1.85%	41.2%	2.6%	0.31	Rent Expense/Revenue	2.43%
year 4	3.06%	39.9%	2.7%	0.31		Tappers off to historical average
year 5	3.70%	40.1%	2.7%	0.31	R&D life	10
year 6	3.59%	40.1%	2.5%	0.31	R&D Expense/Revenue	9.53%
year 7	3.48%	40.0%	2.4%	0.31		Constant/same as LTM
year 8	3.38%	40.0%	2.2%	0.31	LIFO Reserve	Tappers off to zero
year 9	3.27%	39.9%	2.1%	0.31	Non-operating pension costs	Tappers off to zero
year 10	3.16%	39.9%	1.9%	0.31	Net financing pensions costs	Tappers off to zero
year 11	3.05%	39.8%	1.8%	0.31	Overfunded pension plans	Tappers off to zero
year 12	2.95%	39.7%	1.6%	0.31	Capitalized interests	Constant/same as LTM
year 13	2.84%	39.7%	1.5%	0.31	Dividends/Revenue	0.18%
year 14	2.73%	39.6%	1.3%	0.31	Tax Rate	20.00%
year 15	2.63%	39.5%	1.2%	0.31		
Continuing Period	2.52%	39.5%	1%	0.31		

Simulation Assumptions						
Random Variables	Distribution Assumption	MAX	Likely	MIN	Sensitivity: Price Variance Attribution Analysis	
Deviations in annual Revenue Growth--Expl. Per.	Triangular	1.49%	0%	-5.28%	5.67%	Revenue growth
Deviations in annual Revenue Growth --Cont. Per.	Normal	1.52%	0%	-1.52%		EBITDA Margin
Deviations from EBITDA Margin base annual estimates	Triangular	0.44%	0%	-1.16%	32.42%	EBITDA Margin
Deviations from CAPEX/Revenue base annual estimates	Triangular	1.93%	0%	0.66%	39.80%	CAPEX/Rev
Deviations from Kd base annual estimates	Triangular	1.23%	0%	-1.48%	19.34%	Discount Rate
Deviations from CRP base annual estimates	Triangular	1.82%	0%	-1.92%		TEV/Rev
Deviations from TEV/Revenue base estimate	Triangular	2.86	0%	-0.66	0.00%	TEV/EBITDA
Deviations from TEV/Revenue base estimate	Triangular	3.82	0%	-6.86	0.00%	P/BV
Change in P/BV (TTM)	Triangular	7.23	0%	-1.70	0.00%	P/E
Change in P/E (FW)	Triangular	8.23	0%	-10.56	0.00%	P/E
Recovery Rate	Triangular	10.00%	0%	-10%	0.00%	Asset Recovery Rate

Valuation				Intrinsic Value Distribution--Probability (Upside)=68%	
DCF Valuation					
	Base	Explicit Period (Average)	Continuing Period		
Revenues	\$4,388.60	\$5,876.22	\$7,476.51		
Net Margin	14%	31%	25%		
LFCF	\$91.13	\$1,442.10	\$1,753.16		
Ke	11.45%	10.82%	10.82%		
ROE	10.87%	15.91%	14.09%		
Relative Valuation					
	Median Justified Multiple	Basis	Implied Equity Value		
EV/Rev (FW)	4.1x	\$4,846.43	\$12,351.39		
EV/EBITDA (FW)	17.2x	\$1,914.40	\$25,440.03		
P/BV (TTM)	5.4x	\$6,533.42	\$35,085.31		
P/E (FW)	24.2x	\$1,772.76	\$42,878.74		

Asset Based Valuation		Valuation Summary				
		Intrinsic Value		Target Price		Model Weight
Recovery Rate	60%	DCF Valuation	\$ 51.84	\$ 53.51	\$ 53.51	100%
Capital	\$37,657.01	EV/Rev (FW)	\$ 43.33	\$ 46.70	\$ 46.70	0%
Intangibles	\$12,774.50	EV/EBITDA (FW)	\$ 89.25	\$ 96.56	\$ 96.56	0%
Claims	\$21,565.71	P/BV (TTM)	\$ 123.09	\$ 133.30	\$ 133.30	0%
Implied Equity Value	\$0.00	P/E (FW)	\$ 150.43	\$ 162.99	\$ 162.99	0%
		Asset Based Valuation	\$ -	\$ (0.36)	\$ (0.36)	0%
		Price per Share	\$ 51.84	\$ 53.51	\$ 53.51	100%