



SS&C Technologies Holdings, Inc. (SSNC)

Updated November 7th, 2024, by Ian Bezek

Key Metrics

Current Price:	\$75	5 Year CAGR Estimate:	11.8%	Market Cap:	\$18.5 B
Fair Value Price:	\$67	5 Year Growth Estimate:	13.0%	Ex-Dividend Date:	12/03/24 ¹
% Fair Value:	112%	5 Year Valuation Multiple Estimate:	-2.2%	Dividend Payment Date:	12/16/24 ¹
Dividend Yield:	1.3%	5 Year Price Target	\$124	Years Of Dividend Growth:	8
Dividend Risk Score:	D	Retirement Suitability Score:	F	Rating:	Buy

Overview & Current Events

SS&C Technologies, short for Securities Software and Consultants, is a company which provides technology solutions to the financial services industry. Specifically, its core software platform offers various functions including accounting, portfolio management, trading, and lending to fund managers, financial advisors and institutional clients. The firm also has a smaller position in the healthcare software space. SS&C has thrived over the years thanks to shrewd mergers and acquisitions; it has made more than 50 purchases over the years. These deals have added numerous additional functions onto its core fund administration platform.

The company has enjoyed strong growth, both organically and from its relentless dealmaking. Revenues have skyrocketed from \$768 million in 2014 to \$5.5 billion last year. This has translated into strong growth in earnings per share and dividends as well. Earnings fell a bit in 2022 and 2023, in part due to weaker equity market conditions compared to the 2021 boom. But with the stock market hitting record highs again, fund managers are spending more liberally on software tools, and SS&C's results are back on the upswing.

The company's Q3 results, reported October 24th, 2024, have continued that favorable momentum. Revenues of \$1.47 billion grew 7.3% year-over-year and beat expectations. Meanwhile, GAAP earnings of \$0.65 rose from the \$0.61 reported in the same period of 2023. Note that we are using GAAP earnings, rather than non-GAAP, as the basis for this report as SS&C spends heavily on recurring stock compensation expenses, and we believe that it is a real cost which investors should consider as part of the company's valuation. SS&C's strong results this quarter were driven by both top-line growth and a substantial improvement in operating margin. We expect the rest of 2024 to be similarly upbeat.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$0.75	\$0.22	\$0.64	\$1.55	\$0.42	\$1.66	\$2.35	\$2.99	\$2.48	\$2.39	\$3.20	\$5.90
DPS	\$0.06	\$0.25	\$0.25	\$0.27	\$0.30	\$0.43	\$0.53	\$0.68	\$0.80	\$0.88	\$1.00	\$1.84
Shares²	175	191	206	212	244	264	267	262	255	255	247	240

SS&C has been a tremendous growth story over the past decade, growing earnings per share at 13.7% annually. This has increased to 14% annually over the past five years. We model 13% per year going forward, though this assumes the company will be able to find additional attractive M&A targets. Historically, SS&C has funded its growth through both share dilution and heavy debt issuance. However, as the company has grown its internal cash flows tremendously, it has reduced the need for outside funding. As a result, SS&C has been able to start buying back stock and has begun to move the needle in terms of reducing the share count, even in the face of chunky employee stock compensation.

SS&C has grown its dividend tremendously, albeit off a small base. The dividend has increased at a blistering 18% annualized rate over the past five years, though the most recent hike, on August 21st, was a more modest 4.2% increase. We expect a 13% dividend growth rate going forward, though this could end up being significantly smaller if the company continues ramping up its share buyback program instead.

¹ Estimated date

² In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	37.6	156.9	44.3	25.4	109.6	35.6	30.0	26.2	20.1	24.8	23.4	21.0
Avg. Yld.	0.2%	0.5%	0.7%	0.6%	0.5%	0.6%	0.7%	0.7%	1.2%	1.5%	1.3%	1.5%

SS&C Technologies stock has traditionally traded at a high multiple of its GAAP earnings per share, averaging a more than 50x P/E ratio since 2014. This has come down to 27.3x over the past five years, and we continue to expect the P/E ratio to decline over time as the company becomes larger and more mature. We forecast a 21x P/E five years from now.

The company's average yield has risen over time as the company has devoted more of its profits to its dividend. We expect the yield to settle around 1.5% over the long term.

Safety, Quality, Competitive Advantage, & Recession Resiliency

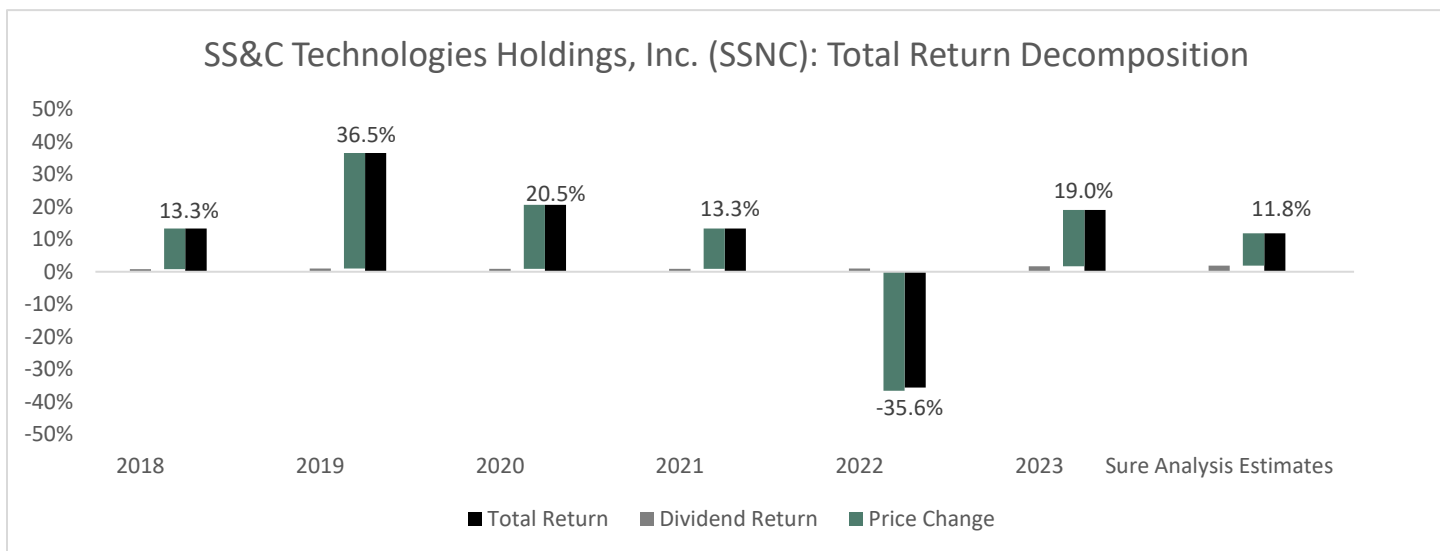
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	8%	114%	39%	17%	71%	26%	23%	23%	32%	37%	31%	31%

SS&C has had a variable but generally low dividend payout ratio. We believe the current dividend is easily covered out of earnings. That said, we'd note that the company has a debt/EBITDA ratio of almost 3x at the moment, which is fairly high for the software industry. And, in the past, SS&C has taken on large chunks of debt to fund major M&A deals. It's not inconceivable that SS&C could have to greatly limit dividend growth for a time if its industry experienced a downturn. SS&C has built a far-reaching ecosystem for fund managers and financial planners and it would be time-consuming and inconvenient for most customers to move away from SS&C's products. This should give it a fair bit of pricing power and help insulate it from near-term economic volatility.

Final Thoughts & Recommendation

SS&C is riding high at the moment, driven by a strong environment for equity markets and thus the fund managers and institutions that provide money management services. This tailwind won't last forever, and SS&C could face a bit of multiple compression when equity market sentiment sours. That said, the company's growth rate is so strong that it can still deliver generous returns even accounting for a share price that is currently a bit above our fair value estimate. We foresee 11.8% total annualized returns from here going forward, making SSNC stock a buy today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	768	1,000	1,481	1,675	3,421	4,633	4,668	5,051	5,283	5,503
Gross Profit	357	468	681	789	1,370	2,021	2,094	2,409	2,515	2,652
Gross Margin	46.5%	46.8%	46.0%	47.1%	40.0%	43.6%	44.9%	47.7%	47.6%	48.2%
SG&A Exp.	99	193	240	238	525	723	709	752	925	969
D&A Exp.	100	151	229	237	519	775	725	667	672	670
Operating Profit	200	165	289	398	527	914	986	1,242	1,143	1,209
Op. Margin	26.1%	16.5%	19.5%	23.7%	15.4%	19.7%	21.1%	24.6%	21.6%	22.0%
Net Profit	131	43	131	329	103	439	625	800	650	607
Net Margin	17.1%	4.3%	8.8%	19.6%	3.0%	9.5%	13.4%	15.8%	12.3%	11.0%
Free Cash Flow	234	213	381	426	551	1,198	1,078	1,292	926	964
Income Tax	47	18	33	(46)	22	93	151	236	227	249

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,266	5,802	5,707	5,540	16,108	16,741	15,924	17,333	16,653	18,103
Cash & Equivalents	110	434	118	64	167	153	209	564	440	432
Acc. Receivable	58	130	173	179	516	489	479	522	594	621
Goodwill & Int.	1,962	5,039	5,185	5,062	12,862	12,455	12,113	11,609	12,796	12,551
Total Liabilities	919	3,697	3,448	2,853	11,528	11,625	10,207	11,110	10,550	11,705
Accounts Payable	12	12	16	27	41	37	28	29	50	80
Long-Term Debt	620	2,751	2,501	2,045	8,256	7,154	6,442	5,949	7,080	6,720
Total Equity	1,347	2,105	2,259	2,686	4,580	5,116	5,717	6,165	6,044	6,340
LTD/E Ratio	0.46	1.31	1.11	0.76	1.80	1.40	1.13	0.96	1.17	1.06

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.8%	1.1%	2.3%	5.8%	1.0%	2.7%	3.8%	4.8%	3.8%	3.5%
Return on Equity	10.2%	2.5%	6.0%	13.3%	2.8%	9.0%	11.5%	13.4%	10.6%	9.7%
ROIC	6.6%	1.3%	2.7%	6.9%	1.2%	3.5%	5.1%	6.6%	5.1%	4.6%
Shares Out.	175	191	206	212	244	264	267	262	255	255
Revenue/Share	4.40	5.24	7.20	7.92	14.04	17.54	17.51	18.90	20.16	21.62
FCF/Share	1.34	1.11	1.85	2.01	2.26	4.53	4.04	4.84	3.53	3.79

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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