

SS&C Stock Overview

- **Ticker:** SSNC
- **Current Price:** \$67.28
- **52-Week Range:** \$37.01 - \$74.00
- **Market Cap:** \$17.80B
- **Trailing P/E:** 29.47x
- **Forward P/E:** 15.04x
- **Beta:** 1.32
- **Upside:** 15.74%



Business Overview

SS&C is the world's largest Hedge Fund and Private Equity administrator and mutual fund transfer agency. The core of the business is centered around developing software for financial service companies to automate and integrate, front, middle, and back-office functions. Additionally, SS&C targets healthcare companies to help them manage their information processing capabilities, quality of care, cost management, and payments. Their main revenue comes from their software business which is able to maintain recurring revenue streams based on a subscription-based software model, increasing service fees as time goes on. The investment industry that SS&C operates in is set to increase by 19% by 2024 meaning that SS&C products are in high demand.

Investment Thesis

SS&C is in a prime position to capture the majority of the growth in the alternative investment space. Primarily, the industry that SS&C operates in is expected to grow at a 9.8% CAGR through 2025. SS&C is able to capitalize on this increase due to the company maintaining around 18% of the market. SS&C has the potential to capture this growth due to their end-to-end offerings. SS&C, throughout the years, has completed many strategic acquisitions to increase its product offerings. In 2018, SS&C purchased DST to increase their financial services offerings. This allowed the company to suck customers in to use all of SS&C's product suites. As a result of their holistic services, the company was able to have a 96% revenue retention rate with over 90% of its revenue coming from stable revenue streams. Overall, SS&C's complete array of products puts them on a separate level from their competition allowing them to withstand any prolonged economic downturns, as evident with the recent coronavirus pandemic. As such, SS&C is a strong BIG portfolio buy.

Catalysts

- Biden administration will introduce new investment regulations that SS&C customers will need to adapt to
- Overall Worldwide Banking & Securities IT Spending expected to increase 6.6% in 2021
- Opportunity for organic growth within newly entered markets

Risks

- Reliance on financial services companies may lead to reduced revenues during economic downturn
- Large health crises may shift healthcare customers' attention away from software upgrades
- Threat of data breaches and other technological attacks
- Antitrust litigation could reduce SS&C market share
- High goodwill from M&A

Relative Valuation

SS&C Technologies Comparable Company Analysis (\$ in Millions)									
Company	Ticker	Market Cap	EBIT Margin	Net Margin	EV/EBITDA	EV/Sales	Current P/E	PEG Ratio	Forward P/E
SS&C Technologies	SSNC-US	\$17,799	21.8%	13.4%	14.00x	5.23x	29.47x	1.63x	15.04x
Average		\$5,869	33.5%	13.2%	26.81x	6.50x	42.15x	2.27x	29.46x
Median		\$5,137	26.5%	16.0%	26.37x	4.68x	42.15x	2.27x	31.30x
SEI Investments	SEIC-US	\$8,623	26.5%	26.6%	14.88x	4.68x	19.99x	1.37x	16.18x
SimCorp	SIM-DK	\$5,137	22.9%	16.0%	39.19x	10.46x	64.32x	3.16x	40.90x
Envestnet	ENV-US	\$3,848	51.0%	-3.0%	26.37x	4.35x	-	-	31.30x

Intrinsic Valuation

SS&C Technologies Holdings, Inc. Valuation	
Assumptions	
Tax Rate	21.00%
Annual Growth Rate During Projection Period	4.20%
Enterprise Value/Revenue Multiple	5.25
WACC	9.30%
Bull Case (20%)	\$99.19
Base Case (60%)	\$77.29
Bear Case (20%)	\$58.29
Blended Price Target	\$77.87
Current Price	\$67.28
Percentage Upside	15.74%

Sensitivity Analysis						
		Exit Multiple				
		3.25x	4.25x	5.25x	6.25x	7.25x
Annual Growth Rate	14.20%	\$70.62	\$84.01	\$97.40	\$110.79	\$124.19
	9.20%	\$62.45	\$74.70	\$86.95	\$99.19	\$111.44
	4.20%	\$54.99	\$66.14	\$77.29	\$88.44	\$99.59
	-0.80%	\$48.18	\$58.29	\$68.39	\$78.50	\$88.61
	-5.80%	\$41.97	\$51.08	\$60.19	\$69.31	\$78.42