

SS&C TECHNOLOGIES INC

Form 10-K/A

April 21, 2004

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form 10-K/A

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO

SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

p

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

or

o

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-28430

SS&C Technologies, Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

06-1169696

(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)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.01 par value per share

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 ☐

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☐

As of June 30, 2003, the aggregate market value of the Registrant's Common Stock held by non-affiliates was approximately \$118,935,000 based on the closing sale price per share of the Registrant's Common Stock on the Nasdaq National Market on such date.

As of March 8, 2004, 18,750,996 shares of the Registrant's Common Stock were outstanding.

Documents Incorporated by Reference:

Part III Portions of the Registrant's definitive proxy statement to be issued in conjunction with the Registrant's annual meeting of stockholders to be held on May 20, 2004.

Table of Contents**EXPLANATORY NOTE**

This Amendment No. 1 to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2003, filed with the Securities and Exchange Commission on March 12, 2004, is being filed: (1) to provide additional information in Items 1, 7 and 8 primarily in response to comments from the staff of the Securities and Exchange Commission, (2) to correct typographical errors in Item 6, (3) to update the cross references in Items 10, 11 and 14 to information incorporated by reference from the Registrant's proxy statement for the 2004 annual meeting, and (4) to provide additional information in the notes to the Registrant's consolidated financial statements, including information relating to revenue recognition policies in note 2, a clarification with respect to stockholders' equity in note 5, additional information relating to international sales in note 15 as well as minor changes in notes 1, 11 and 14. In addition, although no revisions were made to Items 5 and 7A, such items have been included in this Amendment No. 1 because it is the Registrant's intention to distribute this Amendment No. 1 to its stockholders in satisfaction of its obligations under Rule 14a-3 promulgated under the Securities Exchange Act of 1934.

This Amendment No. 1 does not reflect events occurring after the filing of the original Annual Report on Form 10-K on March 12, 2003, or modify or update the disclosures prescribed in the original Annual Report on Form 10-K, except to reflect the revisions noted above.

SS&C TECHNOLOGIES, INC.**YEAR 2003 FORM 10-K ANNUAL REPORT****TABLE OF CONTENTS**

	<u>Page</u>
<u>PART I</u>	
<u>Item 1.</u> <u>Business</u>	3
<u>PART II</u>	
<u>Item 5.</u> <u>Market for Registrant's Common Equity, Related Stockholder Matters and</u> <u>Issuer Purchases of Equity Securities</u>	17
<u>Item 6.</u> <u>Selected Financial Data</u>	17
<u>Item 7.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of</u> <u>Operations</u>	18
<u>Item 7A.</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u>	36
<u>Item 8.</u> <u>Financial Statements and Supplementary Data</u>	36
<u>PART III</u>	
<u>Item 10.</u> <u>Directors and Executive Officers of the Registrant</u>	37
<u>Item 11.</u> <u>Executive Compensation</u>	37
<u>Item 14.</u> <u>Principal Accountant Fees and Services</u>	37
<u>PART IV</u>	
<u>Item 15.</u> <u>Exhibits, Financial Statement Schedules, and Reports on Form 8-K</u>	38
	39
	F-1
<u>Ex-21 Subsidiaries</u>	
<u>Ex-23 Consent of PricewaterhouseCoopers LLP</u>	
<u>Ex-31.1 Certification of C.E.O.</u>	
<u>Ex-31.2 Certification of C.F.O.</u>	
<u>Ex-32 Sect. 906 Certification of CEO & CFO</u>	

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. 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", "should" and similar

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expressions are intended to identify forward-looking statements. The factors discussed under the caption "Certain Factors That May Affect Future Operating Results" in Item 7, 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. We expressly disclaim any obligation to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

AdvisorWare, DBC, Heatmaps, HedgeWare, PortPro, Quantra and TradeDesk are registered trademarks; Altair, AnalyticsExpress, Antares, CAMRA, CAMRA D Class, Debt & Derivatives, Finesse, Lightning, LMS, Mabel, PTS, SKYLINE II, The BANC Mall and Total Return are trademarks; and SS&C Direct is a service mark of SS&C Technologies, Inc. or one of its subsidiaries. All other trademarks or trade names referred to in this annual report are the property of their respective owners.

Unless the context otherwise requires, all share and per share numbers in this annual report give effect to our three-for-two common stock split in the form of a common stock dividend, which was payable on March 5, 2004 to stockholders of record as of February 20, 2004.

We use the terms "SS&C", the "company", "we", "us" and "our" in this annual report to refer to SS&C Technologies, Inc. and its subsidiaries, unless the context requires otherwise.

Table of Contents

PART I

**Item 1. *Business*
Overview**

SS&C Technologies, Inc. provides the financial services industry with a broad range of highly specialized software, business process outsourcing (BPO) services and application service provider (ASP) solutions. We deliver mission-critical processing for information management, analysis, trading, accounting, reporting and compliance. We provide our products and related services in seven vertical markets in the financial services industry:

insurance entities and pension funds,

institutional asset management,

hedge funds and family offices,

financial institutions, such as retail banks and credit unions,

commercial lending,

real estate property management, and

municipal finance.

Our clients include some of the largest and most well recognized entities in the financial services industry, who manage in the aggregate over \$4 trillion in assets.

For financial information relating to our business, including geographic information, please see our consolidated financial statements, including the notes thereto. For risks relating to our business, including the risks of our foreign operations, see **Certain Factors That May Affect Future Operating Results** **Risks Relating to Our Business** .

Industry Background

The financial services industry is a large market that is expected to grow significantly over the next several years. According to a February 2003 Empirical Research Partners, the total financial assets under management in the U.S. were \$18 trillion in 2002, and are expected to grow to \$26 trillion in 2007, a compound annual growth rate of 8%.

The financial services industry traditionally invests more heavily in information technology, or IT, than other industries, and as the financial services market grows, IT budgets are expected to increase. According to a January 2004 IDC report, the banking, insurance and financial services markets are expected to spend \$83 billion on IT in 2004. Of the \$83 billion, \$62 billion is expected to be spent on software and services in 2004, which is expected to grow at a compound annual growth rate of over 6% to \$75 billion in 2007.

Today's participants in the financial services industry face a number of challenges, including:

rapidly changing market conditions,

increasing transaction volumes with shorter settlement cycles,

fierce competition,

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constantly evolving regulatory requirements with increasing regulatory oversight, and

an increasing number, and greater complexity, of asset classes and securities products.

Many financial services organizations face an increasing gap between the amount and complexity of data that they must analyze and control and their finite IT resources. Financial services organizations rely in large part on internal IT departments to supply the systems required to meet their information analysis requirements. Typically, the systems used are a mix of internally developed programs implemented on expensive mainframes and externally developed software applications deployed in a distributed computing

Table of Contents

environment. These systems require large IT departments, are expensive to implement, support and modify, have limited interoperability and often cannot fully support specialized asset classes or regulatory compliance and reporting. To meet their requirements, financial services organizations require flexible, cost-effective, rapidly deployable systems that support informed, real-time business decision making and regulatory compliance.

The SS&C Solution

We offer a family of highly specialized, mission-critical software and services that help automate and simplify information management, analysis, accounting, reporting and compliance for investment professionals in a broad range of financial services segments. We have designed our solutions to improve the effectiveness of decision making by executives, portfolio managers and other investment professionals by allowing them to rapidly access, manage and analyze large amounts of transactions-based data both in the aggregate and in detail. We also provide our clients with comprehensive professional service and support organizations that facilitate successful product implementation and provide ongoing training and support.

Our clients choose us because we offer the following benefits:

Range of Solution Delivery Methods. Our solution delivery methods include licenses, BPO services, ASP solutions, or blended solutions that allow clients to take advantage of our technology in the manner best suited to their individual needs.

Rapidly Deployable and Cost-Effective Outsourcing Solutions. By offering outsourcing solutions that can be easily and rapidly deployed, we allow our clients to meet the challenges of a rapidly changing industry and regulatory environment in a cost-effective manner.

Deep Vertical Market Expertise. Our deep vertical market experience enables us to provide advanced quantitative analytical tools tailored to the requirements of particular industry segments or asset classes. We maintain and market these tools based on our robust technology and highly specialized knowledge and expertise.

Scalability and Flexibility. We provide highly scalable and flexible solutions addressing our clients' requirements and priorities, regardless of client size, organizational structure and number of relevant portfolios, securities types, asset classes, accounting methods or regulatory regimes.

End-to-End Solutions. Our integrated end-to-end solutions enable straight-through processing, which provides integration of front-end trading and modeling straight through to portfolio management, compliance and reporting to back-office processing, clearing and accounting.

Global Presence. We are strategically positioned in the global financial services marketplace, with a presence in North America, Europe and Asia Pacific, allowing us to better serve the needs of our international clients.

Our products help enable users to efficiently and rapidly analyze and manage information, increase productivity, reduce costs and devote more time to critical business decisions rather than administrative, reporting and compliance matters.

Our Strategy

Our goal is to be the leading provider of superior technology solutions to the financial services industry. To achieve our goal, we intend to:

Maintain Our Commitment to the Highest Level of Client Service. We believe that one of the factors that distinguishes us from our competition is our commitment to the highest level of client service. Our clients include large, sophisticated institutions with complex systems and requirements, and we understand the importance of providing them with both the experience of our senior management and the subject matter expertise of our sales, professional services and support staffs. Our commitment begins with our senior management team. Our top three executives have in the aggregate over 50 years of experience

Table of Contents

in the software and financial services industries and actively participate in creating and building client relationships. For each solution deployment, we analyze our client's needs and assemble a team of appropriate industry vertical and technical experts who can quickly and efficiently deliver tailored solutions to the client. We provide our larger clients with a dedicated client support team whose primary responsibility is to resolve questions and provide solutions to address ongoing needs. We believe that the individual attention and industry expertise provided by our senior management and staff help solidify strong relationships with our clients. Our strong client relationships in turn build client loyalty, including a base of clients who are more likely to buy our other products and services and serve as references for future clients.

Leverage Our Existing Client Relationships. We intend to continue to expand the scope of existing client relationships by marketing and delivering the full range of our capabilities to our clients. Our clients include many large and sophisticated organizations in the financial services industry with extensive, highly specialized software and service needs across the multiple vertical markets we serve. Our business with existing clients generally increases along with the volume of assets that they manage. We can also provide additional modules or features to the products and services currently used by our clients as well as cross sell products and services that may address our clients' other information management, analysis, trading, accounting, reporting or compliance needs. For instance, users of our CAMRA asset management product may also have a need for our Antares trading product or our AnalyticsExpress financial modeling product. Our critical understanding of our clients' businesses is a competitive advantage in capturing additional sales opportunities in our referenceable client base.

Grow Our Outsourcing Business and Increase Our Recurring Revenues. We plan to further increase our recurring revenue streams from our outsourcing solutions and maintenance services, because they provide us with greater predictability in the operation of our business and enable us to build valued relationships with our clients. We believe that our outsourcing services provide an attractive alternative to clients that do not wish to install, run and maintain complicated financial software. We generally provide our outsourcing services under three- to five-year contracts with minimum fee commitments that are often renewed at the expiration of their terms. Our outsourcing revenues under these contracts are predictable and recurring. Our outsourcing revenues increased from \$6.3 million, or 11.2% of total revenues, in 2001 to \$13.2 million, or 20.2% of total revenues, in 2003. Maintenance revenues also provide another source of recurring revenues and represented 47.8% of total revenues in 2003.

Continue to Address the Specialized Needs of the Financial Services Industry. We have accumulated substantial financial expertise since our founding in 1986 through close working relationships with our clients, resulting in a deep knowledge base that enables us to respond to their most complex financial, accounting, actuarial, tax and regulatory needs. We intend to build on this expertise by continuing to offer products and services that address the highly specialized needs of the financial services industry. We believe that we enjoy a competitive advantage because we can address the investment and financial management needs of high-end clients by providing industry-tested products and services that meet global market demands while also providing integrated, straight thru processing for improved productivity, reduced manual intervention and bottom-line savings.

Capitalize on Acquisition Opportunities. We employ a disciplined and highly focused acquisition strategy in which we seek to acquire businesses, products and technologies in our existing or complementary vertical markets. We believe that the market for financial services software and services is highly fragmented and rapidly evolving, with many new product introductions and industry participants. These factors create both the need and the opportunity to effect strategic transactions to increase the breadth and depth of our product and service offerings and capitalize on evolving market opportunities. Our experienced senior management team leads a rigorous evaluation of our acquisition candidates to ensure that they satisfy our product or service needs and can be integrated with our business while meeting our financial metrics, including expected return on investment.

Table of Contents**Our Acquisitions**

Since 1995, we have acquired more than a dozen businesses within our industry. We generally seek to acquire companies that:

provide complementary products or services in the financial services industry,

address a highly specialized problem or a market niche in the financial services industry,

have solutions that lend themselves to being delivered as either a BPO service or an ASP solution,

possess proven technology and an established client base that will provide a source of ongoing revenue and to whom we may be able to sell existing products and services, and

satisfy our financial metrics, including expected return on investment.

Our senior management receives numerous acquisition proposals and chooses to evaluate several proposals each quarter. We receive referrals from several sources, including clients, investment banks and industry contacts. We believe based on our experience that there are numerous solution providers addressing highly particularized financial services needs or providing specialized services that would meet our acquisition criteria.

Below is a table summarizing our acquisitions.

Date	Acquired Business	Contract Purchase Price	Acquired Products and Services Currently Offered
March 1995	Chalke	\$10,000,000	PTS
November 1997	Mabel Systems	\$850,000 and 109,224 shares of common stock	Mabel
December 1997	Shepro Braun Systems	1,500,000 shares of common stock	Total Return, Antares
March 1998	Quantra	\$2,269,800 and 819,028 shares of common stock	SKYLINE
April 1998	The Savid Group	\$821,500	Debt & Derivatives
March 1999	HedgeWare	1,028,524 shares of common stock	AdvisorWare
March 1999	Brookside	41,400 shares of common stock	Consulting services
November 2001	Digital Visions	\$1,350,000	PortPro, The BANC Mall, PALMS
January 2002	Real-Time, USA	\$4,000,000	Real-Time, Lightning
November 2002	DBC	\$4,500,000	Municipal finance products
December 2003	Amicorp Fund Services	\$1,800,000	Fund services

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January 2004	Investment Advisory Network	\$3,000,000	Compass, Portfolio Manager
February 2004	NeoVision Hypersystems	\$1,600,000	Heatmaps

Many of our acquisitions have enabled us to expand our product and services offerings into new markets or client bases. For example, with our acquisitions of Shepro Braun Systems and HedgeWare we began providing portfolio management and accounting software to the hedge funds and family offices market. We began offering property management products to the real estate property management industry after we

Table of Contents

acquired Quantra and started selling financial modeling products to the municipal finance market after the DBC acquisition. The addition of new products and services also has enabled us to market other products and services to acquired client bases.

To date, all of our acquisitions have resulted in a marketable product or service that has added to our revenues. We also have generally been able to reduce the costs of providing such products or services following the acquisition, such as by consolidating sales and marketing efforts for such products or services with our ongoing operations.

Products and Services

We offer a family of application software products and services designed to address the requirements of professionals in the financial services industry and meet the day-to-day processing needs of a broad range of users within financial services organizations.

Table of Contents

The following chart summarizes our principal products and services, typical users and the vertical markets each product serves:

PRODUCTS AND SERVICES	TYPICAL USERS	VERTICAL MARKETS SERVED
Portfolio Management/Accounting		
AdvisorWare		
Altair	Portfolio Managers	Financial Institutions
CAMRA	Asset Managers	Hedge Funds and Family Offices
CAMRA D Class	Fund Administrators	Institutional Asset Management
Debt & Derivatives	Investment Advisors	Insurance Companies and Pension Funds
Lightning	Accountants	Municipal Finance
Mabel	Auditors	
PortPro		
SS&C Direct		
SS&C Fund Services		
Total Return		
Trading		
Antares	Securities Traders	Financial Institutions
TradeDesk		Hedge Funds and Family Offices
		Institutional Asset Management
		Insurance Companies and Pension Funds
Financial Modeling		
AnalyticsExpress	CEO/ CFOs	Insurance Companies and Pension Funds
Finesse	Risk Managers	Municipal Finance
PTS	Actuarial Professionals	
DBC (family of products)	Bank Asset/ Liability Managers	
	Investment Bankers	
	State/ Local Treasury Staff	
	Financial Advisors	
Lending/ Leasing		
LMS	Mortgage Originators	Commercial Lending
The BANC Mall	Commercial Lenders	Financial Institutions
	Mortgage Loan Servicers	Institutional Asset Management
	Mortgage Loan Portfolio Managers	Insurance Companies and Pension Funds
	Real Estate Investment Managers	
	Bank/ Credit Union Loan Officers	
Property Management		
SKYLINE II	Real Estate Investment Managers	Real Estate Leasing/Property Management
	Real Estate Leasing Agents	
	Real Estate Property Managers	

Portfolio Management/ Accounting

Our products and services for portfolio management span most of our vertical markets and offer our clients a wide range of investment management solutions.

AdvisorWare. AdvisorWare software supports hedge funds and family offices with sophisticated global investment, trading and management concerns, and/or complex financial, tax, partnership and allocation reporting requirements. It delivers comprehensive multi-currency investment management,

Table of Contents

financial reporting, performance fee calculations, net asset value calculations, contact management and partnership accounting in a straight-through processing environment.

Altair; Mabel. Altair software is a portfolio management system designed for companies that are looking for a solution that meets Benelux market requirements, and want client/server architecture with SQL support. We sell Altair primarily to European asset managers, stockbrokers, custodians, banks, pension funds and insurance companies. Altair supports a full range of financial instruments, including fixed income, equities, real estate investments and alternative investment vehicles.

We offer Mabel to smaller-sized companies that are looking for a portfolio management system that meets Benelux market requirements and provides a range of functionality but do not need client/server architecture with SQL support. We sell Mabel to the same types of clients as Altair, and Mabel supports the same financial investments.

CAMRA. CAMRA (Complete Asset Management, Reporting and Accounting) software supports the integrated management of asset portfolios by investment professionals operating across a wide range of institutional investment entities. CAMRA is a 32-bit, multi-user, integrated solution tailored to support the entire portfolio management function, and includes features to execute, account for and report on all typical securities transactions.

We have designed CAMRA to account for all activities of the investment operation and to continually update investment information through the processing of day-to-day securities transactions. CAMRA maintains transactions and holdings and stores the results of most accounting calculations in its open, relational database, providing user-friendly, flexible data access and supporting data warehousing.

CAMRA offers a broad range of integrated modules that can support specific client requirements, such as TBA dollar rolls, trading, compliance monitoring, net asset value calculations, performance measurement, fee calculations and reporting.

In 2002, we introduced the CAMRA D Class product for smaller U.S. insurance companies that need to account for their trades and holdings and comply with statutory reporting requirements, but do not require a software application as sophisticated as CAMRA.

Debt & Derivatives. Debt & Derivatives is a comprehensive financial application software package designed to process and analyze all activities relating to derivative and debt portfolios, including pricing, valuation and risk analysis, derivative processing, accounting, management reporting and regulatory reporting.

We have designed Debt & Derivatives to deliver real-time transaction processing to treasury and investment professionals, including traders, operations staff, accountants and auditors.

Lightning. Lightning is a comprehensive ASP solution supporting the front-, middle- and back-office processing needs of commercial banks and broker-dealers of all sizes and complexity. Lightning fully automates a number of processes, including:

trading,

sales,

funding,

accounting,

risk analysis,

asset/liability management,

portfolio management, and

safekeeping.

Table of Contents

Lightning also provides comprehensive regulatory reporting and books and records maintenance for various regulatory regimes.

PortPro. PortPro is a suite of Internet-based information tools available on an ASP basis that help financial institutions effectively measure, analyze and manage balance sheets and investment portfolios. The PortPro suite includes:

PortPro Bond Accounting Manages bond portfolios and provides accurate accounting and performance results.

PortPro Analytics Provides performance and risk analysis of investment portfolios, including interest rate risk reporting, pre-purchase and swap analysis tools and stress testing.

PortPro PALMS (Portfolio Asset Liability Management System) Manages and analyzes a financial institution's balance sheet.

SS&C Direct. We provide comprehensive ASP/ BPO services through our SS&C Direct operating unit for portfolio accounting, reporting and analysis functions. The SS&C Direct service includes:

hosting of a company's application software,

automated workflow integration,

automated quality control mechanisms, and

extensive interface and connectivity services to custodian banks, data service providers, depositories and other external entities.

SS&C Direct's Outsourced Investment Accounting Services option includes comprehensive investment accounting and investment operations services for sophisticated, global organizations.

SS&C Fund Services. With our acquisition of Amicorp Group's fund services business in December 2003, we now provide administrative, financial, corporate and management services to international and U.S. domestic alternative investment funds. SS&C Fund Services offers fund manager services, transfer agency services, fund of funds services and accounting and processing. SS&C Fund Services also assists clients in establishing various types of funds, including:

hedge funds,

investment companies,

private equity structures,

umbrella funds,

multi-manager funds,

fund of funds, and

partnership structures.

Total Return. Total Return is a portfolio management and partnership accounting system directed toward the hedge fund and family office markets. It is a multi-currency system, designed to provide financial and tax accounting and reporting for businesses with high transaction volumes.

Trading

Our comprehensive trading systems offer a wide range of trade order management solutions that support both buy-side and sell-side trading. Automated, real-time trading is available to clients on a license or ASP basis.

Antares. Antares is a comprehensive, real-time, event-driven trading and profit and loss reporting system designed to integrate trade modeling with trade order management. Antares enables clients to trade

Table of Contents

and report fixed-income, equities, foreign exchange, futures, options, repos and many other instruments across different asset classes.

TradeDesk. TradeDesk is a comprehensive paperless trading system that automates front- and middle-office aspects of fixed-income transaction processing. In particular, TradeDesk enables clients to automate ticket entry, confirmation and access to offerings and provides clients with immediate, on-line access to complete client information and holdings.

Financial Modeling

We offer several powerful analytical software and financial modeling applications for the insurance industry. We also provide analytical software and services to the municipal finance marketplace.

AnalyticsExpress. AnalyticsExpress is a reporting and data visualization tool that translates actuarial analysis into meaningful management information. AnalyticsExpress brings flexibility to the reporting process and allows clients to:

- analyze and present output at varying levels of detail,

- create high-level reports and charts, and

- separate management information into a multitude of detailed reports.

Finesse. Finesse is a financial simulation tool for the property/casualty insurance industry that uses the principles of dynamic financial analysis. Finesse measures multiple future risk scenarios to provide a more accurate picture of financial risk. Designed to generate iterative computer-simulated scenarios, Finesse helps clients:

- model operating results,

- gauge the effects of reinsurance,

- validate pricing,

- value business transactions, such as mergers and acquisitions,

- measure the impact of new products,

- predict cash flows,

- analyze the impact of investment decisions, and

- improve the overall strategic planning process.

PTS. PTS is a pricing and financial modeling tool for life insurance companies. PTS provides an economic model of insurance assets and liabilities, generating option-adjusted cash flows to reflect the complex set of options and covenants frequently encountered in insurance contracts or comparable agreements.

DBC Product Suite. We are a leading provider of analytical software and services to the municipal finance community. Our suite of DBC products addresses a broad spectrum of municipal finance concerns, including:

- general bond structures,

- revenue bonds,

- housing bonds,

student loans, and

Federal Housing Administration-insured revenue bonds and securitizations.

Table of Contents

Our DBC products also deliver solutions for debt structuring, cash flow modeling and database management. Typical users of our DBC products include investment banks, municipal issuers and financial advisors for structuring new issues, securitizations, strategic planning and asset/liability management.

Lending and Leasing

Our products that support lending and leasing activities are LMS and The BANC Mall.

LMS Loan Suite. In 2003, we introduced the LMS Loan Suite, a single database application that provides comprehensive loan management throughout the life cycle of a loan, from the initial request to final disposition. We have structured the flexible design of the LMS Loan Suite to meet the most complex needs of commercial lenders and servicers worldwide. The LMS Loan Suite includes both the LMS Originator and the LMS Servicer, facilitating fully integrated loan portfolio processing.

The BANC Mall. The BANC Mall is an Internet-based lending and leasing tool designed for loan officers and loan administrators. The BANC Mall provides, on an ASP basis, on-line lending, leasing and research tools that deliver streamlined credit processing. Clients use The BANC Mall on a fee-for-service basis to access more than a dozen data providers.

Real Estate Property Management

SKYLINE II. SKYLINE II is a comprehensive property management system that simplifies real estate property management by providing a single-source view of all real estate holdings. SKYLINE II functions as an integrated lease administration system, a historical property/portfolio knowledge base and a robust accounting and financial reporting system, enabling users to track each property managed, including data on specific units and tenants. In 2003, we released the fully integrated SKYLINE II Residential module designed to provide a front-end residential marketing solution. SKYLINE II Residential provides for:

- prospect source campaign management,
- campaign setup and tracking,
- online unit tracking and traffic monitoring,
- applicant processing, and
- lease and move-in processing.

Product Delivery Options

Our products are available via license, BPO, ASP or blended solutions. Clients looking to outsource investment accounting operations, or needing a blended solution, work with SS&C Direct and SS&C Fund Services. Several of our product offerings are available via ASP only: Lightning, PortPro, TradeDesk, TradePath and The BANC Mall. These products enable smaller institutions, such as community banks and credit unions, to access sophisticated functionality that previously had been available only to our larger institutional clients.

The prices of our products and services vary depending upon the features being provided, the number of users, the assets under management and, with respect to our outsourcing solutions, the transaction volume. SS&C Direct and SS&C Fund Services strive to price their delivery options to make them competitive with other offerings in the marketplace.

Professional Services

We offer a range of professional services to assist clients in implementing our software products, including the initial installation of the system, conversion of historical data and ongoing training and support. Our consulting team works closely with the client to ensure the smooth transition and operation of our systems. Consultants have a broad range of experience in the financial services industry and include

Table of Contents

certified public accountants, chartered financial analysts, mathematicians and professionals from the asset management, real estate, investment, insurance, hedge fund, municipal finance and banking industries. We believe our commitment to professional services facilitates the adoption of our software products across our target markets.

Product Support

We believe a close and active service and support relationship is important to enhancing client satisfaction and furnishes an important source of information regarding evolving client issues. We provide our larger clients with a dedicated client support team whose primary responsibility is to resolve questions and provide solutions to address ongoing needs. Direct telephone support is provided during extended business hours, and additional hours are available during peak periods. We also offer the Solution Center, a website that serves as an exclusive on-line community for clients, where clients can find answers to product questions, exchange information, share best practices and comment on business issues. We regularly distribute via the Internet our *Software and Services eBRIEFINGS*, which are industry-specific articles targeted to participants in our seven vertical markets and in geographic regions around the world. We supplement our service and support activities with comprehensive training. Training options include both regularly hosted classroom instruction and online client seminars, or webinars, that address current, often technical issues in the financial services industry, such as Price Behavior Curves and Option Pricing Methodology.

Clients receive the latest product information via the Internet. We periodically make maintenance releases of licensed software available to our clients, as well as regulatory updates (generally during the fourth quarter), to meet industry reporting obligations and other processing requirements.

Clients

We have a global client base of financial services enterprises and other organizations that require a full range of information management and analysis, accounting, actuarial, reporting and compliance software on a timely and flexible basis. Our clients include financial institutions, hedge funds, funds of funds and family offices, institutional asset managers, insurance companies and pension funds, municipal finance professionals, real estate lenders and asset managers.

Case Study

LSV Asset Management. LSV Asset Management is a quantitative value equity manager providing active management for institutional investors through the application of proprietary investment models. Founded in 1994 and located in Chicago, LSV offers a variety of value equity strategies for institutional investors. LSV sought a solution that could support its strategic plan to grow its core business without investing heavily in costly and resource-intensive back-office systems, technology and staff. In 1998, we licensed Antares to LSV for its trade order management needs and provided our SS&C Direct outsourcing services for LSV's portfolio accounting, custodian reconciliation and reporting requirements. In 1998, LSV had \$4 billion of assets under management in 75 portfolios with an operations staff of five. As of December 31, 2003, LSV had \$19 billion of assets under management, an increase of 375%, and managed 300 portfolios in 15 currencies with an operations staff of seven. LSV was able to control its costs during this period of growth in both the volume and complexity of its assets under management by utilizing our products and services, which are designed to adapt to changing industry conditions.

Sales and Marketing

We believe a direct sales organization is essential to the successful implementation of our business strategy, given the complexity and importance of the operations and information managed by our products, the extensive regulatory and reporting requirements of each industry, and the unique dynamics of each vertical market. Our dedicated direct sales and support personnel continually undergo extensive product and sales training, and are located in our various sales offices worldwide. We also use telemarketing to

Table of Contents

support sales of our real estate property management products and work through alliance partners who sell our ASP solution to their correspondent banking clients in the financial institutions market.

Our marketing personnel are responsible for identifying market trends, evaluating and developing marketing opportunities, generating client leads and providing sales support. Our marketing activities, which focus on use of the Internet as a cost-effective means of reaching current and potential clients, include:

content-rich, periodic *Software and Services eBRIEFINGS* targeted at clients and prospects in each of our vertical and geographic markets,

seminars and webinars,

trade shows,

conferences, and

public relations efforts.

Some of the benefits of our shift in focus to an Internet-based marketing strategy include lower marketing costs, more direct contacts with actual and potential clients, increased marketing leads, distribution of more up-to-date marketing information and an improved ability to measure marketing initiatives.

The marketing department also supports the sales force with appropriate documentation or electronic materials for use during the sales process.

Product Development and Engineering

We believe we must introduce new products and offer product innovation on a regular basis to maintain our competitive advantage. To meet these goals, we use multidisciplinary teams of highly trained personnel and leverage this expertise across all product lines. We have invested heavily in developing a comprehensive product analysis process to insure a high degree of product functionality and quality. Maintaining and improving the integrity and quality of existing products is the responsibility of individual product managers. Product engineering management efforts focus on enterprise-wide strategies, implementing best-practice technology regimens, maximizing resources, and mapping out an integration plan for our entire umbrella of products as well as third-party products. Our research and development expenses for the years ended December 31, 2001, 2002 and 2003 were \$11.3 million, \$11.8 million and \$11.2 million, respectively.

Our research and development engineers work closely with our marketing and support personnel to ensure that product evolution reflects developments in the marketplace and trends in client requirements. We have generally issued a major functional release of our core products during the second or third quarter of each fiscal year, including functional enhancements, as well as an annual fourth quarter release to reflect evolving regulatory changes in time to meet clients' year-end reporting requirements.

Competition

The market for institutional and financial management software and services is competitive, rapidly evolving and highly sensitive to new product introductions and marketing efforts by industry participants. The market is also highly fragmented and served by numerous firms that target only local markets or specific client types. We also face competition from information systems developed and serviced internally by the IT departments of financial services firms. The major competitors in our primary markets include:

Insurance entities and pension funds: Princeton Financial Systems (subsidiary of State Street Bank), Bloomberg, Charles River, Classic Solutions/ Tillinghast, DFA Capital Management and SunGard.

Institutional asset management: Bloomberg, Charles River, Eagle Investment Systems (subsidiary of Mellon Financial Company), Financial Models Corporation, Macgregor and Thomson Financial.

Hedge funds and family offices: Advent Software, EZ Castle, Globe Ops and IMS.

Table of Contents

Financial institutions: ADP, SunGard, Thomson Financial and TPG.

Commercial lending: McCracken (subsidiary of GMAC), Midland Loan Services (subsidiary of PNC Financial Services), Princeton Financial Systems and Synergy Software.

Real estate property management: MRI (subsidiary of Intuit), Best Software and Yardi.

Municipal finance: Ferrand Jordan and Prescient Software.

We believe we compete on the basis of:

consistent product performance,

broad, demonstrated functionality,

ease of use,

scalability,

integration capabilities,

product and company reputation,

client service and support, and

price.

Proprietary Rights

We rely on a combination of trade secret, copyright and trademark law, nondisclosure agreements and technical measures to protect our proprietary technology. We have registered trademarks for many of our products and will continue to evaluate the registration of additional trademarks as appropriate. We generally enter into confidentiality and/or license agreements with our employees, distributors, clients and potential clients. We seek to protect our software, documentation and other written materials under trade secret and copyright laws, which afford limited protection. These efforts may be insufficient to prevent third parties from asserting intellectual property rights in our technology. Furthermore, it may be possible for unauthorized third parties to copy portions of our products or to reverse engineer or otherwise obtain and use proprietary information, and third parties may assert ownership rights in our proprietary technology. For additional risks relating to our proprietary technology, please see [If we are unable to protect our proprietary technology, our success and our ability to compete will be subject to various risks](#) in [Certain Factors That May Affect Future Operating Results](#).

Rapid technological change characterizes the software development industry. We believe factors such as the technological and creative skills of our personnel, new product developments, frequent product enhancements, name recognition, and reliable service and support are more important to establishing and maintaining a leadership position than legal protections of our technology.

Employees

As of December 31, 2003, we had 318 full-time employees, consisting of:

85 employees in research and development,

95 employees in consulting and services,

51 employees in sales and marketing,

54 employees in client support, and

33 employees in finance and administration.

Table of Contents

As of December 31, 2003, 54 of our employees were in our international operations. None of our employees is covered by any collective bargaining agreement. In the opinion of management, we have a good relationship with our employees.

During the first quarter of 2004, we added an aggregate of 25 employees as a result of our acquisitions of IAN and NeoVision.

Additional Information

We were organized as a Connecticut corporation in March 1986 and reincorporated as a Delaware corporation in April 1996. Our principal executive offices are located at 80 Lamberton Road, Windsor, Connecticut 06095. The telephone number of our principal executive offices is (860) 298-4500.

Our Internet address is *www.ssctech.com*. The contents of our website are not part of this annual report on Form 10-K, and our Internet address is included in this document as an inactive textual reference only. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports available free of charge through our website as soon as reasonably practicable after we file such reports with, or furnish such reports to, the Securities and Exchange Commission.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock has been trading on the Nasdaq National Market under the symbol SSNC since our initial public offering of common stock on May 31, 1996. The following table sets forth, for the fiscal periods indicated, the high and low sales prices per share of common stock as reported on the Nasdaq National Market:

Quarter	Fiscal 2003 Price Range(1)		Fiscal 2002 Price Range(1)	
	High	Low	High	Low
First	\$ 8.37	\$ 5.83	\$6.93	\$4.69
Second	11.39	7.74	9.73	6.73
Third	14.08	10.40	9.47	4.93
Fourth	21.95	12.40	7.87	4.93

- (1) Amounts have been restated to reflect our three-for-two common stock split in the form of a common stock dividend, effective on March 5, 2004.

There were 49 stockholders of record of our common stock as of March 8, 2004. The number of stockholders of record may not be representative of the number of beneficial owners because many shares are held by depositories, brokers or other nominees.

In July 2003, our board of directors declared its first semi-annual cash dividend of \$0.067 per share of common stock, which was paid in September 2003. On February 5, 2004, our board of directors declared a \$0.07 cash dividend per share of common stock, payable on or about March 24, 2004 to stockholders of record as of March 10, 2004. Although we expect to declare cash dividends in the future, various factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion, will affect our decision-making process.

Item 6. Selected Financial Data

The selected financial data set forth below should be read in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere herein.

	December 31,				
	1999	2000	2001(2)	2002(3)	2003(4)
(In thousands)					
Statement of Operations Data:					
Revenues	\$ 68,503	\$61,406	\$56,369	\$62,434	\$65,531
Income (loss) before taxes	(19,191)	3,333	6,487	12,300	19,337
Net income (loss)	(12,648)	2,172	4,022	7,305	11,796
Net income (loss) per share(1):					
Basic earnings (loss) per share	\$ (0.54)	\$ 0.09	\$ 0.18	\$ 0.38	\$ 0.63
Shares used in basic per share calculation	23,517	23,877	22,506	19,473	18,617
Diluted earnings (loss) per share	\$ (0.54)	\$ 0.09	\$ 0.18	\$ 0.36	\$ 0.59
Shares used in diluted per share calculation	23,517	23,943	22,752	20,531	19,832