William Stone

Chairman of the Board, CEO, SS&C Technologies, Inc.

Editor's Note: *In this issue,* ***martin****wolf interviews William Stone, CEO and Chairman of the Board at SS&C Technologies, Inc. (Nasdaq:SSNC). Bill founded SS&C in 1986 and has grown the company to more than 4,000 staff members worldwide. The company provides the global financial services industry with software, software-enabled services and software as a service, and its clients manage, in aggregate, more than $26 trillion in assets.*

How did you come to found SS&C?

I started SS&C in February of '86. Previously I had been with KPMG as a CPA, and I worked for Advest as a VP of Administration, including operations and data processing. So I had a background in securities processing and funds and computers, which was a pretty good background for starting the company. The timing was also strong—it was in the mid 80's, five years after the introduction of the IBM PC and right around the time of the 386 and the introduction of the PC network. That proved to be a very good thing for our business.

Things have changed a lot since you started, with the Internet and more recently the cloud. What have been some of the major trends shaping the evolution of SS&C's offerings?

From a technology standpoint, the things that have happened in the last five or ten years have been the things that have transformed it. The increasing power of the Internet has allowed us to deliver actionable information to hundreds of thousands of users in a very cost-effective way, changing how we develop and deliver software.

Also ,the ability to use the internet as your network—building private clouds, or private networks, for example—is a recent development. To do that in ‘86 or ‘96 meant renting that capability from IBM or ATT at prohibitively expensive costs for smaller companies. Prior to 2006-7, it was very expensive from a Telecom standpoint—but today it's relatively inexpensive. It's a similar story with computer storage and computer processing power. Previously you developed software to use as little space as possible, but now there's plenty of storage space and your primary concern becomes avoiding overwhelming the user with too much information by being intuitive and smart with your data.

You have a lot of SaaS-type offerings. Has that been accelerated by the growth of the cloud?

It has. We first started offering SaaS-type services in 1994, but it was a very small business until about 2002, when we started offering those services as a fund administrator. We started offering it to hedge

"I think that the United States is the place where you can deliver more technology and grow into an enormous market."

funds, PE funds, and other funds. Since 2002, that business has grown from 2 million dollars to well over $400 million, so it's been a very good thing for us to have done and has allowed us to leverage the IP in the systems we've built or acquired over the years so now we can deliver solutions for mortgage-backed securities, credit-default swaps or other needs. We're now on the fourth iteration of our iPad app, which I believe has had 75,000 downloads—that's something that allows us as a technology company to really outdistance our competitors from a standpoint of delivering services. We have 1,500 CPAs, chartered accountants, CFAs, and MBAs—we're experts in securities accounting, securities information delivery, and performance attribution. The technology enables us to do much more at a wonderful price point.

Lowering the barriers to entry for your customers and for you to offer them.

That's exactly right. So because of this, our clients range from banks with $60M on their balance sheets to multi-trillion dollar multi-national banks and investment managers and broker-dealers. So that's been a very effective thing for us.

What are your thoughts on the current state of the market? Where are the most promising emerging growth areas?

I think that the United States is the place where you can deliver more technology and grow into an enormous market. It's pretty regulated, but it's less regulated than other markets—so we like the U.S. We have a big business in Europe and Canada, as well as a smaller but growing business in the Far East. China is still in its infancy when it comes to sophisticated financial services, as is India—but overall we're trying to go and use the services and capabilities and talents around the world in a way that we can deliver more services to our customers.

Have you seen uncertainty in Chinese or European markets affecting your growth?

Well, again, there's uncertainty in both the political climate around the world and in how the central banks and other regulators are trying to deal with the challenges they have—which has so far resulted in increasing regulations and increasing bureaucracy, causing senior executives in financial services companies to be reticent to make large investments in new products and services. I believe that has put a damper on things in both the United States and around the world.

How would you grade the overall economic recovery?

The stock markets have obviously recovered. The Dow recently hit 17,000 after going down around 7,000 during the crisis, and those of

"…those of us in financial services have recovered. But what hasn't recovered is good entry-level jobs for people and expanding growth."

us in financial services—whether in ***martin****wolf*, SS&C, JP Morgan, etc.—have recovered. But what hasn't recovered is good entry-level jobs for people and expanding growth. The recovery in financial services is not being replicated across the labor pool that we have. We're seeing people living at home post-college, and the economic growth of many people has been stunted by the hesitancy and uncertainty that people are feeling.

Have you seen Dodd Frank and other regulations have a big effect on your business?

Dodd Frank is just one of them. With AIFMD, EMIR, and all of the regulation coming out of the EU and the far east, there's just regulation after regulation, and the result is in trying to protect against financial crises, regulators are creating too many rules. And the people on Wall Street or in London are smart, so the regulators are always one step behind. I believe we need to go back to more of a principles-based regulatory environment, and when people are doing the wrong thing, deal with it.

Has SS&C considered expanding beyond financial services?

There is some value to be found on the peripheries, but financial services in and of itself is an enormous market. Expect us to continue to grow into areas that are directly related to financial services, but the bulk of our growth and focus will be in the financial services space. In 2011 we acquired benefits administration company BenefitsXML, in a transaction with ***martin****wolf*, and they're a type of company whose technology nicely integrated with our existing financial software.

You've been fairly active in M&A, but have no transactions reported for 2014. What do you look for in acquisition targets?

The number one thing in acquisitions is that they bring talent—and, just as importantly, talent that thinks differently. It's easy to get complacent if you've been dealing with the same thing for a long period of time, and outside viewpoints can be very helpful. Other things acquisitions bring are new customers, technology and geographies to build into and create synergies that you didn't have before.

How often do you do M&A?

We're constantly cooking the popcorn—we just need to get the kernels to burst. Sometimes they do, sometimes they don't. We're always reviewing opportunities to ensure that we get good assets at good prices, and that we're able to create a good home for the companies and people that we acquire. We've done 39 acquisitions since 1995—to further the popcorn analogy, sometimes they pop in bursts.

"The main advice is for companies to simply be unafraid to reach out.'"

You've had nine straight quarters of record revenue. What's been behind your consistent growth?

Strong management! The real answer is, and I think our shareholders know this, we pay attention and we stick to the knitting. We're very focused on what we do, and we're both numbers-owned and numbers-driven. We constantly check our revenue levels, revenue growth, earnings, and earnings growth—and everyone in the company understands that these are important metrics.

What led you to go private? Did your company operate any differently as a private company than a public company?

When we went private in late 2005, we were at our highest stock price—so there was a payday when we went private and then another payday when we had our second IPO. Going private gave us a chance to work with smart people from the Carlyle Group, but we've run this company the same way at all stages, from our initial period of being public to today to the private period in between.

You're always looking for new companies. What can companies looking to get acquired do to best position themselves for a sale?

A big part of it is contacting the right people, as advisors like ***martin****wolf* and deal lawyers help position you in the right way. But the main advice is for companies to simply be unafraid to reach out. We're always interested in hearing about potential acquisition opportunities and we evaluate all of them to determine if they're the right fit for us.