

April 24, 2019



SEI Reports First-Quarter 2019 Financial Results

OAKS, Pa., April 24, 2019 /PRNewswire/ -- SEI Investments Company (NASDAQ: SEIC) today announced financial results for the first-quarter 2019. Diluted earnings per share were \$0.73 in first-quarter 2019 compared to \$0.86 in first-quarter 2018.

Consolidated Overview

(In thousands, except earnings per share)

| | For the Three Months Ended March 31, | | |
|----------------------------|---|-------------|----------|
| | <u>2019</u> | <u>2018</u> | <u>%</u> |
| Revenues | \$400,820 | \$405,598 | (1)% |
| Net income | 113,981 | 139,838 | (18)% |
| Diluted earnings per share | \$0.73 | \$0.86 | (15)% |

"Our first-quarter earnings reflect the recovery from the financial markets' swoon in late 2018, offset by reduced processing fees from non-recurring activities and a higher tax rate. While our net sales results for the quarter were down, our company's new sales activities, which are not reflected in first-quarter close results, are robust, and we expect they will translate into stronger levels in the future," said Alfred P. West, Jr., SEI Chairman and CEO.

"As we continue to advance our industry's modernization, SEI hit a key milestone with the completion of the Investment Advisors segment's migration, as well as additional client conversions, to the SEI Wealth PlatformSM late in the quarter. While keeping our focus on costs and profitability, we continue making key investments in our company to enhance long-term growth and shareholder value."

Summary of First-Quarter Results by Business Segment

| (In thousands) | For the Three Months Ended March 31, | | |
|----------------------|---|----------------|----------|
| | <u>2019</u> | <u>2018</u> | <u>%</u> |
| Private Banks: | | | |
| Revenues | \$118,259 | \$122,164 | (3)% |
| Expenses | <u>110,962</u> | <u>112,202</u> | (1)% |
| Operating Profit | 7,297 | 9,962 | (27)% |
| Operating Margin | 6 % | 8 % | |
| Investment Advisors: | | | |
| Revenues | 94,761 | 99,192 | (4)% |

| | | | |
|--------------------------------|------------------|------------------|-------|
| Expenses | <u>52,502</u> | <u>52,453</u> | —% |
| Operating Profit | 42,259 | 46,739 | (10)% |
| Operating Margin | 45 % | 47 % | |
| Institutional Investors: | | | |
| Revenues | 80,113 | 85,491 | (6)% |
| Expenses | <u>38,754</u> | <u>41,249</u> | (6)% |
| Operating Profit | 41,359 | 44,242 | (7)% |
| Operating Margin | 52 % | 52 % | |
| Investment Managers: | | | |
| Revenues | 104,649 | 96,855 | 8% |
| Expenses | <u>69,066</u> | <u>63,338</u> | 9% |
| Operating Profit | 35,583 | 33,517 | 6% |
| Operating Margin | 34 % | 35 % | |
| Investments in New Businesses: | | | |
| Revenues | 3,038 | 1,896 | 60% |
| Expenses | <u>5,940</u> | <u>5,098</u> | 17% |
| Operating Loss | (2,902) | (3,202) | NM |
| Totals: | | | |
| Revenues | \$400,820 | \$405,598 | (1)% |
| Expenses | 277,224 | 274,340 | 1% |
| Corporate overhead expenses | <u>20,035</u> | <u>14,942</u> | 34% |
| Income from operations | <u>\$103,561</u> | <u>\$116,316</u> | (11)% |

First-Quarter Business Highlights:

- Revenues from Asset management, administration, and distribution fees decreased due to lower assets under management from the carryover effect of the downturn in the capital markets during the fourth-quarter 2018, negatively impacting our asset-based fee revenues; however, this decrease was partially offset by increased fees from higher assets under administration, resulting from positive cash flows from new and existing clients in our Investment Managers segment.
- Our average assets under management, excluding LSV, decreased \$10.4 billion, or four percent, to \$223.2 billion, as compared to \$233.6 billion during the first-quarter 2018 (see attached Average Asset Balances schedules for further details).
- Our average assets under administration increased \$63.9 billion, or 12 percent, to \$594.2 billion in the first-quarter 2019, as compared to \$530.3 billion during the first-quarter 2018 (see attached Average Asset Balances schedules for further details).
- Our Subadvisory, distribution and other asset management costs decreased in first-quarter 2019, primarily from lower assets under management due to the previously described unfavorable market conditions.
- Sales events, net of client losses, during first-quarter 2019 totaled approximately \$6.2 million and are expected to generate net annualized recurring revenues of approximately \$1.2 million when contract values are fully realized. Sales events were lower than normal due to client loss activity in our Institutional Investors segment, flat cash flows across our Investment Advisors and Private Banks segments, limited positive sales activity in our Private Banks segment, and solid sales in our Investment Managers segment.

- Our earnings from LSV decreased by \$3.3 million, or eight percent, to \$37.3 million in first-quarter 2019 as compared to \$40.6 million in first-quarter 2018. The decrease in earnings was primarily due to a decline in assets under management from the market conditions in fourth-quarter 2018, as well as reduced performance fees earned by LSV.
- Our operating expenses during the first-quarter 2019 increased. These expenses, primarily personnel costs, generally consist of operational, technology development and maintenance, and marketing costs, and are mainly related to our solutions offerings, as well as servicing existing clients and acquiring new clients. The Company incurred severance expense during the quarter of approximately \$4.0 million, all recorded in corporate overhead expenses.
- We capitalized \$9.7 million of software development costs in first-quarter 2019 for continued enhancements to the SEI Wealth Platform.
- Our effective tax rates were 22.1 percent in first-quarter 2019 and 11.9 percent in first-quarter 2018. The increase in our effective tax rate was primarily due to reduced tax benefits from a lower volume of stock option exercise activity during the quarter as compared to the prior year period.
- We repurchased 1.7 million shares of our common stock for \$88.8 million during the first-quarter 2019.

Earnings Conference Call

A conference call to review earnings is scheduled for 4:30 p.m. Eastern Time on April 24, 2019. Investors may listen to the call at seic.com/ir-events. Investors may also listen to a replay by telephone at (USA) 800-475-6701; (International) 320-365-3844, access code 466676.

About SEI

After 50 years in business, SEI (NASDAQ:SEIC) remains a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of March 31, 2019, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages, advises or administers \$945 billion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$332 billion in assets under management and \$609 billion in client assets under administration. For more information, visit seic.com.

This release contains forward-looking statements within the meaning of the rules and regulations of the Securities and Exchange Commission. In some cases you can identify forward-looking statements by the words "may", "will", "expect", "believe" and "continue" or "appear." Our forward-looking statements include discussions about future operations, strategies and financial results, including our expectations as to revenue that we believe will be generated by sales events that occurred during the quarter, the degree to which new sales activity will translate into stronger levels in the future, and the degree to which the manner in which we will seek to invest will create opportunities for growth and value. You should not place undue reliance on our forward-looking statements as they are based on the current beliefs and expectations of our management and subject to significant risks and uncertainties many of which are beyond our control or are subject to change. Although we believe the assumptions upon which we base our forward-looking statements are reasonable, they could be inaccurate. Some of the risks and important factors that could cause actual results to differ from those described in our forward-looking statements can be found in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission and available on our website at <https://www.seic.com/investor-relations> and on the Securities and Exchange Commission's website (www.sec.gov). There may be additional risks that we do not presently know or that we currently believe are immaterial which could also cause actual results to differ from those contained in our forward-looking

statements. We do not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements.

SEI INVESTMENTS COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

| | For the Three Months Ended March 31, | |
|---|---|----------------------|
| | 2019 | 2018 |
| Asset management, admin. and distribution fees | \$313,944 | \$316,209 |
| Information processing and software servicing fees | 86,876 | 89,389 |
| Total revenues | 400,820 | 405,598 |
| Subadvisory, distribution and other asset mgmt. costs | 43,805 | 45,205 |
| Software royalties and other information processing costs | 8,128 | 8,718 |
| Compensation, benefits and other personnel | 130,335 | 124,277 |
| Stock-based compensation | 5,038 | 5,195 |
| Consulting, outsourcing and professional fees | 50,206 | 48,707 |
| Data processing and computer related | 20,992 | 20,591 |
| Facilities, supplies and other costs | 18,745 | 17,613 |
| Amortization | 12,679 | 11,854 |
| Depreciation | 7,331 | 7,122 |
| Total expenses | 297,259 | 289,282 |
| Income from operations | 103,561 | 116,316 |
| Net gain (loss) on investments | 1,279 | (410) |
| Interest and dividend income | 4,257 | 2,502 |
| Interest expense | (157) | (257) |
| Equity in earnings of unconsolidated affiliate | 37,317 | 40,607 |
| Income before income taxes | 146,257 | 158,758 |
| Income taxes | 32,276 | 18,920 |
| Net income | <u>\$113,981</u> | <u>\$139,838</u> |
| Basic earnings per common share | <u>\$0.74</u> | <u>\$0.89</u> |
| Shares used to calculate basic earnings per share | <u>153,310</u> | <u>157,434</u> |
| Diluted earnings per common share | <u>\$0.73</u> | <u>\$0.86</u> |
| Shares used to calculate diluted earnings per share | <u>156,541</u> | <u>163,424</u> |

SEI INVESTMENTS COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

| | March 31, | December 31, |
|---|------------------|---------------------|
| | 2019 | 2018 |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$669,323 | \$754,525 |
| Restricted cash | 3,517 | 3,514 |
| Receivables from investment products | 52,562 | 49,869 |
| Receivables, net of allowance for doubtful accounts of \$633 and \$718 | 333,724 | 315,336 |
| Securities owned | 33,433 | 30,892 |
| Other current assets | 35,049 | 36,676 |
| Total Current Assets | 1,127,608 | 1,190,812 |
| Property and Equipment, net of accumulated depreciation of \$345,129 and \$338,206 | 146,753 | 145,863 |
| Operating Lease Right-of-Use Assets | 45,297 | — |
| Capitalized Software, net of accumulated amortization of \$406,871 and \$395,171 | 307,736 | 309,500 |
| Investments Available for Sale | 109,824 | 111,901 |
| Investments in Affiliated Funds, at fair value | 5,339 | 4,887 |
| Investment in Unconsolidated Affiliate | 56,422 | 52,342 |
| Goodwill | 64,489 | 64,489 |
| Intangible Assets, net of accumulated amortization of \$6,011 and \$5,090 | 30,749 | 31,670 |
| Deferred Contract Costs | 24,145 | 24,007 |
| Deferred Income Taxes | 1,877 | 2,042 |
| Other Assets, net | 32,882 | 34,155 |
| Total Assets | \$1,953,121 | \$1,971,668 |
| Liabilities and Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$5,242 | \$10,920 |
| Accrued liabilities | 173,860 | 279,634 |
| Short-term operating lease liabilities | 8,448 | — |
| Deferred revenue | 4,979 | 5,154 |
| Total Current Liabilities | 192,529 | 295,708 |
| Long-term Taxes Payable | 803 | 803 |
| Deferred Income Taxes | 56,909 | 57,795 |
| Long-term Operating Lease Liabilities | 41,838 | — |
| Other Long-term Liabilities | 24,492 | 24,215 |
| Total Liabilities | 316,571 | 378,521 |
| Shareholders' Equity: | | |
| Common stock, \$.01 par value, 750,000 shares authorized; 152,276 and 153,634 shares issued and outstanding | 1,523 | 1,536 |
| Capital in excess of par value | 1,111,366 | 1,106,641 |
| Retained earnings | 552,381 | 517,970 |
| Accumulated other comprehensive loss, net | (28,720) | (33,000) |
| Total Shareholders' Equity | 1,636,550 | 1,593,147 |
| Total Liabilities and Shareholders' Equity | \$1,953,121 | \$1,971,668 |

ENDING ASSET BALANCES
(In millions) (Unaudited)

| | Mar. 31, 2018 | Jun. 30, 2018 | Sept. 30, 2018 | Dec. 31, 2018 | Mar. 31, 2019 |
|--|------------------|------------------|-------------------|------------------|------------------|
| Private Banks: | | | | | |
| Equity and fixed-income programs | \$22,917 | \$22,448 | \$22,739 | \$20,453 | \$22,369 |
| Collective trust fund programs | 4 | 4 | 4 | 4 | 4 |
| Liquidity funds | 3,537 | 3,471 | 3,142 | 3,633 | 3,753 |
| Total assets under management | \$26,458 | \$25,923 | \$25,885 | \$24,090 | \$26,126 |
| Client assets under administration | 22,411 | 22,435 | 23,394 | 20,226 | 22,886 |
| Total assets | \$48,869 | \$48,358 | \$49,279 | \$44,316 | \$49,012 |
| Investment Advisors: | | | | | |
| Equity and fixed-income programs | \$62,176 | \$62,227 | \$63,958 | \$55,395 | \$61,277 |
| Collective trust fund programs | 5 | 5 | 5 | 7 | 5 |
| Liquidity funds | 2,399 | 3,101 | 3,182 | 5,948 | 4,362 |
| Total assets under management | \$64,580 | \$65,333 | \$67,145 | \$61,350 | \$65,644 |
| Institutional Investors: | | | | | |
| Equity and fixed-income programs | \$85,607 | \$83,687 | \$85,248 | \$78,765 | \$82,578 |
| Collective trust fund programs | 72 | 73 | 74 | 79 | 79 |
| Liquidity funds | 2,727 | 2,594 | 2,544 | 2,234 | 2,529 |
| Total assets under management | \$88,406 | \$86,354 | \$87,866 | \$81,078 | \$85,186 |
| Client assets under advisement | 4,185 | 4,544 | 4,131 | 3,359 | 3,694 |
| Total assets | \$92,591 | \$90,898 | \$91,997 | \$84,437 | \$88,880 |
| Investment Managers: | | | | | |
| Equity and fixed-income programs | \$97 | \$95 | \$99 | \$89 | \$— |
| Collective trust fund programs | 45,062 | 45,213 | 46,934 | 42,804 | 49,232 |
| Liquidity funds | 732 | 496 | 580 | 336 | 704 |
| Total assets under management | \$45,891 | \$45,804 | \$47,613 | \$43,229 | \$49,936 |
| Client assets under administration (A) | 507,694 | 522,700 | 552,411 | 552,318 | 585,997 |
| Total assets | \$553,585 | \$568,504 | \$600,024 | \$595,547 | \$635,933 |
| Investments in New Businesses: | | | | | |
| Equity and fixed-income programs | \$1,114 | \$1,120 | \$1,179 | \$1,257 | \$1,466 |
| Liquidity funds | 72 | 106 | 162 | 189 | 218 |
| Total assets under management | \$1,186 | \$1,226 | \$1,341 | \$1,446 | \$1,684 |
| Client assets under advisement | 49 | 807 | 730 | 687 | 729 |
| Total assets | \$1,235 | \$2,033 | \$2,071 | \$2,133 | \$2,413 |
| LSV Asset Management: | | | | | |
| Equity and fixed-income programs (B) | \$108,186 | \$106,505 | \$109,363 | \$96,114 | \$103,163 |
| Total: | | | | | |
| Equity and fixed-income programs (C) | \$280,097 | \$276,082 | \$282,586 | \$252,073 | \$270,853 |
| Collective trust fund programs | 45,143 | 45,295 | 47,017 | 42,894 | 49,320 |
| Liquidity funds | 9,467 | 9,768 | 9,610 | 12,340 | 11,566 |
| Total assets under management | \$334,707 | \$331,145 | \$339,213 | \$307,307 | \$331,739 |

| | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| Client assets under advisement | 4,234 | 5,351 | 4,861 | 4,046 | 4,423 |
| Client assets under administration (D) | <u>530,105</u> | <u>545,135</u> | <u>575,805</u> | <u>572,544</u> | <u>608,883</u> |
| Total assets | <u>\$869,046</u> | <u>\$881,631</u> | <u>\$919,879</u> | <u>\$883,897</u> | <u>\$945,045</u> |

- (A) Client assets under administration in the Investment Managers segment include \$57.2 billion of assets that are at fee levels below our normal full-service assets (as of March 31, 2019).
- (B) Equity and fixed-income programs include \$2.7 billion of assets managed by LSV in which fees are based on performance only (as of March 31, 2019).
- (C) Equity and fixed-income programs include \$5.5 billion of assets invested in various asset allocation funds at March 31, 2019.
- (D) In addition to the numbers presented, SEI also administers an additional \$11.4 billion in Funds of Funds assets (as of March 31, 2019) on which SEI does not earn an administration fee.

AVERAGE ASSET BALANCES
(In millions) (Unaudited)

| | 1st Qtr. 2018 | 2nd Qtr. 2018 | 3rd Qtr. 2018 | 4th Qtr. 2018 | 1st Qtr. 2019 |
|--|------------------|------------------|------------------|------------------|------------------|
| Private Banks: | | | | | |
| Equity and fixed-income programs | \$23,412 | \$22,870 | \$22,516 | \$21,383 | \$21,831 |
| Collective trust fund programs | 4 | 4 | 4 | 4 | 4 |
| Liquidity funds | <u>3,720</u> | <u>3,516</u> | <u>3,376</u> | <u>3,265</u> | <u>3,706</u> |
| Total assets under management | \$27,136 | \$26,390 | \$25,896 | \$24,652 | \$25,541 |
| Client assets under administration | <u>23,398</u> | <u>22,605</u> | <u>23,175</u> | <u>21,608</u> | <u>22,098</u> |
| Total assets | \$50,534 | \$48,995 | \$49,071 | \$46,260 | \$47,639 |
| Investment Advisors: | | | | | |
| Equity and fixed-income programs | \$62,650 | \$62,890 | \$63,399 | \$59,954 | \$58,732 |
| Collective trust fund programs | 5 | 5 | 5 | 4 | 5 |
| Liquidity funds | <u>2,290</u> | <u>2,429</u> | <u>2,958</u> | <u>3,452</u> | <u>5,298</u> |
| Total assets under management | \$64,945 | \$65,324 | \$66,362 | \$63,410 | \$64,035 |
| Institutional Investors: | | | | | |
| Equity and fixed-income programs | \$87,207 | \$85,045 | \$84,885 | \$81,833 | \$81,725 |
| Collective trust fund programs | 77 | 72 | 74 | 75 | 79 |
| Liquidity funds | <u>2,905</u> | <u>2,621</u> | <u>2,469</u> | <u>2,449</u> | <u>2,375</u> |
| Total assets under management | \$90,189 | \$87,738 | \$87,428 | \$84,357 | \$84,179 |
| Client assets under advisement | <u>4,383</u> | <u>4,301</u> | <u>4,263</u> | <u>3,566</u> | <u>3,494</u> |
| Total assets | \$94,572 | \$92,039 | \$91,691 | \$87,923 | \$87,673 |
| Investment Managers: | | | | | |
| Equity and fixed-income programs | \$96 | \$109 | \$95 | \$96 | \$— |
| Collective trust fund programs | 49,243 | 45,646 | 45,856 | 44,009 | 47,322 |
| Liquidity funds | <u>834</u> | <u>649</u> | <u>555</u> | <u>480</u> | <u>559</u> |
| Total assets under management | \$50,173 | \$46,404 | \$46,506 | \$44,585 | \$47,881 |
| Client assets under administration (A) | <u>506,951</u> | <u>522,679</u> | <u>541,063</u> | <u>561,043</u> | <u>572,065</u> |
| Total assets | \$557,124 | \$569,083 | \$587,569 | \$605,628 | \$619,946 |
| Investments in New Businesses: | | | | | |
| Equity and fixed-income programs | \$1,105 | \$1,090 | \$1,148 | \$1,198 | \$1,394 |

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Liquidity funds | 70 | 95 | 146 | 179 | 202 |
| Total assets under management | \$1,175 | \$1,185 | \$1,294 | \$1,377 | \$1,596 |
| Client assets under advisement | 50 | 813 | 777 | 958 | 708 |
| Total assets | \$1,225 | \$1,998 | \$2,071 | \$2,335 | \$2,304 |
| LSV Asset Management: | | | | | |
| Equity and fixed-income programs (B) | \$109,904 | \$108,380 | \$109,527 | \$99,791 | \$104,517 |
| Total: | | | | | |
| Equity and fixed-income programs (C) | \$284,374 | \$280,384 | \$281,570 | \$264,255 | \$268,199 |
| Collective trust fund programs | 49,329 | 45,727 | 45,939 | 44,092 | 47,410 |
| Liquidity funds | 9,819 | 9,310 | 9,504 | 9,825 | 12,140 |
| Total assets under management | \$343,522 | \$335,421 | \$337,013 | \$318,172 | \$327,749 |
| Client assets under advisement | 4,433 | 5,114 | 5,040 | 4,524 | 4,202 |
| Client assets under administration (D) | 530,349 | 545,284 | 564,238 | 582,651 | 594,163 |
| Total assets | \$878,304 | \$885,819 | \$906,291 | \$905,347 | \$926,114 |

- (A) Average client assets under administration in the Investment Managers segment during first-quarter 2019 include \$57.0 billion that are at fee levels below our normal full-service assets.
- (B) Equity and fixed-income programs include \$2.7 billion of average assets managed by LSV in which fees are based on performance only during first-quarter 2019.
- (C) Equity and fixed-income programs include \$5.3 billion of average assets invested in various asset allocation funds during first-quarter 2019.
- (D) In addition to the numbers presented, SEI also administers an additional \$11.3 billion of average assets in Funds of Funds assets during first-quarter 2019 on which SEI does not earn an administration fee.

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