

## SEI Investments Company (SEIC)

April 13, 2018

### Capital Markets – Asset Management

Stock Rating

**SELL**

#### Investment Thesis

SEI operates an attractive mix of businesses in investment management and financial technology including the prospect of cross-selling between its asset management and administration functions, and its propriety investment processing and operations technology platforms. Nevertheless, growth rates in AUM, revenue, earnings, and FCF do not warrant the current market price. Multiple valuation models consistently imply 30 – 45% downside.

#### Drivers of Thesis

- **Fee Compression** – Fee compression is a pervasive trend in the asset management industry, effecting all firms. SEI is not currently positioned to enjoy a competitive advantage in terms of cost or pricing and will suffer a 3 – 4 bps drop in expense ratios from 2018 to 2022.
- **No Growth in New Relationships** – SEI’s growth of significant relationships related to its technology platforms has essentially remained flat for almost ten years.
- **Slow AUM Growth** – SEI is not currently positioned to benefit from AUM growth in the fastest growing regions. Instead, with 85% of revenues coming from the U.S., and much of the remainder coming from Europe. SEI, positioned in the slowest growing markets, will depend on increased asset values to drive aggregate AUM growth beyond baseline economic expansion.

#### Risks to Thesis

- **Continued capital market strength** – market appreciation is driving most of SEI’s AUM/AUA growth. SEI’s total AUM/AUA grew approximately 13% in 2017 while equity and bond markets grew by 18.65% and 3.36% respectively [9].

#### Earnings Estimates

Year	2015	2016	2017	2018E	2019E	2020E
EPS	\$2.00	\$2.07	\$2.56	\$3.16	\$3.20	\$3.37
growth	5.60%	3.38%	2.37%	2.34%	1.26%	5.4%

#### 12 Month Performance



Source: FactSet

#### Target Price

**\$40.00 – 43.00**

Henry Fund DCF	\$39
Henry Fund DDM	\$44
Relative Multiple	\$48

#### Price Data

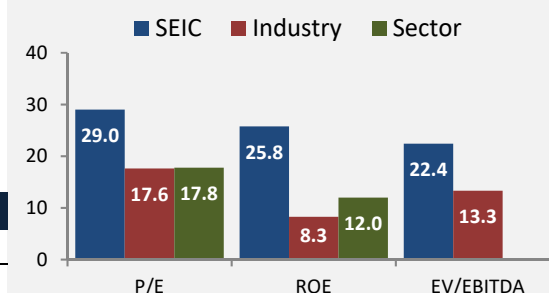
Current Price	\$69.56
52wk Range	\$49.04 – 77.49
Consensus 1yr Target	\$81.50

#### Key Statistics

Market Cap (B)	\$11.35
Shares Outstanding (M)	158.2
Institutional Ownership	71.1%
Two Year Beta	1.279
Dividend Yield	0.82%
Est. 5yr Growth	7.2%
Price/Earnings (TTM)	29x
Price/Earnings (FY1)	33x
Price/Sales (TTM)	7.7x
Price/Book (mrq)	7.9x

#### Profitability

Operating Margin	26.81%
Profit Margin	23.82%
Return on Assets (TTM)	20.72%
Return on Equity (TTM)	25.75%



Source: FactSet

#### Company Description

SEI Investments Company is an asset management and finance technology firm that delivers investment processing, investment management, and investment operations services, across five operating segments. SEI’s clients include banks, trust companies, wealth management firms, independent financial advisors, and institutional and retail investment managers. SEI manages its own family of funds and offers processing and operations services through proprietary technology platforms.

## EXECUTIVE SUMMARY

Based on historical performance and fair operating assumptions of prevailing economic and industry trends, we forecast SEI’s revenues to grow at 6.7% CAGR over the next three years, versus consensus of 8%. Over the short-term this deviation may not be significant, but beyond a 5-year horizon, the resulting Henry Fund DCF and DDM valuation models determine SEI’s intrinsic value well below the current market price.

Assumptions regarding the growth of revenues are the keys to accurately determining the value of a company such as SEI. We find no evidence in prior financial reports, sell-side analysis, and independent analysis to support the growth rates implied by current market prices. With a high percentage of fixed costs, slower growing revenues will have a greater effect on earnings.

Over this time period, we have observed sell-side target prices to generally hover above current market prices by \$5 per share, despite revenues generally meeting, but not exceeding consensus. Earnings over this time period have beaten consensus repeatedly, but we do not feel these beats are sustainable over a 5-year time horizon.

SEI’s capital structure is clean, and the company operates a profitable business with an interesting mix of activities that provide opportunities for value generation through cross-selling. Yet, this great business is now trading at a premium which is not warranted by the fundamentals.

## COMPANY DESCRIPTION

SEI Investments Company (Nasdaq: SEIC) was founded in 1968 as a training company for bank loan personnel and went public in 1981. Since that time, SEI has grown into a mid-sized asset manager with more than \$860.6 billion in assets under management or administration (\$337.3 billion AUM, \$518.4 billion AUA) and a market capitalization of \$11.5 billion. In addition to asset management and administration, SEI has developed a unique business targeting banks, trusts, and wealth management firms. First, through the TRUST 3000 platform (TRUST), and now through the updated SEI Wealth Platform (SWP), SEI serves its client’s investment processing needs through either platform as a service (PaaS) or software as a service (SaaS).

SEI delivers three core competencies to its clients and investors: investment processing, investment management, and investment operations. Investment processing refers to investment accounting and administrative services which are largely provided through SEI’s TRUST and SWP offerings. Investment management refers to the administration and management of assets contributed by investors into SEI’s mutual funds. SEI offers mutual funds to both retail and institutional investors across all the major asset classes including equity, fixed income, and alternatives. Investment operations refers to the accounting and administration of assets that are managed by other investment management companies. Unlike investment management, these services do not involve any decision-making by SEI, but instead consist of middle and back-office processing.

Operationally, SEI’s business is divided into five business segments:

- Private banks
- Investment advisors
- Institutional investors
- Investment managers
- Investments in new businesses

2017 Operating Segment Revenues (\$, millions)

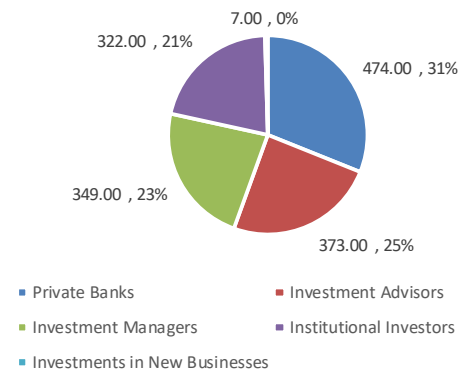


Figure 1 (Source: SEIC 2017 10-K)

The private banks segment provides investment processing and investment management services to banks, trusts, and wealth management firms. The investment advisors segment provides investment management products such as mutual funds to independent financial advisors who manage their own client relationships. The institutional investors segment provides investment products, as well as research and administration, to institutional clients who manage retirement plans, pensions funds, healthcare systems, as

well as non-profits that have an investment need. The investments in new businesses segment is not clearly defined by SEI, but is claimed to represent business development activities for new markets.

### Company Analysis

Figure 2 below depicts each business segment’s contribution to total revenues as a percentage. The private bank segment has steadily decreased in significance from 36.8% of total revenue in 2012 to 31.1% in 2017. The investment advisors and investment managers segment have both increased in significance from 2012 to 2017, while the institutional investors segment essentially remained flat. The investments in new businesses segment barely even registers on the chart, providing 0.4% of total revenues every year from 2012 to 2017. Because of this insignificance in contribution to revenues, the investments in new businesses segment will not be considered for further analysis.

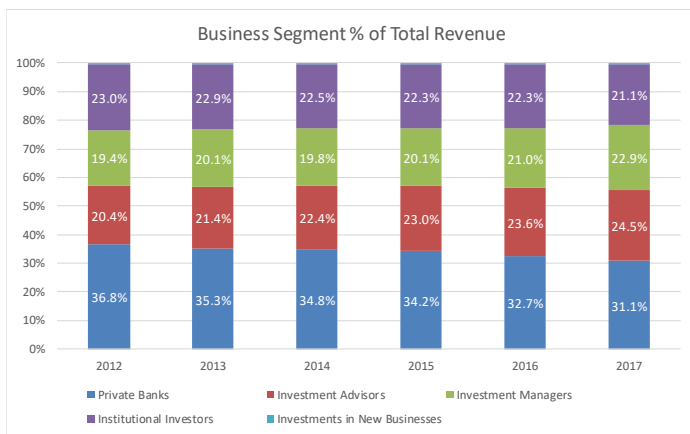


Figure 2 (Source: SEIC 10-Ks and enclosed model)

SEI recognizes revenue in three forms that loosely follow the core competencies. The three revenue segments are asset management, administration, and distribution fees (asset fees), information processing and software servicing fees (processing fees), and transaction-based and trade execution fees (trade fees). Asset fees are generated as a percentage of AUM or AUA. Processing fees are generated based on the number of accounts and the service-levels that those accounts receive. Trade fees are generated as a percentage of AUM or AUA. The largest component of total revenue comes from asset fees. As depicted in Figure 2 the asset-fees component has contributed more than 75% of total revenues for the last three years and has been growing as a share of total revenues. Processing fees make

up approximately 21% of total revenues and have been declining as a share of total revenues. Trade fees make up a tiny fraction of total revenues, generally 2.5% or less.

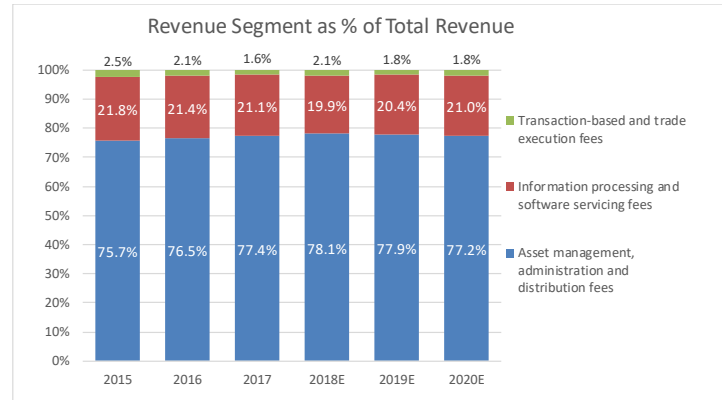


Figure 3 (Source: SEIC 10-Ks and enclosed model)

As an asset management and administration company, SEI’s growth of AUM and AUA provides the basis for their profitability. SEI’s AUM growth for the past three years has averaged 7.95%. Accounting for SEI’ historic growth rates and including macro trends, we forecast combined AUM to trend downward from 9.6% in 2018 to around 7% by 2022.

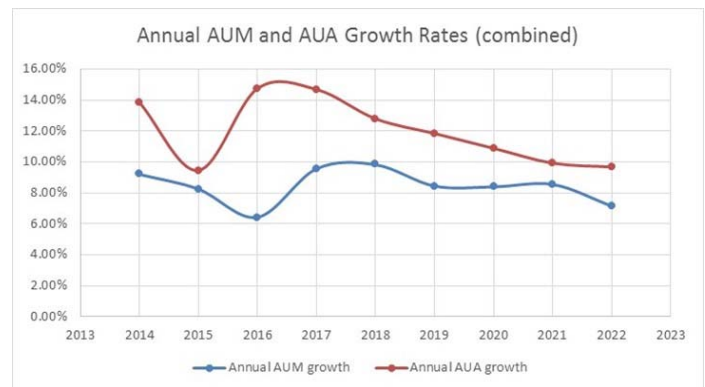


Figure 4 (Source: SEIC 10-Ks and enclosed model)

AUA operates slightly differently. Total AUA growth has averaged just under 13% for the last three years, growing over 14% for the last two years. Specifically, the Investment Managers segment has enjoyed strong growth, averaging 17% growth over the last five years with 50% growth in 2015. Considering this strong performance, we forecast combined AUA (including Private Banks and Investment Managers) to grow an average of 12% over the next 5 years, with stronger growth coming in the next two years, but softening as SEI’s growth rates revert to average market growth rates (Figure 4).

Each of the five segments are growing at different rates. We believe these differing growth rates are important to capture as growth in AUA, which is less profitable than AUM, should not be valued as highly as growth in AUM. Historically, the fastest growing segment has been the investment managers with a five-year average growth rate of 16.66%. The slowest growing segment has been the private banks with a five-year average growth rate of 3.35%. The following table gives historical and forecasted AUM/AUA growth rates for each segment.

	AUM/AUA Growth Rates				
	1-yr	3-yr	5-yr	FY1	FY2
Private Banks	-0.26%	1.70%	3.35%	4.88%	4.94%
Investment Advisors	8.89%	8.82%	12.55%	9.00%	8.50%
Investment Managers	14.92%	14.13%	16.66%	13.56%	12.26%
Institutional Investors	5.61%	3.93%	5.67%	7.00%	6.00%

Table 1 (Source: SEIC 10-Ks and enclosed model)

The following chart depicts the same information visually. Clearly, there is significant volatility in AUM/AUA growth rates.

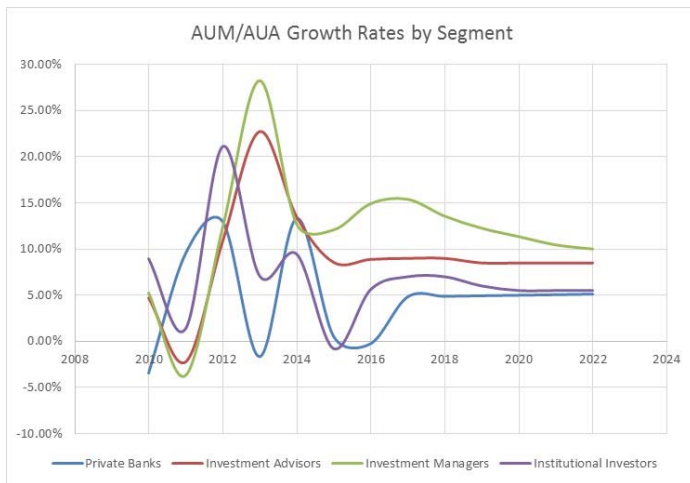


Figure 5 (Source: SEIC 10-Ks and enclosed model)

We forecast the private banks segment to grow AUM at a constant rate of 2.5% and AUA at a constant rate of 7.5% from 2018 to 2022. This forecast is supported by consistent historical growth as demonstrated by the chart below. Private bank AUM/AUA annual growth averaged 3.35% over the previous five years. Additionally, significant barriers to entry in private banking will protect growth of this segment more effectively than others. Ultimately, we believe combined AUM and AUA in the private banks segment will grow from \$51 billion in 2017 to \$63.1 billion in 2022.

Private Banks Total AUM/AUA (millions)

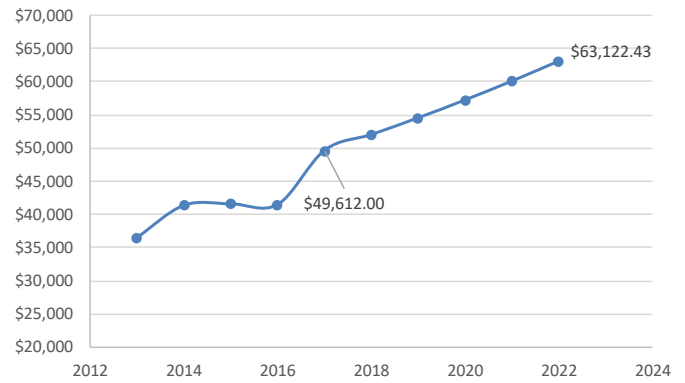


Figure 6 (Source: SEIC 10-Ks and enclosed model)

We forecast the investment advisors segment to grow AUM at 9% in 2018 and 8.5% every year thereafter through 2022. This forecast takes into account historical performance and increased competition in this space based on slowing domestic AUM growth and fee compression. The investment advisors segment averaged 12.55% over the previous five years. Our estimates reflect a downward revision from average because individual annual growth rates have been volatile. Specifically, we forecast investment advisors AUM to grow from \$64.3 billion in 2017 to \$97.1 billion in 2022.

Investment Advisors Total AUM (millions)

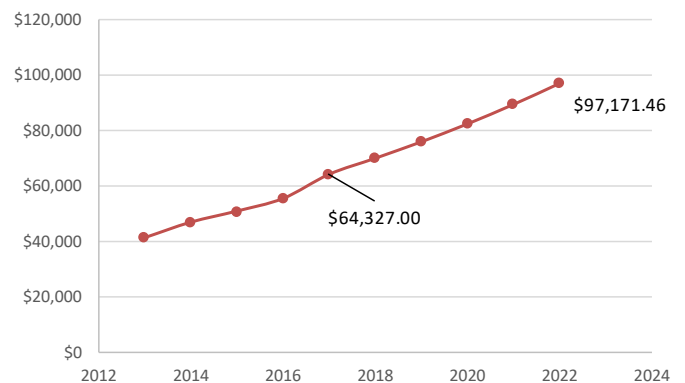


Figure 7 (Source: SEIC 10-Ks and enclosed model)

We forecast the investment managers segment to grow AUM 20% in 2018, 15% from 2019 to 2021, and 10% from 2022 onward. We forecast investment manager AUA to grow 13% in 2018 trending downward by 1% growth each year, and ultimately growing 10% in 2021 and 2022. These forecasts take into account historical performance as well as increased competition in the growing field of turn-key asset managers (TAMPs) [2]. Over the past five years, the investment managers segment grew AUM/AUA 16.66%

annually. Our estimates reflect a downward trend because growth has slowed in recent years. In dollar amounts, we forecast total AUM/AUA for this segment to grow from \$545.6 billion in 2016 to \$942.9 billion in 2022.

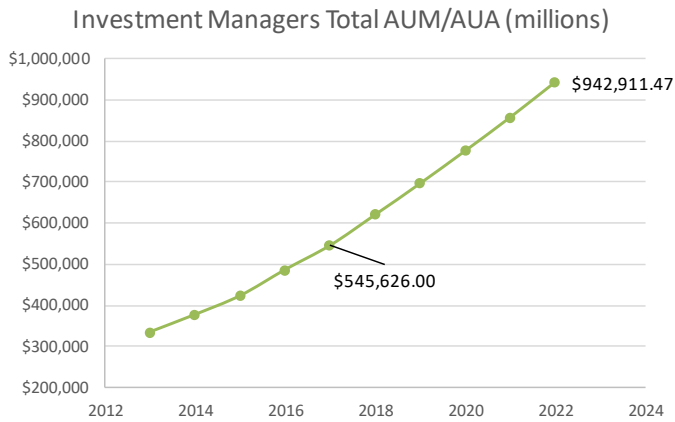


Figure 8 (Source: SEIC 10-Ks and enclosed model)

We forecast the institutional investors segment to grow AUM at 7% in 2018, 6% in 2019, and 5.5% thereafter through 2022. This forecast takes into account historical performance as well as the threat of new entrants with scale, such as BlackRock, into the outsourced chief investment officer (OCIO) market [3]. The five-year average annual growth rate in this segment was 5.67% and our estimates reflect a reversion to this mean. According to this forecast, AUM for this segment will grow from \$94 billion in 2017 to \$125 billion in 2022.

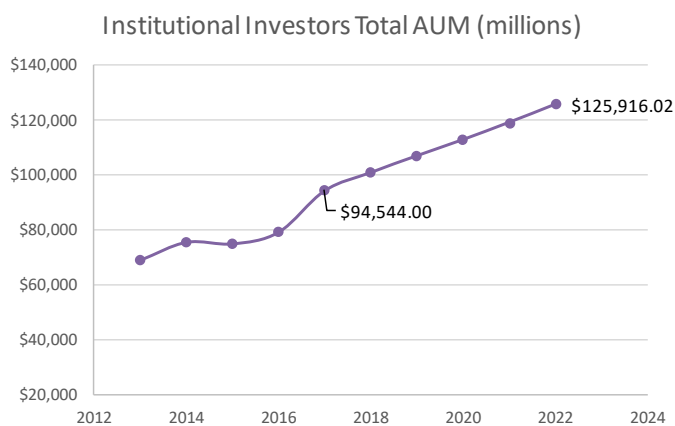


Figure 9 (Source: SEIC 10-Ks and enclosed model)

Fee compression will have a significant effect on SEI's ability to generate revenue. Private banks and investment advisors are the only segments that report revenues according to the breakdown in Figure 3. Unfortunately, the other segments only report aggregated revenue totals, but

SEIC's 10-K provides hints as to which revenues should be attributed to which segments. Since 99% of processing fee revenue is attributed to the private bank segment in SEIC's annual report, our model attributes all processing fee revenue to that segment. Thus in our analysis, the remaining segments only receive asset and trade fee revenues.

Asset and trade fee revenues are both generated as a percentage of AUM, thus we allocated appropriate fees to each of the segments to arrive at combined expense ratios for asset and trade fees for private bank and ex-private bank. As depicted in Figure 10, SEI has been able to slightly improve asset fee expense ratios over the past five years for the private bank segment, but has experienced consistent long-term downward pressure on asset fees generated by its other business segments. Due to strong macro trends, and no demonstrated strategy from SEI to defend against them, we forecast continued downward pressure in ex-private bank expense ratios, dropping 3 basis point from 2017 to 2021. The expense ratio trend in the private bank segment demonstrates resilience and warrants an even forecast in the near-term.

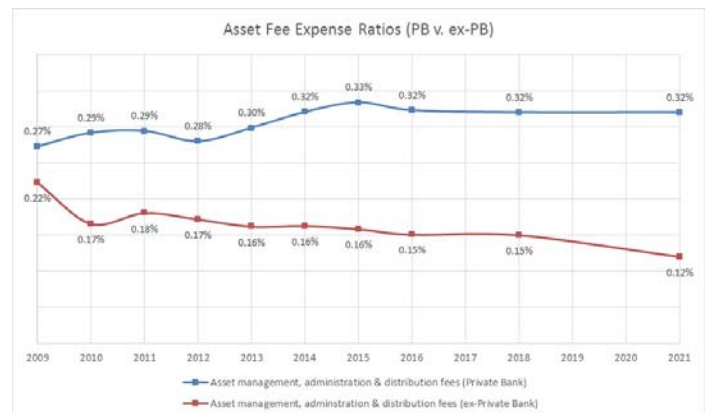


Figure 10 (Source: SEIC 10-Ks and enclosed model)

	1-yr	3-yr	5-yr	FY1	FY2
Private Banks	0.32%	0.33%	0.32%	0.32%	0.32%
Ex-Private Banks	0.15%	0.15%	0.16%	0.15%	0.14%

Table 2 (Source: SEIC 10-Ks and enclosed model)

Beyond asset management, SEI offers investment processing services through TRUST and SWP. Revenue is generated from these platforms based on the number and size of client accounts. There has been some variability in the total number of relationships, but it has been centered on approximately 320 for more than eight years (Figure 11). This is not an encouraging sign because SEI's

investment processing business faces far more favorable economic and industry trends than asset management. In holding with this trend, we forecast total relationships to continue to remain flat as SEI offers no convincing argument why relationship growth will improve significantly in the near future.

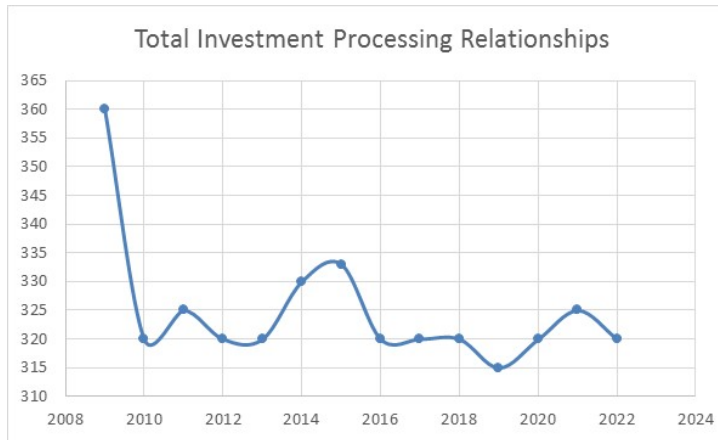


Figure 11 (Source: SEIC 10-Ks and enclosed model)

The following chart (Figure 12) depicts historical and forecasted investment processing fee performance. We forecast 6.6% annual growth in investment processing revenue from 2018 to 2022 based on historical 6.4% CAGR from 2013 to 2017.

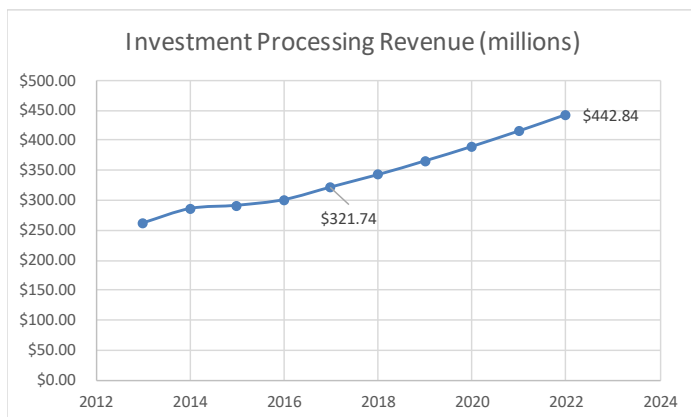


Figure 12 (Source: SEIC 10-Ks and enclosed model)

In line with historical performance and taking into account low potential for growth in significant relationships, we forecast investment processing revenue to grow from \$300 million in 2016 to \$402 million in 2022.

Since 2009, expenses, as a percentage of total revenues, have generally remained constant or trended slightly up. Accordingly, we forecast each expense line item to follow

trend as a percentage of total revenues. All of these factors combined result in consistent growth in revenue and expenses over the next five years with operating margins softening slightly from 26.8% in 2016 to 26.09% in 2022 as a result of slowing AUM growth and fee compression. Figure 13 below charts total revenues compared with total expenses.

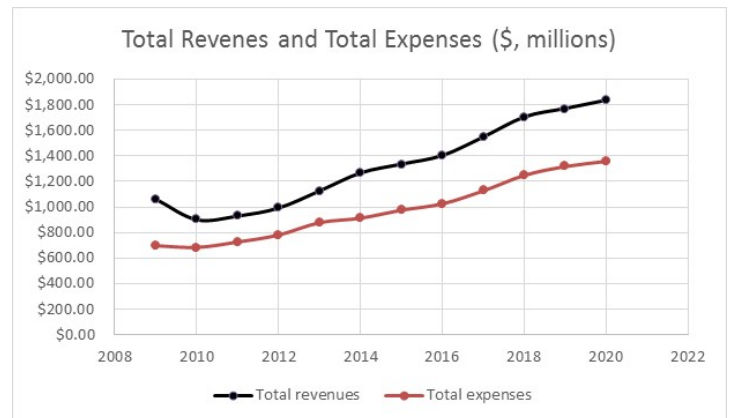


Figure 13 (Source: SEIC 10-Ks and enclosed model)

SEI's balance sheet accounts have similarly demonstrated steady growth over the past five years and are forecasted accordingly. All accrual accounts are forecasted as a percentage of sales based on historic averages. SEI generates capital expenditures in two ways, property and equipment and capitalized software. These accounts too have grown at stable rates as a percentage of revenues. Based on historical trends, we forecast property and equipment capital expenditures to grow, as a percentage of revenue, at an average of 11.5% over the next five years, trending up slightly in later years. We forecast capital expenditures to grow, as a percentage of revenue, at an average of 20.75% over the next five years.

### LSV Asset Management

SEI holds an approximate 38.9% minority interest in LSV Asset Management. LSV manages assets for institutional investors according to a quantitative value investment approach. As of December 31<sup>st</sup>, 2017, LSV managed \$107.2 billion in assets and SEI had a minority ownership interest of 38.9% in LSV. At approximately 27% of SEI's 2017 earnings, LSV's performance will be a significant driver of SEI's total performance. The chart below (Figure 14) depicts historical and forecasted AUM for LSV.

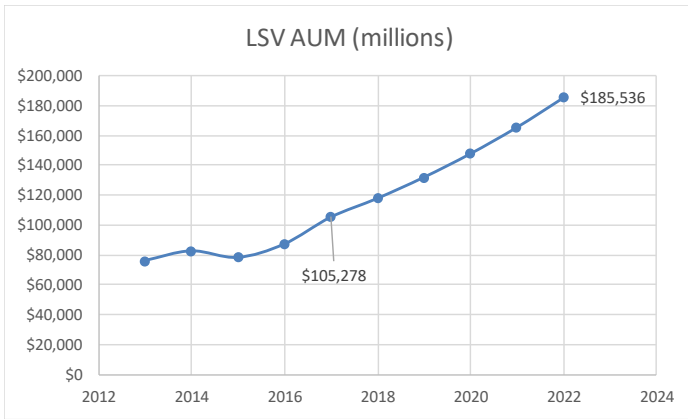


Figure 14 (Source: SEIC 10-Ks and enclosed model)

In line with historical performance and considering the industry themes explored throughout this report, we forecast LSV AUM to grow 12% from 2018 to 2022, tracking 5-year average annual growth of 12.06% from 2013 to 2017. Thus, we forecast LSV AUM to finish 2022 at approximately \$185 billion. We feel this AUM growth is both realistic and justified given the fact that LSV possesses no strategic advantage in terms of scale or distribution.

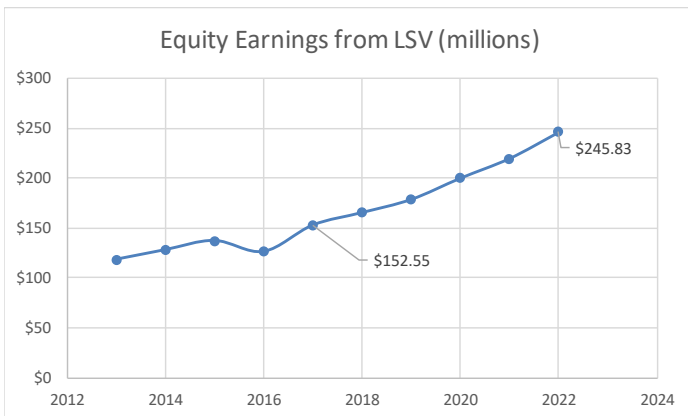


Figure 15 (Source: SEIC 10-Ks and enclosed model)

At 27% of net income, LSV’s earnings contribution to SEI’s net income is at the low end of the spectrum in recent years. The average over the previous five years is 41.5%. To best determine SEI’s equity earnings resulting from LSV’s AUM we considered the equity earnings expense ratio, which is SEI’s equity earnings as a percentage of LSV AUM. The equity earnings expense ratio has been consistently trending downward from 0.2% in 2011 to 0.14% in 2016. We forecast the equity expense ratio attributable to LSV AUM to decrease to 0.1325% by 2022. The resulting equity earnings are depicted in the chart above (Figure 15). According to the forecasted growth

rates, equity earnings from LSV will grow to \$245.8 million by 2022.

## RECENT EVENTS

### 2017 Earnings and Expectations

SEI reported \$1.526 billion in total revenue in 2017, 0.7% above consensus expectations of \$1.515 billion [9]. This annual revenue beat came from strong 4<sup>th</sup> quarter performance. 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> quarter deviations from consensus quarterly sales estimates were (0.9%), 0.6%, and 0.3% respectively, while 4<sup>th</sup> quarter sales came in 2.5% above consensus [9].

Annual earnings per share came in at \$2.49 in 2017, a 5.8% surprise to consensus expectations of \$2.35 [9]. SEI also beat EPS consensus every quarter of 2017. The strongest performance came in the 4<sup>th</sup> quarter with a 23.6% surprise. 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> quarter deviations from consensus quarterly EPS estimates were 6.8%, 3%, and 9.9% respectively.

Much of the strong 4<sup>th</sup> quarter earnings performance can be attributed to \$12 million in benefits related to the corporate tax cut. According to Oppenheimer, pre-tax margins year-on-year were flat with expectations (26.7% versus 26.9% expected) [15].

Looking ahead, consensus target price is \$81.5, an implied 15% upside [9]. This price is based on sales and EPS estimates of \$1.658 billion and \$3.12 respectively for 2018 [9]. In 2019, consensus for sales and EPS is \$1.756 billion and \$3.43 respectively [9].

Interestingly, given the difference in target price (\$81.5 consensus vs \$40 – 43 for our model), near-term consensus sales estimates actually underperform our model forecasts, while EPS estimates exceed our expectations. We forecast sales of \$1.722 billion and \$1.794 billion and EPS of \$3.14 and \$3.16 for 2018 and 2019 respectively. Given that the divergence in fundamental expectations cannot explain the much wider divergence in target price, we believe current consensus price expectations are based more on recent stock price momentum than fundamental performance.

### Acquisition of Archway Technology Partners

On July 3, 2017, SEI acquired Archway Technology Partners, LLC (Archway) for approximately \$89 million. In

acquiring Archway, SEI is attempting to expand into the family office segment of the broader wealth management industry. Prior to the transaction, SEI provided services to private banks, financial advisors, and others in the wealth management industry, but family offices remained a growth area. With the acquisition of Archway, SEI will attempt to grow into the related family offices segment, while also applying complimentary effects of its organic offerings.

## INDUSTRY TRENDS

With nearly 80% of total revenues related to assets under management or administration, and much of the rest most likely the result of cross-selling based on AUM/AUA relationships, SEI is most properly considered an asset management company. Thus, broader trends in the asset management industry will create opportunities and threats for SEI.

The asset management industry faces a future of slowing growth in major domestic markets, but accelerating growth in developing economies, specifically Asia and Latin America, will provide opportunity for companies who can break in. Managing capital, for institutions or individuals, is as much based on relationships as on performance so growth in foreign markets will strongly favor companies who are able to build strategic networks for distribution.

In addition to slowing growth all firms will face slackening revenues that fail to keep pace with AUM growth due to fee compression. Most investment products have become commoditized, yet there is an opportunity for creative firms with strategic distribution platforms that complement their product offerings to achieve above average revenue growth and profitability.

Yet, beyond these headwinds we believe the industry will continue to provide average or slightly above average returns as incumbent firms continue to gain advantages through scale, cost compression, and product innovation.

### Slowing Domestic AUM Growth

According to PwC, global AUM will exceed \$100 trillion by 2020 (Figure 16) [4]. The most rapid growth is forecasted to occur in so-called SAAAME countries (South America, Asia, Africa, and Middle East). The fastest growing regions are forecast to be the Middle East and Africa, and Latin

America with annual AUM growth rates of 11.9% and 12.5% respectively. This contrasts with forecasted growth rates of 5.1% and 4.4% respectively in the developed European and North American regions. With 85% of its revenue earned in the United States SEI is unlikely to capitalize on these high growth regions [4]. The remaining 15% of SEI's revenue is generally concentrated in Europe with five of the top seven non-U.S. countries located in Europe [9].

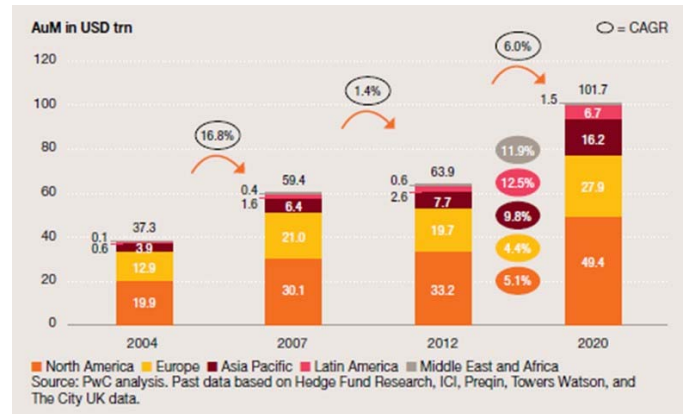


Figure 16 (Source: PwC)

In 2016, global AUM grew to \$69.1 trillion, a 7% increase from 2015. North America makes up the largest geographical component with 49% of global AUM. North America is followed by Europe with 28% of global AUM. The remainder of the world, the vast majority of the world's population included, provide approximately 23% of global AUM [5]. Figure 17 below depicts total regional AUM for 2007, 2015, and 2016.

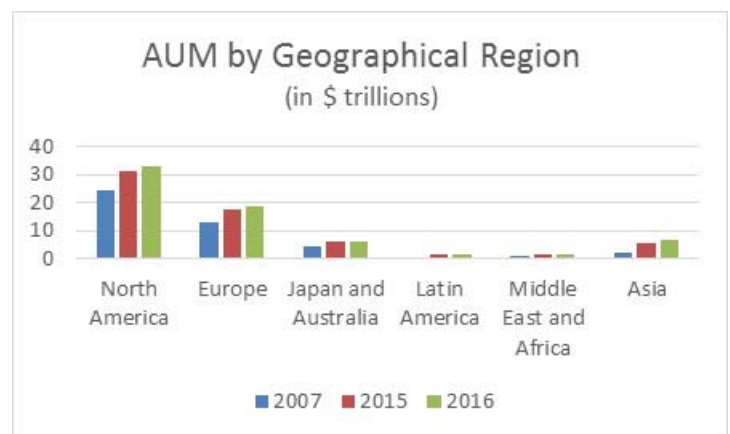


Figure 17 (Source: BCG)

The asset management industry in North America and Europe has low concentration, slow growth, and low barriers to international entry. As discussed above, these



geographical regions contribute more than 75% of global AUM. As one would expect for mature industries, growth in these regions is relatively slow with AUM growing in the middle single digits each year. Despite the large size and slow growth of these regions, industry concentration is surprisingly low. IBISWorld estimates that there are 928 fund sponsors for 9,784 mutual funds and 1,853 ETFs in the United States alone in 2017 [6]. ICI estimates there are more than 19,000 mutual funds, closed-end funds, ETFs, and UITs in the U.S. [7]

Due to the free-market nature of the U.S. and Europe, foreign firms may find it easier to enter these markets than U.S. or European firms will find it to expand internationally. The combination of low concentration, slow grow, and increased threat of international entry make the North American and European asset management industries fiercely competitive. The competitive nature of asset management in these regions will place further downward pressure on industry revenues. It is imperative that U.S. asset managers look globally for growth and profitability.

### Fee Compression

Fee compression has been an important phenomenon in the industry for at least the last thirteen years. Investor tastes are shifting significantly as a body of evidence is assembled that throws into question many long-held investor assumptions. Chief among these assumptions is that high-priced active core strategies will reward investors with superior performance because of talented portfolio managers. Challenging this assumption, mounting academic and practical evidence seems to indicate that investors are better served to eliminate costs and pursue returns based on indexed funds that track broad market performance. The result has been a significant shift of AUM from active core strategies to passive strategies. As depicted in the chart below, net cash flows to mutual funds have steadily declined from \$879 billion in 2007 to (\$229) billion in 2016.

**Net Cash Flow to Mutual Funds (\$, billions)**

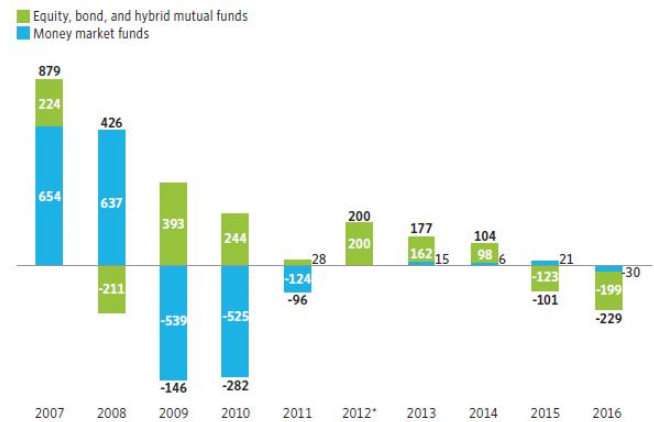


Figure 18 (Source: ICI Fact Book 2017)

At the same time cash has been flowing from mutual funds, cash has been flowing into index funds. Figure 19 below demonstrates this trend with strong positive cash flows into index funds, especially during the period from 2013 to 2016.

**Net New Cash to Index Funds (\$, millions)**

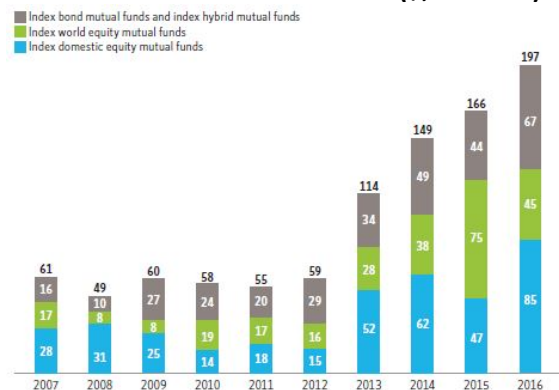


Figure 19 (Source: ICI Fact Book 2017)

As demonstrated in Figure 20, active core AUM has decreased from 57% of total AUM in 2003 to 35% of total AUM in 2016, while passive AUM has doubled from 9% of total AUM in 2003 to 18% in 2016 [5]. This trend is expected to continue as BCG forecasts passive strategies will occupy 20% of global AUM by 2021. The fee compression occurs during this transition to passives because mutual fund companies no longer have to compensate and compete for star portfolio managers and their teams of analysts and support personnel. This is a tremendous cost savings for the fund and these costs are passed along to the investor by way of lower expense ratios.



Figure 20 (Source: BCG)

In 2016 global AUM grew to \$69.1 trillion, a 7% increase from 2015. Yet, despite world-wide growth in AUM, 2016 was the first time since the Global Financial Crisis in 2008 where total industry revenues fell. Figure 19 demonstrates the secular trend in falling revenue from 2007 through 2016 [5].

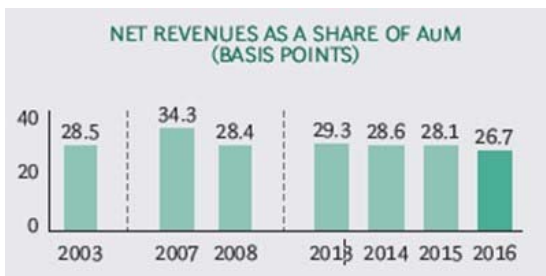


Figure 21 (Source: BCG)

Though fee compression has acted to drag on total revenues among most asset classes and strategies, there are certain asset classes and strategies where fees have actually increased. Multi-asset, fixed-income, and private debt strategy products have been able to increase net fees by 2%, 3%, and 2% respectively per year since 2010 [5].

## U.S. Regulatory Environment

In 2016, the U.S. Department of Labor (DOL) issued the “fiduciary rule” which would require any individual or organization providing an investment service regarding retirement assets to put the interests of the client above their own. For the asset management industry, the most practical application of this rule affects the way mutual funds are distributed. In the past, mutual funds were distributed with various sales incentives attached. These sales incentives, often called “loads”, were seen to introduce a potential conflict of interest for the

investment advisor. Investment advisors might recommend specific funds to their clients based on the sales incentives provided by the issuing asset management company and not based on the interests of their client. The Fiduciary Rule seeks to eliminate this potential conflict. In 2017, enforcement of the Fiduciary Rule was delayed until July 1, 2019. Despite the delay, many asset management companies have already responded and adjusted their businesses accordingly.

As depicted in Figure 20 below, nearly all growth in U.S. mutual fund AUM has occurred in “No-Load” mutual funds.

**Total Net Assets of Long-Term Mutual Funds Are Concentrated in No-Load Share Classes**  
Billions of dollars, 2007-2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>All long-term mutual funds</b>	\$8,914	\$5,788	\$7,797	\$9,030	\$8,942	\$10,361	\$12,331	\$13,149	\$12,896	\$13,616
<b>Load</b>	2,795	1,722	2,185	2,352	2,176	2,362	2,652	2,615	2,440	2,371
Front-end <sup>1</sup>	2,190	1,374	1,750	1,882	1,751	1,893	2,148	2,116	1,989	1,948
Back-end <sup>2</sup>	204	102	98	78	50	39	32	24	15	9
Level <sup>3</sup>	379	237	328	381	367	417	459	468	429	408
Other <sup>4</sup>	10	7	8	8	7	11	10	7	6	6
Unclassified <sup>5</sup>	12	2	2	3	1	2	2	1	(*)	1
<b>No-load<sup>6</sup></b>	4,587	3,067	4,249	5,090	5,224	6,261	7,598	8,382	8,373	9,093
Retail	3,091	1,951	2,659	3,068	2,991	3,464	4,142	4,639	4,598	4,886
Institutional	1,497	1,116	1,589	2,022	2,233	2,798	3,456	3,743	3,775	4,207
<b>Variable annuities</b>	1,346	854	1,130	1,291	1,251	1,398	1,629	1,671	1,596	1,637
<b>*R* share classes<sup>7</sup></b>	187	146	233	297	290	340	452	480	487	514

Figure 22 (Source: ICI)

## MARKETS AND COMPETITION

### Asset Management

The top 10 global firms by AUM are depicted in the following table:

Firm	2017 AUM (\$ trillion)
1. BlackRock (U.S.)	5.98
2. Vanguard Group (U.S.)	4.5
3. UBS (Switzerland)	3.1
4. State Street (U.S.)	2.67
5. Fidelity (U.S.)	2.4
6. Allianz Group (Germany)	2.27
7. J.P. Morgan Asset Man. (U.S.)	1.9
8. BNY Mellon (U.S.)	1.8
9. PIMCO (U.S.)	1.69
10. Amundi (France)	1.65

Table 3 (Source: Statista)

As depicted in the table above, the largest asset management companies are global and exist in a variety of structures, both public and private. The peer comparisons that follow are focused on public companies because they produce a large amount of reliable and accessible information that can be used to understand the asset management landscape.

The following companies are SEI's largest pure-play public asset management competitors based on market capitalization:

Firm	Ticker Symbol	Market Cap. (bil)
1. BlackRock (U.S.)	BLK	86.2
2. BNY Mellon	BK	56.2
3. State Street	STT	38.7
4. T. Rowe Price	TROW	25.9
5. Ameriprise	AMP	23.7
6. Northern Trust	NTRS	23
7. Franklin Resources	BEN	21.9
8. Invesco	IVZ	13.7
9. Affiliated Managers Group	AMG	10.6

Table 4 (Source: FactSet)

The table below provides financial data for all investment management companies in the S&P 500. At the industry level, the most noteworthy take away from this table is the fact that industry and company average returns on equity (ROE) lag behind the broader S&P 500 ROE averages for all time horizons listed. At the company level, SEI appears to be more profitable than all of its public competitors. As we'll see in following analysis, this seeming outperformance is actually the result of SEI's hybrid business model.

	Mkt Cap (billion)	2016 AUM (billion)	2016 ROE	2015 ROE	ROE 5 yr
BLK	86.2	5147	11.0%	12.0%	11.6%
BK	56.2	1648	9.1%	8.3%	8.0%
STT	38.7	2400	10.1%	9.3%	9.9%
TROW	25.9	692.4	24.3%	23.8%	24.6%
AMP	23.7	629	19.5%	20.4%	19.8%
NTRS	23		11.0%	11.2%	10.6%
BEN	21.9	733.3	14.4%	17.3%	17.9%
IVZ	13.7		10.8%	11.6%	11.2%
AMG	10.6	688.7	14.6%	18.9%	17.6%
Industry			11.2%	11.7%	11.2%
S&P 500			14.6%	13.5%	14.9%
SEIC	11.3	860.6	25.8%	26.1%	26.8%

Table 5 (Source: FactSet)

It is difficult to find a perfect peer comparison to SEI because of its uniquely diversified business model. It is

informative, however, to compare SEI's performance with pure players in each of SEI's markets, asset management and investment processing.

The following table depicts leading firms in asset management and investment processing, revealing an unconvincing comparison for SEI.

	5 yr sales growth	5 yr earnings growth	P/E ratio
SEI	51.8%	95.5%	30.8x
Schwab	76.3%	153.7%	34.6x
Pure Asset Managers			
State Street	15.5%	6.3%	20.4x
BNY Mellon	11.0%	67.6%	14.8x
Northern Trust	42.1%	74.3%	21.8x
Pure Investment Processors			
Investnet	334.7%	-805.4%	-
SS&C	203.6%	617.7%	33.9x

Table 6 (Source: FactSet)

In the diversified investment manager space, Schwab offers much higher growth in both sales and earnings, but trades at only a slightly higher multiple.

In the asset manager space, Northern Trust's sales growth is very strong compared to its competitors, but can be purchased for a steep discount to SEI. With 42.1% 5-year average sales growth, Northern Trust's growth rate is comparable to SEI's, but carries a multiple of 21.8x versus 30.8x.

In the investment processor space, Investnet and SS&C provide superior sales growth compared to SEI. SS&C achieved incredible earnings growth in the previous five years, 617.7% annual average versus SEI's 95.5% average. Despite such strong performance, SS&C carries a slightly higher multiple of 33.9 versus 30.8 for SEI.

As a hybrid asset management and investment processing company, SEI operates in multiple markets. Much of the preceding industry analysis focused exclusively on the asset management markets that SEI operates in, but further consideration must be given to the other markets.

## Turn-Key Asset Management Programs

Turn-Key Asset Management Programs (TAMPs) are an emerging market, and significant growth opportunity, for SEIC. According to ftj | Fund Choice, the TAMP market has grown from less than a billion dollars to more than \$250 billion in the last 20 years [8]. TAMPs provide investment managers with scalable software platforms that effectively outsource business functions as routine as fund accounting and trade clearing to sophisticated functions such as manager selection and asset allocation. The following chart (Figure 21) depicts the market share for the top 22 TAMP platforms.

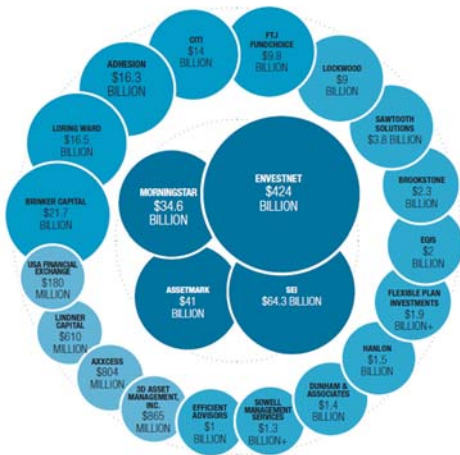


Figure 23 (Source: Wealth Advisor)

## ECONOMIC OUTLOOK

### Historic Asset Value Growth

#### S&P 500 5-year Price Chart

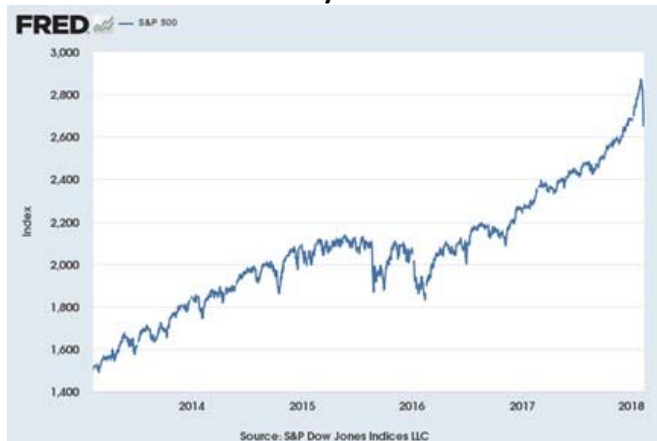


Figure 24 (S&P 500, Source: FRED)

As of February 1, 2018, the S&P 500 has returned 22.8% in the past year. This performance was really just the latest lap of what has been a long-term bull market since early 2009 when the index reached a low of \$676.53. With the index now north of \$2800 there has been a tremendous total return to shareholders. Being this long in such a major market move, valuations are starting to appear stretched. This trend is very important for asset managers because AUM is directly tied to asset values. As the markets, equities in this case, rise so does AUM and concomitantly so do management fees. On the other hand, as asset values fall so does AUM along with management fees.

#### 10-year Treasury Yield-to-Maturity



Figure 25 (10-yr U.S. Treasury YTM, Source: FRED)

Along with equities, long-term interest rates, which are the basis for long-term fixed-income returns, have steadily been dropping for more than 20 years. The result has been a historic multi-decade bull market for bonds. As rates have steadily decreased, bond fund book values have steadily increased. As with equity valuations which appear stretched, long-term bond prices really only have one direction to go. As with equities, declining bond fund values would mean decreasing AUM for asset managers and concomitantly decreasing fee revenue.

## CATALYSTS FOR CHANGE

With a high percentage of fixed costs, SEI operates with a high degree of operating margin. This is a risk that we feel is not currently appreciated by the market. Valuations across multiple asset classes are at decade to multi-decade highs. When a correction comes to these valuations, SEI

will received a disproportionate shock to its share prices as nearly all of the percentage decline in revenues will fall straight to the bottom line.

## INVESTMENT POSITIVES

- SEI operates a diversified business model the opens up the interesting opportunity for differentiation and value capture through the process of cross-selling.

## INVESTMENT NEGATIVES

- The revenue, and resulting earnings expectations implied by SEI's current market value is not supported by an analysis of historical performance and an understanding of prevailing industry and economic trends.
- Fee compression is a pervasive trend in the asset management industry, effecting all firms. SEI is not currently positioned to enjoy a competitive advantage in terms of cost or pricing and will suffer a 3 – 4 bps drop in expense ratios from 2018 to 2022.
- SEI's growth of significant relationships related to its technology platforms has essentially remained flat for almost ten years.
- SEI is not currently positioned to benefit from AUM growth in the fastest growing regions. Instead, with 85% of revenues coming from the U.S., and much of the remainder coming from Europe. SEI, positioned in the slowest growing markets, will depend on increased asset values to drive aggregate AUM growth beyond baseline economic expansion.

## VALUATION

As discussed above, we forecasted revenue growth based on historical performance and industry trends. In order to improve the granularity of these forecasts, we decomposed reported revenues in a two-step process. The basis of SEI's revenues come from AUM, AUA, and significant relationships related to its investment processing products. Since these drivers are all growing at different rates for different segments, our model accounts for the specific historical growth in each of these segments and then makes forecasts accordingly. The second step of this decomposition involves coming up with the "revenue yield" associated with these drivers. For AUM and AUA this means developing an expense ratio that gives the amount

of revenues earned per unit of AUM/AUA. For investment processing this means developing an average account size and revenue target for each significant relationship. Again, since these "revenue yield" factors are all growing at different rates, our model plots historical performance and then makes forecasts accordingly, while also considering prevailing industry trends. Ultimately, the revenue contributions from all segments and functions are aggregated for each reporting year to determine forecasted revenues as reported in SEI's financial statements.

Over time all operating expenses have shown remarkable consistency in tracking a consistent percentage of sales. Accordingly all operating expenses were forecast based on prior period average rates as a percentage of total revenues. We believe this is a fair and accurate characterization because of the consistency demonstrated in prior periods.

The valuation model for this analysis considers a five-year time horizon from expectations for 2018 through 2022.

Many valuation assumptions were made in the creation of the enclosed model. The risk-free rate was based on the yield-to-maturity of the 30-year treasury bond. As of 2/20/2018 this rate was 3.15%. The model also assumes an equity risk premium of 4.8% which was based on Damodoran's implied equity risk premium. SEI's beta was determined using two-year weekly data from Bloomberg.

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SEI Investments - SEIC  
Assumptions

<i>Fiscal Years Ending Dec. 31</i>	2014	2015	2016	2018E	2019E	2020E	2021E	2022E
Total relationships	330	333	320	310	315	320	325	330
Average information and software servicing fees per relationship	0.865	0.874	0.939	1.104	1.159	1.217	1.278	1.342
YoY growth in average information and software servicing fees per relationship	5.78%	0.98%	7.44%	5.00%	5.00%	5.00%	5.00%	5.00%
Commissions and fees (% of revenues)	13.65%	13.82%	13.78%	13.00%	13.00%	13.00%	13.00%	13.00%
Compensation, benefits and other personnel (% of revenues)	30.83%	30.96%	30.73%	30.50%	31.50%	31.00%	31.00%	31.00%
Amortization (% of net capitalized software)	12.37%	13.79%	15.62%	15.00%	15.00%	15.00%	15.00%	15.00%
Depreciation (% of net PPE)	18.86%	19.15%	18.36%	17.50%	17.50%	17.50%	17.00%	17.00%
Consulting, outsourcing and professional fees (% of revenues)	12.90%	13.81%	15.72%	11.50%	11.50%	11.50%	11.50%	11.50%
Software royalties and other information processing costs (% of revenues)	3.16%	2.97%	2.86%	2.60%	2.60%	2.60%	2.60%	2.60%
Data processing and computer related (% of revenues)	4.95%	5.55%	6.12%	4.80%	4.80%	4.80%	4.80%	4.80%
Facilities, supplies and other costs (% of revenues)	6.23%	7.07%	6.43%	6.00%	6.00%	6.00%	6.00%	6.00%
<i>Operating margin check</i>	27.87%	26.85%	26.81%	27.41%	25.88%	26.26%	26.14%	26.09%
Realized return on marketable securities	0.70%	-0.56%	0.13%	0.25%	0.25%	0.25%	0.25%	0.25%
Return on cash	0.58%	0.50%	0.64%	0.50%	0.60%	0.60%	0.70%	0.70%
Line of credit commitment fees (\$, millions)	0.46	0.48	0.53	0.50	0.50	0.50	0.50	0.50
LSV AUM (\$, millions)	82665.00	78335.00	87248.00	117911.36	132060.72	147908.01	165656.97	185535.81
YoY LSV AUM growth	8.50%	-5.24%	11.38%	12.00%	12.00%	12.00%	12.00%	12.00%
Equity in earnings of unconsolidated affiliates	127.79	137.06	126.10	165.08	178.28	203.37	223.64	245.83
Equity share expense ratio on LSV AUM	0.15%	0.17%	0.14%	0.14%	0.14%	0.14%	0.14%	0.13%
Dividends (% of EPS)	24.28%	24.98%	26.10%	25.00%	25.00%	25.00%	25.00%	25.00%
Accounts receivable (% of sales)	19.18%	20.32%	20.67%	19.50%	19.50%	19.00%	19.00%	18.50%
YoY growth securities owned	0.20%	0.28%	0.48%	0.20%	0.20%	0.20%	0.20%	0.20%
Other current assets (% of sales)	1.44%	1.96%	1.97%	1.80%	1.80%	1.80%	1.80%	1.80%
Net PPE (% of sales)	9.92%	10.79%	10.43%	10.50%	11.00%	11.50%	12.00%	12.00%
Net Capitalized software (% of sales)	24.41%	21.77%	21.11%	20.50%	20.50%	21.00%	20.50%	21.00%
Operating leases (% of net PPE)	32.74%	32.44%	26.75%	28.00%	28.00%	28.00%	28.00%	28.00%
YoY growth of marketable securities	-41.31%	7.82%	-6.85%	0.25%	0.25%	0.25%	0.25%	0.25%
YoY growth of investments of unconsolidated subsidiaries	13.07%	-20.71%	-11.54%	-1.84%	-1.84%	1.00%	2.00%	-1.00%
Other non-current assets, net (% of sales)	1.30%	1.16%	1.10%	1.34%	1.34%	1.34%	1.34%	1.34%
Accounts payable (% of sales)	0.84%	0.34%	0.43%	0.65%	0.65%	0.65%	0.65%	0.65%
Accrued liabilities (% of sales)	16.38%	16.31%	17.16%	15.53%	15.53%	15.53%	15.53%	15.53%
Deferred revenue (% of sales)	0.14%	0.18%	0.21%	0.18%	0.19%	0.20%	0.19%	0.18%
Net deferred taxes / tax expense	38.12%	37.33%	38.68%	35.00%	35.00%	35.00%	35.00%	35.00%
Other LT liabilities (% of sales)	0.82%	0.85%	1.04%	0.78%	0.78%	0.78%	0.78%	0.78%
Net PPE	125.54	143.98	146.19	180.87	197.35	213.20	228.79	233.77
Accumulated depreciation	241.30	259.50	285.32	338.26	369.91	404.45	440.69	479.58
Gross PPE	366.83	403.48	431.51	519.13	567.26	617.64	669.47	713.36
Net cap. software	309.04	290.52	295.87	353.13	367.78	389.31	390.84	409.10
Accumulated amortization	218.51	259.36	303.54	398.38	451.35	506.51	564.91	623.54
Gross cap. software	527.55	549.88	599.41	751.51	819.13	895.83	955.75	1032.64



SEI Investments - SEIC  
Revenue Decomposition

<i>Fiscal Years Ending Dec. 31</i>	2014	2015	2016	2018E	2019E	2020E	2021E	2022E
<i>Asset Management, administration &amp; distribution fees</i>								
Private Banks								
Total AUM	24563.00	23989.00	22159.00	27297.80	27980.25	28679.75	29396.74	30131.66
Total AUA	16741.00	17532.00	19255.00	24703.50	26556.26	28547.98	30689.08	32990.76
Asset management, administration & distribution fees (Private Bank)	132.43	138.61	133.74	156.00	163.61	165.96	174.25	183.06
Expense ratio (asset man., admin., & dist.)	0.32%	0.33%	0.32%	0.30%	0.30%	0.29%	0.29%	0.29%
Transaction-based and trade execution fees (Private Bank)	26.02	28.85	25.76	31.20	27.27	28.61	30.04	31.56
Expense ratio (transaction fees & trade)	0.06%	0.07%	0.06%	0.06%	0.05%	0.05%	0.05%	0.05%
Investment Advisors								
Total AUM	47027.00	51054.00	55593.00	70116.43	76076.33	82542.81	89558.95	97171.46
Institutional Investors								
Total AUM	75852.00	75242.00	79461.00	101162.08	107231.80	113129.55	119351.68	125916.02
Investment Managers								
Total AUM	21806.00	33015.00	37739.00	60214.80	69247.02	79634.07	91579.18	100737.10
Total AUA	355890.00	390282.00	448708.00	559855.11	627037.72	696011.87	765613.06	842174.37
Investments in New Businesses								
Total AUM	834.00	811.00	945.00	1326.60	1445.99	1561.67	1678.80	1796.31
Total AUM / AUC (ex-Private Bank)	501409.00	550404.00	622446.00	792675.02	881038.87	972879.99	1067781.68	1167795.27
Asset management, administration & distribution fees (ex-Private Bank)	816.51	871.90	938.44	1189.01	1233.45	1264.74	1281.34	1284.57
Expense ratio (asset man., admin., & dist.) (ex-Private Bank)	0.16%	0.16%	0.15%	0.15%	0.14%	0.13%	0.12%	0.11%
Transaction-based and trade execution fees (ex-Private Bank)	5.59	3.95	3.26	4.12	4.58	5.06	5.55	6.07
Expense ratio (transaction fees & trade) (ex-Private Bank)	0.0011%	0.0007%	0.0005%	0.0005%	0.0005%	0.0005%	0.0005%	0.0005%
Total Asset management, administration & distribution fees	948.93	1010.51	1072.18	1345.02	1397.06	1430.70	1455.59	1467.63
Total Transaction-based and trade execution fees	31.61	32.80	29.02	35.32	31.85	33.67	35.60	37.63
<i>Information processing and software servicing fees</i>								
Total relationships	330	333	320	310	315	320	325	330
Average information and software servicing fees per relationship	0.87	0.87	0.94	1.10	1.16	1.22	1.28	1.34
Information processing and software servicing fees	285.46	290.89	300.35	342.24	365.15	389.50	415.36	442.84
	0.091	0.019	0.032	0.064	0.067	0.067	0.066	0.066

**SEI Investments - SEIC**

Income Statement (In millions)

Fiscal Years Ending Dec. 31	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
<b>Revenues:</b>								
Asset management, administration and distribution fees	\$1,010.51	\$1,072.18	1180.79	1345.02	1397.06	1430.70	1455.59	1467.63
Information processing and software servicing fees	\$290.89	\$300.35	321.74	342.24	365.15	389.50	415.36	442.84
Transaction-based and trade execution fees	\$32.80	\$29.02	24.02	35.32	31.85	33.67	35.60	37.63
<b>Total revenues</b>	<b>\$1,334.21</b>	<b>\$1,401.55</b>	<b>\$1,526.55</b>	<b>\$1,722.58</b>	<b>\$1,794.07</b>	<b>\$1,853.87</b>	<b>\$1,906.54</b>	<b>\$1,948.10</b>
<b>Expenses:</b>								
Subadvisory, distribution and other asset management costs	(160.06)	(170.96)	(179.18)					
Brokerage commissions	(24.39)	(22.15)	(17.85)					
Commissions and fees	(184.45)	(193.11)	(197.03)	(223.94)	(233.23)	(241.00)	(247.85)	(253.25)
Compensation, benefits and other personnel excluding stock-based compensation	(395.77)	(414.62)	(458.74)					
Stock-based compensation	(17.31)	(16.02)	(36.37)					
Compensation, benefits and other personnel	(413.09)	(430.64)	(495.10)	(525.39)	(565.13)	(574.70)	(591.03)	(603.91)
Amortization	(42.63)	(45.39)	(48.28)	(46.56)	(52.97)	(55.17)	(58.40)	(58.63)
Depreciation	(24.04)	(26.44)	(27.31)	(25.62)	(31.65)	(34.54)	(36.24)	(38.89)
Depreciation and amortization	(66.67)	(71.83)	(75.59)	(72.19)	(84.62)	(89.70)	(94.64)	(97.52)
Consulting, outsourcing and professional fees	(146.44)	(166.77)	(186.36)	(198.10)	(206.32)	(213.20)	(219.25)	(224.03)
Software royalties and other information processing costs	(31.50)	(30.32)	(31.28)	(44.79)	(46.65)	(48.20)	(49.57)	(50.65)
Data processing and computer related	(58.88)	(64.93)	(71.91)	(82.68)	(86.12)	(88.99)	(91.51)	(93.51)
Facilities, supplies and other costs	(74.97)	(68.25)	(72.35)	(103.35)	(107.64)	(111.23)	(114.39)	(116.89)
<b>Total expenses</b>	<b>(976.00)</b>	<b>(1025.85)</b>	<b>(1129.61)</b>	<b>(1250.43)</b>	<b>(1329.70)</b>	<b>(1367.02)</b>	<b>(1408.25)</b>	<b>(1439.76)</b>
<b>Income from operations</b>	<b>358.21</b>	<b>375.70</b>	<b>396.94</b>	<b>472.15</b>	<b>464.36</b>	<b>486.85</b>	<b>498.29</b>	<b>508.34</b>
Net loss / gain from investments	(0.46)	0.11	1.27	0.24	0.24	0.24	0.24	0.24
Interest and dividend income	3.36	4.32	7.06	3.72	3.54	3.26	3.91	4.12
Interest expense	(0.48)	(0.53)	(0.78)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)
Equity in earnings of unconsolidated affiliates	137.06	126.10	152.55	165.08	178.28	203.37	223.64	245.83
Gain on sale of subsidiary	2.79	2.79	0.00	0.00	0.00	0.00	0.00	0.00
Other income / expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Income before income taxes</b>	<b>500.48</b>	<b>508.49</b>	<b>557.04</b>	<b>640.68</b>	<b>645.92</b>	<b>693.22</b>	<b>725.58</b>	<b>758.03</b>
Income taxes	(168.83)	(174.67)	(152.65)	(134.54)	(135.64)	(145.58)	(152.37)	(159.19)
<b>Net income</b>	<b>331.65</b>	<b>333.82</b>	<b>404.39</b>	<b>506.14</b>	<b>510.27</b>	<b>547.64</b>	<b>573.21</b>	<b>598.84</b>
Net income attributable to the noncontrolling interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income attributable to SEI Investments Company	331.65	333.82	404.39	506.14	510.27	547.64	573.21	598.84
Weighted average shares								
Basic	165.73	161.35	158.18	161.32	161.52	161.96	162.38	162.80
Per share								
Basic	2.00	2.07	2.56	3.14	3.16	3.38	3.53	3.68
Dividends declared per common share	0.50	0.54	0.58	0.78	0.79	0.85	0.88	0.92
Total dividends	82.86	87.13	91.74	126.53	127.57	136.91	143.30	149.71

**SEI Investments - SEIC**  
*Balance Sheet (In millions)*

<i>Fiscal Years Ending Dec. 31</i>	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
<b>Assets:</b>								
Cash and cash equivalents	679.66	695.70	744.25	589.31	542.63	558.83	588.06	622.20
Restricted cash	5.50	3.50	3.50	5.00	5.00	5.00	5.00	5.00
Receivables, net	271.12	289.72	339.37	335.90	349.84	352.24	362.24	360.40
Securities owned	21.24	21.34	21.53	21.57	21.61	21.66	21.70	21.74
Other current assets	26.21	27.58	31.16	31.01	32.29	33.37	34.32	35.07
<b>Total current assets</b>	<b>1003.73</b>	<b>1037.83</b>	<b>1139.80</b>	<b>982.79</b>	<b>951.38</b>	<b>971.09</b>	<b>1011.32</b>	<b>1044.40</b>
Property and equipment, net of accumulated depreciation	143.98	146.19	146.43	180.87	197.35	213.20	228.79	233.77
Capitalized software, net of accumulated amortization	290.52	295.87	310.41	353.13	367.78	389.31	390.84	409.10
Marketable securities	85.33	88.89	94.02	94.25	94.49	94.72	94.96	95.20
Investment in unconsolidated affiliates	49.58	50.46	59.49	58.40	57.32	57.89	59.05	58.46
Goodwill	0.00	0.00	52.99	52.99	52.99	52.99	52.99	52.99
Intangible assets, net of accumulated amortization	0.00	0.00	28.58	28.58	28.58	28.58	28.58	28.58
Deferred income taxes	0.00	2.13	2.77	0.00	0.00	0.00	0.00	0.00
Other assets, net	15.49	15.46	18.88	23.10	24.06	24.86	25.56	26.12
<b>Total assets</b>	<b>\$1,588.63</b>	<b>\$1,636.82</b>	<b>\$1,853.36</b>	<b>\$1,774.10</b>	<b>\$1,773.94</b>	<b>\$1,832.64</b>	<b>\$1,892.09</b>	<b>\$1,948.62</b>
<b>Liabilities:</b>								
Accounts payable	4.51	5.97	5.27	11.13	11.59	11.97	12.32	12.58
Accrued liabilities	217.59	240.53	265.06	267.45	278.55	287.83	296.01	302.46
Deferred revenue	2.39	2.88	4.72	3.10	3.41	3.71	3.62	3.51
<b>Total current liabilities</b>	<b>224.48</b>	<b>249.37</b>	<b>275.05</b>	<b>281.68</b>	<b>293.55</b>	<b>303.52</b>	<b>311.95</b>	<b>318.55</b>
Borrowings under revolving credit facility	0.00	0.00	30.00	0.00	0.00	0.00	0.00	0.00
Long-term Income Taxes Payable	0.00	0.00	10.63	10.63	10.63	10.63	10.63	10.63
Deferred income taxes	63.03	69.69	48.47	47.09	47.47	50.95	53.33	55.72
Other long-term liabilities	11.40	14.65	12.38	13.45	14.00	14.47	14.88	15.21
<b>Total liabilities</b>	<b>298.91</b>	<b>333.71</b>	<b>376.53</b>	<b>352.84</b>	<b>365.65</b>	<b>379.57</b>	<b>390.79</b>	<b>400.11</b>
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Series preferred stock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Common stock and additional paid-in capital	912.15	957.05	1029.28	877.52	750.43	654.74	567.63	486.79
Retained earnings	402.86	384.02	467.47	581.70	695.81	836.30	971.63	1099.69
Accumulated other comprehensive loss / income, net	(25.29)	(37.96)	(19.91)	(37.96)	(37.96)	(37.96)	(37.96)	(37.96)
Total SEI Investments shareholders' equity	1289.72	1303.11	1476.84	1421.26	1408.29	1453.08	1501.31	1548.52
Noncontrolling interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total shareholders' equity</b>	<b>1289.72</b>	<b>1303.11</b>	<b>1476.84</b>	<b>1421.26</b>	<b>1408.29</b>	<b>1453.08</b>	<b>1501.31</b>	<b>1548.52</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,588.63</b>	<b>\$1,636.82</b>	<b>\$1,853.37</b>	<b>\$1,774.11</b>	<b>\$1,773.94</b>	<b>\$1,832.65</b>	<b>\$1,892.10</b>	<b>\$1,948.63</b>

**SEI Investments - SEIC**
*Cash Flow Statement (in millions)*

<i>Fiscal Years Ending Dec. 31</i>	2014	2015	2016
Net income	\$318.71	\$331.66	\$333.82
Depreciation	22.45	24.04	26.44
Amortization	38.68	42.63	45.39
Depreciation and amortization	61.13	66.67	71.83
Equity in earnings of unconsolidated affiliates	(127.79)	(137.06)	(126.10)
Distributions received from unconsolidated affiliate	137.87	141.77	125.22
Stock-based compensation	13.46	17.31	16.02
Gain on partial sale of unconsolidated affiliate	0.00	0.00	0.00
Provision / benefit for losses on receivables	0.13	(0.14)	(0.13)
Deferred income tax expense / benefit	(3.33)	(1.39)	4.79
Gain from sale of SEI AK	(5.58)	(2.79)	(2.79)
Net realized gains / losses from investments	(0.61)	0.46	(0.11)
Tax benefit on stock options exercised	0.00	0.00	0.00
Change in other long-term liabilities	1.72	1.07	3.25
Write off of capitalized and purchased software	0.00	6.06	0.00
Capitalized interest	0.00	0.00	0.00
Other-than-temporary declines in market value	0.00	0.00	0.00
Change in long-term taxes payable	0.00	0.00	0.00
Change in other assets	(5.89)	0.78	(1.92)
Other excluding change in other assets	(2.44)	(2.44)	0.39
Other	(8.33)	(1.66)	(1.53)
Restricted cash for broker-dealer operations	0.00	0.00	0.00
Decrease / increase in receivables from regulated investment companies	(9.03)	0.30	(13.66)
Decrease / increase in receivables	(7.89)	(28.47)	(4.81)
Other current assets	(2.03)	(8.01)	(1.37)
Increase / decrease in accounts payable	(6.28)	(5.44)	1.46
Capital support agreements	0.00	0.00	0.00
Payable / receivable to regulated investment companies	0.00	0.00	0.00
Accrued liabilities	12.87	10.50	18.85
Deferred revenue	(0.23)	0.64	0.50
Change in current assets and liabilities	(12.58)	(30.50)	0.96
Adjustments to reconcile net income to net cash provided by operating activities	56.09	59.81	91.42
<b>Net cash provided by operating activities</b>	<b>374.80</b>	<b>391.46</b>	<b>425.24</b>
Additions / reductions to restricted cash	(0.30)	0.30	2.00
Additions to property and equipment	(0.38)	(0.37)	(0.39)
Additions to capitalized software	(34.88)	(29.42)	(50.39)
Purchases of marketable securities	(56.75)	(52.54)	(73.19)
Prepayments and maturities of marketable securities	38.97	38.55	54.14
Sales of marketable securities excluding prepayments and maturities of marketable securities	24.46	7.76	15.15
Sale of marketable securities	63.43	46.31	69.29
Partial sale of investment in unconsolidated affiliate	0.00	0.00	0.00
Purchases of other investments	0.00	0.00	0.00
Sales of other investments	0.00	0.00	0.00
Cash received from consolidation of LSV	0.00	0.00	0.00
LSV and LSV Employee Group cash balances, net	0.00	0.00	0.00
Cash paid for acquisition, net of cash acquired			
Receipt of contingent payment from sale of SEI AK	5.58	2.79	2.79
Other investing activities	(2.00)	(1.00)	1.31
<b>Net cash used in / provided by investing activities</b>	<b>(53.39)</b>	<b>(78.02)</b>	<b>(79.59)</b>
Proceeds from borrowings on long-term debt	0.00	0.00	0.00
Payments on long-term debt	0.00	0.00	0.00
Purchase and retirement of common stock	(275.79)	(291.37)	(292.26)
Proceeds from issuance of common stock	104.90	65.54	48.27
Tax benefit / expense on stock options exercised	20.44	16.06	8.98
Payment of dividends	(74.29)	(80.03)	(84.69)
<b>Net cash used in / provided by financing activities</b>	<b>(224.75)</b>	<b>(289.81)</b>	<b>(319.69)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(7.50)</b>	<b>(11.43)</b>	<b>(9.92)</b>
<b>Net decrease / increase in cash and cash equivalents</b>	<b>89.17</b>	<b>12.22</b>	<b>16.04</b>
Cash and cash equivalents, beginning of period	578.27	667.45	679.66
<b>Cash and cash equivalents, end of period</b>	<b>667.45</b>	<b>679.66</b>	<b>695.70</b>

**SEI Investments - SEIC**
*Forecasted Cash Flow Statement (in millions)*

<i>Fiscal Years Ending Dec. 31</i>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Net Income	506.14	510.27	547.64	573.21	598.84
Depreciation	25.62	31.65	34.54	36.24	38.89
Amortization	46.56	52.97	55.17	58.40	58.63
Change in investment in unconsolidated affiliate	1.10	1.08	(0.57)	(1.16)	0.59
Change in receivables, net	3.47	(13.94)	(2.39)	(10.01)	1.84
Change in other current assets	0.15	(1.29)	(1.08)	(0.95)	(0.75)
Change in accounts payable	5.86	0.46	0.39	0.34	0.27
Change in accrued liabilities	2.39	11.10	9.29	8.18	6.45
Change in deferred revenue	(1.62)	0.31	0.30	(0.09)	(0.12)
Change in deferred taxes	1.39	0.38	3.48	2.38	2.38
Change in income taxes payable	0.00	0.00	0.00	0.00	0.00
<b>Net cash provided by operating activities</b>	<b>591.06</b>	<b>593.00</b>	<b>646.75</b>	<b>666.55</b>	<b>707.04</b>
Change in property & equipment	(60.07)	(48.13)	(50.38)	(51.83)	(43.88)
Change in capitalized software	(89.29)	(67.62)	(76.70)	(59.92)	(76.89)
Change in securities owned	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Change in restricted cash	(1.50)	0.00	0.00	0.00	0.00
Change in marketable securities	(0.24)	(0.24)	(0.24)	(0.24)	(0.24)
Change in other assets	(4.21)	(0.96)	(0.80)	(0.71)	(0.56)
Change in other long-term liabilities	1.07	0.56	0.47	0.41	0.32
<b>Net cash provided by investing activities</b>	<b>(154.28)</b>	<b>(116.43)</b>	<b>(127.70)</b>	<b>(112.33)</b>	<b>(121.28)</b>
Change in revolver balance	(30.00)	0.00	0.00	0.00	0.00
Change in common stock and paid-in capital	(151.76)	(127.09)	(95.70)	(87.11)	(80.84)
Payment of dividends	(126.53)	(127.57)	(136.91)	(143.30)	(149.71)
Share repurchases	(265.37)	(268.59)	(270.25)	(294.57)	(321.08)
Change in accumulated other comprehensive income	(18.05)	0.00	0.00	0.00	0.00
<b>Net cash provided by financing activities</b>	<b>(591.72)</b>	<b>(523.25)</b>	<b>(502.85)</b>	<b>(524.98)</b>	<b>(551.63)</b>
Total change in cash	(154.94)	(46.68)	16.20	29.23	34.13
Beginning of period cash	744.25	589.31	542.63	558.83	588.06
End of period cash	589.31	542.63	558.83	588.06	622.20

**SEI Investments - SEIC**
*Common Size Income Statement (as % of sales)*

<i>Fiscal Years Ending Dec. 31</i>	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
<b>Revenues:</b>								
Asset management, administration and distribution fees	75.74%	76.50%	77.35%	78.08%	77.87%	77.17%	76.35%	75.34%
Information processing and software servicing fees	21.80%	21.43%	21.08%	19.87%	20.35%	21.01%	21.79%	22.73%
Transaction-based and trade execution fees	2.46%	2.07%	1.57%	2.05%	1.78%	1.82%	1.87%	1.93%
<b>Total revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Expenses:</b>								
Commissions and fees	13.82%	13.78%	12.91%	13.00%	13.00%	13.00%	13.00%	13.00%
Compensation, benefits and other personnel	30.96%	30.73%	32.43%	30.50%	31.50%	31.00%	31.00%	31.00%
Amortization	3.20%	3.24%	3.16%	2.70%	2.95%	2.98%	3.06%	3.01%
Depreciation	1.80%	1.89%	1.79%	1.49%	1.76%	1.86%	1.90%	2.00%
Depreciation and amortization	5.00%	5.13%	4.95%	4.19%	4.72%	4.84%	4.96%	5.01%
Consulting, outsourcing and professional fees	10.98%	11.90%	12.21%	11.50%	11.50%	11.50%	11.50%	11.50%
Software royalties and other information processing costs	2.36%	2.16%	2.05%	2.60%	2.60%	2.60%	2.60%	2.60%
Data processing and computer related	4.41%	4.63%	4.71%	4.80%	4.80%	4.80%	4.80%	4.80%
Facilities, supplies and other costs	5.62%	4.87%	4.74%	6.00%	6.00%	6.00%	6.00%	6.00%
<b>Total expenses</b>	<b>73.15%</b>	<b>73.19%</b>	<b>74.00%</b>	<b>72.59%</b>	<b>74.12%</b>	<b>73.74%</b>	<b>73.86%</b>	<b>73.91%</b>
<b>Income from operations</b>	<b>26.85%</b>	<b>26.81%</b>	<b>26.00%</b>	<b>27.41%</b>	<b>25.88%</b>	<b>26.26%</b>	<b>26.14%</b>	<b>26.09%</b>
Net loss / gain from investments	-0.03%	0.01%	0.08%	0.01%	0.01%	0.01%	0.01%	0.01%
Interest and dividend income	0.25%	0.31%	0.46%	0.22%	0.20%	0.18%	0.21%	0.21%
Interest expense	-0.04%	-0.04%	-0.05%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%
Equity in earnings of unconsolidated affiliates	10.27%	9.00%	9.99%	9.58%	9.94%	10.97%	11.73%	12.62%
Gain on sale of subsidiary	0.21%	0.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other income / expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Income before income taxes</b>	<b>37.51%</b>	<b>36.28%</b>	<b>36.49%</b>	<b>37.19%</b>	<b>36.00%</b>	<b>37.39%</b>	<b>38.06%</b>	<b>38.91%</b>
Income taxes	-12.65%	-12.46%	-10.00%	-7.81%	-7.56%	-7.85%	-7.99%	-8.17%
<b>Net income</b>	<b>24.86%</b>	<b>23.82%</b>	<b>26.49%</b>	<b>29.38%</b>	<b>28.44%</b>	<b>29.54%</b>	<b>30.07%</b>	<b>30.74%</b>
Net income attributable to the noncontrolling interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income attributable to SEI Investments Company	24.86%	23.82%	26.49%	29.38%	28.44%	29.54%	30.07%	30.74%

SEI Investments - SEIC

Common Size Balance Sheet (as % of sales)

Fiscal Years Ending Dec. 31	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
<b>Assets:</b>								
Cash and cash equivalents	49.65%	50.82%	54.36%	43.05%	39.64%	40.82%	42.95%	45.45%
Restricted cash	0.40%	0.26%	0.26%	0.37%	0.37%	0.37%	0.37%	0.37%
Receivables, net	19.80%	21.16%	24.79%	24.54%	25.55%	25.73%	26.46%	26.33%
Securities owned	1.55%	1.56%	1.57%	1.58%	1.58%	1.58%	1.58%	1.59%
Other current assets	1.91%	2.01%	2.28%	2.26%	2.36%	2.44%	2.51%	2.56%
<b>Total current assets</b>	<b>73.32%</b>	<b>75.81%</b>	<b>83.26%</b>	<b>71.79%</b>	<b>69.49%</b>	<b>70.93%</b>	<b>73.87%</b>	<b>76.29%</b>
Property and equipment, net of accumulated depreciation	10.52%	10.68%	10.70%	13.21%	14.42%	15.57%	16.71%	17.08%
Capitalized software, net of accumulated amortization	21.22%	21.61%	22.67%	25.79%	26.86%	28.44%	28.55%	29.88%
Marketable securities	6.23%	6.49%	6.87%	6.88%	6.90%	6.92%	6.94%	6.95%
Investment in unconsolidated affiliates	3.62%	3.69%	4.35%	4.27%	4.19%	4.23%	4.31%	4.27%
Goodwill	0.00%	0.00%	3.87%	3.87%	3.87%	3.87%	3.87%	3.87%
Intangible assets, net of accumulated amortization	0.00%	0.00%	2.09%	2.09%	2.09%	2.09%	2.09%	2.09%
Deferred income taxes	0.00%	0.16%	0.20%	0.00%	0.00%	0.00%	0.00%	0.00%
Other assets, net	1.13%	1.13%	1.38%	1.69%	1.76%	1.82%	1.87%	1.91%
<b>Total assets</b>	<b>116.04%</b>	<b>119.56%</b>	<b>135.38%</b>	<b>129.59%</b>	<b>129.58%</b>	<b>133.86%</b>	<b>138.21%</b>	<b>142.34%</b>
<b>Liabilities:</b>								
Accounts payable	0.33%	0.44%	0.38%	0.81%	0.85%	0.87%	0.90%	0.92%
Accrued liabilities	15.89%	17.57%	19.36%	19.54%	20.35%	21.02%	21.62%	22.09%
Capital support agreements	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Payable to regulated investment companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Current portion of long-term debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred income taxes, net	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred revenue	0.17%	0.21%	0.34%	0.23%	0.25%	0.27%	0.26%	0.26%
<b>Total current liabilities</b>	<b>16.40%</b>	<b>18.22%</b>	<b>20.09%</b>	<b>20.58%</b>	<b>21.44%</b>	<b>22.17%</b>	<b>22.79%</b>	<b>23.27%</b>
Borrowings under revolving credit facility	0.00%	0.00%	2.19%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred income taxes	4.60%	5.09%	3.54%	3.44%	3.47%	3.72%	3.90%	4.07%
Other long-term liabilities	0.83%	1.07%	0.90%	0.98%	1.02%	1.06%	1.09%	1.11%
<b>Total liabilities</b>	<b>21.83%</b>	<b>24.38%</b>	<b>27.50%</b>	<b>25.77%</b>	<b>26.71%</b>	<b>27.73%</b>	<b>28.55%</b>	<b>29.23%</b>
Minority interest	-	-	-	-	-	-	-	-
Series preferred stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common stock and additional paid-in capital	66.63%	69.91%	75.18%	64.10%	54.82%	47.82%	41.46%	35.56%
Retained earnings	29.43%	28.05%	34.15%	42.49%	50.83%	61.09%	70.97%	80.33%
Accumulated other comprehensive loss / income, net	-1.85%	-2.77%	-1.45%	-2.77%	-2.77%	-2.77%	-2.77%	-2.77%
<b>Total SEI Investments shareholders' equity</b>	<b>94.21%</b>	<b>95.19%</b>	<b>107.88%</b>	<b>103.82%</b>	<b>102.87%</b>	<b>106.14%</b>	<b>109.66%</b>	<b>113.11%</b>
Noncontrolling interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total shareholders' equity</b>	<b>94.21%</b>	<b>95.19%</b>	<b>107.88%</b>	<b>103.82%</b>	<b>102.87%</b>	<b>106.14%</b>	<b>109.66%</b>	<b>113.11%</b>
<b>Total liabilities and shareholders' equity</b>	<b>116.04%</b>	<b>119.56%</b>	<b>135.38%</b>	<b>129.59%</b>	<b>129.58%</b>	<b>133.87%</b>	<b>138.21%</b>	<b>142.34%</b>

**SEI Investments - SEIC**

Value Driver Estimation

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
<b>Total revenues</b>	\$1,266.01	\$1,334.21	\$1,401.55	\$1,526.55	\$1,722.58	\$1,794.07	\$1,853.87	\$1,906.54	\$1,948.10
Commissions and fees	(172.79)	(184.45)	(193.11)	(197.03)	(223.94)	(233.23)	(241.00)	(247.85)	(253.25)
Compensation, benefits and other personnel	(390.34)	(413.09)	(430.64)	(495.10)	(525.39)	(565.13)	(574.70)	(591.03)	(603.91)
Depreciation and Amortization	(61.13)	(66.67)	(71.83)	(75.59)	(72.19)	(84.62)	(89.70)	(94.64)	(97.52)
Consulting, outsourcing and professional fees	(136.82)	(146.44)	(166.77)	(186.36)	(198.10)	(206.32)	(213.20)	(219.25)	(224.03)
Software royalties and other information processing costs	(33.52)	(31.50)	(30.32)	(31.28)	(44.79)	(46.65)	(48.20)	(49.57)	(50.65)
Data processing and computer related	(52.51)	(58.88)	(64.93)	(71.91)	(82.68)	(86.12)	(88.99)	(91.51)	(93.51)
Facilities, supplies and other costs	(66.11)	(74.97)	(68.25)	(72.35)	(103.35)	(107.64)	(111.23)	(114.39)	(116.89)
Implied Interest on Operating Leases	2.47	2.80	2.35	2.46	3.04	3.32	3.58	3.84	3.93
<b>EBITA</b>	<b>355.25</b>	<b>361.01</b>	<b>378.04</b>	<b>399.40</b>	<b>475.19</b>	<b>467.68</b>	<b>490.43</b>	<b>502.14</b>	<b>512.27</b>
Income Tax Provision	170.95	168.83	174.67	152.65	134.54	135.64	145.58	152.37	159.19
<b>Tax Adjustments</b>									
Interest Expense	0.16	0.17	0.19	0.27	0.11	0.11	0.11	0.11	0.11
Net loss / gain from investments	(0.21)	0.16	(0.04)	(0.44)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Interest and dividend income	(1.17)	(1.18)	(1.51)	(2.47)	(0.78)	(0.74)	(0.68)	(0.82)	(0.86)
Interest expense	0.16	0.17	0.19	0.27	0.11	0.11	0.11	0.11	0.11
Equity in earnings of unconsolidated affiliates	(44.73)	(47.97)	(44.14)	(53.39)	(34.67)	(37.44)	(42.71)	(46.96)	(51.63)
Gain on sale of subsidiary	(1.95)	(0.98)	(0.98)	0.00	0.00	0.00	0.00	0.00	0.00
Other income / expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Adjusted Taxes</b>	<b>123.20</b>	<b>119.20</b>	<b>128.38</b>	<b>96.89</b>	<b>99.26</b>	<b>97.62</b>	<b>102.34</b>	<b>104.75</b>	<b>106.86</b>
<b>Change in deferred taxes</b>	<b>(3.06)</b>	<b>(2.14)</b>	<b>4.54</b>	<b>(21.86)</b>	<b>1.39</b>	<b>0.38</b>	<b>3.48</b>	<b>2.38</b>	<b>2.38</b>
<b>NOPLAT</b>	<b>228.99</b>	<b>239.67</b>	<b>254.21</b>	<b>280.65</b>	<b>377.32</b>	<b>370.44</b>	<b>391.57</b>	<b>399.77</b>	<b>407.80</b>
Normal Cash	189.90	200.13	210.23	228.98	258.39	269.11	278.08	285.98	292.22
Receivables, net	242.81	271.12	289.72	339.37	335.90	349.84	352.24	362.24	360.40
Other current assets excluding deferred income taxes, net	18.19	26.21	27.58	31.16	31.01	32.29	33.37	34.32	35.07
<b>Total Operating Current Assets</b>	<b>450.91</b>	<b>497.46</b>	<b>527.53</b>	<b>599.51</b>	<b>625.30</b>	<b>651.25</b>	<b>663.69</b>	<b>682.54</b>	<b>687.68</b>
Accounts payable	10.59	4.51	5.97	5.27	11.13	11.59	11.97	12.32	12.58
Accrued liabilities	207.43	217.59	240.53	265.06	267.45	278.55	287.83	296.01	302.46
Deferred revenue	1.75	2.39	2.88	4.72	3.10	3.41	3.71	3.62	3.51
<b>Total Operating Current Liabilities</b>	<b>219.77</b>	<b>224.48</b>	<b>249.37</b>	<b>275.05</b>	<b>281.68</b>	<b>293.55</b>	<b>303.52</b>	<b>311.95</b>	<b>318.55</b>
<b>Net Operating Working Capital</b>	<b>231.14</b>	<b>272.98</b>	<b>278.16</b>	<b>324.46</b>	<b>343.62</b>	<b>357.70</b>	<b>360.17</b>	<b>370.59</b>	<b>369.13</b>
<b>Long-term Operating Assets</b>									
Property and equipment, net of accumulated depreciation	125.54	143.98	146.19	146.43	180.87	197.35	213.20	228.79	233.77
Capitalized software, net of accumulated amortization	309.04	290.52	295.87	310.41	353.13	367.78	389.31	390.84	409.10
Other assets, net	16.45	15.49	15.46	18.88	23.10	24.06	24.86	25.56	26.12
PV of operating leases	41.10	46.70	39.10	41.00	50.64	55.26	59.69	64.06	65.46
<b>Long-term Operating Liabilities</b>									
Other long-term liabilities	10.33	11.40	14.65	12.38	13.45	14.00	14.47	14.88	15.21
<b>Invested Capital</b>	<b>712.94</b>	<b>758.27</b>	<b>760.13</b>	<b>828.80</b>	<b>937.92</b>	<b>988.14</b>	<b>1032.76</b>	<b>1064.96</b>	<b>1088.37</b>
NOPLAT	228.99	239.67	254.21	280.65	377.32	370.44	391.57	399.77	407.80
Beginning Invested Capital	659.70	712.94	758.27	760.13	828.80	937.92	988.14	1032.76	1064.96
<b>ROIC</b>	<b>34.71%</b>	<b>33.62%</b>	<b>33.52%</b>	<b>36.92%</b>	<b>45.53%</b>	<b>39.50%</b>	<b>39.63%</b>	<b>38.71%</b>	<b>38.29%</b>
Beginning Invested Capital	659.70	712.94	758.27	760.13	828.80	937.92	988.14	1032.76	1064.96
ROIC	34.71%	33.62%	33.52%	36.92%	45.53%	39.50%	39.63%	38.71%	38.29%
WACC	10.00%	10.00%	8.74%	8.74%	8.74%	8.74%	8.74%	8.74%	8.74%
<b>Economic Profit (EP)</b>	<b>163.02</b>	<b>168.38</b>	<b>187.94</b>	<b>214.22</b>	<b>304.89</b>	<b>288.47</b>	<b>305.21</b>	<b>309.51</b>	<b>314.73</b>
NOPLAT	228.99	239.67	254.21	280.65	377.32	370.44	391.57	399.77	407.80
Beginning Invested Capital	659.70	712.94	758.27	760.13	828.80	937.92	988.14	1032.76	1064.96
Ending Invested Capital	712.94	758.27	760.13	828.80	937.92	988.14	1032.76	1064.96	1088.37
<b>Free Cash Flow (FCF)</b>	<b>175.76</b>	<b>194.34</b>	<b>252.35</b>	<b>211.98</b>	<b>268.20</b>	<b>320.22</b>	<b>346.95</b>	<b>367.57</b>	<b>384.39</b>
YoY FCF growth	-0.95%	10.57%	29.85%	-16.00%	26.52%	19.39%	8.35%	5.94%	4.58%



**SEI Investments - SEIC**

*Weighted Average Cost of Capital (WACC) Estimation*

Risk free	3.15%
Risk Premium	4.65%
Beta	1.279
<b>Cost of Equity</b>	<b>8.74%</b>

## SEI Investments - SEIC

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth	3.50%
CV ROIC	38.29%
WACC	8.74%
Cost of Equity	8.74%

Fiscal Years Ending Dec. 31	2018E	2019E	2020E	2021E	2022E
<b>DCF Model</b>					
Period	1	2	3	4	5
NOPLAT	377.32	370.44	391.57	399.77	407.80
Capital expenditures	-109	-50	-45	-32	-23
Free cash flow (FCF)	268.20	320.22	346.95	367.57	384.39
CV				7072.08	
Present value FCF	246.65	270.81	269.84	262.90	252.84
Present value CV				5058.27	
<b>Value of of operating assets</b>	<b>6108.47</b>				
Excess cash	330.92				
Short-term investments	21.57				
Long-term investments	152.65				
<b>Value of non-operating assets</b>	<b>505.14</b>				
<b>Value of debt</b>	<b>0.00</b>				
<b>Value of pfd stock</b>	<b>0.00</b>				
PV of operating lease	(50.64)				
PV of employee stock options	(332.95)				
<b>Value of other assets/liabilities</b>	<b>(383.60)</b>				
<b>Enterprise Value</b>	<b>\$6,230.01</b>				
Shares outstanding	161.32				
<b>Intrinsic value per share</b>	<b>\$38.62</b>				
<b>Partial-year adjusted value per share</b>	<b>\$39.51</b>				
<b>EP Model</b>					
Economic profit (EP)	304.89	288.47	305.21	309.51	314.73
CV				6007.11	
Present value of EP	280.38	243.97	237.38	221.38	207.02
Present value of CV				4296.56	
Total present value of EP	5279.67				
Beginning invested capital	828.80				
<b>Value of operating assets</b>	<b>6108.47</b>				
Excess cash	330.92				
Short-term investments	21.57				
Long-term investments	152.65				
<b>Value of non-operating assets</b>	<b>505.14</b>				
<b>Value of debt</b>	<b>0.00</b>				
<b>Value of pfd stock</b>	<b>0.00</b>				
PV of operating lease	(50.64)				
PV of employee stock options	(332.95)				
<b>Value of other assets/liabilities</b>	<b>(383.60)</b>				
<b>Enterprise Value</b>	<b>\$6,230.01</b>				
Shares outstanding	161.32				
<b>Intrinsic value per share</b>	<b>\$38.62</b>				
<b>Partial-year adjusted value per share</b>	<b>\$39.51</b>				

## SEI Investments - SEIC

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

<i>Fiscal Years Ending Dec. 31</i>	2018E	2019E	2020E	2021E	2022E
Period	1	2	3	4	5
EPS	\$ 3.14	\$ 3.16	\$ 3.38	\$ 3.53	\$ 3.68

### Key Assumptions

CV growth	3.50%
CV ROE	38.67%
Cost of Equity	8.74%

### Future Cash Flows

P/E Multiple (CV Year)						17.36
EPS (CV Year)						\$ 3.68
Future Stock Price						\$ 63.85
Dividends Per Share	\$0.58	\$0.78	\$0.79	\$0.85	\$0.88	
Future Cash Flows	\$0.58	\$0.78	\$0.79	\$0.85	\$0.88	\$ 63.85
Discounted Cash Flows	0.53	0.78	0.79	0.85	0.88	41.99

<b>Intrinsic Value</b>	<b>\$ 45.83</b>
<b>Partial Year Intrinsic Value</b>	<b>\$ 46.33</b>

**SEI Investments - SEIC***Relative Valuation Models (Estimate data from FactSet)*

Ticker	Company	Price	EPS	EPS	P/E 18	P/E 19	Est. 5yr EPS gr.	PEG 18	PEG 19
			2018E	2019E					
FIS	Fidelity National Information Services	\$99.82	\$5.19	\$5.79	19.2	17.2	13.0	1.48	1.33
FISV	Fiserv	\$146.19	\$6.21	\$7.04	23.5	20.8	15.0	1.57	1.38
BEN	Franklin Resources	\$39.31	\$3.22	\$3.40	12.2	11.6	5.0	2.44	2.31
ENV	Envestnet	\$57.10	\$1.82	\$2.27	31.4	25.2	10.0	3.14	2.52
SCHW	Charles Schwab	\$52.74	\$2.40	\$2.84	22.0	18.6	29.0	0.76	0.64
NTRS	Northern Trust	\$106.56	\$6.12	\$6.71	17.4	15.9	16.0	1.09	0.99
STT	State Street	\$104.50	\$8.37	\$7.59	12.5	13.8	17.0	0.73	0.81
BK	Bank of New York Mellon	\$56.90	\$4.44	\$4.02	12.8	14.2	12.0	1.07	1.18
Average					<b>18.9</b>	<b>17.1</b>		<b>1.5</b>	<b>1.4</b>
SEIC	SEI Investments Company	\$69.56	\$2.56	\$3.14	27.2	22.2	7.5	3.6	2.9

**Implied Value:**

<b>Relative P/E (EPS16)</b>	<b>\$ 48.33</b>
<b>Relative P/E (EPS17)</b>	<b>\$ 53.77</b>
<b>PEG Ratio (EPS16)</b>	<b>\$ 29.54</b>
<b>PEG Ratio (EPS17)</b>	<b>\$ 32.91</b>

**SEI Investments - SEIC***Key Management Ratios*

<i>Fiscal Years Ending Dec. 31</i>	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E
<b>Liquidity Ratios</b>										
Cash ratio	3.41	3.41	3.15	3.05	2.43	2.17	2.15	2.19	2.25	
Quick ratio	4.52	4.62	4.31	4.28	3.62	3.36	3.31	3.35	3.38	
Current ratio	4.35	4.47	4.16	4.14	3.49	3.24	3.20	3.24	3.28	
<b>Activity or Asset-Management Ratios</b>										
Asset turnover (total revenue / avg total assets)	0.85	0.85	0.87	0.87	0.95	1.01	1.03	1.02	1.01	
Receivables turnover (total revenue / avg net receivables)	5.40	5.19	5.00	4.85	5.10	5.23	5.28	5.34	5.39	
Payables turnover (total expenses / avg payables)	68.09	129.28	195.83	201.11	152.54	117.07	116.03	115.95	115.65	
<b>Financial Leverage Ratios</b>										
<i>Not applicable, SEIC carries no debt</i>										
<b>Profitability Ratios</b>										
Operating margin (operating income / total revenue)	27.87%	26.85%	26.81%	26.00%	27.41%	25.88%	26.26%	26.14%	26.09%	
Net margin (net income / total revenue)	25.17%	24.86%	23.82%	26.49%	29.38%	28.44%	29.54%	30.07%	30.74%	
Return on Assets ((net income + a.t. int. exp.) / avg total assets)	21.40%	21.20%	20.72%	23.20%	27.93%	28.79%	30.39%	30.80%	31.20%	
Return on Equity (net income / avg total assets)	26.52%	26.14%	25.75%	29.09%	34.93%	36.07%	38.28%	38.80%	39.27%	
<b>Payout Policy Ratios</b>										
Dividend cover (net income / dividends paid)	4.12	4.00	3.83	4.41	4.00	4.00	4.00	4.00	4.00	
Cash flow dividend cover (operating cash / dividends paid)	4.84	4.72	4.88	6.44	4.69	5.07	4.87	4.93	4.72	
Total payout ratio ((dividends paid + repurchases) / net income)	1.11	1.13	1.14	0.88	0.78	0.78	0.79	0.81	0.50	

**SEI Investments - SEIC**

*Sensitivity Analysis*

CV Growth Rate (DCF)

	\$39.51	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
WACC	8.00%	\$36.84	\$39.06	\$41.73	\$44.99	\$49.07	\$54.32	\$61.31
	8.25%	\$35.61	\$37.63	\$40.04	\$42.96	\$46.56	\$51.12	\$57.09
	8.50%	\$34.47	\$36.32	\$38.50	\$41.12	\$44.33	\$48.33	\$53.48
	8.74%	\$33.46	\$35.16	\$37.15	\$39.53	\$42.40	\$45.96	\$50.46
	9.00%	\$32.44	\$34.00	\$35.81	\$37.96	\$40.53	\$43.67	\$47.60
	9.25%	\$31.53	\$32.97	\$34.63	\$36.58	\$38.90	\$41.71	\$45.19
	9.50%	\$30.68	\$32.01	\$33.53	\$35.32	\$37.42	\$39.95	\$43.04

CV ROIC (DCF)

	\$39.51	32.00%	34.00%	36.00%	38.29%	40.00%	42.00%	44.00%
WACC	8.00%	\$45.19	\$45.46	\$45.71	\$45.71	\$46.12	\$46.29	\$46.45
	8.25%	\$42.84	\$43.10	\$43.33	\$43.33	\$43.71	\$43.88	\$44.03
	8.50%	\$40.73	\$40.97	\$41.18	\$41.18	\$41.55	\$41.70	\$41.84
	8.74%	\$38.89	\$39.12	\$39.32	\$39.32	\$39.66	\$39.81	\$39.94
	9.00%	\$37.08	\$37.29	\$37.48	\$37.48	\$37.81	\$37.94	\$38.07
	9.25%	\$35.49	\$35.69	\$35.87	\$35.87	\$36.18	\$36.31	\$36.43
	9.50%	\$34.03	\$34.23	\$34.40	\$34.40	\$34.69	\$34.81	\$34.93

CV growth rate (DDM)

	\$ 46.33	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%	4.25%
CV cost of equity	8.00%	\$48.66	\$50.57	\$52.68	\$52.68	\$57.66	\$60.61	\$63.96
	8.25%	\$46.13	\$47.83	\$49.71	\$49.71	\$54.08	\$56.66	\$59.55
	8.50%	\$43.82	\$45.35	\$47.02	\$47.02	\$50.89	\$53.15	\$55.68
	8.74%	\$43.82	\$45.35	\$47.02	\$47.02	\$50.89	\$53.15	\$55.68
	9.00%	\$39.79	\$41.03	\$42.37	\$42.37	\$45.45	\$47.21	\$49.17
	9.25%	\$38.01	\$39.13	\$40.35	\$40.35	\$43.10	\$44.68	\$46.41
	9.50%	\$36.37	\$37.39	\$38.49	\$38.49	\$40.97	\$42.38	\$43.92

CV ROE (DDM)

	\$ 46.33	32.00%	34.00%	36.00%	38.67%	40.00%	42.00%	44.00%
CV cost of equity	8.00%	\$53.96	\$54.32	\$54.64	\$54.64	\$55.19	\$55.42	\$55.63
	8.25%	\$50.77	\$51.11	\$51.41	\$51.41	\$51.92	\$52.14	\$52.34
	8.50%	\$47.92	\$48.23	\$48.52	\$48.52	\$49.00	\$49.20	\$49.39
	8.74%	\$45.44	\$45.74	\$46.00	\$46.00	\$46.46	\$46.65	\$46.83
	9.00%	\$43.00	\$43.28	\$43.53	\$43.53	\$43.96	\$44.14	\$44.31
	9.25%	\$40.87	\$41.14	\$41.37	\$41.37	\$41.78	\$41.95	\$42.11
	9.50%	\$38.92	\$39.18	\$39.40	\$39.40	\$39.78	\$39.95	\$40.10

**SEI Investments - SEIC**  
Sensitivity Analysis

LSV AUM Growth

	\$39.51	6.00%	8.00%	10.00%	12.00%	14.00%	16.00%	18.00%
LSV Expense Ratio	0.11%	\$39.21	\$39.25	\$39.29	\$39.34	\$39.39	\$39.44	\$39.50
	0.12%	\$39.27	\$39.31	\$39.36	\$39.41	\$39.46	\$39.52	\$39.59
	0.13%	\$39.33	\$39.37	\$39.42	\$39.48	\$39.54	\$39.60	\$39.67
	0.14%	\$39.38	\$39.43	\$39.49	\$39.55	\$39.61	\$39.68	\$39.76
	0.15%	\$39.44	\$39.50	\$39.55	\$39.62	\$39.68	\$39.76	\$39.84
	0.16%	\$39.50	\$39.56	\$39.62	\$39.69	\$39.76	\$39.84	\$39.92
	0.17%	\$39.56	\$39.62	\$39.68	\$39.76	\$39.83	\$39.92	\$40.01

Private Bank AUM growth

	\$48.00	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Private Bank AUA growth	6.00%	\$47.86	\$47.90	\$47.95	\$47.99	\$48.04	\$48.09	\$48.14
	6.50%	\$47.91	\$47.95	\$48.00	\$48.04	\$48.09	\$48.13	\$48.18
	7.00%	\$47.95	\$48.00	\$48.04	\$48.09	\$48.13	\$48.18	\$48.23
	7.50%	\$48.00	\$48.05	\$48.09	\$48.14	\$48.18	\$48.23	\$48.28
	8.00%	\$48.05	\$48.10	\$48.14	\$48.18	\$48.23	\$48.28	\$48.33
	8.50%	\$48.10	\$48.15	\$48.19	\$48.23	\$48.28	\$48.33	\$48.38
	9.00%	\$48.15	\$48.20	\$48.24	\$48.29	\$48.33	\$48.38	\$48.43

Private Bank Expense Ratio

	\$48.00	0.15%	0.20%	0.25%	0.30%	0.35%	0.40%	0.45%
Ex-Private Bank Expense Ratio	0.12%	\$40.94	\$41.44	\$41.94	\$42.45	\$42.95	\$43.45	\$43.95
	0.13%	\$42.83	\$43.34	\$43.84	\$44.34	\$44.85	\$45.35	\$45.85
	0.14%	\$44.73	\$45.23	\$45.74	\$46.24	\$46.74	\$47.24	\$47.75
	0.15%	\$46.63	\$47.13	\$47.63	\$48.14	\$48.64	\$49.14	\$49.64
	0.16%	\$48.52	\$49.03	\$49.53	\$50.03	\$50.54	\$51.04	\$51.54
	0.17%	\$50.42	\$50.92	\$51.43	\$51.93	\$52.43	\$52.93	\$53.44
	0.18%	\$52.32	\$52.82	\$53.32	\$53.83	\$54.33	\$54.83	\$55.33