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<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

All right. Our next section is with SEI Investments. So first of all, thank you, everyone, for joining this session. For those of you who don't know me, my name is Owen Lau. I cover information services, exchanges and digital assets at Oppenheimer. SEI provides technology services and investment operations to banks and asset managers. It also has asset management products for wealth managers and also investment advisers.

Today, we are very excited to have the Head of Investment Manager Services Phil McCabe; and also CFO, Sean Denham. Thank you for spending time with us today for both of you.

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

Great to be with you, Owen.

<<Phil McCabe, Head-Investment Manager Services>>

Thanks, Owen.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

For the people who are listening to the webcast, please feel free to submit your questions online and we will try our best address your question. So let's begin our conversation. Phil and Sean, could you please give us a brief overview on what SEI does? Should investors think about SEI, it's more like a service provider or asset management firms or something else? And what kind of – what differentiate SEI from your competitors?

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

So thanks, Owen. Yes. I'll jump off there. So I've been in this chair as CFO for only five months, and that question is probably the hardest question, it shouldn't be, but it sometimes it's one of the hardest questions for investors and analysts to understand really who we are because we are such a diversified company.

The Street or analysts or investors sometimes like to compare SEI – they try to compare SEI to one company. It's very common thing to do. This company looks like this other company. It's really difficult to deal with SEI. So preparing for this question, I'm actually going to read a little bit. This is the only time when I promised that I read, but there's – I want to get this right. I really want to get this right because it can be a little complicated.

So as you mentioned, we are a tech operations and asset management company. We serve many different types of companies in the financial services industry. We generate revenue through administering process and advising on about \$1.4 trillion in assets. We divide ourselves into four primary segments and that's – I think, a lot of the way the market thinks about us and questions are asked in that format.

Investment Management Services, which Phil McCabe, here joining me leads; Private Banks, led by Sanjay Sharma; institutions by Jay Cipriano and Investment Advisors by Paul Klauder. And our fifth segment would be things like new business ventures. Investors should think of SEI as a partner, not a vendor, but a partner to the financial services community. We allow companies to focus on what they're really good at and what they got into the business to do.

We will provide the tech and ops, and at times asset management services to allow them to really focus where they want to deploy their capital and where they don't want to deploy their capital. So you can think about some of our services as outsourced services.

And then as I mentioned, sometimes companies really try to say, well, you're a lot like an AssetMark or an Envestnet or this company or this company. So we really don't have one singular – one single competitor. So Phil's business, IMS, some of our competitors there would be State Street, Northern Trust, BNY Mellon, Citco and SS&C. Or the Private Banks, SS&C, FNZ, FIS.

Investment advisors on the custom side, Schwab and Fidelity and Pershing, and then on advisory platform services, AssetMark, Envestnet. And then on the institutional side, where we do a lot of OCIO work, or we do work to help companies support their strategy to fully fund their defined benefit plans, some of those competitors would be Aon, Willis Towers Watson, maybe a Mercer, and then a lot of the key firms have gotten into that space in recent years. So that's a high-level overview.

Other companies, other people, maybe an easier way to think about us is we sell AUA, AUM and then services. So those are really the drivers of our business. Phil, what did I miss there?

<<Phil McCabe, Head-Investment Manager Services>>

The only thing I would add is, as an outsourced service provider, people buy us because of our world-class operations, we have a white glove operating our service model and extremely low turnover. So our clients come on board with us and they stay with us for decades.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Got it. So how do you think – or how should investors think about the synergy among SEI's different businesses?

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

Yeah. So I take that question almost from a diversified lens. So we will get questions at times and say, okay, are you – does your revenue or does your profitability or business track with the margins? So that would be our advisor business and our AUM business a little bit. But we are – I'd like to think of us a little bit a recession proof because we do perform where really necessary to support some back-office type services for our clients. We do have a little bit of exposure to market fluctuations, but not a lot.

So some of our competitors that are really indexed to the market when they – when the market goes up and down, they may go up and down. We don't. They're very, very – just a little bit. So a lot of our revenue in our profitability is not necessarily market driven. It has a tone to it, has a flavor to it, but it's not really what we live and breed by. So we are a very diversified company.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Got it.

<<Phil McCabe, Head-Investment Manager Services>>

The only thing I would add is that all four of the primary market units or business units are in the wealth management space. And as we see the public and private markets converging, the businesses are more similar than they are different.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

So I think two years ago, SEI had a target of doubling the company's total revenue over the next five to seven years. Are you still on track to achieve this goal? And how should we think about that?

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

Yeah. So I think with Ryan Hicke, our CEO, just to give a little bit of background for those who don't know us as well, so we've been around for 50-some-plus years. The company was founded by Al West. He ran the company for about 50 years plus. And then Ryan Hicke really was our first non-founder led CEO. So when Ryan took over 10 quarters ago, a little over two years ago, he had aspirations for us to double the company made that statement publicly to double in about five to seven years, as we sit here two years later, I think we've had modest growth.

I wouldn't say we're on track to double at least organically, we are not on track here, as we sit here today, to double our gain. When I think Ryan made that statement also what he either said or maybe meant to say was – we also want – when we talk about revenue growth, it's about profitable growth, just like all companies. Well, maybe not all companies. We are not here and interested to drive – grow top line revenue growth or revenue growth sake. We want profitable growth, profitable margins. If you think about the banking business at one of our four business units, a number of years ago, two years ago before Sanjay took Private Banking, we had negative margins. And so taking on clients in bad contracts simply to drive top line revenue growth is not something that this leadership team is interested.

So we are top line focused. As we sit here today, we've been thinking about a lot of things inside the leadership team. We think about the four drivers of revenue. We think about greenfield, white space, pricing, retention. Those are the four drivers of revenue. Greenfield, obtaining new logos, new clients, prospects. White space is expanding the revenue into our current client base. Pricing strategies, really understanding what the market is bearing and where we play, how do you uncommoditize certain commodity offerings and then retention, I think all four of those are really critical drivers to what we want to accomplish from a top line revenue growth standpoint.

And one being really no more important than the other, all four have to be up and moving in. We spent a lot of time just in my short tenure here over the last few months, really focused on those four revenue drivers. I think we will be – I think we can achieve those aspirational of doubling the revenue. There are certain things we need to do to achieve those.

Like I just said, we have to be very diligent in synergistic, not just inside the four business units, but across the four business units. It's another thing that, Ryan, when he took over, one of those critical missions was to start getting more horizontal as opposed to leading through four verticals. And we've been, I think, pretty successful there, and I think we have more room and opportunity to go there.

And then what Ryan also included in those thoughts were inorganic growth. We've done a couple of small deals in the last couple of years. We do have an M&A strategy. Maybe we'll talk about that today. But we do have an inorganic growth strategy. So we believe some of that growth of potentially doubling, will be achieved organically for sure, but also inorganically.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Got it. So I do want to touch on the sentiment a little bit. But before that, I want to go back to your answer to the first question. Again, as of today, like how much revenue of your business is like AUM or AUA driven? And how much of its more like recurring in nature and less dependent on AUM and AUA? Any numbers you can give it to us?

<<Phil McCabe, Head-Investment Manager Services>>

Sure. I'll take that one, Owen. So if you look at it from a percentage of assets perspective, it's about 70% assets under administration and 30% assets under management. I think if you look at it from a revenue perspective, I think it's a little bit lower than that. I think it's a little bit more AUM and a little bit lower AUA, but not that much.

Most of our – all of that revenue is recurring in nature and so as an example, in IMS, about 100% of it is assets under administration. We get basis points, but these basis points in many cases are based upon invested capital, not NAV. So it doesn't fluctuate up and down like you might say. And some of the adviser book is assets under administration, we get paid that way, and most of banking is paid that way.

So it's about 60-40, maybe a little bit higher, but we're not really subject to that if the market goes up and the market goes down, we don't really get impacted that much in most of our business.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Got it. So let's talk about the market sentiment a little bit. I mean it changed quite substantially in early August. Could you please talk about your sales pipeline and latest client engagement? Are your clients worry about recession? Do you see more headwinds recently because of the macro uncertainty?

<<Phil McCabe, Head-Investment Manager Services>>

I'll take that one too.

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

Yeah, why don't you start off?

<<Phil McCabe, Head-Investment Manager Services>>

Okay. Yeah. Owen, as we said in the last earnings call, I think our pipeline across the company is incredibly strong. And that's only aided by the enterprise sales initiative that we've put together, where we're looking – going to market as one SEI, we're selling all of our products and services instead of necessarily in four different verticals. So I think that really helped it.

And most of our largest clients are – they don't – they're not really subject to the wins of the market. Most of the decisions they're making to invest in products like ours. They're longer-term in nature. So the market going up or down really wouldn't impact them. And a lot of them, if you look at some of the private asset companies or the alternative managers, any type of a recession would be a dislocation in asset values, and they would definitely capitalize on it.

So I don't think when the market fluctuate as much, we look at it as an opportunity. And I think some of our clients do as well, so I don't know that we're particularly concerned about a recession. I think they've helped us in the past. And I think if you're on the retail side of that, a good old-fashioned recession, let's an adviser go have a good, strong strategic conversation with their investors and their clients. So we're not too worried about it.

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

Yes. Owen, I'm going to jump onto the end of Phil's answer there. So Phil, Ryan and I spent time in the UK maybe two months ago or so. And spent a lot of time with clients, a lot of times with some prospects that we're in the RFP process and issuing proposals, et cetera and one story that I'd love to share is when you think about – so it's not exactly on point to your question, but I think it combines the first couple of questions on where we play, how we serve the market, what role do we play in the market for our clients.

So this client, in particular, is in the asset management space and a large company and they have made a business decision to really focus their efforts into what they do really well and that's asset management. Well, part of asset management, if you're an asset manager, you need tech, you need operations. And they wanted to have that conversation. Phil, Ryan and I spend an hour with them and they ended up turning around and asking a question, hey, can you come back next week with a larger team for a couple of days because we want to talk to you about reimagining business, meaning their business.

And then what role can you play because we don't want a new tech, we don't want to do ops. We're doing some of that. It doesn't make sense for us. We want to reshift our focus on what we are great in. We didn't get into the business of new tech and ops. So we did that.

And that's just one great example of what we're hearing our clients how they view us. We're not a vendor. We may start as a vendor. We may start as a vendor early initially, but now we really become a partner to them to help them reimagine their business. And that's where every company wants to get to. And that is our client base.

So we spent those two days, the conversation was all around, hey, we work with 8 or 9 vendors, SEI, where can we plug you in other parts of the organization? And when Phil talks about enterprise sales that's been a huge shift under Ryan's leadership over the last two years. So we're leading with through four verticals, almost four independent companies under one umbrella of SEI. We've made a really hard shift away from that model.

By the way, in some businesses, we're running a company vertically with business units can be really smart and there's a lot of benefits. We've run that way for about 50 years, so making a hard shift to more of a horizontal approach, looking at an ability to take certain costs out of the business and identify their synergies, taking enterprise sales along with our business unit sales team, it's really opened up the possibilities for our pipeline and just bringing new opportunities into the business.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Got it. So given that Phil it's here, maybe I'll just add a couple of questions on the IMS side. So this business has been I think your best segment for many, many years. Could you please talk about the opportunity for SEI to onboard new clients? And I think looking ahead, how do you think about the growth algorithm here? Is it more coming from the AUM growth of your existing client or you can get more new logos? Or you could like sell more products to existing clients?

<<Phil McCabe, Head-Investment Manager Services>>

All right. Thanks, Owen. The first question, as far as the – in Q2, we had a record number of new names in North America. So that was the most lines we've ever brought in, in one quarter ever. And if you look at our first quarter sales, our first quarter sales, that was the second strongest quarter that we've ever had. And historically, our sales are 60% cross-sales to existing clients and 40% new names are new logos. And a lot of times on the new names side, we'll get into a very

head agreed fund manager will get one fund. And I think we told you the story before, Owen about our largest client, we are over a longer period of time, five or six years, they went from paying us \$700,000 to paying us \$44 million, right?

So our job is to kind of get them in the door with one fund, and then we just have what world-class operations, white club service – we service the hell at them over some longer period of time, they grow and they grow and they grow with us. Are also – our turnover is so low that our clients love working with the same people because they don't see that with a lot of other outsourcing service providers. So, I think we're 60-40. We've historically been that number with new names and cross-sales and I'm pretty sure that I don't see anything that would change that. And from a growth perspective, we're trying to grow globally faster now. We have a real strong team over there.

Right now, about 85% of our revenue is North America only 15% over there, and it's only 1% market share. So the runway is both domestically and internationally or long. And domestically, we have a lot of large firms that are insourcers that have never outsourced before. So when they come to market, we'd like to get a little bit of that business too. So there's a lot of tailwinds in the business that are really favorable for us.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Got it. And then you also talked about – you just talked about the public-private market convergence. You also talked about that on your last earnings call. Could you please talk about the pace of these conversions – has this convergence accelerated recently, and we are going to see more like rapid turning point? Or it's still like a slow burn thing that it could play out over the next maybe like five to 10 years?

<<Phil McCabe, Head-Investment Manager Services>>

I think it's accelerating. And with the enterprise sales that we've been doing, we've been fortunate enough to get Ryan Hicke, our CEO out in front of a bunch of other CEOs, and we're in the room with him. And they're all starting to talk about public and private market convergence. And what that means is a traditional long-only manager, they no longer cannot be in the alternatives business. So every one of them is trying to fill out different gaps in their product offerings to kind of get those capabilities out there because everyone is seeing that all of these businesses are going to be scaled businesses in five years. And if you don't have all the different capabilities, you're forcing your clients to go to somebody else to kind of support their needs.

I think between that and the retailization evolves. Alternative assets used to only be for the ultra-high-net-worth. Now we have retail clients. So all of the things that we're doing need to be able to support hundreds of thousands of investors, and that's something we're really, really good at. So we're fortunate enough to have been ahead of that curve. So all of these semi liquid products and the retailization evolves, I think it's really going to pay big dividends for us down the road.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Got it. So another hot topic, it's on Investment Adviser. There's a consolidation trend going on in the RIA and broker-dealer space. How does SEI tackle these trend?

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

Yes. So that has been a challenge for us. So I can speak to that. You're right Owen, there has been a trend of RIA consolidation going on in the marketplace. Ryan and I, but more Ryan has talked publicly about that we are not going to admire the problem. We're not going to stand on the sideline and watch the consolidation happen, watch certain of our really great clients, advisers that have been this a really long time that has the significant assets on our platform that are being ultimately acquired through an RIA consolidation. And then we lose those – they're incentivized to move those assets off of our platform and on to someone else's plan.

So we have spent a lot of time on that. We do have an inorganic strategy, not just with RIAs, but overall, one question we get a lot is, hey, SEI has been in this company for a really long time. Put spin down a lot of operating cash flow over the last three years, somewhere between \$450 million to \$650 million in operating cash flow annually. Usually, with that capital, we turned around – by the way, we also have an untapped unsecured revolver of about \$325 million, which is low because we want it low because we don't tap into it. So what I pay unused fees, unused revolver fees on that.

So we could even go higher than that. Not to say we're going to turn around and previously do acquisitions, but we do believe we need an RIA strategy. So when our advisers want to monetize or have a strategic decision to move that we have a platform that or a group of RIAs that maybe makes sense for them to join. And so we are exploring that. We have talked to a number of RIAs. So that's part of the things that we're thinking about.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Got it. So there are also quite a bit of noise and news around the cash with program in the industry from both regulatory and competitive standpoint. I mean I think it will be helpful if you can talk about that concern, maybe also the size of your integrated cash program. And I think more importantly, how SEI could potentially mitigate this risk, if there is any?

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

Yes, sure. So unless someone needs , I won't go into in too much detail about some of the issues that are out there today. So just to refresh everyone's memory. So in December, we – after careful consideration being very, very thoughtful where some – I think some of our peer group competitors created an FDIC product, we decided in late – well, not decided, but we launched ours in December of 2023. So it's been eight months or so. And we talked about being very thoughtful before we jumped into that. We use about 1% of – not about – we use 1% of operating cash is transferred or swept into our FDIC product. We're very comfortable with that. We've spoken to advisers about our program.

We – before we launched, we had conversations with our advisers on the product itself, and they were really excited about the product, not just about our product itself, but how we stacked up against some of our competitors. The yield on that, so there's a couple of things there. So I think some of the concerns in the market right now by regulators about maybe even some lawsuits that have been filed over the last month or so, a month or so plus has been about yield that investors were receiving. We believe our yield on that. So if interest rates are currently making up 540 basis points, we retain 450 basis points, and we provide back to the investors 90 basis points. That is very competitive and in most instance, higher than what our competitors are providing to the end user.

In addition, some of those firms that have had some issues and some lawsuits, they're actually a fiduciary. We are not. Our advisers are the fiduciary. So that's a big difference.

One other really nice feature about our program is the optionality. So we make it easy for advisers to opt out if they so choose to. We made this – and that optionality is something the advisers like very much.

So long story short, they like the product. We've got really good feedback from the product. They believe the yield is appropriate, and they really like the optionality – so we – as you can imagine, our leadership team, when some of this questions around the FDIC programs that some of our peer group competitors have had issues with. We have a lot of conversations about the comfortability around our program. We're very comfortable when we talk to advisers since then.

One thing I will mention Owen, which is I've been funny, I'm not sure if everyone on the call to get funny. But – so over the last few years, we were really late – I don't want to say late to the party, but again, very thoughtful in the program we put together to the point where investors and analysts were question is, why don't you have a product? Where is your program?

Then when I want to go when some of this started coming out, the question became, what's your exposure to the program? So it's kind of interesting two sides with maybe at the same point. But again, I think we're really, really comfortable with it. We originally thought it would to be, I don't know, \$6 million or \$7 million. That was the guidance we kind of gave and we don't really give guidance, but we thought that would be what the run rate was. It turned out over the first two quarters, the run rate from a revenue and most of that falls to the bottom line, which allows us to reinvest back into our platform into the end user experience, where we're working very diligently to improve that end user experience.

But – so in the first two quarters, about \$20 million. That is minuscule compared to the revenue, our overall enterprise revenue in our enterprise profitability. So where some of our other peers and competitors are really reliant, very reliant on that interest income that they're getting from that product, we are not. And we are very thoughtful about that, very intentional about that. So maybe more than you wanted to hear on, but that's the way we're thinking about the FDIC program.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Got it. I think that's very helpful. And then another kind of common question, it's around your fee reduction in your SMA program back in April. Could you please talk about the rationale behind this change. It's a very competitive enough right now to drive high AUM. How will your competitors potentially respond to your change?

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

Yeah. So we made that decision. We pushed that into our SMA products that price that fee reduction on April 1. So Q2 experienced the full P&L impact of that fee reduction. And the reason why we did that, just like we do in all pricing conversations, we look at the competitive landscape. Paul Klauder and his team and investment advisers, along with Ryan, you just really felt that we weren't competitive in SMA pricing. There's, as you know, a huge shift from mutual funds to more passive investments, including SMAs and other like products.

So on the SMA front, we just didn't feel our pricing was competitive, and we were seeing when mutual funds shift from mutual funds, other investments – we just didn't feel we were getting the appropriate lion's share. We thought our product was really good. We just didn't think it was price competitive. So we made that adjustment and we were very proactive on that.

We, first off, believe that. So there's two pieces. One is defensive. So we don't really like to see AUM shift out of our own products. So I think being much more competitive with a little bit of a defensive posture, but it was also an offensive posture too. So when advisers are looking for changes to portfolio specifically in SMEs, that they'll see the pricing as really competitive, and we'll see some inflows.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Got it. So maybe let's jump into the M&A questions because it has been talked about quite a little bit. Again, you talk about business generate very stable cash flow, you have no debt and you also made some smaller acquisitions. Are you still thinking about like larger M&A? I mean the reason why we don't see any larger deal. Is it because of the price or you haven't found any like target that you really like at this point?

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

Yeah. So I think historically, Phil's got more history here, so he can jump in on any specifics or just even share his overall views. So I think historically, from a corp dev standpoint, from an M&A strategy, inorganic growth, we've been more opportunistic and strategic. And I think under Ryan's leadership, we've got the – I think, the operations that maybe we can talk about later. I think we're in pretty good staying.

Again, we have a very strong balance sheet, maybe historically even some investors, analysts have viewed SEI as kind of a sleepy company, strong balance sheet, no debt, not really acquisitive. We do make one or two deals a year, but maybe the logic hasn't always been historically perfect why certain deals were made. I think you will see a shift there.

And so we are not afraid of a large deal, but we're also not going to do a large deal for deals. We're not going to go by revenue for revenue sake. That's not what our strategy is. So when we think about RIA consolidation, which we previously mentioned, the strategy would be to, again, have a flat full quarter RIAs that we have an interest in when we have 8,000 advisers that we're speaking to and they are looking to do something with their book that they can come on to something where we have an interest in. And so I think that's a really important differential between being opportunistic and strategic.

So we have talked to RIAs. Again, Ryan has talked about, we're not going to sit on the sideline to be spectators during this and watch certain AUM, LVR platform with really happy SEI clients. So that's on the RIA fills business from an IMS. We think there's some opportunity in Europe. And so Phil will talk about that a little bit.

<<Phil McCabe, Head-Investment Manager Services>>

We've spoken about inorganic growth in IMS a lot in the last year or so. We've looked at every property that has gone out there to market – we primarily would want to focus on something from an international perspective that would either grow our footprint or help us scale up and add talent. A couple of years ago, we launched a Luxembourg office, and that office has been growing rapidly. Many of the alternative managers are launching products domicile and love.

So we could do a little something over there to scale up. We wouldn't really do anything in North America. We're growing the alternatives business has probably grown at a 17%, 18% clip, and we wouldn't want to slow that down in any way. So globally, anything we could do to kind of get into an adjacent market or fill out our service capabilities over there. We definitely will – have been looking at. We'll continue to look at or something that we can kind of tuck-in there that will help us grow. Our market share over in Europe is only about 1%. So there's a long runway and we can get it going a little bit faster.

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

And one other thing – I'm not sure. And, you mentioned pricing, are we scared off by pricing. We – if it's strategic to the business, again, not just simply by revenue, what Phil talked about from an IMS standpoint, potentially in Europe to grow that footprint. It's to allow us to find homes for clients and at scale to support those clients as opposed to just trying to put higher revenue on to our top line. So similar to RIA, it's strategic. So – but again, it's not strategic to just go buy some revenue. So, I don't think there is a certain price that we're afraid of or we wouldn't touch – I mean we're going to be smart in the fiduciary – fiducially responsible with our capital, but we're not afraid necessarily to use the balance sheet. You will use it if it's strategic to what our long-term objectives are.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

So let's go back to the international expansion line, Phil just talked about. So Phil, you mentioned Europe is a 1% in IMS. And then I think my core question is, outside of IMS, is there anything SEI can do? Do you see more growth opportunity internationally in terms of the next growth

driver? And how do you prepare SEI to kind of further penetrate in Europe and some other countries?

<<Phil McCabe, Head-Investment Manager Services>>

We actually have a large office in Dublin, Ireland with about 550 people there. We have a few hundred people in London. We have probably 1,000 consultants or more in India. And we have about 50 people in Lux or so, right in that range. And I think all of the North American clients are going over into Europe – and if they're in Europe and they're successful, they start to expand into Asia.

We haven't done anything with our Asian footprint. We have a small office in Hong Kong, very, very small. But I think over time, as we look to grow the business more and more, we should expand more internationally. And it's not just IMS, it's banking and everything that Sanjay's team is doing. I think there's a significant opportunity over there. And there are some different laws and regulatory conditions around there, but it's nothing that we can't sort of get through over some period of time. So, I think if we were going to launch another office in another part of the world, it definitely would not just be for IMS would be for the whole company, and we would sell all of our products and services out of that particular office.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Got it. So we have like three minutes left. Maybe I'll just ask one or two more questions and see whether there's any questions online. On expense management and also expense optimization, how should we think about your expense control versus your growth initiatives? How much room SEI has to drive margin expansion? Like you can drive margin expansion over the next two years? How should we think about that?

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

Yes. So I think from a business unit standpoint, market expansion will be primarily driven by scaling revenue. However, I do think there's more opportunity to go. One major focus area of mine, I've got a handful of them, maybe even more than a handful. But we spend 7% to 10%. I mean that's the numbers we've historically provided in our 10-K that was spent around R&D.

I think taking a hard look at what that return on invested capital, what EDA looks like on that R&D is something I'm going to be very, very focused on. We have taken out a lot of costs like several for instance, what we've spoken probably about in Sanjay did a great job in private banking to get from negative margins to 13%, 14% margins, in really a relatively short time frame, and that was really by optimizing looking at redundancies in the business.

At an enterprise-wide level, we mentioned we moved from a vertical to a more horizontal. All four business units have their own tech stack. They had their own marketing group. They had a lot of other the call centers inside their business. So by moving to a more horizontal and trying to leverage some efficiencies across those businesses. We've had a lot of success in doing it in margin improvement. I think there is more room to go there. I think we have a little bit of

homework to understand what are R&D really where it needs to be in order to support a 2030 strategy, 2028, 2030 strategy.

And then how can we make smart executing moves in order to bring some of those costs down without sacrificing long-term growth. So expense optimization is not about expense reduction. It's about really what do we need to do to maximize and optimize our business.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

All right. So I think we are almost running out of time. Thank you, Phil and Sean, any final words for us?

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

No. The first five months have been great, really excited about where we're going. The leadership team is energized here. We're really excited to bring Michael Lane on board for those who don't know Michael coming over from BlackRock. He led some of the work and really led iShares for BlackRock for many years. He's got a great long tenure in asset management. So we're excited coming into really help us reimagine our AUM business.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Sounds great. All right. Thanks a lot. Thank you very much for all joining us today, and thank you, both of you one more time.

<<Sean Denham, Executive Vice President and Chief Financial Officer>>

Thanks, Owen. Thank you.

<<Owen Lau, Analyst, Oppenheimer & Co. Inc.>>

Thank you. Have a good day. Bye.