

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended June 30, 2022

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-10200

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**SEI INVESTMENTS COMPANY**

(Exact Name of Registrant as Specified in its Charter)

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**Pennsylvania**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**23-1707341**  
(I.R.S. Employer Identification No.)

**1 Freedom Valley Drive, Oaks, Pennsylvania 19456-1100**  
(Address of Principal Executive Offices) (Zip Code)

**(610) 676-1000**  
(Registrant's Telephone Number, Including Area Code)

**N/A**  
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	SEIC	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

The number of shares outstanding of the registrant's common stock, as of the close of business on July 15, 2022:

**Common Stock, \$0.01 par value**

**135,489,033**

# SEI INVESTMENTS COMPANY

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**PART I. FINANCIAL INFORMATION**

**Item 1. Consolidated Financial Statements.**

**SEI Investments Company**  
**Consolidated Balance Sheets**  
*(unaudited)*  
*(In thousands, except par value)*

	June 30, 2022	December 31, 2021
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 771,673	\$ 831,407
Restricted cash	351	351
Receivables from investment products	54,911	59,036
Receivables, net of allowance for doubtful accounts of \$1,952 and \$1,602	466,902	441,609
Securities owned	31,171	28,267
Other current assets	50,523	43,559
<b>Total Current Assets</b>	<b>1,375,531</b>	<b>1,404,229</b>
Property and Equipment, net of accumulated depreciation of \$424,048 and \$409,248	178,946	178,869
Operating Lease Right-of-Use Assets	27,629	33,614
Capitalized Software, net of accumulated amortization of \$572,065 and \$545,307	230,497	243,446
Available for Sale and Equity Securities	121,682	129,541
Investments in Affiliated Funds, at fair value	6,000	6,916
Investment in Unconsolidated Affiliate	46,865	107,918
Goodwill	117,405	117,232
Intangible Assets, net of accumulated amortization of \$24,163 and \$17,716	61,669	68,782
Deferred Contract Costs	35,353	36,236
Deferred Income Taxes	2,459	2,983
Other Assets, net	30,893	24,936
<b>Total Assets</b>	<b>\$ 2,234,929</b>	<b>\$ 2,354,702</b>

The accompanying notes are an integral part of these consolidated financial statements.

**SEI Investments Company**  
**Consolidated Balance Sheets**  
*(unaudited)*  
*(In thousands, except par value)*

	June 30, 2022	December 31, 2021
<b>Liabilities and Equity</b>		
Current Liabilities:		
Accounts payable	\$ 10,305	\$ 10,312
Accrued liabilities	218,752	324,382
Current portion of long-term operating lease liabilities	10,993	11,328
Deferred revenue	13,510	9,721
<b>Total Current Liabilities</b>	<b>253,560</b>	<b>355,743</b>
Borrowings Under Revolving Credit Facility	—	40,000
Long-term Income Taxes Payable	803	803
Deferred Income Taxes	22,833	48,876
Long-term Operating Lease Liabilities	21,675	27,639
Other Long-term Liabilities	13,970	20,878
<b>Total Liabilities</b>	<b>312,841</b>	<b>493,939</b>
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, \$0.01 par value, 750,000 shares authorized; 135,480 and 138,449 shares issued and outstanding	1,355	1,384
Capital in excess of par value	1,272,971	1,246,608
Retained earnings	693,525	632,614
Accumulated other comprehensive loss, net	(45,763)	(19,843)
<b>Total Shareholders' Equity</b>	<b>1,922,088</b>	<b>1,860,763</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 2,234,929</b>	<b>\$ 2,354,702</b>

The accompanying notes are an integral part of these consolidated financial statements.

**SEI Investments Company**  
**Consolidated Statements of Operations**  
*(unaudited)*  
*(In thousands, except per share data)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Revenues:</b>				
Asset management, administration and distribution fees	\$ 382,594	\$ 382,509	\$ 776,691	\$ 750,155
Information processing and software servicing fees	99,076	93,142	286,422	181,182
<b>Total revenues</b>	<b>481,670</b>	<b>475,651</b>	<b>1,063,113</b>	<b>931,337</b>
<b>Expenses:</b>				
Subadvisory, distribution and other asset management costs	50,023	55,827	103,151	105,991
Software royalties and other information processing costs	7,407	7,471	14,954	13,213
Compensation, benefits and other personnel	157,921	141,779	318,405	279,000
Stock-based compensation	10,007	10,103	20,573	19,855
Consulting, outsourcing and professional fees	63,271	55,449	125,762	109,789
Data processing and computer related	32,254	27,375	62,070	53,096
Facilities, supplies and other costs	20,133	18,479	37,760	35,727
Amortization	16,508	14,723	33,395	29,075
Depreciation	8,286	8,424	16,384	16,733
<b>Total expenses</b>	<b>365,810</b>	<b>339,630</b>	<b>732,454</b>	<b>662,479</b>
Income from operations	115,860	136,021	330,659	268,858
Net (loss) gain from investments	(2,620)	377	(3,109)	709
Interest and dividend income	1,853	878	2,701	1,823
Interest expense	(211)	(130)	(461)	(253)
Equity in earnings of unconsolidated affiliate	29,813	35,065	62,272	68,415
<b>Income before income taxes</b>	<b>144,695</b>	<b>172,211</b>	<b>392,062</b>	<b>339,552</b>
Income taxes	33,419	38,433	90,478	76,304
<b>Net income</b>	<b>\$ 111,276</b>	<b>\$ 133,778</b>	<b>\$ 301,584</b>	<b>\$ 263,248</b>
Basic earnings per common share	\$ 0.82	\$ 0.94	\$ 2.20	\$ 1.85
Shares used to compute basic earnings per share	136,435	142,074	137,185	142,638
Diluted earnings per common share	\$ 0.81	\$ 0.93	\$ 2.17	\$ 1.82
Shares used to compute diluted earnings per share	137,817	144,212	138,764	144,759
Dividends declared per common share	\$ 0.40	\$ 0.37	\$ 0.40	\$ 0.37

The accompanying notes are an integral part of these consolidated financial statements.

**SEI Investments Company**  
**Consolidated Statements of Comprehensive Income**  
*(unaudited)*  
*(In thousands)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$ 111,276	\$ 133,778	\$ 301,584	\$ 263,248
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(14,623)	994	(19,181)	2,679
Unrealized loss on investments:				
Unrealized losses during the period, net of income taxes of \$923, \$85, \$2,109 and \$245	(3,088)	(292)	(7,057)	(835)
Reclassification adjustment for losses realized in net income, net of income taxes of \$(39), \$(49), \$(96) and \$(123)	129	179	318	432
Total other comprehensive (loss) income, net of tax	(17,582)	881	(25,920)	2,276
Comprehensive income	<u>\$ 93,694</u>	<u>\$ 134,659</u>	<u>\$ 275,664</u>	<u>\$ 265,524</u>

The accompanying notes are an integral part of these consolidated financial statements.

**SEI Investments Company**  
**Consolidated Statements of Changes in Equity**  
*(unaudited)*  
*(In thousands)*

	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
For the Three Months Ended June 30, 2022						
Balance, April 1, 2022	137,219	\$ 1,372	\$1,266,320	\$ 733,572	\$ (28,181)	\$1,973,083
Net income	—	—	—	111,276	—	111,276
Other comprehensive loss	—	—	—	—	(17,582)	(17,582)
Purchase and retirement of common stock	(1,970)	(20)	(12,328)	(96,945)	—	(109,293)
Issuance of common stock under employee stock purchase plan	22	1	1,089	—	—	1,090
Issuance of common stock upon exercise of stock options	209	2	7,883	—	—	7,885
Stock-based compensation	—	—	10,007	—	—	10,007
Dividends declared (\$0.40 per share)	—	—	—	(54,378)	—	(54,378)
<b>Balance, June 30, 2022</b>	<b>135,480</b>	<b>\$ 1,355</b>	<b>\$1,272,971</b>	<b>\$ 693,525</b>	<b>\$ (45,763)</b>	<b>\$1,922,088</b>
	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
For the Three Months Ended June 30, 2021						
Balance, April 1, 2021	142,701	\$ 1,427	\$1,208,433	\$ 634,651	\$ (15,403)	\$1,829,108
Net income	—	—	—	133,778	—	133,778
Other comprehensive income	—	—	—	—	881	881
Purchase and retirement of common stock	(2,086)	(21)	(12,389)	(116,809)	—	(129,219)
Issuance of common stock under employee stock purchase plan	18	—	966	—	—	966
Issuance of common stock upon exercise of stock options	394	4	12,374	—	—	12,378
Stock-based compensation	—	—	10,103	—	—	10,103
Dividends declared (\$0.37 per share)	—	—	—	(52,389)	—	(52,389)
<b>Balance, June 30, 2021</b>	<b>141,027</b>	<b>\$ 1,410</b>	<b>\$1,219,487</b>	<b>\$ 599,231</b>	<b>\$ (14,522)</b>	<b>\$1,805,606</b>

The accompanying notes are an integral part of these consolidated financial statements.



**SEI Investments Company**  
**Consolidated Statements of Changes in Equity**  
*(unaudited)*  
*(In thousands)*

	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	For the Six Months Ended June 30, 2022					
Balance, January 1, 2022	138,449	\$ 1,384	\$1,246,608	\$ 632,614	\$ (19,843)	\$1,860,763
Net income	—	—	—	301,584	—	301,584
Other comprehensive loss	—	—	—	—	(25,920)	(25,920)
Purchase and retirement of common stock	(3,683)	(37)	(23,051)	(186,295)	—	(209,383)
Issuance of common stock under employee stock purchase plan	45	1	2,257	—	—	2,258
Issuance of common stock upon exercise of stock options	669	7	26,584	—	—	26,591
Stock-based compensation	—	—	20,573	—	—	20,573
Dividends declared (\$0.40 per share)	—	—	—	(54,378)	—	(54,378)
Balance, June 30, 2022	<u>135,480</u>	<u>\$ 1,355</u>	<u>\$1,272,971</u>	<u>\$ 693,525</u>	<u>\$ (45,763)</u>	<u>\$1,922,088</u>

  

	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	For the Six Months Ended June 30, 2021					
Balance, January 1, 2021	143,396	\$ 1,434	\$1,190,001	\$ 565,270	\$ (16,798)	\$1,739,907
Net income	—	—	—	263,248	—	263,248
Other comprehensive income	—	—	—	—	2,276	2,276
Purchase and retirement of common stock	(3,238)	(32)	(19,228)	(176,898)	—	(196,158)
Issuance of common stock under employee stock purchase plan	42	—	2,105	—	—	2,105
Issuance of common stock upon exercise of stock options	827	8	26,754	—	—	26,762
Stock-based compensation	—	—	19,855	—	—	19,855
Dividends declared (\$0.37 per share)	—	—	—	(52,389)	—	(52,389)
Balance, June 30, 2021	<u>141,027</u>	<u>\$ 1,410</u>	<u>\$1,219,487</u>	<u>\$ 599,231</u>	<u>\$ (14,522)</u>	<u>\$1,805,606</u>

The accompanying notes are an integral part of these consolidated financial statements.

**SEI Investments Company**  
**Consolidated Condensed Statements of Cash Flows**  
*(unaudited)*  
*(In thousands)*

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 301,584	\$ 263,248
Adjustments to reconcile net income to net cash provided by operating activities (See Note 1)	29,031	61,749
Net cash provided by operating activities	330,615	324,997
Cash flows from investing activities:		
Additions to property and equipment	(19,821)	(15,469)
Additions to capitalized software	(13,809)	(12,271)
Purchases of marketable securities	(96,642)	(81,541)
Prepayments and maturities of marketable securities	90,553	64,194
Sales of marketable securities	106	—
Other investing activities	(2,903)	(11,000)
Net cash used in investing activities	(42,516)	(56,087)
Cash flows from financing activities:		
Repayments under revolving credit facility	(40,000)	—
Payment of contingent consideration	(868)	(3,965)
Purchase and retirement of common stock	(210,324)	(197,322)
Proceeds from issuance of common stock	28,849	28,867
Payment of dividends	(109,830)	(105,516)
Net cash used in financing activities	(332,173)	(277,936)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(15,660)	2,578
Net decrease in cash, cash equivalents and restricted cash	(59,734)	(6,448)
Cash, cash equivalents and restricted cash, beginning of period	831,758	787,727
Cash, cash equivalents and restricted cash, end of period	<u>\$ 772,024</u>	<u>\$ 781,279</u>

The accompanying notes are an integral part of these consolidated financial statements.

## **Notes to Consolidated Financial Statements**

(all figures are in thousands except share and per share data)

### **Note 1. Summary of Significant Accounting Policies**

#### Nature of Operations

SEI Investments Company (the Company), a Pennsylvania corporation, provides comprehensive platforms, services and infrastructure—encompassing technology, operational, and investment management services—to help wealth managers, financial advisors, investment managers, family offices, institutional and private investors create and manage wealth.

Investment processing platforms provide technologies and business process outsourcing services for wealth managers and investment advisors. These solutions include investment advisory, client relationship, and other technology-enabled capabilities for the front office; administrative and investment services for the middle office; and accounting and processing services for the back office. Revenues from investment processing platforms are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

Investment operations platforms provide business process outsourcing services for investment managers and asset owners. These platforms support a broad range of traditional and alternative investments and provide technology-enabled information analytics and investor capabilities for the front office; administrative and investment services for the middle office; and fund administration and accounting services for the back office. Revenues from investment operations platforms are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Investment management platforms provide comprehensive solutions for managing personal and institutional wealth. These platforms include goals-based investment strategies; SEI-sponsored investment products, including mutual funds, collective investment products, alternative investment portfolios and separately managed accounts (SMA); and other market-specific advice, technology and operational components. These platforms are offered to wealth managers as part of a complete goals-based investment program for their end-investors. For institutional investors, the Company provides Outsourced Chief Investment Officer (OCIO) solutions that include investment management programs, as well as advisory and administrative services. Revenues from investment management platforms are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

#### Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain financial information and accompanying note disclosure normally included in the Company's Annual Report on Form 10-K have been condensed or omitted. The interim financial information is unaudited but reflects all adjustments (consisting of only normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of financial position of the Company as of June 30, 2022, the results of operations for the three and six months ended June 30, 2022 and 2021, and cash flows for the six-months ended June 30, 2022 and 2021. These interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

There have been no significant changes in significant accounting policies during the six months ended June 30, 2022 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

#### Variable Interest Entities

The Company or its affiliates have created numerous investment products for its clients in various types of legal entity structures. The Company serves as the Manager, Administrator and Distributor for these investment products and may also serve as the Trustee for some of the investment products. The Company receives asset management, distribution, administration and custodial fees for these services. Clients are the equity investors and participate in proportion to their ownership percentage in the net income or loss and net capital gains or losses of the products, and, on liquidation, will participate in proportion to their ownership percentage in the remaining net assets of the products after satisfaction of outstanding liabilities. The Company has concluded that it is not the primary beneficiary of the entities and, therefore, is not required to consolidate any of the pooled investment vehicles for which it receives asset management, distribution, administration and custodial fees under the VIE model.

The Company is a party to expense limitation agreements with certain SEI-sponsored money market funds subject to Rule 2a-7 of the Investment Company Act of 1940 which establish a maximum level of ordinary operating expenses incurred by the fund in any fiscal year including, but not limited to, fees of the administrator or its affiliates. Under the terms of these

agreements, the Company waived \$9,039 and \$11,256 in fees during the three months ended June 30, 2022 and 2021, respectively. During the six months ended June 30, 2022 and 2021, the Company waived \$20,224 and \$21,489, respectively, in fees.

#### Revenue Recognition

Revenue is recognized when the transfer of control of promised goods or services under the terms of a contract with customers are satisfied in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those promised goods or services. Certain portions of the Company's revenues involve a third party in providing goods or services to its customers. In such circumstances, the Company must determine whether the nature of its promise to the customer is to provide the underlying goods or services (the Company is the principal in the transaction and reports the transaction gross) or to arrange for a third party to provide the underlying goods or services (the entity is the agent in the transaction and reports the transaction net). See Note 13 for related disclosures regarding revenue recognition.

#### Cash and Cash Equivalents

Cash and cash equivalents includes \$320,825 and \$290,256 at June 30, 2022 and December 31, 2021, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds.

#### Restricted Cash

Restricted cash includes \$250 at June 30, 2022 and December 31, 2021 segregated for regulatory purposes related to trade-execution services conducted by SEI Investments (Europe) Limited. Restricted cash also includes \$101 at June 30, 2022 and December 31, 2021 segregated in special reserve accounts for the benefit of customers of the Company's broker-dealer subsidiary, SEI Investments Distribution Co. (SIDCO), in accordance with certain rules established by the Securities and Exchange Commission (SEC) for broker-dealers.

#### Capitalized Software

The Company capitalized \$13,809 and \$12,271 of software development costs during the six months ended June 30, 2022 and 2021, respectively. The Company's software development costs primarily relate to significant enhancements to the SEI Wealth Platform<sup>SM</sup> (SWP). As of June 30, 2022, the net book value of SWP was \$224,736. The net book value includes \$28,744 of capitalized software development costs in-progress associated with future releases of SWP. Capitalized software development costs in-progress associated with future releases of SWP were \$29,253 as of December 31, 2021. SWP has a weighted average remaining life of 10.3 years. Amortization expense for SWP was \$23,859 and \$23,876 during the six months ended June 30, 2022 and 2021, respectively.

#### Earnings per Share

The calculations of basic and diluted earnings per share for the three and six months ended June 30, 2022 and 2021 are:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$ 111,276	\$ 133,778	\$ 301,584	\$ 263,248
Shares used to compute basic earnings per common share	136,435,000	142,074,000	137,185,000	142,638,000
Dilutive effect of stock options	1,382,000	2,138,000	1,579,000	2,121,000
Shares used to compute diluted earnings per common share	137,817,000	144,212,000	138,764,000	144,759,000
Basic earnings per common share	\$ 0.82	\$ 0.94	\$ 2.20	\$ 1.85
Diluted earnings per common share	\$ 0.81	\$ 0.93	\$ 2.17	\$ 1.82

During the three months ended June 30, 2022 and 2021, employee stock options to purchase 12,064,000 and 11,530,000 shares of common stock with an average exercise price of \$60.27 and \$57.77, respectively, were outstanding but not included in the computation of diluted earnings per common share. During the six months ended June 30, 2022 and 2021, employee stock options to purchase 12,141,000 and 11,623,000 shares of common stock with an average exercise price of \$60.28 and \$57.77, respectively, were outstanding but not included in the computation of diluted earnings per common share. These options for the three and six month periods were not included in the computation of diluted earnings per common share because either the performance conditions have not been satisfied or would not have been satisfied if the reporting date was the end of the contingency period or the options' exercise price was greater than the average market price of the Company's common stock and the effect on diluted earnings per common share would have been anti-dilutive.

## Statements of Cash Flows

For purposes of the Consolidated Statements of Cash Flows, the Company considers investment instruments purchased with an original maturity of three months or less to be cash equivalents.

The following table provides the details of the adjustments to reconcile net income to net cash provided by operating activities for the six months ended June 30:

	2022	2021
Net income	\$ 301,584	\$ 263,248
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	16,384	16,733
Amortization	33,395	29,075
Equity in earnings of unconsolidated affiliate	(62,272)	(68,415)
Distributions received from unconsolidated affiliate	69,824	68,064
Stock-based compensation	20,573	19,855
Provision for losses on receivables	350	2,088
Deferred income tax expense	(23,506)	(6,869)
Net loss (gain) from investments	3,109	(709)
Change in other long-term liabilities	1,998	987
Change in other assets	(3,111)	(976)
Contract costs capitalized, net of amortization	883	429
Other	(1,521)	929
Change in current assets and liabilities		
(Increase) decrease in		
Receivables from investment products	4,125	(906)
Receivables	(25,523)	(26,437)
Other current assets	(7,014)	538
Advances due from unconsolidated affiliate	53,500	51,364
(Decrease) increase in		
Accounts payable	(7)	1,525
Accrued liabilities	(55,734)	(25,721)
Deferred revenue	3,578	195
Total adjustments	29,031	61,749
Net cash provided by operating activities	\$ 330,615	\$ 324,997

### Note 2. Investment in Unconsolidated Affiliate

#### LSV Asset Management

The Company has an investment in LSV Asset Management (LSV), a registered investment advisor that provides investment advisory services primarily to institutions, including pension plans and investment companies. LSV is currently an investment sub-advisor for a limited number of SEI-sponsored investment products. The Company's partnership interest in LSV as of June 30, 2022 was 38.6%. The Company accounts for its interest in LSV using the equity method because of its less than 50% ownership. The Company's interest in the net assets of LSV is reflected in Investment in unconsolidated affiliate on the accompanying Consolidated Balance Sheets and its interest in the earnings of LSV is reflected in Equity in earnings of unconsolidated affiliate on the accompanying Consolidated Statements of Operations.

At June 30, 2022, the Company's total investment in LSV was \$46,865. The Company receives partnership distributions from LSV on a quarterly basis. The Company received partnership distributions from LSV of \$69,824 and \$68,064 in the six months ended June 30, 2022 and 2021, respectively. As such, the Company considers these distribution payments as returns on investment rather than returns of the Company's original investment in LSV and has therefore classified the associated cash inflows as an operating activity on the Consolidated Statements of Cash Flows.

The Company's proportionate share in the earnings of LSV was \$29,813 and \$35,065 during the three months ended June 30, 2022 and 2021, respectively. During the six months ended June 30, 2022 and 2021, the Company's proportionate share in the earnings of LSV was \$62,272 and \$68,415, respectively.

These tables contain condensed financial information of LSV:

Condensed Statement of Operations	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues	\$ 99,814	\$ 116,392	\$ 208,264	\$ 227,229
Net income	77,193	90,520	160,984	176,440
Condensed Balance Sheets				
			June 30, 2022	December 31, 2021
Current assets			\$ 118,021	\$ 171,058
Non-current assets			5,329	4,792
Total assets			\$ 123,350	\$ 175,850
Current liabilities			\$ 53,683	\$ 82,858
Non-current liabilities			3,465	3,863
Partners' capital			66,202	89,129
Total liabilities and partners' capital			\$ 123,350	\$ 175,850

On April 1, 2022, LSV provided an interest in the partnership to select key employees which reduced the ownership percentage of each existing partner on a pro-rata basis. As a result, the Company's total partnership interest in LSV was reduced slightly to approximately 38.6% from approximately 38.7%.

### Note 3. Composition of Certain Financial Statement Captions

#### Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

	June 30, 2022	December 31, 2021
Trade receivables	\$ 107,853	\$ 111,209
Fees earned, not billed	337,445	315,255
Other receivables	23,556	16,747
	468,854	443,211
Less: Allowance for doubtful accounts	(1,952)	(1,602)
	\$ 466,902	\$ 441,609

Fees earned, not billed represents receivables from contracts with customers earned but unbilled and results from timing differences between services provided and contractual billing schedules. These billing schedules generally provide for fees to be billed on a quarterly basis. In addition, certain fees earned from investment operations services are calculated based on assets under administration that have an extended valuation process. Billings to these clients occur once the asset valuation processes are completed.

Receivables from investment products on the accompanying Consolidated Balance Sheets primarily represent fees receivable for distribution, investment advisory, and administration services to various regulated investment companies and other investment products sponsored by SEI.

## Property and Equipment

Property and Equipment on the accompanying Consolidated Balance Sheets consists of:

	June 30, 2022	December 31, 2021
Buildings	\$ 209,907	\$ 209,766
Equipment	167,591	153,158
Land	26,411	24,651
Purchased software	156,569	156,387
Furniture and fixtures	21,323	21,254
Leasehold improvements	20,617	21,946
Construction in progress	576	955
	<u>602,994</u>	<u>588,117</u>
Less: Accumulated depreciation	(424,048)	(409,248)
Property and Equipment, net	<u>\$ 178,946</u>	<u>\$ 178,869</u>

The Company recognized \$16,384 and \$16,733 in depreciation expense related to property and equipment for the six months ended June 30, 2022 and 2021, respectively.

## Deferred Contract Costs

Deferred contract costs, which primarily consist of deferred sales commissions, were \$35,353 and \$36,236 as of June 30, 2022 and December 31, 2021, respectively. The Company deferred expenses related to contract costs of \$1,543 and \$1,674 during the three months ended June 30, 2022 and 2021, respectively. During the six months ended June 30, 2022 and 2021, the Company deferred expenses related to contract costs of \$5,062 and \$4,046, respectively. Amortization expense related to deferred contract costs were \$5,945 and \$4,475 during the six months ended June 30, 2022 and 2021, respectively. Amortization expense during the six months ended June 30, 2022 includes \$1,784 in expense accelerated as a result of the termination of a contractual agreement with a significant client (See Note 13). Amortization expense related to deferred contract costs is included in Compensation, benefits and other personnel on the accompanying Consolidated Statements of Operations. There was no impairment loss in relation to deferred contract costs during the six months ended June 30, 2022.

## Accrued Liabilities

Accrued liabilities on the accompanying Consolidated Balance Sheets consist of:

	June 30, 2022	December 31, 2021
Accrued employee compensation	\$ 52,418	\$ 107,933
Accrued employee benefits and other personnel	9,749	13,951
Accrued consulting, outsourcing and professional fees	47,067	36,411
Accrued sub-advisory, distribution and other asset management fees	58,400	58,661
Accrued dividend payable	—	55,452
Other accrued liabilities	51,118	51,974
Total accrued liabilities	<u>\$ 218,752</u>	<u>\$ 324,382</u>

## **Note 4. Fair Value Measurements**

The fair value of the Company's financial assets and liabilities, except for the Company's investment funds sponsored by LSV, is determined in accordance with the fair value hierarchy. The fair value of the Company's Level 1 financial assets consist mainly of investments in open-ended mutual funds that are quoted daily. Level 2 financial assets consist of GNMA mortgage-backed securities held by the Company's wholly-owned limited purpose federal thrift subsidiary, SEI Private Trust Company (SPTC), Federal Home Loan Bank (FHLB) and other U.S. government agency short-term notes held by SIDCO. The financial assets held by SIDCO were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities. The financial assets held by SPTC are debt securities issued by GNMA and are backed by the full faith and credit of the U.S. government. These securities were purchased for the sole purpose of satisfying applicable regulatory requirements and have maturity dates which range from 2023 to 2041.

The fair value of the Company's investment funds sponsored by LSV is measured using the net asset value per share (NAV) as a practical expedient. The NAVs of the funds are calculated by the funds' independent custodian and are derived from the fair values of the underlying investments as of the reporting date. The funds allow for investor redemptions at the end of each calendar month. This investment has not been classified in the fair value hierarchy but is presented in the tables below to permit reconciliation to the amounts presented on the accompanying Consolidated Balance Sheets.

The valuation of the Company's Level 2 financial assets held by SIDCO and SPTC are based upon securities pricing policies and procedures utilized by third-party pricing vendors.

The pricing policies and procedures applied for our Level 1 and Level 2 financial assets during the six months ended June 30, 2022 were consistent with those as described in the Company's Annual Report on Form 10-K at December 31, 2021. The Company had no Level 3 financial assets at June 30, 2022 or December 31, 2021 that were required to be measured at fair value on a recurring basis. Level 3 financial liabilities at June 30, 2022 and December 31, 2021 consist entirely of the estimated contingent consideration resulting from an acquisition (See Note 12). The fair value of the contingent consideration was determined using a Monte-Carlo simulation model. Key assumptions for the Monte-Carlo simulation model include expected revenues, expected volatility, risk-free rate and other factors. There were no transfers of financial assets between levels within the fair value hierarchy during the six months ended June 30, 2022.

The fair value of certain financial assets of the Company was determined using the following inputs:

Assets	June 30, 2022	Fair Value Measurements at the End of the Reporting Period Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity securities	\$ 10,812	\$ 10,812	\$ —
Available-for-sale debt securities	110,870	—	110,870
Fixed-income securities owned	31,171	—	31,171
Investment funds sponsored by LSV (1)	6,000		
	<u>\$ 158,853</u>	<u>\$ 10,812</u>	<u>\$ 142,041</u>

Assets	December 31, 2021	Fair Value Measurements at the End of the Reporting Period Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity securities	\$ 12,406	\$ 12,406	\$ —
Available-for-sale debt securities	117,135	—	117,135
Fixed-income securities owned	28,267	—	28,267
Investment funds sponsored by LSV (1)	6,916		
	<u>\$ 164,724</u>	<u>\$ 12,406</u>	<u>\$ 145,402</u>

(1) The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the accompanying Consolidated Balance Sheets (See Note 5).

## Note 5. Marketable Securities

Marketable securities include investments in money market funds and commercial paper classified as cash equivalents, available-for-sale debt securities, investments in SEI-sponsored and non-SEI-sponsored mutual funds, equities, investments in funds sponsored by LSV and securities owned by SIDCO.

### Cash Equivalents

Investments in money market funds and commercial paper classified as cash equivalents had a fair value of \$458,521 and \$422,838 at June 30, 2022 and December 31, 2021, respectively. There were no material unrealized or realized gains or losses from these investments during the six months ended June 30, 2022 and 2021. Investments in money market funds and commercial paper are Level 1 assets.



## Available for Sale and Equity Securities

Available For Sale and Equity Securities on the accompanying Consolidated Balance Sheets consist of:

	At June 30, 2022			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available-for-sale debt securities	\$ 119,702	\$ —	\$ (8,832)	\$ 110,870
SEI-sponsored mutual funds	6,271	—	(249)	6,022
Equities and other mutual funds	4,870	—	(80)	4,790
	<u>\$ 130,843</u>	<u>\$ —</u>	<u>\$ (9,161)</u>	<u>\$ 121,682</u>

  

	At December 31, 2021			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available-for-sale debt securities	\$ 117,215	\$ —	\$ (80)	\$ 117,135
SEI-sponsored mutual funds	6,748	463	—	7,211
Equities and other mutual funds	4,935	260	—	5,195
	<u>\$ 128,898</u>	<u>\$ 723</u>	<u>\$ (80)</u>	<u>\$ 129,541</u>

Net unrealized losses at June 30, 2022 of available-for-sale debt securities were \$6,801 (net of income tax benefit of \$2,031). Net unrealized losses at December 31, 2021 of available-for-sale debt securities were \$62 (net of income tax benefit of \$18). These unrealized losses are associated with the Company's investments in mortgage-backed securities issued by GNMA and were caused by interest rate increases (See Note 4). The contractual cash flows of these securities are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases. These net unrealized losses are reported as a separate component of Accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets.

There were gross realized losses of \$414 and \$556 from available-for-sale debt securities during the six months ended June 30, 2022 and 2021, respectively. There were no gross realized gains from available-for-sale debt securities during the six months ended June 30, 2022 and 2021. Realized losses from available-for-sale debt securities, including amounts reclassified from accumulated comprehensive loss, are reflected in Net (loss) gain from investments on the accompanying Consolidated Statements of Operations.

There were gross realized gains of \$7 and gross realized losses of \$658 from mutual funds and equities during the six months ended June 30, 2022. There were gross realized gains of \$613 and gross realized losses of \$59 from mutual funds and equities during the six months ended June 30, 2021. Gains and losses from mutual funds and equities are reflected in Net (loss) gain from investments on the accompanying Consolidated Statements of Operations.

### Investments in Affiliated Funds

The Company has an investment in funds sponsored by LSV. The Company records this investment on the accompanying Consolidated Balance Sheets at fair value. Unrealized gains and losses from the change in fair value of these funds are recognized in Net (loss) gain from investments on the accompanying Consolidated Statements of Operations.

The funds had a fair value of \$6,000 and \$6,916 at June 30, 2022 and December 31, 2021, respectively. The Company recognized unrealized losses of \$1,270 and unrealized gains of \$309 during the three months ended June 30, 2022 and 2021, respectively, from the change in fair value of the funds. The Company recognized unrealized losses of \$916 and unrealized gains of \$766 during the six months ended June 30, 2022 and 2021, respectively, from the change in fair value of the funds.

### Securities Owned

The Company's broker-dealer subsidiary, SIDCO, has investments in U.S. government agency securities with maturity dates less than one year. These investments are reflected as Securities owned on the accompanying Consolidated Balance Sheets. Due to specialized accounting practices applicable to investments by broker-dealers, the securities are reported at fair value and changes in fair value are recorded in current period earnings. The securities had a fair value of \$31,171 and \$28,267 at June 30, 2022 and December 31, 2021, respectively. There were no material net gains or losses related to the securities during the three and six months ended June 30, 2022 and 2021.

## **Note 6. Line of Credit**

The Company has a five-year \$325,000 Credit Agreement (the Credit Facility) with Wells Fargo Bank, N.A., and a syndicate of other lenders. The Credit Facility is scheduled to expire in April 2026, at which time any aggregate principal amount of loans outstanding becomes payable in full. Any borrowings made under the Credit Facility will accrue interest at rates that, at the Company's option, are based on a base rate (the Base Rate) plus a premium that can range from 0.25% to 1.00% or the London InterBank Offered Rate (LIBOR) plus a premium that can range from 1.25% to 2.00% depending on the Company's Leverage Ratio (a ratio of consolidated indebtedness to consolidated EBITDA for the four preceding fiscal quarters, all as defined in the related agreement). The Base Rate is defined as the highest of a) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 0.50%, b) the prime commercial lending rate of Wells Fargo, c) the applicable LIBOR plus 1.00%, or d) 0%. The Credit Facility includes fallback language clearly defining an alternative reference rate which provides for specified replacement rates upon a LIBOR cessation event. At the time of a LIBOR cessation event, the replacement rate, the Secured Overnight Financing Rate (SOFR), self-executes without the need for negotiations or a formal amendment process.

The Company also pays quarterly commitment fees based on the unused portion of the Credit Facility. The quarterly fees for the Credit Facility can range from 0.15% of the amount of the unused portion to 0.30%, depending on the Company's Leverage Ratio. Certain wholly-owned subsidiaries of the Company have guaranteed the obligations of the Company under the agreement. The aggregate amount of the Credit Facility may be increased by an additional \$100,000 under certain conditions set forth in the agreement. The Company may issue up to \$15,000 in letters of credit under the terms of the Credit Facility. The Company pays a periodic commission fee of 1.25% plus an issuance fee of 0.200% of the aggregate face amount of the outstanding letters of credit issued under the Credit Facility.

The Credit Facility contains covenants with restrictions on the ability of the Company to do transactions with affiliates other than wholly-owned subsidiaries or to incur liens or certain types of indebtedness as defined in the agreement. In the event of a default under the Credit Facility, the Company would also be restricted from paying dividends on, or repurchasing, its common stock without the approval of the lenders. Upon the occurrence of certain financial or economic events, significant corporate events, or certain other events of default constituting an event of default under the Credit Facility, all loans outstanding may be declared immediately due and payable and all commitments under the agreement may be terminated.

In November 2021, the Company borrowed \$40,000 under the Credit Facility for the funding of an acquisition (See Note 12). During the six months ended June 30, 2022, the Company made principal payments of \$40,000 to fully repay the outstanding balance of the Credit Facility.

As of July 15, 2022, the Company had outstanding letters of credit of \$6,003 under the Credit Facility. These letters of credit were issued primarily for the expansion of the Company's headquarters and are scheduled to expire during 2022. The amount of the Credit Facility that is available for general corporate purposes as of July 15, 2022 was \$318,997.

The Company was in compliance with all covenants of the Credit Facility during the six months ended June 30, 2022.

## **Note 7. Shareholders' Equity**

### Stock-Based Compensation

The Company has only non-qualified stock options and restricted stock units outstanding under its equity compensation plans. All outstanding stock options have performance-based vesting provisions specific to each option grant that tie the vesting of the applicable stock options to the Company's financial performance. The Company's stock options vest at a rate of 50% when a specified financial vesting target is achieved, and the remaining 50% when a second, higher specified financial vesting target is achieved. Options vest as a result of achievement of the financial vesting targets. Options granted in December 2017 and thereafter include a service condition which requires a minimum two or four year waiting period from the grant date along with the attainment of the applicable financial vesting target. The targets are measured annually on December 31. The amount of stock-based compensation expense recognized in the period is based upon management's estimate of when the financial vesting targets may be achieved. Any change in management's estimate could result in the remaining amount of stock-based compensation expense to be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense in future periods and could materially affect the Company's earnings. The Company's restricted stock units outstanding vest ratably over four years commencing March 31, 2022.

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in the three and six months ended June 30, 2022 and 2021, respectively, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Stock-based compensation expense	\$ 10,007	\$ 10,103	\$ 20,573	\$ 19,855
Less: Deferred tax benefit	(1,839)	(1,904)	(3,934)	(3,758)
Stock-based compensation expense, net of tax	\$ 8,168	\$ 8,199	\$ 16,639	\$ 16,097

The Company revised its estimate of when some vesting targets are expected to be achieved. This change in management's estimate resulted in a decrease of \$663 in stock-based compensation expense during the six months ended June 30, 2022.

As of June 30, 2022, there was approximately \$82,733 of unrecognized compensation cost remaining related to unvested employee stock options and restricted stock units that management expects will vest and is being amortized.

The Company issues new common shares associated with the exercise of stock options. The total intrinsic value of options exercised during the six months ended June 30, 2022 was \$12,806. The total options exercisable as of June 30, 2022 had an intrinsic value of \$61,515. The total intrinsic value for options exercisable is calculated as the difference between the market value of the Company's common stock as of June 30, 2022 and the weighted average exercise price of the options. The market value of the Company's common stock as of June 30, 2022 was \$54.02 as reported by the Nasdaq Stock Market, LLC. The weighted average exercise price of the options exercisable as of June 30, 2022 was \$49.40. Total options that were outstanding as of June 30, 2022 were 18,072,000. Total options that were exercisable as of June 30, 2022 were 7,911,000.

The Company initiated a voluntary separation program to long-tenured employees in June 2022. Certain allowances provided to the participating employees in the program are expected to result in modifications to the Company's equity compensation plans related to the vesting of stock options during the remainder of 2022 and the period in which the employee may exercise vested stock options after the termination of employment (See Note 14).

#### Common Stock Buyback

The Company's Board of Directors, under multiple authorizations, has authorized the repurchase of common stock on the open market or through private transactions. The Company purchased 3,683,000 shares at a total cost of \$209,383 during the six months ended June 30, 2022, which reduced the total shares outstanding of common stock. The cost of stock purchases during the period includes the cost of certain transactions that settled in the following quarter. On June 1, 2022, the Company's Board of Directors approved an increase in the stock repurchase program by an additional \$200,000. As of June 30, 2022, the Company had approximately \$221,910 of authorization remaining for the purchase of common stock under the program.

The Company immediately retires its common stock when purchased. Upon retirement, the Company reduces Capital in excess of par value for the average capital per share outstanding and the remainder is charged against Retained earnings. If the Company reduces its Retained earnings to zero, any subsequent purchases of common stock will be charged entirely to Capital in excess of par value.

#### Cash Dividend

On June 1, 2022, the Board of Directors declared a cash dividend of \$0.40 per share on the Company's common stock, which was paid on June 22, 2022, to shareholders of record on June 13, 2022. Cash dividends declared during the six months ended June 30, 2022 and 2021 were \$54,378 and \$52,389, respectively.

**Note 8. Accumulated Other Comprehensive Loss**

The components of Accumulated other comprehensive loss, net of tax, are as follows:

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Investments	Accumulated Other Comprehensive Loss
Balance, January 1, 2022	\$ (19,781)	\$ (62)	\$ (19,843)
Other comprehensive loss before reclassifications	(19,181)	(7,057)	(26,238)
Amounts reclassified from accumulated other comprehensive loss	—	318	318
Net current-period other comprehensive loss	(19,181)	(6,739)	(25,920)
Balance, June 30, 2022	<u>\$ (38,962)</u>	<u>\$ (6,801)</u>	<u>\$ (45,763)</u>

**Note 9. Business Segment Information**

The Company's reportable business segments are:

Private Banks – Provides outsourced investment processing and investment management platforms to banks and trust institutions, independent wealth advisers and financial advisers worldwide;

Investment Advisors – Provides investment management and investment processing platforms to affluent investors through a network of independent registered investment advisors, financial planners and other investment professionals in the United States;

Institutional Investors – Provides OCIO solutions, including investment management and administrative outsourcing platforms to retirement plan sponsors, healthcare systems, higher education and other not-for-profit organizations worldwide;

Investment Managers – Provides investment operations outsourcing platforms to fund companies, banking institutions, traditional and non-traditional investment managers worldwide and family offices in the United States; and

Investments in New Businesses – Focuses on providing investment management solutions to ultra-high-net-worth families residing in the United States; developing network and data protection services; modularizing larger technology platforms into stand-alone components; entering new markets; and conducting other research and development activities.

The information in the following tables is derived from internal financial reporting used for corporate management purposes. There are no inter-segment revenues for the three and six months ended June 30, 2022 and 2021. Assets are not allocated to segments for internal reporting purposes. The accounting policies of the reportable business segments are the same as those described in Note 1 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

The following tables highlight certain financial information about each of the business segments for the three months ended June 30, 2022 and 2021:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
For the Three Months Ended June 30, 2022						
Revenues	\$ 124,184	\$ 113,194	\$ 83,483	\$ 155,926	\$ 4,883	\$ 481,670
Expenses	121,060	63,375	43,925	100,807	12,844	342,011
Operating profit (loss)	<u>\$ 3,124</u>	<u>\$ 49,819</u>	<u>\$ 39,558</u>	<u>\$ 55,119</u>	<u>\$ (7,961)</u>	<u>\$ 139,659</u>
	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
For the Three Months Ended June 30, 2021						
Revenues	\$ 123,676	\$ 119,396	\$ 85,699	\$ 142,808	\$ 4,072	\$ 475,651
Expenses	117,654	59,133	41,895	84,995	13,631	317,308
Operating profit (loss)	<u>\$ 6,022</u>	<u>\$ 60,263</u>	<u>\$ 43,804</u>	<u>\$ 57,813</u>	<u>\$ (9,559)</u>	<u>\$ 158,343</u>

A reconciliation of the total operating profit reported for the business segments to income from operations in the Consolidated Statements of Operations for the three months ended June 30, 2022 and 2021 is as follows:

	2022	2021
Total operating profit from segments	\$ 139,659	\$ 158,343
Corporate overhead expenses	(23,799)	(22,322)
Income from operations	<u>\$ 115,860</u>	<u>\$ 136,021</u>

The following tables provide additional information for the three months ended June 30, 2022 and 2021 pertaining to the business segments:

	Capital Expenditures (1)		Depreciation	
	2022	2021	2022	2021
Private Banks	\$ 8,541	\$ 8,594	\$ 5,554	\$ 4,178
Investment Advisors	3,423	3,580	469	1,417
Institutional Investors	1,028	884	285	353
Investment Managers	4,113	3,373	1,755	2,027
Investments in New Businesses	208	313	44	100
Total from business segments	<u>\$ 17,313</u>	<u>\$ 16,744</u>	<u>\$ 8,107</u>	<u>\$ 8,075</u>
Corporate overhead	445	418	179	349
	<u>\$ 17,758</u>	<u>\$ 17,162</u>	<u>\$ 8,286</u>	<u>\$ 8,424</u>

(1) Capital expenditures include additions to property and equipment and capitalized software.

	Amortization	
	2022	2021
Private Banks	\$ 8,261	\$ 8,633
Investment Advisors	3,158	2,909
Institutional Investors	2,257	427
Investment Managers	2,577	2,444
Investments in New Businesses	185	185
Total from business segments	<u>\$ 16,438</u>	<u>\$ 14,598</u>
Corporate overhead	70	125
	<u>\$ 16,508</u>	<u>\$ 14,723</u>

The following tables highlight certain financial information about each of business segment for the six months ended June 30, 2022 and 2021:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
For the Six Months Ended June 30, 2022						
Revenues	\$ 337,732	\$ 232,424	\$ 170,322	\$ 312,827	\$ 9,808	\$ 1,063,113
Expenses	243,015	127,895	89,283	199,644	24,794	684,631
Operating profit (loss)	<u>\$ 94,717</u>	<u>\$ 104,529</u>	<u>\$ 81,039</u>	<u>\$ 113,183</u>	<u>\$ (14,986)</u>	<u>\$ 378,482</u>

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
For the Six Months Ended June 30, 2021						
Revenues	\$ 241,284	\$ 232,690	\$ 170,198	\$ 279,227	\$ 7,938	\$ 931,337
Expenses	228,378	114,160	81,053	168,015	27,035	618,641
Operating profit (loss)	<u>\$ 12,906</u>	<u>\$ 118,530</u>	<u>\$ 89,145</u>	<u>\$ 111,212</u>	<u>\$ (19,097)</u>	<u>\$ 312,696</u>

A reconciliation of the total operating profit reported for the business segments to income from operations in the Consolidated Statements of Operations for the six months ended June 30, 2022 and 2021:

	2022	2021
Total operating profit from segments	\$ 378,482	\$ 312,696
Corporate overhead expenses	(47,823)	(43,838)
Income from operations	<u>\$ 330,659</u>	<u>\$ 268,858</u>

The following tables provide additional information for the six months ended June 30, 2022 and 2021:

	Capital Expenditures (1)		Depreciation	
	2022	2021	2022	2021
Private Banks	\$ 15,763	\$ 14,423	\$ 10,660	\$ 8,310
Investment Advisors	6,450	5,888	925	2,706
Institutional Investors	1,977	1,395	574	711
Investment Managers	8,137	5,004	3,775	4,080
Investments in New Businesses	413	452	88	246
Total from business segments	<u>\$ 32,740</u>	<u>\$ 27,162</u>	<u>\$ 16,022</u>	<u>\$ 16,053</u>
Corporate Overhead	890	578	362	680
	<u>\$ 33,630</u>	<u>\$ 27,740</u>	<u>\$ 16,384</u>	<u>\$ 16,733</u>

(1) Capital expenditures include additions to property and equipment and capitalized software.

	Amortization	
	2022	2021
Private Banks	\$ 16,800	\$ 17,209
Investment Advisors	6,391	5,536
Institutional Investors	4,540	853
Investment Managers	5,153	4,924
Investments in New Businesses	370	370
Total from business segments	<u>\$ 33,254</u>	<u>\$ 28,892</u>
Corporate Overhead	141	183
	<u>\$ 33,395</u>	<u>\$ 29,075</u>

## Note 10. Income Taxes

The gross liability for unrecognized tax benefits at June 30, 2022 and December 31, 2021 was \$16,861 and \$14,887, respectively, exclusive of interest and penalties, of which \$16,358 and \$14,382 would affect the effective tax rate if the Company were to recognize the tax benefit.

The Company classifies interest and penalties on unrecognized tax benefits as income tax expense. As of June 30, 2022 and December 31, 2021, the combined amount of accrued interest and penalties related to tax positions taken on tax returns was \$1,642 and \$1,338, respectively.

	June 30, 2022	December 31, 2021
Gross liability for unrecognized tax benefits, exclusive of interest and penalties	\$ 16,861	\$ 14,887
Interest and penalties on unrecognized benefits	1,642	1,338
Total gross uncertain tax positions	<u>\$ 18,503</u>	<u>\$ 16,225</u>
Amount included in Current liabilities	\$ 4,533	\$ 4,253
Amount included in Other long-term liabilities	13,970	11,972
	<u>\$ 18,503</u>	<u>\$ 16,225</u>

The effective income tax rate for the three and six months ended June 30, 2022 and 2021 differs from the federal income tax statutory rate due to the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Statutory rate	21.0 %	21.0 %	21.0 %	21.0 %
State taxes, net of federal tax benefit	2.8	3.2	2.8	3.2
Foreign tax expense and tax rate differential	(0.1)	(0.1)	(0.1)	(0.1)
Tax benefit from stock option exercises	(0.3)	(1.2)	(0.3)	(1.2)
Other, net	(0.3)	(0.6)	(0.3)	(0.4)
	<u>23.1 %</u>	<u>22.3 %</u>	<u>23.1 %</u>	<u>22.5 %</u>

The increase in the Company's effective tax rate for the three and six months ended June 30, 2022 was primarily due to decreased tax benefits related to the lower volume of stock option exercises in 2022 compared to the prior year period. The increase was offset by a decrease in state tax expense.

The Company files income tax returns in the United States on a consolidated basis and in many U.S. state and foreign jurisdictions. The Company is subject to examination of income tax returns by the Internal Revenue Service (IRS) and other domestic and foreign tax authorities. The Company is no longer subject to U.S. federal income tax examination for years before 2018 and is no longer subject to state, local or foreign income tax examinations by authorities for years before 2015.

The Company estimates it will recognize \$4,533 of gross unrecognized tax benefits. This amount is expected to be paid within one year or to be removed at the expiration of the statute of limitations and resolution of income tax audits and is netted against the current payable account. These unrecognized tax benefits are related to tax positions taken on certain federal, state, and foreign tax returns. However, the timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. While it is reasonably possible that some issues under examination could be resolved in the next twelve months, based upon the current facts and circumstances, the Company cannot reasonably estimate the timing of such resolution or the total range of potential changes as it relates to the current unrecognized tax benefits that are recorded as part of the Company's financial statements.

On July 8, 2022, House Bill 1342 was signed into law in the Commonwealth of Pennsylvania, making significant changes to the corporate income tax rate. The bill reduces the corporate income tax rate from 9.99% to 4.99% with reductions occurring in phases beginning each tax year from January 1, 2023 through January 1, 2031. U.S. GAAP requires companies to recognize the effect of tax law changes in the period of enactment. Management is still evaluating the impact of this rate change but does not expect it to be material.

## **Note 11. Commitments and Contingencies**

In the ordinary course of business, the Company from time to time enters into contracts containing indemnification obligations of the Company. These obligations may require the Company to make payments to another party upon the occurrence of certain events including the failure by the Company to meet its performance obligations under the contract. These contractual indemnification provisions are often standard contractual terms of the nature customarily found in the type of contracts entered into by the Company. In many cases, there are no stated or notional amounts included in the indemnification provisions. There are no amounts reflected on the Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021 related to these indemnifications.

### **Stanford Trust Company Litigation**

There has been no material change to the status of the litigations related to the Stanford Trust Company matters or the Company's expectations with respect to such matters as previously reported in the Company's quarterly report on Form 10-Q as filed with the Commission on April 25, 2022.

### **SS&C Advent Litigation**

On February 28, 2020, SEI Global Services, Inc. (SGSI), a wholly-owned subsidiary of the Company, filed a complaint under seal in the United States District Court for the Eastern District of Pennsylvania against SS&C Advent (Advent) and SS&C Technologies Holdings, Inc. (SS&C) alleging that SS&C and Advent breached the terms of the contract between the parties and asking the Court to hold SS&C and Advent to their bargained-for obligations (the Advent Matter). In addition to Breach of Contract, the complaint also includes counts for Declaratory Judgment, Tortious Interference with Existing and Prospective Contractual Relations, Violation of the New York General Business Law Section 349, Violations of Section 2 of the Sherman Antitrust Act, Promissory Estoppel and Breach of the Covenant of Good Faith and Fair Dealing. SGSI seeks various forms of relief, including declaratory judgment, specific performance under the contract, and monetary damages, including punitive damages, treble damages and attorney's fees.

Following various procedural actions, including an amendment of SGSI's complaint to include additional breach of contract claims, Advent filed a motion to dismiss SGSI's complaint.

On October 23, 2020, the United States District Court for the Eastern District of Pennsylvania dismissed SEI's federal antitrust claims and declined to rule on the state law claims on the basis that in the absence of the anti-trust claim, the court had no jurisdiction over the state law claims. SGSI has appealed the dismissal of the federal anti-trust claims to the Third Circuit Court of Appeals. On June 30, 2022, the Third Circuit Court of Appeals issued an order denying SGSI's appeal of the District Court's ruling.

Since October 23, 2020, Advent and SGSI have been litigating the remaining breach of contract, breach of the implied duty of good faith and fair dealing, and tortious interference with contract claims in New York State Court. Additionally, SGSI made motions for injunctive relief to insure that Advent provided SGSI with access to the Geneva, Moxy and APX software modules as SGSI believes is required pursuant to the terms of a valid contract. On January 13, 2021, Judge Borrok of the Supreme Court of the State of New York, granted SGSI's motion for injunctive relief and issued an Order in which he characterized the basis for Advent's claim for breach of contract as appearing to be "pre-textual" and found that SGSI's claims for breach of contract would likely succeed on the merits. Judge Borrok granted SGSI's motion for injunctive relief, on a preliminary basis, and precluded SS&C Advent from:

- Dishonoring their contractual obligations and commitments under the SLSA, including, denying SEI's licenses, rights, and privileges under the SLSA;
- Failing to provide new license keys for the license keys due to Geneva, Moxy, and APX, and other software products licensed by SEI pursuant to the SLSA (such new license keys to be provided no later than January 15, 2021 at 10 A.M.);
- Denying to SEI any and all access to the Geneva, Moxy, and APX software and related modules as are reasonably necessary to provide access to such software to SEI's clients; and
- Denying to SEI any and all support, maintenance and technical support services for Geneva, Moxy, and APX.

Pursuant to the Court's injunction order, SS&C Advent provided SEI with the necessary access to the Geneva, Moxy and APX software modules on January 14, 2021. These were tested, verified and are now running in the SEI production environment.

On January 15, 2021, SS&C Advent appealed Judge Borrok's order granting SEI's motion for preliminary injunctive relief to the Appellate Division of the Supreme Court of the State of New York, First Department. The Appellate Division unanimously affirmed the injunction order on June 15, 2021.

On March 1, 2021, SS&C Advent moved to dismiss SGSI's breach of contract and tortious interference with contract counter claims. These counter-claims were:



1. breach of contract;
2. declaratory judgment;
3. tortious interference with existing and prospective contractual relations;
4. deceptive trade practices in violation of New York Statutes;
5. breach of the covenant of good faith and fair dealing; and
6. promissory estoppel.

The parties agreed to toll the litigation while endeavoring to resolve their dispute through a settlement mediation process moderated by Judge Borrok. The parties were unable to reach an agreement as to a settlement of the litigation and reengaged in the litigation process.

On October 5, 2021, Judge Borrok issued an order partially denying and partially granting SS&C Advent's motion to dismiss SGSI's breach of contract and tortious interference with contract counter claims.

Judge Borrok dismissed the third claim with respect to prospective contractual relationships only, as well as the fourth claim and the sixth claim. The remaining claims directed to proceed were:

1. breach of contract;
2. declaratory judgment;
3. tortious interference with existing a contractual relations; and
4. breach of the covenant of good faith and fair dealing.

On December 1, 2021, SGSI filed a motion for partial summary judgment in the New York state court action. This motion applies to Count I of SS&C Advent's complaint (SS&C Advent's request for a declaratory judgment that its termination of the SGSI license agreements was proper); and Counts I and II of SGSI's counterclaims (SGSI's request for a declaratory judgment that SS&C Advent's termination of the contract was improper because the licenses are perpetual unless SGSI chooses to not renew them or breaches the terms). SS&C Advent filed a cross-motion for summary judgment for a declaration that it was entitled to not renew SGSI's contracts. It also argued that if SGSI prevailed on its breach of contract claims, then its breach of implied duty of good faith and fair dealing claim must be dismissed in turn.

On December 31, 2021, SGSI received the license key for another year of access to the product. This ensures SGSI access to Advent and Moxy through January 31, 2023.

On April 15, 2022, Judge Borrok held a hearing on SGSI's motion for partial summary judgement and issued an order on the same day granting SGSI's motion in its entirety and denying SS&C Advent's cross motion. Specifically, the Court:

1. Rejected SS&C Advent's argument that the license is not perpetual;
2. Determined that SS&C Advent's purported termination was "pretextual" and breached the parties' contract;
3. Determined that SS&C Advent's attempt to not renew breached the parties' contracts because "Advent did not have the right not to renew," after dismissing SS&C Advent's argument that it shared the same nonrenewal rights as SGSI as a "false narrative;" and
4. Rejected SS&C Advent's second attempt to dismiss SGSI's breach of implied duty of good faith and fair dealing claim.

SEI continues to believe that it will not have to change providers under the current terms of its contract with SS&C Advent and that the process of litigating its rights under this contract may be a multi-year process.

SEI believes SGSI has a strong basis for proving the actions it alleges in the Advent Matter and looks forward to the opportunity to pursue its remaining tort and breach of implied covenant and good faith and fair dealing claims continue to assert all of its rights in tort and under the contract and prove the damages that it has suffered as a consequence of the behavior by SS&C Advent that SGSI alleges. SEI expects the financial impact of litigating the Advent Matter to be immaterial.

#### **Other Matters**

The Company and certain of its subsidiaries are party to various other examinations, investigations, actions and claims arising in the normal course of business that the Company does not believe are material. The Company believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position or the manner in which the Company conducts its business. Currently, the Company does not believe the amount of losses associated with these matters can be estimated. While the Company does not believe that the amount of such losses will, when liquidated or estimable, be material to its financial position, the assumptions may be incorrect and any such loss could have a material adverse effect on the Company's results of operations or the manner in which the Company conducts its business in the period(s) during which the underlying matters are resolved.

## Note 12. Goodwill and Intangible Assets

The changes in the carrying amount of the Company's goodwill by segment are as follows:

	Institutional Investors	Investment Managers	Investments in New Businesses	Total
Balance, December 31, 2021	\$ 48,911	\$ 56,822	\$ 11,499	\$ 117,232
Measurement period adjustments	(11)	211	—	200
Foreign currency translation adjustments	—	(27)	—	(27)
Balance, June 30, 2022	\$ 48,900	\$ 57,006	\$ 11,499	\$ 117,405

In October 2021, the Company acquired all ownership interests of Finomial Corporation (Finomial). The excess purchase price over the estimated value of the net tangible and identifiable intangible assets was allocated to goodwill. The total amount of goodwill from this transaction amounted to \$4,036 and is included in the accompanying Consolidated Balance Sheets.

In November 2021, the Company acquired all ownership interests of Novus Partners (Novus). The excess purchase price over the estimated value of the net tangible and identifiable intangible assets was allocated to goodwill. The total amount of goodwill from this transaction amounted to \$48,911 and is included in the accompanying Consolidated Balance Sheets.

In addition to the intangible assets acquired through the acquisitions of Finomial and Novus, during 2021, the Company also acquired intangible assets through the purchase of a technology platform providing digital collaboration tools for financial advisors and the purchase of the Atlas Master Trust, a defined contribution master trust in the United Kingdom.

In April 2018, the Company acquired all ownership interests of Huntington Steele, LLC (Huntington Steele). The total purchase price was allocated to Huntington Steele's net tangible and intangible assets based upon their estimated fair values at the date of purchase. The excess purchase price over the value of the identifiable intangible assets was recorded as goodwill. The total amount of goodwill from this transaction amounted to \$11,499 and is included on the accompanying Consolidated Balance Sheets. The total purchase price for Huntington Steele included a contingent purchase price payable to the sellers upon the attainment of specified financial measures determined at various intervals occurring between 2019 and 2023. The Company made payments of \$868 and \$3,965 during the six months ended June 30, 2022 and 2021, respectively, to the sellers. As of June 30, 2022, the remaining amount of the contingent consideration of \$9,166 is included in Accrued liabilities on the accompanying Balance Sheet.

The Company recognized \$6,496 and \$2,117 of amortization expense related to the intangible assets acquired through acquisitions during the six months ended June 30, 2022 and 2021, respectively.

## Note 13. Revenues from Contracts with Customers

The Company's principal sources of revenues are: (1) asset management, administration and distribution fees primarily earned based upon a contractual percentage of net assets under management or administration; and (2) information processing and software servicing fees that are either recurring and primarily earned based upon the number of trust accounts being serviced or a percentage of the market value of the clients' assets processed on the Company's platforms, or non-recurring and based upon project-oriented contractual agreements related to client implementations.

### Disaggregation of Revenue

The following tables provide additional information pertaining to our revenues disaggregated by major product line and primary geographic market based on the location of the use of the products or services for each of the business segments for the three months ended June 30, 2022 and 2021:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
<b>Major Product Lines:</b>	For the Three Months Ended June 30, 2022					
Investment management fees from pooled investment products	\$ 31,993	\$ 67,490	\$ 15,700	\$ 123	\$ 402	\$ 115,708
Investment management fees from investment management agreements	616	40,398	63,212	—	4,073	108,299
Investment operations fees	344	—	—	144,742	—	145,086
Investment processing fees - PaaS	56,378	—	—	—	—	56,378
Investment processing fees - SaaS	29,845	—	3,021	3,911	—	36,777
Professional services fees	4,096	—	—	635	—	4,731
Account fees and other	912	5,306	1,550	6,515	408	14,691
<b>Total revenues</b>	<b>\$ 124,184</b>	<b>\$ 113,194</b>	<b>\$ 83,483</b>	<b>\$ 155,926</b>	<b>\$ 4,883</b>	<b>\$ 481,670</b>
<b>Primary Geographic Markets:</b>						
United States	\$ 96,115	\$ 113,194	\$ 68,702	\$ 142,350	\$ 4,883	\$ 425,244
United Kingdom	13,036	—	11,283	—	—	24,319
Canada	11,023	—	1,424	—	—	12,447
Ireland	4,010	—	1,963	9,416	—	15,389
Luxembourg	—	—	—	4,160	—	4,160
Other	—	—	111	—	—	111
<b>Total revenues</b>	<b>\$ 124,184</b>	<b>\$ 113,194</b>	<b>\$ 83,483</b>	<b>\$ 155,926</b>	<b>\$ 4,883</b>	<b>\$ 481,670</b>

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
<b>Major Product Lines:</b>	For the Three Months Ended June 30, 2021					
Investment management fees from pooled investment products	\$ 33,708	\$ 75,039	\$ 13,638	\$ 14	\$ 326	\$ 122,725
Investment management fees from investment management agreements	603	38,345	71,342	—	3,561	113,851
Investment operations fees	402	—	—	132,262	—	132,664
Investment processing fees - PaaS	55,746	—	—	—	—	55,746
Investment processing fees - SaaS	28,442	—	—	3,855	—	32,297
Professional services fees	3,928	—	—	867	—	4,795
Account fees and other	847	6,012	719	5,810	185	13,573
<b>Total revenues</b>	<b>\$ 123,676</b>	<b>\$ 119,396</b>	<b>\$ 85,699</b>	<b>\$ 142,808</b>	<b>\$ 4,072</b>	<b>\$ 475,651</b>
<b>Primary Geographic Markets:</b>						
United States	\$ 78,848	\$ 119,396	\$ 67,792	\$ 132,648	\$ 4,072	\$ 402,756
United Kingdom	28,082	—	14,035	—	—	42,117
Canada	12,152	—	1,198	—	—	13,350
Ireland	4,594	—	2,546	10,160	—	17,300
Other	—	—	128	—	—	128
<b>Total revenues</b>	<b>\$ 123,676</b>	<b>\$ 119,396</b>	<b>\$ 85,699</b>	<b>\$ 142,808</b>	<b>\$ 4,072</b>	<b>\$ 475,651</b>

The following tables provide additional information pertaining to our revenues disaggregated by major product line and primary geographic market based on the location of the use of the products or services for each of the Company's business segments for the six months ended June 30, 2022 and 2021:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
<b>Major Product Lines:</b>						
	For the Six Months Ended June 30, 2022					
Investment management fees from pooled investment products	\$ 65,111	\$ 139,483	\$ 29,566	\$ 207	\$ 769	\$ 235,136
Investment management fees from investment management agreements	871	82,406	131,672	—	8,199	223,148
Investment operations fees	704	—	—	290,121	—	290,825
Investment processing fees - PaaS	112,833	—	—	—	—	112,833
Investment processing fees - SaaS	59,404	—	6,131	7,569	—	73,104
Professional services fees (1)	96,825	—	—	1,024	—	97,849
Account fees and other	1,984	10,535	2,953	13,906	840	30,218
<b>Total revenues</b>	<b>\$ 337,732</b>	<b>\$ 232,424</b>	<b>\$ 170,322</b>	<b>\$ 312,827</b>	<b>\$ 9,808</b>	<b>\$ 1,063,113</b>
<b>Primary Geographic Markets:</b>						
United States	\$ 177,001	\$ 232,424	\$ 139,265	\$ 286,375	\$ 9,808	\$ 844,873
United Kingdom	129,699	—	24,032	—	—	153,731
Canada	22,823	—	2,666	—	—	25,489
Ireland	8,209	—	4,130	19,238	—	31,577
Luxembourg	—	—	—	7,214	—	7,214
Other	—	—	229	—	—	229
<b>Total revenues</b>	<b>\$ 337,732</b>	<b>\$ 232,424</b>	<b>\$ 170,322</b>	<b>\$ 312,827</b>	<b>\$ 9,808</b>	<b>\$ 1,063,113</b>

(1) Professional services fees of the Private Banks segment includes one-time early termination fees of \$88,000 related to a contractual agreement with a significant client of the Company. In accordance with Accounting Standards Codification 606, the entire amount of the fees received were recorded during the three months ended March 31, 2022 as there were no future performance obligations of the Company related to the agreement upon termination.

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
<b>Major Product Lines:</b>						
	For the Six Months Ended June 30, 2021					
Investment management fees from pooled investment products	\$ 66,272	\$ 147,693	\$ 27,726	\$ 73	\$ 655	\$ 242,419
Investment management fees from investment management agreements	1,076	73,059	141,285	—	6,947	222,367
Investment operations fees	771	—	—	257,423	—	258,194
Investment processing fees - PaaS	106,622	—	—	—	—	106,622
Investment processing fees - SaaS	56,252	—	—	7,561	—	63,813
Professional services fees	8,335	—	—	2,014	—	10,349
Account fees and other	1,956	11,938	1,187	12,156	336	27,573
Total revenues	<u>\$ 241,284</u>	<u>\$ 232,690</u>	<u>\$ 170,198</u>	<u>\$ 279,227</u>	<u>\$ 7,938</u>	<u>\$ 931,337</u>
<b>Primary Geographic Markets:</b>						
United States	\$ 153,943	\$ 232,690	\$ 134,512	\$ 259,664	\$ 7,938	\$ 788,747
United Kingdom	54,747	—	27,764	—	—	82,511
Canada	23,634	—	2,500	—	—	26,134
Ireland	8,960	—	5,165	19,563	—	33,688
Other	—	—	257	—	—	257
Total revenues	<u>\$ 241,284</u>	<u>\$ 232,690</u>	<u>\$ 170,198</u>	<u>\$ 279,227</u>	<u>\$ 7,938</u>	<u>\$ 931,337</u>

*Investment management fees from pooled investment products* - Revenues associated with clients' assets invested in Company-sponsored pooled investment products. Contractual fees are stated as a percentage of the market value of assets under management and collected on a monthly basis. Revenues are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

*Investment management fees from investment management agreements* - Revenues based on assets of clients of the Institutional Investors segment primarily invested in Company-sponsored products. Each client is charged an investment management fee that is stated as a percentage of the market value of all assets under management. The client is billed directly on a quarterly basis. Revenues are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Revenues associated with the separately managed account program offered through registered investment advisors located throughout the United States. The contractual fee is stated as a percentage of the market value of all assets invested in the separately managed account and collected on a quarterly basis. Revenues are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

*Investment operations fees* - Revenues earned from accounting and administrative services, distribution support services and regulatory and compliance services to investment management firms and family offices. The Company contracts directly with the investment management firm or family office. The contractual fees are stated as a percentage of net assets under administration and billed when asset valuations are finalized. Revenues are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

*Investment processing fees - Platform as a Service* - Revenues associated with clients that outsource their entire investment operation and back-office processing functions. Through the use of the Company's proprietary platforms, the Company assumes all back-office investment processing services including investment processing, custody and safekeeping of assets, income collections, securities settlement and other related trust activities. The contractual fee is based on a monthly fee plus additional fees determined on a per-account or per-transaction basis. Contractual fees can also be stated as a percentage of the value of assets processed on the Company's platforms each month as long as the fee is in excess of a monthly contractual minimum. The client is billed directly on a monthly basis. Revenues are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

*Investment processing fees - Software as a Service* - Revenues associated with clients that outsource investment processing technology software and computer processing by accessing the Company's proprietary software and data center remotely but retain responsibility for all investment operations, client administration and other back-office trust operations. The contractual fee is based on a monthly fee plus additional fees determined on a per-account or per-transaction basis. The client is billed directly on a monthly basis.

Revenues associated with portfolio intelligence and workflow solutions offered to clients of the Institutional Investors segment and revenues associated with technology and outsourced services that support the accounting, investment management, and reporting functions for family offices and their service providers offered to clients of the Investment Managers segment. The contractual fee is primarily based on an annual fixed fee for software licenses and data management services. The client is billed in advance with various billing terms. Revenue recorded in advance of the performance of services is deferred and recognized when earned. Revenues are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

*Professional services fees* - Revenues associated with the business services migration for investment processing clients of the Private Banks segment and investment operations clients of the Investment Managers segment. In addition, Professional services include other services such as business transformation consulting. Typically, fees are stated as a contractual fixed fee. The client is billed directly and fees are collected according to the terms of the agreement.

*Account fees and other* - Revenues associated with custody account servicing, account terminations, reimbursements received for out-of-pocket expenses, and other fees for the provision of ancillary services.

#### **Note 14. Voluntary Separation Program**

The Company initiated a Voluntary Separation Program (VSP) in June 2022. The VSP is a program designed to enhance talent attraction and development to drive future growth. The VSP was offered to long-tenured employees as part of its commitment to professional development and expanded responsibilities for current and new employees by increasing advancement opportunities.

The VSP was made available to employees in the United States who met the long-term tenure requirements and includes a severance package and the continuation of certain benefits based upon years of service. The severance package also includes allowances related to the vesting of certain stock option awards during the remainder of 2022 and the period in which the employee may exercise vested stock options after the termination of employment. These allowances will be considered modifications to the Company's equity compensation plans.

Separation agreements with employees who are accepted to participate in the VSP are expected to be completed in July 2022. The vast majority of the accepted employees are anticipated to finish their employment before the end of 2022. The expected departure dates for participating employees may be adjusted based on management's determination of how best to ensure a smooth and successful transition of responsibilities. The Company expects a one-time increase between \$54,000 and \$58,000 in personnel costs associated with the VSP during the third quarter 2022.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

(In thousands, except asset balances and per share data)

This discussion reviews and analyzes the consolidated financial condition, the consolidated results of operations and other key factors that may affect future performance. This discussion should be read in conjunction with the Consolidated Financial Statements, the Notes to the Consolidated Financial Statements and the Annual Report on Form 10-K for the year ended December 31, 2021.

### **Overview**

#### *Consolidated Summary*

SEI is a leading global provider of technology-driven wealth and investment management solutions. We deliver comprehensive platforms, services and infrastructure—encompassing technology, operational, and investment management services—to help wealth managers, financial advisors, investment managers, family offices, institutional and private investors create and manage wealth. Investment processing fees are earned as either monthly fees for contracted services or as a percentage of the market value of our clients' assets processed on our platforms. Investment operations and investment management fees are earned as a percentage of assets under management, administration or advised assets. As of June 30, 2022, through our subsidiaries and partnerships in which we have a significant interest, we manage, advise or administer \$1.3 trillion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$403.6 billion in assets under management and \$889.0 billion in client assets under administration. Our affiliate, LSV Asset Management (LSV), manages \$81.9 billion of assets which are included as assets under management.

Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2022 and 2021 were:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Percent Change*	2022	2021	Percent Change*
Revenues	\$ 481,670	\$ 475,651	1%	\$ 1,063,113	\$ 931,337	14%
Expenses	365,810	339,630	8%	732,454	662,479	11%
Income from operations	115,860	136,021	(15)%	330,659	268,858	23%
Net (loss) gain from investments	(2,620)	377	NM	(3,109)	709	NM
Interest income, net of interest expense	1,642	748	120%	2,240	1,570	43%
Equity in earnings from unconsolidated affiliate	29,813	35,065	(15)%	62,272	68,415	(9)%
Income before income taxes	144,695	172,211	(16)%	392,062	339,552	15%
Income taxes	33,419	38,433	(13)%	90,478	76,304	19%
Net income	111,276	133,778	(17)%	301,584	263,248	15%
Diluted earnings per common share	\$ 0.81	\$ 0.93	(13)%	\$ 2.17	\$ 1.82	19%

\* Variances noted "NM" indicate the percent change is not meaningful.

The following items had a significant impact on our financial results for the three and six months ended June 30, 2022 and 2021:

- Revenue from Asset management, administration and distribution fees increased from higher average assets under administration from market appreciation during 2021 and positive cash flows from new and existing clients despite the significant decline in market conditions in 2022. Average assets under administration increased \$55.5 billion, or 7%, to \$895.4 billion in the first six months of 2022 as compared to \$839.9 billion during the first six months of 2021.
- Revenue from Asset management, administration and distribution fees were negatively impacted by a shift of our average assets under management into lower fee products. Average assets under management, excluding LSV, increased \$21.0 billion, or 7%, to \$307.9 billion in the first six months of 2022 as compared to \$286.9 billion during the first six months of 2021.
- A significant investment processing client of the Private Banks segment terminated an agreement for convenience during the first quarter 2022. As a result, we recorded one-time early termination fees of \$88.0 million. The early termination fee is included in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.
- Revenues from our acquisitions of SEI Novus and Atlas Master Trust were \$6.1 million and \$2.5 million, respectively, during the first six months of 2022. SEI Novus and Atlas Master Trust were acquired during the fourth quarter of 2021 and are reported in the Institutional Investors segment (See Note 12 to the Consolidated Financial Statements).

- Earnings from LSV decreased to \$62.3 million in the first six months of 2022 as compared to \$68.4 million in the first six months of 2021 due to negative cash flows from existing clients, market depreciation and client losses.
- Operating expenses increased primarily from higher personnel and consulting costs due to business growth and competitive labor markets. The increase was partially offset by lower direct costs related to asset management revenues.
- The Institutional Investors segment includes personnel, professional fees, amortization and other costs related to SEI Novus and Atlas Master Trust. These expenses are primarily included in Compensation, benefits and other personnel costs, Consulting, outsourcing and professional fees, and Amortization on the accompanying Consolidated Statements of Operations.
- We capitalized \$12.7 million in the first six months of 2022 for the SEI Wealth Platform as compared to \$12.2 million in the first six months of 2021. Amortization expense related to SWP was \$23.9 million during the first six months of 2022 and 2021.
- We continued the stock repurchase program during 2022 and purchased 3.7 million shares for \$209.4 million in the six month period.

#### *Introduction of Voluntary Separation Program*

In June 2022, we initiated an enhanced voluntary separation program to long-tenured employees as part of our commitment to professional development and expanded responsibilities for current and new employees by increasing advancement opportunities. The program was offered to employees in the United States who met the long-term tenure requirements and includes a severance package and the continuation of certain benefits. We expect a one-time increase between \$54.0 million and \$58.0 million in personnel costs associated with the program during the third quarter 2022 (See Note 14 to the Consolidated Financial Statements).



**Ending Asset Balances**

(In millions)

	As of June 30,		Percent Change
	2022	2021	
<b>Private Banks:</b>			
Equity and fixed-income programs	\$ 22,277	\$ 26,264	(15)%
Collective trust fund programs	7	7	—%
Liquidity funds	3,666	3,654	—%
Total assets under management	\$ 25,950	\$ 29,925	(13)%
Client assets under administration	3,923	4,412	(11)%
Total assets	\$ 29,873	\$ 34,337	(13)%
<b>Investment Advisors:</b>			
Equity and fixed-income programs	\$ 65,783	\$ 78,053	(16)%
Liquidity funds	8,292	3,550	134%
Total Platform assets under management	\$ 74,075	\$ 81,603	(9)%
Platform-only assets (E)	12,642	13,566	(7)%
Total Platform assets (E)	\$ 86,717	\$ 95,169	(9)%
<b>Institutional Investors:</b>			
Equity and fixed-income programs	\$ 75,506	\$ 93,010	(19)%
Collective trust fund programs	5	5	—%
Liquidity funds	1,654	2,516	(34)%
Total assets under management	\$ 77,165	\$ 95,531	(19)%
Client assets under advisement	4,218	4,566	(8)%
Total assets	\$ 81,383	\$ 100,097	(19)%
<b>Investment Managers:</b>			
Collective trust fund programs	\$ 142,035	\$ 87,012	63%
Liquidity funds	271	473	(43)%
Total assets under management	\$ 142,306	\$ 87,485	63%
Client assets under administration (A)	885,096	875,942	1%
Total assets	\$ 1,027,402	\$ 963,427	7%
<b>Investments in New Businesses:</b>			
Equity and fixed-income programs	\$ 1,903	\$ 1,924	(1)%
Liquidity funds	242	191	27%
Total assets under management	\$ 2,145	\$ 2,115	1%
Client assets under advisement	1,076	1,422	(24)%
Total assets	\$ 3,221	\$ 3,537	(9)%
<b>LSV:</b>			
Equity and fixed-income programs (B)	\$ 81,940	\$ 102,404	(20)%

Total:				
Equity and fixed-income programs (C)	\$	247,409	\$	301,655 (18)%
Collective trust fund programs		142,047		87,024 63%
Liquidity funds		14,125		10,384 36%
Total assets under management	\$	403,581	\$	399,063 1%
Client assets under advisement		5,294		5,988 (12)%
Client assets under administration (D)		889,019		880,354 1%
Platform-only assets		12,642		13,566 (7)%
Total assets	\$	<u>1,310,536</u>	\$	<u>1,298,971</u> 1%

- (A) Client assets under administration in the Investment Managers segment include \$80.7 billion of assets that are at fee levels below our normal full service assets (as of June 30, 2022).
- (B) Equity and fixed-income programs include assets managed by LSV in which fees are based on performance only. The ending value of these assets as of June 30, 2022 was \$1.9 billion.
- (C) Equity and fixed-income programs include \$6.4 billion of assets invested in various asset allocation funds at June 30, 2022.
- (D) In addition to the numbers presented, SEI also administers an additional \$12.9 billion in Funds of Funds assets (as of June 30, 2022) on which SEI does not earn an administration fee.
- (E) Platform assets under management and Platform-only assets combined are total Platform assets in the Investment Advisors segment.

**Average Asset Balances**

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Percent Change	2022	2021	Percent Change
<b>Private Banks:</b>						
Equity and fixed-income programs	\$ 23,713	\$ 26,056	(9)%	\$ 24,675	\$ 25,598	(4)%
Collective trust fund programs	7	7	—%	7	7	—%
Liquidity funds	3,795	3,833	(1)%	4,099	3,855	6%
Total assets under management	\$ 27,515	\$ 29,896	(8)%	\$ 28,781	\$ 29,460	(2)%
Client assets under administration	4,163	4,405	(5)%	4,332	4,361	(1)%
Total assets	\$ 31,678	\$ 34,301	(8)%	\$ 33,113	\$ 33,821	(2)%
<b>Investment Advisors:</b>						
Equity and fixed-income programs	\$ 70,436	\$ 76,840	(8)%	\$ 74,006	\$ 75,040	(1)%
Liquidity funds	7,070	3,370	110%	6,111	3,495	75%
Total Platform assets under management	\$ 77,506	\$ 80,210	(3)%	\$ 80,117	\$ 78,535	2%
Platform-only assets (E)	13,142	13,292	(1)%	13,560	12,749	6%
Total Platform assets (E)	\$ 90,648	\$ 93,502	(3)%	\$ 93,677	\$ 91,284	3%
<b>Institutional Investors:</b>						
Equity and fixed-income programs	\$ 80,971	\$ 93,458	(13)%	\$ 85,111	\$ 92,404	(8)%
Collective trust fund programs	5	68	(93)%	5	82	(94)%
Liquidity funds	2,097	2,681	(22)%	2,160	2,651	(19)%
Total assets under management	\$ 83,073	\$ 96,207	(14)%	\$ 87,276	\$ 95,137	(8)%
Client assets under advisement	3,987	4,516	(12)%	4,438	4,331	2%
Total assets	\$ 87,060	\$ 100,723	(14)%	\$ 91,714	\$ 99,468	(8)%
<b>Investment Managers:</b>						
Collective trust fund programs	\$ 131,435	\$ 84,553	55%	\$ 109,034	\$ 81,294	34%
Liquidity funds	285	469	(39)%	359	480	(25)%
Total assets under management	\$ 131,720	\$ 85,022	55%	\$ 109,393	\$ 81,774	34%
Client assets under administration (A)	893,361	853,810	5%	891,108	835,570	7%
Total assets	\$ 1,025,081	\$ 938,832	9%	\$ 1,000,501	\$ 917,344	9%
<b>Investments in New Businesses:</b>						
Equity and fixed-income programs	\$ 2,016	\$ 1,870	8%	\$ 2,021	\$ 1,807	12%
Liquidity funds	262	236	11%	274	203	35%
Total assets under management	\$ 2,278	\$ 2,106	8%	\$ 2,295	\$ 2,010	14%
Client assets under advisement	1,165	1,406	(17)%	1,281	1,367	(6)%
Total assets	\$ 3,443	\$ 3,512	(2)%	\$ 3,576	\$ 3,377	6%
<b>LSV:</b>						
Equity and fixed-income programs (B)	\$ 87,818	\$ 103,583	(15)%	\$ 92,134	\$ 100,530	(8)%

Total:										
Equity and fixed-income programs (C)	\$	264,954	\$	301,807	(12)%	\$	277,947	\$	295,379	(6)%
Collective trust fund programs		131,447		84,628	55%		109,046		81,383	34%
Liquidity funds		13,509		10,589	28%		13,003		10,684	22%
Total assets under management	\$	409,910	\$	397,024	3%	\$	399,996	\$	387,446	3%
Client assets under advisement		5,152		5,922	(13)%		5,719		5,698	—%
Client assets under administration (D)		897,524		858,215	5%		895,440		839,931	7%
Platform-only assets		13,142		13,292	(1)%		13,560		12,749	6%
Total assets		<u>\$ 1,325,728</u>		<u>\$ 1,274,453</u>	4%		<u>\$ 1,314,715</u>		<u>\$ 1,245,824</u>	6%

- (A) Average client assets under administration in the Investment Managers segment for the three months ended June 30, 2022 include \$80.7 billion that are at fee levels below our normal full service assets.
- (B) Equity and fixed-income programs include assets managed by LSV in which fees are based on performance only. The average value of these assets for the three months ended June 30, 2022 was \$2.1 billion.
- (C) Equity and fixed-income programs include \$6.9 billion of average assets invested in various asset allocation funds for the three months ended June 30, 2022.
- (D) In addition to the numbers presented, SEI also administers an additional \$13.1 billion of average assets in Funds of Funds assets for the three months ended June 30, 2022 on which SEI does not earn an administration fee.
- (E) Platform assets under management and Platform-only assets combined are total Platform assets in the Investment Advisors segment.

In the preceding tables, assets under management are total assets of our clients or their customers invested in equity and fixed-income investment programs, collective trust fund programs, and liquidity funds for which we provide asset management services through our subsidiaries and partnerships in which we have a significant interest. Assets under advisement include assets for which we provide advisory services through a subsidiary to the accounts but do not manage the underlying assets. Assets under administration include total assets of our clients or their customers for which we provide administrative services, including client fund balances for which we provide administration and/or distribution services through our subsidiaries and partnerships in which we have a significant interest. Platform-only assets include total assets of our clients or their customers which are not invested in any SEI-sponsored investment products. The assets presented in the preceding tables do not include assets processed on SWP and are not included in the accompanying Consolidated Balance Sheets because we do not own them.

## Business Segments

Revenues, Expenses and Operating Profit (Loss) for our business segments for the three and six months ended June 30, 2022 compared to the three and six months ended June 30, 2021 were as follows:

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
<b>Private Banks:</b>						
Revenues	\$ 124,184	\$ 123,676	—%	\$ 337,732	\$ 241,284	40%
Expenses	121,060	117,654	3%	243,015	228,378	6%
Operating Profit	<u>\$ 3,124</u>	<u>\$ 6,022</u>	(48)%	<u>\$ 94,717</u>	<u>\$ 12,906</u>	NM
Operating Margin	3 %	5 %		28 %	5 %	
<b>Investment Advisors:</b>						
Revenues	\$ 113,194	\$ 119,396	(5)%	\$ 232,424	\$ 232,690	—%
Expenses	63,375	59,133	7%	127,895	114,160	12%
Operating Profit	<u>\$ 49,819</u>	<u>\$ 60,263</u>	(17)%	<u>\$ 104,529</u>	<u>\$ 118,530</u>	(12)%
Operating Margin	44 %	50 %		45 %	51 %	
<b>Institutional Investors:</b>						
Revenues	\$ 83,483	\$ 85,699	(3)%	\$ 170,322	\$ 170,198	—%
Expenses	43,925	41,895	5%	89,283	81,053	10%
Operating Profit	<u>\$ 39,558</u>	<u>\$ 43,804</u>	(10)%	<u>\$ 81,039</u>	<u>\$ 89,145</u>	(9)%
Operating Margin	47 %	51 %		48 %	52 %	
<b>Investment Managers:</b>						
Revenues	\$ 155,926	\$ 142,808	9%	\$ 312,827	\$ 279,227	12%
Expenses	100,807	84,995	19%	199,644	168,015	19%
Operating Profit	<u>\$ 55,119</u>	<u>\$ 57,813</u>	(5)%	<u>\$ 113,183</u>	<u>\$ 111,212</u>	2%
Operating Margin	35 %	40 %		36 %	40 %	
<b>Investments in New Businesses:</b>						
Revenues	\$ 4,883	\$ 4,072	20%	\$ 9,808	\$ 7,938	24%
Expenses	12,844	13,631	(6)%	24,794	27,035	(8)%
Operating Loss	<u>\$ (7,961)</u>	<u>\$ (9,559)</u>	NM	<u>\$ (14,986)</u>	<u>\$ (19,097)</u>	NM

For additional information pertaining to our business segments, see Note 9 to the Consolidated Financial Statements.

## Private Banks

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
<b>Revenues:</b>						
Information processing and software servicing fees	\$ 93,203	\$ 89,264	4%	\$ 274,240	\$ 173,567	58%
Asset management, administration & distribution fees	30,981	34,412	(10)%	63,492	67,717	(6)%
<b>Total revenues</b>	<b>\$ 124,184</b>	<b>\$ 123,676</b>	<b>—%</b>	<b>\$ 337,732</b>	<b>\$ 241,284</b>	<b>40%</b>

Revenues increased slightly in the three month period and increased \$96.4 million, or 40%, in the six month period ended June 30, 2022 and were primarily affected by:

- Early termination fees of \$88.0 million recorded during the first quarter 2022 from a significant investment processing client; and
- Increased investment processing fees from new client conversions and growth from existing SWP clients, in part due to market appreciation during 2021; partially offset by
- One-time early termination fees from a TRUST 3000<sup>®</sup> client recorded in the second quarter 2021;
- The negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations; and
- Decreased investment management fees from existing international clients due to market depreciation during 2022.

Operating margins decreased to 3% compared to 5% in the three month period and increased to 28% compared to 5% in the six month period. Operating income decreased by \$2.9 million, or 48%, in the three month period and increased \$81.8 million in the six month period and was primarily affected by:

- An increase in revenues; and
- Decreased direct expenses associated with lower investment management fees from existing international clients; partially offset by
- Increased personnel costs due to competitive labor markets;
- Increased costs, mainly personnel and consulting costs, primarily related to maintenance, support and client migrations to SWP;
- The negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations; and
- Increased amortization expense related to deferred sales commissions.

## Investment Advisors

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
<b>Revenues:</b>						
Investment management fees-SEI fund programs	\$ 67,490	\$ 75,039	(10)%	\$ 139,483	\$ 147,693	(6)%
Separately managed account fees	40,398	38,345	5%	82,406	73,059	13%
Other fees	5,306	6,012	(12)%	10,535	11,938	(12)%
<b>Total revenues</b>	<b>\$ 113,194</b>	<b>\$ 119,396</b>	<b>(5)%</b>	<b>\$ 232,424</b>	<b>\$ 232,690</b>	<b>—%</b>

Revenues decreased \$6.2 million, or 5%, in the three month period and decreased slightly in the six month period ended June 30, 2022 and were primarily affected by:

- Decreased investment management fees from SEI fund programs resulting from negative cash flows during 2021 and the decline in market conditions during 2022; partially offset by
- Increased separately managed account program fees from positive cash flows into our Strategist programs and market appreciation occurring during 2021.

Operating margin decreased to 44% compared to 50% in the three month period and decreased to 45% compared to 51% in the six month period. Operating income decreased \$10.4 million, or 17%, in the three month period and decreased \$14.0 million, or 12%, in the six month period and was primarily affected by:

- Increased direct expenses associated with increased assets into our separately managed account program; and
- Increased personnel costs as well as increased promotion costs.

#### Institutional Investors

Revenues decreased \$2.2 million, or 3%, in the three month period and increased slightly in the six month period ended June 30, 2022 and were primarily affected by:

- Added revenues from the acquisitions of SEI Novus and Atlas Master Trust during the fourth quarter 2021; and
- The positive impact to investment management fees from market appreciation in 2021; partially offset by
- Decreased investment management fees from defined benefit client losses; and
- The negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations.

Operating margin decreased to 47% compared to 51% in the three month period and decreased to 48% compared to 52% in the six month period. Operating income decreased \$4.2 million, or 10%, in the three month period and decreased \$8.1 million, or 9%, in the six month period and was primarily affected by:

- Increased personnel, professional fees, amortization and other costs related to the acquisitions of SEI Novus and Atlas Master Trust; partially offset by
- Decreased direct expenses associated with investment management fees.

#### Investment Managers

Revenues increased \$13.1 million, or 9%, in the three month period and increased \$33.6 million, or 12%, in the six month period ended June 30, 2022 and were primarily affected by:

- Higher valuations of existing client assets from market appreciation in 2021; and
- Positive cash flows into alternative, traditional and separately managed account offerings from new and existing clients; partially offset by
- Client losses and fund closures.

Operating margin decreased to 35% compared to 40% in the three month period and decreased to 36% compared to 40% in the six month period. Operating income decreased \$2.7 million, or 5%, in the three month period and increased \$2.0 million, or 2%, in the six month period and was primarily affected by:

- An increase in revenues; partially offset by
- Increased personnel costs due to competitive labor markets;
- Increased costs associated with new business, primarily personnel expenses and third-party vendor costs; and
- Increased non-capitalized investment spending, mainly consulting costs.

#### Other

##### *Corporate overhead expenses*

Corporate overhead expenses primarily consist of general and administrative expenses and other costs not directly attributable to a reportable business segment. Corporate overhead expenses were \$23.8 million and \$22.3 million in the three months ended June 30, 2022 and 2021, respectively, and \$47.8 million and \$43.8 million in the six months ended June 30, 2022 and 2021, respectively. The increase in corporate overhead expenses in the three and six month periods is primarily due to an increase in personnel costs, consulting and professional fees.

### Other income and expense

Other income and expense items on the accompanying Consolidated Statements of Operations consists of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net (loss) gain from investments	\$ (2,620)	\$ 377	\$ (3,109)	\$ 709
Interest and dividend income	1,853	878	2,701	1,823
Interest expense	(211)	(130)	(461)	(253)
Equity in earnings of unconsolidated affiliate	29,813	35,065	62,272	68,415
Total other income and expense items, net	<u>\$ 28,835</u>	<u>\$ 36,190</u>	<u>\$ 61,403</u>	<u>\$ 70,694</u>

#### Net (loss) gain from investments

Net losses from investments in the three and six months ended June 30, 2022 were primarily due to unrealized mark-to-market losses recorded in current earnings associated with the LSV-sponsored investment funds and Company-sponsored mutual funds from the significant decline in market conditions in 2022 (See Note 5).

#### Interest and dividend income

Interest and dividend income is earned based upon the amount of cash that is invested daily. The increase in interest and dividend income in the three and six months ended June 30, 2022 was due to an overall increase in interest rates.

#### Equity in earnings of unconsolidated affiliate

Equity in earnings of unconsolidated affiliate reflects our ownership interest in LSV. As of June 30, 2022, our total partnership interest in LSV was 38.6%. The table below presents the revenues and net income of LSV and the proportionate share in LSV's earnings.

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Revenues of LSV	\$ 99,814	\$ 116,392	(14)%	\$ 208,264	\$ 227,229	(8)%
Net income of LSV	77,193	90,520	(15)%	160,984	176,440	(9)%
SEI's proportionate share in earnings of LSV	\$ 29,813	\$ 35,065	(15)%	\$ 62,272	\$ 68,415	(9)%

The decrease in earnings from LSV in the three and six months ended June 30, 2022 was primarily due to negative cash flows from existing clients, market depreciation and client losses. Average assets under management by LSV decreased \$8.4 billion to \$92.1 billion during the six months ended June 30, 2022 as compared to \$100.5 billion during the six months ended June 30, 2021, a decrease of 8%.

### Amortization

Amortization expense on the accompanying Consolidated Statements of Operations consists of:

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Capitalized software development costs	\$ 13,204	\$ 13,402	(1)%	\$ 26,758	\$ 26,775	—%
Intangible assets acquired through acquisitions and asset purchases	3,243	921	252%	6,496	2,117	207%
Other	80	58	38%	80	58	38%
Total amortization expense	<u>\$ 16,527</u>	<u>\$ 14,381</u>	15%	<u>\$ 33,334</u>	<u>\$ 28,950</u>	15%

#### Capitalized software development costs

Capitalized software development costs are amortized on a project basis using the straight-line method over the estimated economic life of the product or enhancement. The capitalization of the initial development work related to SWP began in mid-2007 when the platform was determined to be ready for its intended use. The amortization expense related to the initial software development costs capitalized in 2007 ended in the second quarter of 2022. As a result, we expect amortization expense related to capitalized software in service as of June 30, 2022 to decline to approximately \$6.7 million in the third quarter 2022 (See Note 1 to the Consolidated Financial Statements).



### *Intangible assets acquired through acquisitions and asset purchases*

The increase in amortization expense in the three and six month periods was due to the acquisitions of Finomial, SEI Novus and Atlas Master Trust during the fourth quarter 2021. Through these transactions, we acquired intangible assets related to technology, trade names and client relationships which are amortized over the estimated useful life of the assets (See Note 12 to the Consolidated Financial Statements).

### **Income Taxes**

The effective income tax rates for the three and six months ended June 30, 2022 and 2021 differ from the federal income tax statutory rate due to the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Statutory rate	21.0 %	21.0 %	21.0 %	21.0 %
State taxes, net of federal tax benefit	2.8	3.2	2.8	3.2
Foreign tax expense and tax rate differential	(0.1)	(0.1)	(0.1)	(0.1)
Tax benefit from stock option exercises	(0.3)	(1.2)	(0.3)	(1.2)
Other, net	(0.3)	(0.6)	(0.3)	(0.4)
	<u>23.1 %</u>	<u>22.3 %</u>	<u>23.1 %</u>	<u>22.5 %</u>

The increase in the effective tax rate in the three and six month periods was primarily due to decreased tax benefits related to the lower volume of stock option exercises in 2022 compared to the prior year period.

### **Stock-Based Compensation**

We recognized \$20.6 million and \$19.9 million in stock-based compensation expense during the six months ended June 30, 2022 and 2021, respectively. The amount of stock-based compensation expense we recognize is primarily based upon management's estimate of when the financial vesting targets of outstanding stock options may be achieved. Any change in the estimate could result in the amount of stock-based compensation expense to be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense in future periods and could materially affect earnings.

We revised our estimate of when some vesting targets are expected to be achieved. This change in estimate resulted in a decrease of \$663 thousand in stock-based compensation expense during the six months ended June 30, 2022. We expect to recognize \$18.6 million in stock-based compensation expense during the remainder of 2022.

### **Fair Value Measurements**

The fair value of financial assets and liabilities, except for the investment funds sponsored by LSV, is determined in accordance with the fair value hierarchy. The fair value of the investment funds sponsored by LSV is measured using the net asset value per share (NAV) as a practical expedient. The fair value of all other financial assets are determined using Level 1 or Level 2 inputs and consist mainly of investments in equity or fixed-income mutual funds that are quoted daily and Government National Mortgage Association (GNMA) and other U.S. government agency securities that are single issuer pools that are valued based on current market data of similar assets. Level 3 financial liabilities at June 30, 2022 and December 31, 2021 consist entirely of the estimated contingent consideration resulting from an acquisition (See Note 12 to the Consolidated Financial Statements).

### **Regulatory Matters**

Like many firms operating within the financial services industry, we are experiencing a complex and changing regulatory environment across our markets. Our current scale and reach as a provider to the financial services industry, the introduction and implementation of new solutions for our financial services industry clients, the increased regulatory oversight of the financial services industry generally, new laws and regulations affecting the financial services industry and ever-changing regulatory interpretations of existing laws and regulations, and a greater propensity of regulators to pursue enforcement actions and other sanctions against regulated entities, have made this an increasingly challenging and costly regulatory environment in which to operate.

SEI and some of our regulated subsidiaries have undergone or been scheduled to undergo a range of periodic or thematic reviews, examinations or investigations by numerous regulatory authorities around the world, including the Office of the Comptroller of the Currency, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Financial Conduct Authority of the United Kingdom (FCA), the Central Bank of Ireland and others. These regulatory activities typically result in the identification of matters or practices to be addressed by us or our subsidiaries and, in certain circumstances, the regulatory authorities require remediation activities or pursue enforcement proceedings against

us or our subsidiaries. From time to time, the regulators in different jurisdictions will elevate their level of scrutiny of our operations as our business expands or is deemed critical to the operations of the relevant financial markets. As described under the caption “Regulatory Considerations” in our Annual Report on Form 10-K, the range of possible sanctions that are available to regulatory authorities include limitations on our ability to engage in business for specified periods of time, the revocation of registration, censures and fines. The direct and indirect costs of responding to these regulatory activities and of complying with new or modified regulations, as well as the potential financial costs and potential reputational impact against us of any enforcement proceedings that might result, is uncertain but could have a material adverse impact on our operating results or financial position.

## **Liquidity and Capital Resources**

	Six Months Ended June 30,	
	2022	2021
Net cash provided by operating activities	\$ 330,615	\$ 324,997
Net cash used in investing activities	(42,516)	(56,087)
Net cash used in financing activities	(332,173)	(277,936)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(15,660)	2,578
Net decrease in cash, cash equivalents and restricted cash	(59,734)	(6,448)
Cash, cash equivalents and restricted cash, beginning of period	831,758	787,727
Cash, cash equivalents and restricted cash, end of period	<u>\$ 772,024</u>	<u>\$ 781,279</u>

Our credit facility provides for borrowings up to \$325.0 million and is scheduled to expire in April 2026 (See Note 6 to the Consolidated Financial Statements). In November 2021, we borrowed \$40.0 million under the credit facility for the funding of an acquisition (See Note 12 to the Consolidated Financial Statements). We made principal payments of \$40.0 million during the six month period ended June 30, 2022 to fully repay the outstanding balance of the credit facility.

As of July 15, 2022, we had outstanding letters of credit of \$6.0 million which reduced the amount available under the credit facility. These letters of credit were primarily issued for the expansion of the corporate headquarters and are due to expire in late 2022. As of July 15, 2022, the amount of the credit facility available for corporate purposes was \$319.0 million.

The availability of the credit facility is subject to compliance with certain covenants set forth in the agreement. The credit facility contains covenants which restrict our ability to engage in transactions with affiliates other than wholly-owned subsidiaries or to incur liens or certain types of indebtedness as defined in the agreement. In the event of a default under the credit facility, we would also be restricted from paying dividends on, or repurchasing, our common stock. Currently, our ability to borrow from the credit facility is not limited by any covenant of the agreement (See Note 6 to the Consolidated Financial Statements).

The credit facility contains terms that utilize the London InterBank Offered Rate (LIBOR) as a potential component of the interest rate to be applied to any borrowings; however, an alternative reference rate is included under the agreement which provides for a specified replacement rate upon a LIBOR cessation event. At the time of a LIBOR cessation event, the replacement rate, the Secured Overnight Financing Rate (SOFR), self-executes without the need for negotiations or a formal amendment process.

The majority of excess cash reserves are primarily placed in accounts located in the United States that invest entirely in SEI-sponsored money market mutual funds denominated in the U.S. dollar. We also utilize demand deposit accounts or money market accounts at several well-established financial institutions located in the United States. Accounts used to manage these excess cash reserves do not impose any restrictions or limitations that would prevent us from being able to access such cash amounts immediately. As of July 15, 2022, the amount of cash and cash equivalents considered free and immediately accessible for other general corporate purposes was \$386.2 million.

Cash and cash equivalents include accounts managed by subsidiaries that are used in their operations or to cover specific business and regulatory requirements. The availability of this cash for other purposes beyond the operations of these subsidiaries may be limited. We therefore do not include accounts of foreign subsidiaries in the calculation of free and immediately accessible cash for other general corporate purposes. A portion of the undistributed earnings of foreign subsidiaries are deemed repatriated. Any subsequent transfer of available cash related to the repatriated earnings of foreign subsidiaries could significantly increase free and immediately accessible cash.

Cash flows from operations increased \$5.6 million in the first six months of 2022 compared to the first six months of 2021 primarily from the increase in net income. The negative impact from the change in the Company's working capital accounts partially offset the increase in cash flows from operations.

Net cash used in investing activities includes:

- *Purchases, sales and maturities of marketable securities.* Purchases, sales and maturities of marketable securities in the first six months of 2022 and 2021 were as follows:

	Six Months Ended June 30,	
	2022	2021
Purchases	\$ (96,642)	\$ (81,541)
Sales and maturities	90,659	64,194
Net investing activities from marketable securities	<u>\$ (5,983)</u>	<u>\$ (17,347)</u>

See Note 5 to the Consolidated Financial Statements for more information related to marketable securities.

- *The capitalization of costs incurred in developing computer software.* We capitalized \$13.8 million of software development costs in the first six months of 2022 as compared to \$12.3 million in the first six months of 2021. The majority of our software development costs are related to significant enhancements for the expanded functionality of the SEI Wealth Platform.
- *Capital expenditures.* Capital expenditures in the first six months of 2022 were \$19.8 million as compared to \$15.5 million in the first six months of 2021. Expenditures in 2022 and 2021 include capital outlays for purchased software and equipment for data center operations. We continue to evaluate improvements to our information technology infrastructure which, if implemented, will result in additional expenditures for purchased software and equipment for data center operations.

Net cash used in financing activities includes:

- *Principal repayments on revolving credit facility.* In November 2021, we borrowed \$40.0 million for the funding of an acquisition. We made principal payments of \$40.0 million during the first six months of 2022 to fully repay the outstanding balance of the credit facility.
- *The repurchase of common stock.* Our Board of Directors has authorized the repurchase of common stock through multiple authorizations. Currently, there is no expiration date for the common stock repurchase program. We had total capital outlays of \$210.3 million during the first six months of 2022 and \$197.3 million during the first six months of 2021 for the repurchase of common stock.
- *Proceeds from the issuance of common stock.* We received \$28.8 million in proceeds from the issuance of common stock during the first six months of 2022 and 2021. These proceeds were primarily from stock option exercise activity.
- *Dividend payments.* Cash dividends paid were \$109.8 million in the first six months of 2022 as compared to \$105.5 million in the first six months of 2021.

### **Cash Requirements**

Cash requirements and liquidity needs are primarily funded through cash flow from operations and our capacity for additional borrowing. At June 30, 2022, unused sources of liquidity consisted of cash and cash equivalents and the amount available under our credit facility.

We are obligated to make payments in connection with the credit facility, operating leases, maintenance contracts and other commitments. We believe our operating cash flow, available borrowing capacity, and existing cash and cash equivalents will provide adequate funds for these obligations and ongoing operations. We currently anticipate that our available funds and cash flow from operations will be sufficient to meet our operational cash needs and fund our stock repurchase program for at least the next 12 months and for the foreseeable future.

### **Forward-Looking Information and Risk Factors**

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. Certain information contained in this discussion is or may be considered forward-looking. Forward-looking statements relate to future operations, strategies, financial results or other developments. Forward-looking statements are based upon estimates and assumptions that involve certain risks and uncertainties, many of which are beyond our control or are subject to change. Although we believe our assumptions are reasonable, they could be inaccurate. Our actual future revenues and income could differ materially from our expected results. We have no obligation to publicly update or revise any forward-looking statements.

Among the risks and uncertainties which may affect our future operations, strategies, financial results or other developments are those risks described in our latest Annual Report on Form 10-K in Part I, Item 1A. These risks include the following:

- changes in capital markets that may affect our revenues and earnings;
- product development risk;
- risk of failure by a third-party service provider;
- pricing pressure from increased competition, disruptive technology and poor investment performance;
- the affect on our earnings and cashflows from the performance of LSV Asset Management;
- consolidation within our target markets;
- external factors affecting the fiduciary management market;
- software defects, development delays or installation difficulties, which would harm our business and reputation and expose us to potential liability;
- data and cyber security risks;
- risk of the disclosure and misuse of personal data;
- risk of outages, data losses, and disruptions of services;
- intellectual property risks;
- third-party service providers in our operations;
- poor investment performance of our investment products or a client preference for products other than those which we offer or for products that generate lower fees;
- investment advisory contracts which may be terminated or may not be renewed on favorable terms;
- operational risks associated with the processing of investment transactions;
- systems and technology risks;
- the affect of extensive governmental regulation;
- litigation and regulatory examinations and investigations;
- our ability to capture the expected value from acquisitions, divestitures, joint ventures, minority stakes or strategic alliances;
- increased costs and regulatory risks from the growth of our business;
- fiduciary or other legal liability for client losses from our investment management operations;
- our ability to receive dividends or other payments in needed amounts from our subsidiaries;
- the exit by the United Kingdom from the European Union;
- the effectiveness of our business, risk management and business continuity strategies, models and processes;
- financial and non-financial covenants which may restrict our ability to manage liquidity needs;
- changes in, or interpretation of, accounting principles or tax rules and regulations;
- fluctuations in foreign currency exchange rates;
- fluctuations in interest rates affecting the value of our fixed-income investment securities;
- our ability to hire and retain qualified employees;
- the competence and integrity of our employees and third-parties;
- stockholder activism efforts;
- retention of executive officers and senior management personnel;
- unforeseen or catastrophic events, including the emergence of pandemic, extreme weather events or other natural disasters; and
- geopolitical unrest and other events.

We conduct operations through many regulated wholly-owned subsidiaries. These subsidiaries include:

- SEI Investments Distribution Co., or SIDCO, a broker-dealer registered with the SEC under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority, Inc., or FINRA;
- SEI Investments Management Corporation, or SIMC, an investment advisor registered with the SEC under the Investment Advisers Act of 1940 and with the Commodity Futures Trading Commission, or CFTC, under the Commodity Exchange Act;
- SEI Private Trust Company, or SPTC, a limited purpose federal thrift chartered and regulated by the Office of the Comptroller of the Currency;

- SEI Trust Company, or STC, a Pennsylvania trust company, regulated by the Pennsylvania Department of Banking and Securities;
- SEI Institutional Transfer Agent, Inc., or SITA, a transfer agent registered with the SEC under the Securities Exchange Act of 1934;
- SEI Investments (Europe) Limited, or SIEL, an investment manager and financial institution subject to regulation by the Financial Conduct Authority of the United Kingdom;
- SEI Investments Canada Company, or SEI Canada, an investment fund manager that has various other capacities that is regulated by the Ontario Securities Commission and various provincial authorities;
- SEI Investments Global, Limited, or SIGL, a management company for Undertakings for Collective Investment in Transferable Securities, or UCITS, and for Alternative Investment Funds, or AIFs, that is regulated primarily by the Central Bank of Ireland, or CBI;
- SEI Investments - Global Fund Services, Ltd., or GFSL, an authorized provider of administration services for Irish and non-Irish collective investment schemes that is regulated by the CBI;
- SEI Investments - Depository and Custodial Services (Ireland) Limited, or D&C, an authorized provider of depository and custodial services that is regulated by the CBI;
- SEI Investments - Luxembourg S.A., or SEI Lux, a professional of the specialized financial sector subject to regulation by the Commission de Surveillance du Secteur Financier of the Grand Duchy of Luxembourg;
- SEI Investments Global (Cayman), Ltd., a full mutual fund administrator that is regulated by the Cayman Island Monetary Authority; and
- SEI Investments (South Africa) (PTY) Limited, a Private Company that is a licensed Financial Service Provider regulated by the Financial Sector Conduct Authority.

In addition to the regulatory authorities listed above, our subsidiaries are subject to the jurisdiction of regulatory authorities in other foreign countries. In addition to our wholly-owned subsidiaries, we also own a minority interest of approximately 38.6% in LSV, which is also an investment advisor registered with the SEC.

The Company, its regulated subsidiaries, their regulated services and solutions and their customers are all subject to extensive legislation, regulation, and supervision that recently has been subject to, and continues to experience, significant change and increased regulatory activity. These changes and regulatory activities could have a material adverse effect on us and our clients.

The various governmental agencies and self-regulatory authorities that regulate or supervise the Company and its subsidiaries have broad administrative powers. In the event of a failure to comply with laws, regulations, and requirements of these agencies and authorities, the possible business process changes required or sanctions that may be imposed include the suspension of individual employees, limitations on our ability to engage in business for specified periods of time, the revocation of applicable registration as a broker-dealer, investment advisor or other regulated entity, and, as the case may be, censures and fines. Additionally, certain securities and banking laws applicable to us and our subsidiaries provide for certain private rights of action that could give rise to civil litigation. Any litigation could have significant financial and non-financial consequences including monetary judgments and the requirement to take action or limit activities that could ultimately affect our business.

Governmental scrutiny from regulators, legislative bodies, and law enforcement agencies with respect to matters relating to our regulated subsidiaries and their activities, services and solutions, our business practices, our past actions and other matters has increased dramatically in the past several years. Responding to these examinations, investigations, actions, and lawsuits, regardless of the ultimate outcome of the proceeding, is time consuming and expensive and can divert the time and effort of our senior management from our business. Penalties, fines and changes to business processes sought by regulatory authorities have increased substantially over the last several years, and certain regulators have been more likely in recent years to commence enforcement actions or to advance or support legislation targeted at the financial services industry. We continue to be subject to inquiries from examinations and investigations by supervisory and enforcement divisions of regulatory authorities and expect this to continue in the future. We believe this is also the case with many of our regulated clients. Governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation, our relationship with clients and prospective clients, and on the morale and performance of our employees, which could adversely affect our businesses and results of operations.

We are subject to U.S. and foreign anti-money laundering and financial transparency laws that require implementation of regulations applicable to financial services companies, including standards for verifying client identification and monitoring client transactions and detecting and reporting suspicious activities. We offer investment and banking solutions that also are subject to regulation by the federal and state securities and banking authorities, as well as foreign regulatory

authorities, where applicable. Existing or future regulations that affect these solutions could lead to a reduction in sales of these solutions or require modifications of these solutions.

We must comply with economic sanctions and embargo programs administered by the Office of Foreign Assets Control (OFAC) and similar national and multinational bodies and governmental agencies outside the United States, as well as anti-corruption and anti-money laundering laws and regulations throughout the world. We can incur higher costs and face greater compliance risks in structuring and operating our businesses to comply with these requirements. Furthermore, a violation of a sanction or embargo program or anti-corruption or anti-money laundering laws and regulations could subject us and our subsidiaries, and individual employees, to regulatory enforcement actions as well as significant civil and criminal penalties.

Our businesses are also subject to privacy and data protection information security legal requirements concerning the use and protection of certain personal information. These include those adopted pursuant to the Gramm-Leach-Bliley Act and the Fair and Accurate Credit Transactions Act of 2003 in the United States, the General Data Protection Regulation (GDPR) in the EU, Canada's Personal Information Protection and Electronic Documents Act, the Cayman Islands' Data Protection Law, and various other laws. Privacy and data security legislation is a priority issue in many states and localities in the United States, as well as foreign jurisdictions outside of the EU. For example, California enacted the California Consumer Privacy Act (CCPA) which broadly regulates the sale of the consumer information of California residents and grants California residents certain rights to, among other things, access and delete data about them in certain circumstances. Other states are considering similar proposals. Such attempts by the states to regulate have the potential to create a patchwork of differing and/or conflicting state regulations. Ensuring compliance under ever-evolving privacy legislation, such as GDPR and CCPA, is an ongoing commitment, which involves substantial costs.

Compliance with existing and future regulations and responding to and complying with recent increased regulatory activity affecting broker-dealers, investment advisors, investment companies, financial institutions, and their service providers could have a significant impact on us. We periodically undergo regulatory examinations and respond to regulatory inquiries and document requests. In addition, recent and continuing legislative activity in the United States and in other jurisdictions (including the European Union and the United Kingdom) have made and continue to make extensive changes to the laws regulating financial services firms. As a result of these examinations, inquiries, and requests, as a result of increased civil litigation activity, and as a result of these new laws and regulations, we engage legal counsel and other subject matter experts, review our compliance procedures, solution and service offerings, and business operations, and make changes as we deem necessary or as may be required by the applicable authority. These additional activities and required changes may result in increased expense or may reduce revenues.

Our bank clients are subject to supervision by federal, state, and foreign banking and financial services authorities concerning the manner in which such clients purchase and receive our products and services. Our plan sponsor clients and our subsidiaries providing services to those clients are subject to supervision by the Department of Labor and compliance with employee benefit regulations. Investment advisor and broker-dealer clients are regulated by the SEC, state securities authorities, or FINRA. Existing or future regulations applicable to our clients may affect our clients' purchase of our products and services.

In addition, see the discussion of governmental regulations in Item 1A "Risk Factors" in our latest Annual Report on Form 10-K for a description of the risks that the current regulatory regimes and proposed regulatory changes may present for our business.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Information required by this item is set forth under the captions "Our revenues and earnings are affected by changes in capital markets and significant changes in the value of financial instruments" and "Changes in interest rates may affect the value of our fixed-income investment securities" in Item 1A Risk Factors and under the caption "Impact of COVID-19" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes to this information as it is disclosed in our Annual Report on Form 10-K for 2021.

### **Item 4. Controls and Procedures.**

#### **(a) Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are effective in ensuring that information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the

time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

We and certain of our subsidiaries are a party to or have property subject to litigation and other proceedings, examinations and investigations that arise in the ordinary course of our business that we do not believe are material. These types of matters could result in fines, penalties, cost reimbursements or contributions, compensatory or treble damages or non-monetary sanctions or relief. We believe the probability is remote that the outcome of any of these matters will have a material adverse effect on SEI as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings in any particular interim reporting period. We cannot predict the outcome of legal or other proceedings with certainty. These matters include the proceedings summarized in "Note 11. Commitments and Contingencies" included in our Notes to Consolidated Financial Statements.

### **Item 1A. Risk Factors.**

Information regarding risk factors appears in Part I – Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes in the risk factors from those disclosed in the Annual Report on Form 10-K for 2021.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

(e) Our Board of Directors has authorized the repurchase of up to \$5.328 billion worth of our common stock through multiple authorizations. Currently, there is no expiration date for the common stock repurchase program. On June 1, 2022, the Board of Directors approved an increase in the stock repurchase program by an additional \$200.0 million.

Information regarding the repurchase of common stock during the three months ended June 30, 2022 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 2022	450,000	\$ 56.95	450,000	\$ 105,578,000
May 2022	750,000	55.30	750,000	64,105,000
June 2022	770,000	54.81	770,000	221,910,000
Total	<u>1,970,000</u>	\$ 55.48	<u>1,970,000</u>	

### **Item 6. Exhibits.**

The following is a list of exhibits filed as part of the Form 10-Q.

[10.1 Form of Restricted Stock Unit Grant Agreement with time-based vesting for employee awards under the Registrant's 2014 Omnibus Equity Compensation Plan.](#)

[31.1 Rule 13a-15\(e\)/15d-15\(e\) Certification of Chief Executive Officer.](#)

[31.2 Rule 13a-15\(e\)/15d-15\(e\) Certification of Chief Financial Officer.](#)

[32 Section 1350 Certifications.](#)

- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEI INVESTMENTS COMPANY

Date: July 25, 2022

By: /s/ Dennis J. McGonigle

\_\_\_\_\_  
Dennis J. McGonigle

Chief Financial Officer

## SEI INVESTMENTS COMPANY

2014 OMNIBUS EQUITY COMPENSATION PLAN  
RESTRICTED STOCK UNIT AGREEMENT

This RESTRICTED STOCK UNIT AGREEMENT (the "Agreement"), dated as of \_\_\_\_\_ [ ] (the "Date of Grant"), is delivered by SEI Investments Company (the "Company") to [ ] (the "Participant").

## RECITALS

A. The SEI Investments Company 2014 Omnibus Equity Compensation Plan (the "Plan") provides for the grant of restricted stock units. The Compensation Committee of the Board of Directors of the Company (the "Committee"), with the approval of the Company's Board of Directors (the "Board"), has decided to make a restricted stock unit grant as an inducement for the Participant to promote the best interests of the Company and its shareholders. A copy of the Plan is filed with the Securities and Exchange Commission as an exhibit to the Company's periodic filings under the Securities Exchange Act of 1934.

B. The restricted stock unit grant confirmed hereby is subject in all respects to the terms and conditions of the Plan and the actions and determinations of the Committee under the Plan, and any provision hereof, to the extent inconsistent with the Plan, is null and void. Capitalized terms used herein and not otherwise defined will have the meanings set forth in the Plan.

NOW, THEREFORE, the parties to this Agreement, intending to be legally bound hereby, agree as follows

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Agreement and in the Plan, the Company hereby grants the Participant [ ] restricted stock units (the "Stock Units"). Each Stock Unit represents the right of the Participant to receive a share of common stock of the Company ("Company Stock") on the applicable payment date set forth in Section 5 below.
2. Stock Unit Account. Stock Units represent hypothetical shares of Company Stock, and not actual shares of stock. The Company shall establish and maintain a Stock Unit account, as a bookkeeping account on its records, for the Participant and shall record in such account the number of Stock Units granted to the Participant. No shares of Company Stock shall be issued to the Participant at the time the grant is made, and the Participant shall not be, and shall not have any of the rights or privileges of, a stockholder of the Company with respect to any Stock Units recorded in the Stock Unit account, subject to Section 7 below. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this award or the Stock Unit account established for the Participant.
3. Vesting.
  - a. The Stock Units shall vest [ ] over [ ] years from [ ] (the "Vesting Start Date"), with [ ]% of the Stock Units vesting on [ ] each year starting on [ ] (each, a "Vesting Date"), subject to the Participant's continued employment with the Employer through each Vesting Date.
  - b. The vesting of the Stock Units shall be cumulative, but shall not exceed 100% of the Stock Units. If the foregoing schedule would produce fractional Stock Units, the number of Stock Units that vest shall be rounded down to the nearest whole Stock Unit and the fractional Stock Units will be accumulated so that the resulting whole Stock Units will be included in the number of Stock Units that become vested on the last Vesting Date.
  - c. [Consistent with the Participant's Employment Agreement with the Company dated [ ] (the "Employment Agreement"), in the event the Participant's employment is terminated by the Company without Cause (as defined in the Employment Agreement), or due to Disability (as defined in the Employment Agreement) or death, the Stock Units shall become fully vested as of the date of the termination (subject to the Participant's execution and non-revocation of a written release of claims, in the event of termination without Cause), Disability, or death. ]
4. Termination of Stock Units. If the Participant ceases to be employed by the Employer for any reason other than as described in Section 3(c) above, or Section 6 in the event of a Change of

Control, before all the Stock Units vest, any unvested Stock Units shall automatically terminate and shall be forfeited as of the date of the Participant's termination of employment. No payment shall be made with respect to any unvested Stock Units that terminate as described in this Section 4.

5. Payment of Stock Units.

- a. If and when the Stock Units vest, the Company shall issue to the Participant one share of Company Stock for each vested Stock Unit, subject to applicable tax withholding obligations. Payment shall be made within 30 days after the applicable Vesting Date.
  - b. All obligations of the Company under this Agreement shall be subject to the rights of the Company as set forth in the Plan to withhold amounts required to be withheld for taxes, if applicable. At the time of payment in accordance with Section 5(a) above, the number of shares issued to the Participant shall be reduced by a number of shares of Company Stock with a Fair Market Value equal to the federal (including FICA), state and local tax liabilities required by law to be withheld with respect to the payment of the Stock Units, unless the Participant elects to provide the tax withholding amount in another manner approved by the Committee. Share withholding for taxes shall not exceed the Participant's minimum applicable withholding tax rate. To the extent not withheld in accordance with the immediately preceding sentence, the Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to reimburse the Company for the payment of, any taxes that the Company is required to withhold with respect to the Stock Units.
  - c. The obligation of the Company to deliver Company Stock shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares, the shares may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. The issuance of shares to Participant pursuant to this Agreement is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.
6. Change of Control. The provisions of the Plan applicable to a Change of Control shall apply to the Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan.
7. No Stockholder Rights; Dividend Equivalents. Neither the Participant, nor any person entitled to receive payment in the event of the Participant's death, shall have any of the rights and privileges of a stockholder with respect to shares of Company Stock, including voting or dividend rights, until certificates for shares have been issued upon payment of Stock Units. Notwithstanding the foregoing, the Participant shall be entitled to accrue Dividend Equivalents on the shares underlying the Stock Units prior to vesting, which shall be credited to the Stock Unit account for the Participant and shall be paid in cash when the shares underlying the Stock Units vest and are issued in accordance with this Agreement.
8. Grant Subject to Plan Provisions. This grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The grant and payment of the Stock Units are subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe the Stock Units pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.
9. Restrictive Covenants. The Participant agrees that, as a condition to receiving this grant of Stock Units, Participant will comply with the obligations set forth in the Participant's Confidentiality, Non-Solicitation and Non-Competition Agreement dated [ ] with the Company.
10. No Employment or Other Rights. The grant of the Stock Units shall not confer upon the Participant any right to be retained by or in the employ of the Company and shall not interfere in

any way with the right of the Company to terminate the Participant's employment at any time. The right of the Company to terminate at will the Participant's employment at any time for any reason is specifically reserved.

11. Assignment and Transfers. The rights and interests of the Participant under this Agreement may not be sold, assigned, encumbered or otherwise transferred, except by will or the laws of descent and distribution. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of the Stock Units or any right hereunder, except as provided for in this Agreement, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Stock Unit by notice to the Participant, and the Stock Unit and all rights hereunder shall thereupon become null and void. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates. This Agreement may be assigned by the Company without the Participant's consent.
12. Applicable Law. The validity, construction, interpretation and effect of this instrument shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflicts of laws provisions thereof.
13. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the Chief Financial Officer at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy or email, or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.
14. Clawback Rights. The Stock Units shall be subject to any applicable compensation, clawback or recoupment policies that may be implemented by the Board, whether or not approved before or after the effective date of this Agreement.
15. Application of Section 409A of the Code. This Agreement is intended to be exempt from section 409A of the Code under the "short-term deferral" exception and, to the extent this Agreement is subject to section 409A of the Code, it will be administered in accordance with section 409A of the Code.

***[Signature Page Follows]***

IN WITNESS WHEREOF, the Company has caused an officer to execute this Agreement, and the Participant has executed this Agreement, effective as of the Date of Grant.

SEI INVESTMENTS COMPANY

\_\_\_\_\_  
Name:  
Title:  
Date:

I hereby accept the award of Stock Units described in this Agreement, and I agree to be bound by the terms of the Plan and this Agreement. I hereby agree that all decisions and determinations of the Committee with respect to the Stock Units shall be final and binding.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Participant

**CERTIFICATIONS**

I, Ryan P. Hicke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SEI Investments Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 25, 2022

/s/ Ryan P. Hicke

Ryan P. Hicke

Chief Executive Officer

**CERTIFICATIONS**

I, Dennis J. McGonigle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SEI Investments Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 25, 2022

/s/ Dennis J. McGonigle

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Dennis J. McGonigle  
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Ryan P. Hicke, Chief Executive Officer, and I, Dennis J. McGonigle, Chief Financial Officer, of SEI Investments Company, a Pennsylvania corporation (the "Company"), hereby certify that, to my knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (the "Form 10-Q") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 25, 2022

Date: July 25, 2022

/s/ Ryan P. Hicke

/s/ Dennis J. McGonigle

Ryan P. Hicke

Dennis J. McGonigle

Chief Executive Officer

Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.