

February 21, 2019



Investnet Reports Fourth Quarter 2018 Financial Results

CHICAGO--(BUSINESS WIRE)-- Investnet (NYSE:ENV), a leading provider of intelligent systems for wealth management and financial wellness, today reported financial results for its quarter and year ended December 31, 2018.

| Key Financial Metrics (in millions except per share data) | Three Months Ended | | | Year Ended | | |
|---|--------------------|----------|--------|--------------|-----------|--------|
| | December 31, | | % | December 31, | | % |
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| GAAP: | | | | | | |
| Total revenues | \$ 210.1 | \$ 182.9 | 15% | \$812.4 | \$683.7 | 19% |
| Net income (loss) | \$ (0.5) | \$ 17.6 | n/m | \$ 4.0 | \$ (3.3) | n/m |
| Net income (loss) per diluted share attributable to Investnet, Inc. | \$ 0.00 | \$ 0.38 | (100)% | \$ 0.12 | \$ (0.08) | n/m |
| Non-GAAP: | | | | | | |
| Adjusted EBITDA ⁽¹⁾ | \$ 47.5 | \$ 38.7 | 22% | \$157.5 | \$128.9 | 22% |
| Adjusted net income ⁽¹⁾ | \$ 28.9 | \$ 18.7 | 55% | \$ 91.1 | \$ 60.6 | 50% |
| Adjusted net income per diluted share ⁽¹⁾ | \$ 0.61 | \$ 0.40 | 53% | \$ 1.92 | \$ 1.31 | 47% |

n/m - Not meaningful

“In the fourth quarter, Investnet grew revenue 15%, adjusted EBITDA 22%, and adjusted earnings per share 53% over the prior year period,” said Jud Bergman, Chairman and CEO.

“Looking forward, we expect robust growth in our subscription-based recurring revenue and continued growth in our asset-based recurring revenue, as customers continue to adopt our industry-leading wealth management and data solutions. We continue to enhance our platform for financial wellness - through innovation, integration and acquisition - to help firms, advisors and their clients achieve better financial outcomes. We look forward to continued growth opportunities ahead for Investnet, our clients and our shareholders,” concluded Mr. Bergman.

Financial Results for the Fourth Quarter of 2018 Compared to the Fourth Quarter of 2017:

Total revenues increased 15% to \$210.1 million for the fourth quarter of 2018 from \$182.9 million for the fourth quarter of 2017. Revenues for FolioDynamix, which the Company acquired in January 2018, were \$16.9 million for the fourth quarter of 2018. The Company’s total revenues for the fourth quarter of 2018 were negatively impacted by \$3.6 million due to the adoption of ASU 2014-09. Excluding the effect of these items, total revenues grew 8% for the fourth quarter of 2018 compared to the prior year period.

Asset-based revenues were 58% of total revenues for the fourth quarter of 2018, compared

to 61% of total revenues for the same period in 2017, and increased 11% from the prior year period. Subscription-based revenues were 37% of total revenues for the fourth quarter of 2018, compared to 36% of total revenues for the same period in 2017, and increased 19% from the prior year period. Professional services and other non-recurring revenues increased 36% from the prior year period.

Total operating expenses for the fourth quarter of 2018 increased 17% to \$198.6 million from \$170.2 million in the prior year period. Cost of revenues increased 17% to \$67.9 million for the fourth quarter of 2018 from \$58.0 million for the fourth quarter of 2017. Compensation and benefits increased 12% to \$73.0 million for the fourth quarter of 2018 from \$65.3 million for the prior year period. Compensation and benefits were 35% of total revenues for the fourth quarter of 2018, compared to 36% in the prior year period. General and administration expenses increased 24% to \$38.4 million for the fourth quarter of 2018 from \$30.8 million for the prior year period. General and administrative expenses were 18% of total revenues for the fourth quarter of 2018, compared to 17% in the prior year period. FolioDynamix was a significant contributor to the year-over-year increase in cost of revenues, compensation and benefits, and general and administrative expenses for the fourth quarter of 2018. Excluding FolioDynamix, operating expenses for the fourth quarter of 2018 increased 9% to \$186.1 million compared to the prior year period.

Income from operations was \$11.5 million for the fourth quarter of 2018 compared to \$12.7 million for the fourth quarter of 2017. Net income attributable to Envestnet, Inc. was \$0.2 million, or \$0.00 per diluted share, for the fourth quarter of 2018 compared to net income of \$17.6 million, or \$0.38 per diluted share, for the fourth quarter of 2017.

Adjusted EBITDA⁽¹⁾ for the fourth quarter of 2018 increased 22% to \$47.5 million from \$38.7 million for the prior year period. Adjusted Net Income⁽¹⁾ increased 55% for the fourth quarter of 2018 to \$28.9 million from \$18.7 million for the prior year period. Adjusted Net Income per Diluted Share⁽¹⁾ for the fourth quarter of 2018 increased 53% to \$0.61 from \$0.40 in the fourth quarter of 2017.

Financial Results for the Full Year of 2018 Compared to the Full Year of 2017:

Total revenues increased 19% to \$812.4 million for the year ended December 31, 2018 from \$683.7 for the year ended December 31, 2017. Revenues for FolioDynamix, which the Company acquired in January 2018, were \$68.1 million for the year ended December 31, 2018. The Company's total revenues for the year ended December 31, 2018 were negatively impacted by \$14.6 million due to the adoption of ASU 2014-09. Excluding the effect of these items, total revenues grew 11% for the year ended December 31, 2018 compared to the prior year period.

Asset-based revenues were 59% of total revenues for the year ended December 31, 2018 compared to 60% of total revenues for the same period in 2017, and increased 17% from the prior year period. Subscription-based revenues were 36% of total revenues for the year ended December 31, 2018, consistent with the prior year period, and increased 20% from the prior year period. Professional services and other non-recurring revenues increased 28% from the prior year period.

Total operating expenses for the year ended December 31, 2018 increased 20% to \$798.2

million from \$667.3 million in the prior year period. Cost of revenues increased 20% to \$263.4 million for the year ended December 31, 2018 from \$219.0 million for the year ended December 31, 2017. Compensation and benefits increased 20% to \$317.2 million for the year ended December 31, 2018 from \$264.4 million for the prior year period. Compensation and benefits were 39% of total revenues for the year ended December 31, 2018, consistent with the prior year period. General and administration expenses increased 16% to \$140.0 million for the year ended December 31, 2018 from \$121.0 million for the prior year period. General and administrative expenses were 17% of total revenues for the year ended December 31, 2018, compared to 18% in the prior year period. FolioDynamix was a significant contributor to the year-over-year increase in cost of revenues, compensation and benefits, and general and administrative expenses for the year ended December 31, 2018. Excluding FolioDynamix, operating expenses for the year ended December 31, 2018 increased 7% to \$716.3 million compared to the prior year period.

Income from operations was \$14.2 million for the year ended December 31, 2018 compared to \$16.4 million for the year ended December 31, 2017. Net income attributable to Envestnet, Inc. was \$5.8 million, or \$0.12 per diluted share, for the year ended December 31, 2018 compared to net loss of \$3.3 million, or \$0.08 per diluted share, for the year ended December 31, 2017.

Adjusted EBITDA⁽¹⁾ for the year ended December 31, 2018 increased 22% to \$157.5 million from \$128.9 million for the prior year period. Adjusted Net Income⁽¹⁾ increased 50% for the year ended December 31, 2018 to \$91.1 million from \$60.6 million for the prior year period. Adjusted Net Income per Diluted Share⁽¹⁾ for the year ended December 31, 2018 increased 47% to \$1.92 from \$1.31 in the year ended December 31, 2017.

PortfolioCenter® Acquisition

Today, the Company announced an agreement to acquire PortfolioCenter® from Schwab Performance Technologies®, a provider of portfolio management and reporting technology solution for independent registered investment advisors (RIAs). The transaction is expected to close in the first half of 2019. PortfolioCenter's expected contribution to Envestnet's 2019 financial results is included in the Outlook section below.

Outlook

The Company provided the following outlook for the first quarter ended March 31, 2019 and full year ended December 31, 2019. This outlook is based on the market value of assets on January 31, 2019.

| In Millions Except Adjusted EPS | 1Q 2019 | | FY 2019 | |
|--|---------|------|---------|-------------------|
| GAAP: | | | | |
| Revenues: | | | | |
| Asset-based | \$110.5 | - | \$111.5 | |
| Subscription-based | \$82.5 | - | \$83.0 | |
| Total recurring revenues | \$193.0 | - | \$194.5 | |
| Professional services and other revenues | \$7.0 | - | \$7.5 | |
| Total revenues | \$200.0 | - | \$202.0 | \$868.0 - \$880.0 |
| Cost of revenues | \$62.5 | - | \$63.0 | |
| Net income | | - | | |
| Diluted shares outstanding | | 50.1 | | |
| Net Income per diluted share | | — | | |
| Non-GAAP: | | | | |
| Adjusted EBITDA ⁽¹⁾ | \$32.5 | - | \$33.0 | \$170.0 - \$175.0 |
| Adjusted net income per diluted share ⁽¹⁾ | \$0.38 | | \$2.05 | - \$2.12 |

The Company does not forecast net income and net income per diluted share due to the unpredictable nature of various items adjusted for non-GAAP disclosure purposes, including the periodic GAAP income tax provision.

The Company's expected revenue growth for 2019 is impacted by several items, as detailed in the table below.

Approximate Impact on Revenue Growth Rate vs 2018

| Description | Recurring | | | Professional Services and Other | Total |
|-------------------------|-------------|--------------------|----------|---------------------------------|--------|
| | Asset-based | Subscription-based | Subtotal | | |
| Normalized Growth | 9-11% | 16-18% | 12-14% | (1%) | 11-13% |
| Market Impact | (5%) | — | (3%) | — | (3%) |
| Reclass to Subscription | (3%) | 5% | — | — | — |
| Third Party Managers | (1%) | — | (1%) | — | (1%) |
| PortfolioCenter | — | 3% | 1% | — | 1% |
| FolioDynamix | — | (1%) | (1%) | — | (1%) |
| Guidance Range | flat | 23-25% | 8-10% | (1%) | 7-8% |

Conference Call

Envestnet will host a conference call to discuss fourth quarter 2018 financial results today at 5:00 p.m. ET. The live webcast can be accessed from Envestnet's investor relations website at <http://ir.envestnet.com/>. The call can also be accessed live over the phone by dialing (800) 289-0438, or for international callers (323) 794-2423. A replay will be available two hours after the call and can be accessed by dialing (844) 512-2921 or (412) 317-6671 for international callers; the conference ID is 3163368. The dial-in replay will be available for one week and the webcast replay will be available for one month following the date of the conference call.

About Envestnet

Envestnet, Inc. (NYSE: ENV) is a leading provider of intelligent systems for wealth management and financial wellness. Envestnet's unified technology empowers enterprises and advisors to more fully understand their clients and deliver actionable intelligence that drives better outcomes and improves lives.

Envestnet Wealth Solutions enables enterprises and advisors to better manage client outcomes and strengthen their practices through its leading Wealth Management Operating System and advanced portfolio solutions. Envestnet Tamarac provides portfolio management, reporting, trading, rebalancing and client portal solutions for registered independent advisors (RIAs). Envestnet Data & Analytics provides intelligent solutions that enable dynamic innovation through its Envestnet | Yodlee platform.

More than 3,500 enterprises and more than 96,000 advisors including: 15 of the 20 largest U.S. banks, 43 of the 50 largest wealth management and brokerage firms, over 500 of the largest Registered Investment Advisors, and hundreds of Internet services companies leverage Envestnet technology and services.

For more information on Envestnet, please visit www.envestnet.com and follow @ENVintel.

(1) Non-GAAP Financial Measures

“Adjusted EBITDA” represents net income (loss) before deferred revenue fair value adjustment, interest income, interest expense, accretion on contingent consideration and purchase liability, income tax provision (benefit), depreciation and amortization, non-cash compensation expense, restructuring charges and transaction costs, severance, fair market value adjustment on contingent consideration, litigation related expense, foreign currency, non-income tax expense adjustment, loss allocation from equity method investment and loss attributable to non-controlling interest.

“Adjusted net income” represents net income (loss) before deferred revenue fair value adjustment, accretion on contingent consideration and purchase liability, non-cash interest expense, non-cash compensation expense, restructuring charges and transaction costs, severance, amortization of acquired intangibles, litigation related expense, foreign currency, non-income tax expense adjustment, loss allocation from equity method investment and loss attributable to non-controlling interest. Reconciling items are presented gross of tax, and a normalized tax rate is applied to the total of all reconciling items to arrive at adjusted net income.

“Adjusted net income per share” represents adjusted net income attributable to common stockholders divided by the diluted number of weighted-average shares outstanding.

See reconciliation of Non-GAAP Financial Measures on pages 11-14 of this press release. Reconciliations are not provided for guidance on such measures as the Company is unable to predict the amounts to be adjusted, such as the GAAP tax provision. The Company's Non-GAAP Financial Measures should not be viewed as a substitute for revenues, net income or net income per share determined in accordance with GAAP.

Cautionary Statement Regarding Forward-Looking Statements

The forward-looking statements made in this press release and its attachments concerning, among other things, Envestnet, Inc.'s expected financial performance and outlook for the fourth quarter and full year of 2018, its strategic operational plans and growth strategy are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties and the Company's actual results could differ materially from the results expressed or implied by such forward-looking statements. Furthermore, reported results should not be considered as an indication of future performance. The potential risks, uncertainties and other factors that could cause actual results to differ from those expressed by the forward-looking statements in this press release include, but are not limited to, the possibility that the anticipated benefits of the Company's acquisition of FolioDynamix will not be realized to the extent or when expected, difficulty in sustaining rapid revenue growth, which may place significant demands on the Company's administrative, operational and financial resources, the concentration of nearly all of our revenues from the delivery of our solutions and services to clients in the financial services industry, our reliance on a limited number of clients for a material portion of our revenue, the renegotiation of fee percentages or termination of our services by our clients, our ability to identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies, the impact of market and economic conditions on revenues, our inability to successfully execute the conversion of clients' assets from their technology platform to our technology platforms in a timely and accurate manner, our ability to expand our relationships with existing customers, grow the number of customers and derive revenue from new offerings such as our data analytics solutions and market research services and premium financial applications ("FinApps"), compliance failures, adverse judicial or regulatory proceedings against us, liabilities associated with potential, perceived or actual breaches of fiduciary duties and/or conflicts of interest, changes in laws and regulations, including tax laws and regulations, general economic conditions, political and regulatory conditions, the impact of fluctuations in market condition and interest rates on the demand for our products and services and the value of assets under management or administration, the impact of market conditions on our ability to issue debt and equity, the impact of fluctuations in interest rates on our cost of borrowing, our financial performance, the results of our investments in research and development, our data center and other infrastructure, our ability to maintain the security and integrity of our systems and facilities and to maintain the privacy of personal information, failure of our systems to work properly, our ability to realize operating efficiencies, the advantages of our solutions as compared to those of others, the failure to protect our intellectual property rights, our ability to establish and maintain intellectual property rights, our ability to retain and hire necessary employees and appropriately staff our operations, and management's response to these factors. More information regarding these and other risks, uncertainties and factors is contained in the Company's filings with the Securities and Exchange Commission ("SEC") which are available on the SEC's website at www.sec.gov or the Company's Investor Relations website at <http://ir.envestnet.com/>. You are cautioned not to unduly rely on these forward-looking statements, which speak only as of the date of this press release. All information in this press release and its attachments is as of February 21, 2019 and, unless required by law, the Company undertakes no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this press release or to report the occurrence of unanticipated events.

Investnet, Inc.
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

| | December 31, | December 31, |
|---|---------------------|---------------------|
| | 2018 | 2017 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 289,345 | \$ 60,115 |
| Fees receivable, net | 68,004 | 51,522 |
| Prepaid expenses and other current assets | 23,557 | 19,470 |
| Total current assets | <u>380,906</u> | <u>131,107</u> |
| Property and equipment, net | 44,991 | 35,909 |
| Internally developed software, net | 38,209 | 22,174 |
| Intangible assets, net | 305,241 | 222,731 |
| Goodwill | 519,102 | 432,955 |
| Other non-current assets | 25,298 | 17,176 |
| Total assets | <u>\$ 1,313,747</u> | <u>\$ 862,052</u> |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accrued expenses and other liabilities | \$ 133,298 | \$ 105,897 |
| Accounts payable | 19,567 | 11,097 |
| Convertible Notes due 2019 | 165,711 | — |
| Contingent consideration | 732 | 2,115 |
| Deferred revenue | 23,988 | 21,246 |
| Total current liabilities | <u>343,296</u> | <u>140,355</u> |
| Convertible Notes due 2023 | 294,725 | — |
| Convertible Notes due 2019 | — | 158,990 |
| Revolving credit facility | — | 81,168 |
| Contingent consideration | — | 666 |
| Deferred revenue | 6,910 | 12,047 |
| Deferred rent and lease incentive | 17,569 | 15,185 |
| Deferred tax liabilities, net | 640 | 969 |
| Other non-current liabilities | 18,005 | 15,102 |
| Total liabilities | <u>681,145</u> | <u>424,482</u> |
| Redeemable units in ERS | — | 900 |
| Equity: | | |
| Total stockholders' equity | 633,700 | 436,272 |
| Non-controlling interest | (1,098) | 398 |
| Total liabilities and equity | <u>\$ 1,313,747</u> | <u>\$ 862,052</u> |

Envestnet, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share information)
(unaudited)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|------------------------------------|------------|----------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Asset-based | \$ 122,872 | \$ 110,748 | \$ 481,233 | \$ 410,016 |
| Subscription-based | 77,799 | 65,192 | 295,467 | 245,867 |
| Total recurring revenues | 200,671 | 175,940 | 776,700 | 655,883 |
| Professional services and other revenues | 9,409 | 6,922 | 35,663 | 27,796 |
| Total revenues | 210,080 | 182,862 | 812,363 | 683,679 |
| Operating expenses: | | | | |
| Cost of revenues | 67,875 | 58,006 | 263,400 | 219,037 |
| Compensation and benefits | 73,014 | 65,313 | 317,188 | 264,392 |
| General and administration | 38,356 | 30,832 | 139,984 | 121,010 |
| Depreciation and amortization | 19,332 | 16,028 | 77,626 | 62,820 |
| Total operating expenses | 198,577 | 170,179 | 798,198 | 667,259 |
| Income from operations | 11,503 | 12,683 | 14,165 | 16,420 |
| Other expense, net | (6,525) | (4,271) | (23,327) | (18,109) |
| Income (loss) before income tax provision (benefit) | 4,978 | 8,412 | (9,162) | (1,689) |
| Income tax provision (benefit) | 5,490 | (9,233) | (13,172) | 1,591 |
| Net income (loss) | (512) | 17,645 | 4,010 | (3,280) |
| Add: Net loss attributable to non-controlling interest | 735 | — | 1,745 | — |
| Net income (loss) attributable to Envestnet, Inc. | \$ 223 | \$ 17,645 | \$ 5,755 | \$ (3,280) |
| Net income (loss) per share attributable to Envestnet, Inc. | | | | |
| Basic | \$ 0.00 | \$ 0.40 | \$ 0.13 | \$ (0.08) |
| Diluted | \$ 0.00 | \$ 0.38 | \$ 0.12 | \$ (0.08) |
| Weighted average common shares outstanding: | | | | |
| Basic | 45,985,791 | 44,404,104 | 45,268,002 | 43,732,148 |
| Diluted | 47,752,500 | 46,957,681 | 47,384,085 | 43,732,148 |

Envestnet, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

| | Year Ended December 31, | |
|--|----------------------------|------------|
| | 2018 | 2017 |
| OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 4,010 | \$ (3,280) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 77,626 | 62,820 |
| Deferred rent and lease incentive amortization | 671 | 1,027 |
| Provision for doubtful accounts | 1,618 | 867 |
| Deferred income taxes (benefits) | (23,629) | (4,597) |

| | | |
|--|------------------|-----------------|
| Stock-based compensation expense | 40,245 | 31,331 |
| Non-cash interest expense | 14,534 | 8,994 |
| Accretion on contingent consideration and purchase liability | 222 | 512 |
| Payments of contingent consideration | — | (357) |
| Loss allocation from equity method investment | 1,146 | 1,469 |
| Loss on disposal of fixed assets | 189 | 76 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Fees and other receivables | (12,890) | (8,121) |
| Prepaid expenses and other current assets | (887) | (787) |
| Other non-current assets | (3,336) | (1,690) |
| Accrued expenses and other liabilities | 12,939 | 16,810 |
| Accounts payable | 1,743 | (442) |
| Deferred revenue | 345 | 1,191 |
| Other non-current liabilities | 2,839 | 2,427 |
| Net cash provided by operating activities | <u>117,385</u> | <u>108,250</u> |
| INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (20,524) | (14,945) |
| Capitalization of internally developed software | (24,068) | (12,624) |
| Investment in private companies | (1,200) | (1,450) |
| Acquisition of businesses | (194,617) | — |
| Other | (1,270) | — |
| Net cash used in investing activities | <u>(241,679)</u> | <u>(29,019)</u> |
| FINANCING ACTIVITIES: | | |
| Proceeds from issuance of Convertible Notes due 2023 | \$345,000 | \$ — |
| Convertible Notes due 2023 issuance costs | (9,982) | — |
| Proceeds from borrowings on revolving credit facility | 195,000 | 35,000 |
| Payments on revolving credit facility | (276,168) | (62,500) |
| Revolving credit facility issuance costs | — | (94) |
| Payments of contingent consideration | (2,193) | (1,929) |
| Payments of definite consideration | — | (445) |
| Payments of purchase consideration liabilities | — | (235) |
| Issuance of common stock and warrants - private placement, net of offering costs | 122,704 | — |
| Payment of Term Notes | — | (35,862) |
| Proceeds from exercise of stock options | 5,305 | 7,951 |
| Purchase of treasury stock for stock-based tax withholdings | (20,816) | (13,974) |
| Purchase of ERS units | (6,560) | — |
| Issuance of restricted stock units | 4 | 5 |
| Net cash provided by (used in) financing activities | <u>352,294</u> | <u>(72,083)</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | (592) | 375 |
| INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | <u>227,408</u> | <u>7,523</u> |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD | 62,263 | 54,740 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD | <u>\$289,671</u> | <u>\$62,263</u> |

(a) The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported within the Consolidated Balance Sheets:

| | December 31, | |
|---|---------------------|-----------------|
| | 2018 | 2017 |
| Cash and cash equivalents | \$289,345 | \$60,115 |
| Restricted cash included in prepaid expenses and other current assets | 158 | 2,000 |
| Restricted cash included in other non-current assets | 168 | 148 |
| Total cash, cash equivalents and restricted cash | <u>\$289,671</u> | <u>\$62,263</u> |

Envestnet, Inc.
Reconciliation of Non-GAAP Financial Measures
(in thousands, except share and per share information)
(unaudited)

| | Three Months Ended | | Year Ended | |
|--|---------------------------|-------------------|---------------------|-------------------|
| | December 31, | | December 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Total revenues | \$ 210,080 | \$ 182,862 | \$ 812,363 | \$ 683,679 |
| Deferred revenue fair value adjustment | 26 | 10 | 118 | 130 |
| Adjusted revenues | <u>\$ 210,106</u> | <u>\$ 182,872</u> | <u>\$ 812,481</u> | <u>\$ 683,809</u> |
| Net income (loss) | \$ (512) | \$ 17,645 | \$ 4,010 | \$ (3,280) |
| Add (deduct): | | | | |
| Deferred revenue fair value adjustment | 26 | 10 | 118 | 130 |
| Interest income | (960) | (93) | (2,363) | (201) |
| Interest expense | 7,055 | 3,676 | 25,203 | 16,347 |
| Accretion on contingent consideration and purchase liability | 13 | 104 | 222 | 512 |
| Income tax provision (benefit) | 5,490 | (9,233) | (13,172) | 1,591 |
| Depreciation and amortization | 19,332 | 16,028 | 77,626 | 62,820 |
| Non-cash compensation expense | 10,671 | 7,880 | 40,245 | 31,331 |
| Restructuring charges and transaction costs | 5,547 | 3,431 | 15,580 | 13,666 |
| Severance | 49 | 56 | 8,318 | 2,316 |
| Litigation related expense | — | — | — | 1,033 |
| Foreign currency | 413 | 198 | (589) | 494 |
| Non-income tax expense adjustment | (466) | (1,388) | (590) | 346 |
| Loss allocation from equity method investment | 77 | 485 | 1,146 | 1,469 |
| Loss attributable to non-controlling interest | 719 | (61) | 1,791 | 316 |
| Adjusted EBITDA | <u>\$ 47,454</u> | <u>\$ 38,738</u> | <u>\$ 157,545</u> | <u>\$ 128,890</u> |
| Net income (loss) | \$ (512) | \$ 17,645 | \$ 4,010 | \$ (3,280) |
| Income tax provision (benefit) (1) | 5,490 | (9,233) | (13,172) | 1,591 |
| Loss before income tax provision (benefit) | 4,978 | 8,412 | (9,162) | (1,689) |
| Add (deduct): | | | | |
| Deferred revenue fair value adjustment | 26 | 10 | 118 | 130 |
| Accretion on contingent consideration and purchase liability | 13 | 104 | 222 | 512 |
| Non-cash interest expense | 4,570 | 1,210 | 13,905 | 8,994 |
| Non-cash compensation expense | 10,671 | 7,880 | 40,245 | 31,331 |
| Restructuring charges and transaction costs | 5,547 | 3,431 | 15,580 | 13,666 |
| Severance | 49 | 56 | 8,318 | 2,316 |
| Amortization of acquired intangibles | 13,025 | 10,794 | 53,856 | 42,127 |
| Litigation related expense | — | — | — | 1,033 |
| Foreign currency | 413 | 198 | (589) | 494 |
| Non-income tax expense adjustment | (466) | (1,388) | (590) | 346 |
| Loss allocation from equity method investment | 77 | 485 | 1,146 | 1,469 |
| Loss attributable to non-controlling interest | 719 | (61) | 1,791 | 316 |
| Adjusted net income before income tax effect | 39,622 | 31,131 | 124,840 | 101,045 |
| Income tax effect (2) | (10,697) | (12,452) | (33,705) | (40,418) |
| Adjusted net income | <u>\$ 28,925</u> | <u>\$ 18,679</u> | <u>\$ 91,135</u> | <u>\$ 60,627</u> |

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Basic number of weighted-average shares outstanding | 45,985,791 | 44,404,104 | 45,268,002 | 43,732,148 |
| Effect of dilutive shares: | | | | |
| Options to purchase common stock | 1,173,064 | 1,596,965 | 1,304,493 | 1,649,225 |
| Unvested restricted stock units | 593,645 | 956,612 | 811,590 | 770,428 |
| Diluted number of weighted-average shares outstanding | <u>47,752,500</u> | <u>46,957,681</u> | <u>47,384,085</u> | <u>46,151,801</u> |
| Adjusted net income per share - diluted | <u>\$ 0.61</u> | <u>\$ 0.40</u> | <u>\$ 1.92</u> | <u>\$ 1.31</u> |

(1) For the three months ended December 31, 2018 and 2017, the effective tax rate computed in accordance with US GAAP equaled 110.3% and (109.8)%, respectively. For the year ended December 31, 2018 and 2017, the effective tax rate computed in accordance with US GAAP equaled 143.8% and (94.2)%, respectively.

(2) For 2018, an estimated normalized effective tax rate of 27% has been used to compute adjusted net income.

Investnet, Inc.
Reconciliation of Non-GAAP Financial Measures
Segment Information
(in thousands)
(unaudited)

| | Three Months Ended December 31, 2018 | | | |
|--|---|---------------------------|-------------------|------------------|
| | Investnet | Investnet Yodlee | Nonsegment | Total |
| Revenues | \$ 162,222 | \$ 47,858 | \$ — | \$210,080 |
| Deferred revenue fair value adjustment | 26 | — | — | 26 |
| Adjusted revenues | <u>\$ 162,248</u> | <u>\$ 47,858</u> | <u>\$ —</u> | <u>\$210,106</u> |
| Income (loss) from operations | \$ 26,722 | \$ (1,205) | \$ (14,014) | \$ 11,503 |
| Add: | | | | |
| Deferred revenue fair value adjustment | 26 | — | — | 26 |
| Accretion on contingent consideration and purchase liability | 13 | — | — | 13 |
| Depreciation and amortization | 11,218 | 8,114 | — | 19,332 |
| Non-cash compensation expense | 5,198 | 2,987 | 2,486 | 10,671 |
| Restructuring charges and transaction costs | 720 | 822 | 4,005 | 5,547 |
| Non-income tax expense adjustment | (1,053) | 587 | — | (466) |
| Severance | (49) | 97 | 1 | 49 |
| Other loss | 67 | 4 | (11) | 60 |
| Loss attributable to non-controlling interest | 719 | — | — | 719 |
| Adjusted EBITDA | <u>\$ 43,581</u> | <u>\$ 11,406</u> | <u>\$ (7,533)</u> | <u>\$ 47,454</u> |

| | Three Months Ended December 31, 2017 | | | |
|--|---|---------------------------|-------------------|------------------|
| | Investnet | Investnet Yodlee | Nonsegment | Total |
| Revenues | \$ 141,267 | \$ 41,595 | \$ — | \$182,862 |
| Deferred revenue fair value adjustment | 2 | 8 | — | 10 |
| Adjusted revenues | <u>\$ 141,269</u> | <u>\$ 41,603</u> | <u>\$ —</u> | <u>\$182,872</u> |
| Income (loss) from operations | \$ 27,172 | \$ (2,749) | \$ (11,740) | \$ 12,683 |
| Add: | | | | |
| Deferred revenue fair value adjustment | 2 | 8 | — | 10 |
| Accretion on contingent consideration and purchase liability | 104 | — | — | 104 |
| Depreciation and amortization | 7,027 | 9,001 | — | 16,028 |
| Non-cash compensation expense | 3,620 | 2,743 | 1,517 | 7,880 |
| Restructuring charges and transaction costs | (402) | — | 3,828 | 3,426 |
| Non-income tax expense adjustment | (1,388) | — | — | (1,388) |
| Severance | 12 | 44 | — | 56 |
| Gain attributable to non-controlling interest | (61) | — | — | (61) |
| Adjusted EBITDA | <u>\$ 36,086</u> | <u>\$ 9,047</u> | <u>\$ (6,395)</u> | <u>\$ 38,738</u> |

Year Ended December 31, 2018

| | Investnet | Investnet Yodlee | Nonsegment | Total |
|--|-------------------|---------------------------|--------------------|------------------|
| Revenues | \$ 632,605 | \$ 179,758 | \$ — | \$812,363 |
| Deferred revenue fair value adjustment | 110 | 8 | — | 118 |
| Adjusted revenues | <u>\$ 632,715</u> | <u>\$ 179,766</u> | <u>\$ —</u> | <u>\$812,481</u> |
| Income (loss) from operations | \$ 75,491 | \$ (10,013) | \$ (51,313) | \$ 14,165 |
| Add (deduct): | | | | |
| Deferred revenue fair value adjustment | 110 | 8 | — | 118 |
| Accretion on contingent consideration and purchase liability | 222 | — | — | 222 |
| Depreciation and amortization | 45,139 | 32,487 | — | 77,626 |
| Non-cash compensation expense | 19,342 | 11,552 | 9,351 | 40,245 |
| Restructuring charges and transaction costs | 3,143 | 1,735 | 10,702 | 15,580 |
| Severance | 7,810 | 480 | 28 | 8,318 |
| Non-income tax expense adjustment | (1,177) | 587 | — | (590) |
| Other loss | 66 | 4 | — | 70 |
| Loss attributable to non-controlling interest | 1,791 | — | — | 1,791 |
| Adjusted EBITDA | <u>\$ 151,937</u> | <u>\$ 36,840</u> | <u>\$ (31,232)</u> | <u>\$157,545</u> |

Year Ended December 31, 2017

| | Investnet | Investnet Yodlee | Nonsegment | Total |
|--|-------------------|---------------------------|--------------------|------------------|
| Revenues | \$ 527,905 | \$ 155,774 | \$ — | \$683,679 |
| Deferred revenue fair value adjustment | 38 | 92 | — | 130 |
| Adjusted revenues | <u>\$ 527,943</u> | <u>\$ 155,866</u> | <u>\$ —</u> | <u>\$683,809</u> |
| Income (loss) from operations | \$ 75,449 | \$ (19,456) | \$ (39,573) | \$ 16,420 |
| Add: | | | | |
| Deferred revenue fair value adjustment | 38 | 92 | — | 130 |
| Accretion on contingent consideration and purchase liability | 512 | — | — | 512 |
| Depreciation and amortization | 26,223 | 36,597 | — | 62,820 |
| Non-cash compensation expense | 15,191 | 10,880 | 5,260 | 31,331 |
| Restructuring charges and transaction costs | 366 | — | 13,300 | 13,666 |
| Non-income tax expense adjustment | 346 | — | — | 346 |
| Severance | 1,954 | 346 | 16 | 2,316 |
| Litigation related expense | — | 1,033 | — | 1,033 |
| Loss attributable to non-controlling interest | 316 | — | — | 316 |
| Adjusted EBITDA | <u>\$ 120,395</u> | <u>\$ 29,492</u> | <u>\$ (20,997)</u> | <u>\$128,890</u> |

Envestnet, Inc.
Historical Assets, Accounts and Advisors
(in millions, except accounts and advisors)
(unaudited)

| | As of | | | | |
|--------------------------|---|-------------------|-------------------|-----------------------|----------------------|
| | December 31, 2017 | March 31, 2018 | June 30, 2018 | September 30, 2018 | December 31, 2018 |
| | (in millions except accounts and advisors data) | | | | |
| <i>Platform Assets</i> | | | | | |
| AUM | \$ 141,518 | \$ 143,945 | \$ 148,537 | \$ 153,862 | \$ 150,591 |
| AUA | 308,480 | 353,379 | 360,850 | 388,066 | 291,934 |
| Total AUM/A | 449,998 | 497,324 | 509,387 | 541,928 | 442,525 |
| Subscription | 1,253,528 | 2,076,382 | 2,167,084 | 2,297,593 | 2,314,253 |
| Total Platform Assets | <u>\$ 1,703,526</u> | <u>2,573,706</u> | <u>2,676,471</u> | <u>\$ 2,839,521</u> | <u>\$ 2,756,778</u> |
| <i>Platform Accounts</i> | | | | | |
| AUM | 685,925 | 724,774 | 759,926 | 776,705 | 816,354 |
| AUA | 1,217,697 | 1,389,489 | 1,417,795 | 1,517,297 | 1,182,764 |
| Total AUM/A | 1,903,622 | 2,114,263 | 2,177,721 | 2,294,002 | 1,999,118 |
| Subscription | 5,054,015 | 7,985,777 | 8,042,900 | 8,185,667 | 8,865,435 |
| Total Platform Accounts | <u>6,957,637</u> | <u>10,100,040</u> | <u>10,220,621</u> | <u>10,479,669</u> | <u>10,864,553</u> |
| <i>Advisors</i> | | | | | |
| AUM/A | 40,485 | 44,790 | 44,900 | 47,292 | 40,103 |
| Subscription | 25,566 | 43,037 | 43,700 | 45,619 | 56,237 |
| Total Advisors | <u>66,051</u> | <u>87,827</u> | <u>88,600</u> | <u>92,911</u> | <u>96,340</u> |

The following table summarizes the changes in AUM and AUA for the three months ended December 31, 2018:

| | As of 9/30/2018 | Gross Sales | Redemptions | Net Flows | Market Impact | Reclass to Subscription | As of 12/31/2018 |
|---------------------------|-----------------------------------|-----------------|--------------------|-----------------|-------------------|----------------------------|---------------------|
| | (in millions except account data) | | | | | | |
| AUM | \$ 153,862 | \$20,361 | \$ (9,244) | \$11,117 | \$(14,388) | \$ — | \$ 150,591 |
| AUA | 388,066 | 36,502 | (19,670) | 16,832 | (34,519) | (78,445) | 291,934 |
| Total AUM/A | <u>\$ 541,928</u> | <u>\$56,863</u> | <u>\$ (28,914)</u> | <u>\$27,949</u> | <u>\$(48,907)</u> | <u>\$ (78,445)</u> | <u>\$ 442,525</u> |
| <i>Fee-Based Accounts</i> | 2,294,002 | | | 118,047 | | (412,931) | 1,999,118 |

The above AUM/A gross sales figures include \$23.3 billion in new client conversions. The Company onboarded an additional \$72.0 billion in subscription conversions during the fourth quarter, bringing total conversions for the quarter to \$95.3 billion.

The following table summarizes the changes in AUM and AUA for the year ended December 31, 2018:

| | As of 12/31/2017 | Folio- Dynamix | Gross Sales | Redemptions | Net Flows | Market Impact | Reclass to Subscription | As of 12/31/2018 |
|---------------------------|------------------------------------|-------------------|------------------|---------------------|-----------------|-------------------|----------------------------|---------------------|
| | (in millions, except account data) | | | | | | | |
| AUM | \$ 141,518 | \$ 8,736 | \$ 63,081 | \$ (45,945) | \$17,136 | \$(11,590) | \$ (5,209) | \$ 150,591 |
| AUA | 308,480 | 33,182 | 141,037 | (89,756) | 51,281 | (21,183) | (79,826) | 291,934 |
| Total AUM/A | <u>\$ 449,998</u> | <u>\$ 41,918</u> | <u>\$204,118</u> | <u>\$ (135,701)</u> | <u>\$68,417</u> | <u>\$(32,773)</u> | <u>\$ (85,035)</u> | <u>\$ 442,525</u> |
| <i>Fee-Based Accounts</i> | 1,903,622 | 136,294 | | | 378,092 | | (418,890) | 1,999,118 |

The above AUM/A gross sales figures include \$60.5 billion in new client conversions. The Company onboarded an additional \$148.1 billion in subscription conversions during 2018, bringing total conversions for the year to \$208.6 billion.

Asset and account figures in the “Reclass to Subscription” column for the quarter and year ended December 31, 2018 represent enterprise customers whose billing arrangements in future periods are subscription-based, rather than asset-based. Such amounts are included in Subscription metrics at the end of the quarter in which the reclassification occurred, with no impact on total platform assets or accounts.

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