

May 8, 2019



# Investnet Reports First Quarter 2019 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 ended March 31, 2019.

| Key Financial Metrics<br>(in millions except per share data)        | Three months ended<br>March 31, |          | %      |
|---|---------------------------------|----------|--------|
|   | 2019                            | 2018     | Change |
| GAAP:   |                                 |          |        |
| Total revenues  | \$ 199.7                        | \$ 198.0 | 1%     |
| Net income (loss)   | \$ (18.3)                       | \$ 8.0   | n/m    |
| Net income (loss) per diluted share attributable to Investnet, Inc. | \$ (0.38)                       | \$ 0.17  | n/m    |
| Non-GAAP:   |                                 |          |        |
| Adjusted net revenues <sup>(1)</sup>                                | \$ 145.8                        | \$ 140.4 | 4%     |
| Adjusted EBITDA <sup>(1)</sup>                                      | \$ 34.0                         | \$ 32.8  | 4%     |
| Adjusted net income <sup>(1)</sup>                                  | \$ 19.4                         | \$ 17.7  | 10%    |
| Adjusted net income per diluted share <sup>(1)</sup>                | \$ 0.39                         | \$ 0.37  | 5%     |

n/m - Not meaningful

“In the first quarter, Investnet grew revenue, adjusted EBITDA and adjusted earnings per share, overcoming the impact of challenging capital markets in the fourth quarter of 2018,” said Jud Bergman, Chairman and CEO.

“We continue to execute on our vision for enabling financial wellness, having recently formed the Advisor Credit Exchange and closed on our acquisition of PIEtech®, creator of MoneyGuide financial planning applications. We are focused on enabling advisors’ delivery of unified advice to their clients, as they achieve better financial outcomes and improve the lives of millions of investors,” concluded Mr. Bergman.

## Financial Results for the First Quarter of 2019:

Asset-based recurring revenues decreased 10% from the prior year period, and represented 55% of total revenues for the first quarter of 2019, compared to 61% of total revenues for the same period in 2018. Subscription-based recurring revenues increased 19% from the prior year period, and represented 42% of total revenues the first quarter of 2019 compared to 35% for the same period in 2018. Professional services and other non-recurring revenues increased 7% from the prior year period. Total revenues increased 1% to \$199.7 million for the first quarter of 2019 from \$198.0 million for the first quarter of 2018.

Total operating expenses for the first quarter of 2019 increased 5% to \$208.4 million from

\$198.7 million in the prior year period. Cost of revenues decreased 2% to \$61.6 million for the first quarter of 2019 from \$62.9 million for the prior year period. Compensation and benefits increased 4% to \$86.7 million for the first quarter of 2019 from \$83.5 million for the prior year period. Compensation and benefits were 43% of total revenues for the first quarter of 2019, compared to 42% in the prior year period. General and administration expenses increased 24% to \$40.5 million for the first quarter of 2019 from \$32.7 million for the prior year period. General and administrative expenses were 20% of total revenues for the first quarter of 2019, compared to 17% in the prior year period.

Loss from operations was \$8.7 million for the first quarter of 2019 compared to \$0.7 million for the first quarter of 2018. Net loss was \$18.3 million for the first quarter of 2019 compared to net income of \$8.0 million for the first quarter of 2018. Net loss per share attributable to Envestnet, Inc. was \$0.38 for the first quarter of 2019 compared to net income per diluted share attributable to Envestnet, Inc. of \$0.17 for the first quarter of 2018.

Adjusted net revenues<sup>(1)</sup> for the first quarter of 2019 increased 4% to \$145.8 million from \$140.4 million for the prior year period. Adjusted EBITDA<sup>(1)</sup> for the first quarter of 2019 increased 4% to \$34.0 million from \$32.8 million for the prior year period. Adjusted net income<sup>(1)</sup> increased 10% for the first quarter of 2019 to \$19.4 million from \$17.7 million for the prior year period. Adjusted net income per diluted share<sup>(1)</sup> for the first quarter of 2019 increased 5% to \$0.39 from \$0.37 in the first quarter of 2018.

## **Outlook**

The Company provided the following outlook for the second quarter ended June 30, 2019 and full year ended December 31, 2019. This outlook is based on the market value of assets on March 31, 2019 and includes the contribution from PIETech®, Inc. beginning May 1, 2019, the date the acquisition was closed.

| In Millions Except Adjusted EPS                      | 2Q 2019 |   | FY 2019 |         |           |
|--|---------|---|---------|---------|-----------|
| GAAP:  |         |   |         |         |           |
| Revenues:  |         |   |         |         |           |
| Asset-based  | \$118.0 | - | \$119.0 |         |           |
| Subscription-based                                   | (a)     | - | (a)     |         |           |
| Total recurring revenues                             | (a)     | - | (a)     |         |           |
| Professional services and other revenues             | (a)     | - | (a)     |         |           |
| Total revenues                                       | (a)     | - | (a)     | (a)     | (a)       |
| Asset-based cost of revenues                         | \$ 59.0 | - | \$ 60.0 | \$236.0 | - \$237.0 |
| Total cost of revenues                               | \$ 72.0 | - | \$ 73.0 |         |           |
| Net income   | (b)     | - | (b)     | (b)     | (b)       |
| Diluted shares outstanding                           | 52.8    |   |         |         |           |
| Net income per diluted share                         | (b)     | - | (b)     | (b)     | (b)       |
| Non-GAAP:  |         |   |         |         |           |
| Adjusted revenues <sup>(1)</sup> :                   |         |   |         |         |           |
| Asset-based  | \$118.0 | - | \$119.0 |         |           |
| Subscription-based                                   | 95.0    | - | 96.0    |         |           |
| Total recurring revenues                             | \$213.0 | - | \$215.0 |         |           |
| Professional services and other revenues             | 10.5    | - | 11.5    |         |           |
| Total revenues                                       | \$223.5 | - | \$226.5 | \$902.0 | - \$912.0 |
| Adjusted net revenues <sup>(1)</sup>                 | \$165.0 | - | \$168.0 | \$665.0 | - \$676.0 |
| Adjusted EBITDA <sup>(1)</sup>                       | \$ 42.5 | - | \$ 43.0 | \$190.0 | - \$195.0 |
| Adjusted net income per diluted share <sup>(1)</sup> | \$0.44  |   |         | \$ 2.08 | - \$ 2.15 |

(a) The Company does not currently forecast these GAAP revenue measures, due to pending purchase accounting for the recently completed PortfolioCenter and PIEtech acquisitions. Accordingly, the Company also does not provide reconciliations of guidance for adjusted revenues to comparable GAAP measures due to the uncertainty of the deferred revenue fair value adjustment related to acquisitions.

(b) 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.

Adjusted net revenues is a new non-GAAP financial metric - see footnote 1 on page 3 for more information.

## Conference Call

Investnet will host a conference call to discuss first quarter 2019 financial results today at 5:00 p.m. ET. The live webcast can be accessed from Investnet's investor relations website at <http://ir.investnet.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 6181257. The replay will be available until Wednesday, May 15, 2019.

## About Investnet

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

**Investnet Wealth** enables enterprises and advisors to better manage client outcomes and strengthen their practices through its leading Wealth Management Operating System and advanced portfolio solutions. **Investnet | Tamarac** provides portfolio management, reporting, trading, rebalancing and client portal solutions for registered independent advisors ("RIAs"). **Investnet MoneyGuide** provides goals-based financial planning applications. **Investnet Data & Analytics** enables innovation and insights through its **Investnet | Yodlee** data aggregation platform.

Nearly 97,000 advisors and more than 3,800 companies including: 17 of the 20 largest U.S. banks, 43 of the 50 largest wealth management and brokerage firms, over 500 of the largest RIAs and hundreds of Internet services companies, leverage Investnet technology and services. Investnet solutions enhance knowledge of the client, accelerate client onboarding, improve client digital experiences and help drive better outcomes for enterprises, advisors and their clients.

For more information on Investnet, please visit [www.investnet.com](http://www.investnet.com) and follow us on twitter @ENVintel.

### **(1) Non-GAAP Financial Measures**

"Adjusted revenues" excludes the effect of purchase accounting on the fair value of acquired deferred revenue. Under GAAP, we record at fair value the acquired deferred revenue for contracts in effect at the time the entities were acquired. Consequently, revenue related to acquired entities for periods subsequent to the acquisition does not reflect the full amount of revenue that would have been recorded by these entities had they remained stand-alone entities.

"Adjusted net revenues" represents adjusted revenues less asset-based cost of revenues. Under GAAP, we are required to recognize as revenue certain fees paid to investment managers and other third parties needed for implementation of investment solutions included in our assets under management. Those same fees also are required to be recorded as cost of revenues. This non-GAAP metric presents adjusted revenues without such fees included, as they have no impact on our profitability.

"Adjusted EBITDA" represents net income 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, 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 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 diluted share" represents adjusted net income divided by the

diluted number of weighted-average shares outstanding.

See reconciliation of Non-GAAP Financial Measures on pages 9-11 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 second quarter and full year of 2019, 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 acquisitions of FolioDynamix and PIEtech, Inc. 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 revenues, 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](http://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 May 8, 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)

|   | <u>March 31,</u>   | <u>December 31,</u> |
|---|--------------------|---------------------|
|   | <u>2019</u>        | <u>2018</u>         |
| <b>Assets</b>                             |                    |                     |
| Current assets:                           |                    |                     |
| Cash and cash equivalents                 | \$ 245,735         | \$ 289,345          |
| Fees receivable, net                      | 66,365             | 68,004              |
| Prepaid expenses and other current assets | 36,916             | 23,557              |
| Total current assets                      | <u>349,016</u>     | <u>380,906</u>      |
| Property and equipment, net               | 46,794             | 44,991              |
| Internally developed software, net        | 42,771             | 38,209              |
| Intangible assets, net                    | 296,813            | 305,241             |
| Goodwill                                  | 540,524            | 519,102             |
| Operating lease right-of-use-assets, net  | 67,728             | —                   |
| Other non-current assets                  | 26,945             | 25,298              |
| Total assets                              | <u>\$1,370,591</u> | <u>\$ 1,313,747</u> |
| <b>Liabilities and Equity</b>             |                    |                     |
| Current liabilities:                      |                    |                     |
| Accrued expenses and other liabilities    | 101,457            | 133,298             |
| Accounts payable                          | 25,135             | 19,567              |
| Operating lease liabilities               | 12,309             | —                   |
| Convertible Notes due 2019                | 167,442            | 165,711             |
| Contingent consideration                  | 744                | 732                 |
| Deferred revenue                          | 31,639             | 23,988              |
| Total current liabilities                 | <u>338,726</u>     | <u>343,296</u>      |
| Convertible Notes due 2023                | 297,392            | 294,725             |
| Contingent consideration                  | 7,717              | —                   |
| Deferred revenue                          | 6,580              | 6,910               |
| Non-current lease liabilities             | 73,377             | —                   |
| Deferred rent and lease incentive         | —                  | 17,569              |
| Deferred tax liabilities, net             | 809                | 640                 |
| Other non-current liabilities             | 24,452             | 18,005              |
| Total liabilities                         | <u>749,053</u>     | <u>681,145</u>      |
| Equity:                                   |                    |                     |
| Stockholders’ equity                      | 622,719            | 633,700             |
| Non-controlling interest                  | (1,181)            | (1,098)             |
| Total liabilities and equity              | <u>\$1,370,591</u> | <u>\$ 1,313,747</u> |

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

|  | <b>Three Months Ended</b> |             |
|--|---------------------------|-------------|
|  | <b>March 31,</b>          |             |
|  | <b>2019</b>               | <b>2018</b> |
| Revenues:  |                           |             |
| Asset-based  | \$ 108,934                | \$ 121,153  |
| Subscription-based   | 83,087                    | 69,695      |
| Total recurring revenues                                     | 192,021                   | 190,848     |
| Professional services and other revenues                     | 7,645                     | 7,163       |
| Total revenues   | 199,666                   | 198,011     |
| Operating expenses:  |                           |             |
| Cost of revenues   | 61,645                    | 62,934      |
| Compensation and benefits                                    | 86,717                    | 83,540      |
| General and administration                                   | 40,524                    | 32,729      |
| Depreciation and amortization                                | 19,517                    | 19,546      |
| Total operating expenses                                     | 208,403                   | 198,749     |
| Loss from operations   | (8,737)                   | (738)       |
| Other expense, net   | (5,763)                   | (5,254)     |
| Loss before income tax provision (benefit)                   | (14,500)                  | (5,992)     |
| Income tax provision (benefit)                               | 3,768                     | (13,994)    |
| Net income (loss)  | (18,268)                  | 8,002       |
| Add: Net loss attributable to non-controlling interest       | 83                        | 102         |
| Net income (loss) attributable to Envestnet, Inc.            | \$ (18,185)               | \$ 8,104    |
| Net income (loss) per share attributable to Envestnet, Inc.: |                           |             |
| Basic  | \$ (0.38)                 | \$ 0.18     |
| Diluted  | \$ (0.38)                 | \$ 0.17     |
| Weighted average common shares outstanding:                  |                           |             |
| Basic  | 48,237,265                | 44,782,982  |
| Diluted  | 48,237,265                | 47,145,560  |

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

|  | <b>Three Months Ended</b> |                         |
|--|---------------------------|-------------------------|
|  | <b>March 31,</b>          |                         |
|  | <b>2019</b>               | <b>2018</b>             |
| <b>OPERATING ACTIVITIES:</b>   |                           |                         |
| Net income (loss)  | \$ (18,268)               | \$ 8,002                |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: |                           |                         |
| Depreciation and amortization  | 19,517                    | 19,546                  |
| Deferred rent and lease incentive amortization                                       | —                         | 385                     |
| Provision for doubtful accounts  | 451                       | 461                     |
| Deferred income taxes  | 169                       | (17,923)                |
| Stock-based compensation expense   | 12,864                    | 8,495                   |
| Non-cash interest expense  | 6,880                     | 3,209                   |
| Accretion on contingent consideration and purchase liability                         | 240                       | 101                     |
| Loss allocation from equity method investment  | 203                       | 660                     |
| Changes in operating assets and liabilities, net of acquisitions:                    |                           |                         |
| Fees receivables, net  | 1,198                     | (10,191)                |
| Prepaid expenses and other current assets  | (13,346)                  | (3,665)                 |
| Other non-current assets   | (1,060)                   | (2,461)                 |
| Accrued expenses and other liabilities   | (34,495)                  | (17,404)                |
| Accounts payable   | 5,179                     | 1,594                   |
| Deferred revenue   | 7,039                     | 7,056                   |
| Other non-current liabilities  | 854                       | 1,382                   |
| Net cash used in operating activities  | <u>(12,575)</u>           | <u>(753)</u>            |
| <b>INVESTING ACTIVITIES:</b>   |                           |                         |
| Purchase of property and equipment   | (5,247)                   | (4,988)                 |
| Capitalization of internally developed software                                      | (7,185)                   | (4,599)                 |
| Acquisition of business  | (11,061)                  | (178,583)               |
| Other  | (1,000)                   | —                       |
| Net cash used in investing activities  | <u>(24,493)</u>           | <u>(188,170)</u>        |
| <b>FINANCING ACTIVITIES:</b>   |                           |                         |
| Proceeds from borrowings on revolving credit facility                                | —                         | 195,000                 |
| Payments on revolving credit facility  | —                         | (15,000)                |
| Proceeds from exercise of stock options  | 3,163                     | 2,404                   |
| Purchase of treasury stock for stock-based tax withholdings                          | (9,819)                   | (9,296)                 |
| Issuance of restricted stock units   | 2                         | 2                       |
| Net cash provided by (used in) financing activities                                  | <u>(6,654)</u>            | <u>173,110</u>          |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>                                       | 112                       | (109)                   |
| <b>DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>                        | <u>(43,610)</u>           | <u>(15,922)</u>         |
| <b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD</b>               | 289,671                   | 62,115                  |
| <b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD (a)</b>                 | <u><u>\$ 246,061</u></u>  | <u><u>\$ 46,193</u></u> |

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



|   | <b>March 31, December 31,</b> |                   |
|---|-------------------------------|-------------------|
|   | <b>2019</b>                   | <b>2018</b>       |
| Cash and cash equivalents   | \$245,735                     | \$ 289,345        |
| Restricted cash included in prepaid expenses and other current assets | 158                           | 158               |
| Restricted cash included in other non-current assets                  | 168                           | 168               |
| Total cash, cash equivalents and restricted cash                      | <u>\$246,061</u>              | <u>\$ 289,671</u> |

**Reconciliation of Non-GAAP Financial Measures**  
(in thousands)  
(unaudited)

|  | <b>Three Months Ended</b> |                  |
|--|---------------------------|------------------|
|  | <b>March 31,</b>          |                  |
|  | <b>2019</b>               | <b>2018</b>      |
| Total revenues   | \$199,666                 | \$198,011        |
| Deferred revenue fair value adjustment                       | 6                         | 4                |
| Adjusted revenues  | 199,672                   | 198,015          |
| Asset-based cost of revenues                                 | (53,842)                  | (57,572)         |
| Adjusted net revenues  | <u>\$145,830</u>          | <u>\$140,443</u> |
| Net income (loss)  | \$ (18,268)               | \$ 8,002         |
| Add (deduct):  |                           |                  |
| Deferred revenue fair value adjustment                       | 6                         | 4                |
| Interest income  | (1,510)                   | (410)            |
| Interest expense   | 7,096                     | 5,236            |
| Accretion on contingent consideration and purchase liability | 240                       | 101              |
| Income tax provision (benefit)                               | 3,768                     | (13,994)         |
| Depreciation and amortization                                | 19,517                    | 19,546           |
| Non-cash compensation expense                                | 12,864                    | 8,495            |
| Restructuring charges and transaction costs                  | 7,366                     | 2,592            |
| Severance  | 2,480                     | 2,812            |
| Foreign currency   | (1)                       | (232)            |
| Non-income tax expense adjustment                            | 210                       | (128)            |
| Loss allocation from equity method investment                | 203                       | 660              |
| Loss attributable to non-controlling interest                | 31                        | 69               |
| Adjusted EBITDA  | <u>\$ 34,002</u>          | <u>\$ 32,753</u> |

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

|  | <b>Three Months Ended</b> |                   |
|--|---------------------------|-------------------|
|  | <b>March 31,</b>          |                   |
|  | <b>2019</b>               | <b>2018</b>       |
| Net income (loss)  | \$ (18,268)               | \$ 8,002          |
| Income tax provision (benefit) <sup>(1)</sup>                | 3,768                     | (13,994)          |
| Loss before income tax provision (benefit)                   | (14,500)                  | (5,992)           |
| Add (deduct):  |                           |                   |
| Deferred revenue fair value adjustment                       | 6                         | 4                 |
| Accretion on contingent consideration and purchase liability | 240                       | 101               |
| Non-cash interest expense                                    | 4,616                     | 1,868             |
| Non-cash compensation expense                                | 12,864                    | 8,495             |
| Restructuring charges and transaction costs                  | 7,366                     | 2,592             |
| Severance  | 2,480                     | 2,812             |
| Amortization of acquired intangibles                         | 12,528                    | 13,935            |
| Foreign currency   | (1)                       | (232)             |
| Non-income tax expense adjustment                            | 210                       | (128)             |
| Loss allocation from equity method investment                | 203                       | 660               |
| Loss attributable to non-controlling interest                | 31                        | 69                |
| Adjusted net income before income tax effect                 | 26,043                    | 24,184            |
| Income tax effect <sup>(2)</sup>                             | (6,632)                   | (6,530)           |
| Adjusted net income  | <u>\$ 19,411</u>          | <u>\$ 17,654</u>  |
| <br>   |                           |                   |
| Basic number of weighted-average shares outstanding          | 48,237,265                | 44,782,982        |
| Effect of dilutive shares:                                   |                           |                   |
| Options to purchase common stock                             | 1,198,197                 | 1,396,091         |
| Unvested restricted stock units                              | 656,798                   | 966,487           |
| Diluted number of weighted-average shares outstanding        | <u>50,092,260</u>         | <u>47,145,560</u> |
| <br>   |                           |                   |
| Adjusted net income per share - diluted                      | <u>\$ 0.39</u>            | <u>\$ 0.37</u>    |

(1) For the three months ended March 31, 2019 and 2018, the effective tax rate computed in accordance with US GAAP equaled (26.0)% and 233.5%, respectively.

(2) Estimated normalized effective tax rates of 25.5% and 27% have been used to compute adjusted net income for the three months ended March 31, 2019 and 2018, respectively.

**Reconciliation of Non-GAAP Financial Measures**  
**Segment Information**  
(in thousands)  
(unaudited)

**Three months ended March 31, 2019**

|  | <b>Investnet Data</b>   |                        |                   |                  |
|--|-------------------------|------------------------|-------------------|------------------|
|  | <b>Investnet Wealth</b> | <b>&amp; Analytics</b> | <b>Nonsegment</b> | <b>Total</b>     |
| Revenues   | \$ 152,705              | \$ 46,961              | \$ —              | \$199,666        |
| Deferred revenue fair value adjustment                       | 6                       | —                      | —                 | 6                |
| Adjusted revenues  | 152,711                 | 46,961                 | —                 | 199,672          |
| Less: Asset-based cost of revenues                           | (53,842)                | —                      | —                 | (53,842)         |
| Adjusted net revenues  | <u>\$ 98,869</u>        | <u>\$ 46,961</u>       | <u>\$ —</u>       | <u>\$145,830</u> |
| <br>   |                         |                        |                   |                  |
| Income (loss) from operations                                | \$ 16,844               | \$ (7,928)             | \$ (17,653)       | \$ (8,737)       |
| Add:   |                         |                        |                   |                  |
| Deferred revenue fair value adjustment                       | 6                       | —                      | —                 | 6                |
| Accretion on contingent consideration and purchase liability | 240                     | —                      | —                 | 240              |
| Depreciation and amortization                                | 11,267                  | 8,250                  | —                 | 19,517           |
| Non-cash compensation expense                                | 5,677                   | 4,188                  | 2,999             | 12,864           |
| Restructuring charges and transaction costs                  | 262                     | 965                    | 6,139             | 7,366            |
| Non-income tax expense adjustment                            | 200                     | 10                     | —                 | 210              |
| Severance  | 350                     | 2,048                  | 82                | 2,480            |
| Other  | 22                      | 1                      | 2                 | 25               |
| Loss attributable to non-controlling interest                | 31                      | —                      | —                 | 31               |
| Adjusted EBITDA  | <u>\$ 34,899</u>        | <u>\$ 7,534</u>        | <u>\$ (8,431)</u> | <u>\$ 34,002</u> |

**Three Months Ended March 31, 2018**

|  | <b>Investnet Data</b>   |                        |                   |                  |
|--|-------------------------|------------------------|-------------------|------------------|
|  | <b>Investnet Wealth</b> | <b>&amp; Analytics</b> | <b>Nonsegment</b> | <b>Total</b>     |
| Revenues   | \$ 155,988              | \$ 42,023              | \$ —              | \$198,011        |
| Deferred revenue fair value adjustment                       | (2)                     | 6                      | —                 | 4                |
| Adjusted revenues  | 155,986                 | 42,029                 | —                 | 198,015          |
| Less: Asset-based cost of revenues                           | (57,572)                | —                      | —                 | (57,572)         |
| Adjusted net revenues  | <u>\$ 98,414</u>        | <u>\$ 42,029</u>       | <u>\$ —</u>       | <u>\$140,443</u> |
| <br>   |                         |                        |                   |                  |
| Income (loss) from operations                                | \$ 15,861               | \$ (4,409)             | \$ (12,190)       | \$ (738)         |
| Add:   |                         |                        |                   |                  |
| Deferred revenue fair value adjustment                       | (2)                     | 6                      | —                 | 4                |
| Accretion on contingent consideration and purchase liability | 101                     | —                      | —                 | 101              |
| Depreciation and amortization                                | 11,473                  | 8,073                  | —                 | 19,546           |
| Non-cash compensation expense                                | 4,054                   | 2,464                  | 1,977             | 8,495            |
| Restructuring charges and transaction costs                  | 37                      | 200                    | 2,355             | 2,592            |
| Non-income tax expense adjustment                            | (128)                   | —                      | —                 | (128)            |
| Severance  | 2,429                   | 383                    | —                 | 2,812            |
| Loss attributable to non-controlling interest                | 69                      | —                      | —                 | 69               |
| Adjusted EBITDA  | <u>\$ 33,894</u>        | <u>\$ 6,717</u>        | <u>\$ (7,858)</u> | <u>\$ 32,753</u> |

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

|                                     | As of  |                    |                       |                      |                    |
|-------------------------------------|--|--------------------|-----------------------|----------------------|--------------------|
|                                     | March 31,<br>2018                                | June 30,<br>2018   | September 30,<br>2018 | December 31,<br>2018 | March 31,<br>2019  |
|                                     | (in millions, except accounts and advisors data) |                    |                       |                      |                    |
| <i>Platform Assets</i>              |  |                    |                       |                      |                    |
| Assets under Management ("AUM")     | \$ 143,945                                       | \$ 148,537         | \$ 153,862            | \$ 150,591           | \$ 176,144         |
| Assets under Administration ("AUA") | 353,379  | 360,850            | 388,066               | 291,934              | 319,129            |
| Total AUM/A                         | 497,324  | 509,387            | 541,928               | 442,525              | 495,273            |
| Subscription                        | 2,076,382  | 2,167,084          | 2,297,593             | 2,314,253            | 2,546,483          |
| Total Platform Assets               | <u>\$2,573,706</u>                               | <u>\$2,676,471</u> | <u>\$ 2,839,521</u>   | <u>\$ 2,756,778</u>  | <u>\$3,041,756</u> |
| <i>Platform Accounts</i>            |  |                    |                       |                      |                    |
| AUM                                 | 724,774  | 759,926            | 776,705               | 816,354              | 874,574            |
| AUA                                 | 1,389,489  | 1,417,795          | 1,517,297             | 1,182,764            | 1,187,589          |
| Total AUM/A                         | 2,114,263  | 2,177,721          | 2,294,002             | 1,999,118            | 2,062,163          |
| Subscription                        | 7,985,777  | 8,042,900          | 8,185,667             | 8,865,435            | 8,909,581          |
| Total Platform Accounts             | <u>10,100,040</u>                                | <u>10,220,621</u>  | <u>10,479,669</u>     | <u>10,864,553</u>    | <u>10,971,744</u>  |
| <i>Advisors</i>                     |  |                    |                       |                      |                    |
| AUM/A                               | 44,790   | 44,900             | 47,292                | 40,103               | 39,035             |
| Subscription                        | 43,037   | 43,700             | 45,619                | 56,237               | 57,594             |
| Total Advisors                      | <u>87,827</u>                                    | <u>88,600</u>      | <u>92,911</u>         | <u>96,340</u>        | <u>96,629</u>      |

The following table summarizes the changes in AUM and AUA for the three months ended March 31, 2019:

|                           | 12/31/2018                        | Gross<br>Sales  | Redemp-<br>tions  | Net Flows        | Market Impact    | Reclass to<br>Subscription | 3/31/2019         |
|---------------------------|-----------------------------------|-----------------|-------------------|------------------|------------------|----------------------------|-------------------|
|                           | (in millions except account data) |                 |                   |                  |                  |                            |                   |
| AUM                       | \$ 150,591                        | \$21,687        | \$ (9,155)        | \$ 12,532        | \$ 13,021        | \$ —                       | \$ 176,144        |
| AUA                       | 291,934                           | 27,991          | (20,920)          | 7,071            | 23,619           | (3,495)                    | 319,129           |
| Total AUM/A               | <u>\$ 442,525</u>                 | <u>\$49,678</u> | <u>\$(30,075)</u> | <u>\$ 19,603</u> | <u>\$ 36,640</u> | <u>\$ (3,495)</u>          | <u>\$ 495,273</u> |
| <i>Fee-Based Accounts</i> | 1,999,118                         |                 |                   | 80,177           |                  | (17,132)                   | 2,062,163         |

The above AUM/A gross sales figures include \$20.1 billion in new client conversions. The Company onboarded an additional \$27.6 billion in subscription conversions during the three months ended March 31, 2019, bringing total conversions for the quarter to \$47.7 billion.

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