

May 7, 2015



# Investnet Reports First Quarter 2015 Financial Results

CHICAGO--(BUSINESS WIRE)-- Investnet (NYSE: ENV), a leading provider of unified wealth management technology and services to financial advisors, today reported financial results for its first quarter ended March 31, 2015.

Key Financial Metrics (in millions except per share data)	First Quarter		% Change
	2015	2014	
Adjusted Revenues <sup>(1)</sup>	\$ 96.5	\$ 78.5	23%
Adjusted EBITDA <sup>(1)</sup>	\$ 16.8	\$ 11.8	43%
Adjusted Net Income per Share <sup>(1)</sup>	\$ 0.22	\$ 0.17	29%

## Financial Results for the First Quarter of 2015 Compared to the First Quarter of 2014:

- Adjusted Revenues<sup>(1)</sup> increased 23% to \$96.5 million for the first quarter of 2015 from \$78.5 million for the first quarter of 2014.
- Revenues from assets under management (AUM) or assets under administration (AUA) increased 21% to \$81.1 million for the first quarter of 2015 from \$67.1 million for the first quarter of 2014; total revenues, which include licensing and professional services fees, increased 23% to \$96.5 million for the first quarter of 2015 from \$78.5 million for the first quarter of 2014.
- Adjusted EBITDA<sup>(1)</sup> increased 43% to \$16.8 million for the first quarter of 2015 compared to \$11.8 million for the first quarter of 2014.
- Adjusted Net Income<sup>(1)</sup> was \$8.2 million, or \$0.22 per diluted share, for the first quarter of 2015 compared to \$6.3 million, or \$0.17 per diluted share, for the first quarter of 2014.
- Net income attributable to Investnet, Inc. was \$2.5 million, or \$0.07 per diluted share, for the first quarter of 2015 compared to \$3.0 million, or \$0.08 per diluted share, for the first quarter of 2014.

“This year we have announced two strategically important transactions, Finance Logix and Upside, both of which are part of our mission to empower advisors with expanded functionality and support the wealth planning and management process,” said Jud Bergman, Chairman and CEO.

“First quarter results reflect ongoing support and growth among our advisors as Revenues and Adjusted EBITDA increased by 23% and 43%, respectively, compared to last year. We are also fully engaged in the largest and most complex conversions in the Company’s

history which is a testament to our ability to deliver superior solutions to the industry's leading institutions. Envestnet remains well-positioned to deliver meaningful growth in 2015 and beyond," concluded Mr. Bergman.

### Key Operating Metrics (AUM/A Only) as of and for the Quarter Ended March 31, 2015:

- Assets: \$255.9 billion, up 30% from March 31, 2014
- Accounts: 999,649, up 26% from March 31, 2014
- Advisors: 29,023, up 19% from March 31, 2014
- Gross sales: \$22.0 billion, resulting in net flows of \$6.8 billion

The following table summarizes the changes in AUM and AUA for the quarter ended March 31, 2015:

In Millions Except Account Data	12/31/14	Gross Sales	Redemptions	Net Flows	Market Impact	3/31/15
Assets under Management (AUM)	\$ 72,120	\$ 6,182	\$ (4,287)	\$ 1,895	\$ 628	\$ 74,643
Assets under Administration (AUA)	174,249	15,816	(10,929)	4,887	2,103	181,239
<b>Total AUM/A</b>	<b>\$246,369</b>	<b>\$21,998</b>	<b>\$(15,216)</b>	<b>\$ 6,782</b>	<b>\$ 2,731</b>	<b>\$255,882</b>
<i>Fee-Based Accounts</i>	<i>977,625</i>	<i>77,770</i>	<i>(55,746)</i>	<i>22,024</i>		<i>999,649</i>

The above AUM/A gross sales figures include \$1.9 billion in new client conversions. The Company onboarded an additional \$15.4 billion in licensing conversions during the first quarter, bringing total conversions for the quarter to \$17.3 billion.

### Review of First Quarter 2015 Financial Results

Adjusted Revenues<sup>(1)</sup> increased 23% to \$96.5 million for the first quarter of 2015 from \$78.5 million for the first quarter of 2014. The increase was primarily due to a 21% increase in revenues from AUM or AUA to \$81.1 million from \$67.1 million in the prior year period.

Total operating expenses increased 21% to \$89.8 million in the first quarter of 2015 from \$74.5 million in the first quarter of 2014. Cost of revenues increased 12% to \$38.7 million in the first quarter of 2015 from \$34.4 million in the first quarter of 2014 due to the increase in revenue from AUM or AUA, partially offset by Placemark revenue which is recognized net of manager fees. Compensation and benefits increased 34% to \$31.5 million in the first quarter of 2015 from \$23.5 million in the prior year period primarily due to the inclusion of Placemark and an increase in headcount to support growth in the business. General and administration expenses increased 17% to \$14.2 million in the first quarter of 2015 from \$12.2 million in the prior year period, partly due to the inclusion of Placemark.

Income from operations was \$6.7 million for the first quarter of 2015 compared to \$4.1 million for the first quarter of 2014. Net income attributable to Envestnet, Inc. was \$2.5 million, or \$0.07 per diluted share, for the first quarter of 2015 compared to \$3.0 million, or \$0.08 per diluted share, for the first quarter of 2014. Adjusted EBITDA<sup>(1)</sup> in the first quarter of 2015 was \$16.8 million, compared to \$11.8 million in the first quarter of 2014. Adjusted Net Income<sup>(1)</sup> was \$8.2 million, compared to \$6.3 million in the first quarter of 2014. Adjusted Net

Income Per Share<sup>(1)</sup> was \$0.22, compared to \$0.17 in the first quarter of 2014.

At March 31, 2015, Envestnet had \$209.9 million in cash and cash equivalents, and its revolving credit facility was undrawn with \$100 million available.

## **Conference Call**

Envestnet will host a conference call to discuss first quarter 2015 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 (888) 516-2446, or for international callers (719) 457-2602 . A replay will be available one hour after the call and can be accessed by dialing (877) 870-5176 or (858) 384-5517 for international callers; the conference ID is 6201858. 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 unified wealth management technology and services to investment advisors. Our open-architecture platforms unify and fortify the wealth management process, delivering unparalleled flexibility, accuracy, performance and value. Envestnet solutions enable the transformation of wealth management into a transparent, independent, objective and fully-aligned standard of care, and empower advisors to deliver better results.

Envestnet's Advisor Suite® software empowers financial advisors to better manage client outcomes and strengthen their practice. Envestnet provides institutional-quality research and advanced portfolio solutions through our Portfolio Management Consultants group, Envestnet | PMC®. Envestnet | Tamarac provides leading rebalancing, reporting and practice management software.

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

"Adjusted revenues" exclude the effect of purchase accounting on the fair value of acquired deferred revenue. Under United States generally accepted accounting principles (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 EBITDA" represents net income before interest income, interest expense, accretion on contingent consideration, income tax provision, depreciation and amortization, non-cash compensation expense, restructuring charges and transaction costs, severance, fair market value adjustment on contingent consideration, and pre-tax loss attributable to non-controlling interest.

"Adjusted net income" represents net income before non-cash interest expense, non-cash compensation expense, restructuring charges and transaction costs, severance, amortization of acquired intangibles, accretion on contingent consideration, fair market value adjustment on contingent consideration, and net loss attributable to non-controlling interest.

Reconciling items are tax effected using the income tax rates noted in the reconciliation table found in this release.

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

See reconciliation of Non-GAAP Financial Measures at the end of this press release. These 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 (the “Company”) expected financial performance and outlook, 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, difficulty in sustaining rapid revenue growth, which may place significant demands on the Company’s administrative, operational and financial resources, fluctuations in the Company’s revenue, the concentration of nearly all of the Company’s revenues from the delivery of investment solutions and services to clients in the financial advisory industry, the Company’s reliance on a limited number of clients for a material portion of its revenue, the renegotiation of fee percentages or termination of the Company’s services by its clients, the Company’s ability to identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies, the impact of market and economic conditions on the Company’s revenues, compliance failures, regulatory actions against the Company, the failure to protect the Company’s intellectual property rights, the Company’s inability to successfully execute the conversion of its clients’ assets from their technology platform to the Company’s technology platform in a timely and accurate manner, general economic conditions, changes to the Company’s previously reported financial information as a result of political and regulatory conditions, as well as 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 7, 2015 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.

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 209,914	\$ 209,754
Fees and other receivables, net	26,198	20,345
Deferred tax assets, net	4,635	4,654
Prepaid expenses and other current assets	20,091	7,242
Total current assets	<u>260,838</u>	<u>241,995</u>
Property and equipment, net	17,087	16,629
Internally developed software, net	7,555	7,023
Intangible assets, net	58,514	58,654
Goodwill	104,976	104,976
Deferred tax assets, net	-	565
Other non-current assets	9,846	9,516
Total assets	<u>\$ 458,816</u>	<u>\$ 439,358</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Accrued expenses	\$ 47,146	\$ 48,247
Accounts payable	5,151	4,869
Contingent consideration	7,139	6,405
Deferred revenue	5,702	5,159
Total current liabilities	<u>65,138</u>	<u>64,680</u>
Convertible notes	146,411	145,203
Contingent consideration	5,624	7,462
Deferred revenue	10,499	6,954
Deferred rent	3,861	3,588
Lease incentive	5,445	5,550
Deferred tax liabilities, net	1,304	-
Other non-current liabilities	2,374	2,430
Total liabilities	<u>240,656</u>	<u>235,867</u>
Redeemable units in ERS, LLC	1,500	1,500
Equity:		
Stockholders' equity	216,104	201,435
Non-controlling interest	556	556
Total liabilities and equity	<u>\$ 458,816</u>	<u>\$ 439,358</u>

**Investnet, Inc.**  
**Condensed Consolidated Statements of Operations**  
(In thousands, except share and per share information)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Assets under management or administration	\$ 81,077	\$ 67,081
Licensing and professional services	15,377	11,458
Total revenues	<u>96,454</u>	<u>78,539</u>
Operating expenses:		

Cost of revenues	38,695	34,437
Compensation and benefits	31,535	23,459
General and administration	14,209	12,150
Depreciation and amortization	5,333	4,422
Total operating expenses	<u>89,772</u>	<u>74,468</u>
Income from operations	6,682	4,071
Other (expense) income	(2,203)	81
Income before income tax provision	<u>4,479</u>	<u>4,152</u>
Income tax provision	<u>1,968</u>	<u>1,284</u>
Net income	2,511	2,868
Add: Net loss attributable to non-controlling interest	-	126
Net income attributable to Envestnet, Inc.	<u>\$ 2,511</u>	<u>\$ 2,994</u>
Net income per share attributable to Envestnet, Inc.:		
Basic	<u>\$ 0.07</u>	<u>\$ 0.09</u>
Diluted	<u>\$ 0.07</u>	<u>\$ 0.08</u>
Weighted average common shares outstanding:		
Basic	<u>35,147,043</u>	<u>34,115,444</u>
Diluted	<u>37,316,934</u>	<u>36,558,983</u>

**Envestnet, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

**Three Months Ended**  
**March 31,**  
2015      2014

**OPERATING ACTIVITIES:**

Net income	\$ 2,511	\$ 2,868
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,333	4,422
Deferred rent and lease incentive	168	(97)
Deferred income taxes	1,888	-
Stock-based compensation	3,419	2,568
	(11,468)	-
Excess tax benefits from stock-based compensation		
Interest expense	2,356	-
Accretion on contingent consideration	342	412
Fair market value adjustment on contingent consideration	(1,446)	-
Changes in operating assets and liabilities, net of acquisition:		
Fees and other receivables	(5,853)	(2,128)
Prepaid expenses and other current assets	(1,375)	(123)
Other non-current assets	(661)	(284)
Accrued expenses	(2,180)	(3,700)
Accounts payable	188	1,269
Deferred revenue	4,088	1,091
Other non-current liabilities	(58)	21
Net cash provided by (used in) operating activities	<u>(2,748)</u>	<u>6,319</u>

<b>INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(2,058)	(2,002)
Capitalization of internally developed software	(1,132)	(860)
Acquisition of business, net of cash acquired	(2,641)	-
Net cash used in investing activities	<u>(5,831)</u>	<u>(2,862)</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	3,710	839
Purchase of treasury stock for stock-based minimum tax withholdings	(6,441)	(1,609)
Excess tax benefits from stock-based compensation	11,468	-
Issuance of restricted stock	2	-
Net cash provided by (used in) financing activities	<u>8,739</u>	<u>(770)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>160</u>	<u>2,687</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	209,754	49,942
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u><u>\$209,914</u></u>	<u><u>\$52,629</u></u>

**Investnet, 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>	
	<u>2015</u>	<u>2014</u>
Revenues	\$ 96,454	\$ 78,539
Deferred revenue fair value adjustment	-	-
Adjusted revenues	<u>\$ 96,454</u>	<u>\$ 78,539</u>
Net income	\$ 2,511	\$ 2,868
Add (deduct):		
Interest income	(122)	(81)
Interest expense	2,356	-
Accretion on contingent consideration	342	412
Income tax provision	1,968	1,284
Depreciation and amortization	5,333	4,422
Non-cash compensation expense	3,419	2,568
Restructuring charges and transaction costs	1,430	104
Fair market value adjustment on contingent consideration	(1,446)	-
Severance expense	593	4
Pre-tax loss attributable to non-controlling interest	430	190
Adjusted EBITDA	<u>\$ 16,814</u>	<u>\$ 11,771</u>
Net income	\$ 2,511	\$ 2,868
Add (deduct):		
Non-cash interest expense	924	-
Accretion on contingent consideration	205	247
Amortization of acquired intangibles	1,883	1,467
Non-cash compensation expense	2,052	1,541
Restructuring charges and transaction costs	928	62
Fair market value adjustment on contingent consideration	(868)	-
Severance expense	355	2
Net loss attributable to non-controlling interest	258	114
Adjusted net income	<u>\$ 8,248</u>	<u>\$ 6,301</u>
Diluted number of weighted-average shares outstanding	<u>37,316,934</u>	<u>36,558,983</u>

Adjusted net income per share

\$ 0.22   \$ 0.17

Note: Adjustments, excluding non-deductible transaction costs, are tax effected using an income tax rate of 40.0% for 2015 and 2014.

**Investnet, Inc.**  
**Historical Assets, Accounts and Advisors**  
**(in millions, except account and advisor data)**  
**(Unaudited)**

	As of				
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
<b>Platform Assets</b>					
Assets Under Management (AUM)	\$ 49,383	\$ 53,063	\$ 54,935	\$ 72,120	\$ 74,643
Assets Under Administration (AUA)	146,748	156,723	164,639	174,249	181,239
Subtotal AUM/A	196,131	209,786	219,574	246,369	255,882
Licensing	376,341	412,141	448,169	466,982	493,284
<b>Total Platform Assets</b>	<b>\$ 572,472</b>	<b>\$ 621,927</b>	<b>\$ 667,743</b>	<b>\$ 713,351</b>	<b>\$ 749,166</b>
<b>Platform Accounts</b>					
AUM	226,452	239,367	255,359	310,351	319,896
AUA	566,139	596,886	642,192	667,274	679,753
Subtotal AUM/A	792,591	836,253	897,551	977,625	999,649
Licensing	1,559,188	1,659,313	1,830,678	1,881,352	1,982,773
<b>Total Platform Accounts</b>	<b>2,351,779</b>	<b>2,495,566</b>	<b>2,728,229</b>	<b>2,858,977</b>	<b>2,982,422</b>
<b>Advisors</b>					
AUM/A	24,369	24,945	24,887	28,605	29,023
Licensing	8,025	8,583	11,266	11,632	12,306
<b>Total Advisors</b>	<b>32,394</b>	<b>33,528</b>	<b>36,153</b>	<b>40,237</b>	<b>41,329</b>

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