

November 7, 2016



# Envestnet Reports Third Quarter 2016 Financial Results

CHICAGO--(BUSINESS WIRE)-- Envestnet (NYSE:ENV), a leading provider of unified wealth management technology and services to enterprises and financial advisors, today reported financial results for its third quarter ended September 30, 2016.

| Key Financial Metrics<br>(in millions except per share data) | Three Months Ended<br>September 30, |          |             | Nine Months Ended<br>September 30, |          |             |
|--|-------------------------------------|----------|-------------|------------------------------------|----------|-------------|
|  | 2016                                | 2015     | %<br>Change | 2016                               | 2015     | %<br>Change |
| GAAP:  |                                     |          |             |                                    |          |             |
| Total Revenues   | \$ 149.2                            | \$ 103.4 | 44%         | \$ 422.7                           | \$ 302.5 | 40%         |
| Net Income (Loss)  | (4.1)                               | 3.3      | n/m         | (23.0)                             | 8.3      | n/m         |
| Net Income (Loss) per Diluted Share                          | \$ (0.09)                           | \$ 0.09  | n/m         | \$ (0.54)                          | \$ 0.22  | n/m         |
| n/m = not meaningful   |                                     |          |             |                                    |          |             |
| Non-GAAP:  |                                     |          |             |                                    |          |             |
| Adjusted Revenues(1)   | \$ 149.5                            | \$ 103.5 | 44%         | \$ 423.5                           | \$ 302.6 | 40%         |
| Adjusted EBITDA(1)   | 27.5                                | 19.2     | 43%         | 69.1                               | 53.6     | 29%         |
| Adjusted Net Income(1)                                       | 12.5                                | 9.3      | 34%         | 29.5                               | 26.4     | 12%         |
| Adjusted Net Income per Diluted Share(1)                     | \$ 0.28                             | \$ 0.25  | 12%         | \$ 0.67                            | \$ 0.70  | (4%)        |

“Our enterprise clients and financial advisors are turning to Envestnet’s integrated offering of automated data aggregation, goals-based planning, data analytics and advisor-centric wealth management solutions to leverage better intelligence and deliver better outcomes in support of their clients’ best interest,” said Jud Bergman, Chairman and CEO.

“Our solid third quarter results reflect continued growth. The financial benefits of recent acquisitions are becoming apparent, and we continue to sign agreements with large enterprises, including most recently two of the top wealth management firms in the US. These enterprises see the benefits of our integrated offering, which improves understanding of the client, accelerates client onboarding, enhances the enterprise and advisor value proposition, and turbocharges productivity – essential benefits in a post-DOL environment,” concluded Mr. Bergman.

## Financial Results for the Third Quarter of 2016 Compared to the Third Quarter of 2015:

Revenues increased 44% to \$149.2 million for the three months ended September 30, 2016 from \$103.4 for the three months ended September 30, 2015. Revenues from assets under management or administration (“AUM/A”) increased 5% to \$90.0 for the three months ended September 30, 2016 from \$85.6 for the three months ended September 30, 2015. With the inclusion of Yodlee, which was acquired in November 2015, subscription and licensing revenue increased to \$52.0 million from \$16.2 million for the three months ended September 30, 2016 and 2015, respectively. Subscription and licensing revenue has grown to 35% of total revenue for the third quarter of 2016 from 16% in the third quarter of 2015.

Total operating expenses in the third quarter of 2016 increased 58% to \$150.4 million from \$95.0 million in the prior year period. Cost of revenues increased 15% to \$47.3 million in the third quarter of 2016 from \$41.0 million in the third quarter of 2015 due to the inclusion of Yodlee and the increase in revenue from AUM/A. Compensation and benefits increased 85% to \$60.3 million in the third quarter of 2016 from \$32.7 million in the prior year period primarily due to the inclusion of Yodlee. General and administration expenses increased 72% to \$26.2 million in the third quarter of 2016 from \$15.2 million in the prior year period, also primarily due to the inclusion of Yodlee.

Loss from operations was \$1.3 million for the third quarter of 2016 compared to income of \$8.3 million for the third quarter of 2015. Net loss attributable to Envestnet, Inc. was \$4.1 million, or (\$0.09) per diluted share, for the third quarter of 2016 compared to income of \$3.3 million, or \$0.09 per diluted share, for the third quarter of 2015.

Adjusted EBITDA<sup>(1)</sup> in the third quarter of 2016 was \$27.5 million, compared to \$19.2 million in the prior year period. Adjusted Net Income<sup>(1)</sup> was \$12.5 million, compared to \$9.3 million in the third quarter of 2015. Adjusted Net Income Per Share<sup>(1)</sup> was \$0.28, compared to \$0.25 in the third quarter of 2015.

### **Cash Flow and Financial Position**

At September 30, 2016, Envestnet had \$50.7 million in cash and cash equivalents, compared to \$38.5 million at June 30, 2016. Total debt was \$290.9 million at September 30, 2016 compared to \$290.8 million at June 30, 2016. No funds were drawn on the \$100 million revolving credit facility as of September 30, 2016.

### **Outlook**

The Company's financial outlook for the fourth quarter ended December 31, 2016 is summarized below:

| In Millions Except Adjusted EPS                      | Q4 2016 |       |
|--|---------|-------|
| GAAP:  |         |       |
| AUM/A revenue  | \$ 92.5 | 93.5  |
| Subscription and licensing revenue                   | 55.0    | 56.0  |
| Professional services and other revenue              | 5.5     | 6.0   |
| Revenues   | \$153.0 | 155.5 |
| Cost of revenues                                     | \$ 48.5 | 49.5  |
| Net Income   |         | -     |
| Diluted shares outstanding                           |         | 45.0  |
| Net Income per Diluted Share                         |         | -     |
| Non-GAAP:  |         |       |
| Adjusted Revenues <sup>(1)</sup>                     | \$153.0 | 155.5 |
| Adjusted EBITDA <sup>(1)</sup>                       | 29.0    | 30.0  |
| Adjusted Net Income per Diluted Share <sup>(1)</sup> | \$0.30  |       |

The company does not forecast net income and net income per share due to the unpredictable nature of various items adjusted for non-GAAP disclosure purposes, including

the periodic GAAP income tax provision.

## **Conference Call**

Investnet will host a conference call to discuss third quarter 2016 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) 467-8998, or for international callers (719) 325-2239. 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 6095631. 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 Investnet**

Investnet, Inc. (NYSE: ENV) is a leading provider of unified wealth management technology and services to financial enterprises and advisors. Our solutions unify and fortify the wealth management process, delivering unparalleled flexibility, accuracy, performance, and value. Investnet enables the transformation of wealth management into a transparent, independent, objective, and fiduciary standard of care, and empowers enterprises and advisors to more fully understand their clients and deliver better outcomes.

Investnet's Advisor Suite® enables financial advisors to better manage client outcomes and strengthen their practices. Institutional-quality research and advanced portfolio solutions are provided through Investnet | PMC, our Portfolio Management Consultants group. Investnet | Yodlee is a leading data aggregation and data analytics platform powering dynamic, personalized financial apps and services for millions of consumers. Investnet | Tamarac provides leading rebalancing, reporting, and practice management software for advisors.

More than 2,000 companies, including 15 of the 20 largest U.S. banks, 38 of the 50 largest wealth management and brokerage firms, over 500 of the largest Registered Investment Advisers, 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 @ENVintel (<https://twitter.com/envintel>).

### **(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 deferred revenue fair value adjustment, interest income, interest expense, accretion on contingent consideration, 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 and related hedging activity, 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, non-cash interest expense, non-cash compensation expense, restructuring charges and transaction costs, severance, amortization of acquired intangibles, fair market value adjustment on contingent consideration, litigation related expense, foreign currency and related hedging activity, 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. The reconciling items, and resulting adjusted net income, are presented on a different basis than historically shown to eliminate the impact of quarterly volatility of the GAAP tax provision (benefit) on the Company’s adjusted earnings figures.

“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 on pages 8 and 9 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 (the “Company”) expected financial performance and outlook for the third quarter and full year of 2016, 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 services industry, the impact of market and economic conditions on revenues, 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 conditions on the Company’s ability to issue additional debt and equity to fund acquisitions, compliance failures, regulatory or third-party 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, political and regulatory conditions, the impact of fluctuations in interest rates on the Company's business, ability to expand our relationships with existing customers, grow the number of customers and derive revenue from new offerings such as our data analytic solutions and market research services and premium FinApps, the results of our investments in research and development, our data center and other infrastructure, our ability to realize operating efficiencies, the advantages of our solutions as compared to those of others, our ability to retain and hire necessary employees and appropriately staff our operations, in particular our India 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 November 7, 2016 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)

|   | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|-------------------------------|------------------------------|
| <b>Assets</b>                             |                               |                              |
| Current assets:                           |                               |                              |
| Cash and cash equivalents                 | \$ 50,662                     | \$ 51,718                    |
| Fees and other receivables, net           | 42,451                        | 46,756                       |
| Prepaid expenses and other current assets | 19,811                        | 13,239                       |
| Total current assets                      | 112,924                       | 111,713                      |
| Property and equipment, net               | 32,566                        | 28,681                       |
| Internally developed software, net        | 13,544                        | 9,897                        |
| Intangible assets, net                    | 262,234                       | 292,675                      |
| Goodwill                                  | 422,565                       | 421,273                      |
| Deferred tax assets, net                  | 12,961                        | 2,688                        |
| Other non-current assets                  | 13,156                        | 9,322                        |
| Total assets                              | \$ 869,950                    | \$ 876,249                   |
| <b>Liabilities and Equity</b>             |                               |                              |
| Current liabilities:                      |                               |                              |
| Accrued expenses and other liabilities    | \$ 74,650                     | \$ 83,411                    |
| Accounts payable                          | 10,456                        | 10,420                       |
| Current portion of debt                   | 33,177                        | 6,064                        |
| Contingent consideration                  | 1,929                         | 2,537                        |
| Deferred revenue                          | 15,379                        | 15,089                       |
| Total current liabilities                 | 135,591                       | 117,521                      |
| Convertible notes                         | 151,019                       | 146,418                      |
| Term notes                                | 106,674                       | 138,335                      |
| Contingent consideration                  | 1,295                         | 1,506                        |
| Deferred revenue                          | 16,220                        | 14,378                       |
| Deferred rent and lease incentive         | 12,174                        | 10,976                       |
| Other non-current liabilities             | 10,625                        | 6,288                        |
| Total liabilities                         | 433,598                       | 435,422                      |

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Redeemable units in ERS      | 900               | 900               |
| Equity:                      |                   |                   |
| Stockholders' equity         | 435,054           | 439,529           |
| Non-controlling interest     | 398               | 398               |
| Total liabilities and equity | <u>\$ 869,950</u> | <u>\$ 876,249</u> |

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

|  | <b>Three Months Ended</b> |                 | <b>Nine Months Ended</b> |                 |
|--|---------------------------|-----------------|--------------------------|-----------------|
|  | <b>September 30,</b>      |                 | <b>September 30,</b>     |                 |
|  | <b>2016</b>               | <b>2015</b>     | <b>2016</b>              | <b>2015</b>     |
| Revenues:  |                           |                 |                          |                 |
| Assets under management or administration              | \$ 90,042                 | \$ 85,576       | \$ 258,969               | \$ 250,472      |
| Subscription and licensing                             | 51,959                    | 16,163          | 142,303                  | 45,257          |
| Professional services and other                        | 7,154                     | 1,628           | 21,412                   | 6,755           |
| Total revenues   | <u>149,155</u>            | <u>103,367</u>  | <u>422,684</u>           | <u>302,484</u>  |
| Operating expenses:                                    |                           |                 |                          |                 |
| Cost of revenues                                       | 47,259                    | 41,027          | 132,319                  | 122,208         |
| Compensation and benefits                              | 60,345                    | 32,671          | 180,625                  | 96,162          |
| General and administration                             | 26,150                    | 15,184          | 80,097                   | 44,905          |
| Depreciation and amortization                          | 16,692                    | 6,157           | 49,872                   | 17,215          |
| Restructuring charges                                  | -                         | -               | 152                      | 518             |
| Total operating expenses                               | <u>150,446</u>            | <u>95,039</u>   | <u>443,065</u>           | <u>281,008</u>  |
| Income (loss) from operations                          | (1,291)                   | 8,328           | (20,381)                 | 21,476          |
| Other expense, net                                     | (4,434)                   | (2,347)         | (13,214)                 | (6,801)         |
| Income (loss) before income tax provision (benefit)    | (5,725)                   | 5,981           | (33,595)                 | 14,675          |
| Income tax provision (benefit)                         | (1,668)                   | 2,679           | (10,602)                 | 6,326           |
| Net income (loss)                                      | (4,057)                   | 3,302           | (22,993)                 | 8,349           |
| Add: Net loss attributable to non-controlling interest | -                         | -               | -                        | -               |
| Net income (loss) attributable to Investnet, Inc.      | <u>\$ (4,057)</u>         | <u>\$ 3,302</u> | <u>\$ (22,993)</u>       | <u>\$ 8,349</u> |

Net income (loss) per share attributable to Investnet, Inc.:

|         |                  |                |                  |                |
|---------|------------------|----------------|------------------|----------------|
| Basic   | \$ (0.09)        | \$ 0.09        | \$ (0.54)        | \$ 0.23        |
| Diluted | <u>\$ (0.09)</u> | <u>\$ 0.09</u> | <u>\$ (0.54)</u> | <u>\$ 0.22</u> |

Weighted average common shares outstanding:

|         |                   |                   |                   |                   |
|---------|-------------------|-------------------|-------------------|-------------------|
| Basic   | 42,843,103        | 36,021,784        | 42,704,383        | 35,651,508        |
| Diluted | <u>42,843,103</u> | <u>37,614,701</u> | <u>42,704,383</u> | <u>37,563,815</u> |

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

|                              | <b>Nine Months Ended</b> |             |
|------------------------------|--------------------------|-------------|
|                              | <b>September 30,</b>     |             |
|                              | <b>2016</b>              | <b>2015</b> |
| <b>OPERATING ACTIVITIES:</b> |                          |             |
| Net income (loss)            | \$(22,993)               | \$ 8,349    |

|  |                  |                  |
|--|------------------|------------------|
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                  |                  |
| Depreciation and amortization  | 49,872           | 17,215           |
| Deferred rent and lease incentive  | (324)            | 628              |
| Provision for doubtful accounts  | 369              | 31               |
| Deferred income taxes  | (10,273)         | (264)            |
| Stock-based compensation expense   | 25,872           | 10,157           |
| Excess tax benefits from stock-based compensation expense                                | (1,470)          | (18,010)         |
| Non-cash interest expense  | 6,955            | 7,081            |
| Accretion on contingent consideration  | 143              | 794              |
| Fair market value adjustment on contingent consideration                                 | 838              | (3,791)          |
| Loss allocation on equity method investment  | 1,130            | -                |
| Loss on disposal of fixed assets   | 220              | -                |
| Changes in operating assets and liabilities, net of acquisitions:                        |                  |                  |
| Fees and other receivables   | 4,077            | (4,817)          |
| Prepaid expenses and other current assets  | (4,960)          | 4,534            |
| Other non-current assets   | (4,271)          | (1,024)          |
| Accrued expenses and other liabilities   | 275              | (2,068)          |
| Accounts payable   | 124              | 113              |
| Deferred revenue   | 1,959            | 7,331            |
| Other non-current liabilities  | 4,337            | (428)            |
| Net cash provided by operating activities  | <u>51,880</u>    | <u>25,831</u>    |
| <b>INVESTING ACTIVITIES:</b>   |                  |                  |
| Purchase of property and equipment   | (10,839)         | (6,852)          |
| Capitalization of internally developed software  | (6,217)          | (3,782)          |
| Investment in private company  | (738)            | (1,500)          |
| Purchase of ERS units  | (1,500)          | (100)            |
| Acquisition of businesses, net of cash acquired  | <u>(18,394)</u>  | <u>(27,332)</u>  |
| Net cash used in investing activities  | <u>(37,688)</u>  | <u>(39,566)</u>  |
| <b>FINANCING ACTIVITIES:</b>   |                  |                  |
| Proceeds from borrowings on revolving credit facility                                    | 25,000           | -                |
| Payments on revolving credit facility  | (25,000)         | -                |
| Payments of contingent consideration   | (2,924)          | (7,219)          |
| Payment of term notes  | (6,000)          | -                |
| Issuance of redeemable units in ERS  | -                | 900              |
| Proceeds from exercise of stock options  | 3,166            | 7,448            |
| Excess tax benefits from stock-based compensation expense                                | 1,470            | 18,010           |
| Purchase of treasury stock for stock-based minimum tax withholdings                      | (9,517)          | (6,812)          |
| Common stock share repurchases   | (1,448)          | -                |
| Issuance of restricted stock units   | 5                | 2                |
| Net cash provided by (used in) financing activities                                      | <u>(15,248)</u>  | <u>12,329</u>    |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>   | <u>(1,056)</u>   | <u>(1,406)</u>   |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                                    | 51,718           | 209,754          |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>  | <u>\$ 50,662</u> | <u>\$208,348</u> |

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

| Three Months Ended |      | Nine Months Ended |      |
|--------------------|------|-------------------|------|
| September 30,      |      | September 30,     |      |
| 2016               | 2015 | 2016              | 2015 |

|  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| Revenues   | \$ 149,155        | \$ 103,367        | \$ 422,684        | \$ 302,484        |
| Deferred revenue fair value adjustment                   | 331               | 134               | 781               | 134               |
| Adjusted revenues  | <u>\$ 149,486</u> | <u>\$ 103,501</u> | <u>\$ 423,465</u> | <u>\$ 302,618</u> |
| Net income (loss)  | \$ (4,057)        | \$ 3,302          | \$ (22,993)       | \$ 8,349          |
| Add (deduct):  |                   |                   |                   |                   |
| Deferred revenue fair value adjustment                   | 331               | 134               | 781               | 134               |
| Interest income  | (6)               | (77)              | (28)              | (288)             |
| Interest expense   | 4,122             | 2,384             | 12,345            | 7,081             |
| Accretion on contingent consideration                    | 23                | 143               | 143               | 794               |
| Income tax provision (benefit)                           | (1,668)           | 2,679             | (10,602)          | 6,326             |
| Depreciation and amortization                            | 16,692            | 6,157             | 49,872            | 17,215            |
| Non-cash compensation expense                            | 7,554             | 3,409             | 25,872            | 10,157            |
| Restructuring charges and transaction costs              | 998               | 2,473             | 4,484             | 5,441             |
| Severance  | 1,058             | 22                | 3,104             | 877               |
| Fair market value adjustment on contingent consideration | 349               | (1,889)           | 838               | (3,791)           |
| Litigation related expense                               | 2,097             | —                 | 4,065             | —                 |
| Foreign currency and related hedging activity            | (383)             | —                 | (672)             | —                 |
| Loss allocation from equity method investment            | 250               | 40                | 1,130             | 40                |
| Loss attributable to non-controlling interest            | 145               | 438               | 787               | 1,305             |
| Adjusted EBITDA  | <u>\$ 27,505</u>  | <u>\$ 19,215</u>  | <u>\$ 69,126</u>  | <u>\$ 53,640</u>  |
| Net income (loss)  | \$ (4,057)        | \$ 3,302          | \$ (22,993)       | \$ 8,349          |
| Income tax provision (benefit) (1)                       | (1,668)           | 2,679             | (10,602)          | 6,326             |
| Income (loss) before income tax provision (benefit)      | <u>(5,725)</u>    | <u>5,981</u>      | <u>(33,595)</u>   | <u>14,675</u>     |
| Add (deduct):  |                   |                   |                   |                   |
| Deferred revenue fair value adjustment                   | 331               | 134               | 781               | —                 |
| Accretion on contingent consideration                    | 23                | 143               | 143               | 794               |
| Non-cash interest expense                                | 2,039             | 1,564             | 6,070             | 4,627             |
| Non-cash compensation expense                            | 7,554             | 3,409             | 25,872            | 10,157            |
| Restructuring charges and transaction costs              | 998               | 2,473             | 4,484             | 5,441             |
| Severance  | 1,058             | 22                | 3,104             | 877               |
| Amortization of acquired intangibles                     | 12,035            | 3,508             | 36,156            | 10,201            |
| Fair market value adjustment on contingent consideration | 349               | (1,889)           | 838               | (3,791)           |
| Litigation related expense                               | 2,097             | —                 | 4,065             | —                 |
| Foreign currency and related hedging activity            | (383)             | —                 | (672)             | —                 |
| Loss allocation from equity method investment            | 250               | —                 | 1,130             | 40                |
| Loss attributable to non-controlling interest            | 145               | 438               | 787               | 1,305             |
| Adjusted income before income tax effect                 | <u>20,771</u>     | <u>15,783</u>     | <u>49,163</u>     | <u>44,326</u>     |
| Income tax effect (2)                                    | (8,308)           | (6,512)           | (19,665)          | (17,954)          |
| Adjusted net income                                      | <u>\$ 12,463</u>  | <u>\$ 9,271</u>   | <u>\$ 29,498</u>  | <u>\$ 26,372</u>  |
| Basic number of weighted-average shares outstanding      | 42,843,103        | 36,021,784        | 42,704,383        | 35,651,508        |
| Effect of dilutive shares:                               |                   |                   |                   |                   |
| Options to purchase common stock                         | 1,331,256         | 1,554,564         | 1,286,968         | 1,784,442         |
| Unvested restricted stock units                          | 350,169           | 38,353            | 272,205           | 127,865           |
| Diluted number of weighted-average shares outstanding    | <u>44,524,528</u> | <u>37,614,701</u> | <u>44,263,556</u> | <u>37,563,815</u> |
| Adjusted net income per share - diluted                  | <u>\$ 0.28</u>    | <u>\$ 0.25</u>    | <u>\$ 0.67</u>    | <u>\$ 0.70</u>    |

(1) For the three months ended September 30, 2016 and 2015, the effective tax (benefit) rate computed in accordance with US GAAP equaled 28.8% and 40.0%, respectively. For the nine months ended September 30, 2016 and 2015, the effective tax (benefit) rate computed in accordance with US GAAP equaled 32.1% and 41.9%, respectively.

(2) For both periods shown, an estimated normalized effective tax rate of 40% has been



used to compute adjusted net income.

Note on Income Taxes: As of December 31, 2015, the Company had NOL carryforwards of \$272,804 and \$149,893 for federal and state income tax purposes, respectively, available to reduce future income subject to income taxes. As a result, the amount of actual cash taxes the Company pays for federal, state and foreign income taxes differs significantly from the effective income tax rate computed in accordance with US GAAP, and from the normalized rate shown above.

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

|  | <b>For the Three Months Ended September 30, 2016</b> |                           |                    |                  |
|--|--|---------------------------|--------------------|------------------|
|  | <b>Investnet</b>                                     | <b>Investnet   Yodlee</b> | <b>Non-Segment</b> | <b>Total</b>     |
| Revenues   | \$ 114,511   | \$ 34,644                 | \$ -               | \$149,155        |
| Deferred revenue fair value adjustment                   | 109  | 222                       | -                  | 331              |
| Adjusted revenues  | <u>\$ 114,620</u>                                    | <u>\$ 34,866</u>          | <u>\$ -</u>        | <u>\$149,486</u> |
| Income (loss) from operations                            | 12,361   | (8,416)                   | (5,236)            | \$ (1,291)       |
| Add (deduct):  |  |                           |                    |                  |
| Deferred revenue fair value adjustment                   | 109  | 222                       | -                  | 331              |
| Accretion on contingent consideration                    | 23   | -                         | -                  | 23               |
| Depreciation and amortization                            | 6,362  | 10,330                    | -                  | 16,692           |
| Non-cash compensation expense                            | 3,565  | 2,937                     | 1,052              | 7,554            |
| Restructuring charges and transaction costs              | 34   | 3                         | 961                | 998              |
| Severance  | 990  | 68                        | -                  | 1,058            |
| Fair market value adjustment on contingent consideration | -  | -                         | 349                | 349              |
| Litigation related expense                               | -  | 2,086                     | 11                 | 2,097            |
| Foreign currency and related hedging activity            | -  | (462)                     | -                  | (462)            |
| Other loss   | -  | -                         | 11                 | 11               |
| Loss attributable to non-controlling interest            | 145  | -                         | -                  | 145              |
| Adjusted EBITDA  | <u>\$ 23,589</u>                                     | <u>\$ 6,768</u>           | <u>\$ (2,852)</u>  | <u>\$ 27,505</u> |

|  | <b>For the Three Months Ended September 30, 2015</b> |                           |                    |                  |
|--|--|---------------------------|--------------------|------------------|
|  | <b>Investnet</b>                                     | <b>Investnet   Yodlee</b> | <b>Non-Segment</b> | <b>Total</b>     |
| Revenues   | \$ 103,367   | \$ -                      | \$ -               | \$103,367        |
| Deferred revenue fair value adjustment                   | 134  | -                         | -                  | 134              |
| Adjusted revenues  | <u>\$ 103,501</u>                                    | <u>\$ -</u>               | <u>\$ -</u>        | <u>\$103,501</u> |
| Income (loss) from operations                            | \$ 11,897  | \$ -                      | \$ (3,569)         | \$ 8,328         |
| Add (deduct):  |  |                           |                    |                  |
| Deferred revenue fair value adjustment                   | 134  | -                         | -                  | 134              |
| Accretion on contingent consideration                    | 143  | -                         | -                  | 143              |
| Depreciation and amortization                            | 6,157  | -                         | -                  | 6,157            |
| Non-cash compensation expense                            | 3,024  | -                         | 385                | 3,409            |
| Restructuring charges and transaction costs              | -  | -                         | 2,473              | 2,473            |
| Severance  | 22   | -                         | -                  | 22               |
| Fair market value adjustment on contingent consideration | -  | -                         | (1,889)            | (1,889)          |
| Loss attributable to non-controlling interest            | 438  | -                         | -                  | 438              |
| Adjusted EBITDA  | <u>\$ 21,815</u>                                     | <u>\$ -</u>               | <u>\$ (2,600)</u>  | <u>\$ 19,215</u> |

|  | For the Nine Months Ended September 30, 2016 |                    |             |             |
|--|--|--------------------|-------------|-------------|
|  | Envestnet                                    | Envestnet   Yodlee | Non-Segment | Total       |
| Revenues   | \$ 328,417                                   | \$ 94,267          | \$ -        | \$422,684   |
| Deferred revenue fair value adjustment                   | 114  | 667                | -           | 781         |
| Adjusted revenues  | \$ 328,531                                   | \$ 94,934          | \$ -        | \$423,465   |
| Income (loss) from operations                            | \$ 32,425                                    | \$ (33,728)        | \$ (19,078) | \$ (20,381) |
| Add (deduct):  |  |                    |             |             |
| Deferred revenue fair value adjustment                   | 114  | 667                | -           | 781         |
| Accretion on contingent consideration                    | 143  | -                  | -           | 143         |
| Depreciation and amortization                            | 18,786                                       | 31,086             | -           | 49,872      |
| Non-cash compensation expense                            | 9,151  | 12,186             | 4,535       | 25,872      |
| Restructuring charges and transaction costs              | 361  | 34                 | 4,089       | 4,484       |
| Severance  | 2,019  | 747                | 338         | 3,104       |
| Fair market value adjustment on contingent consideration | -  | -                  | 838         | 838         |
| Litigation related expense                               | -  | 3,824              | 241         | 4,065       |
| Foreign currency and related hedging activity            | -  | (462)              | -           | (462)       |
| Other loss   | -  | -                  | 23          | 23          |
| Loss attributable to non-controlling interest            | 787  | -                  | -           | 787         |
| Adjusted EBITDA  | \$ 63,786                                    | \$ 14,354          | \$ (9,014)  | \$ 69,126   |

|  | For the Nine Months Ended September 30, 2015 |                    |             |           |
|--|--|--------------------|-------------|-----------|
|  | Envestnet                                    | Envestnet   Yodlee | Non-Segment | Total     |
| Revenues   | \$ 302,484                                   | \$ -               | \$ -        | \$302,484 |
| Deferred revenue fair value adjustment                   | 134  | -                  | -           | 134       |
| Adjusted revenues  | \$ 302,618                                   | \$ -               | \$ -        | \$302,618 |
| Income (loss) from operations                            | \$ 31,945                                    | \$ -               | \$ (10,469) | \$ 21,476 |
| Add (deduct):  |  |                    |             |           |
| Deferred revenue fair value adjustment                   | 134  | -                  | -           | 134       |
| Accretion on contingent consideration                    | 794  | -                  | -           | 794       |
| Depreciation and amortization                            | 17,215                                       | -                  | -           | 17,215    |
| Non-cash compensation expense                            | 9,095  | -                  | 1,062       | 10,157    |
| Restructuring charges and transaction costs              | -  | -                  | 5,441       | 5,441     |
| Severance  | 877  | -                  | -           | 877       |
| Fair market value adjustment on contingent consideration | -  | -                  | (3,791)     | (3,791)   |
| Other loss   | -  | -                  | 32          | 32        |
| Loss attributable to non-controlling interest            | 1,305  | -                  | -           | 1,305     |
| Adjusted EBITDA  | \$ 61,365                                    | \$ -               | \$ (7,725)  | \$ 53,640 |

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

|                                   | As of                 |                      |                   |                  |                       |
|-----------------------------------|-----------------------|----------------------|-------------------|------------------|-----------------------|
|                                   | September 30,<br>2015 | December 31,<br>2015 | March 31,<br>2016 | June 30,<br>2016 | September 30,<br>2016 |
| <b>Platform Assets</b>            |                       |                      |                   |                  |                       |
| Assets Under Management (AUM)     | \$ 73,164             | \$ 92,559            | \$ 95,489         | \$ 96,700        | \$ 101,924            |
| Assets Under Administration (AUA) | 177,121               | 197,177              | 207,537           | 220,690          | 231,831               |
| Subtotal AUM/A                    | 250,285               | 289,736              | 303,026           | 317,390          | 333,755               |
| Licensing                         | 538,271               | 561,699              | 576,988           | 685,952          | 721,690               |
| <b>Total Platform Assets</b>      | \$ 788,556            | \$ 851,435           | \$ 880,014        | \$1,003,342      | \$ 1,055,445          |

**Platform Accounts**

|                                |                  |                  |                  |                  |                  |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| AUM                            | 344,321          | 490,471          | 498,449          | 503,147          | 519,717          |
| AUA                            | 718,637          | 807,708          | 904,373          | 935,870          | 961,590          |
| Subtotal AUM/A                 | 1,062,958        | 1,298,179        | 1,402,822        | 1,439,017        | 1,481,307        |
| Licensing                      | 2,140,672        | 2,176,068        | 2,237,427        | 4,304,645        | 4,394,670        |
| <b>Total Platform Accounts</b> | <b>3,203,630</b> | <b>3,474,247</b> | <b>3,640,249</b> | <b>5,743,662</b> | <b>5,875,977</b> |
| <b>Advisors</b>                |                  |                  |                  |                  |                  |
| AUM/A                          | 30,177           | 33,775           | 35,718           | 35,067           | 35,861           |
| Licensing                      | 13,409           | 13,553           | 13,675           | 16,081           | 16,191           |
| <b>Total Advisors</b>          | <b>43,586</b>    | <b>47,328</b>    | <b>49,393</b>    | <b>51,148</b>    | <b>52,052</b>    |

The following tables summarize the changes in AUM and AUA for the three months ended September 30, 2016:

| <u>In Millions Except Accounts</u>       | <u>6/30/2016</u>  | <u>Gross Sales</u> | <u>Redemptions</u> | <u>Net Flows</u> | <u>Market Impact</u> | <u>9/30/2016</u>  |
|--|-------------------|--------------------|--------------------|------------------|----------------------|-------------------|
| <b>Assets under Management (AUM)</b>     | \$ 96,700         | \$ 9,310           | \$ (6,302)         | \$ 3,008         | \$ 2,216             | \$ 101,924        |
| <b>Assets under Administration (AUA)</b> | 220,690           | 19,701             | (14,697)           | 5,004            | 6,137                | 231,831           |
| <b>Total AUM/A</b>                       | <b>\$ 317,390</b> | <b>\$29,011</b>    | <b>\$(20,999)</b>  | <b>\$ 8,012</b>  | <b>\$ 8,353</b>      | <b>\$ 333,755</b> |
| <i>Fee-Based Accounts</i>                | <i>1,439,017</i>  |                    |                    | <i>42,290</i>    |                      | <i>1,481,307</i>  |

The above AUM/A gross sales figures include \$3.4 billion in new client conversions. The Company onboarded an additional \$9.1 billion in licensing conversions during the third quarter, bringing total conversions for the quarter to \$12.5 billion.

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