



ENVESTNET

3Q 2020 Earnings

Supplemental Presentation

November 5, 2020

Safe Harbor Disclosure

This presentation contains forward-looking statements. These forward-looking statements include, in particular, statements about our plans, strategies and prospects. These statements are based on our current expectations and projections about future events. The words “may,” “will,” “should,” “could,” “expect,” “scheduled,” “plan,” “seek,” “intend,” “anticipate,” “believe,” “estimate,” “aim,” “potential” or “continue” or the negative of those terms or other similar expressions are intended to identify forward-looking statements and information. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based on assumptions and estimates by our management that, although we believe to be reasonable, are inherently uncertain and subject to risks and uncertainties that could cause actual results to differ from historical results or those anticipated or predicted by our forward-looking statements. These risks and uncertainties include those described in our filings with the SEC. In light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this presentation may not in fact occur.

We undertake no obligation to update or revise any forward-looking statement after the date of this presentation as a result of new information, future events or otherwise, except as required by law.

We qualify all of our forward-looking statements by these cautionary statements.

Non-GAAP Disclosure Statement

This presentation contains certain non-GAAP financial measures, including “adjusted revenue”, “adjusted net revenue”, “adjusted EBITDA”, “adjusted net income” and “adjusted net income per share”.

- “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 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 revenues and adjusted net revenues have limitations as financial measures, should be considered as supplemental in nature and are not meant as a substitute for revenue prepared in accordance with GAAP.

- “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, fair market value adjustment on contingent consideration liability, litigation and regulatory related expenses, foreign currency, non-income tax expense adjustment, non-recurring gain, loss allocation from equity method investments and (income) 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, fair market value adjustment on contingent consideration liability, amortization of acquired intangibles, litigation and regulatory related expenses, foreign currency, non-income tax expense adjustment, non-recurring gain, loss allocation from equity method investments and (income) 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 normalized tax rate is based solely on the estimated blended statutory income tax rates in the jurisdictions in which we operate. We monitor the normalized tax rate based on events or trends that could materially impact the rate, including tax legislation changes and changes in the geographic mix of our operations.
- “Adjusted net income per diluted share” represents adjusted net income divided by the diluted number of weighted-average shares outstanding.

This information is not calculated in accordance with GAAP and may be calculated differently than similar non-GAAP information for other companies. Quantitative reconciliations of our non-GAAP financial information to the most directly comparable GAAP information appear in the appendix of this presentation. 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 (loss) or net income (loss) per share determined in accordance with GAAP.

Key Messages for Today

Leveraging technology and data as the conduit to every service and solution we provide



Expanding value-added Financial Wellness solutions to large and growing installed base



Enabling a new standard of personal financial services and investing to capitalize on substantial opportunity



Delivering strong financial results in the context of current environment



Market and Industry Leading Footprint



+\$4.1 trillion
in assets



~13 million
investor accounts



+105,000
advisors



+17,000
data sources



+450 million
linked consumer accounts



+33 million
Users**



+550
FinTech Companies



17 of 20
of the largest
U.S. Banks



47 of 50
of the largest
wealth management and
brokerage firms



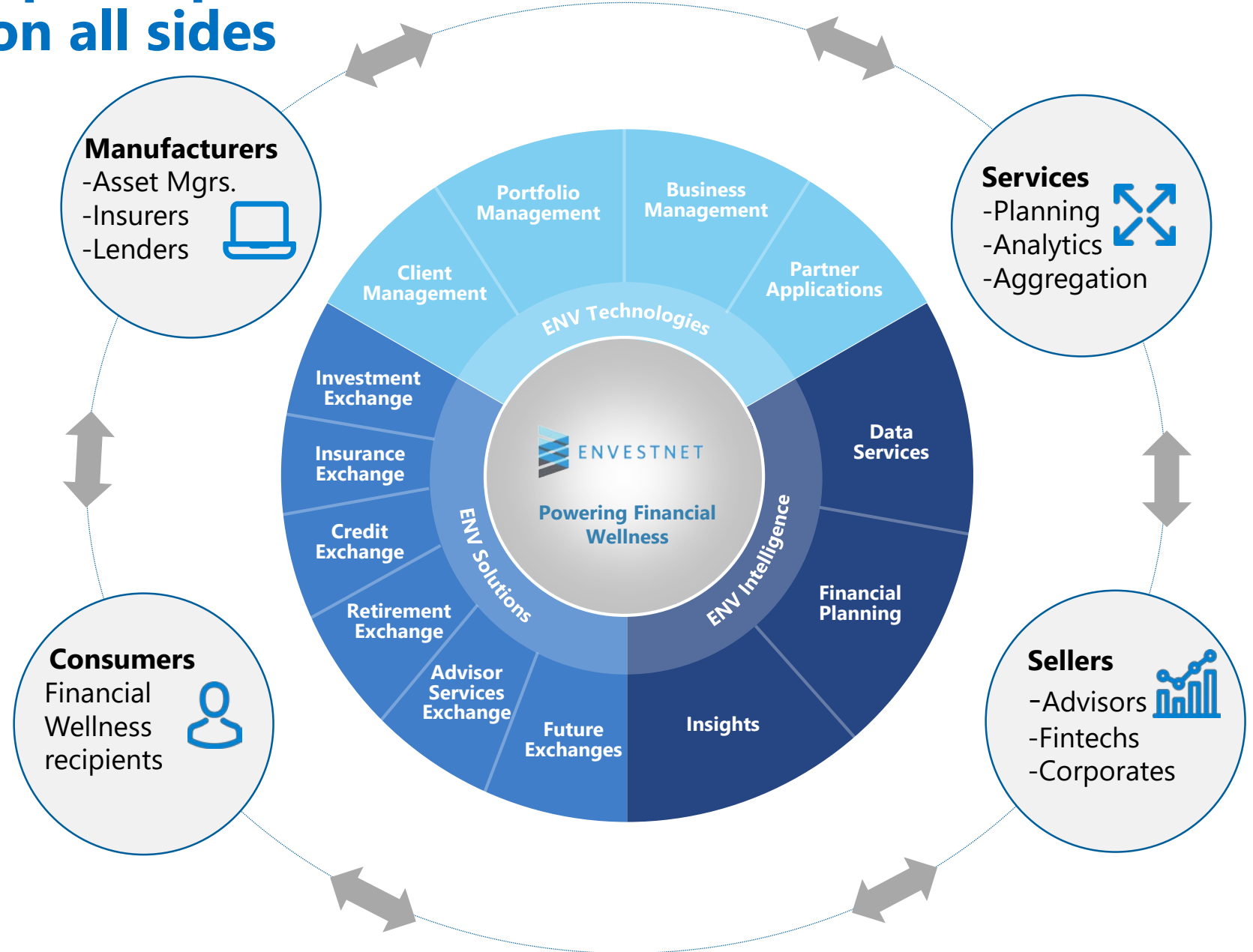
+500
of the largest Registered
Investment Advisers

*Metrics as of September 30, 2020
**Paid subscribers

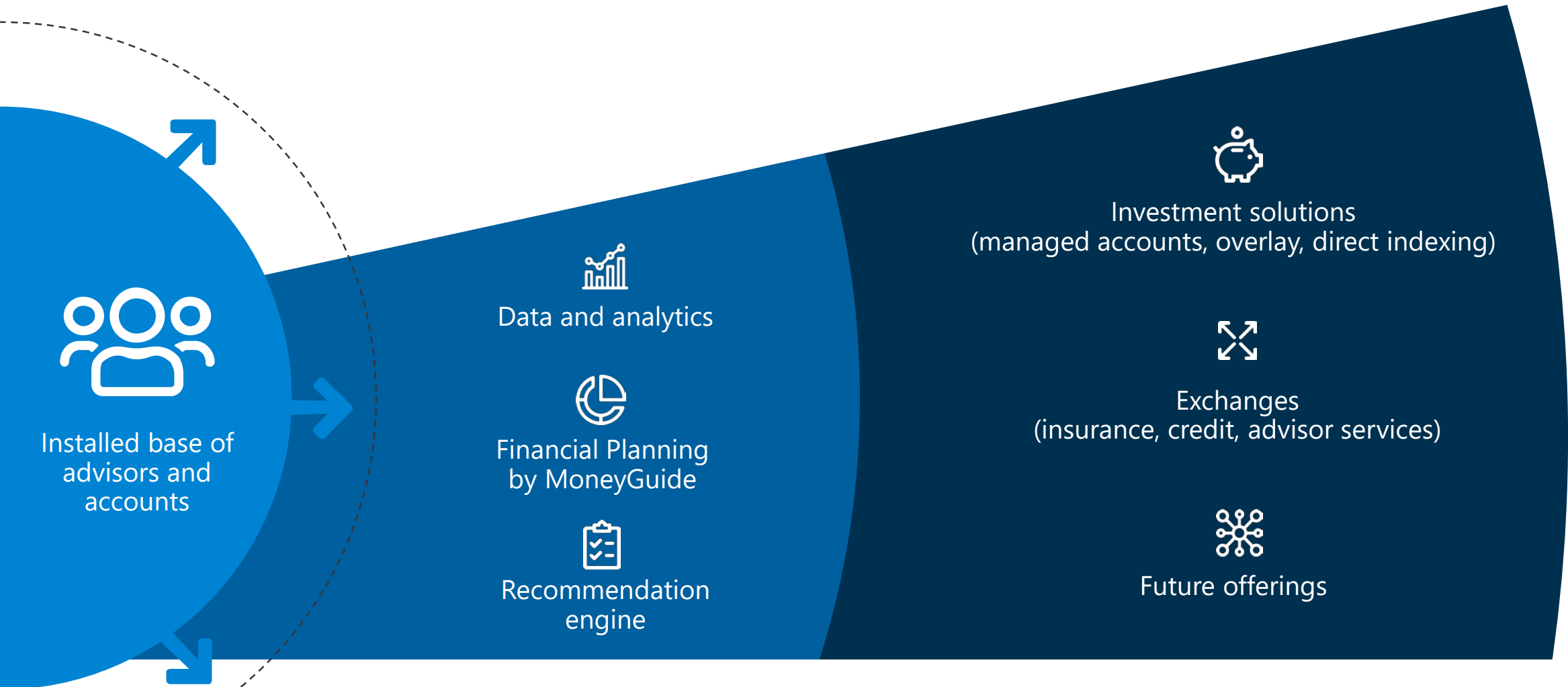
Connecting all the participants in the market: generating value on all sides

The ENV Network Effect

As manufacturers put more products on the shelf,
our services have more value and can solve more problems,
which will attract more sellers to the ecosystem,
and more sellers means more consumers,
more consumers means more Financially Well people...
Who need more products on the shelf, and so on...



Driving Long-Term Growth Through Land and Expand



Growing the installed base
"land"

Leveraging technology
and data

Deploying additional solutions
"expand"

Expansion of Asset-Based Solutions



	Impact Portfolios	Overlay Solutions	Direct Indexing
QoQ Change			
Advisor Usage	+9%	+8%	+9%
Accounts	+13%	+9%	+8%
Assets	+21%	+14%	+11%
YTD Change			
Advisor Usage	+25%	+26%	+35%
Accounts	+38%	+29%	+45%
Assets	+45%	+26%	+38%

QoQ Change comparing September 30, 2020 vs. June 30, 2020
 YTD Change comparing September 30, 2020 vs. December 31, 2019

Exchanges: Creating Long-Term Value



Insurance



Commission and fee-based annuities from **ten leading insurance carriers** and growing

19 firms
27,000 advisors
and growing

Multiple Advisor Entry Points, back book conversions, fee-based and commission-based volume

Ongoing basis points on annuity balances or one-time fees based on production

Expertise+Technology

Providers+Product

Access+Usage+Production

Revenue



Credit



Securities-backed loans, Unsecured loans, Residential real estate loans from **eight lenders** and growing

18 firms
8,700 advisors
and growing

Multi-lender and direct/closed-loop offerings

Ongoing basis points on outstanding balances or production-based fees

Strong Third Quarter 2020 Results

<i>(in millions except for per share amounts)</i>	3Q20 Outlook Provided 8/6/20	3Q20 Results vs. Midpoint	YoY Change (%)*	Key Variance Drivers – Results vs. Outlook
Adjusted revenues⁽¹⁾	\$244.5-\$246.0	\$252.7 +\$7.5	+6%	<ul style="list-style-type: none"> • Favorability across all revenue-lines • +3.4M asset-based • +3.1M subscription-based • +0.7M professional services
Adjusted net revenues⁽¹⁾	\$174.5-176.5	\$181.5 +\$6.0	+4%	<ul style="list-style-type: none"> • Favorable margin from asset-based revenue outperformance • Subscription and professional services modestly favorable
Adjusted EBITDA⁽¹⁾	\$56.0-\$57.0	\$67.6 +\$11.1	+24%	<ul style="list-style-type: none"> • \$6.0 higher adjusted net revenues • \$5.1 lower operating expenses
Adjusted net income per diluted share⁽¹⁾	\$0.59	\$0.72 +\$0.13	+20%	<ul style="list-style-type: none"> • ~\$0.08 Adjusted net revenues • ~\$0.06 Operating expenses • ~\$0.01 Cash Interest expense • ~(\$0.01) Depreciation and amortization • ~(\$0.01) Diluted share count

*YoY change represents 3Q20 results vs 3Q19 results

(1) Non-GAAP financial measure. Please see appendix for reconciliations to the most directly comparable GAAP information.

Improved 2020 Full Year Outlook

Key Components (in millions except adjusted EPS and tax rate)	Prior FY20 Guidance (8/6/20)	Updated FY20 Guidance (11/5/20)	Variance at midpoint	Updated FY20 guidance vs. FY19	Primary Variance Drivers vs. Prior Guidance
Adjusted revenues ⁽¹⁾	\$977.0 - \$980.0	\$990.5 - \$992.5	+\$11.5	+9%	<ul style="list-style-type: none"> 3Q market impact on asset-based revenues in back half of year Mix-driven outperformance in 3Q
Asset-based cost of revenues	\$271.5 - \$272.5	\$275.6 - \$276.1	+\$3.4	+13%	<ul style="list-style-type: none"> 3Q market impact resulting in higher manager fees in back half of year
Adjusted net revenues ⁽¹⁾	\$704.5 - \$708.5	\$714.4 - \$716.9	+\$7.1	+7-8%	<ul style="list-style-type: none"> 3Q market impact net of manager fees
Adjusted EBITDA ⁽¹⁾	\$221.0 - \$223.0	\$238.0 - \$239.0	+\$15.5	+23-24%	<ul style="list-style-type: none"> Improved revenue outlook Expense management and pandemic related lower operating expenses
Adjusted net income per diluted share ⁽¹⁾	\$2.28 - \$2.31	\$2.51 - \$2.53	+\$0.21	+17-18%	<ul style="list-style-type: none"> Improved revenue outlook
Normalized effective tax rate	25.5%	25.5%	n/a	n/a	<ul style="list-style-type: none"> Unchanged
Diluted shares outstanding	55.0	55.0	n/a	+4%	<ul style="list-style-type: none"> Unchanged

(1) Non-GAAP financial measure. Please see appendix for reconciliations to the most directly comparable GAAP information. Please review slides 2 and 3 for additional disclosures.

Strong Balance Sheet and Liquidity

Capital Position as of September 30, 2020

Cash and Cash Equivalents

\$363M

Annual cash interest expense

~\$12.7M⁽¹⁾

Debt

Outstanding on Revolving Line of Credit (\$500M)

\$0M

Revolving Line of Credit

LIBOR + spread⁽²⁾

Convertible Debt Maturing 2023

\$345M

Convertible Debt 2023

1.75% coupon

Convertible Debt Maturing 2025

\$517.5M

Convertible Debt 2025

0.75% coupon

Net Leverage Ratio 2.1x

(1) Includes convertible note coupon payments undrawn fees on revolving line of credit

(2) LIBOR plus 225 basis points, based on current leverage ratio.

Appendix

Investnet Powering the Future of Advice

Themes driving change

Implications

A new level of trust and relevance are the currency of valued engagement



Transparency, authenticity and logic supported by predictive analytics will be the baseline for how a client values the information and advice provider they engage with

Redefining what it means to be prepared



Understanding the trade offs and “what-if” scenarios will be the underpinning of advancements and usage of planning

Digital becomes more “human”



Hybrid is the only engagement model and the “fidelity” will need to be the same across every medium

The fusion of health and wealth



Behavioral, holistic wellness across all assets and liabilities will be the mandate, supported by an integrated tech platform

Family and communities lead the way forward



The new mutuality, “we’re all in this together” drives the connectedness and strength of communities

Creating a new playbook for a sustainable business



The need for scale (digitizing, analytics, outsourcing, and strategic partnerships) will be the focus over product selection

Illustrative Market Impact

Assuming +/-10% market change



Management has visibility into expected performance allowing operating decisions that may impact hiring plans, variable compensation and other spending initiatives.

(1) Non-GAAP financial measure. Please see appendix for reconciliations to the most directly comparable GAAP information.

Amounts represent annualized impact applicable to subsequent quarter following assumed market change. Amounts based on 3Q20 actual revenue.

See additional information on slide 16 which provides calculations and other statements.

Illustrative Market Impact Calculations

Illustrative Market Impact Model	Assumptions		
Total revenue	3Q20 revenue, annualized	\$1,010	
x % asset-based	~55% of total revenue	55%	
x % exposure to equities	Approximate 60% equity allocation	60%	
x % market change	Assuming 10% equity market decline	-10%	
= revenue impact		(\$33)	3-4% impact on total revenue
- impact on asset-based cost of revenue	Currently 52% of asset-based revenue	<u>(\$16)</u>	
= impact on adjusted EBITDA ⁽¹⁾	Unmitigated impact	(\$16)	7-8% impact on adjusted EBITDA

(in \$millions)

- Given Investnet's high degree of subscription-based revenue and limited exposure to equity markets, a 10% equity market decline would have a 3-4% impact on our revenue.
- Approximately 80% of our asset-based revenue is billed quarterly, in advance. As such, the majority of any market impact would be seen in future quarters. Example: September 30 asset values drive our fourth quarter asset-based revenue.
- Approximately half of our asset-based revenue is paid to third party managers and strategists. This naturally reduces the impact on our profit from a market decline. In the above scenario, a 10% equity market decline would have a 7-8% impact on our adjusted EBITDA.
- This represents the unmitigated impact. Depending on the severity of the impact, management may choose to offset a portion of this impact through lower variable compensation, and changing its discretionary hiring and spending plans.

Outlook Table

The Company provided the following outlook for the fourth quarter and full year ending December 31, 2020. This outlook is based on the market value of assets on September 30, 2020. We caution that we cannot predict the market value of our assets on any future date and, in particular, in light of recent market volatility. See slide 2 for more information.

In Millions Except Adjusted EPS	4Q 2020			FY 2020		
GAAP:						
Revenues:						
Asset-based	\$ 141.5	-	\$ 142.5			
Subscription-based	108.0	-	108.5			
Total recurring revenues	\$ 249.5	-	\$ 251.0			
Professional services and other revenues	6.0	-	6.5			
Total revenues	\$ 255.5	-	\$ 257.5	\$ 989.8	-	\$ 991.8
Asset-based cost of revenues	\$ 74.0	-	\$ 74.5	\$ 275.6	-	\$ 276.1
Total cost of revenues	\$ 81.5	-	\$ 82.0			
Net income	(a)	-	(a)	(a)	-	(a)
Diluted shares outstanding		55.5			55.0	
Net income per diluted share	(a)	-	(a)	(a)	-	(a)
Non-GAAP:						
Adjusted revenues ⁽¹⁾ :						
Asset-based	\$ 141.5	-	\$ 142.5			
Subscription-based	108.0	-	108.5			
Total recurring revenues	\$ 249.5	-	\$ 251.0			
Professional services and other revenues	6.0	-	6.5			
Total revenues	\$ 255.5	-	\$ 257.5	\$ 990.5	-	\$ 992.5
Adjusted net revenues ⁽¹⁾	\$ 181.0	-	\$ 183.5	\$ 714.4	-	\$ 716.9
Adjusted EBITDA ⁽¹⁾	\$ 60.0	-	\$ 61.0	\$ 238.0	-	\$ 239.0
Adjusted net income per diluted share ⁽¹⁾		\$ 0.64		\$ 2.51	-	\$ 2.53

(a) 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.

(1) Non-GAAP financial measure. Please see slide 3.

Reconciliation of Non-GAAP Financial Measures

(in thousands) (unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Total revenues	\$ 252,559	\$ 236,080	\$ 734,411	\$ 660,191
Deferred revenue fair value adjustment	91	3,250	607	6,670
Adjusted revenues	252,650	239,330	735,018	666,861
Asset-based cost of revenues	(71,133)	(64,339)	(201,600)	(178,474)
Adjusted net revenues	\$ 181,517	\$ 174,991	\$ 533,418	\$ 488,387
Net income (loss)	\$ 2,323	\$ (2,964)	\$ (10,338)	\$ (20,619)
Add (deduct):				
Deferred revenue fair value adjustment	91	3,250	607	6,670
Interest income	(262)	(448)	(850)	(2,859)
Interest expense	8,139	8,986	21,907	24,345
Accretion on contingent consideration and purchase liability	398	498	1,308	1,240
Income tax provision (benefit)	497	(6,977)	(161)	(31,591)
Depreciation and amortization	28,951	26,735	85,077	73,167
Non-cash compensation expense	15,852	15,389	43,197	43,241
Restructuring charges and transaction costs	4,993	4,151	14,461	24,725
Severance	2,715	2,387	18,566	8,147
Fair market value adjustment on contingent consideration liability	(74)	—	(2,056)	—
Non-recurring litigation and regulatory related expenses	1,809	2,065	6,029	2,065
Foreign currency	(37)	363	(68)	208
Non-income tax expense adjustment	1,795	362	1,341	1,480
Non-recurring gain	—	—	(4,230)	—
Loss allocation from equity method investments	994	957	4,280	1,507
(Income) loss attributable to non-controlling interest	(603)	(210)	(1,103)	31
Adjusted EBITDA	\$ 67,581	\$ 54,544	\$ 177,967	\$ 131,757

Reconciliation of Non-GAAP Financial Measures

(in thousands, except share and per share information) (unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 2,323	\$ (2,964)	\$ (10,338)	\$ (20,619)
Income tax provision (benefit)	497	(6,977)	(161)	(31,591)
Loss before income tax provision (benefit)	2,820	(9,941)	(10,499)	(52,210)
Add (deduct):				
Deferred revenue fair value adjustment	91	3,250	607	6,670
Accretion on contingent consideration and purchase liability	398	498	1,308	1,240
Non-cash interest expense	4,738	5,006	10,682	14,268
Non-cash compensation expense	15,852	15,389	43,197	43,241
Restructuring charges and transaction costs	4,993	4,151	14,461	24,725
Severance	2,715	2,387	18,566	8,147
Fair market value adjustment on contingent consideration liability	(74)	—	(2,056)	—
Amortization of acquired intangibles	18,510	19,242	56,014	51,048
Non-recurring litigation and regulatory related expenses	1,809	2,065	6,029	2,065
Foreign currency	(37)	363	(68)	208
Non-income tax expense adjustment	1,795	362	1,341	1,480
Non-recurring gain	—	—	(4,230)	—
Loss allocation from equity method investments	994	957	4,280	1,507
(Income) loss attributable to non-controlling interest	(603)	(210)	(1,103)	31
Adjusted net income before income tax effect	54,001	43,519	138,529	102,420
Income tax effect	(13,772)	(11,097)	(35,325)	(26,117)
Adjusted net income	\$ 40,229	\$ 32,422	\$ 103,204	\$ 76,303
Basic number of weighted-average shares outstanding	53,800,048	52,215,469	53,464,101	50,414,427
Effect of dilutive shares:				
Options to purchase common stock	331,728	953,184	458,232	1,107,995
Unvested restricted stock units	610,442	548,057	548,858	662,364
Convertible notes	730,267	9,875	280,375	11,637
Warrants	86,498	—	46,562	—
Diluted number of weighted-average shares outstanding	55,558,983	53,726,585	54,798,128	52,196,423
Adjusted net income per share - diluted	\$ 0.72	\$ 0.60	\$ 1.88	\$ 1.46

Reconciliation of Non-GAAP Financial Measures

(in millions, except share and per share information) (unaudited)	Year ended December 31,												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net income (loss)	23.94	5.26	(0.87)	(0.63)	7.61	0.47	3.66	13.98	4.44	(55.57)	(3.28)	4.01	(17.20)
Accretion on contingent consideration and purchase liability	-	-	-	-	-	-	-	-	0.89	0.15	0.51	0.22	1.77
Bad debt expense	-	-	0.38	2.67	-	-	-	-	-	-	-	-	-
Contract settlement charges	-	-	-	-	1.18	-	-	-	-	-	-	-	-
Customer inducement costs	-	-	0.02	3.24	4.57	-	-	-	-	-	-	-	-
Deferred revenue fair value adjustment	-	-	-	-	-	1.25	0.16	-	0.32	1.27	0.13	0.12	9.27
Depreciation and amortization	2.92	3.54	4.50	5.70	6.38	12.40	15.33	18.65	27.96	64.00	62.82	77.63	101.27
Fair market value adjustment on contingent consideration liability	-	-	-	-	-	-	0.50	(1.43)	(4.15)	1.59	-	-	(8.13)
Foreign currency	-	-	-	-	-	-	-	-	-	(0.72)	0.49	(0.59)	(0.07)
Impairment of customer inducement assets	-	-	-	-	0.17	-	-	-	-	-	-	-	-
Impairment of equity method investment	-	-	-	-	-	-	-	-	-	0.73	-	-	-
Impairment on investments	-	0.68	3.60	-	-	-	-	-	-	-	-	-	-
Imputed interest expense on contingent consideration	-	-	-	-	-	-	0.79	1.47	-	-	-	-	-
Income tax provision (benefit)	(14.15)	4.61	1.81	1.53	2.98	2.60	2.05	8.53	4.55	15.08	1.59	(13.17)	(30.89)
Interest expense	-	-	-	0.56	0.79	-	-	0.63	10.27	16.60	16.35	25.20	32.52
Interest income	(1.15)	(0.81)	(0.22)	(0.15)	(0.08)	(0.03)	(0.02)	(0.14)	(0.34)	(0.04)	(0.20)	(2.36)	(3.35)
Litigation related expense	-	-	0.60	1.93	0.13	0.27	0.01	0.02	0.07	5.59	1.03	-	2.88
Loss allocation from equity method investment	-	-	-	-	-	-	-	-	-	1.42	1.47	1.15	2.36
Loss attributable to non-controlling interest	-	-	-	-	-	-	-	1.23	1.64	1.08	0.32	1.79	0.11
Non-cash compensation expense	-	0.45	0.78	1.73	3.06	4.04	8.92	11.42	15.16	33.28	31.33	40.25	60.44
Non-income tax expense adjustment	-	-	-	-	-	-	-	-	-	6.23	0.35	(0.59)	0.37
Other	-	-	-	-	(1.10)	-	-	(1.83)	0.07	(1.38)	-	-	-
Re-audit related expenses	-	-	-	-	-	-	3.11	-	-	-	-	-	-
Restructuring charges and transaction costs	-	-	-	0.86	1.05	2.72	3.30	2.67	13.50	5.78	13.67	15.58	26.56
Severance	-	-	-	0.67	0.70	0.28	0.79	0.74	1.70	4.34	2.32	8.32	15.37
Adjusted EBITDA	11.56	13.73	10.60	18.11	27.44	23.99	38.59	55.94	76.07	99.44	128.89	157.55	193.29

Note: Numbers may not sum due to rounding.



ENVESTNET