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DELTA REPORT

10-Q

ENV - ENVESTNET, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1416
CHANGES	313
DELETIONS	610
ADDITIONS	493

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2023 March 31, 2024
or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission file number 001-34835

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Envestnet, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-1409613**
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)
1000 Chesterbrook Boulevard, Suite 250, Berwyn, Pennsylvania	**19312**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(312) 827-2800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of exchange on which registered
Common Stock, par value $0.005 per share	ENV	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ý No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of November 3, 2023 May 3, 2024, Envestnet, Inc. had 54,656,335 55,109,097 shares of common stock outstanding.

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Envestnet, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share information)
(unaudited)

			September 30, 2023		December 31, 2022		
			March 31, 2024			March 31, 2024	December 31, 2023
Assets	Assets						
Current assets:	Current assets:						
Current assets:							
Current assets:							
Cash and cash equivalents							
Cash and cash equivalents							
Cash and cash equivalents	Cash and cash equivalents	$	43,211	$	162,173		
Fees receivable, net	Fees receivable, net		110,643		101,696		
Prepaid expenses and other current assets	Prepaid expenses and other current assets		49,299		41,363		
Assets held for deconsolidation							
Total current assets	Total current assets		203,153		305,232		
Property and equipment, net	Property and equipment, net		65,785		62,443		
Internally developed software, net	Internally developed software, net		217,411		184,558		
Intangible assets, net	Intangible assets, net		346,211		379,995		
Goodwill	Goodwill		998,381		998,414		
Operating lease right-of-use assets, net	Operating lease right-of-use assets, net		72,929		81,596		
Other assets	Other assets		127,019		99,927		
Total assets	Total assets	$	2,030,889	$	2,112,165		
Liabilities and equity	Liabilities and equity						
Current liabilities:	Current liabilities:						
Current liabilities:							
Current liabilities:							
Accounts payable, accrued expenses and other current liabilities							
Accounts payable, accrued expenses and other current liabilities							
Accounts payable, accrued expenses and other current liabilities	Accounts payable, accrued expenses and other current liabilities	$	224,385	$	233,866		
Operating lease liabilities	Operating lease liabilities		13,297		11,949		

Deferred revenue	Deferred revenue	32,563	36,363	
Current portion of debt		—	44,886	
Liabilities held for deconsolidation				
Liabilities held for deconsolidation				
Liabilities held for deconsolidation				
Total current liabilities	Total current liabilities	270,245	327,064	
Debt	Debt	875,390	871,769	
Operating lease liabilities, net of current portion	Operating lease liabilities, net of current portion	102,717	110,652	
Deferred tax liabilities, net	Deferred tax liabilities, net	14,598	16,196	
Other liabilities	Other liabilities	16,138	18,880	
Total liabilities	Total liabilities	1,279,088	1,344,561	
Commitments and contingencies (note 19)				
Commitments and contingencies				Commitments and contingencies
Stockholders' equity	Stockholders' equity			
Preferred stock, par value $0.005, 50,000,000 shares authorized; no shares issued and outstanding as of September 30, 2023 and December 31, 2022		—	—	
Common stock, par value $0.005, 500,000,000 shares authorized; 70,950,023 and 70,025,733 shares issued as of September 30, 2023 and December 31, 2022, respectively; 54,648,721 and 54,013,826 shares outstanding as of September 30, 2023 and December 31, 2022, respectively		354	350	
Treasury stock at cost, 16,301,302 and 16,011,907 shares as of September 30, 2023 and December 31, 2022, respectively		(270,555)	(253,551)	
Preferred stock, par value $0.005, 50,000,000 shares authorized; no shares issued and outstanding as of March 31, 2024 and December 31, 2023				
Preferred stock, par value $0.005, 50,000,000 shares authorized; no shares issued and outstanding as of March 31, 2024 and December 31, 2023				
Preferred stock, par value $0.005, 50,000,000 shares authorized; no shares issued and outstanding as of March 31, 2024 and December 31, 2023				

Common stock, par value $0.005, 500,000,000 shares authorized; 71,633,071 and 71,129,801 shares issued as of March 31, 2024 and December 31, 2023, respectively; 55,099,000 and 54,773,662 shares outstanding as of March 31, 2024 and December 31, 2023, respectively			
Treasury stock at cost, 16,534,071 and 16,356,139 shares as of March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	1,193,036	1,135,284
Accumulated deficit	Accumulated deficit	(174,480)	(118,927)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(4,559)	(8,589)
Total stockholders' equity, attributable to Envestnet, Inc.	Total stockholders' equity, attributable to Envestnet, Inc.	743,796	754,567
Non-controlling interest	Non-controlling interest	8,005	13,037
Total equity	Total equity	751,801	767,604
Total liabilities and equity	Total liabilities and equity	$ 2,030,889	$ 2,112,165

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
		March 31,		March 31,	
		2024		2024	2023
Revenue:	Revenue:				
Asset-based					
Asset-based					
Asset-based	Asset-based	$ 193,901	$ 177,131	$ 556,595	$ 571,820
Subscription-based	Subscription-based	114,939	123,747	346,977	356,601
Total recurring revenue	Total recurring revenue	308,840	300,878	903,572	928,421
Professional services and other revenue	Professional services and other revenue	8,007	5,817	24,416	18,489
Total revenue	Total revenue	316,847	306,695	927,988	946,910
Operating expenses:	Operating expenses:				
Direct expense	Direct expense	119,538	110,108	352,024	361,872
Direct expense					
Direct expense					
Employee compensation	Employee compensation	113,334	116,837	344,646	369,453
General and administrative	General and administrative	49,063	47,388	156,028	157,867
Depreciation and amortization	Depreciation and amortization	34,311	33,408	101,058	97,208
Total operating expenses	Total operating expenses	316,246	307,741	953,756	986,400
Income (loss) from operations	Income (loss) from operations	601	(1,046)	(25,768)	(39,490)
Other expense, net	Other expense, net	(4,369)	(5,346)	(19,706)	(9,691)
Loss before income tax provision (benefit)		(3,768)	(6,392)	(45,474)	(49,181)
Income tax provision (benefit)		(8,824)	2,271	15,363	(1,542)
Income (loss) before income tax provision					
Income tax provision					
Net income (loss)	Net income (loss)	5,056	(8,663)	(60,837)	(47,639)

Add: Net loss attributable to non-controlling interest	Add: Net loss attributable to non-controlling interest	2,035	1,373	5,284	3,205
Net income (loss) attributable to Envestnet, Inc.	Net income (loss) attributable to Envestnet, Inc.	$ 7,091	$ (7,290)	$ (55,553)	$ (44,434)
Net income (loss) attributable to Envestnet, Inc. per share:	Net income (loss) attributable to Envestnet, Inc. per share:				
Basic	Basic	$ 0.13	$ (0.13)	$ (1.02)	$ (0.81)
Basic					
Basic					
Diluted	Diluted	$ 0.13	$ (0.13)	$ (1.02)	$ (0.81)
Weighted average common shares outstanding:	Weighted average common shares outstanding:				
Basic	Basic	54,562,270	55,226,777	54,380,231	55,109,387
Basic					
Basic					
Diluted	Diluted	54,970,616	55,226,777	54,380,231	55,109,387

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

Envestnet, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)
(unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,			
		2023	2022	2023	2022		
		Three Months Ended					
		Three Months Ended					
		Three Months Ended					
		March 31,				March 31,	
		2024				2024	2023
Net income (loss) attributable to Envestnet, Inc.	Net income (loss) attributable to Envestnet, Inc.	$ 7,091	$(7,290)	$(55,553)	$(44,434)		
Other comprehensive income (loss), net of tax:	Other comprehensive income (loss), net of tax:						

Foreign currency translation adjustments	Foreign currency translation adjustments	(151)	(1,479)	4,030	(6,050)
Foreign currency translation adjustments					
Foreign currency translation adjustments					
Total other comprehensive income (loss), net of tax	Total other comprehensive income (loss), net of tax	(151)	(1,479)	4,030	(6,050)
Comprehensive income (loss) attributable to Envestnet, Inc.	Comprehensive income (loss) attributable to Envestnet, Inc.	$ 6,940	$(8,769)	$(51,523)	$(50,484)

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

Envestnet, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share information)
(unaudited)

	Common Stock		Treasury Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Non-Controlling	Total
	Shares	Amount	Shares	Amount	Capital	Loss	Deficit	Interest	Equity
Balance, December 31, 2022	70,025,733	$ 350	(16,011,907)	$(253,551)	$1,135,284	$ (8,589)	$ (118,927)	$ 13,037	$767,604
Net loss	—	—	—	—	—	—	(41,228)	(1,533)	(42,761)
Other comprehensive income, net of tax	—	—	—	—	—	4,277	—	—	4,277
Stock-based compensation expense	—	—	—	—	19,345	—	—	108	19,453
Issuance of common stock, vesting of RSUs and PSUs	524,316	2	—	—	—	—	—	—	2
Net cash paid related to tax withholding for stock-based compensation	—	—	(173,612)	(10,732)	—	—	—	—	(10,732)
Proceeds from the exercise of stock options	37,454	—	—	—	367	—	—	—	367
Purchase of non-controlling units from third-party shareholders	—	—	—	—	(984)	—	—	(24)	(1,008)
Other	—	—	—	—	—	—	—	(22)	(22)
Balance, March 31, 2023	70,587,503	352	(16,185,519)	(264,283)	$1,154,012	(4,312)	(160,155)	11,566	737,180
Net loss	—	—	—	—	—	—	(21,416)	(1,716)	(23,132)
Other comprehensive loss, net of tax	—	—	—	—	—	(96)	—	—	(96)
Stock-based compensation expense	—	—	—	—	21,347	—	—	43	21,390

Issuance of common stock, vesting of RSUs and PSUs	162,770	1	—	—	—	—	—	—	1
Net cash paid related to tax withholding for stock-based compensation	—	—	(55,971)	(3,042)	—	—	—	—	(3,042)
Proceeds from the exercise of stock options	2,500	—	—	—	105	—	—	—	105
Other	—	—	—	—	—		—	52	52
Balance, June 30, 2023	70,752,773	353	(16,241,490)	(267,325)	$1,175,464	(4,408)	(181,571)	9,945	732,458

						Accumulated				
					Additional					
					Additional					
					Additional					
		Common Stock								
		Common Stock								
		Common Stock		Treasury Stock		Paid-in	Comp			
		Shares		Shares	Amount	Shares	Amou			
Balance, December 31, 2023										
Net income (loss)	Net income (loss)	—	—	—	—	—	—	7,091	(2,035)	5,056
Other comprehensive loss, net of tax	Other comprehensive loss, net of tax	—	—	—	—	—	(151)	—	—	(151)
Stock-based compensation expense	Stock-based compensation expense	—	—	—	—	17,205	—	—	93	17,298
Issuance of common stock, vesting of RSUs and PSUs	Issuance of common stock, vesting of RSUs and PSUs	184,828	1	—	—	—	—	—	—	1
Net cash paid related to tax withholding for stock-based compensation	Net cash paid related to tax withholding for stock-based compensation	—	—	(59,812)	(3,230)	—	—	—	—	(3,230)
Proceeds from the exercise of stock options	Proceeds from the exercise of stock options	12,422	—	—	—	367	—	—	—	367
Proceeds from capital contributions received by non-controlling interest										
Other	Other	—	—	—	—	—	—	—	2	2
Balance, September 30, 2023		70,950,023	$ 354	(16,301,302)	$(270,555)	$1,193,036	$ (4,559)	$ (174,480)	$ 8,005	$751,801
Balance, March 31, 2024										

Envestnet, Inc.

Condensed Consolidated Statements of Stockholders' Equity (continued)

(in thousands, except share information)

(unaudited)

Accumulated
Accumulated
Accumulated

Additional
Additional
Additional

Common Stock
Common Stock
Common Stock

Shares
Shares
Shares

Balance, December 31, 2022
Balance, December 31, 2022
Balance, December 31, 2022

Net loss
Net loss
Net loss

Other comprehensive income, net of tax
Other comprehensive income, net of tax
Other comprehensive income, net of tax

Stock-based compensation expense
Stock-based compensation expense
Stock-based compensation expense

Issuance of common stock, vesting of RSUs and PSUs
Issuance of common stock, vesting of RSUs and PSUs

Issuance of common stock, vesting of RSUs and PSUs
Net cash paid related to tax withholding for stock-based compensation
Net cash paid related to tax withholding for stock-based compensation
Net cash paid related to tax withholding for stock-based compensation
Proceeds from the exercise of stock options
Proceeds from the exercise of stock options
Proceeds from the exercise of stock options
Purchase of non-controlling units from third-party shareholders
Purchase of non-controlling units from third-party shareholders
Purchase of non-controlling units from third-party shareholders
Other
Other
Other
Balance, March 31, 2023
Balance, March 31, 2023
Balance, March 31, 2023

	Common Stock		Treasury Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Non-Controlling	Total
	Shares	Amount	Shares	Amount	Capital	Loss	Deficit	Interest	Equity
Balance, December 31, 2021	68,879,152	$ 344	(14,086,064)	$ (134,996)	$ 1,131,628	$ (1,899)	$ (37,988)	$ 2,453	$ 959,542
Net loss	—	—	—	—	—	—	(13,859)	(849)	(14,708)

Other comprehensive loss, net of tax	—	—	—	—	—	(1,478)	—	—	(1,478)
Stock-based compensation expense	—	—	—	—	21,690	—	—	—	21,690
Issuance of common stock, vesting of RSUs and PSUs	514,319	3	—	—	—	—	—	—	3
Net cash paid related to tax withholding for stock-based compensation	—	—	(170,992)	(12,570)	—	—	—	—	(12,570)
Proceeds from the exercise of stock options	38,681	—	—	—	658	—	—	—	658
Other	—	—	—	—	(84)	—	—	102	18
Balance, March 31, 2022	69,432,152	347	(14,257,056)	(147,566)	1,153,892	(3,377)	(51,847)	1,706	953,155
Net loss	—	—	—	—	—	—	(23,285)	(983)	(24,268)
Other comprehensive loss, net of tax	—	—	—	—	—	(3,093)	—	—	(3,093)
Stock-based compensation expense	—	—	—	—	22,876	—	—	—	22,876
Issuance of common stock, vesting of RSUs and PSUs	232,328	1	—	—	—	—	—	—	1
Net cash paid related to tax withholding for stock-based compensation	—	—	(78,506)	(5,543)	—	—	—	—	(5,543)
Proceeds from the exercise of stock options	2,503	—	—	—	84	—	—	—	84
Share repurchases	—	—	(152,020)	(9,235)	—	—	—	—	(9,235)
Other	—	—	—	—	(89)	—	—	104	15
Balance, June 30, 2022	69,666,983	348	(14,487,582)	(162,344)	1,176,763	(6,470)	(75,132)	827	933,992
Net loss	—	—	—	—	—	—	(7,290)	(1,373)	(8,663)
Other comprehensive loss, net of tax	—	—	—	—	—	(1,479)	—	—	(1,479)
Stock-based compensation expense	—	—	—	—	17,265	—	—	—	17,265
Issuance of common stock, vesting of RSUs and PSUs	162,187	1	—	—	—	—	—	—	1

Net cash paid related to tax withholding for stock-based compensation	—	—	(55,984)	(2,500)	—	—	—	—	(2,500)
Proceeds from the exercise of stock options	37,618	—	—	—	1,817	—	—	—	1,817
Other	—	—	—	—	(221)	—	—	72	(149)
Balance, September 30, 2022	69,866,788	$ 349	(14,543,566)	$ (164,844)	$ 1,195,624	$ (7,949)	$ (82,422)	$ (474)	$ 940,284

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	Three Months Ended March 31,	
	2024	2024	2023
Cash flows from operating activities:			
Net income (loss)			
Net income (loss)			
Net income (loss)			
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization			
Depreciation and amortization			
Depreciation and amortization			
Deferred income taxes			
Non-cash compensation expense			
Non-cash compensation expense			
Non-cash compensation expense			
Non-cash interest expense			

Loss allocations from equity method investments

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (60,837)	$ (47,639)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	101,058	97,208
Deferred income taxes	(1,458)	(4,380)
Release of uncertain tax positions	—	(3,095)
Non-cash compensation expense	58,141	62,583
Non-cash interest expense	6,822	5,436
Loss allocations from equity method investments	8,240	5,332
Fair market value adjustment to investment in private company	(2,804)	—
Dilution gain on equity method investee share issuance	(546)	(6,934)
Lease related impairments	2,483	14,050
Loss on property and equipment disposals - office closures	—	3,710
Other		
Other		
Other	1,155	(149)
Changes in operating assets and liabilities:		
Fees receivable, net		
Fees receivable, net		
Fees receivable, net	(9,621)	1,546
Prepaid expenses and other assets	(17,534)	(12,524)
Accounts payable, accrued expenses and other liabilities	(1,848)	(26,580)
Deferred revenue	(3,974)	(2,329)
Net cash provided by operating activities	79,277	86,235

Net cash provided by (used in) operating activities			
Cash flows from investing activities:	Cash flows from investing activities:		
Purchases of property and equipment	Purchases of property and equipment	(18,275)	(13,114)
Purchases of property and equipment			
Purchases of property and equipment			
Capitalization of internally developed software	Capitalization of internally developed software	(71,117)	(67,755)
Acquisitions of businesses, net of cash acquired		—	(104,185)
Investments in private companies			
Investments in private companies			
Investments in private companies	Investments in private companies	(4,175)	(16,351)
Acquisition of proprietary technology	Acquisition of proprietary technology	(12,000)	(19,000)
Issuance of loan receivable to private company	Issuance of loan receivable to private company	(20,000)	—
Issuance of note receivable to equity method investees		—	(6,350)
Other			
Other			
Other	Other	400	—
Net cash used in investing activities	Net cash used in investing activities	(125,167)	(226,755)
Cash flows from financing activities:	Cash flows from financing activities:		
Proceeds from borrowings on Revolving Credit Facility		55,000	—
Payments related to Revolving Credit Facility		(55,000)	(1,872)
Payments related to Convertible Notes		(45,000)	—
Payments on finance lease obligations		(5,511)	(14,544)
Proceeds from exercise of stock options			
Proceeds from exercise of stock options			

Proceeds from exercise of stock options	Proceeds from exercise of stock options	839	2,559
Payments related to tax withholdings for stock-based compensation	Payments related to tax withholdings for stock-based compensation	(17,004)	(20,613)
Payments related to share repurchases	Payments related to share repurchases	(9,289)	(9,235)
Proceeds from capital contributions received by non-controlling interest			
Purchase of non-controlling units from third-party shareholders	Purchase of non-controlling units from third-party shareholders	(1,008)	—
Payments of contingent consideration		—	(750)
Other	Other	4	5
Net cash used in financing activities		(76,969)	(44,450)
Effect of exchange rate on changes on cash, cash equivalents and restricted cash		3,897	(3,128)
Net change in cash, cash equivalents and restricted cash		(118,962)	(188,098)
Cash, cash equivalents and restricted cash, beginning of period		162,173	429,428
Cash, cash equivalents and restricted cash, end of period		$ 43,211	$241,330
Other			
Other			
Net cash provided by (used in) financing activities			
Effect of exchange rate on changes on cash and cash equivalents			
Net change in cash and cash equivalents due to cash reclassified to assets held for deconsolidation			
Net change in cash and cash equivalents			
Cash and cash equivalents, beginning of period			
Cash and cash equivalents, end of period			

Supplemental disclosures of cash flow information	**Supplemental disclosures of cash flow information**				
Net cash paid for income taxes					
Net cash paid for income taxes					
Net cash paid for income taxes	Net cash paid for income taxes	$	13,552	$	7,916
Cash paid for interest	Cash paid for interest	$	12,231	$	7,851
Supplemental disclosure of non-cash activities	**Supplemental disclosure of non-cash activities**				
Conversion of equity method investee loan to shares	Conversion of equity method investee loan to shares	$	4,129	$	2,623
Conversion of equity method investee loan to shares					
Conversion of equity method investee loan to shares					
Right-of-use assets obtained in exchange for lease liabilities, net	Right-of-use assets obtained in exchange for lease liabilities, net	$	359	$	11,805
Property and equipment acquired through finance lease		$	5,511	$	15,382
Purchase of property and equipment included in accounts payable, accrued expenses and other liabilities	Purchase of property and equipment included in accounts payable, accrued expenses and other liabilities	$	930	$	1,370
Membership interest liabilities included in other liabilities		$	—	$	752

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

Envestnet, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization and Description of Business

Envestnet, Inc. (“Envestnet”) through its subsidiaries, (collectively, the “Company”) is transforming the way financial advice and insight are delivered. Its mission is to empower financial advisors and service providers with innovative technology, solutions and intelligence. Envestnet has been is a leader in helping transform wealth management, working towards its goal of expanding a holistic financial wellness ecosystem so that our its clients can deliver an intelligent financial life to better serve their clients.

Envestnet is organized around two primary, complementary business segments. segments based on clients served and products provided to meet those needs. Financial information about each business segment is contained in “Note 18—Segment Information” to the condensed consolidated financial statements and is described in detail within the

Company's Annual Report on Form 10-K. Report.

For a summary of commonly used industry terms and abbreviations used in this quarterly report on Form 10-Q, Quarterly Report, see the Glossary of Terms.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company as of September 30, 2023 March 31, 2024 and for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 have not been audited by an independent registered public accounting firm. These unaudited condensed consolidated financial statements have been prepared on the same basis as our the Company's audited consolidated financial statements for the year ended December 31, 2022 December 31, 2023 and reflect all normal recurring adjustments which are, in the opinion of management, necessary to present fairly the Company's financial position as of September 30, 2023 March 31, 2024 and results of operations, equity, comprehensive income (loss) and cash flows for the periods presented herein. The unaudited condensed consolidated financial statements include the accounts of the Company. All significant intercompany transactions and balances have been eliminated in consolidation. Accounts for the Envestnet Wealth Solutions segment that are denominated in a non-U.S. currency have been re-measured using the U.S. dollar as the functional currency. Certain accounts within the Envestnet Data & Analytics segment are recorded and measured in foreign currencies. The assets and liabilities for those subsidiaries with a functional currency other than the U.S. dollar are translated at exchange rates in effect at the balance sheet date, and revenue and expenses are translated at average exchange rates. Differences arising from these foreign currency translations are recorded in the unaudited condensed consolidated balance sheets as accumulated other comprehensive income (loss) within stockholders' equity. The Company is also subject to gains and losses from foreign currency denominated transactions and the remeasurement of foreign currency denominated balance sheet accounts, both of which are included in other expense, net in the condensed consolidated statements of operations.

The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results of operations to be expected for other interim periods or for the full fiscal year.

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. References to GAAP in these notes are to the FASB ASC and ASUs. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report, on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 28, 2023 February 28, 2024.

Segment Reporting

On October 1, 2023, the Company changed the composition of its reportable segments to reflect the way that the Company's chief operating decision maker reviews the operating results, assesses performance and allocates resources. All segment information presented within this Quarterly Report is presented in conjunction with the current organizational structure, with prior periods adjusted accordingly.

Correction of Immaterial Error

During the fourth quarter of 2023, the Company identified that the arrangement with a third-party for the use of cloud hosted virtual servers which was previously accounted for as a finance lease transaction and included as a component of

property and equipment, net in the condensed consolidated balance sheets should have been recognized as a prepayment included within prepaid expenses and other current assets and other assets in the condensed consolidated balance sheets. The Company concluded that the classification of these transactions was immaterial in prior period financial statements and that amendment of previously filed reports was not required. However, the Company corrected this immaterial error in the prior period reported within this Quarterly Report.

In the condensed consolidated statements of operations for the three months ended March 31, 2023, these adjustments resulted in an increase in direct expense of $0.7 million, an increase in general and administrative expense of $0.7 million and a corresponding decrease in depreciation and amortization expense of $1.4 million. In the condensed consolidated statements of cash flows for the three months ended March 31, 2023, these adjustments resulted in a decrease in net cash provided by operating activities of $0.2 million and a corresponding decrease in net cash used in financing activities of $0.2 million.

Assets and Liabilities Held for Sale

Assets and the related liabilities are classified as held for sale in the period in which all of the following criteria are met: management commits to a plan of sale, the assets are available for immediate sale, an active program to locate a buyer has been initiated, the assets are actively marketed at a reasonable price, the sale is probable within one year and significant changes to the plan are unlikely. Assets and liabilities classified as held for sale are presented separately in the condensed consolidated balance sheets at the lower of their carrying amount and fair value, less costs to sell for each reporting period they meet the held for sale criteria. Depreciation and amortization expense is not recognized on long-lived assets once they are classified as assets held for sale. Unless otherwise specified, the amounts and information presented in the notes do not include assets and liabilities classified as held for sale as of March 31, 2024. See "Note 3— Assets and Liabilities Held for Deconsolidation" for additional information.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ materially from these estimates under different assumptions or conditions.

Reclassifications

Certain amounts in the condensed consolidated balance sheets as of December 31, 2022 and the condensed consolidated statements of cash flows for the nine three months ended September 30, 2022 March 31, 2023 have been reclassified to conform to the current period presentation. These reclassifications did not change the previously reported total assets, total liabilities and equity, or net change in cash and cash equivalents and did not affect the condensed consolidated balance sheets, condensed consolidated statements of operations, condensed consolidated statements of comprehensive loss income (loss) or condensed consolidated statements of stockholders' equity.

Related Party Transactions

The Company has an approximate 3.8% 3.7% membership interest in a private services company that it accounts for using the equity method of accounting and is considered to be a related party. Revenue from the private services company totaled $2.8 million $2.6 million and $3.7 million $3.6 million in the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. Revenue from the private services company totaled $9.7 million and $12.7 million in the nine months ended September 30, 2023 and 2022, 2023, respectively. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company recorded a net receivable from the private services company of $1.8 million $0.7 million and $2.0 million $1.7 million, respectively.

Recent Recently Adopted Accounting Pronouncements Not Yet Adopted

In March 2023, the FASB issued ASU 2023-01, “Leases (Topic 842): Common Control Arrangements.” This update amends ASC 842 and the accounting for leasehold improvements associated with common control leases. The Company adopted this standard as of January 1, 2024 and it did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." This update amends the requirements for segment disclosures. This standard is effective for fiscal years beginning after December 15, 2023, including and interim periods within fiscal years beginning after December 15, 2024. Early adoption

of the standard is permitted. The Company is analyzing the impact of the adoption, but does not expect it to have a material impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This update amends the requirements for income tax disclosures. This standard is effective for fiscal years beginning after December 15, 2024. Early adoption of the standard is permitted. The Company is analyzing the impact of the adoption, but does not expect it to have a material impact on the Company's consolidated financial statements.

In March 2024, the FASB issued ASU 2024-01, "Compensation - Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards." This update clarifies how to account for profits interest and similar awards. This standard is effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. Early adoption of the standard is permitted. The Company is analyzing the impact of the adoption, but does not expect it to have a material impact on the Company's consolidated financial statements.

In March 2024, the SEC adopted “The Enhancement and Standardization of Climate-Related Disclosures for Investors” that requires public companies to disclose information about the material impacts of climate-related risks on their business, financial condition and governance. These rules are effective, pending judicial review, starting with fiscal year 2025. The Company is analyzing the impact of these rules and has not yet determined the impact on the Company's consolidated financial statements and related disclosures.

3. Acquisitions Assets and Liabilities Held for Deconsolidation

Acquisition As of Redi2 Technologies

On July 1, 2022 March 31, 2024, the Company completed held a controlling financial interest in a private company due to its majority representation on the acquisition company's board and, as such, used the consolidation method of all accounting to include the private company's assets, liabilities and results of the issued and outstanding shares of Redi2 Technologies ("Redi2"). Redi2 provides revenue management and hosted fee-billing solutions. Its platform enables fee calculation, invoice creation, payouts and accounting, and billing compliance. Redi2 has been integrated into operations within the Envestnet Wealth Solutions segment. segment of the Company's condensed consolidated financial statements.

In connection During the three months ended March 31, 2024, this private company entered into an amended operating agreement with its members which will result in Envestnet no longer having majority representation of the Redi2 acquisition, the Company paid consideration as follows (in thousands):

Cash consideration, net	$	69,406
Working capital adjustment		(533)
Total	$	68,873

The Company funded the Redi2 acquisition with available cash resources. In addition, certain executives may earn up to $20.0 million in performance bonuses based upon the achievement of certain target company's board and therefore no longer holding a controlling financial and non-financial metrics. These performance bonuses will be recognized as compensation and benefits expense interest in the private company as of April 1, 2024. Upon no longer having controlling financial interest, Envestnet will deconsolidate the private company's assets, liabilities and results of operations. This transaction qualifies for fair value measurement which results in it being considered a sale. This plan of sale meets the held for sale criteria as of March 31, 2024 and therefore the assets and related liabilities of this private company were classified as held for deconsolidation in the Company's condensed consolidated statements balance sheets as of operations. The Company recognized $0.4 million and $1.9 million related to these performance bonuses during the three and nine months ended September 30, 2023, respectively.

March 31, 2024.

The following table summarizes the final fair values Assets and liabilities held for deconsolidation consisted of the assets acquired and liabilities assumed as of the acquisition date (in thousands): following:

Total		2024
		(in thousands)
Cash and cash equivalents	$	11,073
Fees receivable, net		2,319
Prepaid expenses and other current assets		513
Internally developed software, net		14,090
Goodwill (1)		26,647
Other assets		374
Total assets held for deconsolidation	$	1,985 55,016
Other non-current assets		3,321
Identifiable intangible assets		26,500
Goodwill		46,467
Total assets acquired		78,273
Accounts payable, accrued expenses and other current liabilities		(2,428) 2,463
Operating lease liabilities		(2,201)
Deferred revenue		(4,771) 5,085
Other liabilities		1,450
Total liabilities assumed held for deconsolidation		(9,400)
Total net assets acquired, net of cash received	$	68,873 8,998

(1) The assignment of goodwill was based on the relative fair value of the private company and the Envestnet Wealth Solutions reporting unit prior to the private company being classified as held for deconsolidation.

The goodwill arising from Effective April 1, 2024, the acquisition represents Company no longer had a controlling financial interest in the expected benefits private company which will result in the derecognition of the transaction, primarily related to the enhancement carrying amount of the Company's existing technologies noncontrolling interest as of April 1, 2024, the derecognition of the above assets and increase liabilities held for deconsolidation and which may result in future revenue as the recognition of a result of potential cross selling opportunities. Goodwill of $40.7 million is expected gain during the three months ended June 30, 2024. This transaction does not represent a strategic shift and therefore does not meet the criteria to be deductible for income tax purposes.

A summary of intangible assets acquired is classified as follows:

		Gross Carrying Amount	Estimated Useful Life	Amortization Method
		(in thousands)	(in years)	
Customer lists	$	14,000	14 - 16	Accelerated
Proprietary technologies		9,500	6	Straight-line
Trade names		3,000	6 - 7	Straight-line
Total intangible assets acquired	$	26,500		

discontinued operations. The Company completed will apply the acquisition accounting related equity method to the Redi2 acquisition during the six months ended June 30, 2023.

The results of Redi2 were included account for its noncontrolling investment in the condensed consolidated statements of operations beginning July 1, 2022 and are not considered material to the Company's results of operations.

During the three and nine months ended September 30, 2023, the Company's acquisition related costs included in general and administrative expense in the condensed consolidated statements of operations were not material. this private company starting April 1, 2024.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	March 31,	March 31,	December 31,
	2024	2023	

		September 30, 2023	December 31, 2022
		(in thousands)	
		(in thousands)	
		(in thousands)	
		(in thousands)	
Prepaid technology	Prepaid technology	$ 16,500	$ 16,649
Income tax prepayments and receivables	Income tax prepayments and receivables	6,785	2,515
Prepaid data servers			
Elevate Summit prepayments and deposits			
Non-income tax receivable			
Prepaid insurance	Prepaid insurance	4,487	2,881
Non-income tax receivable		4,231	5,488
Other	Other	17,296	13,830
Total prepaid expenses and other current assets	Total prepaid expenses and other current assets	$ 49,299	$ 41,363

5. Internally Developed Software, Net

Internally developed software, net consisted of the following:

		Estimated Useful Life	September 30, 2023	December 31, 2022	Estimated Useful Life	March 31, 2024	December 31, 2023
			(in thousands)				
			(in thousands)				
			(in thousands)				
			(in thousands)				
Internally developed software	Internally developed software	5 years	$383,041	$313,200			

Less: accumulated amortization	Less: accumulated amortization	(165,630)	(128,642)
Internally developed software, net	Internally developed software, net	$217,411	$184,558

6. Geographical Information

The following table sets forth certain long-lived assets including property and equipment, net and internally developed software, net by geographic area:

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
		(in thousands)			
		(in thousands)			
		(in thousands)			
		(in thousands)			
United States	United States	$280,589	$245,817		
India	India	2,607	1,093		
Other		—	91		
Total long-lived assets, net	Total long-lived assets, net	$283,196	$247,001		
Total long-lived assets, net					
Total long-lived assets, net					

See “Note 14—Revenue and Direct Expense” for detail of revenue by geographic area.

7. Intangible Assets, Net

Intangible assets, net consisted of the following:

		September 30, 2023			December 31, 2022			March 31, 2024			December 31, 2023		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Gross Accumulated Amortization	Net Carrying Amount
			(in thousands)										
			(in thousands)										
			(in thousands)										
			(in thousands)										
Customer lists	Customer lists	$604,080	$(316,805)	$287,275	$604,080	$(285,288)	$318,792						
Proprietary technologies	Proprietary technologies	86,057	(32,735)	53,322	113,224	(59,401)	53,823						
Trade names	Trade names	15,700	(10,086)	5,614	15,700	(8,320)	7,380						

Total intangible assets	Total intangible assets	$705,837	$(359,626)	$346,211	$733,004	$(353,009)	$379,995

On April 1, 2022, the Company entered into a purchase agreement with a privately held company to acquire technology solutions being developed by this privately held company for a purchase price of $9.0 million, including an advance of $4.0 million. The purchase agreement was amended in January 2023 to include additional functionality and features for additional consideration of $5.0 million. The Company closed the transaction and paid the remaining $10.0 million during During the three months ended March 31, 2023. This proprietary technology asset has been integrated into the Envestnet Data & Analytics segment March 31, 2024 and is being amortized over an estimated useful life of five years.

On May 19, 2023, the Company entered into a purchase agreement with this same privately held company to acquire technology solutions being developed by this privately held company for a purchase price of $7.0 million, including an advance of $2.0 million. In addition, the prior purchase agreements that were entered into with this privately held company in June 2021 and April 2022 were amended in May 2023, to remove the earn-out payment provisions.

During the nine months ended September 30, 2023, the Company retired fully amortized proprietary technologies intangible assets with a historical cost costs of $40.5 million. $16.4 million and $17.5 million, respectively.

Future The estimated future amortization expense of the Company's intangible assets as of September 30, 2023, is expected to be March 31, 2024 was as follows (in thousands):

Remainder of 2023		$ 15,012
2024		55,968
Remainder of 2024		
Remainder of 2024		
Remainder of 2024		
2025	2025	52,573
2026	2026	45,048
2027	2027	36,283
2028		
Thereafter	Thereafter	141,327
Total	Total	$346,211

8. Depreciation and Amortization Expense

Depreciation and amortization expense consisted of the following:

	Three Months Ended						
	Three Months Ended						
	Three Months Ended						
	Three Months Ended		Nine Months Ended		March 31,		
	2024					2024	2023
	September 30,		September 30,				
	2023	2022	2023	2022			
	(in thousands)						
	(in thousands)						
	(in thousands)						
	(in thousands)						

Intangible asset amortization	Intangible asset amortization	$ 15,124	$18,649	$ 47,784	$53,814
Internally developed software amortization	Internally developed software amortization	13,500	9,441	36,988	27,022
Property and equipment depreciation	Property and equipment depreciation	5,687	5,318	16,286	16,372
Total depreciation and amortization	Total depreciation and amortization	$ 34,311	$33,408	$101,058	$97,208

9. Goodwill

Changes in the carrying amount of goodwill by reportable segment were as follows:

	Envestnet Wealth Solutions	Envestnet Data & Analytics	Total
		(in thousands)	
Balance as of December 31, 2022	$ 679,739	$ 318,675	$ 998,414
Foreign currency translation	—	(33)	(33)
Balance as of September 30, 2023	$ 679,739	$ 318,642	$ 998,381

	Envestnet Wealth Solutions	Envestnet Data & Analytics	Total
		(in thousands)	
Balance as of December 31, 2023	$ 710,326	$ 96,237	$ 806,563
Goodwill reclassified to assets held for deconsolidation (1)	(26,647)	—	(26,647)
Balance as of March 31, 2024	$ 683,679	$ 96,237	$ 779,916

As part(1) The reclassification of the annual goodwill impairment analysis, the Company will perform a quantitative to assets held for deconsolidation was considered an event or change in circumstance which required goodwill impairment evaluation to be tested for each reporting unit impairment as of October 31, 2023 March 31, 2024. As a result of the segment change described in Note 18—Segment Information A qualitative assessment was performed and a corresponding adjustment to the composition of reporting units, as well as lower revenue and profits in 2023 compared to prior years in the Envestnet Data & Analytics segment, the Envestnet Data & Analytics reporting unit's goodwill balance may be considered at risk for future impairment. Based on the results of this assessment, if it was determined that it was not more likely than not that the carrying value of the reporting unit exceeds exceeded its fair value it could result in the recognition of an and therefore a quantitative goodwill impairment of goodwill in the fourth quarter of 2023, evaluation was not required and such no impairment could be material. was recorded.

10. Other Assets

On January 31, 2023, the Company entered into a Convertible Promissory Note with a customer of the Company's business, a privately held company, whereby the Company was issued a convertible promissory note with a principal amount of $20.0 million and a stated interest rate of 8.0% per annum. The Convertible Promissory Note has a maturity date of January 31, 2026 and is convertible into common stock or preferred stock of the privately held company upon qualified financing events or corporate transactions. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, interest income related to the Convertible Promissory Note included in other expense, net in the condensed consolidated statements of operations was $0.4 million and $1.1 million $0.3 million, respectively.

In connection with the Convertible Promissory Note, the Company concurrently entered into a call option agreement with the privately held company, which provides the Company an option to acquire the privately held company at a predetermined price as of the earlier of July 2024 or upon satisfaction of certain financial metrics. The financial metrics were met during the three months ended September 30, 2023, however, the Company did not exercise the call option.

The Company accounts for this Convertible Promissory Note as a loan receivable in accordance with ASC 310 - Receivables as it is not a security and includes it in other assets in the condensed consolidated balance sheets. Credit impairment is measured as the difference between this loan receivable's amortized cost and its estimated recoverable value, which is the present value of its expected future cash flows discounted at the effective interest rate. There was no impairment for this investment during the nine three months ended September 30, 2023 March 31, 2024.

11. Accounts Payable, Accrued Expenses and Other Current Liabilities

Accounts payable, accrued expenses and other current liabilities consisted of the following:

	September 30, 2023	December 31, 2022
	(in thousands)	
Accrued investment manager fees	$ 110,496	$ 99,851
Accrued compensation and related taxes	69,943	77,939
Accounts payable	16,594	11,271
Accrued professional services	9,779	10,762
Accrued interest	5,654	3,091
Accrued technology	5,285	6,393
Accrued treasury stock purchases	—	9,289
Other accrued expenses	6,634	15,270
Total accounts payable, accrued expenses and other current liabilities	$ 224,385	$ 233,866

During the nine months ended September 30, 2023, as part of a reduction in force initiative, the Company entered into separation agreements with a number of employees. In connection with this reduction in force initiative that began in the first quarter of 2023, as well as a fourth quarter 2022 organizational realignment, the Company incurred $11.5 million and $25.9 million in total severance expense in the three and nine months ended September 30, 2023, respectively.

	March 31, 2024	December 31, 2023
	(in thousands)	
Accrued investment manager fees	$ 116,092	$ 106,612
Accrued compensation and related taxes	36,603	72,466
Accounts payable	22,765	35,738
Accrued professional services	10,482	14,289
Accrued interest	5,648	2,473
Accrued technology	4,349	4,151
Other accrued expenses	5,187	5,695
Total accounts payable, accrued expenses and other current liabilities	$ 201,126	$ 241,424

As of September 30, 2023 March 31, 2024 the Company had an ending liability balance of $13.4 $7.2 million related to these efforts, primarily in connection with a reduction in force initiative that began during the first quarter of which the 2023. The Company anticipates approximately $10.1 $4.6 million to be paid during the remainder of 2023, $2.7 2024, $1.7 million to be paid throughout 2024, 2025, with the remaining balance paid through 2030.

The following table presents a reconciliation of the beginning and ending liability balance related to these efforts, this effort, which is primarily included within "Accrued accrued compensation and related taxes" taxes in the table above.

	Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total	Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total
	(in thousands)							
Balance as of December 31, 2022	$11,929	$ 3,439	$ —	$15,368				
	(in thousands)							
	(in thousands)							
	(in thousands)							
Balance as of December 31, 2023								
Severance expense								
Severance expense	9,931	11,849	4,124	25,904				
Cash payments								
Cash payments	(14,170)	(9,535)	(4,124)	(27,829)				
Balance as of September 30, 2023	$ 7,690	$ 5,753	$ —	$13,443				
Balance as of March 31, 2024								
Balance as of March 31, 2024								
Balance as of March 31, 2024								

Subsequent

Envestnet, Inc.

Notes to September 30, 2023, in connection with the reduction in force initiative, the Company entered into separation agreements with a number of employees and incurred an additional $5.6 million in severance expense, of which the Company anticipates approximately $1.8 million to be paid during the remainder of 2023 and $3.8 million to be paid during the first quarter of 2024. Unaudited Condensed Consolidated Financial Statements (continued)

12. Debt

The following tables set forth the carrying value and estimated fair value of the Company's debt obligations as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023				March 31, 2024			
	Issuance Amount	Unamortized Issuance Costs	Carrying Value	Fair Value (Level II)	Issuance Amount	Unamortized Issuance Costs	Carrying Value	Fair Value (Level II)
	(in thousands)							
	(in thousands)							
	(in thousands)							
	(in thousands)							
Revolving Credit Facility								
Revolving Credit Facility								
Revolving Credit Facility								
Revolving Credit Facility	$ —	$ —	$ —	$ —				
Convertible Notes due 2025								
Convertible Notes due 2025	317,500	(3,419)	314,081	293,875				

Convertible Notes due 2027	Convertible Notes due 2027	575,000	(13,691)	561,309	523,595
Total debt	Total debt	$892,500	$ (17,110)	$875,390	$817,470

		December 31, 2022				December 31, 2023			
		Issuance Amount	Unamortized Issuance Costs	Carrying Value	Fair Value (Level II)	Issuance Amount	Unamortized Issuance Costs	Carrying Value	Fair Value (Level II)
		(in thousands)							
		(in thousands)							
		(in thousands)							
		(in thousands)							
Revolving Credit Facility	Revolving Credit Facility	$ —	$ —	$ —	$ —				
Convertible Notes due 2023		45,000	(114)	44,886	46,058				
Revolving Credit Facility									
Revolving Credit Facility									
Convertible Notes due 2025	Convertible Notes due 2025	317,500	(4,765)	312,735	293,688				
Convertible Notes due 2027	Convertible Notes due 2027	575,000	(15,966)	559,034	606,119				
Total debt	Total debt	$937,500	$ (20,845)	$916,655	$945,865				

Revolving Credit Facility

The Revolving Credit Facility provides for a $500.0 million revolving line of credit, including a sub-facility for a $20.0 million letter of credit. There were no amounts outstanding under the Revolving Credit Facility as of March 31, 2024 and December 31, 2023.

As of March 31, 2024 and December 31, 2023, debt issuance costs related to the Revolving Credit Facility included in prepaid expenses and other current assets in the condensed consolidated balance sheets was $0.7 million and $0.7 million, respectively, and included in other assets in the condensed consolidated balance sheets was $1.3 million and $1.5 million, respectively.

The Revolving Credit Facility contains customary conditions, representations and warranties, affirmative and negative covenants, mandatory prepayment provisions and events of default. The covenants include certain financial covenants requiring the Company to maintain compliance with a maximum total leverage ratio and a minimum interest coverage ratio.

On February 20, 2024, the Company entered into a Waiver with respect to the Revolving Credit Facility, between the Company, the Guarantors party thereto from time to time, the Lenders party thereto from time to time and Bank of Montreal, as administrative agent. Under the Waiver, the Lenders party thereto waived the events of default resulting from the non-compliance with the Total Leverage Ratio financial covenant for the fiscal quarters ended on March 31, 2023 and June 30, 2023. The Company was in compliance with these financial all other covenants as of September 30, 2023.

As of September 30, 2023 and December 31, 2022 there were no amounts outstanding under in the Revolving Credit Facility and all $500.0 million was available to borrow as of September 30, 2023 March 31, 2024.

As of September 30, 2023 and December 31, 2022, debt issuance costs related to the Revolving Credit Facility included in prepaid expense and other current assets in the condensed consolidated balance sheets was $0.7 million and $0.7 million, respectively, and included in other assets in the condensed consolidated balance sheets was $1.6 million and $2.2 million, respectively.

Convertible Notes due 2023

The Convertible Notes due 2023 matured on June 1, 2023. Upon maturity, the Company settled the remaining aggregate principal amount on the Convertible Notes due 2023 for $45.0 million. The Convertible Notes due 2023 were paid using a combination of cash on hand and borrowings under the Company's Revolving Credit Facility. No shares of the Company's common stock were issued upon settlement of the Convertible Notes due 2023.

Interest Expense

Interest expense was comprised of the following and is included in other expense, net in the condensed consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Convertible Notes interest	$4,368	$2,479	$13,476	$ 7,439
Amortization of debt discount and issuance costs	1,389	1,443	4,258	4,917
Undrawn and other fees	312	320	936	951
Revolving Credit Facility interest	133	—	383	—
Total interest expense	$6,202	$4,242	$19,053	$13,307

	Three Months Ended March 31,	
	2024	2023

(in thousands)

(in thousands)

(in thousands)

Convertible Notes interest

Amortization of debt discount and issuance costs

Undrawn and other fees

Total interest expense

Total interest expense

Total interest expense

The effective interest rate of the Convertible Notes was equal to the stated interest rate plus the amortization of the debt issuance costs and is set forth below:

	Three Months Ended September 30,	
	2023	2022
Convertible Notes due 2023	N/A	2.4 %

	Three Months Ended March 31,	
	2024	2023
Convertible Notes due 2023		
Convertible Notes due 2023	N/A	2.4 %

Convertible Notes due 2023

Convertible Notes due 2025	Convertible Notes due 2025	1.3	%	1.3	%	Convertible Notes due 2025	1.3	%	1.3	%
Convertible Notes due 2027	Convertible Notes due 2027	3.2	%		N/A	Convertible Notes due 2027	3.2	%	3.2	%

13. Fair Value Measurements

The following tables set forth the fair value of the Company's Company's financial assets and liabilities measured at fair value on a recurring basis, in the condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022, based on the three-tier fair value hierarchy, as described in detail within the Company's Annual Report on Form 10-K: Report:

		September 30, 2023					March 31, 2024			
		Fair Value	Level I	Level II	Level III		Fair Value	Level I	Level II	Level III
		(in thousands)								
		(in thousands)								
		(in thousands)								
		(in thousands)								
Assets:	Assets:					Assets:				
Money market funds	Money market funds	$22,701	$22,701	$ —	$ —					
Assets to fund deferred compensation liability										
Assets to fund deferred compensation liability										
Assets to fund deferred compensation liability	Assets to fund deferred compensation liability	10,366	—	—	10,366					
Total assets	Total assets	$33,067	$22,701	$ —	$10,366					
Liabilities:	Liabilities:					Liabilities:				
Deferred compensation liability	Deferred compensation liability	7,849	7,849	—	—					
Deferred compensation liability										
Deferred compensation liability										
Total liabilities	Total liabilities	$ 7,849	$ 7,849	$ —	$ —					

	December 31, 2023			
	Fair Value	Level I	Level II	Level III
	(in thousands)			
Assets:				
Money market funds	$ 51,653	$ 51,653	$ —	$ —
Assets to fund deferred compensation liability	10,961	—	—	10,961
Total assets	$ 62,614	$ 51,653	$ —	$ 10,961
Liabilities:				
Deferred compensation liability	$ 8,045	$ 8,045	$ —	$ —
Total liabilities	$ 8,045	$ 8,045	$ —	$ —

	December 31, 2022			
	Fair Value	Level I	Level II	Level III
	(in thousands)			
Assets:				
Money market funds	$ 2,628	$ 2,628	$ —	$ —
Assets to fund deferred compensation liability	10,074	—	—	10,074
Total assets	$ 12,702	$ 2,628	$ —	$ 10,074
Liabilities:				
Deferred compensation liability	8,088	8,088	—	—
Total liabilities	$ 8,088	$ 8,088	$ —	$ —

The Company assesses the categorization of assets and liabilities by level at each measurement date, and transfers between levels are recognized on the actual date of the event or when changes in circumstances caused cause the transfer, in accordance with the Company's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers between Levels I, II and III during the nine three months ended September 30, 2023 and 2022. March 31, 2024.

Fair Value of Assets Used to Fund the Deferred Compensation Liability

The table below presents a reconciliation of the assets used to fund the Company's deferred compensation liability, which is measured at fair value on a recurring basis using significant unobservable inputs (Level III) for the period from December 31, 2022 to September 30, 2023:

	Fair Value of Assets Used to Fund Deferred Compensation Liability
	(in thousands)
Balance as of December 31, 2022 December 31, 2023	$ 10,074 10,961
Fair value adjustments and fees	292 412
Balance as of September 30, 2023 March 31, 2024	$ 10,366 11,373

The fair market value of the assets used to fund the Company's deferred compensation liability is based upon measured using the cash surrender value of the Company's life insurance premiums. premiums and is included iThe value of the assets used to fund the Company's deferred compensation liability, which are included in n other assets in the condensed consolidated balance sheets, increased due to net gains on the underlying investment vehicles. These gains sheets. Changes in fair value, if any, are recognized in the Company's earnings and included in general and administrative expenses expense in the condensed consolidated statements of operations.

Fair Value of Debt Agreements

The Company considered its Convertible Notes to be Level II liabilities as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, and used a market approach to calculate their respective fair values. The estimated fair value for each convertible note was determined based on estimated or actual bids and offers in an over-the-counter market on September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively (See "Note 12—Debt").

Fair Value of Other Financial Assets and Liabilities

The Company considered the recorded value of its other financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, based upon the short-term nature of these assets and liabilities.

Envestnet, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

14. Revenue and Direct Expense

Disaggregation of Revenue

The following table presents the Company's revenue by segment disaggregated by major source:

	Three Months Ended September 30,					
	2023			2022		
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Total	Envestnet Wealth Solutions	Envestnet Data & Analytics	Total
	(in thousands)					
Revenue:						
Asset-based	$ 193,901	$ —	$ 193,901	$ 177,131	$ —	$ 177,131
Subscription-based	76,813	38,126	114,939	75,975	47,772	123,747
Total recurring revenue	270,714	38,126	308,840	253,106	47,772	300,878
Professional services and other revenue	4,313	3,694	8,007	4,229	1,588	5,817
Total revenue	$ 275,027	$ 41,820	$ 316,847	$ 257,335	$ 49,360	$ 306,695

		Nine Months Ended September 30,						Three Months Ended March 31,					
		2023			2022			2024			2023		
		Envestnet Wealth Solutions	Envestnet Data & Analytics	Total	Envestnet Wealth Solutions	Envestnet Data & Analytics	Total	Envestnet Wealth Solutions	Envestnet Data & Analytics	Total	Envestnet Wealth Solutions	Envestnet Data & Analytics	Total
		(in thousands)											
		(in thousands)											
		(in thousands)											
		(in thousands)											
Revenue:	Revenue:							Revenue:					
Asset-based	Asset-based	$556,595	$ —	$556,595	$571,820	$ —	$571,820						
Subscription-based	Subscription-based	228,807	118,170	346,977	218,080	138,521	356,601						
Total recurring revenue	Total recurring revenue	785,402	118,170	903,572	789,900	138,521	928,421						
Professional services and other revenue	Professional services and other revenue	17,866	6,550	24,416	13,003	5,486	18,489						
Total revenue	Total revenue	$803,268	$124,720	$927,988	$802,903	$144,007	$946,910						

The following table presents the Company's revenue disaggregated by geography, based on the billing address of the customer:

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
		(in thousands)					
		(in thousands)					
		(in thousands)					
		(in thousands)					
United States	United States	$311,045	$300,465	$911,205	$931,465		
International	International	5,802	6,230	16,783	15,445		

Total revenue	Total revenue	$316,847	$306,695	$927,988	$946,910

Remaining Performance Obligations

As of September 30, 2023 March 31, 2024, the Company's estimated revenue expected to be recognized in the future related to performance obligations associated with existing customer contracts that are partially or wholly unsatisfied is approximately $567.0 million $554.5 million. We expect The Company expects to recognize approximately 12% 31% of this revenue during the remainder of 2023, 2024, approximately 61% 50% throughout 2024 2025 and 2025, 2026, with the balance recognized thereafter. These remaining performance obligations are not indicative of revenue for future periods.

Contract Balances

Total deferred revenue as of September 30, 2023 March 31, 2024 decreased by $4.0 million $4.1 million from December 31, 2022 December 31, 2023, primarily the result of timing of cash receipts and revenue recognition. The majority of the Company's deferred revenue as of March 31, 2024 will be recognized over the course of the next twelve months.

The amount of revenue recognized for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 that was included in the opening deferred revenue balance was $5.4 million $15.9 million and $5.5 million, respectively. The amount of revenue recognized for the nine months ended September 30, 2023 and 2022, that was included in the opening deferred revenue balance was $33.6 million and $31.7 million $16.8 million, respectively. The majority of this revenue consists of subscription-based services and professional services arrangements. The amount of revenue recognized from performance obligations satisfied in prior periods was not material.

Deferred Sales Incentive Compensation

Deferred sales incentive compensation was $11.7 million $11.3 million and $11.0 million $11.5 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Amortization expense for the deferred sales incentive compensation was $1.1 million $1.2 million and $1.0 million $1.1 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. Amortization expense for the deferred sales incentive compensation was $3.4 million and $3.2 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. Deferred sales incentive compensation is included in other assets in

Envestnet, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

the condensed consolidated balance sheets and amortization expense is included in employee compensation expense in the condensed consolidated statements of operations. No significant impairment loss for capitalized costs was recorded during the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Direct Expense

The following table summarizes direct expense by revenue category:

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
		(in thousands)					
		(in thousands)					
		(in thousands)					
		(in thousands)					
Asset-based	Asset-based	$112,938	$102,409	$324,093	$332,138		
Subscription-based	Subscription-based	6,974	7,768	20,269	22,820		

Professional services and other	Professional services and other	(374)	(69)	7,662	6,914
Total direct expense	Total direct expense	$119,538	$110,108	$352,024	$361,872

15. Stock-Based Compensation

The Company has stock options, RSUs and PSUs outstanding under the 2010 Plan and the 2019 Equity Plan. As of September 30, 2023 March 31, 2024, the maximum number of common shares available for future issuance under the Company's plans is 1,701,899. 654,040.

Stock-based compensation expense under the Company’s plans was as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
		(in thousands)					
(in thousands)							
(in thousands)							
(in thousands)							
Stock-based compensation expense	Stock-based compensation expense	$17,298	$17,265	$58,141	$61,831		
Tax effect on stock-based compensation expense	Tax effect on stock-based compensation expense	(4,411)	(4,403)	(14,826)	(15,767)		
Net effect on income (loss)	Net effect on income (loss)	$12,887	$12,862	$43,315	$46,064		

The tax effect on stock-based compensation expense above was calculated using a blended statutory rate of 25.5% for each of the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Stock Options

The following table summarizes option activity under the Company’s plans:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
			(in years)	(in thousands)
Outstanding as of December 31, 2022	277,535	$ 40.07	2.2	$ 6,005
Exercised	(52,376)	$ 19.97		
Forfeited	(2,938)	$ 55.00		
Outstanding as of September 30, 2023	222,221	$ 44.61	1.7	$ 1,067
Options exercisable as of September 30, 2023	222,221	$ 44.61	1.7	$ 1,067

	Options	Weighted-Average Exercise Price		Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value	
				(in years)	(in thousands)	
Outstanding as of December 31, 2023	202,166	$	45.22			
Exercised	(20,033)	$	40.71			
Forfeited	(186)	$	71.21			
Outstanding and exercisable as of March 31, 2024	181,947	$	45.69	1.3	$	2,224

As of September 30, 2023 March 31, 2024, there was an immaterial no amount of unrecognized stock-based compensation expense related to stock options.

Restricted Stock Units and Performance Stock Units

The following table summarizes RSU and PSU activity under the Company's plans:

RSUs	RSUs		PSUs	
	Number of Shares	Weighted-Average Grant Date Fair Value per Share	Number of Shares	Weighted-Average Grant Date Fair Value per Share

	RSUs			PSUs		
	Number of Shares		Weighted-Average Grant Date Fair Value per Share	Number of Shares		Weighted-Average Grant Date Fair Value per Share
Non-vested as of December 31, 2022	1,681,976	$	72.69	259,049	$	74.83
Non-vested as of December 31, 2023						
Non-vested as of December 31, 2023						
Non-vested as of December 31, 2023						
Granted Granted	1,101,448	$	61.13	40,010	$	69.47
Vested Vested	(849,920)	$	72.99	(21,994)	$	104.96
Forfeited Forfeited	(210,336)	$	62.64	(51,062)	$	65.13
Non-vested as of September 30, 2023	1,723,168	$	66.38	226,003	$	73.14
Non-vested as of March 31, 2024						

As of September 30, 2023 March 31, 2024, there was $89.8 million $112.4 million of unrecognized stock-based compensation expense related to RSUs, which the Company expects to recognize over a weighted-average period of 1.8 2.1 years. As of September 30, 2023 March 31, 2024, there was $3.8 million $4.0 million of unrecognized stock-based compensation expense related to PSUs, which the Company expects to recognize over a weighted-average period of 1.0 year. 2.1 years.

16. Income Taxes

The following table includes the Company's loss income (loss) before income tax provision, (benefit), income tax provision (benefit) and effective tax rate:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands, except for effective tax rate)			
Loss before income tax provision (benefit)	$ (3,768)	$ (6,392)	$ (45,474)	$ (49,181)
Income tax provision (benefit)	$ (8,824)	$ 2,271	$ 15,363	$ (1,542)
Effective tax rate	234.2 %	(35.5)%	(33.8)%	3.1 %

	Three Months Ended March 31,	
	2024	2023
	(in thousands, except for effective tax rate)	
Income (loss) before income tax provision	$ 2,044	$ (18,992)
Income tax provision	$ 1,505	$ 23,769
Effective tax rate	73.6 %	(125.2)%

Under ASC 740-270-25, the Company is required to report income tax expense by applying a projected AETR to ordinary pre-tax book income for the interim period. The tax impact of discrete items is accounted for separately in the period in which they occur. The ETR for the quarter is the result of the projected AETR applied to actual pre-tax book income plus discrete items as a percentage of pre-tax book income. Therefore, a change in pre-tax book income, either forecasted or actual year-to-date, from one period to the next will cause the ETR to change.

For the three months ended September 30, 2023 March 31, 2024 and March 31, 2023, the Company's effective tax rate was impacted by the change in forecasted and actual year-to-date pre-tax book income. For the three and nine months ended September 30, 2023, the Company's effective tax rate differed from the statutory rate primarily due to the increase in the valuation allowance the Company has placed on a portion of its U.S. deferred tax assets which includes the impact of IRC Section 174, permanent book-tax differences, uncertain tax positions and the impact of state and local taxes offset by federal and state R&D credits.

For the three and nine months ended September 30, 2022, the Company's effective tax rate differed from the statutory rate primarily due

Notes to the increase in the valuation allowance the Company has placed on a portion of its U.S. deferred tax assets which includes the impact of the Redi2 and Truelytics acquisitions and IRC Section 174, permanent book-tax differences, the impact of state and local taxes offset by federal and state R&D credits and the partial reserve release of an uncertain tax position due to the expiration of a statute of limitations. Unaudited Condensed Consolidated Financial Statements (continued)

Inflation Reduction Act of 2022

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which, among other things, implements a 15% minimum tax on book income of certain large corporations and a 1% excise tax on net stock repurchases. The provisions of the Inflation Reduction Act of 2022 became effective beginning in 2023. The Company does not anticipate a material impact on the consolidated financial statements.

17. Net Income (Loss) Per Share

The following table provides the numerators and denominators used in computing basic and diluted net income (loss) attributable to Envestnet, Inc., per share:

Three Months Ended			
Three Months Ended			
Three Months Ended			
Three Months Ended	Nine Months Ended		March 31,

		2024				2024	2023
		September 30,		September 30,			
		2023	2022	2023	2022		
		(in thousands, except per share and per share data)					
		(in thousands, except share and per share data)					
		(in thousands, except share and per share data)					
		(in thousands, except share and per share data)					
Net income (loss) attributable to Envestnet, Inc.	Net income (loss) attributable to Envestnet, Inc.	$ 7,091	$ (7,290)	$ (55,553)	$ (44,434)		
Weighted average common shares outstanding:	Weighted average common shares outstanding:						
Basic	Basic	54,562,270	55,226,777	54,380,231	55,109,387		
Basic							
Basic							
Effect of dilutive shares:	Effect of dilutive shares:						
Non-vested RSUs and PSUs							
Non-vested RSUs and PSUs							
Non-vested RSUs and PSUs	Non-vested RSUs and PSUs	361,982	—	—	—		
Options to purchase common stock	Options to purchase common stock	46,364	—	—	—		
Diluted	Diluted	54,970,616	55,226,777	54,380,231	55,109,387		
Diluted							
Diluted							
Net income (loss) attributable to Envestnet, Inc., per share:	Net income (loss) attributable to Envestnet, Inc., per share:						
Basic	Basic	$ 0.13	$ (0.13)	$ (1.02)	$ (0.81)		
Basic							
Basic							
Diluted	Diluted	$ 0.13	$ (0.13)	$ (1.02)	$ (0.81)		

Securities that were anti-dilutive and therefore excluded from the computation of diluted net income (loss) per share were as follows:

		Three Months Ended					
		Three Months Ended					
		Three Months Ended					
		Three Months Ended		Nine Months Ended		March 31,	
		2024				2024	2023
		September 30,		September 30,			
		2023	2022	2023	2022		
Convertible Notes							
Convertible Notes							
Convertible Notes	Convertible Notes	10,811,884	9,898,549	11,176,254	9,898,549		
Non-vested RSUs and PSUs	Non-vested RSUs and PSUs	—	2,136,483	1,949,171	2,136,483		
Options to purchase common stock	Options to purchase common stock	—	281,535	222,221	281,535		
Warrants		—	470,000	—	470,000		
Total anti-dilutive securities	Total anti-dilutive securities	10,811,884	12,786,567	13,347,646	12,786,567		
Total anti-dilutive securities							
Total anti-dilutive securities							

18. Segment Information

Business segments are generally Envestnet is organized around the Company's two business services. segments based on clients served and products provided to meet those needs. The Company's business segments are:

- ***Envestnet Wealth Solutions*** – a leading provider of comprehensive and unified wealth management software, services and services solutions to empower financial advisors and institutions to enable them to deliver an intelligent financial life holistic advice to their clients.

- ***Envestnet Data & Analytics*** – a leading provider of financial data aggregation, intelligence, analytics and digital experiences platform that powers data connectivity to meet the needs of financial institutions, enterprise FinTech firms and business intelligence across digital financial services to enable them to deliver an intelligent financial life to their clients. market investment research firms worldwide.

Subsequent to September 30, 2023, the Company changed the composition of its reportable segments to reflect the way that the Company's chief operating decision maker reviews the operating results, assesses performance and allocates resources. As a result, the advisor-focused Wealth Analytics business has been reclassified from the Envestnet Data & Analytics segment to the Envestnet Wealth Solutions segment. The segment changes do not impact nonsegment results or the Company's consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

All segment information presented within this quarterly report on Form 10-Q for the quarter ended September 30, 2023 is presented in conjunction with the historical organizational structure as that is the organizational structure in place as of the balance sheet date of September 30, 2023.

The information in Company also incurs expenses not directly attributable to the following tables is derived from the Company's internal financial reporting used for corporate management purposes. Nonsegment segments listed above. These nonsegment operating expenses may include salary and benefits primarily consist of employee compensation for certain corporate officers, certain types of professional service expenses, and insurance, acquisition related transaction costs, certain restructuring charges and other non-recurring and/or non-operationally related expenses. Intersegment revenue was not material for the three and nine months ended September 30, 2023 and 2022.

See "Note 14—Revenue and Direct Expense" for detail of revenue by segment.

Envestnet, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

The following table presents a reconciliation from income (loss) from operations by segment to consolidated net income (loss) attributable to Envestnet, Inc.:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		(in thousands)			
Envestnet Wealth Solutions	Envestnet Wealth Solutions	$31,392	$20,607	$ 78,254	$ 49,844
Envestnet Data & Analytics	Envestnet Data & Analytics	(9,115)	74	(27,888)	(9,218)
Nonsegment operating expenses	Nonsegment operating expenses	(21,676)	(21,727)	(76,134)	(80,116)
Income (loss) from operations	Income (loss) from operations	601	(1,046)	(25,768)	(39,490)
Other expense, net	Other expense, net	(4,369)	(5,346)	(19,706)	(9,691)
Consolidated loss before income tax provision (benefit)		(3,768)	(6,392)	(45,474)	(49,181)
Income tax provision (benefit)		(8,824)	2,271	15,363	(1,542)
Consolidated net income (loss)		5,056	(8,663)	(60,837)	(47,639)
Income (loss) before income tax provision					
Income tax provision					
Net income (loss)					
Add: Net loss attributable to non-controlling interest	Add: Net loss attributable to non-controlling interest	2,035	1,373	5,284	3,205
Consolidated net income (loss) attributable to Envestnet, Inc.		$ 7,091	$ (7,290)	$(55,553)	$(44,434)

Three Months Ended March 31,	
2024	2023
(in thousands)	
(in thousands)	
(in thousands)	

Net income (loss) attributable to Envestnet, Inc.

The following table presents a summary of consolidated total assets by segment:

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
		(in thousands)			
		(in thousands)			
		(in thousands)			
		(in thousands)			
Envestnet Wealth Solutions	Envestnet Wealth Solutions	$1,456,849	$1,503,646		
Envestnet Data & Analytics	Envestnet Data & Analytics	574,040	608,519		
Consolidated total assets	Consolidated total assets	$2,030,889	$2,112,165		

19. Commitments and Contingencies

Purchase Obligations and Indemnifications

The Company includes various types of indemnification and guarantee clauses in certain arrangements. These indemnifications and guarantees may include, but are not limited to, infringement claims related to intellectual property, direct or consequential damages and guarantees to certain service providers and service level requirements with certain customers. The type and amount of any potential indemnification or guarantee varies substantially based on the nature of each arrangement. The Company has experienced no previous claims and cannot determine the maximum amount of potential future payments, if any, related to such indemnification and guarantee provisions. The Company believes that it is unlikely it will have to make material payments under these arrangements and therefore has not recorded a contingent liability associated with these arrangements in the condensed consolidated balance sheets.

The Company enters into unconditional purchase obligations arrangements for certain of its services that it receives in the normal course of business.

In connection with the Redi2 acquisition, the Company has agreed to pay up to $20.0 million in performance bonuses based upon the achievement of certain performance targets. These performance bonuses will be recognized as employee compensation in the condensed consolidated statements of operations. The amount recognized during the three months ended March 31, 2024 and 2023, as well as the liability as of March 31, 2024, associated with these performance bonuses were immaterial.

Legal Proceedings

The Company and its subsidiary, Yodlee, have been named as defendants in a lawsuit filed on July 17, 2019, by FinancialApps in the United States District Court for the District of Delaware. The case caption is FinancialApps, LLC v. Envestnet Inc., et al., No. 19-cv-1337 (D. Del.). FinancialApps alleges that, after entering into a 2017 services agreement with Yodlee, Envestnet and Yodlee breached the agreement and misappropriated proprietary information to develop competing credit risk assessment software. The complaint includes claims for, among other things, misappropriation of trade secrets, fraud, tortious interference with prospective business opportunities, unfair competition, copyright infringement and breach of contract. FinancialApps is seeking significant monetary damages and various equitable and injunctive relief.

On September 17, 2019, the Company and Yodlee filed a motion to dismiss certain of the claims in the complaint filed by FinancialApps, including the copyright infringement, unfair competition and fraud claims. On August 25, 2020, the District Court granted in part and denied in part the Company and Yodlee's motion. Specifically, the Company and Yodlee prevailed on FinancialApps' counts alleging copyright infringement and violations of the Illinois Deceptive Trade Practices Act. And while the Court was receptive to Envestnet and Yodlee's argument that several of FinancialApps' other counts are based on allegations that amount to copyright infringement—and therefore should fail due to copyright preemption—the Court found that FinancialApps had alleged enough conduct distinct from copyright infringement to survive dismissal at this early stage.

On October 30, 2019, the Company and Yodlee filed counterclaims against FinancialApps. Yodlee alleges that FinancialApps fraudulently induced it to enter into contracts with FinancialApps, then breached those contracts. FinancialApps has filed a motion to dismiss Yodlee's counterclaims. On September 15, 2020, the District Court denied FinancialApps' motion on all counts except for the breach-of-contract claim which was dismissed on a pleading technicality without prejudice. On that count, the Court granted Yodlee leave to amend its counterclaim, cure the technical deficiency, and reassert its claim. Yodlee and Envestnet filed amended counterclaims on September 30, 2020. The amended counterclaims (1) cure that technical deficiency and reassert Yodlee's contract counterclaim; and (2) broaden the defamation counterclaims arising out of various defamatory statements FinancialApps disseminated in the trade press after filing the lawsuit. On January 14, 2021, the Court ordered that (i) FinancialApps' claims against Yodlee—as well as Yodlee's counterclaims against FinancialApps—must be tried before the judge instead of a jury pursuant to a jury waiver provision in the parties' agreement; and (ii) FinancialApps' claims against Envestnet (and Envestnet's counterclaim) must be heard by a jury. The Court has scheduled the Envestnet jury trial to take place before the Yodlee bench trial. Fact discovery closed on April 23, 2021, other than a few outstanding matters, and expert discovery concluded on September 30, 2022. The parties' respective summary judgment and motions to exclude the presentation of expert testimony (a "Daubert Motion") are fully briefed and are awaiting final ruling. On July 25, 2023, the Magistrate Judge issued a report and recommendation that the Court grant FinancialApps' summary judgment motion on Envestnet's defamation counterclaim.The Magistrate Judge did not make a ruling as to Yodlee's defamation counterclaim. On July 28, 2023, the Magistrate Judge denied Envestnet and Yodlee's Daubert motion to exclude FinancialApps' technical expert, Isaac Pflaum. On July 31, 2023, the Magistrate Judge issued a report and recommendation that the Court grant in part and deny in part Envestnet's summary judgment motion. The Magistrate Judge recommended that the motion be denied as to FinancialApps' vicarious liability theory and direct liability theory but recommended that the motion be granted with respect to the unjust enrichment count. The reports and recommendations are not final rulings, however, and the Company has filed objections against their adoption by the District Court. Those objections are fully briefed and pending before the District Court. On August 14, 2023, the Magistrate Judge granted-in-part and denied-in-part FinancialApps' Daubert motion to exclude Envestnet and Yodlee's technical expert. On September 13, 2023, the Magistrate Judge granted-in-part and denied-in-part Envestnet and Yodlee's Daubert motion to exclude FinancialApps' damages expert. On January 18, 2024, FinancialApps filed a motion seeking sanctions for purported spoliation of evidence against Yodlee and Envestnet. Yodlee and Envestnet filed a brief opposing the motion on February 22, 2024. The motion is fully briefed and pending before the Magistrate Judge. The Company believes FinancialApps' allegations are without merit and will continue to defend the claims against it and litigate the counterclaims vigorously.

The Company and Yodlee were also named as defendants in a putative class action lawsuit filed on August 25, 2020, by Plaintiff Deborah Wesch in the United States District Court for the Northern District of California. On October 21, 2020, an amended class action complaint was filed by Plaintiff Wesch and nine additional named plaintiffs. The case caption currently is Clark, et al., v. Yodlee, Inc. Case No. 3:20-cv-5991-SK (formerly entitled Deborah Wesch, et al., v. Yodlee, Inc., et al., Case No. 3:20-cv-05991-SK. 20-cv-05991-SK). Plaintiffs allege alleged that Yodlee unlawfully collected their financial transaction data when plaintiffs linked their bank accounts to a mobile application that uses Yodlee's Instant Account Verification API, and plaintiffs further allege that Yodlee unlawfully sold the transaction data to third parties. The complaint alleges alleged violations of certain California

Envestnet, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

statutes and common law, including the Unfair Competition Law, and federal statutes, including the Stored Communications Act. Plaintiffs are seeking monetary damages and equitable and injunctive relief on behalf of themselves and a putative nationwide class and California subclass of persons who provided their log-in credentials to a Yodlee-powered app in an allegedly similar manner from 2014 to the present. The Company believes that it is not properly named as a defendant in the lawsuit and it further believes, along with Yodlee, that plaintiffs' claims are without merit.

On November 4, 2020, the Company and Yodlee filed separate motions to dismiss all of the claims in the complaint. On February 16, 2021, the district court granted in part and denied in part Yodlee's motion to dismiss the amended complaint and granted the plaintiffs leave to further amend. The Court court reserved ruling on the Company's motion to dismiss and granted limited jurisdictional discovery to the plaintiffs. On March 15, 2021, Plaintiffs filed a second amended class action complaint re-alleging, among others, the claims the district court had dismissed. The second amended complaint did not allege any claims against the Company or Yodlee that were not previously alleged in first amended complaint. On May 5, 2021, the Company filed a motion to dismiss all claims asserted against it in the second amended complaint, and Yodlee filed a motion to dismiss most claims asserted against it in the second amended complaint. On July 19, 2021, the Court court granted in part Yodlee's motion, resulting in the dismissal of all federal law claims and two of the state-law claims. On August 5, 2021, the Court granted the Company's motion to dismiss, and dismissed the Company from the lawsuit. On October 8, 2021, Yodlee filed an early motion for summary judgment. On August 12, 2022, Plaintiffs moved for leave to file a third amended complaint, which Yodlee opposed. On September 29, 2022, the Court denied Plaintiffs' motion to amend the complaint. On December 13, 2022, the Court granted in part and denied in part Yodlee's early motion for summary judgment, narrowing the scope of issues that remain to be resolved. On January 30, 2023, the Court granted Yodlee's motion for reconsideration and dismissed one additional claim. On July 20, 2023, the Court granted Yodlee's motion for judgment on the pleadings and dismissed equitable monetary claims, allowing Plaintiffs leave to seek to amend by August 7, 2023. Plaintiffs filed an amended complaint on September 19, 2023, which Yodlee answered on October 3, 2023. Yodlee believes the allegations are without merit and will continue to vigorously defend the remaining claims against it.

In addition, the Company is involved in legal proceedings arising in the ordinary course of its business. Legal fees and other costs associated with such actions are expensed as incurred. The Company will record a provision for these claims when it is both probable that a liability has been incurred and the amount of the loss, or a range of the potential loss, can be reasonably estimated. These provisions are reviewed regularly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information or events pertaining to a particular case. For litigation matters where a loss may be reasonably possible, but not probable, or is probable but not reasonably estimable, no accrual is established, but if the matter is material, it is subject to disclosures. The Company believes that liabilities associated with any claims, while possible, are not probable, and therefore has not recorded any accrual for any claims as of September 30, 2023 March 31, 2024. Further, while any possible range of loss cannot be reasonably estimated at this time, the Company does not believe that the outcome of any of these proceedings, individually or in the aggregate, would, if determined adversely to it, have a material adverse effect on its financial condition or business, although an adverse resolution of legal proceedings could have a material adverse effect on the Company's results of operations or cash flow in a particular quarter or year.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the related notes included elsewhere in this quarterly report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 and the consolidated financial statements and related notes included on Form 10-K for the year ended December 31, 2022 December 31, 2023.

This Quarterly Report contains forward-looking statements regarding future events and our future results within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, in particular, statements about our plans, strategies and prospects under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations". These statements are based on our current expectations and projections about future events and are identified by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "expected," "intend," "will," "may," or "should" or the negative of those terms or variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business and other characteristics of future events or circumstances are forward-looking statements. These forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this Quarterly Report are set forth in Part I, Item 1A."Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2022; Annual Report; accordingly, investors should not place undue reliance upon our forward-looking statements. We undertake no obligation to update any of the forward-looking statements after the date of this report to conform those statements to reflect the occurrence of unanticipated events, except as required by applicable law.

You should read this Quarterly Report and the 2022 Form 10-K Annual Report completely and with the understanding that our actual future results, levels of activity, performance and achievements may be different from what we expect and that these differences may be material. We qualify all of our forward-looking statements by these cautionary statements, Except for the historical information contained herein, this discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below.

Unless otherwise indicated, the terms "Envestnet," the "Company," "we," "us" and "our" refer to Envestnet, Inc. and its subsidiaries as a whole.

Overview

Envestnet, through its subsidiaries, is transforming the way financial advice and insight are delivered. Our mission is to empower financial advisors and service providers with innovative technology, solutions and intelligence. Envestnet has been is a leader in helping transform wealth management, working towards our its goal of expanding a holistic financial wellness ecosystem so that our clients can deliver an intelligent financial life to better serve their clients.

Approximately 107,000 Envestnet's clients include more than 109,000 advisors, and approximately 6,900 companies, including 16 17 of the 20 largest U.S. banks, 48 of the 50 largest wealth management and brokerage firms, over 500 of the largest RIAs, and hundreds of FinTech companies, all of which leverage Envestnet technology and services that help drive better outcomes for enterprises, advisors and their clients. We also operate six RIAs registered with the SEC. We believe that our business model results in a high degree of recurring and predictable financial results.

Through a combination of platform enhancements, partnerships and acquisitions, Envestnet uniquely provides a financial network connecting technology, solutions and data, delivering better intelligence and enabling its customers to drive better outcomes.

Envestnet, a Delaware corporation originally founded in 1999, serves clients from its headquarters based in Berwyn, Pennsylvania, as well as other locations throughout the United States, India and other international locations.

Recent Developments

Macroeconomic Environment Leadership Update

Our business is directly On January 7, 2024, the Company entered into a separation and indirectly affected by macroeconomic conditions release agreement with Mr. Crager in which it was agreed that Mr. Crager would step down as chief executive officer on March 31, 2024 and the state of global financial markets. Recent geopolitical uncertainty, resulting, in part, from the conflict in the Middle East which intensified on October 7, 2023, military conflict between Russia and Ukraine which escalated in February 2022, as well as rising inflation, contributed to significant volatility and decline in global financial markets during 2022 which continue as a member of the date Company's Board of this Quarterly Report. The uncertainty over the extent Directors promptly following Envestnet's 2024 Annual Meeting. On April 1, 2024, Mr. Crager began serving as a senior advisor, focusing on client and duration of the ongoing conflict partner relationships. James Fox began serving as our Interim Chief Executive Officer on April 1, 2024 and this period of inflation continues to cause disruptions to businesses and markets worldwide. The extent of the effect on our financial performance will continue to depend on future developments, including the extent serve this role until our Board of Directors appoints a new chief executive officer. Mr. Fox has served as a member of our Board of Directors since February 2015 and duration Chair of the conflict and this period Board of inflation, the Federal Reserve's monetary policy in response to rising inflation, the extent of economic sanctions imposed, changes in market interest rates, further governmental and private sector responses and the timing and extent normal economic conditions resume, all of which are uncertain and difficult to predict. Although we are unable to estimate the overall financial effect of these conflicts and this period of inflation at this time, as these conditions continue, they could have a material adverse effect on our business, results of operations, financial condition and cash flows. As of September 30, 2023, the consolidated financial statements do not reflect any adjustments as a result of these macroeconomic conditions. Directors since March 2020.

Convertible Promissory Note

On January 31, 2023, we entered into a Convertible Promissory Note with a customer of the Company's business, a privately held company, whereby we were issued a convertible promissory note with a principal amount of $20.0 million and a stated interest rate of 8.0% per annum. The Convertible Promissory Note has a maturity date of January 31, 2026 and is convertible into common stock or preferred stock of the privately held company upon qualified financing events or corporate transactions. During the three and nine months ended September 30, 2023, interest income related to the Convertible Promissory Note included in other expense, net in the condensed consolidated statements of operations was $0.4 million and $1.1 million, respectively.

In connection with the Convertible Promissory Note, we concurrently entered into a call option agreement with the privately held company, which provides us an option to acquire the privately held company at a predetermined price as of the earlier of July 2024 or upon satisfaction of certain financial metrics. The financial metrics were met during the three months ended September 30, 2023, however, we did not exercise the call option.

Convertible Notes due 2023

The Convertible Notes due 2023 matured on June 1, 2023. Upon maturity, we settled the remaining aggregate principal amount on the Convertible Notes due 2023 for $45.0 million. The Convertible Notes due 2023 were paid using a combination of cash on hand and borrowings on the Company's Revolving Credit Facility. No shares of the Company's common stock were issued upon settlement of the Convertible Notes due 2023.

Reduction in Force Initiative

During the nine months ended September 30, 2023, as part of a reduction in force initiative, we entered into separation agreements with a number of employees. In connection with this reduction in force initiative that began in the first quarter of 2023, as well as a fourth quarter 2022 organizational realignment, we incurred approximately $11.5 million and $25.9 million of total severance expense in the three and nine months ended September 30, 2023, respectively.

As of September 30, 2023 we had an ending liability balance of $13.4 million related to these efforts, of which we anticipate approximately $10.1 million to be paid during the remainder of 2023, $2.7 million to be paid throughout 2024, with the remaining balance paid through 2030.

Subsequent to September 30, 2023, in connection with the reduction in force initiative, we entered into separation agreements with a number of employees and incurred an additional $5.6 million in severance expense, of which the Company anticipates approximately $1.8 million to be paid during the remainder of 2023 and $3.8 million to be paid during the first quarter of 2024.

Operating Results

Beginning in the three months ended December 31, 2021 through June 30, 2023 March 31, 2024, the Company reported a loss from operations and loss before income tax provision in every quarter. quarter with the exception of the three months ended September 30, 2023 and March 31, 2024. We have incurred these quarterly losses as a result of several factors as described below.

Revenue Factors: In early 2022 continuing through the fourth quarter of Throughout 2022, the financial markets experienced a broad downturn and our redemption rates were higher than our historical average, and as a result, in our Wealth Solutions segment, our asset-based recurring revenues were revenue was materially adversely affected. Beginning in the three months ended March 31, 2023 asset-based recurring revenues have revenue has been increasing sequentially since the three months ended December 31, 2022. steadily. In addition, as a result of competitive pricing pressures in our Data & Analytics segment research business, beginning in the three months ended December 31, 2022 subscription-based recurring revenues have revenue has been materially adversely affected.

Expense Factors: We have incurred certain expenses that are not recurring in nature and that are a direct result of significant, distinct enterprise-wide strategic initiatives that we have taken in order to reshape and streamline the organization, which we believe will increase our operational efficiencies and to reduce future operating expenses, while negatively impacting our operating results in the short-term. These actions include both internal and external related expenses associated with an accelerated investment plan announced in the first quarter of 2021, expenses associated with office closures announced in the second quarter of 2022, severance and office closure related expenses associated with an organizational realignment and entry into an outsourcing arrangement announced in the fourth quarter of 2022, as well as severance expense for a reduction in force initiative announced in the first quarter of 2023 which has continued into the fourth quarter of throughout 2023.

As discussed above, our Our business is directly and indirectly affected by macroeconomic conditions and the state of global financial markets. The return to recurring positive income before income taxes, largely depends on a combination of improved industry dynamics, including overall technology and data spending by financial institutions and an improvement in capital market valuations, including asset flows and redemption rates, both of which are outside of the Company's control, as well as a reduction in future operating expenses, as a result of the actions taken by management as discussed above.

Segments

Envestnet is organized around two primary, complementary business segments. segments based on clients served and products provided to meet those needs. Financial information about each business segment is contained in Part I, Item 1, "Note "Note 18—Segment Information" to the condensed consolidated financial statements included in Item 1 of this Quarterly Report. statements. Our business segments are as follows:

- ***Envestnet Wealth Solutions*** – a leading provider of comprehensive and unified wealth management software, services and services solutions to empower financial advisors and institutions to enable them to deliver an intelligent financial life holistic advice to their clients.

- ***Envestnet Data & Analytics*** – a leading provider of financial data aggregation, intelligence, analytics and digital experiences platform that powers data connectivity to meet the needs of financial institutions, enterprise FinTech firms and business intelligence across digital financial services to enable them to deliver an intelligent financial life to their clients. market investment research firms worldwide.

Subsequent The Company also incurs expenses not directly attributable to September 30, 2023 the segments listed above. These nonsegment operating expenses primarily consist of employee compensation for certain corporate officers, certain types of professional service expenses, insurance, acquisition related transaction costs, certain restructuring charges and other non-recurring and/or non-operationally related expenses.

On October 1, 2023, the Company changed the composition of its reportable segments to reflect the way that the Company's chief operating decision maker reviews the operating results, assesses performance and allocates resources. As a result, the advisor-focused Wealth Analytics business has been reclassified from the Envestnet Data & Analytics segment to the Envestnet Wealth Solutions segment. The segment changes do not impact nonsegment results or the Company's consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

All segment information presented within this quarterly report on Form 10-Q for the quarter ended September 30, 2023 Quarterly Report is presented in conjunction with the historical current organizational structure, as that is the organizational structure in place as of the balance sheet date of September 30, 2023.

As part of the annual goodwill impairment analysis, the Company will perform a quantitative goodwill impairment evaluation for each reporting unit as of October 31, 2023. As a result of the segment change and a corresponding adjustment to the composition of reporting units, as well as lower revenue and profits in 2023 compared to with prior years in the Envestnet Data & Analytics segment, the Envestnet Data & Analytics reporting unit goodwill balance may be considered at risk for future impairment. Based on the results of this assessment, if the carrying value of the reporting unit exceeds its fair value, it could result in the recognition of an impairment of goodwill in the fourth quarter of 2023, and such impairment could be material.

periods adjusted accordingly.

Key Metrics

Envestnet Wealth Solutions Segment

The following table provides information regarding the amount of assets utilizing our platforms, financial advisors and investor accounts in the periods indicated: accounts:

				As of							
		March 31, 2023						March 31, 2023	June 30,	September 30,	2023
				As of							
		September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023					
				(in millions, except accounts and advisors data)							
				(in millions, except accounts and advisors data)							
				(in millions, except accounts and advisors data)							
				(in millions, except accounts and advisors data)							
Platform Assets	*Platform Assets*										
Assets under Management (“AUM”)											
Assets under Management (“AUM”)											
Assets under Management (“AUM”)	Assets under Management (“AUM”)	$ 315,883	$ 341,144	$ 363,244	$ 384,773	$ 375,408					
Assets under Administration (“AUA”)	Assets under Administration (“AUA”)	350,576	367,412	379,843	394,078	398,082					
Total AUM/A	Total AUM/A	666,459	708,556	743,087	778,851	773,490					
Subscription	Subscription	4,134,414	4,382,109	4,566,971	4,643,313	4,579,248					
Total Platform Assets	Total Platform Assets	$ 4,800,873	$5,090,665	$5,310,058	$5,422,164	$5,352,738					
Platform Accounts	*Platform Accounts*										
AUM	AUM	1,522,968	1,547,009	1,571,862	1,609,677	1,614,873					
AUM											
AUM								1,571,862	1,609,677	1,614,873	1,640,879
AUA	AUA	1,135,302	1,135,026	1,142,166	1,144,375	1,257,094	AUA	1,142,166	1,144,375	1,257,094	1,254,962
Total AUM/A	Total AUM/A	2,658,270	2,682,035	2,714,028	2,754,052	2,871,967	Total AUM/A	2,714,028	2,754,052	2,871,967	2,895,841
Subscription	Subscription	15,596,403	15,665,020	15,779,980	15,916,955	16,072,848	Subscription	15,779,980	15,916,955	16,072,848	16,248,598
Total Platform Accounts	Total Platform Accounts	18,254,673	18,347,055	18,494,008	18,671,007	18,944,815	Total Platform Accounts	18,494,008	18,671,007	18,944,815	19,144,439
Advisors	*Advisors*										
AUM/A	AUM/A	38,417	38,025	38,611	38,809	38,078					
AUM/A											
AUM/A								38,611	38,809	38,078	38,697
Subscription	Subscription	67,348	67,520	67,843	68,439	69,318	Subscription	67,843	68,439	69,318	69,973

Total Advisors	Total Advisors	105,765	105,545	106,454	107,248	107,396	Total Advisors	106,454	107,248	107,396		108,670

The following tables provide table provides information regarding the degree to which gross sales, redemptions, net flows and changes in the market values of assets contributed to changes in AUM or AUA in the periods indicated: AUA:

Asset Rollforward - Three Months Ended March 31, 2024						
As of December 31, 2023	Gross Sales	Redemptions	Net Flows	Market Impact	Reclassifications	2(
(in millions, except account data)						

		Asset Rollforward - Three Months Ended September 30, 2023						
		As of June 30, 2023	Gross Sales	Redemptions	Net Flows	Market Impact	Reclass to Subscription	As of September 30, 2023
		(in millions, except account data)						
AUM	AUM	$ 384,773	$24,754	$ (19,846)	$ 4,908	$(12,821)	$ (1,452)	$ 375,408
AUA	AUA	394,078	39,624	(23,889)	15,735	(11,731)	—	398,082
Total AUM/A	Total AUM/A	$ 778,851	$64,378	$ (43,735)	$20,643	$(24,552)	$ (1,452)	$ 773,490
Fee-Based Accounts	*Fee-Based Accounts*	*2,754,052*			*128,548*		*(10,633)*	*2,871,967*

The above AUM/A gross sales figures for the three months ended September 30, 2023 March 31, 2024 include $25.8 billion $29.8 billion in new client conversions. We onboarded an additional $28.5 billion $31.1 billion in subscription conversions during the three months ended September 30, 2023 March 31, 2024 bringing total conversions for the three months ended September 30, 2023 March 31, 2024 to $54.3 billion $60.9 billion.

Asset and account figures in the “Reclassifications” column for the three months ended March 31, 2024 represent immaterial amounts that were reclassified between AUM, AUA and subscription to reflect updated customer billing arrangements. These reclassifications have no impact on total platform assets or accounts.

	Asset Rollforward - Nine Months Ended September 30, 2023						
	As of December 31, 2022	Gross Sales	Redemptions	Net Flows	Market Impact	Reclass to Subscription	As of September 30, 2023
	(in millions, except account data)						
AUM	$ 341,144	$ 74,693	$ (52,153)	$ 22,540	$ 14,315	$ (2,591)	$ 375,408
AUA	367,412	97,564	(69,449)	28,115	16,427	(13,872)	398,082
Total AUM/A	$ 708,556	$ 172,257	$ (121,602)	$ 50,655	$ 30,742	$ (16,463)	$ 773,490
Fee-Based Accounts	*2,682,035*			*289,041*		*(99,109)*	*2,871,967*

The above AUM/A gross sales figures for the nine months ended September 30, 2023 include $54.6 billion in new client conversions. We onboarded an additional $96.6 billion in subscription conversions during the nine months ended September 30, 2023 bringing total conversions for the nine months ended September 30, 2023 to $151.2 billion.

Asset and account figures in the “Reclass to Subscription” columns for the three and nine months ended September 30, 2023 represent enterprise customers whose billing arrangements in future periods are subscription-based, rather than asset-based. Such amounts are included in Subscription metrics at the end of the quarter in which the reclassification occurred, with no impact on total platform assets or accounts.

Envestnet Data & Analytics Segment

The following table provides information regarding the amount of paid-end users and firms using the Envestnet Data & Analytics platform in the periods indicated: platform:

	As of				
	March 31, 2023				
		As of			
	March 31, 2023	June 30,	September 30, 2023	December 31, 2024	March 31,

	As of				
	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30 2023
	(in millions, except number of firms data)				
	(in millions, except number of firms data)				
	(in millions, except number of firms data)				
	(in millions, except number of firms data)				
Number of paying users	38.1	38.8	37.5	38.0	42.3
Number of firms	1,815	1,827	1,851	1,873	1,855

Operational Highlights

	Three Months Ended September 30, 2023	2022	$ Change	% Change
	(in thousands, except percentages)			
Revenue:				
Envestnet Wealth Solutions:				
Asset-based	$193,901	$177,131	$16,770	9 %
Subscription-based	76,813	75,975	838	1 %
Total recurring revenue	270,714	253,106	17,608	7 %
Professional services and other revenue	4,313	4,229	84	2 %
Total Envestnet Wealth Solutions revenue	$275,027	$257,335	$17,692	7 %
Envestnet Data & Analytics:				

	Three Months Ended					
	2024		2023		$ Change	
	(in thousands, except percentages)					
Revenue:						
Asset-based						
Asset-based	$202,616		$176,932		$25,684	
Subscription-based	84,168	80,470	80,470	3,698		3,698
Total recurring revenue	286,784	257,402	257,402	29,382		29,382
Professional services and other revenue	3,026	3,247	3,247	(221)		(221)
Total Envestnet Wealth Solutions revenue	$289,810	$	$260,649	$	$29,161	1

Envestnet Data & Analytics:												
Envestnet Data & Analytics:												
Subscription-based												
Subscription-based												
Subscription-based	Subscription-based	$ 38,126	$ 47,772	$ (9,646)	(20)%		$33,294	$	$ 36,609	$	$ (3,315)	(9)
Total recurring revenue	Total recurring revenue	38,126	47,772	(9,646)	(20)%	Total recurring revenue	33,294	36,609	36,609	(3,315)		(3,315)
Professional services and other revenue	Professional services and other revenue	3,694	1,588	2,106	133 %	Professional services and other revenue	1,846	1,449	1,449	397		397
Total Envestnet Data & Analytics revenue	Total Envestnet Data & Analytics revenue	$ 41,820	$ 49,360	$ (7,540)	(15)%	Total Envestnet Data & Analytics revenue	$ 35,140	$	$ 38,058	$	$ (2,918)	(8
Total consolidated revenue	Total consolidated revenue	$316,847	$306,695	$10,152	3 %							
Total consolidated revenue												
Total consolidated revenue							$324,950		$298,707		$26,243	
Deferred revenue fair value adjustment		—	54	(54)	(100)%							
Total consolidated adjusted revenue*		$316,847	$306,749	$10,098	3 %							
Consolidated net income (loss) attributable to Envestnet, Inc.												
Consolidated net income (loss) attributable to Envestnet, Inc.												
Consolidated net income (loss) attributable to Envestnet, Inc.	Consolidated net income (loss) attributable to Envestnet, Inc.	$ 7,091	$ (7,290)	$14,381	**		$ 2,513	$	$(41,228)	$	$43,741	106
Net income (loss) attributable to Envestnet, Inc. per share - basic and diluted	Net income (loss) attributable to Envestnet, Inc. per share - basic and diluted	$ 0.13	$ (0.13)	$ 0.26	**	Net income (loss) attributable to Envestnet, Inc. per share - basic and diluted	$ 0.05	$	$ (0.76)	$	$ 0.81	10
Adjusted EBITDA*	Adjusted EBITDA*	$ 67,242	$ 53,498	$13,744	26 %							
Adjusted EBITDA*												
Adjusted EBITDA*							$ 70,378		$ 54,003		$16,375	
Adjusted net income*	Adjusted net income*	$ 36,627	$ 29,546	$ 7,081	24 %	Adjusted net income*	$ 39,407	$	$ 30,149	$	$ 9,258	3
Adjusted net income per diluted share*	Adjusted net income per diluted share*	$ 0.56	$ 0.45	$ 0.11	24 %	Adjusted net income per diluted share*	$ 0.60	$	$ 0.46	$	$ 0.14	3
Free cash flow*						Free cash flow*	$ (19,909)		$ (61,739)		$41,830	

*Non-GAAP financial measure. See "Non-GAAP Financial Measures" below for definitions and reconciliations of non-GAAP measures.

**Not meaningful

Results of Operations

Three months ended September 30, 2023 March 31, 2024 compared to three months ended September 30, 2022 March 31, 2023

	Three Months Ended September 30, 2023 Amount (in thousands)	2023 % of Revenue	2022 Amount (in thousands)	2022 % of Revenue	$ Change (in thousands)	% Change					Amount	% of Revenue	
Revenue:													
Revenue:													
Revenue: Revenue:													
Asset-based Asset-based	$ 193,901	61 %	$ 177,131	58 %	$ 16,770	9 %	Asset-based	$202,616	62	62 %	$ 176,932	59	59 %
Subscription-based Subscription-based	114,939	36 %	123,747	40 %	(8,808)	(7) %	Subscription-based	117,462	36	36 %	117,079	39	39 %
Total recurring revenue Total recurring revenue	308,840	97 %	300,878	98 %	7,962	3 %	Total recurring revenue	320,078	99	99 %	294,011	98	98 %
Professional services and other revenue Professional services and other revenue	8,007	3 %	5,817	2 %	2,190	38 %	Professional services and other revenue	4,872	1	1 %	4,696	2	2 %
Total revenue Total revenue	316,847	100 %	306,695	100 %	10,152	3 %	Total revenue	324,950	100	100 %	298,707	100	100 %
Operating expenses: Operating expenses:													
Direct expense Direct expense	119,538	38 %	110,108	36 %	9,430	9 %							
Direct expense													
Direct expense											126,633	39	%
Employee compensation Employee compensation	113,334	36 %	116,837	38 %	(3,503)	(3) %	Employee compensation	103,652	32	32 %	114,215	38	38 %
General and administrative General and administrative	49,063	15 %	47,388	15 %	1,675	4 %	General and administrative	52,065	16	16 %	54,350	18	18 %
Depreciation and amortization Depreciation and amortization	34,311	11 %	33,408	11 %	903	3 %	Depreciation and amortization	33,892	10	10 %	31,520	11	11 %
Total operating expenses Total operating expenses	316,246	100 %	307,741	100 %	8,505	3 %	Total operating expenses	316,242	97	97 %	309,764	104	104 %
Income (loss) from operations Income (loss) from operations	601	— %	(1,046)	— %	1,647	*	Income (loss) from operations	8,708	3	3 %	(11,057)	(4)	(4)%
Other expense, net Other expense, net	(4,369)	(1) %	(5,346)	(2) %	977	18 %	Other expense, net	(6,664)	(2)	(2)%	(7,935)	(3)	(3)%
Loss before income tax provision (benefit)	(3,768)	(1) %	(6,392)	(2) %	2,624	41 %							
Income tax provision (benefit)	(8,824)	(3) %	2,271	1 %	(11,095)	*							

Income (loss) before income tax provision								Income (loss) before income tax provision				2,044		1 %
Income tax provision								Income tax provision				1,505		— %
Net income (loss)	Net income (loss)	5,056	2 %	(8,663)	(3) %	13,719	*	Net income (loss)	539	—	— %	(42,761)	(14)	(14)%
Add: Net loss attributable to non-controlling interest	Add: Net loss attributable to non-controlling interest	2,035	1 %	1,373	— %	662	48 %	Add: Net loss attributable to non-controlling interest	1,974	1	1 %	1,533	1	1 %
Net income (loss) attributable to Envestnet, Inc.	Net income (loss) attributable to Envestnet, Inc.	$ 7,091	2 %	$ (7,290)	(2) %	$ 14,381	*	Net income (loss) attributable to Envestnet, Inc.	$ 2,513	1	1 %	$ (41,228)	(14)	(14)%

*Not meaningful

Asset-based recurring revenue

Asset-based recurring revenue increased $16.8 million $25.7 million, or 9% 15%, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to an increase in asset values applicable to our quarterly billing cycles, which are based on the market value of the customers' assets on our platforms as of the end of the previous quarter.

The number of financial advisors with asset-based recurring revenue on our technology platforms remained consistent with at approximately 38,000 39,000 as of September 30, 2023 March 31, 2024 and 2022, respectively, 2023 and the number of AUM/A client accounts increased from approximately 2.7 million 2.7 million as of September 30, 2022 March 31, 2023 to approximately 2.9 million 3.0 million as of September 30, 2023 March 31, 2024.

As a percentage of total revenue, asset-based asset based recurring revenue increased 3% points for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to the overall increase in asset-based recurring revenue coupled with the decrease in subscription-based revenue period over period.

Subscription-based recurring revenue

Subscription-based recurring revenue decreased $8.8 million, or 7%, increased $0.4 million for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 primarily March 31, 2023 due to an increase of$3.7 million in theEnvestnet Wealth Solutionssegment, which can be attributed to new and existing customer growth, partially offset by a decrease of $9.6 million $3.3 million in the Envestnet Data & Analytics segment, which is primarily attributable to a loss in access to data in the research business and continued impact from the regional banking crisis which led to our customer's cost cutting initiatives, pricing pressure and project delays, partially offset by an increase of $0.8 million in the crisis.Envestnet Wealth Solutionssegment, which can be attributed to new and existing customer growth.

As a percentage of total revenue, subscription-based recurring revenue decreased 4% 3% points for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to the overall decrease in subscription-based recurring revenue coupled with the increase in asset-based total revenue period over period.

Professional services and other revenue

Professional services and other revenue increased $2.2 million, or 38%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to an increase in revenue recognized in the Data & Analytics segment as a result of point in time revenue recognized on a customer deployment.

Direct expense

Direct expense increased $9.4 million, or 9%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to an increase in asset-based direct expense, which directly correlates with the increase to asset-based recurring revenue during the period.

Employee compensation

Employee compensation decreased $3.5 million, or 3%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to decreases in salaries, benefits and related payroll taxes of $10.4 million, which is primarily a result of the outsourcing arrangement with TCS in the Envestnet Data & Analytics segment, which shifted certain expenses from employee compensation to general and administrative expense, a reduction in force initiative in 2023 and an organizational realignment in the fourth quarter of 2022, a decrease in incentive compensation of $1.8 million and other immaterial decreases within employee compensation, partially offset by an increase in severance expense of $10.4 million as a result of the reduction in force initiative and organizational realignment.

General and administrative

General and administrative expenses increased $1.7 million $0.2 million, or 4%, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 primarily due to increases in software and maintenance charges of $6.1 million which is primarily a result of the outsourcing arrangement with TCS and litigation related expense of $2.7 million. These increases were partially offset by decreases in restructuring charges and transaction costs of $2.9 million, professional fees of $1.3 million, marketing costs of $1.0 million, travel and entertainment expense of $1.0 million and other immaterial decreases within general and administrative expense.

Depreciation and amortization

Depreciation and amortization expense increased $0.9 million, or 3%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to increases in amortization related to internally developed software of $4.1 million, partially offset by decreases in amortization related to intangible assets of $3.5 million.

Other expense, net

Other expense, net decreased $1.0 million, or 18%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to a $2.9 million fair market value adjustment to investment in private company, partially offset by a $1.6 million increase in interest expense, net.

Income tax provision (benefit)

Under ASC 740-270-25, we are required to report income tax expense by applying a projected AETR to ordinary pre-tax book income for the interim period. The tax impact of discrete items is accounted for separately in the period in which they occur. The ETR for the quarter is the result of the projected AETR applied to actual pre-tax book income plus discrete items as a percentage of pre-tax book income. Therefore, a change in pre-tax book income, either forecasted or actual year-to-date, from one period to the next will cause the ETR to change.

For the three months ended September 30, 2023, our effective tax rate of 234.2% differed from the statutory rate primarily due to the change in forecasted and actual year-to-date pre-tax book income as well as an increase in the valuation allowance we have placed on a portion of U.S. deferred tax assets which includes the impact of IRC Section 174, permanent book-tax differences, uncertain tax positions and the impact of state and local taxes offset by federal and state R&D credits.

For the three months ended September 30, 2022, our effective tax rate of (35.5)% differed from the statutory rate primarily due to the increase in the valuation allowance the Company has placed on a portion of its U.S. deferred tax assets which includes the impact of the Redi2 and Truelytics acquisitions and IRC Section 174, permanent book-tax differences, and the impact of state and local taxes offset by federal and state R&D credits.

Nine months ended September 30, 2023 compared to nine months ended September 30, 2022

	Nine Months Ended September 30,					
	2023		2022			
	Amount	% of Revenue	Amount	% of Revenue	$ Change	% Change
	(in thousands)		(in thousands)		(in thousands)	
Revenue:						
Asset-based	$ 556,595	60 %	$ 571,820	60 %	$ (15,225)	(3)%
Subscription-based	346,977	37 %	356,601	38 %	(9,624)	(3)%
Total recurring revenue	903,572	97 %	928,421	98 %	(24,849)	(3)%
Professional services and other revenue	24,416	3 %	18,489	2 %	5,927	32 %
Total revenue	927,988	100 %	946,910	100 %	(18,922)	(2)%
Operating expenses:						
Direct expense	352,024	38 %	361,872	38 %	(9,848)	(3)%
Employee compensation	344,646	37 %	369,453	39 %	(24,807)	(7)%
General and administrative	156,028	17 %	157,867	17 %	(1,839)	(1)%
Depreciation and amortization	101,058	11 %	97,208	10 %	3,850	4 %

Total operating expenses		953,756	103 %		986,400	104 %	(32,644)	(3)%
Loss from operations		(25,768)	(3)%		(39,490)	(4)%	13,722	35 %
Other expense, net		(19,706)	(2)%		(9,691)	(1)%	(10,015)	(103)%
Loss before income tax provision (benefit)		(45,474)	(5)%		(49,181)	(5)%	3,707	8 %
Income tax provision (benefit)		15,363	2 %		(1,542)	— %	16,905	*
Net loss		(60,837)	(7)%		(47,639)	(5)%	(13,198)	(28)%
Add: Net loss attributable to non-controlling interest		5,284	1 %		3,205	— %	2,079	65 %
Net loss attributable to Envestnet, Inc.	$	(55,553)	(6)%	$	(44,434)	(5)%	$ (11,119)	(25)%

*Not meaningful

Asset-based recurring revenue

Asset-based recurring revenue decreased $15.2 million, or 3%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to a decrease in asset values applicable to our quarterly billing cycles, which are based on the market value of the customers' assets on our platforms as of the end of the previous quarter.

The number of financial advisors with asset-based recurring revenue on our technology platforms remained consistent with approximately 38,000 as of September 30, 2023 and 2022, respectively, and the number of AUM/A client accounts increased from approximately 2.7 million as of September 30, 2022 to approximately 2.9 million as of September 30, 2023.

Subscription-based recurring revenue

Subscription-based recurring revenue decreased $9.6 million, or 3%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to a decrease of $20.4 million in the Envestnet Data & Analytics segment, which is primarily attributable to a loss in access to data in the research business and continued impact from the regional banking crisis which led to our customer's cost cutting initiatives, partially offset by an increase of$10.7 million in theEnvestnet Wealth Solutionssegment, which can be attributed to new and existing customer growth.

Professional services and other revenue

Professional services and other revenue increased $5.9 million, or 32%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 March 31, 2023 primarily due to timing of the completion of customer projects and deployments and an increase in revenue recognized in the Data & Analytics segment as a result of point in time revenue recognized on a customer deployment. deployments.

Direct expense

Direct expense decreased $9.8 million increased $17.0 million, or 3% 15%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to a decrease an increase in asset-based direct expense, which directly correlates with the decrease increase to asset-based recurring revenue during the period.

Employee compensation

Employee compensation decreased $24.8 million $10.6 million, or 7% 9%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to decreases in salaries, benefits and related payroll taxes of $28.5 million, $6.7 million and severance expense of $2.8 million which is are primarily a result of the outsourcing arrangement with TCS in the Envestnet Data & Analytics segment, which shifted certain expenses from employee compensation to general and administrative expense, a reduction in force initiative in 2023 and an organizational realignment that began in the fourth first quarter of 2022, 2023.

As a decrease in non-cash percentage of total revenue, employee compensation expense of $4.4 million, incentive compensation of $1.9 million and other immaterial decreases within employee compensation, partially offset by an increase in severance expense of $14.5 million as decreased 6% points for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily due to a result of the reduction in force initiative that began in the first quarter of 2023 and organizational realignment. an increase in total revenue period over period.

General and administrative

General and administrative expenses expense decreased $1.8 million $2.3 million, or 1% 4%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to decreases a decrease in restructuring charges and transaction costs of $17.3 million, marketing costs of $4.0 million and occupancy costs of $3.6 million. These decreases were partially offset by increases in software and maintenance charges of $22.0 million which is primarily a result of the outsourcing arrangement with TCS $1.6 million and other immaterial increases decreases within general and administrative expense.

Depreciation and amortization

Depreciation and amortization expense increased $3.9 million $2.4 million, or 4% 8%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to increases an increase in amortization related to internally developed software of $10.0 million $4.8 million, partially offset by decreases a decrease in amortization related to intangible assets of $6.0 million $2.2 million.

Other expense, net

Other expense, net increased $10.0 million decreased $1.3 million, or 103% 16%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to a $6.4 million decrease in dilution gain on equity method investee share issuance, a $3.5 million increase in net interest expense net of $0.9 million and a $2.9 million increase decrease in loss allocations from equity method investments of $0.7 million, partially offset by a $2.8 million fair market value adjustment to investment an increase in private company. foreign currency expense of $0.2 million.

Income tax provision (benefit)

For the nine three months ended September 30, 2023, March 31, 2024 and 2023, our effective tax rate of (33.8%) 73.6% and (125.2)%, respectively, differed from the statutory rate primarily due to the increase in the valuation allowance we have placed on a portion of U.S. deferred tax assets which includes the impact of IRC Section 174, permanent book-tax differences, uncertain tax positions and the impact of state and local taxes offset by federal and state R&D credits.

For In December 2021, the nine months ended September 30, 2022, our effective tax Organization for Economic Co-Operation and Development released Model Global Anti-Base Erosion rules under Pillar Two. These rules provide for the taxation of certain large multinational corporations at a minimum rate of 3.1% differed from the statutory rate primarily due to the increase in the valuation allowance the Company has placed 15%, calculated on a portion of its U.S. deferred tax assets jurisdictional basis. Certain countries in which includes the impact we operate have enacted legislation to implement many aspects of the Redi2 Pillar Two rules beginning on January 1, 2024, with certain remaining impacts to be effective from January 1, 2025. We do not currently anticipate that Pillar Two legislation will have a material impact on our consolidated financial statements, but we will continue to monitor future legislation and Truelytics acquisitions and IRC Section 174, permanent book-tax differences, the impact of state and local taxes offset by federal and state R&D credits and the partial reserve release of an uncertain tax position due to the expiration of a statute of limitations. any additional guidance that is issued.

Segment Results

Business segments are generally organized around our service offerings. Financial information about each of our two business segments is contained in "Note 18—Segment Information" to the condensed consolidated financial statements.

The following table reconciles income (loss) from operations by segment to consolidated net income (loss) attributable to Envestnet, Inc.:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(in thousands)			
Envestnet Wealth Solutions	$ 31,392	$ 20,607	$ 78,254	$ 49,844
Envestnet Data & Analytics	(9,115)	74	(27,888)	(9,218)
Nonsegment operating expenses	(21,676)	(21,727)	(76,134)	(80,116)
Income (loss) from operations	601	(1,046)	(25,768)	(39,490)
Other expense, net	(4,369)	(5,346)	(19,706)	(9,691)
Consolidated loss before income tax provision (benefit)	(3,768)	(6,392)	(45,474)	(49,181)
Income tax provision (benefit)	(8,824)	2,271	15,363	(1,542)
Consolidated net income (loss)	5,056	(8,663)	(60,837)	(47,639)
Add: Net loss attributable to non-controlling interest	2,035	1,373	5,284	3,205
Consolidated net income (loss) attributable to Envestnet, Inc.	$ 7,091	$ (7,290)	$ (55,553)	$ (44,434)

Envestnet Wealth Solutions

The following tables present income from operations for the Envestnet Wealth Solutions segment:

Three months ended September 30, 2023 March 31, 2024 compared to three months ended September 30, 2022 March 31, 2023

	Three Months Ended September 30, 2023 Amount (in thousands)	2023 % of Revenue	2022 Amount (in thousands)	2022 % of Revenue	$ Change (in thousands)	% Change
Revenue:						
Asset-based	$ 193,901	71 %	$ 177,131	69 %	$ 16,770	9 %
Subscription-based	76,813	28 %	75,975	30 %	838	1 %
Total recurring revenue	270,714	98 %	253,106	98 %	17,608	7 %
Professional services and other revenue	4,313	2 %	4,229	2 %	84	2 %
Total revenue	275,027	100 %	257,335	100 %	17,692	7 %
Operating expenses:						
Direct expense	114,005	41 %	103,618	40 %	10,387	10 %
Employee compensation	76,449	28 %	77,010	30 %	(561)	(1) %
General and administrative	28,646	10 %	31,463	12 %	(2,817)	(9) %
Depreciation and amortization	24,535	9 %	24,637	10 %	(102)	— %
Total operating expenses	243,635	89 %	236,728	92 %	6,907	3 %
Income from operations	$ 31,392	11 %	$ 20,607	8 %	$ 10,785	52 %

	Amount	% of Revenue		Amount			Amoun
Revenue:							
Asset-based	$202,616	70	70 %	$ 176,932	68	68 %	
Subscription-based	84,168	29	29 %	80,470	31	31 %	
Total recurring revenue	286,784	99	99 %	257,402	99	99 %	
Professional services and other revenue	3,026	1	1 %	3,247	1	1 %	
Total revenue	289,810	100	100 %	260,649	100	100 %	
Operating expenses:							
Direct expense	119,834				41	%	104,405
Employee compensation	75,196	26	26 %	79,047	30	30 %	
General and administrative	29,032	10	10 %	29,107	11	11 %	
Depreciation and amortization	26,818	9	9 %	25,492	10	10 %	
Total operating expenses	250,880	87	87 %	238,051	91	91 %	
Income from operations	$ 38,930	13	13 %	$ 22,598	9	9 %	

Asset-based recurring revenue

Asset-based recurring revenue increased $16.8 million $25.7 million, or 9% 15%, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to an increase in asset values applicable to our quarterly billing cycles, which are based on the market value of the customers' assets on our platforms as of the end of the previous quarter.

The number of financial advisors with asset-based recurring revenue on our technology platforms remained consistent with at approximately 38,000 39,000 as of September 30, 2023 March 31, 2024 and 2022, respectively, 2023 and the number of AUM/A client accounts increased from approximately 2.7 million 2.7 million as of September 30, 2022 March 31, 2023 to approximately 2.9 million 3.0 million as of September 30, 2023 March 31, 2024.

Subscription-based recurring revenue

Subscription-based recurring revenue increased $0.8 million $3.7 million, or 1% 5%, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to new and existing customer growth.

Professional services and other revenue

Professional services and other revenue increased $0.1 million decreased $0.2 million, or 2% 7%, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to timing of the completion of customer projects and deployments.

Direct expense

Direct expense increased $10.4 million $15.4 million, or 10% 15%, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due an increase in asset-based direct expense, which directly correlates with the increase in asset-based recurring revenue during the period.

Employee compensation

Employee compensation decreased $0.6 million $3.9 million, or 1% 5%, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to decreases in severance expense of $2.0 million and salaries, benefits and related payroll taxes of $2.4 million, $1.8 million which is are primarily a result of a reduction in force initiative in 2023 and an organizational realignment that began in the fourth first quarter of 2022, and other immaterial decreases within 2023.

As a percentage of segment revenue, employee compensation partially offset by an increase in severance expense of $3.8 million as decreased 4% points for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily due to a result of the reduction in force initiative that began in the first quarter of 2023 and organizational realignment. an increase in segment revenue period over period.

General and administrative

General and administrative expenses decreased $2.8 million, or 9%, $0.1 million for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to decreases in professional fees of $1.4 million and other immaterial decreases movements within general and administrative expense.

Depreciation and amortization

Depreciation and amortization expense decreased $0.1 million increased $1.3 million, or 5%, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to decreases in amortization related to intangible assets of $3.0 million, partially offset by increases an increase in amortization related to internally developed software of $2.6 million.

Nine months ended September 30, 2023 compared to nine months ended September 30, 2022

	Nine Months Ended September 30,					
	2023		2022			
	Amount	% of Revenue	Amount	% of Revenue	$ Change	% Change
	(in thousands)		(in thousands)		(in thousands)	
Revenue:						
Asset-based	$ 556,595	69 %	$ 571,820	71 %	$ (15,225)	(3)%
Subscription-based	228,807	28 %	218,080	27 %	10,727	5 %
Total recurring revenue	785,402	98 %	789,900	98 %	(4,498)	(1)%
Professional services and other revenue	17,866	2 %	13,003	2 %	4,863	37 %
Total revenue	803,268	100 %	802,903	100 %	365	— %
Operating expenses:						

Direct expense	336,073	42 %	343,148	43 %	(7,075)	(2)%
Employee compensation	229,320	29 %	234,413	29 %	(5,093)	(2)%
General and administrative	86,438	11 %	103,824	13 %	(17,386)	(17)%
Depreciation and amortization	73,183	9 %	71,674	9 %	1,509	2 %
Total operating expenses	725,014	90 %	753,059	94 %	(28,045)	(4)%
Income from operations	$ 78,254	10 %	$ 49,844	6 %	$ 28,410	57 %

Asset-based recurring revenue

Asset-based recurring revenue decreased $15.2 million, or 3%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to a decrease in asset values applicable to our quarterly billing cycles, which are based on the market value of the customers' assets on our platforms as of the end of the previous quarter.

The number of financial advisors with asset-based recurring revenue on our technology platforms remained consistent with approximately 38,000 as of September 30, 2023 and 2022, respectively, and the number of AUM/A client accounts increased from approximately 2.7 million as of September 30, 2022 to approximately 2.9 million as of September 30, 2023.

Subscription-based recurring revenue

Subscription-based recurring revenue increased $10.7 million, or 5%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to new and existing customer growth.

Professional services and other revenue

Professional services and other revenue increased $4.9 million, or 37%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to timing of the completion of customer projects and deployments.

Direct expense

Direct expense decreased $7.1 million, or 2%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due a decrease in asset-based direct expense, which directly correlates with the decrease in asset-based recurring revenue during the period.

Employee compensation

Employee compensation decreased $5.1 million, or 2%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to decreases in salaries, benefits and related payroll taxes of $5.9 million, which is primarily a result of a reduction in force initiative in 2023 and an organizational realignment in the fourth quarter of 2022, a decrease in non-cash compensation expense of $1.9 million and other immaterial decreases within employee compensation, partially offset by an increase in severance expense of $5.0 million as a result of the reduction in force initiative and organizational realignment.

General and administrative

General and administrative expenses decreased $17.4 million, or 17%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to decreases in restructuring charges and transaction costs of $12.4 million, marketing costs of $3.1 million, occupancy costs of $2.0 million and other immaterial decreases within general and administrative expense, partially offset by increases in software and maintenance charges of $1.3 million.

Depreciation and amortization

Depreciation and amortization expense increased $1.5 million, or 2%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to increases in amortization related to internally developed software of $6.2 million $3.4 million, partially offset by decreases a decrease in amortization related to intangible assets of $5.0 million $2.0 million.

Envestnet Data & Analytics

The following tables present income (loss) from operations for the Envestnet Data & Analytics segment:

Three months ended September 30, 2023 March 31, 2024 compared to three months ended September 30, 2022 March 31, 2023

	Three Months Ended September 30,					
	2023		2022			
	Amount	% of Revenue	Amount	% of Revenue	$ Change	% Change
	(in thousands)		(in thousands)		(in thousands)	
Revenue:						
Subscription-based	$ 38,126	91 %	$ 47,772	97 %	$ (9,646)	(20)%
Professional services and other revenue	3,694	9 %	1,588	3 %	2,106	133 %
Total revenue	41,820	100 %	49,360	100 %	(7,540)	(15)%
Operating expenses:						
Direct expense	5,533	13 %	6,490	13 %	(957)	(15)%
Employee compensation	22,819	55 %	26,174	53 %	(3,355)	(13)%
General and administrative	12,807	31 %	7,851	16 %	4,956	63 %
Depreciation and amortization	9,776	23 %	8,771	18 %	1,005	11 %
Total operating expenses	50,935	122 %	49,286	100 %	1,649	3 %
Income (loss) from operations	$ (9,115)	(22)%	$ 74	— %	$ (9,189)	*

*Not meaningful

	Three Months Ended March 31,					
	2024		2023			
	Amount	% of Revenue	Amount	% of Revenue	$ Change	% Change
	(in thousands)		(in thousands)		(in thousands)	
Revenue:						
Subscription-based	$ 33,294	95 %	$ 36,609	96 %	$ (3,315)	(9)%
Professional services and other revenue	1,846	5 %	1,449	4 %	397	27 %
Total revenue	35,140	100 %	38,058	100 %	(2,918)	(8)%
Operating expenses:						
Direct expense	6,799	19 %	5,274	14 %	1,525	29 %
Employee compensation	11,692	33 %	19,242	51 %	(7,550)	(39)%
General and administrative	15,314	44 %	14,429	38 %	885	6 %
Depreciation and amortization	7,074	20 %	6,028	16 %	1,046	17 %
Total operating expenses	40,879	116 %	44,973	118 %	(4,094)	(9)%
Loss from operations	$ (5,739)	(16)%	$ (6,915)	(18)%	$ 1,176	17 %

Subscription-based recurring revenue

Subscription-based recurring revenue decreased $9.6 million $3.3 million, or 20% 9%, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to a loss in access to data in the research business and continued impact from the regional banking crisis which led to our customer's cost cutting initiatives.

As a percentage of segment revenue, subscription-based recurring revenue decreased 6% points for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to a decrease in subscription-based revenue compared to an increase in professional services and other revenue.

Professional services and other revenue

Professional services and other revenue increased$2.1 million, or 133%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to an increase in point in time revenue recognized on a customer deployment.

As a percentage of segment revenue, subscription-based recurring revenue increased 6% points for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to an increase in professional services and other revenue compared to a decrease in subscription-based revenue.

Direct expense

Direct expense decreased $1.0 million, or 15%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to the decrease in subscription-based recurring revenue during the period.

Employee compensation

Employee compensation decreased $3.4 million, or 13%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to decreases in salaries, benefits and related payroll taxes of $7.1 million, which is primarily a result of the outsourcing arrangement with TCS which shifted certain expenses from employee compensation to general and administrative expense, a reduction in force initiative in 2023 and an organizational realignment in the fourth quarter of 2022 and other immaterial decreases within employee compensation, partially offset by an increase in severance expense of $6.0 million as a result of the reduction in force initiative and organizational realignment.

General and administrative

General and administrative expenses increased $5.0 million, or 63%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to increases in software and maintenance charges of $5.6 million, which is primarily a result of the outsourcing arrangement with TCS and an increase in litigation related expense of $2.7 million. These increases were partially offset by a decrease in restructuring charges and transaction costs of $1.4 million and other immaterial decreases within general and administrative expense.

As a percentage of segment revenue, general and administrative expense increased 15% points for three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to the outsourcing arrangement with TCS as well as the overall decrease in segment revenue period over period.

Depreciation and amortization

Depreciation and amortization expense increased $1.0 million, or 11%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to increases in amortization related to internally developed software of $1.5 million, partially offset by decreases in amortization related to intangible assets of $0.6 million.

As a percentage of segment revenue, depreciation and amortization expense increased 5% points for three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to a decrease in segment revenue period over period as well as the overall increase in depreciation and amortization expense period over period.

Nine months ended September 30, 2023 compared to nine months ended September 30, 2022

	Nine Months Ended September 30,					
	2023		2022			
	Amount	% of Revenue	Amount	% of Revenue	$ Change	% Change
	(in thousands)		(in thousands)		(in thousands)	
Revenue:						
Subscription-based	$ 118,170	95 %	$ 138,521	96 %	$ (20,351)	(15)%
Professional services and other revenue	6,550	5 %	5,486	4 %	1,064	19 %
Total revenue	124,720	100 %	144,007	100 %	(19,287)	(13)%
Operating expenses:						
Direct expense	15,951	13 %	18,724	13 %	(2,773)	(15)%
Employee compensation	65,974	53 %	80,334	56 %	(14,360)	(18)%
General and administrative	42,808	34 %	28,633	20 %	14,175	50 %
Depreciation and amortization	27,875	22 %	25,534	18 %	2,341	9 %
Total operating expenses	152,608	122 %	153,225	106 %	(617)	— %
Loss from operations	$ (27,888)	(22)%	$ (9,218)	(6)%	$ (18,670)	*

*Not meaningful

Subscription-based recurring revenue

Subscription-based recurring revenue decreased $20.4 million, or 15%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to a loss in access to data in the research business and continued impact from the regional banking crisis which led to our customer's cost cutting initiatives. crisis.

Professional services and other revenue

Professional services and other revenue increased $1.1 0.4 million, or 19% 27%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to an increase in point in time revenue recognized on a customer deployment, partially offset by timing of the completion of customer projects and deployments.

Direct expense

Direct expense decreased $2.8 million increased $1.5 million, or 15% 29%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to increased costs related to migrating infrastructure to the cloud.

As a percentage of segment revenue, direct expense increased 5% points for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily due to the increase in direct expense and decrease in subscription-based recurring revenue. segment revenue period over period.

Employee compensation

Employee compensation decreased $14.4 million $7.6 million, or 18% 39%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to decreases in salaries, benefits and related payroll taxes of $19.6 million, $4.3 million and severance expense of $2.2 million which is are primarily a result of the outsourcing arrangement with TCS which shifted certain expenses from employee compensation to general and administrative expense, a reduction in force initiative in 2023 and an organizational realignment that began in the fourth first quarter of 2022, incentive compensation of $2.4 million and other immaterial decreases within employee compensation, partially offset by an increase in severance expense of $10.4 million as a result of the reduction in force initiative and organizational realignment. 2023.

As a percentage of segment revenue, employee compensation expense decreased 3% 18% points for nine the three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to the outsourcing arrangement with TCS, reduction in force initiative that began in the first quarter of 2023, partially offset by a decrease in segment revenue period over period.

General and administrative

General and administrative expenses increased $14.2 million $0.9 million, or 50% 6%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to increases in software and maintenance charges of $19.3 million, which is primarily a result of the outsourcing arrangement with TCS, partially offset by decreases an increase in restructuring charges and transaction costs of $1.8 million $1.0 million, litigation related expense of $1.2 million and partially offset by other immaterial decreases within general and administrative expense.

As a percentage of segment revenue, general and administrative expense increased 14% 6% points for nine the three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to the outsourcing arrangement with TCS as well as an increase in restructuring charges and transaction costs and a decrease in segment revenue period over period.

Depreciation and amortization

Depreciation and amortization expense increased $2.3 million $1.0 million, or 9% 17%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to increases an increase in amortization related to internally developed software of $3.8 million $1.4 million, partially offset by decreases a decrease in amortization related to intangible assets of $1.0 million $0.2 million.

As a percentage of segment revenue, depreciation and amortization expense increased 4% points for nine the three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to a decrease in segment revenue period over period as well as the overall an increase in depreciation and amortization expense and a decrease in segment revenue period over period.

Nonsegment

The following tables present nonsegment operating expenses:

Three months ended September 30, 2023 March 31, 2024 compared to three months ended September 30, 2022 March 31, 2023

		Three Months Ended September 30, 2023	2022	$ Change	% Change
		(in thousands, except percentages)			
Operating expenses:	Operating expenses:				
Employee compensation	Employee compensation	$ 14,066	$ 13,653	$ 413	3 %
General and administrative	General and administrative	7,610	8,074	(464)	(6)%
Nonsegment operating expenses	Nonsegment operating expenses	$ 21,676	$ 21,727	$ (51)	— %

	2024		2023		$ Change		% Change	
	(in thousands, except percentages)							
Operating expenses:								
Employee compensation	$16,764	$	$15,926	$	$ 838		5	5 %
General and administrative	7,719	10,814	10,814	(3,095)	(3,095)		(29)	(29)%
Nonsegment operating expenses	$24,483	$	$26,740	$	$(2,257)		(8)	(8) %

Employee compensation

Employee compensation increased $0.4 million $0.8 million, or 3% 5%, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to an increase in non-cash compensation severance expense of $1.1 million and other immaterial increases within employee compensation, $1.4 million, partially offset by a decrease in salaries, benefits and related payroll taxes of $0.9 million $0.7 million.

General and administrative

General and administrative expenses decreased $0.5 million $3.1 million, or 6% 29%, for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 primarily due to a decrease in transaction costs of $1.4 million, partially offset by other immaterial increases within general and administrative expense.

Nine months ended September 30, 2023 compared to nine months ended September 30, 2022

	Nine Months Ended September 30, 2023	2022	$ Change	% Change
	(in thousands, except percentages)			
Operating expenses:				
Employee compensation	$ 49,352	$ 54,706	$ (5,354)	(10)%
General and administrative	26,782	25,410	1,372	5 %
Nonsegment operating expenses	$ 76,134	$ 80,116	$ (3,982)	(5)%

Employee compensation

Employee compensation decreased $5.4 million, or 10%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to decreases in salaries, benefits and related payroll taxes of $3.0 million, non-cash compensation expense of $2.0 million and other immaterial decreases within employee compensation.

General and administrative

General and administrative expenses increased $1.4 million, or 5%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to an increase in governance related expense of $1.8 million as a result of expense associated with activist shareholder activity during the three months ended March 31, 2023, professional fees and a decrease in restructuring charges and transaction costs of $1.6 million and software and maintenance charges of $1.4 million. These increases were , partially offset by decreases in transaction costs of $3.1 million and other immaterial decreases in increases within general and administrative expense.

Non-GAAP Financial Measures

In addition to reporting results according to GAAP, we also disclose certain non-GAAP financial measures to enhance the understanding of our operating performance. We believe these non-GAAP financial measures are useful supplemental metrics that provide greater transparency into our results of operations and can assist both management and investors in understanding and assessing the operational performance of our business on a consistent basis, as it removes the impact of non-cash or non-recurring items from operating results and provides an additional tool to compare our results with other companies in the industry, many of which present similar non-GAAP financial measures.Those measures include "adjusted revenue," "adjusted EBITDA," "adjusted net income" and income," "adjusted net income per diluted share."

"Adjusted revenue" excludes the effect of purchase accounting on the fair value of acquired deferred revenue. On January 1, 2022, the Company adopted ASU 2021-08 whereby it now accounts for contract assets share" and contract liabilities obtained upon a business combination in accordance with ASC 606. Prior to the adoption of ASU 2021-08, we recorded 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 did not reflect the full amount of revenue that would have been recorded by these entities had they remained stand-alone entities. Adjusted revenue has limitations as a financial measure, should be considered as supplemental in nature and is not meant as a substitute for revenue prepared in accordance with GAAP. "free cash flow."

"Adjusted EBITDA" represents net income (loss) before deferred revenue fair value adjustment, interest income, interest expense, income tax provision, (benefit), depreciation and amortization, non-cash non-cash compensation expense, restructuring charges and transaction costs, severance expense, litigation, regulatory and other governance related expenses, foreign currency, non-income tax expense adjustment, fair market value adjustment to investment in private company, dilution gain on equity method investee share issuance, loss allocations from equity method investments and (income) loss attributable to non-controlling non-controlling interest.

"Adjusted net income" represents net income (loss) before income tax provision, (benefit), deferred revenue fair value adjustment, non-cash non-cash interest expense, cash interest on our Convertible Notes, non-cash amortization of acquired intangibles, non-cash compensation expense, restructuring charges and transaction costs, severance expense, amortization of acquired intangibles, litigation, regulatory and other governance related expenses, foreign currency, non-income tax expense adjustment, fair market value adjustment to investment in private company, dilution gain on equity method investee share issuance, loss allocations from equity method investments and (income) loss attributable to non-controlling 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 attributable to common stockholders divided by the diluted number of weighted average weighted-average shares outstanding. For purposes of the adjusted net income per share calculation, we assume all potential shares to be issued in connection with our Convertible Notes are dilutive.

"Free cash flow" represents net cash provided by (used in) operating activities less purchases of property and equipment and capitalization of internally developed software.

Our Board and management use these non-GAAP financial measures:

- As measures of operating performance;
- For planning purposes, including the preparation of annual budgets;
- To allocate resources to enhance the financial performance of our business;
- To evaluate the effectiveness of our business strategies; and
- In communications with our Board concerning our financial performance.

Our Compensation Committee, Board and our management may also consider adjusted EBITDA and free cash flow, among other factors, when determining management's incentive compensation.

We also present adjusted revenue, adjusted EBITDA, adjusted net income, and adjusted net income per diluted share and free cash flow as supplemental performance measures because we believe that they provide our Board, management and investors with additional information to assess our performance. Adjusted revenue EBITDA, adjusted net income and adjusted net income per diluted share provide comparisons from period to period by excluding the effect of purchase accounting on the fair value of acquired deferred revenue. Adjusted EBITDA provides comparisons from period to period by excluding potential differences caused by changes in interest expense and interest income that are influenced by capital structure decisions and capital market conditions, income tax provision (benefit), variations in the age and book depreciation of fixed assets affecting relative depreciation expense and amortization of internally developed software, amortization of acquired intangible assets, income tax provision (benefit), non-income tax expense, restructuring charges and transaction costs, severance expense,

litigation, regulatory and other governance related expenses, foreign currency, non-income tax expense adjustment, loss allocations from equity method investments pre-tax (income) and loss attributable to non-controlling interest and changes in interest expense and interest income that are influenced by capital structure decisions and capital market conditions. interest. Our management also believes it is useful to exclude non-cash compensation expense from adjusted EBITDA, adjusted net income and adjusted net income per diluted share because non-cash equity grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time. Free cash flow is useful to analyze cash flows generated from our business and our ability to fund our ongoing operations, debt service obligations and to fund potential acquisitions or other strategic activities.

We believe adjusted revenue, adjusted EBITDA, adjusted net income, and adjusted net income per diluted share and free cash flow are useful to investors in evaluating our operating performance because securities analysts use adjusted revenue, adjusted EBITDA, adjusted net income and (loss), adjusted net income (loss) per diluted share and free cash flow as supplemental measures to evaluate the overall performance of companies, and we anticipate that our investors and analyst presentations will include adjusted revenue, adjusted EBITDA, adjusted net income, and adjusted net income per diluted share. share and free cash flow.

Adjusted revenue, adjusted EBITDA, adjusted net income, and adjusted net income per diluted share and free cash flow are not measurements of our financial performance under GAAP and should not be considered as an alternative to revenue, net income, operating income, or any other performance measures derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of our profitability or liquidity.

We understand that, although adjusted revenue, adjusted EBITDA, adjusted net income, and adjusted net income per diluted share and free cash flow are frequently used by securities analysts and others in their evaluation of companies, these measures have limitations as an analytical tool, and you should not consider them in isolation, or as a substitute for an analysis of our results as reported under GAAP. In particular you should consider:

- Adjusted revenue, adjusted EBITDA, adjusted net income, and adjusted net income per diluted share and free cash flow do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted revenue, adjusted EBITDA, adjusted net income, and adjusted net income per diluted share and free cash flow do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted revenue, adjusted EBITDA, adjusted net income, and adjusted net income per diluted share and free cash flow do not reflect non-cash components of employee compensation;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements;
- Due to either net losses before income tax expense or the use of federal and state net operating loss carryforwards, we paid net cash of $13.6 paid for income taxes was $0.6 million and $7.9 $1.1 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. In the event that we generate taxable income and our existing net operating loss carryforwards for federal and state income taxes have been fully utilized or have expired, income tax payments will be higher; and
- Other companies in our industry may calculate adjusted revenue, adjusted EBITDA, adjusted net income, and adjusted net income per diluted share and free cash flow differently than we do, limiting their usefulness as a comparative measure.

Management compensates for the inherent limitations associated with using adjusted revenue, adjusted EBITDA, adjusted net income, and adjusted net income per diluted share and free cash flow through disclosure of such limitations, presentation of our financial statements in accordance with GAAP and reconciliation of adjusted revenue to revenue, the most directly comparable GAAP measure and adjusted EBITDA, adjusted net income, and adjusted net income per diluted share and free cash flow to net income (loss), net income (loss) per share and net income per share, cash provided by (used in) operating activities, the most directly comparable GAAP measures. Further, our management also reviews GAAP measures and evaluates individual measures that are not included in some or all of our non-GAAP financial measures, such as our level of capital expenditures and interest income, among other measures.

The following tables set forth reconciliations of GAAP financial measures to non-GAAP financial measures. See "Footnotes to GAAP to Non-GAAP Reconciliations" below for further detail on adjustments.

The following table sets forth a reconciliation of total revenue to adjusted revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			

Total revenue	$	316,847	$	306,695	$	927,988	$	946,910
Deferred revenue fair value adjustment (1)		—		54		69		162
Adjusted revenue	$	316,847	$	306,749	$	928,057	$	947,072

The following table sets forth a reconciliation of net income (loss) to adjusted EBITDA:

		Three Months Ended					
		Three Months Ended					
		Three Months Ended					
		March 31,				March 31,	
		2024				2024	2023
		Three Months Ended		Nine Months Ended			
		September 30,		September 30,			
		2023	2022	2023	2022		
		(in thousands)					
		(in thousands)					
		(in thousands)					
		(in thousands)					
Net income (loss)	Net income (loss)	$ 5,056	$ (8,663)	$ (60,837)	$ (47,639)		
Add (deduct):	Add (deduct):					Add (deduct):	
Deferred revenue fair value adjustment (1)	Deferred revenue fair value adjustment (1)	—	54	69	162		
Interest income	Interest income	(1,553)	(1,239)	(4,567)	(2,273)		
Interest expense	Interest expense	6,202	4,242	19,053	13,307		
Income tax provision (benefit) (2)(3)		(8,824)	2,271	15,363	(1,542)		
Income tax provision (2)(3)							
Depreciation and amortization	Depreciation and amortization	34,311	33,408	101,058	97,208		
Non-cash compensation expense (4)	Non-cash compensation expense (4)	17,298	17,265	58,141	62,583		
Restructuring charges and transaction costs (5)	Restructuring charges and transaction costs (5)	1,695	3,895	12,366	27,267		
Severance expense (6)	Severance expense (6)	11,482	1,125	25,904	11,379		
Litigation, regulatory and other governance related expenses (7)	Litigation, regulatory and other governance related expenses (7)	604	(2,050)	5,823	5,333		
Foreign currency (8)	Foreign currency (8)	223	308	330	613		

Non-income tax expense adjustment (9)	Non-income tax expense adjustment (9)	(26)	(325)	(224)	(112)
	Fair market value adjustment to investment in private company (10)	(2,871)	—	(2,804)	—
	Dilution gain on equity method investee share issuance (11)	—	—	(546)	(6,934)
	Loss allocations from equity method investments (12)	2,368	2,387	8,240	5,332
	Loss attributable to non-controlling interest (13)	1,277	820	3,082	1,637
Loss allocations from equity method investments (10)					
Loss allocations from equity method investments (10)					
Loss allocations from equity method investments (10)					
Loss attributable to non-controlling interest (11)					
Adjusted EBITDA	Adjusted EBITDA	$ 67,242	$53,498	$180,451	$166,321

The following table sets forth a reconciliation of net income (loss) to adjusted net income and adjusted net income per diluted share:

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
		(in thousands, except share and per share information)				(in thousands, except share and per share information)	
Net income (loss)	Net income (loss)	$ 5,056	$ (8,663)	$ (60,837)	$ (47,639)		
Income tax provision (benefit) (2)(3)		(8,824)	2,271	15,363	(1,542)		
Loss before income tax provision (benefit)		(3,768)	(6,392)	(45,474)	(49,181)		
Income tax provision (2)(3)							
Income (loss) before income tax provision							
Add (deduct):	Add (deduct):						

Deferred revenue fair value adjustment (1)	Deferred revenue fair value adjustment (1)	—	54	69	162
Non-cash interest expense (14)		1,389	1,443	4,258	4,917
Cash interest - Convertible Notes (15)		4,368	2,479	13,476	7,439
Deferred revenue fair value adjustment (1)					
Deferred revenue fair value adjustment (1)					
Non-cash interest expense (12)					
Cash interest - Convertible Notes (13)					
Amortization of acquired intangibles (14)					
Non-cash compensation expense (4)	Non-cash compensation expense (4)	17,298	17,265	58,141	62,583
Restructuring charges and transaction costs (5)	Restructuring charges and transaction costs (5)	1,695	3,895	12,366	27,267
Severance expense (6)	Severance expense (6)	11,482	1,125	25,904	11,379
Amortization of acquired intangibles (16)		15,124	18,649	47,784	53,814
Litigation, regulatory and other governance related expenses (7)	Litigation, regulatory and other governance related expenses (7)	604	(2,050)	5,823	5,333
Foreign currency (8)	Foreign currency (8)	223	308	330	613
Non-income tax expense adjustment (9)	Non-income tax expense adjustment (9)	(26)	(325)	(224)	(112)
Fair market value adjustment to investment in private company (10)		(2,871)	—	(2,804)	—
Dilution gain on equity method investee share issuance (11)		—	—	(546)	(6,934)
Loss allocations from equity method investments (12)		2,368	2,387	8,240	5,332
Loss attributable to non-controlling interest (13)		1,277	820	3,082	1,637
Loss allocations from equity method investments (10)					
Loss allocations from equity method investments (10)					
Loss allocations from equity method investments (10)					
Loss attributable to non-controlling interest (11)					
Adjusted net income before income tax effect	Adjusted net income before income tax effect	49,163	39,658	130,425	124,249
Income tax effect (17)		(12,536)	(10,112)	(33,258)	(31,683)

Income tax effect (15)					
Adjusted net income	Adjusted net income	$ 36,627	$ 29,546	$ 97,167	$ 92,566
Basic number of weighted average shares outstanding	Basic number of weighted average shares outstanding	54,562,270	55,226,777	54,380,231	55,109,387
Basic number of weighted average shares outstanding					
Basic number of weighted average shares outstanding					
Effect of dilutive shares:	Effect of dilutive shares:				
Convertible Notes					
Convertible Notes					
Convertible Notes	Convertible Notes	10,811,884	9,898,549	11,176,254	9,898,549
Non-vested RSUs and PSUs	Non-vested RSUs and PSUs	361,982	208,367	438,520	378,061
Options to purchase common stock	Options to purchase common stock	46,364	74,559	64,507	123,267
Diluted number of weighted average shares outstanding	Diluted number of weighted average shares outstanding	65,782,500	65,408,252	66,059,512	65,509,264
Diluted number of weighted average shares outstanding					
Diluted number of weighted average shares outstanding					
Adjusted net income per diluted share	Adjusted net income per diluted share	$ 0.56	$ 0.45	$ 1.47	$ 1.41

The following table sets forth a reconciliation of net cash provided by (used in) operating activities to free cash flow:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(in thousands)	
Net cash provided by (used in) operating activities	$ 1,944	$ (33,673)
Less: Purchases of property and equipment	(1,900)	(4,402)
Less: Capitalization of internally developed software	(19,953)	(23,664)
Free cash flow	$ (19,909)	$ (61,739)

The following tables set forth the reconciliation of revenue to adjusted revenue and income (loss) from operations to adjusted EBITDA for each segment for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

Three Months Ended September 30, 2023				Three Months Ended March 31, 2024			
Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total	Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total
(in thousands)							

	Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total
Revenue	$275,027	$41,820	$ —	$316,847
Deferred revenue fair value adjustment (1)	—	—	—	—
Adjusted revenue	$275,027	$41,820	$ —	$316,847

(in thousands)

Income (loss) from operations	$ 31,392	$ (9,115)	$ (21,676)	$ 601
Add:				
Deferred revenue fair value adjustment (1)	—	—	—	—
Add (deduct):				
Depreciation and amortization				
Depreciation and amortization				
Depreciation and amortization	24,535	9,776	—	34,311
Non-cash compensation expense (4)	10,682	2,448	4,168	17,298
Restructuring charges and transaction costs (5)	1,432	(98)	361	1,695
Severance expense(6)	4,501	6,302	679	11,482
Litigation, regulatory and other governance related expenses (7)	—	629	(25)	604
Non-income tax expense adjustment (9)	(26)	—	—	(26)
Loss attributable to non-controlling interest (13)	1,277	—	—	1,277
Loss attributable to non-controlling interest (11)				
Adjusted EBITDA	$ 73,793	$ 9,942	$ (16,493)	$ 67,242

	Three months ended September 30, 2022			
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total
	(in thousands)			
Revenue	$257,335	$49,360	$ —	$306,695
Deferred revenue fair value adjustment (1)	54	—	—	54
Adjusted revenue	$257,389	$49,360	$ —	$306,749

Three months ended March 31, 2023			
Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total

(in thousands)

Income (loss) from operations	Income (loss) from operations	$ 20,607	$ 74	$ (21,727)	$ (1,046)
Add:	Add:				
Deferred revenue fair value adjustment (1)					
Deferred revenue fair value adjustment (1)					
Deferred revenue fair value adjustment (1)	Deferred revenue fair value adjustment (1)	54	—	—	54
Depreciation and amortization	Depreciation and amortization	24,637	8,771	—	33,408
Non-cash compensation expense (4)	Non-cash compensation expense (4)	11,235	2,991	3,039	17,265
Restructuring charges and transaction costs (5)	Restructuring charges and transaction costs (5)	928	1,264	1,703	3,895
Severance expense (6)	Severance expense (6)	686	281	158	1,125
Litigation, regulatory and other governance related expenses (7)	Litigation, regulatory and other governance related expenses (7)	—	(2,050)	—	(2,050)
Non-income tax expense adjustment (9)	Non-income tax expense adjustment (9)	(343)	18	—	(325)
Loss attributable to non-controlling interest (13)		820	—	—	820
Other		352	—	—	352
Loss attributable to non-controlling interest (11)					
Adjusted EBITDA	Adjusted EBITDA	$ 58,976	$11,349	$ (16,827)	$ 53,498
Adjusted EBITDA					
Adjusted EBITDA					

	Nine Months Ended September 30, 2023			
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total
	(in thousands)			
Revenue	$ 803,268	$ 124,720	$ —	$ 927,988
Deferred revenue fair value adjustment (1)	69	—	—	69

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Adjusted revenue	$	803,337	$	124,720	$	—	$	928,057
Income (loss) from operations	$	78,254	$	(27,888)	$	(76,134)	$	(25,768)
Add (deduct):								
Deferred revenue fair value adjustment (1)		69		—		—		69
Depreciation and amortization		73,183		27,875		—		101,058
Non-cash compensation expense (4)		33,967		7,837		16,337		58,141
Restructuring charges and transaction costs (5)		7,984		215		4,167		12,366
Severance expense (6)		9,931		11,849		4,124		25,904
Litigation, regulatory and other governance related expenses (7)		—		4,163		1,660		5,823
Non-income tax expense adjustment (9)		(153)		(71)		—		(224)
Loss attributable to non-controlling interest (13)		3,082		—		—		3,082
Adjusted EBITDA	$	206,317	$	23,980	$	(49,846)	$	180,451

	Nine months ended September 30, 2022							
	Envestnet Wealth Solutions		Envestnet Data & Analytics		Nonsegment		Total	
	(in thousands)							
Revenue	$	802,903	$	144,007	$	—	$	946,910
Deferred revenue fair value adjustment (1)		162		—		—		162
Adjusted revenue	$	803,065	$	144,007	$	—	$	947,072
Income (loss) from operations	$	49,844	$	(9,218)	$	(80,116)	$	(39,490)
Add:								
Deferred revenue fair value adjustment (1)		162		—		—		162
Depreciation and amortization		71,674		25,534		—		97,208
Non-cash compensation expense (4)		35,889		8,378		18,316		62,583
Restructuring charges and transaction costs (5)		18,109		2,014		7,144		27,267
Severance expense (6)		4,909		1,492		4,978		11,379
Litigation, regulatory and other governance related expenses (7)		—		5,333		—		5,333
Non-income tax expense adjustment (9)		(52)		(60)		—		(112)
Loss attributable to non-controlling interest (13)		1,637		—		—		1,637
Other		352		2		—		354
Adjusted EBITDA	$	182,524	$	33,475	$	(49,678)	$	166,321

Footnotes to GAAP to Non-GAAP Reconciliations

(1) Deferred revenue fair value adjustment represents the effect of purchase accounting on the fair value of acquired deferred revenue in accordance with ASC 606.

(2) For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the effective tax rate computed in accordance with GAAP equaled 234.2% 73.6% and (35.5) (125.2)%, respectively. For the nine months ended September 30, 2023 and 2022, the effective tax rate computed in accordance with GAAP equaled (33.8)% and 3.1%, respectively.

(3) As of December 31, 2022 December 31, 2023, we had net operating loss carryforwards, before any uncertain tax position reserves, of approximately $69.0 million $64 million and $221.0 million $225 million 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 we pay for federal, state and foreign income taxes differs significantly from both the amount calculated in accordance with GAAP using the effective income tax rate and from the income tax effect amount calculated using the normalized effective tax rate.

(4) Non-cash compensation expense represents expense related to stock-based awards made to employees and directors. We exclude stock-based compensation because the Company does not view it as reflective of our core operating performance as it is a non-cash expense.

(5) Restructuring charges and transaction costs represent third-party costs incurred related to significant, distinct enterprise-wide strategic initiatives such as the closure of certain offices in the United States, acquisition and transaction related expenditures and system integration costs related to implementation of a new Enterprise Resource

Planning System. These third-party costs are infrequent and outside the ordinary course of our continuing operations. We exclude these costs to facilitate a more meaningful evaluation of our current operating performance and comparisons to our past operating performance.

(6) Severance expense represents severance and related costs associated with certain strategic initiatives that have reshaped our workforce such as an organizational realignment in the fourth quarter of 2022, post-acquisition integration activity and a reduction in force initiative in 2023. These are not reflective of future ongoing operations and affect comparability of the Company's operational results across reporting periods.

(7) Litigation, regulatory and other governance related expenses represent certain third-party non-recurring litigation fees primarily related to litigation matters discussed in Note 19—Commitments and Contingencies as well as governance related expenses associated with activist shareholder activity. The litigation costs relate to two matters over a three-year time period and are not reoccurring expenditures.

(8) Foreign currency represents gains and losses from foreign currency denominated transactions and the remeasurement of foreign currency denominated balance sheet accounts. These adjustments can vary significantly from period to period and are not indicative of our core operating performance.

(9) Non-income tax expense adjustments relate to the remediation of historical sales and use tax issues and are not indicative of our core operating performance.

(10) Fair market value adjustment to investment in private company represents non-recurring unrealized gains and losses related to the Company's investments. These adjustments are infrequent and outside the ordinary course of our continuing operations.

(11) Dilution gain on equity method investee share issuance represents gains and losses related to the Company's equity method share issuances. These dilution gains are infrequent and can vary significantly from period to period and are outside the ordinary course of our continuing operations.

(12) Loss allocations from equity method investments represents gains and losses from our various equity method investments. These investments are not part of our core business and the ventures associated with these investments generally are start-up or early-stage businesses where we have limited influence over their operational and financial policies. The results of operations for each of these investments can vary significantly from period to period and do not represent the Company's ongoing operations.

(13) (11) Loss attributable to non-controlling interest represents the loss attributable to the Company's minority economic interest in a private company excluding the impact of non-cash or non-recurring items included within other line items. Although the Company consolidates its minority interest in a private company as a result of its ability to control this private company interest through majority representation on the board, the Company has excluded loss attributable to non-controlling interest as it owns a minority economic interest in the private company. This private company is a start-up business and the results of its operations vary significantly from period to period and are not representative of the Company's financial performance.

(14) (12) Non-cash interest expense represents third-party costs incurred in securing debt and are amortized over the term of the debt. We exclude non-cash interest expense because the Company does not view this expense as reflective of our core operating performance as it is a non-cash expense.

(15) (13) For purposes of computing adjusted net income and adjusted net income per share, the Company always assumes the convertible notes to be fully converted for all periods presented. Therefore, cash interest for convertible notes is added to adjusted net income in accordance with the if-converted method.

(16) (14) Amortization of acquired intangibles represents non-cash amortization expense from intangible assets acquired through acquisitions. The fair value of these acquired intangible assets are estimates and the Company does not view it as reflective of our core operating performance as it is a non-cash expense.

(17) (15) Income tax effect represents the tax effect of Non-GAAP adjustments as described above and is calculated using an estimated normalized tax rate of 25.5% for both the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Liquidity and Capital Resources

As Our primary sources of September 30, 2023, we had total liquidity include cash provided by operating activities, including fluctuations in working capital, and access to external capital. Our working capital is affected by the timing of payments related to fees receivable, investment manager fees, employee compensation, income tax, our annual Advisor Summit and various other items. Historically the first quarter of the year is our lowest quarter of cash equivalents provided by operating activities primarily due to the payment of $43.2 million compared to $162.2 million as annual bonuses during the first quarter of December 31, 2022. As the year following the year they were incurred and prepayments made during the first quarter of September 30, 2023, we had $500.0 million available to borrow under the Revolving Credit Facility. year associated with our Advisor Summit which is held during the second quarter of the year.

We believe our existing cash and cash equivalents and cash generated in the ongoing operations of our business will be sufficient to fund our current operations, including capital expenditure needs and debt service obligations, over the next twelve months and beyond. If the cash generated in the ongoing operations of our business is insufficient to fund these requirements, we may be required to further borrow under our Revolving Credit Facility or incur additional debt to fund our ongoing operations or to fund potential acquisitions or other strategic activities.

We will continue to actively manage our cash balances by making decisions regarding the amounts, timing and manner in which cash is generated and used in order to ensure we are able to meet our cash, capital and liquidity requirements and maintain operations for both the short and long term.

As of March 31, 2024, we had total cash and cash equivalents of $61.2 million, no amounts outstanding under the Revolving Credit Facility and $500.0 million available to borrow under the Revolving Credit Facility, subject to covenant compliance.

Cash Flows

The following table presents a summary of our cash flows:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	$ 79,277	$ 86,235
Net cash used in investing activities	(125,167)	(226,755)
Net cash used in financing activities	(76,969)	(44,450)
Effect of exchange rate on changes on cash	3,897	(3,128)
Net change in cash, cash equivalents and restricted cash	$ (118,962)	$ (188,098)

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Net cash provided by (used in) operating activities	$ 1,944	$ (33,673)
Net cash used in investing activities	(24,658)	(58,756)
Net cash provided by (used in) financing activities	3,637	(20,660)
Effect of exchange rate on changes on cash	(2)	3,580
Net change in cash and cash equivalents due to cash reclassified to assets held for deconsolidation	(11,073)	—
Net change in cash and cash equivalents	$ (30,152)	$ (109,509)

Operating Activities

Net cash provided by operating activities decreased $7.0 million increased $35.6 million for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to a decrease an increase of $13.9 million $40.1 million in cash provided by our business operations, partially offset by an increase a decrease of $6.9 million $4.5 million in cash provided due to timing of payments within our working capital accounts. Our working capital is affected by the timing of payments related to several items, including but not limited to, employee incentives, income tax payments and cash collections from our clients. For the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023, the increase decrease of $6.9 million $4.5 million in cash provided within our working capital accounts is primarily related to a $19.6 million decrease in accrued compensation and related taxes, which includes accrued incentive compensation, from December 31, 2021 to December 31, 2022 as a result of lower operating performance in 2022 compared to 2021, partially offset by an $8.9 million increase in fees receivable, net from December 31, 2022 to September 30, 2023 as a result of timing of cash collections from our clients a $4.8 million increase in prepaid technology from December 31, 2021 to September 30, 2022 primarily a result of timing of payments for technology and other miscellaneous cash payment timing differences. differences within accounts payable and accrued expenses and prepaid expenses and other assets.

Investing Activities

Net cash used in investing activities decreased $101.6 million $34.1 million for the nine three months ended September 30, 2023 March 31, 2024 compared to the nine three months ended September 30, 2022 March 31, 2023 primarily due to cash used related to acquisition of businesses of $104.2 million during the nine months ended September 30, 2022, a decrease in cash related to investing in private companies of $12.2 million, a decrease in cash related to acquiring technology of $7.0 million and an issuance of note receivable to equity method investees of $6.4 million during the nine months ended September 30, 2022. These decreases were partially offset by an increase in cash used related to an issuance of loan receivable to a private company of $20.0 million during the nine months ended September 30, 2023, an increase a decrease in cash used to acquire proprietary technology of $10.0 million, a decrease in capitalization of internally developed software of $3.7 million and a decrease in cash used to purchase property and equipment of $5.2 million and an increase in capitalization of internally developed software of $3.4 million $2.5 million.

Financing Activities

Net cash used in financing activities increased $32.5 million for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to settling the remaining aggregate principal amount of $45.0

million on Financing Activities

Net cash provided by financing activities increased $24.3 million for the Convertible Notes due 2023 during the nine three months ended September 30, 2023 March 31, 2024 compared to the three months ended March 31, 2023 primarily due to cash proceeds from capital contributions received by non-controlling interest of $12.0 million, partially offset by a decrease in payments on finance lease obligations cash used for share repurchases of $9.0 million $9.8 million and a decrease in taxes cash paid on the vesting of related to tax withholdings for stock-based compensation of $3.6 million $2.3 million.

Commitments and Off-Balance Sheet Arrangements

Purchase Obligations and Indemnifications

See “Part I, Item 1, Note 19—Commitments and Contingencies, Purchase Obligations and Indemnifications.”

Acquisition of Redi2 Technologies

See “Part I, Item 1, Note 3— Acquisitions” 19—Commitments and Contingencies” for details related to this transaction.

Legal Proceedings

See “Part I, Item 1, Note 19—Commitments and Contingencies, Legal Proceedings” for legal proceedings details.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. See "Note 2—Summary of Significant Accounting Policies" to the consolidated financial statements in our 2022 Form 10-K describes the Annual Report for significant accounting policies and methods used in the preparation of the consolidated financial statements. Our critical accounting estimates, identified in Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our 2022 Form 10-K Annual Report include, but are not limited to, the discussion of estimates used for recognition of revenue, impairment of goodwill and acquired intangible assets and income taxes. Such accounting policies and estimates require significant judgments and assumptions to be used in the preparation of the condensed consolidated financial statements, and actual results could differ materially from the amounts reported.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market, foreign currency or interest rate risks as discussed in Part II, Item 7A of our 2022 Form 10-K. Annual Report.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023 March 31, 2024. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means are controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on their this evaluation of our disclosure controls and procedures as of September 30, 2023 March 31, 2024, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting during the nine three months ended September 30, 2023 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The information in Part I, Note 19—Commitments and Contingencies, Legal Proceedings is incorporated herein by reference.

Item 1A. Risk Factors

Investment in our securities involves risk. An investor or potential investor should consider the risks summarized below and under the caption "Risk Factors" in Part I, Item 1A of our 2022 Form 10-K Annual Report when making investment decisions regarding our securities. The risk factors that were disclosed in our 2022 Form 10-K Annual Report have not materially changed since the date our 2022 Form 10-K the Annual Report was filed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Purchases of Equity Securities

On February 25, 2016, we In 2016, the Company announced that our Board had authorized a share repurchase program under which we the Company may repurchase up to 2.0 million shares of our its common stock. There were no purchases of equity securities made under the share repurchase program in the nine months ended September 30, 2023. As of September 30, 2023, there were 0.3 million shares that may yet be repurchased under the program.

The timing and volume of share repurchases will be determined by our the Company's management based on its ongoing assessments of the capital needs of the business, the market price of our common stock and general market conditions. No time limit has been set for the completion of the repurchase program, and the program may be suspended or discontinued at any time. The repurchase program authorizes the Company to purchase its common stock from time to time in the open market (including pursuant to a "Rule 10b5-1 plan"), in block transactions, in privately negotiated transactions, through accelerated stock repurchase programs, through option or other forward transactions or otherwise, all in compliance with applicable laws and other restrictions.

There were no purchases of equity securities made under the share repurchase program during the three months ended March 31, 2024. As of March 31, 2024, 0.3 million shares are still available to be purchased under this program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

See the exhibit index, which is incorporated herein by reference.

INDEX TO EXHIBITS

Exhibit No.	Description
10.1	Executive Agre Separation and Release Agreement with William Crager (ement, dated September 23, 2023, by and filed as between Josh Warren Exhibit 10.1 to the Company'sForm 8-K filed January 8, 2024 and Envestnet, Inc. incorporated by reference herein).*
10.2	S Interim Executive Agreement with James Foxeve (filed as Exhibit 10.rance 2 to the Company's Form 8-K filed January 8, 2024 and incorporated by reference herein).*
10.3	Amendment to Interim Executive Agreement with James Fox (filed as Exhibit 10.1 to the Company's Form 8-K filed March 15, dated September 23, 2023, 2024 and incorporated by and between P reference herein).*
10.4	Empleter H. D'Arrigo and Envestnet oyment Agreement with William Crager (filed as Exhibit 10.1 to the Company's Form 8-K filed March 28, Inc. 2024 and incorporated by reference herein).*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1(1)	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2(1)	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document ***
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document ***
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document ***
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document ***
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document ***
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) The material contained in Exhibit 32.1 and 32.2 is not deemed “filed” with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing, except to the extent that the registrant specifically incorporates it by reference.
* Management contract or compensation plan.
** The following materials are formatted in Inline XBRL (Extensible Business Reporting Language): (i) the cover page; (ii) the Condensed Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023; (iii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022; 2023; (iv) the Condensed Consolidated Statement of Comprehensive Income (Loss) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022; 2023; (v) the Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2023 March 31, 2024 and 2022; 2023; (vi) the Condensed Consolidated Statements of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022; 2023; (vii) Notes to Condensed Consolidated Financial Statements tagged as blocks of text.

GLOSSARY OF TERMS

The following abbreviations or acronyms used in this Form 10-Q Quarterly Report are defined below:

Abbreviations or Acronyms	Definition
2010 Plan	2010 Long-Term Incentive Plan
2019 Equity Plan	2019 Acquisition Equity Incentive Plan
2022 Form 10-K AETR	Annual effective tax rate
Annual Report	Form 10-K for the year ended December 31, 2022
AETR	Annual effective tax rate. December 31, 2023
ASC	Accounting Standards Codification™
ASC 310 - Receivables	Accounting Standards Codification Topic 310, Receivables
ASC 606	Accounting Standards Codification Topic 606, Revenue from Contracts with Customers
ASC 740-270	Accounting Standards Codification Topic 740, Income Taxes—Interim Reporting
ASC 842	Accounting Standards Codification Topic 842, Leases
ASU	Accounting Standards Update
ASU 2021-08	ASU Business Combinations (Topic 805): Accounting for Contract Assets and Contract
Board	Board of Directors
Company	Envestnet, Inc. and its subsidiaries
Convertible Notes due 2023	$345.0 45.0 million of remaining aggregate principal amount of convertible notes issued in May 2018 with an interest rate of 1.75% per year that mature matured and were settled on June 1, 2023. During November 2022, the Company repurchased $300.0 million of the $345.0 million convertible notes resulting in a remaining aggregate principal amount of $45.0 million as of December 31, 2022.
Convertible Notes due 2025	$517.5 317.5 million of remaining aggregate principal amount of convertible notes issued in August 2020 with an interest rate of 0.75% per year that mature on August 15, 2025. During November 2022, the Company repurchased $200.0 million of the $517.5 million convertible notes resulting in a remaining aggregate principal amount of $317.5 million as of December 31, 2022.
Convertible Notes due 2027	$575.0 million aggregate principal amount of convertible notes issued in November 2022 with an interest rate of 2.625% per year that mature on December 1, 2027.
Convertible Promissory Note Envestnet	$20.0 million convertible promissory note issued in January 2023 with a customer of the Company's business, a privately held company Envestnet, Inc.
ETR	Effective tax rate
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FinancialApps	FinancialApps, LLC
FinTech	Financial Technology
GAAP	United States Generally Accepted Accounting Principles
IRC Section 174	Internal Revenue Code of 1986, Section 174: Amortization of Research and Experimental Expenditures
Convertible Notes	Collectively the Convertible Notes due 2023, Convertible Notes due 2025 and Convertible Notes due 2027
PSU	Performance-based restricted stock unit
Quarterly Report	Form 10-Q for the quarter ended September 30, 2023 March 31, 2024
R&D	Research and Development.
Redi2	Redi2 Technologies Inc.
Redi2 acquisition	Stock purchase agreement between Envestnet and Redi2 Technologies, dated as of June 24, 2022
Revolving Credit Facility	Revolving credit facility of $500.0 million pursuant to the Third Amended and Restated Credit Agreement
RIAs	Registered investment advisors
RSU	Restricted stock unit
SEC	Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
TCS	Tata Consultancy Services
Truelytics	Truelytics, Inc.
U.S.	United States
Waiver	Waiver with respect to the Revolving Credit Facility
Yodlee	Yodlee, Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 9, 2023. authorized.

ENVESTNET, INC.

Date: May 8, 2024	By:	/s/ William C. Crager James L. Fox
		William C. Crager James L. Fox
		Interim Chief Executive Officer
		Principal Executive Officer
Date: May 8, 2024	By:	/s/ Peter H. D'Arrigo Joshua B. Warren
		Peter H. D'Arrigo Joshua B. Warren
		Chief Financial Officer
		Principal Financial Officer
Date: May 8, 2024	By:	/s/ Matthew J. Majoros
		Matthew J. Majoros
		Senior Vice President, Financial Reporting
		Principal Accounting Officer

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, William C. Crager, James L. Fox, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 March 31, 2024, of Envestnet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 8, 2024

/s/ William C. Crager James L. Fox

William C. Crager James L. Fox

Interim Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Peter H. D'Arrigo, Joshua B. Warren, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 March 31, 2024, of Envestnet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 8, 2024

/s/ *Peter H. D’Arrigo Joshua B. Warren*

Peter H. D’Arrigo Joshua B. Warren

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Envestnet, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William Crager, James L. Fox, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ *William C. Crager James L. Fox*

By: William C. Crager James L. Fox

Interim Chief Executive Officer

(Principal Executive Officer)

Dated: November 9, 2023 May 8, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Envestnet, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter D’Arrigo, Joshua B. Warren, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Peter H. D’Arrigo Joshua B. Warren

By: Peter H. D’Arrigo Joshua B. Warren
Chief Financial Officer
(Principal Financial Officer)

Dated: November 9, 2023 May 8, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.