

REFINITIV

# DELTA REPORT

## 10-K

ENV - ENVESTNET, INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

**TOTAL DELTAS** 4605

 **CHANGES** 321

 **DELETIONS** 1825

 **ADDITIONS** 2459

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended **December 31, 2022** **December 31, 2023**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-34835



### 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**

**6060119312**

(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 each exchange on which registered:
Common Stock, par value \$0.005 per share	ENV	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  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

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

Aggregate market value of registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant's common stock on **June 30, 2022** **June 30, 2023** as reported on The New York Stock Exchange on that date: **\$1.8 billion** **\$2.0 billion**. For purposes of this calculation, shares of common stock held by (i) persons holding more than 5% of the outstanding shares of stock and (ii) officers and directors of the registrant, as of **June 30, 2022** **June 30, 2023**, are excluded in that such persons may be deemed to be affiliates. This determination is not necessarily conclusive of affiliate status.

As of **February 21, 2023** **February 23, 2024**, **54,019,836** **54,788,793** shares of the common stock with a par value of \$0.005 per share were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Part III incorporates by reference portions of the registrant's definitive proxy statement for the annual meeting of stockholders, which will be filed within 120 days after the close of the **2022** **2023** fiscal year.

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### ***Forward-Looking Statements***

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

*This annual report on Form 10-K for the year ended December 31, 2022 ("Annual Report") December 31, 2023 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. The potential risks, uncertainties and other factors that could cause actual results to differ from those expressed by the forward-looking statements in this Annual Report include, but are not limited to,

- **our ability to recruit and retain senior executive leadership and other key employees and to successfully manage transitions, including the transition of our chief executive officer;**
- adverse economic or global market conditions, including periods of rising inflation and market interest rates, and governmental responses to such conditions;
- the **conflict** **conflicts in the Middle East and** between Russia and Ukraine, including related sanctions and their impact on the global economy and capital markets;
- the concentration of our **revenues** **revenue** from the delivery of our solutions and services to clients in the financial services industry;
- our reliance on a limited number of clients for a material portion of our revenue;
- the renegotiation of fees by our clients;
- changes in the estimates of fair value of reporting units or of long-lived assets, particularly goodwill and intangible assets;
- the amount of our debt, **and** our ability to service **our debt and risks associated with derivative transactions associated with** our debt;
- limitations on our ability to access information from third parties or charges for accessing such information;
- the targeting of some of our sales efforts at large financial institutions and large financial technology ("FinTech") companies which prolongs sales cycles, requires substantial upfront sales costs and results in less predictability in completing some of our sales;
- changes in investing patterns on the assets on which we derive revenue and the freedom of investors to redeem or withdraw investments generally at any time;
- the impact of fluctuations in market conditions and interest rates on the demand for our products and services and the value of assets under management or administration;
- increased geopolitical unrest and other events outside of our control that could adversely affect the global economy or specific international, regional and domestic markets;
- our ability to keep up with rapid technological change, evolving industry standards or changing requirements of clients;
- risks associated with our international operations;
- the competitiveness of our solutions and services as compared to those of others;
- liabilities associated with potential, perceived or actual breaches of fiduciary duties and/or conflicts of interest;
- harm to our reputation;
- the failure to protect our intellectual property rights;
- our reliance on outsourcing arrangements;
- activist shareholders hindering the execution of our business strategy, diverting board and management attention and resources and causing us to incur substantial expenses;
- public health crises, pandemics or similar events;
- our ability to successfully identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies;
- our ability to successfully execute the conversion of clients' assets from their technology platform to our technology platforms in a timely and accurate manner;
- the failure to protect our intellectual property rights;
- our ability to introduce new solutions and services and enhancements;

  

- regulatory compliance failures;
- our ability to maintain the security and integrity of our systems and facilities and to maintain the privacy of personal information and potential liabilities for **data security** **cybersecurity** breaches;

- the effect of privacy laws and regulations, industry standards and contractual obligations and changes to these laws, regulations, standards and obligations on how we operate our business and the negative effects of failure to comply with these requirements;
- regulatory compliance failures;
- failure by our customers to obtain proper permissions or waivers for our use of disclosure of information;
- adverse judicial or regulatory proceedings against us;
- failure of our solutions, services or systems, or those of third parties on which we rely, to work properly;
- potential liability for use of inaccurate information by third parties provided by us;
- the occurrence of a deemed “change of control”;

  

- the uncertainty of the application and interpretation of certain tax laws;
- issuances of additional shares of common stock or issuances of shares of preferred stock or convertible securities on our existing stockholders;
- general economic, political and regulatory conditions;
- global events, natural disasters, environmental disasters, terrorist attacks and pandemics, including their impact on the economy and trading markets;
- a pandemic or health crisis, including the COVID-19 pandemic; and
- management's response to these factors.

More information on these important factors that could cause actual results to differ materially from the forward-looking statements we make in this Annual Report are set forth in Part I, Item 1A under “Risk Factors”. In addition, there may be other factors of which we are presently unaware or that we currently deem immaterial that could cause our actual results to be materially different from the results referenced in the forward-looking statements. All forward-looking statements contained in this Annual Report and documents incorporated herein by reference are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date they are made, and we do not intend to update or otherwise revise the forward-looking statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events, except as required by applicable law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

You should read this 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.

The following discussion and analysis should also be read along with our consolidated financial statements and the related notes included elsewhere in this Annual Report. 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.

## Item 1. Business

For a summary of commonly used industry terms and abbreviations used in this annual report on Form 10-K, see the Glossary of Terms.

### General

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 a leader in helping

transform wealth management, working towards its goal of expanding a holistic financial wellness ecosystem so that our clients can **deliver an intelligent financial life to better serve their clients ("Intelligent Financial Life")**.

Approximately 106,000 Envestnet's clients include more than 108,000 advisors, and approximately 6,900 companies including: 16 of the 20 largest U.S. banks, 47 of the 50 largest wealth management and brokerage firms, over 500 of the largest registered investment advisers ("RIAs") 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.

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.

## 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 II, Item 8, "Note 19—23—Segment Information". Our business segments are as follows:

- **Envestnet Wealth Solutions** – a leading provider of **comprehensive and unified wealth management software, services and 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.**

### Envestnet Wealth Solutions Segment

Envestnet Wealth Solutions empowers financial advisors at broker-dealers, banks and RIAs with all the tools they require to deliver holistic wealth management to their end **clients, enabling them to deliver an Intelligent Financial Life to their clients**. In addition, the firm provides advisors with practice management support so that they can grow their practices and operate more efficiently. At the end of **2022, 2023**, Envestnet Wealth Solutions' platform assets **were approximately \$5.1 trillion** **\$5.8 trillion** in **more than 18.3 million** **over 19.1 million** accounts overseen by **approximately 106,000** **more than 108,000** advisors.

Services provided to advisors include: financial planning, risk assessment tools, investment strategies and solutions, asset allocation models, research, portfolio construction, proposal generation and paperwork preparation, model management and account rebalancing, account monitoring, customized fee billing, overlay services covering asset allocation, tax management and socially responsible investing, aggregated multi-custodian performance reporting and communication tools plus data analytics. We also have access to a wide range of leading third-party asset custodians, managers.

We offer these solutions Envestnet Wealth Solutions serves its clients principally through the following product and service suites:

- **Envestnet | Enterprise** provides an end-to-end open architecture wealth management platform, through which advisors can construct portfolios for clients. It begins with aggregated household data which then leads to the creation of a financial plan, asset allocation, investment strategy, portfolio management, rebalancing and performance reporting. Advisors have access to **nearly approximately 23,000** investment products. Envestnet | Enterprise also sells data aggregation and reporting, data analytics and digital advice capabilities to customers.

- **Envestnet | Wealth Analytics** delivers an end-to-end platform experience that transforms data into actionable intelligence that informs our client's next best course of action. The insights foster the acceleration of data-driven strategy with enterprise-level analytics including clients, fees, opportunities, attrition, benchmarking and firm valuation.
- **Envestnet | Tamarac™** provides leading trading, rebalancing, portfolio accounting, performance reporting and client relationship management software, principally to high-end RIAs.
- **Envestnet | MoneyGuide** provides leading **goals-based** goal-based financial planning solutions to the financial services industry. The highly adaptable software helps financial advisors add significant value for their clients using best-in-class technology with enhanced integrations to generate financial plans.
- **Envestnet | Retirement Workplace Solutions ("ERS & 401kplans.com")** offers a comprehensive suite of services for advisor-sold retirement plans. Our retirement solutions address the regulatory, data, and investment needs of retirement plans and delivers the information holistically. **401kplans.com** is **Workplace Solutions** includes a digital 401(k) retirement plan marketplace that streamlines retirement plan distribution and due diligence among financial advisors and third-party administrators. With Envestnet's retirement solutions marketplace, advisors can employ Envestnet's outsourced **3(38)** or **3(21)** fiduciary services for investment selection and monitoring in retirement plan portfolios and can access essential information to make investment recommendations and understand the impact of fund changes to the total cost of their plans.
- **Envestnet | PMC®, or Portfolio Management Consultants ("PMC")** provides research and consulting services to assist advisors in creating investment solutions for their clients. These solutions include over 5,000 vetted third-party managed account products, multi-manager portfolios and fund strategist portfolios, as well as **over 950** approximately **850** proprietary products, such as quantitative portfolios and fund strategist portfolios. PMC also offers portfolio overlay and tax optimization services.
- **Envestnet | Redi2 ("Redi2") Billing Solutions (Redi2)** offers revenue management and hosted fee-billing solutions in the global financial services industry. Redi2's platform enables fee calculation, invoice creation, payouts and accounting, and billing compliance. Redi2 solutions caters to different segments of the market with three different product lines: Revenue Manager which provides client revenue accounting and billing services for asset managers; Wealth Manager which delivers multi-party billing and payouts for broker-dealers and turnkey asset management programs and BillFin™ which offers advisory billing and invoicing for financial advisors.

As the tables below indicate, Envestnet Wealth Solutions has experienced steady and significant growth over the last several years. We believe this growth is attributable to secular trends in the wealth management industry, the uniqueness and comprehensiveness of our products, as well as acquisitions. Periodically, clients choose to change the way they pay for our solution, whereby they switch from an asset-based pricing model to a subscription-based model.

The following charts show growth in assets, number of accounts and advisors supported by Envestnet Wealth Solutions, distinguishing those metrics between **assets under management or administration ("AUM/A")** **A** and subscription.

### AUM/A & Subscription

(\$ in billions)



AUM Total.jpg

### AUM/A & Subscription Accounts

(in thousands)



AUM Accounts.jpg

### AUM/A & Subscription Advisors



AUM Advisors.jpg

## Envestnet Data & Analytics Segment

Envestnet Data & Analytics is a leading data aggregation, data intelligence, analytics and digital experiences platform. Envestnet Data & Analytics enables consumers to aggregate financial accounts within client applications provides clients and provides to clients the functionality to gather, refine, their account holders with data connectivity via open APIs, data enrichment, AI-based analytics and aggregate massive sets of consumer permissioned data for use in financial applications, reports, market research analysis, and application programming interfaces ("APIs"). digital experiences.

Over 1,800 1,300 clients, including financial institutions, financial technology innovators and financial advisory firms, including 13 16 of the 20 largest U.S. banks, subscribe to the Envestnet Data & Analytics platform to underpin personalized financial apps and services for approximately 37 million more than 38 million paid end-users.

Envestnet Data & Analytics serves four main client groups: financial institutions ("Banking"), financial advisors and institutions ("Wealth"), market intelligence and analytics providers ("Research") and financial technology innovators ("Tech").

These groups serve the following customers: two primary markets:

- **Open Banking** – Retail Banks, Credit Unions provides personal financial management, wealth management, payments, credit/lending, business financial management and enterprise business intelligence solutions for retail and commercial banks, credit unions, credit card providers, wealth management firms, FinTech firms, E-commerce and payment solution providers.
- **Wealth Alternative Data** – Wealth management financial advisors provides de-identified consumer spending insights for investment research and institutions
- **Research** – Research corporate and analyst firms marketing research clients.
- **Tech** – Personal financial management, small business accounting, e-commerce, payment solutions providers, small business lending and authentication

With the exception of the Tech Group, we provide clients with secure access to open APIs, user facing applications powered by our platform, APIs and reports. We aggregate and cleanse client permission consumer data elements. Envestnet Data & Analytics also enables clients to develop their own applications through its open APIs, which deliver secure data, payments solutions, and other functionality.

The Tech group enables clients to develop new applications and enhance existing solutions through our APIs. These clients operate in a number of sub-vertical markets, including FinTech, wealth management, personal financial management, small business accounting, small business lending and authentication.

We believe that our brand recognition, innovative technology and intellectual property, large client base, and unique data gathering and enrichment capabilities provide us with competitive advantages that have enabled us to grow.

## Market Opportunity

### **Envestnet Wealth Solutions Segment**

The wealth management industry has experienced significant growth in terms of assets invested by retail investors **in** over the past several years. According to the Federal Reserve, U.S. household financial assets totaled approximately **\$108 trillion** **\$112 trillion** as of **September 30, 2022** **September 30, 2023**, representing a sizeable wealth management opportunity. According to Boston Consulting Group's Global Wealth Report **2022** **2023**, total net wealth in North America is expected to grow by **4.9% 5%** annually between **2021** **2022** and **2026** **2027** to exceed \$200 trillion. Based on data from Cerulli Associates, invested assets comprised an estimated **55% 52%** of overall U.S. household financial assets in **2021** **2022**, advisor-directed assets totaled **\$30.7 trillion** **\$26.9 trillion** in **2021** **2022** and advisors had discretion over **58% 57%** of managed account assets as of **September 30, 2022** **September 30, 2023**.

In the next 5-10 years, we believe the wealth management industry will continue to consolidate with fewer firms and fewer advisors managing more assets, making scale and operational efficiency increasingly important. This will require firms to integrate technology into all areas of their business.

The following trends are impacting our business and creating a large and growing market opportunity for data, technology and **investment** **wealth** solutions and services like ours:

- **Scale: Scale and convergence:** Scale is a defining theme across the financial services landscape, including wealth management. For example, in the independent broker-dealer channel, the **ten largest** **number of firms** **are now 3.5 times larger than** **with** **\$10 billion** **in assets or more** **rose 19%** **between 2017 and 2022**, just as the **next 40** **total number of firms** **as measured by assets** **decreased 14%** **over the same period**. In the RIA channel, firms with at least \$1 billion of assets represented **75% 71%** of assets in **2021** **2022**. We expect consolidation of firms and assets to continue, driven by factors including advisor succession needs, private capital attracted to the space, and the growing expectations of end-investors for modern digital experiences and holistic advice relationships. **We** **Moreover**, we believe wealth channels are **converging**. Broker-dealers are becoming more RIA-like in their approach as they embrace planning and grow fee-based assets, while RIAs are becoming more enterprise-like as they consolidate, scale, and unify brands, technology, and services. The digital client experience and ability to serve the specialized needs of high-net-worth investors are increasingly paramount to success. Envestnet is well positioned for this future. More **specific**, **specifically**, as of **December 31, 2022** **December 31, 2023**, the company **we** **served approximately 106,000** **financial** **more than 108,000** **advisors**, including those at **47** **48** of the top 50 wealth management and brokerage firms and **over 500** **thousands of RIAs**. Envestnet | MoneyGuide is the leading financial planning software provider, according to a **2022** **the 2024** **T3/Inside Information Survey**; **more than 2.5 million** **Advisor Software Survey**, and **2.4 million** **plans** **were created or updated using the software** in **2022** **2023**. Envestnet Data & Analytics has over 400 million linked accounts and **approximately 37 million** **more than 38 million** **paid end-users**. From an operations standpoint, we handled over 200 million trades in **2022** and over 10 million **service requests** **2023** across more than 30 trading and custody partners.

- **Personalization:** Consumers are increasingly demanding personalization in both their technology and their investments. On the technology front, Envestnet Data & Analytics is delivering over 20 million insights per day to financial advisors, home offices and financial institutions. By surfacing actionable opportunities, we are enabling our customers to create a better client experience and drive business efficiency and growth. Also, in 2022, we introduced We also began the phased rollout of the new Envestnet platform user interface and enhanced our financial planning software through a new, modern, highly configurable client portal with features such as account aggregation, a spending and budgeting experience, an Envestnet | MoneyGuide goal-planning page, and various widgets and performance reports. On the investment side, direct indexing, tax overlay and sustainable investing enable advisors to tailor portfolios to meet specific client needs. We have invested in each of these capabilities for years and continue to enhance our offerings. For instance, in late 2021, over the last two years we have enhanced our tax overlay capabilities to include additional account types, and we are now able to tax manage third-party model portfolios, both on a stand-alone basis and when they are offered within a UMA account. Also, our longest-tenured direct indexing solution received GIPS verification and it currently has strategy achieved a 9-year, 10-year, GIPS-compliant track record. In 2022, our overlay services team introduced an after-tax reporting capability. record at year-end 2023.
- **Integrated technology:** Financial advisors and enterprises are looking for integrated, seamless WealthTech workflows; as such, spending on technology continues to climb. According to the 2022 InvestmentNews Advisor Technology Study, the median Celent's North American IT spending report, North American wealth management firm spent 3.7% firms expected to increase their technology budgets by 4.6% in 2023, with the largest level of revenue on technology investment being made in 2021, up from 3.2% in 2016. the front office. We are delivering a cloud-based, open architecture, end-to-end technology stack to the marketplace. Our offering technology platform is broad and integrated, encompassing portfolio management capabilities from proposal to planning to reporting and billing. We have also invested in and connected its our core technology offerings to the Envestnet Insurance Exchange, the Envestnet Credit Exchange, and the Envestnet Trust Exchange, among other offerings, to create a comprehensive digital ecosystem for advisors and their clients. During 2021, In 2023, we opened up rolled out our UMA technology new proposal engine to Envestnet | Tamarac users, which should benefit from and drive growing adoption 99% of managed accounts among RIAs. In 2022, we introduced client firms; the next generation proposal tool which provides enhanced features, streamlined workflows, and seamless access to managed accounts. We enhanced integrations across the Envestnet ecosystem and with third-party software providers; for example, we fully integrated the Envestnet proposal tool into Envestnet | Tamarac, including new proposals and strategy modifications. We also expanded integrations with external CRM tools and simplified the account opening process with Docupace via our next generation proposal tool. We plan to continue to invest in software, APIs, developer tools, and integration points.
- **Holistic advice:** Consumers are increasingly demanding a wider range of services from their financial services providers, leading more firms to embrace holistic advice. In fact, a 2023 McKinsey survey found that 47% of wealth clients preferred an investment professional that can holistically address financial needs across investments, taxes, banking, and life insurance—up from 29% in 2018. In addition, we believe the movement toward holistic advice reflects a natural maturation of the industry and is being driven by competition from scaled wealth management firms and innovation from self-directed fintech companies which are adding more services. Financial planning tools—which are foundational to providing holistic advice—have, in tandem, become more widely used by advisors. 86% of advisors in the 2024 T3/Inside Information Advisor Software Survey have adopted financial planning software, up from 79% in the 2021 survey. Envestnet's mission is to make financial wellness a reality for everyone and as such we continue to expand our ecosystem of technology, solutions and intelligence for advisors. In 2023, we launched Envestnet Retire Complete, providing wealth advisors access to a range of retirement savings resources to help their clients meet their retirement objectives.

- **Leveraging data:** Enterprises, advisors, and financial institutions need to leverage in-house and third-party data to make better, more timely decisions. According to NewVantage Partners' Wavestone's 2024 Data and AI Leadership Executive Survey, 2022, 92% 82% of senior executives executive respondents stated their organizations were increasing investments in data and artificial intelligence. As part of our Wealth Data Platform, we gather wealth data solutions. Our Insights Engine surfaces over 100 different types of insights for advisors and ingest enterprises to enable them to grow and manage more efficient practices. Our enterprise data management capability gathers and ingests advisor client accounts, classifying them using a uniform process across account types and sources. Data comes from our portfolio accounting system, a client-permissioned source via account aggregation, or an account assigned to a firm within an institutional feed from a custodian, recordkeeper, trust accounting system, or data provider. All accounts are fully reconciled and packaged at the enterprise level. These offerings and related tools provide level, providing our customers with a single source of truth for wealth data. Further, our ecosystem brings together a diverse group of constituents—consumers, product manufacturers, technology providers, developers. We also provide enterprise, advisor, and advisors—asset manager analytics which enable benchmarking and deeper business understanding. Finally, we use prescriptive and predictive analytics to create a network where consumer-permissioned data can be leveraged to optimize experiences, insights for next-best-actions, helping advisors grow and create more efficient practices.

- **Independent and fee-based advice:** We are a driver and beneficiary of the growth of financial advice, movement to independent channels, fee-based pricing and managed accounts. Beginning with The financial advice industry growth, in is growing. According to an annual survey by MarketCast and Cerulli Associates, 60% the percentage of affluent investors stated saying they are willing to pay for advice has increased from 53% in 2022, up from 58% 2018 to 64% in 2017, 2023. Within the advice industry, Cerulli forecasts independent advice channels (where Envestnet has its largest market presence) to expand from 39% of advisor-mediated assets in 2021 2022 to 45% 44% in 2026, 2027, driven by growth in the RIA and hybrid RIA channels. Advice delivered with fee-based pricing—as opposed to commission-based pricing—also continues to take share, growing from 43% 47% of industry assets in 2016 2017 to 54% 55% in 2021, 2022, according to Cerulli. Lastly, using data from also per Cerulli, Lodestar, industrywide managed account assets have grown organically (excluding market appreciation) at a 10% an 8% annualized rate from December 31, 2016 December 31, 2017 through September 30, 2022 September 30, 2023. Our Envestnet's managed account annualized organic asset growth rate, as measured by organic AUM growth, has been approximately double that of the industry over the same time period.

#### **Business Envestnet Data & Analytics Segment**

Envestnet Data & Analytics sits at the center of several important trends, including the movement toward Open Banking, personalization and insights and growth of alternative data.

- **Open Banking:** Generally, Open Banking is defined as the structured exchange of data by consumers with and between their financial providers, taking into account those consumers' needs and informed consent. In 2023, the value of the Open Banking market was estimated to be \$25 billion, according to Grand View Research, and is projected to grow at a 27% CAGR to reach \$135 billion in 2030. Regulations are a key driver behind the growth of active Open Banking participation worldwide. For example, in the United States, the Consumer Financial Protection Bureau released its proposed rulemaking on personal financial data rights to implement Section 1033 of the Consumer Financial Protection Act of 2010 and, in Canada, Open Banking regulation is expected to go into effect in 2025. Accordingly, the percentage of financial institutions considering Open Banking a 'must have' has increased from 51% in 2021 to 61% in 2022, according to a global survey by Finastra. Today, Envestnet Data & Analytics works with clients and data providers across 37 different countries and, specifically in the United States, over 50% of our consumer-permissioned traffic now flows through Open Banking connections. As a leader in the space, we—along with our clients and end-consumers—benefit from improved data sharing success rates, higher connection resiliency and availability and faster access through APIs. Improved connectivity drives business growth for Envestnet by increasing usage and user engagement, while also potentially opening access to new providers and domains. Additionally, as Open Banking use cases expand beyond connectivity, we expect greater adoption of Envestnet Data & Analytics' full offering of solutions, which already cover major use cases across retail

wellness, wealth management, payment enablement, small to medium business, enterprise business intelligence, credit decisioning, fraud monitoring and others.

- **Personalization and insights:** Consumers expect more personalized experiences from their financial services providers, yet only 56% of consumers feel their bank is delivering in this area, per a Capgemini survey. As a result, an overwhelming majority of banks are planning to intensify their hyper-personalization programs, according to FICO, and 88% plan to support their personalization goals via analytics and machine learning to collect insights. Further, in the credit space, a Nova Credit study found that 75% of lenders think traditional credit data and scores aren't providing a complete picture of consumers' creditworthiness, and 59% of those lenders have incorporated some type of alternative data into their underwriting process. Through our insights, Envestnet Data & Analytics helps firms understand patterns of behavior and user segments, which provides valuable information on how to best serve their clientele, while also helping those firms build and scale hyper-personalized financial wellness experiences for their customers. In addition, firms use our insights to better understand their businesses. The Envestnet Bank Deposit Index, for example, delivers cash flow transparency with daily views and insights into bank deposits, enabling a bank to compare deposit flows at their institution to other regional and national banks and see other benchmark data for greater context.
- **Alternative data:** The alternative data market is forecast to reach \$136 billion in 2030, up from \$7 billion in 2023 and implying a 52% CAGR, according to Grand View Research. Envestnet Data & Analytics offers comprehensive data from hundreds of data sources which helps organizations generate insights and broad market research based on consumer spending from alternative data and make better business decisions. Additionally, alternative data adoption will be fueled, in part, by the growing popularity of AI technologies, as the data can be employed to train and enhance AI models. Our data practices around natural language processing and machine learning leverage several deep learning AI models to accurately identify signals and provide enriched dimensions from the data, helping organizations extract the full potential of AI and fine-tune its predictive power.

## Revenue Model

Our business model lends itself to a high degree of recurring and predictable revenues. We revenue.

Within the Envestnet Wealth Solutions segment, we provide asset-based, subscription-based and professional services on a business-to-business-to-consumer basis to financial services clients, whereby customers offer solutions to their end users based on our platform to platform. Clients select the business model that works best for them based on their end users. On regulatory status and revenue model.

Within the Envestnet Data & Analytics segment, we provide, on a business-to-business basis, we deliver an open platform to customers and third-party developers through an open API framework.

We believe that a number of characteristics contribute to the success of our business model, including:

- Favorable trends with respect to growth in fee-based assets and need for advanced technology;
- Recurring and resilient revenue base; and
- Strong customer retention/ enterprise relationships;
- Pricing model that captures industry growth; and
- Ability to operate and deliver at scale.

Our revenues are revenue is generated in the following manners:

### Asset-based Recurring Revenues Revenue

Asset-based In our Envestnet Wealth Solutions segment, asset-based recurring revenues revenue primarily consist consists of fees for providing customers continuous access to platform services through the Company's uniquely customized platforms. These platform services

include investment manager research, portfolio diagnostics, proposal generation, investment model management, rebalancing and trading, portfolio performance reporting and monitoring solutions, billing and back office and middle-office operations and administration and are made available to customers throughout the contractual term from the date the customized platform is launched.

The asset-based fees that the Company earns are generally based upon variable percentages of assets managed or administered on our platforms. The fee percentage varies based on the level and type of services the Company provides to its customers, as well as the values of existing customer accounts. The values of the customer accounts are affected by inflows or outflows of customer funds and market fluctuations.

For approximately 80% 75% of our asset-based fee arrangements, customers are billed at the beginning of each quarter based on the market value of customer assets on our wealth management platforms as of the end of the prior quarter, providing for a high degree of revenue visibility in the current quarter. Revenue may fluctuate from quarter-to-quarter based on changes in asset values, fee rates on those asset values and asset flows. mix of holdings within the portfolio.

#### **Subscription-based Recurring Revenues Revenue**

Subscription-based In both our Envestnet Wealth Solutions and Envestnet Data & Analytics segments, subscription-based recurring revenues primarily consist of fees for providing customers continuous access to the Company's technology platforms for wealth management and financial wellness. The subscription-based fees generally include fixed fees and and/or usage-based fees.

Subscription fees vary based on the scope of technology solutions and services being used, and are priced in a variety of constructs based on the size of the business, number of users or number of accounts, and in many cases can increase over time based on the growth of these factors.

Despite this potential variance, we believe that our subscription fees are also highly predictable because they are generally established in multi-year contracts providing longer-term visibility regarding that portion of total revenues. revenue.

#### **Professional Services and Other**

We In both our Envestnet Wealth Solutions and Envestnet Data & Analytics segments, we also generate revenue from professional services for client onboarding, technology development and other project related work, work as well as revenue resulting from our annual Advisor Summits.

#### **Growth Strategy**

We intend to increase revenue and profitability by pursuing in both the following strategies:

- Capture addressable market:
  - **Enterprise clients in wealth management.** We provide enterprise clients with customized, private-labeled technology platforms that enable them to support their affiliated financial advisors with a broad range of investment solutions Envestnet Wealth Solutions and services.
  - **Financial advisors that are working alone or as part of financial advisory firms.** Our principal value proposition aimed at financial advisors working alone or as part of financial advisory firms is that our technology platforms allow them to compete effectively with financial advisors employed by large financial institutions.

- **Financial institutions.** We serve global banks through financial applications. Envestnet Data & Analytics Retail Banking solution segments by leveraging the strategies described below.

### Envestnet Wealth Solutions Segment

As discussed above, several industry trends underpin and align with Envestnet's growth opportunity. These trends include scale and convergence of the wealth management ecosystem, personalization of both technology and investments, integrated workflows, holistic advice, data and analytics, and the movement to independent and fee-based advice. Our growth strategy in the Wealth market seeks to capitalize on these themes and has three primary components:

- **Drive and benefit from the growth of our established customer base.** Growth of our configurable, open architecture managed accounts platform is a set of innovative FinApps providing consumers aligned with a clear picture number of core industry trends. First, the wealth industry continues to shift toward planning-led and greater insight into fee-based business models; as referenced earlier, fee-based assets as a percentage of total advisor industry assets rose substantially between 2017 and 2022. Second, advisors are gradually migrating away from packaged products and are emphasizing customization, tax optimization, and operational efficiency. Our personalization solutions such as direct indexing, tax overlay, sustainable investing, and high-net-worth consulting support these objectives. And third, enterprises and advisors are increasingly looking to outsource components of investment management, leveraging managed accounts to free up time for prospecting and servicing and to expand their financial lives. It enables customers to consolidate all their financial account information in one place which allows customers to manage and meet their financial goals, which in turn leads to increased engagement. value proposition beyond investments.
- **Other financial technology providers. Expand relationships with existing customers.** We work As of December 31, 2023, Envestnet served more than 108,000 advisors in over 19.1 million accounts with a variety approximately \$5.8 trillion of firms who provide assets, making us one of the most scaled wealth management technology, solutions, and data companies in North America. Foundational to our ability to sell more of Envestnet's capabilities to our clients is providing excellent customer service; from the fourth quarter of 2022 to the financial services industry, fourth quarter of 2023, we increased our Net Promoter Score from 50 to 63. We provide FinApps, personal financial management tools intend to continue to bring the components of our ecosystem even closer together, integrating workflows and data aggregation capabilities optimizing our customers' technology experience. According to companies in online lending, e-commerce and payments, digital advice and a January 2024 report from McKinsey & Company, there is growing consumer demand for one-stop-shop access to wealth management and other web development adjacent financial services, and our internal research has shown that many advisors also prefer to partner with "all-in-one" wealth software firms. Enterprises and advisors can purchase our products either piecemeal or as packages, providing significant room to grow wallet share—including managed accounts, financial planning software, client and advisor portals, performance reporting, billing, trading and rebalancing, CRM, data management and insights, asset manager and advisor analytics, workplace solutions, Envestnet Insurance Exchange, and others.
- **Modernize Add new capabilities and enhance revenue streams.** Our broad set of customers and partners—including broker-dealers, RIAs, asset managers, insurance carriers, banks and fintech companies—provides us with significant opportunities to introduce and package new products and capabilities. For example, through our 2022 acquisition of Redi2 Technologies, we are modernizing our core billing engine, opening up the digital engagement marketplace: ability to sell revenue management software to our asset management partners and introducing new capabilities such as Envestnet Payments. In 2022, we acquired 401kplans.com, which, when combined with our Envestnet Retirement Solutions business, creates a compelling opportunity for generalist wealth advisors to offer 401(k) plans to their small business customers. We also announced our partnership with the FNZ Group in 2022 to integrate custody and clearing capabilities with our wealth platform, with the goal of providing a streamlined and real-time experience for the advisor while at the same time generating revenue for Envestnet.

### Envestnet Data & Analytics Segment

- **We Expand our relationships with existing customers:** Our business currently serves a footprint of over 1,300 clients and more than 38 million paid end-users across the financial ecosystem. Additionally, we have made an entrenched, blue-chip customer base—

our top 50 customers have an average tenure of 10 years—which provides us with a significant investments in opportunity to cross-sell existing products and solutions. Our initiatives around product bundling enable customers to tap into the full power of our platform, development in order ranging across corporate, consumer, small and midsize business and research applications. For enterprise users specifically, we look to enhance monetize new product categories like enterprise business intelligence, product and expand our technology platforms marketing insights, and expect these investments to continue in the future, audience modelling.

- **Add new capabilities and enhance revenue streams.** The Envestnet Data & Analytics team has been focused on modernizing existing products and launching new solutions into our unified platform. In 2023, we expanded into new markets including subscription management and alternative lending by rolling out our Subscription & Bill Tracker and Credit Accelerator capabilities, respectively. Initiatives like these have, in part, yielded an increase in our Open Banking pipeline, as customers learn how our platform can benefit them in more ways. We expect future product launches will allow for additional cross-sell opportunities and customer acquisitions. Furthermore, as we expand our data supply, and as our Open Banking products achieve greater adoption, the value of our alternative data products increases as the additional data can be leveraged in existing and adjacent research markets. For example, we recently launched our SpendSignals product, which gives corporate and market research professionals access to continue focusing our technology development efforts principally insights on adding features to increase our market competitiveness, enhancements to improve operating efficiency, address regulatory demands consumer spending and reduce risk and client-driven requests for new capabilities, peer purchasing behavior.

- **Open the platform:**

- As we connect with more firms and developers, our product offerings continue to expand and vitalize our environment, which we believe drives more benefit for our customers.

We also continue to pursue strategic transactions and other relationships to support our growth strategies.

## Technology Platforms

We are composed of Our technology platforms that are primarily multi-tenant SAAS-based SaaS-based hybrid cloud offerings that afford us the flexibility to offer a highly scalable consolidated workflow via a web-based user interface that is complemented by an API led open strategy that enables us to offer an integrated omnichannel flexibility and collaboration ecosystem. This open ecosystem strategy has enabled us to abstract, integrate and modernize our offerings at a rapid pace while also enabling our customers and partners to add incremental value on top of our platform via a fit for a purpose managed open ecosystem model.

We are committed to our operational and information security capabilities as strategic differentiators. We undergo annual SSAE 16 SOC 2 Type II audits to validate the continued operation of our internal controls for our flagship offerings within the ecosystem; the Unified Managed Platform, platform, Envestnet Data & Analytics Platform platform and Envestnet | Tamarac platforms, platform. The SOC reports confirm design and operating effectiveness of internal controls. We maintain multiple redundancies, back up our databases and safeguard technologies and proprietary information consistent with industry best practices. We also maintain a comprehensive business continuity plan and company-wide risk assessment program that is consistent with industry best practices and that complies with applicable regulatory requirements.

Our proprietary ecosystem provides Enterprise clients in wealth management, financial advisors that are working alone or as part of financial advisory firms, financial institutions, and FinTech firms along with their respective customers, access to investment solutions and services, enriched financial data, analytics, and workflows that enable the foundational orchestration of an Intelligent Financial Life to deliver holistic wealth management to their end clients via one unified experience, with the widest range of front-, middle- and back-office needs. The “open architecture” design of our ecosystem and platforms provide our customers and their customers with flexibility in terms of the investment solutions, services they access, data they leverage, and configurability to meet their unique needs. The multi-tenant platform architecture ensures that this level of flexibility and customization is achieved without requiring us to create unique applications for each client, thereby

enabling improved efficacy and efficiency vs other offerings. In addition, though our technology platforms are designed to deliver a breadth of functions, our customers can select from the various investment solutions, services, data, and analytics we offer; without being required to subscribe to or purchase more than what they believe is necessary.

An integral part of our strategy is an open architecture approach to integration via our OpenENV integration platform. This strategy allows for robust integrations with 3rd party technology platforms and service providers and enables client firms to create unique client and advisor experiences powered by the Envestnet ecosystem.

Our Envestnet Data & Analytics platform is structured into three main layers:

- Connectivity: data aggregation layer of the platform;
- Analytics: artificial intelligence and machine learning engine layer of the platform; and
- Experiences: the digital services layer of the platform.

The connectivity layer of the platform collects a wide variety range of end user-permissioned transaction-level data from approximately 17,000 19,000 sources, including banking, investment, loan, and credit card information, and puts this data in a common repository. Envestnet Data & Analytics has developed robust proprietary technology and processes and established relationships that allows us with the ability to curate these data sources and expand our access to new data sources. Over 75% 80% of this data is collected through structured feeds from our customers. These structured feeds, which consist of either open banking API's or batch files, pushed to us or real-time access, provide this critical data efficiently and at scale. Where we do not have direct connections, we capture data using our proprietary information-gathering techniques. As data is ingested, it goes through data quality control and anonymization engine e.g., financial transaction categorization, merchant identification, geographical location as well as investment transaction security identification, classification and normalization.

Beyond collecting data, our data aggregation The analytics layer of the platform performs a data refining process is comprised of real-time analytics and augments the data with additional information from a variety batch processing pipelines. A series of other sources. We enrich the data with a highly composable proprietary process, adding such elements AI and machine learning models deployed and consumed by different workloads as categorization and merchant identification required for bank or credit card account data and security identification, classification and normalization for investment data. As our ecosystem usage grows and is exposed to more users, each business functional use cases e.g., credit decisioning, marketing segmentation, product planning and related data, research.

The experiences layer of the system benefits from machine learning algorithms platform serves as the front-end services layer for the connectivity analytics layers into three core experiences – consumer, small business and corporate to better normalize, categorize include a shared experiences sub-layer e.g., conversational AI. API gateway is the common delivery mechanism of all real-time experiences to include embeddable financial applications and process large amounts of data, widgets. All APIs, applications and widgets are configurable, scalable and secure allowing our network customers to become more effective, efficient accelerate their systems integration and valuable deliver value to our customers. Utilizing this enhanced data, including consolidated data from within our customers, our data intelligence organizes, analyzes and presents it in a manner that helps our customers offer personalized solutions that enable end their consumers to achieve better financial outcomes. end users through their engagement layers.

Our analytics platform provides a highly scalable cloud-based environment that supports a cost effective In order to provide further details of our operation, we have revised our definition of technology development costs to include costs related to the design, development and secure way deployment of handling very large our software and data sets, permitting us to develop and test new machine learning algorithms and transform these data sets using science platforms. The below information is presented in conjunction with the resulting models. The results of the computations can be accessed interactively, as insights, suggestions, or next best actions within our workflow offerings, as files, or via API access for use in third-party or proprietary customer applications and environments to create competitive advantage for our customers and their customers.

current definition, with prior periods adjusted accordingly.

In the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, we incurred technology development costs for all our technology platforms totaling approximately \$112 million \$234 million, \$80 million \$239 million and \$72 million \$192 million, respectively. Of these costs, we capitalized approximately \$89 million \$94 million, \$65 million \$89 million and \$55 million \$65 million, respectively, as internally developed software.

## Sales and Marketing

We are putting forth an extensive effort in partnering Envestnet's integrated sales and marketing to deliver a cohesive capabilities exemplify our distinctive industry leadership. We are at the forefront of fostering the growth and holistic message to productivity of wealth managers and integrated advice through our interconnected technology, advanced insights, comprehensive solutions and industry-leading service and support. Our efforts revolve around achieving three core objectives:

- **Maintain Envestnet's position as the preferred platform of the industry:** We engage with key decision-makers in the wealth management industry, positioning Envestnet as the advisors' platform of choice.
- **Drive advisor activation:** Our focus is on increasing advisor adoption of Envestnet's new and enhanced platform features and solutions. This is achieved through cross-selling opportunities identified through data and insights, with a strategic emphasis on addressing advisor needs while maximizing revenue.
- **Drive advisor organic growth:** Leveraging marketing tools such as lead generation, practice management support, and advisor tools, we empower advisors and asset managers to increase achieve organic business growth, accelerating the expansion of assets on the Envestnet platform.

We have enhanced the use of technology and sales enablement tools allows for to facilitate more predictive and effective conversations with our advisor client-base as well as and prospective customers.

- customers, optimizing the efficiency of our marketing spend. Our advisor-facing sales teams, are both comprising field sales and internal consultants. Depending consultants, adopt a high-touch approach focused on the specific consultancy, product demonstrations, and service and operational support.  
For instance, our platform consulting group and business unit, they development directors assist advisors in utilizing our wealth management platform efficiently. Envestnet | PMC's consulting team of investment professionals offers various portfolio and investment management consulting services to advisors.

Our sales teams are organized regionally or by firm segmentation. They segmentation, delivering a high-touch approach through consultancy, product demonstrations, and support to help advisors understand and access our investment solutions, create investment proposals, navigate our wealth management platform and facilitate new business. As an example, our Platform Consulting Group and Business Development Directors help advisors utilize our wealth management platform effectively and efficiently. They are subject matter experts on advisor managed programs, unified managed accounts ("UMA"), proposal guidance and site navigation. They provide consulting services to a number of large clients. Our PMC Consulting team of investment professionals provide a variety of portfolio and investment management consulting services to advisors using our wealth management platform.

- Enterprise Consultants are solutions. The teams include enterprise consultants, who serve as the main primary point of contact for Envestnet's enterprise clients, with respect to day-to-day platform matters as well as contractual and pricing efforts. This includes support for advisors and firm management with regard to the overall relationship. The enterprise consultant is essentially the client's relationship manager who serves as the liaison between the firm and Envestnet.
- We have a direct advisor sales and pre-sales team teams, which focus on servicing the leading global financial institutions. The sales team is divided geographically. Each regional sales and pre-sales team is responsible for acquiring new customers. Within the North America region, direct sales and pre-sales representatives are further divided into Client partner teams that focus on specific accounts, on a named-account basis, depending on size, location, product specialization and/or brand. Our current customers work most specialize in working closely with our Client Partner teams who specialize in customer account

management existing advisor client-base to deepen relationships, identify cross-selling opportunities, and expansion. Together, sales, pre-sales and Client Partners are responsible for growing expand the use of our customer relationships in terms of establishing new customers, deepening our relationships with existing customers (cross-selling additional products and services into the same or additional groups) and expanding use of existing products and services (increasing usage) services.

- We have a Furthermore, our direct advisor sales and technical pre-sales team covering teams cover financial technology providers in each region. Each regional sales and technical pre-sales team is responsible for acquiring new customers and channel partners. From time to time, we assign specific accounts based upon sales or domain expertise. These teams are region, supported by a customer client success and developer relations team who specialize specializing in customer API integration and account management and expansion, including services to our channel partners. management. Together, sales, technical pre-sales, customer success and developer relations representatives these teams are responsible for growing our direct customer the growth and channel partner relationships in terms expansion of account penetration and API usage. Envestnet's client base.

Our marketing efforts are focused on initiatives to drive global brand and ecosystem awareness and significant demand generation and sales acceleration across our whole business. Our marketing strategy uses data driven integrated efforts across paid, earned and owned media in order to reach our targeted clients and prospects with the right message at the right time.

To support and expand our current addressable market, our goal is to educate the market and our clients about our solutions and achieve recognition as the industry leader. We drive ongoing communication through thought leadership content, media interviews speaking engagements and industry analyst relations. We also employ a variety of integrated sales and marketing initiatives, including hosting demand generated webinars, sponsorship and partnership of key industry conferences, as well as executing our own events.

Additionally, as practice management and support is important to our advisors' business, we partner on direct email campaigns, conduct proprietary research and produce collateral for financial advisors to use with their clients.

Our digital marketing efforts are increasing and are designed to support our clients and to engage audiences in actual and measurable ways. We use digital media for search optimization, account base marketing and to drive traffic to our digital solutions and websites. Our integrated creative campaigns consist of online performance advertising, social media, podcasts and digital content marketing.

During 2022, we further enhanced our use of digital, and continued virtual events as a response to limitations in person contacts as a result of the COVID-19 pandemic and remote work changes.

## Competition

Our competitors offer a variety of products and services that compete with one or more of the investment solutions and services provided through our ecosystem of technology platforms; although, based on our industry experience, we believe that none offers a more comprehensive set of products and services than we do.

Within our Envestnet Wealth Solutions segment, we compete on the basis of several factors, including:

- The breadth and quality of investment solutions and services to which we provide access through our technology platform;
- The number of custodians that are connected through our technology platforms;
- The price of our investment solutions and services;
- The ease of use of our technology platforms; and
- The nature and scope of investment solutions and services that each wealth management provider believes are necessary to address their needs.

Our Envestnet Data & Analytics group competes with other financial technology companies, credit bureaus and data, analytics and digital providers. Based on our global and multi-industry experience, we do not believe any other single company in the data aggregation, analytics and digital experiences space offers a diverse, comprehensive set of platforms with features such as ours.

Within our Envestnet Data & Analytics segment, we compete on the basis of several factors, including:

- Reputation;
- Global and multi-market and segments reach;
- Cloud-based delivery model;
- Data aggregation capability;
- Access to data through direct structured data feeds;
- Scale (size of customer base and level of user adoption);
- Security and open banking infrastructure;
- Time to market;
- Unique analytics capability;
- Breadth and depth of application functionality user experience;
- Access and integration to/with third-party applications;
- Ease of use, ease of integration, flexibility and configurability; and
- Competitive pricing.

We believe that we compete favorably with respect to all of these factors.

## Regulation

The financial services industry is among the most extensively regulated industries in the United States. We operate investment advisory, broker dealer and mutual fund advisory businesses, each of which is subject to a specific regulatory scheme, including regulation at the federal and state level, as well as regulation by self-regulatory organizations and non-U.S. regulatory authorities. In addition, we are subject to numerous laws and regulations of general application.

Our subsidiaries Envestnet Asset Management, Inc. ("EAM"), Envestnet Portfolio Solutions, Inc. ("EPS"), EAM, EPS, FDX Advisors, Inc., QRG, Capital Management, Inc. ("QRG"), Envestnet Embedded Advisory, Inc., and Envestnet Retirement Solutions, LLC operate investment advisory businesses. These subsidiaries are registered with the U.S. Securities and Exchange Commission ("SEC") SEC as "investment advisers" under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and are regulated thereunder. They may also provide fiduciary services as defined in Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974 ("ERISA"), ERISA, including acting as an "investment manager" (as defined in Section 3(38) of ERISA). As described further below, many of our investment advisory programs are conducted pursuant to the non-exclusive safe harbor from the definition of an "investment company" provided for under Rule 3a-4 of the Investment Company Act of 1940, as amended (the "Investment Company Act"). Act. EAM serves as the investment adviser to two mutual funds and four exchange-traded funds. Mutual The funds are registered as "investment companies" under the Investment Company Act. The Advisers Act, Investment Company Act and ERISA, together with related regulations and interpretations of the SEC and the Department of Labor (the "DOL"), DOL, impose numerous obligations and restrictions on investment advisers and mutual funds, including recordkeeping requirements, limitations on advertising, disclosure and reporting obligations, prohibitions on fraudulent activities and the requirement that conflicts of interest be monitored, mitigated, and disclosed. The fiduciary obligations of investment advisers to their clients require advisers to, among other things, consider the suitability of the investment products and advice they provide, seek "best execution" for their clients' securities transactions, conduct due

diligence on third-party products offered to clients, consider the appropriateness of the adviser's fees and provide extensive and ongoing disclosure to clients. The SEC is authorized to institute proceedings and impose fines and sanctions for violations of the Advisers Act and the Investment Company Act and has the power to restrict or prohibit an investment adviser from carrying on its business in the event that it fails to comply with applicable laws and regulations. **Although we** We believe we are in compliance in all material respects with the requirements of the Advisers Act, ERISA and the Investment Company Act and the rules and interpretations promulgated thereunder.

ESI and FIDx Markets are registered as a broker-dealers with the SEC under the Exchange Act and select state securities regulators. In addition, ESI and FIDx Markets are members of FINRA, the securities industry self-regulatory organization that supervises and regulates the conduct and activities of broker-dealers. Broker-dealers are subject to regulations that cover all aspects of their business, including sales practices, market making and trading among broker-dealers, use and safekeeping of customers' funds and securities, capital structure, record-keeping and the conduct of directors, officers, employees, representatives and associated persons. FINRA and the SEC conduct periodic examinations of the operations of its members, including ESI and FIDx Markets. Violation of applicable regulations can result in the suspension or revocation of a broker-dealer's registration, the imposition of censures or fines and the suspension or expulsion of the broker-dealer from FINRA. ESI and FIDx Markets are subject to minimum net capital requirements under the Exchange Act, SEC and FINRA rules.

Envestnet Data & Analytics is examined on a periodic basis by various regulatory agencies. For example, as a third-party technology service provider to financial institutions, Envestnet Data & Analytics is a supervised third-party technology service provider subject to multi-agency supervisory examinations in a wide variety of areas based on published guidance by the Federal Financial Institutions Examination Council. These examinations include reviews of Envestnet Data & Analytics' management, acquisition and development activities, support and delivery, IT and disaster preparedness and business recovery planning. The Office of the Comptroller of the Currency (the "OCC") is the agency in charge of these examinations.

Either as a result of direct regulation or obligations under customer agreements, our subsidiaries are required to comply with certain provisions of the Gramm-Leach-Bliley Act, related to the privacy of consumer information and may be subject to other privacy and data security cybersecurity laws because of the solutions we provide. In addition, numerous regulations continue to be proposed and promulgated that necessitate the implementation of additional controls of companies like ours.

Many of the laws and regulations to which our subsidiaries are subject are evolving, unclear and inconsistent across various jurisdictions, and ensuring compliance with them is difficult and costly. We continually develop improvements to our existing products and services as well as new products and services.

#### **Investment Advisory Program Conducted Under Rule 3a-4**

Under the Investment Company Act, an issuer that is engaged in the business of investing, reinvesting or trading in securities may be deemed an "investment company," in which case the issuer may be subject to registration requirements and regulation as an investment company under the Investment Company Act. In order to provide assurance that certain discretionary investment advisory programs would not be considered investment companies, the SEC adopted Rule 3a-4 under the Investment Company Act, which provides a non-exclusive safe harbor from the definition of an investment company for programs that meet the requirements of the rule. We conduct and support the following programs pursuant to the Rule 3a-4 safe harbor:

- Separately managed accounts;
- Unified managed account portfolios;
- Mutual fund Fund portfolios and exchange-traded fund portfolios; and
- Advisor as portfolio manager.

#### **Human Capital Resources**

**Our Values** - As of December 31, 2023, we had a total global workforce of approximately 3,100 employees, of which 99% are full-time employees and 54% are located in the United States and 46% are located outside of the United States, primarily in India. Envestnet's five values create global headcount has been reduced by approximately 10% since December 31, 2022. The reduced headcount is the

foundation result of terminations (both voluntary and involuntary) and a reduction in force initiative. The global voluntary turnover rate for our organization and influence how the company is approximately 11%. In connection with the reduction in force initiative that began in the first quarter of 2023, as well as the fourth quarter 2022 organizational realignment, we approach talent acquisition, professional development, and retention. Additionally, these key principles inform our performance metrics incurred \$35.4 million in total severance expense for leaders. the year ended December 31, 2023.

**CLIENT SERVICE** is the hallmark of Envestnet's brand. We build our business by exceeding our clients' expectations, listening to and anticipating their needs, and earning their trust; and we believe in treating our colleagues with the same level of integrity and respect.

**INNOVATION** is what differentiates Envestnet's products and services from our competitors. It is also the way our employees respond to client needs and industry trends, and drive productivity through continuous process improvement and the maximization of resources. Regardless of your position, you have an opportunity to innovate and improve and make Envestnet better.

**INCLUSION AND RESPECT** is how we treat each other and our clients and by nurturing these values and culture, we embrace differences, and appreciate the strength and value of a diverse workforce. We believe that a respectful, innovative, and collaborative workplace attracts the best talent and ultimately fosters the best financial outcomes for advisors and their investors.

**COLLABORATION** is critical to Envestnet's ability to stay ahead of the demands of our ever-changing industry. Together, through a culture of generosity, open communication and sharing, we can uphold our mission and shape our industry.

**ACCOUNTABILITY** is intrinsic to maintaining our clients' trust, our colleagues' confidence and our own integrity. At Envestnet we aim for transparency and responsibility in all that we do. By standing behind our work, we can build a stronger business and more lasting client relationships.

#### **Diversity, Equity & Inclusion ("DEI")**

We recognize that our workforce is made up of people of different backgrounds, cultures and beliefs. We welcome and encourage this diversity and inclusion. Respecting each person as an individual and welcoming the richness of ideas that come from such diversity help us meet our objective of being a great place to work. As of December 31, 2023, our global workforce was comprised of approximately 55% Asians, 34% Whites and the remaining 11% were Black or African American, Hispanic or Latino or other. Approximately 37% of our global workforce self-identified as female, 63% male and less than 1% as other. In addition, over 50% of our Board of Directors were women.

***We value the creative ideas and broader perspective that comes with a diverse workforce. We seek the best talent from the widest possible pool, and we continue to offer opportunities for people willing and able to perform in a challenging and competitive environment. We value employee diversity, equity and inclusion, and are committed to providing our employees with the resources and support they need to achieve their full potential.***

#### **DEI - Professional Development**

In June 2022 we launched mandatory DEI training which provided a safe space for 2023 employees to explore their varied experiences and perspectives. The Foundations of Diversity, Equity and Inclusion is an interactive training that addresses a wide spectrum of topics, increasing awareness of how we engage across our differences. Over 1,500 employees completed this training, including our CEO and his direct reports. This mandatory training will continue as a requirement in 2023.

Also in 2022, we also introduced a "Share Your Pronouns" campaign that was accompanied by training that focused on why sharing pronouns at work is important. Additional sessions had to be added given its popularity. Over 900 employees completed this training.

Since 2021, we have partnered with the University of Delaware Women's Leadership program to provide women tools and resources to succeed in their leadership journey. Approximately 40 women have participated to date and graduates of the program have created an alumni group to continue their learning journey and help encourage and develop other women.

## **DEI - Talent Acquisition**

In 2022, all members of our Talent Acquisition team completed their certifications as Diversity and Inclusion Recruiters. The program offers talent acquisition professionals the opportunity to learn strategies to create or improve their diversity and inclusion recruiting practices. Topics include building a strategy to locate under-represented candidates, using online data resources that support inclusive hiring, and analyzing opportunities for improving job descriptions to reach a more inclusive candidate pool.

Also in 2022, we began utilizing a national job board service which provides us with access to target diverse groups through a network of 15,500 community-based organizations and niche diversity sites. This increases over 12,000 courses in our applications and helps us to access to an expansive talent pool of underrepresented groups.

## **DEI - Employee Resource Groups**

The recognition of Juneteenth at Envestnet included the introduction of our third official employee resource group. The resource group, "Enclusion," was created by African American and Black-American employees to celebrate our differences in background, ethnicity, and perspectives. This group will champion initiatives that elevate voices, networking, and professional development for all employees.

The resource group "Bridges" continues to encourage all employees to participate in conversations regarding diversity and differences, building greater understanding and enhancing our Envestnet community.

Our Women's Initiative Network ("WIN") continues to provide women with the tools, training, and networking connections to advance in their careers and build a platform for them to succeed. In 2022, WIN hosted a Women in Wealth Forum at the Advisor Summit with over 200 participants.

We continue to be an ambassador for Money Management Institute, an organization with a mission to prepare under-represented talent for the financial tech industry.

In 2022, we were recognized by ThinkAdvisor for our efforts in Diversity, Equity, and Inclusion with a Luminary Award.

## **Workforce Demographics**

In 2022, our employee population primarily remains based in the United States and India, 57% and 42%, respectively, with less than 1% of employees in Australia and Great Britain. Our global workforce decreased 16% from 4,335 full-time employees to 3,429 full-time employees in 2022. During the fourth quarter of this year, Envestnet entered into a partnership with Tata Consultancy Services, outsourcing 94% of our Yodlee Bangalore workforce, reducing our overall India population by 35%.

In 2021, we launched "People Manager Dashboards" which provide U.S.-based managers with anonymous information regarding the race/ethnicity and gender demographics of their teams, as well as information regarding open positions, promotions, terminations. This data helps managers pinpoint opportunities to increase diversity when hiring, promoting, and developing employees. No employee is represented in a collective bargaining agreement.

## **Learning & Development**

Through our global learning management system employees have access to over 19,000 learning courses, including management and skills development; registered and U.S. based employees receive reimbursement for training, certifications, and degrees. In 2022, there were approximately 80,000 training completions by employees in Cornerstone. Additionally, completed approximately 3,000 unique courses were completed. Major enhancements were also conducted which included improving our data feed process from Workday, updating our catalog, for a total learning and developing processes to improve our user and client experience.

The Envestnet Scholarship Program has expanded its partnership with the CFP Board to offer scholarships to undergraduate students from groups traditionally underrepresented in the financial planning profession who are pursuing their Certified Financial Planner™ designation. Women and minorities who are undergraduates can apply for these scholarships. As of June 30, 2022, 74 scholarships totaling over \$413,000 have been granted.

In 2022, we hosted a diverse group of approximately 60 interns in our Berwyn, Raleigh, Denver, and San Mateo offices, in addition to a small number of interns who participated remotely. Of our interns, 53% self-identified as Black, Asian, Hispanic or Two or More Races, well as situational awareness and 39% as female or other. During the 10-week program, interns spent half their time working on team-specific related items, which included projects and assignments coming from their managers and departments, and the other half their time was spent on program-related items. Interns worked on a project presented to leadership at the end of the summer. Eligible 2022 interns were given an opportunity to apply for a full-time position post-graduation via our Rotational program, safety classes.

The Delegates Program is a nine-month professional development program for a high-performing employees with diverse pool of high performing employees. Of these program participants, 40% self-identify as Black, Asian, Hispanic, or Two or More Races, backgrounds and 46% as female, skill sets. This program allows us to build a strong bench of develop and retain future leaders, by increasing the leadership, strengthen soft skills, enhance self-awareness and further develop business competencies of its participants. In 2022, 15 This is an annual program and in 2023, 13 employees graduated from completed the program.

#### **Engagement Total Rewards**

Envestnet offers comprehensive total reward packages designed to incent achievement of performance goals and reward top performers. We conduct global surveys every other year, ensure a competitive base pay for all employees by utilizing current survey data, and other surveys throughout based on performance, employees may also be eligible for annual incentive cash bonus and long-term incentive awards. Employees are offered employer subsidized health, dental and vision insurance. Employees based in the U.S. are offered an employer match for retirement savings, group term life and disability insurance, college tuition and scholarships, paid parental leave for the birth or adoption of a child, parental stipend for children under six, military leave with pay differential, student loan payment assistance, 13 paid holidays and floating holidays, at least three weeks paid time off, paid sick leave, paid volunteer time off and an internet or cell phone reimbursement. Employees based in India receive standard health and welfare benefits, as well as additional family medical coverage, an internet stipend and free transportation home from late shifts. We also participate in "Best Places to Work in FinTech" which surveys up to 400 employees selected at random. We were rated 41st in 2021, which was support our first year of participation. In 2022, we moved up to 29th. employees' mental and physical well-being with a confidential Employee Assistance Program and an opt-in Wellness program that rewards healthy choices and behaviors.

The Best Places to Work survey takes into consideration Envestnet's policies, practices, philosophy, systems, and demographics; Envestnet improved overall, including two areas of great importance:

- Envestnet leaders are open to input from employees
- Employees feel they can express their honest opinions without fear of negative consequences, and are valued by Envestnet

In our last Global Survey conducted at the end of 2021, we rated 4 points above the standard for employee satisfaction and received positive feedback in the areas of leadership, development, and inclusion from employees:

- 84% of employees surveyed responded favorably to "I have confidence in the Leadership team."
- 82% of employees surveyed responded favorably to "I am excited about Envestnet's future."
- 83% of employees surveyed responded favorably to "Envestnet takes a genuine interest in employees--

We have quarterly live all-hands meetings and survey employees following these meetings, encouraging employee feedback so that we can continually increase and improve our communication between leaders and employees.

## In Our Community

The Envestnet Institute on Campus ("EIOC") is a program for motivated university students designed to bridge the gap between academic knowledge and the application of this knowledge in the Wealth and Asset Management industries. Many of our employees have graduated from this key Learning and Development program. The curriculum is currently offered at 47 universities and colleges, including Historically Black Colleges and Universities such as Howard University. The program includes mentoring, job placement, and financial literacy initiatives. As of June 30, 2022, over 6,000 students have completed the program averaging an approximate 72% completion rate. More than 2,000 women and over 2,000 students of color have completed the program. EIOC continues to support job and internship placements through its résumé database, which contains 3,000 résumés for employers seeking workforce-ready employees for internships and entry-level positions.

The Envestnet Cares program empowers our employees to engage in their local communities with paid time off for volunteer activities, charitable donation matching and partnerships with several non-profit organizations. U.S. In 2023, Envestnet employees receive an annual match of up to 4,000 employer paid volunteer hours to \$3,000, as well as increased match and limits for special match campaigns. We donated approximately \$1.3 million and \$1 million worldwide in 2022 and 2021, respectively, support local charity initiatives.

*In 2022, our employees received three paid Volunteer Days for use when volunteering for a non-profit organization of their choice during the workweek, or as part of a Company-organized volunteering event. Despite canceling in person volunteer events early in 2022 due to the Pandemic, our employees still volunteered 371 days as employees participated in several virtual events such as writing notes to veterans and the elderly, making toys for dogs in shelters, and assembling skateboards for kids in the community. Engagement*

## Total Rewards

To attract Employee feedback is important to us and retain top talent in we regularly conduct a global employee survey. In 2023, we conducted a global employee engagement survey with an 82% response rate. In addition, our highly competitive industry, we offer employees a comprehensive total rewards package. For U.S. based employees, this includes competitive base pay, annual bonus consideration, long-term incentive grants, employer-subsidized health, dental, CEO and vision insurance, employer match for retirement savings, paid time off, group term life senior leadership team regularly host live, online question and answer sessions and scholarships, as well as paid parental leave for discussion panels that are available to all employees. We believe the birth or adoption of a child, parental stipend for children under age 6 and military leave with pay differential. During 2021, we added adoption and surrogacy to further support our employees in balancing work and life as well as After Tax Retirement contributions, and in 2022, we added a student loan repayment benefit to help our employees improve their financial wellness by paying down their loan balances. All U.S. based, full-time employees also receive ten paid holidays, a minimum of three weeks paid time off, six sick/personal emergency days, three floating holidays, and three paid volunteer days per year.

India-based employees receive standard health and welfare benefits, as well as additional family medical coverage, an internet stipend, and free transportation home from late shifts. We support our employees' physical and mental health with a no-cost Wellness Program; and provide legal, financial, and work-life solutions with our Employee Assistance Program.

## Pandemic Response

We care about our colleagues and anyone who enters our workplace. Our continuing focus on the health and well-being of our colleagues has enabled us to preserve business continuity without sacrificing calls demonstrate our commitment to keeping authentic engagement and empower our employees to ask questions about our industry, products and workplace visitors safe during the COVID-19 pandemic.

Our Pandemic Response Team, which includes our CEO services and other senior members of management, meets overall direction as needed to assess the risks and status for each office location and to ensure business continuity.

All of our employees began working remotely in March 2020. Our Pandemic Response Team established protocols to ensure the safety of our employees while working remotely and upon return to our office locations. This included mandatory COVID-19 training, advanced cleaning protocols for all offices, modified workspaces, and communication that provides employees with regular updates regarding Envestnet's response to the impact of the pandemic. Beginning in early 2022, employees were welcomed back to the office once their proof of vaccination was received. Later in 2022, we reopened our offices to full staffing, regardless of vaccine status.

During the pandemic, our employees also received additional benefits to support home-office set-up (U.S. and India), parental stipend (U.S.), additional health insurance (India), and utility stipend (India), as well as multiple initiatives and organized activities to support mental wellness, morale and team building.

## Information about our Executive Officers

The following table summarizes information about each one of our executive officers as of December 31, 2023.

Name	Age	Position(s)
William Crager	58	Chief Executive Officer, Director
Peter D'Arrigo Joshua Warren	55	Chief Financial Officer
Shelly O'Brien	58	Chief Legal Officer, General Counsel and Corporate Secretary

*William Crager*—Mr. Crager serves as our Chief Executive Officer and has served as Director, a member of our Board since March 2020. Previously, Mr. Crager served as our Interim Chief Executive Officer President between October 2019 and March 2020, Chief Executive of Envestnet Wealth Solutions. Having served as Envestnet's President Solutions since 2002, Mr. Crager was named Interim Chief Executive Officer in October January 2019, and named Director and Chief Executive Officer in March 2020, President of Envestnet since 2002. Prior to joining us, Mr. Crager served as Managing Director of Marketing and Client Services at Rittenhouse Financial Services, Inc., an investment management firm affiliated with Nuveen. Mr. Crager received a BA from Fairfield University where he majored in economics and now serves on the Board of Trustees. On January 7, 2024, the Company entered into a separation and release agreement with Mr. Crager in which it was agreed that Mr. Crager will step down as chief executive officer on March 31, 2024 and as a member of the Company's Board of Directors promptly following Envestnet's 2024 Annual Meeting. Beginning April 2024, Mr. Crager will serve as a senior advisor, focusing on client and partner relationships.

*Peter D'Arrigo Joshua Warren*—Mr. D'Arrigo Warren has served as Chief Financial Officer since 2008. Prior to joining us, Mr. D'Arrigo worked at Nuveen where he Warren served BlackRock, Inc. as Treasurer since 1999, as well as holding Managing Director and Global Head of Business Strategy for iShares and Index Investments, Managing Director in BlackRock's Corporate Strategy and Development team, and other roles. He also served on the Board of Directors and Audit and Risk Committee of iCapital, an alternative investments marketplace, from 2019 until 2023. Mr. Warren earned a variety of other titles after joining them in 1990. Mr. D'Arrigo received an MBA JD from the Northwestern New York University Kellogg Graduate School of Management Law and an undergraduate degree in applied mathematics a BA from Yale University. Dartmouth College.

*Shelly O'Brien*—Ms. O'Brien has served as Chief Legal Officer, General Counsel and Corporate Secretary since 2002. Prior to joining us, Ms. O'Brien was General Counsel and Director of Legal and Compliance for ING (U.S.) Securities, Futures & Options Inc., a broker-dealer, and futures commission merchant. Ms. O'Brien received a degree in political science from Northwestern University, a JD from Hamline University School of Law, and an LLM in taxation from John Marshall Law School.

**Securities Exchange Act Reports** Beginning April 1, 2024, James Fox will begin serving as our Interim Chief Executive Officer until our Board of Directors has appointed a new chief executive officer. Mr. Fox has served as a member of our Board of Directors since February 2015 and Chair of the Board of Directors since March 2020. Mr. Fox retired as Non-Executive Chairman of FundQuest, Inc., upon its acquisition by the Company, effective December 2011 after serving in that role since September 2010 and, prior to that, as President and Chief Executive Officer starting in October 2005. Mr. Fox has over 30 years of senior executive experience with the BISYS Group, Inc., First Data Corporation, eOne Global, and PFPC. He serves as a director of Madison CF (UK) Limited, The Ultimus Group LLC and Yukon YC Holdings LLC. He also served as a director of Brinker Capital Holdings, Inc. from July 2015 until September 2020. Mr. Fox participated in the Advanced Management Program at the Wharton School of the University of Pennsylvania. He earned an M.B.A. in Finance from Suffolk University and a B.A. in Economics from the State University of New York at Oswego.

## Available Information

The Company maintains a website at the following address: <http://www.envestnet.com>. The information on the Company's website is not incorporated by reference in this Annual Report.

We make available on or through our website reports and amendments to those reports that we file with or furnish to the SEC in accordance with the **Securities Exchange Act of 1934**, as amended. These include our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, and our Current Reports on Form 8-K and amendments to these reports. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information available with, or furnish it to, the SEC. The SEC also maintains a website at the following address, through which this information is available: <http://www.sec.gov>.

## Item 1A. Risk Factors

An investment in any security involves risk. An investor or potential investor should consider the risks summarized in this section when making investment decisions regarding our securities. These risks and uncertainties include, but are not limited to, the risk factors set forth below. The risks and uncertainties described in this section are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs, our business, financial condition and results of operations could be materially adversely affected.

## Risks Related to Our Results of Operations and Financial Condition

***We derive a substantial portion of our revenues from the delivery of investment solutions and services to clients in the financial services industry and our revenue could suffer if that industry experiences a downturn.***

A substantial portion of our **revenues** is derived from clients in the financial services industry, particularly in financial advisory services. A decline or lack of growth in demand for financial services would adversely affect our clients and, in turn, our results of operations, financial condition and business. For example, the availability of free or low-cost investment information and resources, including research and information relating to publicly traded companies and **mutual funds** available on the internet or on company websites, could lead to lower demand by investors for the services provided by financial advisors. In addition, demand for our investment solutions and services could decline for many reasons. Negative public perception and reputation of the financial services industry could reduce demand for our broader services and investment advisory solutions. Consolidation or limited growth in the financial services and advisory industry could reduce the number of our clients and potential clients. Events that adversely affect our clients' businesses, rates of growth or the numbers of customers they serve, including decreased demand for our clients' products and services, adverse conditions in our clients' markets or adverse economic conditions generally, could in turn decrease demand for our investment solutions and services and thereby decrease our **revenues**. Any of the foregoing could have a material adverse effect on our results of operations, financial condition or business.

***A limited number of clients account for a material portion of our revenue. Renegotiation or termination of our contracts with any of these clients could have a material adverse effect on our results of operations, financial condition or business.***

For the years ended **December 31, 2022**, **December 31, 2023**, **2022** and **2021**, and **2020**, **revenues** associated with our relationship with FMR LLC, an affiliate of FMR Corp., or one major client, Fidelity, accounted for approximately 16%, **17%** 16% and **15%** 17%,

respectively, of our total revenues revenue and our ten largest clients accounted for approximately 34% 37%, 33% 34% and 29% 33%, respectively, of our total revenues. revenue. Our license agreements with large financial institutions are generally multi-year contracts that may be terminated upon the expiration of the contract term or prior to such time for cause, which may include breach of contract, bankruptcy, insolvency and other reasons. A majority of our agreements with financial advisors generally provide for termination at any time.

A substantial majority of our revenues revenue associated with Fidelity is derived from ongoing asset-based platform service fees paid by firms, advisors or advisors' clients obtained through the Fidelity relationship. The license agreement with Fidelity, which accounted for less than 1% of our revenue in the year ended December 31, 2022, is subject to renewal on an annual basis.

If Fidelity or a significant number of our most important clients were to renegotiate or terminate their contracts with us, our results of operations, financial condition or business could be materially adversely affected.

***Changes in the estimates of fair value of reporting units or of long-lived assets, particularly goodwill and intangible assets, may result in future impairment charges, which could have a material adverse effect on our results of operations, financial condition, cash flows or business.***

Over time, the fair values of long-lived assets change. At December 31, 2022 December 31, 2023, we had \$998.4 million \$806.6 million of goodwill and \$380.0 million \$338.1 million of intangible assets, net, collectively representing 65% 61% of our total assets.

Goodwill is reviewed for impairment each year using a qualitative or quantitative process that is performed at least annually or whenever events or circumstances indicate that impairment may have occurred. We perform the annual impairment analysis on October 31 in order to provide management time to complete the analysis prior to year-end. Prior to performing the quantitative evaluation, an assessment of qualitative factors may be performed to determine whether it is more likely than not that the fair value of a reporting unit exceeds the carrying value. If it is determined that it is unlikely that the carrying value exceeds the fair value, we are not required to complete the quantitative goodwill impairment evaluation. If it is determined that the carrying value may exceed fair value when considering qualitative factors, a quantitative goodwill impairment evaluation is performed. When performing the quantitative evaluation, if the carrying value of the reporting unit exceeds its fair value, an impairment loss equal to the difference will be recorded. The identification of reporting units and consideration of aggregation criteria requires management's judgment. Based on the relevant GAAP authoritative guidance, we aggregate components of a single operating segment into a reporting unit, if appropriate. Future goodwill impairment charges may occur if estimates of fair values decrease, which would reduce future earnings.

As part of the annual goodwill impairment analysis, we performed a quantitative goodwill impairment evaluation for each reporting unit in the fourth quarter of 2023. As a result of this impairment analysis, the carrying value of the Envestnet Data & Analytics reporting unit exceeded its fair value, which resulted in the recognition of a non-cash impairment charge to goodwill of \$191.8 million during the fourth quarter of 2023. Although the Company recorded this impairment charge in the fourth quarter of 2023, future goodwill impairment charges may occur if certain estimates and assumptions used to estimate the

fair value of the Envestnet Data & Analytics reporting unit in the fourth quarter of 2023 fall below those estimates and assumptions and such impairment charges could be material.

We test our indefinite lived intangible assets on an annual basis and more often if an event occurs or circumstances change that would more likely than not reduce the fair value of the indefinite lived intangible asset below its carrying amount. We also test property and equipment and other long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Future asset impairment charges may occur if asset utilization declines, if customer demand decreases, or for a number of other reasons, which would reduce future earnings. Any such impairment charges could have a material adverse effect on our business, financial

condition, results of operations, and cash flows. Impairment charges would also reduce our consolidated stockholders' equity and increase our debt-to-total-capitalization ratio, which could negatively impact our access to the debt and equity markets.

During the fourth quarter of 2022, we completed our annual goodwill impairment analysis. The qualitative analysis performed as of October 31, 2022 indicated that it is more likely than not that the fair value of each reporting unit exceeded the carrying value, and accordingly, no impairment existed. There can be no assurance that our estimates and assumptions of the fair value of our reporting units, the current economic environment, or the other inputs used to estimate the fair value of our reporting units will prove to be accurate, and any material error in our estimates and assumptions, could result in us needing to take a material impairment charge, which would have the effects discussed above.

As part of our ongoing monitoring efforts, we will continue to consider capital markets and other economic factors and its potential impact on our businesses, as well as other factors, in assessing goodwill and other long-lived assets for possible indications of impairment.

***We have a significant amount of debt and servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to service our debt.***

As of December 31, 2022 December 31, 2023, we had \$45.0 million of outstanding 1.75% Convertible Notes due 2023, \$317.5 million \$317.5 million of outstanding 0.75% Convertible Notes due 2025, and \$575.0 million \$575.0 million of outstanding 2.625% Convertible Notes due 2027 (collectively, the "Convertible Notes"). 2027. As of December 31, 2022 December 31, 2023, we had an additional \$500.0 million \$500.0 million available to us to borrow under our revolving credit facility (the "Credit Agreement"). Revolving Credit Facility. This indebtedness could, among other things:

- make it difficult for us to pay other obligations;
- make it difficult to obtain favorable terms for any necessary future financing for working capital, capital expenditures, debt service requirements or other purposes;
- require us to dedicate a substantial portion of our cash flow from operations to service the indebtedness, reducing the amount of cash flow available for other purposes; and
- limit our flexibility in planning for and reacting to changes in our business.

***The conditional conversion features of our Convertible Notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion features of our outstanding Convertible Notes are triggered, holders of the Convertible Notes will be entitled to convert their Convertible Notes at any time during specified periods at their option. We may elect to satisfy our conversion obligation in cash, in shares of our common stock or in a combination of cash and shares of our common stock. If one or more holders elect to convert their Convertible Notes, unless we satisfy our conversion obligation by delivering solely shares of our common stock (other than cash in lieu of any fractional share), we would be required to settle all or a portion of our conversion obligation through the payment of cash, which could adversely affect our liquidity. Furthermore, even if holders do not elect to convert their Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

***We may not have the ability to raise the funds necessary to settle conversions of our Convertible Notes or purchase the Convertible Notes as required upon a fundamental change, and our existing debt contains, and our future debt may contain, limitations on our ability to pay cash upon conversion or purchase of our Convertible Notes.***

Following a fundamental change, Convertible Notes holders will have the right to require us to purchase their Convertible Notes for cash. A fundamental change may also constitute an event of default or prepayment under, and result in the acceleration of the maturity of, our then-existing indebtedness. In addition, upon conversion of the Convertible Notes, unless we settle our conversion obligation solely in shares of our common stock (other than cash in lieu of any fractional share), we will be required to make cash payments in respect of the Convertible Notes being surrendered for conversion. We may not have sufficient financial resources, or may not be able to arrange financing, to pay the fundamental change purchase price in cash with respect to the Convertible Notes surrendered by holders for purchase upon a fundamental

change or make cash payments upon conversions. In addition, restrictions in our Third Credit Agreement (as described herein) or future credit facilities or other indebtedness, if any, may not allow us to purchase the Convertible Notes upon a fundamental change or make cash payments upon conversions of the Convertible Notes. Our failure to purchase the Convertible Notes upon a fundamental change or make cash payments upon conversions thereof when required would result in an event of default with respect to the Convertible Notes which could, in turn, constitute a default under the terms of our other indebtedness, if any. If the repayment

of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and purchase the Convertible Notes or make cash payments upon conversions thereof. For a description of the Company's **Revolving Credit Agreement entered into on November 14, 2022 amending and restating the Third Amended and Restated Credit Agreement, Facility**, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations, Recent Developments, **Revolving Credit Agreement Amendment**" **Facility**" and Part II, Item 8, "Note 10—14—Debt".

***The capped call transactions entered into in connection with the issuance of our 2.625% Convertible Notes due 2027 may affect the value of such notes and our common stock.***

In connection with the issuance of our 2.625% Convertible Notes due 2027 (the "Convertible Notes due 2027"), we entered into privately negotiated **capped call transactions** **Capped Call Transactions** with **certain financial institutions** (the "Capped Call Counterparties"). The **capped call transactions** **Capped Call Transactions** were entered into to reduce the potential dilutive effect on our common stock upon any conversion of the Convertible Notes due 2027 and/or offset any potential cash payments we are required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to cap.

In connection with establishing their initial hedges of the capped call transactions, the Capped Call Counterparties or their respective affiliates entered into various derivative transactions with respect to our common stock and/or purchased shares of our common stock concurrently with or shortly after the pricing of the Convertible Notes due 2027. The Capped Call Counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions from time to time prior to the maturity of the Convertible Notes due 2027 (and are likely to do so following any conversion of the Convertible Notes due 2027 or any retirement by us of the Convertible Notes due 2027, in each case if we exercise the relevant election to terminate the corresponding portion of the capped call transactions). This activity could cause or avoid an increase or decrease in the market price of our common stock or the Convertible Notes due 2027. The potential effect, if any, of these transactions and activities on the market price of our common stock or the Convertible Notes due 2027 will depend, in part, on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock.

***We are subject to counterparty risk with respect to the capped call transactions, and the capped call transactions may not operate as planned.***

The Capped Call Counterparties are financial institutions or affiliates of financial institutions, and we will be subject to the risk that any or all of them might default under the capped call transactions. Our exposure to the credit risk of the Capped Call Counterparties will not be secured by any collateral. Global economic conditions have, from time to time, resulted in the actual or perceived failure or financial difficulties of many financial institutions. If a Capped Call Counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with that Capped Call Counterparty. Our exposure will depend on many factors, but generally an increase in our exposure will be correlated with increase in the market price of the volatility of our common stock. In addition, upon a default by a Capped Call Counterparty, we may suffer more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of any Capped Call Counterparty.

In addition, the capped call transactions are complex, and they may not operate as planned. For example, the terms of the called call transactions may be subject to adjustment, modification or, in some cases, renegotiation if certain corporate or other transactions occur.

Accordingly, these may not operate as we intend if we are required to adjust their terms as a result of transactions in the future or upon unanticipated developments that may adversely affect the functioning of the capped call transactions.

**Activist shareholders could have an adverse effect on our business, impact and create volatility in our stock price, divert board and management's attention and resources, and cause us to incur substantial expense.**

In January 2023, Impactive Capital, L.P. ("Impactive Capital"), announced the nomination of four candidates for election to our Board of Directors at our 2023 Annual Meeting of Shareholders. If a proxy contest ensues, the Company's business, operating results or financial condition could be adversely affected because actions in connection with the proxy contest could result in us incurring substantial costs, including proxy solicitation, public relations, and legal fees. Further, such a proxy contest or other actions taken by activist shareholders could (i) divert the attention of our Board of Directors, management, and employees, and may disrupt the momentum in our business and operations, as well as our ability to execute our strategic plan, (ii) create perceived uncertainties as to the future direction of our business or strategy, which may result in the loss of customers and potential business opportunities, make it more difficult to attract and retain qualified personnel, and impact our relationship with investors, vendors, and other third parties, and (iii) impact the market price and the volatility of our common stock. If any of the nominees proposed by Impactive Capital are elected to our Board of Directors, their presence may be disruptive, may lead to further uncertainty among our customers, employees and others, and may adversely affect our ability to effectively implementing the Company's business strategy and create additional value for our shareholders. In addition, the proxy fight may result in litigation by or against the Company or the Board, which could also be a significant distraction for our management and employees and may require us to incur significant costs or otherwise result in an adverse effect on the Company.

**Public health crises, pandemics or similar events, such as the COVID-19 pandemic, have and may continue to adversely affect our business, including our operations and financial condition.**

The effects of public health crises, pandemics and similar events, such as the COVID-19 pandemic, including responses and restrictions related thereto have had, and may continue to have, a significant impact on global economic and market conditions. Although certain economic conditions have improved since their worst levels during the pandemic, the pandemic continues to evolve and the effects of COVID-19, its variants or any other widespread public health crisis could lead to deterioration in then-current economic conditions or result in other adverse consequences to our business, results of operations and financial condition in the future.

Such effects could have adverse impacts on our clients, vendors and other third-parties with whom we do business. Additionally, our business operations may be disrupted if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions or other restrictions in connection with any ongoing effects of pandemic. Further, remote working and other modified business practices have introduced additional operational risks, including resiliency, cybersecurity, and execution risks. Any failure to manage these additional risks effectively may result in inefficiencies or delays, and may affect our ability to, or the manner in which we, conduct our business activities.

The extent to which COVID-19 and any other potential future public health crises, pandemics or similar events may adversely affect our business, results of operations and financial condition, will depend on future developments that are highly uncertain and cannot be predicted, including the duration and scope of the COVID-19 or any other future pandemic, actions taken in response to any pandemic and the availability and efficacy of vaccines. Further, the impact on U.S. and global economies and the extent and strength of any economic recovery after the COVID-19 pandemic abates is uncertain and subject

to various evolving factors and conditions. In addition, to the extent COVID-19 or any other pandemic adversely affects our business or the global economic conditions more generally, it may also have the effect of heightening many of the other risks described in this section entitled "Risk Factors" and any subsequent filings with the SEC.

#### Risks Related to our Operations

**Our future success depends on our ability to recruit and retain senior executive leadership and other key employees and to successfully manage transitions. If we fail to retain talented, highly qualified senior management and other key employees, attract them when needed or successfully manage transitions, such failure could negatively impact our business and financial condition.**

Our future success depends on our ability to attract and retain senior executive leadership and other key employees and to successfully manage through transitions in senior executive leadership. Our current chief executive officer, William Crager, will step down as chief executive officer on March 31, 2024, and commencing on April 1, 2024, James Fox, who currently serves as chair of our Board of Directors, will serve as the interim chief executive officer. Our Board of Directors has initiated a search for a successor with assistance from an independent executive search firm. Although our Board of Directors is confident in the interim leadership of Mr. Fox, our success will depend, in part, on the effectiveness of our new chief executive officer.

Finding a suitable new chief executive officer can be difficult, and we can provide no assurance as to the length or success of the search process. In addition, on November 15, 2023, we transitioned to a new chief financial officer. Leadership transitions are inherently difficult to manage and may cause uncertainty or disruption within the Company and with external relationships. The failure to adequately manage the transitions of senior executive leaders could negatively impact our financial performance and ability to meet operational goals and strategic plans. This may also impact our ability to retain and hire other key members of management.

In addition, our ability to provide our services and maintain and develop relationships with clients depends largely on our ability to attract, train, motivate and retain highly skilled professionals, particularly professionals with backgrounds in sales, marketing, technology and financial and investment services. Consequently, we must hire and retain employees with the technical expertise and industry knowledge necessary to continue to develop our services and effectively manage our sales and marketing organization to assist the growth of our operations. We believe there is significant competition for professionals with the skills necessary to perform the services we offer. We experience competition for these professionals from competitors, other technology companies and financial services organizations, many of which have greater resources than we do and therefore may be able to offer higher compensation packages. Competition for these employees is intense, and we may not have sufficient human resources programs, practices and benefits to be able to retain our existing employees or be able to recruit and retain other highly skilled personnel. The inability to attract and retain qualified personnel could negatively impact our financial performance and ability to meet operational goals and strategic plans.

***If sources from which we obtain information limit our access to such information or charge us fees for accessing such information, our business could be materially and adversely harmed.***

Our Envestnet Data & Analytics data aggregation solutions require certain data that we obtain from thousands of sources, including banks, other financial institutions, retail businesses and other organizations, some of which are not our current customers. As of **December 31, 2022**, we receive over **75%** **80%** of this data through structured data feeds that are provided under the terms of our contracts with most of our customers. Although all of the information we currently gather is end user-permissioned, non-identified data and, currently, we generally have free, unrestricted access to, or ability to use, such information, one or more of our current customers could decide to limit or block our access to the data feeds we currently have in place with these customers due to factors outside of our control, such as more burdensome regulation of our or our customers' industry, increased compliance requirements or changes in business strategy. If the sources from which we obtain information that is important to our solutions limit or restrict our ability to access or use such information, we may be required to attempt to obtain the information, if at all, through end user-permissioned data scraping or other means that could be more costly and time-consuming, and less effective or efficient. In the past, a limited number of third parties, primarily airline and international sites, have either blocked our access to their websites or requested that we cease employing data scraping of their websites to gather information, and we could receive similar, additional requests in the future. Any such limitation or restriction may also preclude us from providing our solutions on a timely basis, if at all. In addition, if in the future one or more third parties challenge our right to access information from these sources, we may be required to negotiate with these sources for access to their information or to discontinue certain services currently provided by our solutions. The legal environment surrounding data scraping and similar means of obtaining access to information on third-party websites is not completely clear and is evolving, and one or more third parties could assert claims against us seeking damages or to prevent us from accessing information in that manner. In the event sources from which we obtain this information begin to charge us fees for accessing such information, we may be forced to increase the fees that we charge our customers, which could make our solutions less attractive, or our gross margins and other financial results could suffer.

***Because some of our sales efforts are targeted at large financial institutions and large FinTech companies, we face prolonged sales cycles, substantial upfront sales costs and less predictability in completing some of our sales. If our sales cycle lengthens, or if our upfront sales investments do not result in sufficient revenue, our operating results may be harmed.***

We target a portion of our sales efforts at large financial institutions and large FinTech companies, which presents challenges that are different from those we encounter with smaller customers. Because our large customers are often making an enterprise-wide decision to deploy our solutions, we face longer sales cycles, complex customer requirements, substantial upfront sales costs, significant contract negotiations and less predictability in completing sales with these customers. Our sales cycle can often last one year or more with our largest customers, who often undertake an extended evaluation process, but is variable and difficult to predict. We anticipate that we will experience even longer sales cycles, more complex customer needs, higher upfront sales costs and less predictability in completing sales with customers located outside of the United States. If our sales cycle lengthens or our upfront sales investments do not generate sufficient revenue to justify our investments in our sales efforts, our operating results may be harmed.

***Investors' decisions regarding their investment assets are affected by many factors and investors may redeem or withdraw their investment assets generally at any time. Significant changes in investing patterns or large-scale withdrawal of investment funds could have a material adverse effect on our results of operations, financial condition or business.***

The clients of our financial advisors are generally free to change financial advisors, forgo the advice and other services provided by financial advisors or withdraw the funds they have invested with financial advisors. These clients of financial advisors may elect to change their investment strategies, by moving their assets away from equity securities to fixed income or other investment options, or by withdrawing all or a portion of their assets from their accounts to avoid all securities markets-related risks. These actions by investors are outside of our control and could materially adversely affect the market value of the investment assets that our clients manage, which could materially adversely affect the asset-based fees we receive from our clients.

***A substantial portion of our revenue is based on fees earned in on the value of assets under management or administration. Changes in market and economic conditions could lower the value of assets on which we earn revenues revenue and could decrease the demand for our investment solutions and services.***

Asset-based fees make up a significant portion of our revenues revenue. Asset-based fees represented approximately 60%, 60% and 54% of our total revenues revenue for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, respectively. 2021. We expect that asset-based fees will continue to represent a significant percentage of our total revenues revenue in the future. Significant fluctuations in securities prices may materially affect the market value of the assets managed by our clients and may also influence financial advisor and investor decisions regarding whether to invest in, or maintain an investment in, a particular investment or strategy. If such market fluctuation led to less investment in the securities markets, our revenues revenue and earnings derived from asset-based fees could be materially adversely affected. Our asset-based fees are generally calculated quarterly using the value of assets at the end of each calendar quarter. Our methodology may result in lower fees if the financial markets are down when fees are calculated, even if the market had performed well earlier in the quarter.

We provide our investment solutions and services to the financial services industry. The financial markets, and in turn the financial services industry, are affected by many factors, such as U.S. and foreign economic conditions and general trends in business and finance that are beyond our control. In the event that the U.S. or international financial markets suffer a severe or prolonged downturn, investors may choose to withdraw assets from financial advisors, which we refer to as "redemptions", and transfer them to investments that are perceived to be more secure, such as bank deposits and Treasury securities, and on which we might not earn fees. For example, in early 2022 continuing through the fourth quarter of 2022, the financial markets experienced a broad downturn, our redemption rates were higher than our historical average, and our results of operations, financial condition and business were materially adversely affected. A continued downturn in financial markets or increased levels of asset withdrawals could have a material adverse effect on our results of operations, financial condition or business. Historically, redemption rates have typically increased during periods where there has been a significant downturn in financial markets. Any potential decline in assets on which we earn fees would not necessarily be proportional to, and in total, could be greater than the overall market decline.

**Increased geopolitical unrest and other events outside of our control could adversely affect the global economy or specific international, regional and domestic markets, which could cause the assets on which we earn revenue to decrease and adversely affect our revenue and earnings.**

Geopolitical risks, including those arising from trade tension and/or the imposition of trade tariffs, terrorist activity or acts of civil or international hostility, are increasing. For instance, the conflicts in the Middle East and between Russia and Ukraine have and may continue to result in geopolitical instability and adversely affect the global economy, supply chains and specific markets. Similarly, other events outside of the Company's control, including natural disasters, climate-related events, pandemics or health crises may arise from time to time and be accompanied by governmental actions that may increase international tension. Any such events and responses, may cause significant volatility and declines in the global markets, disproportionate impacts to certain industries or sectors, disruptions to commerce (including to economic activity, travel and supply chains), loss of life and property damage, and may adversely affect the global economy or capital markets, as well as the Company's products, operations, clients, vendors and employees, which may cause the assets on which we earn revenue to decrease thus causing our revenue and earnings to decline.

**We must continue to introduce new investment solutions and services and technological enhancements to address our clients' changing needs, market changes, regulations, and technological developments and failure to do so could have a material adverse effect on our results of operations, financial condition or business.**

The market for our investment solutions and services is characterized by shifting client demands, evolving market practices, new and evolving regulations, and for some of our investment solutions and services, rapid technological **change**, including the use of AI by Envestnet or our clients. Changing client demands, new market rules and practices, or new technologies can render existing investment solutions and services obsolete and unmarketable. As a result, our future success will continue to depend upon our ability to develop new investment solutions and services, and service and technological enhancements that address the future needs of our target markets and respond to technological and market changes. We incurred technology development costs of approximately **\$112 million** **\$234 million**, **\$80 million** **\$239 million** and **\$72 million** **\$192 million** in the years ended **December 31, 2022** December 31, 2023, **2021** **2022** and **2020**, **2021**, respectively. We expect that our technology development costs will **continue** at this level or **they** **reduce** in 2024 as we have completed our investment cycle but may increase in the future. We may not be able to accurately estimate the impact of new investment solutions and services on our business or how their benefits will be perceived by our clients. Further, we may not be successful in developing, introducing, marketing and licensing our new investment solutions or services or investment solution or service enhancements on a timely and cost effective basis, or at all, and our new investment solutions and services and enhancements may not adequately meet the requirements of the marketplace or achieve market acceptance. In addition, clients may delay purchases in anticipation of new investment solutions or services or enhancements. Any of these factors could materially adversely affect our results of operations, financial condition or business.

**As a global organization, our business is susceptible to risks associated with our international operations.**

We currently maintain international operations in India, the United Kingdom, Canada and Australia, **lease space in** **engage with** other jurisdictions outside of the United States for the purpose of gathering data, and have customers located around the globe. Managing a global organization outside of the United States is difficult and time-consuming and introduces risks that we may not face with our operations and sales in the United States. These risks include:

- the burdens of complying with a wide variety of foreign regulations, laws and legal standards, including **financial services**, **privacy**, **data security**, **cybersecurity**, tax and employment, some of which may be materially different or more stringent than those of the United States;
- regional data privacy laws that apply to the transmission of data across international borders;
- lack of familiarity with, and unexpected changes in, foreign regulatory requirements;

- customers' unfamiliarity with and concerns regarding laws and regulations of the United States that may impact our business operations in their jurisdictions;
- negative, local perception of industries and customers that we may pursue;
- laws and business practices favoring local competitors;
- localization of our solutions, including unanticipated costs related to translation into foreign languages and adaptation for local practices and regulatory requirements;
- different pricing environments;
- difficulties in managing and staffing international operations;
- reduced or varied protection for intellectual property rights in some countries;
- compliance with laws and regulations for foreign operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our solutions in certain foreign markets, and the risks and costs of compliance;
- fluctuations in currency exchange rates;
- potentially adverse tax consequences, including the complexities of foreign value added tax systems, difficulty in interpreting international tax laws and restrictions on the repatriation of earnings;
- increased financial accounting and reporting burdens and complexities; and
- political, social and economic instability abroad, terrorist attacks and security concerns in general.

Operating in international markets also requires significant management attention and financial resources. A component of our growth strategy involves the further expansion of our operations and the development of new customer relationships internationally. As we seek In order to potentially expand internationally, we will need to develop relationships with additional partners and add internal capabilities to effectively manage the operational, financial, legal and regulatory requirements and risks associated with our international operations. The investment we make and additional resources we use to expand our operations, target new international customers, expand our presence globally within our existing customers and manage operational and sales growth in other countries may not produce desired levels of revenue or profitability, which could adversely affect our business and operating results.

***If we are unable to effectively manage certain risks and challenges related to our India operations, our business could be harmed.***

Our India operations are a key factor to our success. We believe that our significant presence in India provides certain important advantages for our business, such as direct access to a large pool of skilled professionals and assistance in growing our business internationally. However, it also creates certain risks that we must effectively manage. As of December 31, 2022 December 31, 2023, approximately 1,400 46% of our approximate 3,400 total approximately 3,100 employees were based in India. Wage costs in India for skilled professionals are currently lower than in the United States for comparably skilled professionals. However, wages in India are increasing at a faster rate than in the United States, which could result in us incurring increased costs for technical professionals and reduced margins. There is intense competition in India for skilled technical professionals, and we expect such competition to increase. As a result, we may be unable to retain our current employee base in India or hire additional new talent or do so cost-effectively. In addition, India has experienced significant inflation, low growth in gross domestic product and shortages of foreign exchange. India also has experienced civil unrest and terrorism and, in the past, has been involved in conflicts with neighboring countries. The occurrence of any of these circumstances could result in disruptions to our India operations, which, if continued for an extended period of time, could have a material adverse effect on our business. If we are unable to effectively manage any of the foregoing risks related to our India operations, our development efforts could be impaired, our growth could be slowed, and our operating results could be negatively impacted.

***We operate in highly competitive industries, with many firms competing for business from financial advisors and financial institutions on the basis of a number of factors, including the quality and breadth of investment solutions and services, ability to innovate, reputation and the prices of services and this competition could hurt our financial performance.***

We compete with many different types of companies that vary in size and scope, including custodians, turnkey asset management platforms, data and analytics providers, and other financial technology companies. Representative competitors include Pershing LLC (a subsidiary of BNY Mellon Corporation), AssetMark, Inc., InvestCloud, Advent Software (a subsidiary of SS&C Technologies Holdings, Inc.) and

Orion Advisor Services in our Envestnet Wealth Solutions business and Intuit, Inc., Plaid Inc., Finicity Corporation (a subsidiary of Mastercard International Inc.) and Fiserv, Inc in our Envestnet Data & Analytics business. Competition is discussed in greater detail under "Business—Competition" included in this Annual Report. In addition, some of our clients have developed or may develop the in-house capability to provide the technology and/or investment advisory services they have retained us to perform. These clients may also offer internally developed services to their financial advisors, obviating the need to hire us, and they may offer these services to third-party financial advisors or financial institutions, thereby competing directly with us for that business.

Many of our competitors in this business have significantly greater resources than we do. These resources may allow our competitors to respond more quickly to changes in demand for investment solutions and services, to devote greater resources to developing and promoting their services and to make more attractive offers to potential clients and strategic partners, which could hurt our financial performance.

We may lose clients as a result of the sale or merger of a client, a change in a client's senior management, competition from other financial advisors and financial institutions and for other reasons. We also face increased competition due to the current trend of industry consolidation. If large financial institutions that are not our clients are able to attract assets from our clients, our ability to grow revenues revenue and earnings may be adversely affected.

We compete with many companies that have greater name recognition, substantially greater financial, technical, marketing and other resources, the ability to devote greater resources to the promotion, sale and support of their solutions, more extensive customer bases and broader customer relationships, and longer operating histories than we have.

We expect competition to increase as other companies continue to evolve their offerings and as new companies enter our market. New companies entering our market may choose to offer internally-developed solutions at little or no additional cost to their end users by bundling them with their existing applications and solutions. Increased competition is likely to result in pricing pressures, which could negatively impact our gross margins.

Our failure to successfully compete in any of the above-mentioned areas could result in reduced revenues revenue or lack of market share which could have a material adverse effect on our results of operations, financial condition or business. Competition could also affect the revenue mix of services we provide, resulting in decreased revenues revenue in lines of business with higher profit margins.

#### ***We are subject to liability for losses that result from potential, perceived or actual conflicts of interest.***

Potential, perceived and actual conflicts of interest are inherent in our existing and future business activities and could give rise to client dissatisfaction, litigation or regulatory enforcement actions. In particular, we pay and/or charge varying fees to third-party asset managers and custodians and our financial advisor customers, or their clients, could accuse us of directing them toward those asset managers or custodians that charge us the lowest lower fees or pay us higher fees and therefore provide us with a greater financial advantage. In addition, we offer proprietary mutual funds and proprietary investment strategies through our internal investment management and portfolio consulting group, and financial advisors or their clients could conclude that we favor our proprietary investment products because of their belief that we earn higher fees when our proprietary investment products are used. Conflict may also be introduced through revenue sharing arrangements from third parties, including custodians, issuers and/or asset managers, and clients or regulators could assert that Envestnet's decisions are being made not in the best interest of the client(s), but to increase the amount of revenue paid to Envestnet through these revenue sharing arrangements. Adequately addressing conflicts of interest is complex and difficult. If we fail, or appear to fail, to adequately address or disclose potential, perceived or actual conflicts of interest, the resulting negative public perception and reputational harm could materially adversely affect our client relations or ability to enter into contracts with new clients and, consequently, our results of operations, financial condition and business.

#### ***We are substantially dependent on our intellectual property rights, and a failure to protect these rights could adversely affect our results of operations, financial condition or business.***

We have made substantial investments in software and other intellectual property on which our business is highly dependent. As of December 31, 2022 December 31, 2023, notwithstanding expiration of some of our oldest patents, we had over 50 issued patents in the U.S. and foreign jurisdictions as well as additional pending patent applications in the U.S. and foreign jurisdictions. Many of our key technologies, investment solutions or services are not covered by any copyright registration, issued patent or patent application. We are the owner of certain patent rights, registered trademarks in the United States, including "ENVESTNET," and we claim common law rights in other trademarks that are not registered. We rely on a combination of patent, trade secret, trademark and copyright laws, confidentiality and nondisclosure agreements and other contractual and technical security measures to protect our proprietary technology, all of which provide only limited protection. Despite our efforts, unauthorized copying or other misappropriation of our proprietary technologies could enable third parties to benefit from our intellectual property rights without paying us for doing so, which could harm our business. Policing unauthorized use of proprietary technology is difficult and expensive and our monitoring and litigation may be necessary to protect and enforce our intellectual property rights. If litigation is necessary to protect and enforce our intellectual property rights, any such litigation could be very costly and could divert management attention and resources. If we are unable to protect our intellectual property rights or if third parties independently develop or gain access to our or similar technologies, investment solutions or services, our results of operations, financial condition and business could be materially adversely affected.

We cannot guarantee that:

- our intellectual property rights will provide competitive advantages to us;
- our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes will not be limited by our agreements with third parties;
- our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak;
- any of the trademarks, copyrights, trade secrets or other intellectual property rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged or abandoned;
- our trademark applications will lead to registered trademarks;

#### ***We are dependent upon third-party service providers in our technology development and operations.***

Envestnet utilizes third-party service providers to provide support and development in connection with our technology and operations. A failure by a third-party service provider could expose us to an inability to provide services to our clients on a timely basis. Additionally, if a third-party service provider is unable to provide these services, we may incur significant costs to develop these services internally or find a replacement provider.

#### ***Our reliance on outsourcing arrangements subjects us to risk and may disrupt or adversely affect our operations.***

We have entered into an agreement with Tata Consulting Services ("TCS") TCS pursuant to which we have outsourced certain development, engineering and back office back-office functions of the Envestnet Data & Analytics business located in Bangalore, India to increase operations scale

and business agility. Although we have service-level arrangements with TCS and a variety of contractual obligations and options designed to (a) monitor TCS's performance and (b) incentivize a high level of performance by TCS, because we do not ultimately control its performance, our reliance on a third-party vendor could subject us to additional risk, risks, including the loss of valuable intellectual property, data security cybersecurity issues and non-compliance with data protection and privacy laws. If TCS fails to perform as required or terminates our arrangements, we might not realize the expected financial and operational benefits of the outsourcing arrangement and may be required to

pursue new third-party relationships, which could significantly disrupt **Envestnet Data & Analytics**' our operations and adversely affect our business, financial condition, and results of operations. We may also be unable to establish comparable new vendor relationships on as favorable terms or at all. Even if we are able to obtain replacement services in these scenarios, there may be a disruption or delay in our ability to operate our **Envestnet Data & Analytics** business, and the replacement services might be more expensive than those we have currently. The process of transitioning services and data from one provider to another can be complicated, time-consuming, expensive and may lead to significant disruptions in **Envestnet Data & Analytics**' our business and could adversely affect our business, financial condition, and results of operations.

***One of our senior officers has ownership interests in certain of our “exchange” joint ventures and thus may have interests different from our and our stockholders’ interests.***

Thomas Sipp, our EVP, Envestnet Business Lines, is a co-founder and managing director of Magis Capital Partners LLC. Envestnet and Magis are jointly invested in four ventures: Fiduciary Exchange, LLC (FIDx), Advisor Credit Exchange, LLC (ACE), HealthPilot, LLC, and Trucendent, LLC. In addition to our investment in each of the Exchanges, we also have various commercial arrangements with the Exchanges and Magis. Each of the Exchanges was formed, and our initial investments in each of the Exchanges was made, prior to Mr. Sipp becoming an employee in April 2021. To date, our total investment in the Exchanges is \$45.4 million, the Exchanges contributed \$8.7 million of our revenue for the year ended December 31, 2023 and we made payments of \$2.1 million to the Exchanges in the year ended December 31, 2023. As a co-founder of Magis and investor in Magis private funds invested in the Exchanges, Mr. Sipp has a financial interest in the Exchanges which may create, or appear to create, a conflict of interest when we face decisions that could have different implications for us and the Exchanges. When Mr. Sipp joined us, we established procedures to minimize any such actual or potential conflicts of interest. Compliance with these procedures are monitored by our Chief Compliance Officer and reported on to our Audit Committee. Notwithstanding these procedures, Mr. Sipp's personal and financial interests in Magis and the Exchanges may give him interests regarding the Exchanges different from those of us and our stockholders and may influence certain of his business decisions that directly or indirectly affect the Exchanges.

***Activist shareholders could hinder execution of our business strategy, divert board and management’s attention and resources and cause us to incur substantial expense and impact and create volatility in our stock price.***

Shareholders may from time to time indicate disagreement with our strategic direction or capital allocation, advance shareholder proposals or engage in proxy solicitations. Any of these activities could (i) divert the attention of our Board of Directors, management, and employees, and may disrupt the momentum in our business and operations, as well as our ability to execute our strategic plan, (ii) create perceived uncertainties as to the future direction of our business or strategy, which may result in the loss of customers and potential business opportunities, make it more difficult to attract and retain qualified personnel, and impact our relationship with investors, vendors, and other third parties and (iii) result in us incurring substantial costs, including legal, proxy solicitation and public relations fees. Any of these impacts could materially and adversely affect our business and operating results. Further, the market price of our common stock could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties described above.

***Public health crises, pandemics or similar events, such as the COVID-19 pandemic, have and may continue to adversely affect our business, including our operations and financial condition.***

The effects of public health crises, pandemics and similar events, such as the COVID-19 pandemic, including responses and restrictions related thereto have had, and may continue to have, a significant impact on global economic and market conditions. Such effects could have adverse impacts on our clients, vendors and other third-parties with whom we do business. Additionally, our business operations may be disrupted if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions or other restrictions in connection with any ongoing effects of the pandemic. Further, remote working and other modified business practices, if required, could pose additional operational risks, including resiliency, cybersecurity, and execution risks. Any failure to manage these additional risks effectively may result in inefficiencies or delays, and may affect our ability to, or the manner in which we, conduct our business activities. To the extent a public health crisis, pandemic or similar event adversely affects our business or the global economic conditions more generally, it may also have the effect of heightening many of the other risks described in this section entitled “Risk Factors” and any subsequent filings with the SEC.

## Risks Related to our Acquisitions and Investments

**Our growth strategy includes growing through acquisitions and acquisitions investments which involve a number of risks.**

We expect to grow our business by, among other things, making acquisitions. Over the past five years we have completed a number of acquisitions. Acquisitions and investments involve a number of risks. They can be time-consuming and may divert management's attention from day-to-day operations. Financing an acquisition or investment could result in dilution from issuing equity securities or a weaker balance sheet from using cash or incurring debt. Acquisitions and investments might also result in losing key employees. In addition, we may fail to successfully integrate acquisitions. We may also fail to generate enough revenues revenue or profits from an acquisition or investment to earn a return on the associated purchase price.

To the extent we grow our business through acquisitions and investments, any such future acquisitions acquisition or investment could present a number of other risks, including:

- incorrect assumptions regarding the future results of acquired or invested in operations or assets or expected cost reductions or other synergies expected to be realized as a result of acquiring or investing in operations or assets;
- failure to integrate the operations or management of any acquired or invested in operations or assets successfully and on a timely and cost effective basis;
- insufficient knowledge of the operations and markets of acquired or invested in businesses;
- loss of key personnel;
- failure to obtain necessary customer consents or retain key customers;
- diversion of management's attention from existing operations or other priorities;
- increased costs or liabilities as a result of historical, undetected or undisclosed legal, regulatory or financial issues related to acquired or invested in operations or assets; and
- inability to secure, on terms we find acceptable, sufficient financing that may be required for any such acquisition or investment.

In addition, if we are unsuccessful in completing acquisitions or investments of other businesses, operations or assets or if such opportunities for expansion do not arise, our results of operations, financial condition or business could be materially adversely affected.

## Risks Related to our Information Technology and Data

**Our failure to successfully execute the conversion of our clients' assets from their technology platform to our platforms in a timely and accurate manner could have a material adverse effect on our results of operations, financial condition or business.**

When we begin working with a new client, or acquire new client assets through an acquisition or other transaction, we are often required to convert all or a significant portion of assets from the clients' technology platform to our technology platforms. These conversions present significant technological and operational challenges that can be time-consuming and may divert management's attention from other operational activities. If we fail to successfully complete our conversions in a timely and accurate manner, we may be required to expend more time and resources than anticipated, which could erode the profitability of the client relationship. In addition, any such failure may harm our reputation and may make it less likely that prospective clients will commit to working with us. Any of these risks could materially adversely affect our results of operations, financial condition or business.

**Our hosting, collection, use and storage of customer information and data require the implementation of effective security controls, and a data security cybersecurity breach could disrupt our business, result in the disclosure of confidential information, expose us to liability and protracted and costly litigation, adversely affect our reputation and revenue and cause losses.**

We, and our customers through which our solutions are made available to end users, collect, use, transmit and store confidential financial information, such as bank account numbers, social security numbers, non-public personally identifiable information, portfolio holdings, credit card data and outstanding debts and bills. The measures we take to provide security for collection, use, storage, processing and transmission of confidential end user information may not be effective to protect against data security cybersecurity breaches by third parties.

We use commercially available security technologies, including hardware and software data encryption techniques and multi-layer network security measures, to protect transactions and information. Although we encrypt data fields that typically include sensitive, confidential information, other unencrypted data fields may include similar information that could be accessible in the event of a security breach. We use security and business controls to limit access and use of confidential end user information. **Although we require our customers and third-party suppliers to implement controls similar to ours, the** The technologies and practices of our customers and third-party suppliers may not

meet **all of the requirements we include in our contracts standards** and we may not have the ability to effectively monitor the implementation of security measures of our customers and third-party suppliers. In a number of cases, our customers build and host their own web applications and access our solutions through our APIs. In these cases, additional risks reside in the customer's system with respect to security and preventive controls. As a result, inadequacies of our customers' and third-party suppliers' security technologies and practices may only be detected after a security breach has occurred. Errors in the collection, use, storage or transmission of confidential end user information may result in a breach of privacy or theft of assets.

The risk of unauthorized circumvention of our security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers. Criminals are using increasingly sophisticated techniques to engage in illegal activities involving solutions such as ours or involving end user information, such as counterfeiting, fraudulent payment and identity theft. Because the techniques used by hackers change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures. In addition to hackers, it is possible that a customer could gain unauthorized access to our database through the use of our solutions. Improper access to our systems or databases by hackers or customers intending to commit criminal activities could result in the theft, publication, deletion or modification of confidential end user information. An actual or perceived breach of our security may require notification under applicable **data privacy cybersecurity** regulations.

A **data security cybersecurity** breach of the systems on which sensitive user data and account information are stored could lead to private claims or regulatory actions, including fines, against us. Many of our agreements with clients do not limit our potential liability for breaches of confidentiality, and consequential damages. If any person, including any of our employees, contractors, or consultants, penetrates our network security, misappropriates or mishandles sensitive data, inadvertently or otherwise, we could be involved in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and/or change our business practices or pricing structure, any of which could have a material adverse effect on our revenue and profitability. In addition, our customer contracts typically require us to meet specified minimum system security and privacy standards. If a **data security cybersecurity** breach occurs and we have not been in compliance with these standards, we could be liable for breach of contract claims brought by our customers.

We could also be required to indemnify our customers for third-party claims, fines, penalties and/or other assessments imposed on our customers as a result of any **data security cybersecurity** breach and our liability could exceed our insurance coverage or ability to pay. Our registered investment adviser and broker-dealer subsidiaries may face SEC, FINRA and state enforcement actions, including monetary fines, if it is determined that we had inadequate **data security cybersecurity** measures in place to prevent such theft.

Our security procedures and technologies are regularly audited by independent security auditors engaged by us, and many of our prospective and current customers conduct their own audits or review the results of such independent security audits as part of their evaluation of our solutions. We are also periodically audited by regulatory agencies to which our operations or our customers are subject. Adverse findings in these audits or examinations, even if not accompanied by any **data security cybersecurity** breach, could adversely affect our ability to maintain our existing customer relationships and establish new customer relationships.

**Data security Cybersecurity** breaches, acts of fraud involving our solutions, or adverse findings in security audits or examinations, could result in reputational damage to us, which could reduce the use and acceptance of our solutions, cause our customers to cease doing business with us and/or have a significant adverse impact on our revenue and future growth prospects. Further, any of these events could lead to additional regulation and oversight by federal and state agencies, which could impose new and costly compliance obligations and may lead to the loss of our ability to make our solutions available.

## Risks Related to Laws and Regulations

***Our operations are subject to extensive government regulation, and compliance failures or regulatory action against us could adversely affect our results of operations, financial condition or business.***

The financial services industry is among the most extensively regulated industries in the United States. We operate investment advisory, broker-dealer, and mutual fund funds lines of business, each of which is subject to a specific and extensive regulatory scheme. In addition, we are subject to numerous laws and regulations of general application. It is very difficult to predict the future impact of the legislative and regulatory requirements affecting our business and our clients' businesses.

Certain of our subsidiaries are registered as "investment advisers" with the SEC under the Advisers Act and are regulated thereunder. In addition, many of our investment advisory services are conducted pursuant to the non-exclusive safe harbor from the definition of an "investment company" provided under Rule 3a-4 under the Investment Company Act. If

Rule 3a-4 were to cease to be available, or if the SEC were to modify the rule or its interpretation of how the rule is applied, our business could be adversely affected. Certain of our registered investment adviser subsidiaries provide advice to mutual fund clients. Mutual funds clients. Funds are registered as "investment companies" under the Investment Company Act. Our advisory subsidiaries provide advice on assets subject to the ERISA. The Advisers Act, Investment Company Act and ERISA, together with related regulations and interpretations of the SEC and the Department of Labor, impose numerous obligations and restrictions on investment advisers and mutual funds, including requirements relating to the safekeeping of client funds and securities, limitations on advertising, disclosure and reporting obligations, prohibitions on fraudulent activities, restrictions on transactions between an adviser and its clients, and between a mutual fund and its advisers and affiliates, and other detailed operating requirements, as well as general fiduciary obligations.

In addition, ESI and FIDx Markets are registered as broker-dealers with the SEC, select state securities regulators and are members of FINRA, a securities industry self-regulatory organization that supervises and regulates the conduct and activities of its members. Broker-dealers are subject to regulations that cover all aspects of their business, including sales practices, market making and trading among broker-dealers, use and safekeeping of customer funds and securities, capital structure, recordkeeping and the conduct of directors, officers, employees, representatives and associated persons. FINRA conducts periodic examinations of the operations of its members, including ESI and FIDx Markets. As broker-dealers, ESI and FIDx Markets are also subject to certain minimum net capital requirements under SEC and FINRA rules. Compliance with the net capital rules may limit our ability to withdraw capital from these companies.

Envestnet Data & Analytics is examined on a periodic basis by various regulatory agencies. For example, it is a supervised third-party technology service provider subject to multi-agency supervisory examinations in a wide variety of areas based on published guidance by the Federal Financial Institutions Examination Council. Council and other potential future regulatory agencies. These examinations include examinations of our management, acquisition and development activities, support and delivery, IT, and disaster preparedness and business recovery planning. The Office of the Comptroller of the Currency is the agency in charge of these examinations. If deficiencies are identified, customers may choose to terminate or reduce their relationships with us.

Either as a result of direct regulation or obligations under customer agreements, many of our subsidiaries are required to comply with certain provisions of the Gramm-Leach-Bliley Act, related to the privacy of consumer information and may be subject to other privacy and data security/cybersecurity laws because of the solutions we provide. In addition, numerous regulations have been proposed and are still being written to implement the Dodd-Frank Act for enhanced due diligence of the internal systems and processes of companies like ours by their regulated customers. If we are required to make changes to our internal processes and solutions as result of this heightened scrutiny, we could be required to invest substantial additional time and funds and divert time and resources from other corporate purposes to remedy any identified deficiency.

All of the foregoing laws and regulations are complex, evolving, unclear and inconsistent across various jurisdictions and we are required to expend significant resources in order to maintain our monitoring of, and compliance with, such laws and regulations. We continually develop improvements to our existing products and services as well as new products and services.

Many of these improvements or new products and services may implicate regulations to which we may not already be subject or with which we may not have experience. Any failure on our part to comply with these and other applicable laws and regulations could result in decreasing the demand for these products and services, increasing our potential liability or increase or costs, regulatory fines, suspensions of personnel or other sanctions, including revocation of our subsidiaries as an investment adviser or broker-dealer, as the case may be, which could, among other things, require changes to our business practices and scope of operations or harm our reputation. Any of the foregoing could have a material adverse effect on our results of operations, financial condition or business.

We regularly rely on exemptions from various requirements of the Exchange Act, the Advisers Act, the Investment Company Act and ERISA in conducting our activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our business could be materially and adversely affected.

***Privacy laws and regulations, industry standards and contractual obligations, and changes in these laws, regulations, standards and obligations, can affect the way in which we do business and cause us to incur significant costs and failure to comply with these requirements could negatively affect our business.***

As part of our business, we de-identify and then provide consumer transaction data panels to customers to support data analytics and market research. We collect the underlying transaction data when requested by each applicable consumer. In addition, we provide analytics on the use of investment strategies to third-party investment managers, exchange traded funds,

mutual funds and similar investment vehicles by financial professional users of our technology. These activities are subject to numerous laws, regulations, industry standards and contractual obligations. We have incurred, and will continue to incur, significant expenses to comply with these requirements. New laws have been passed by several jurisdictions regulating the use of personal data and setting requirements for the de-identification of data. Other jurisdictions are considering imposing additional requirements. As our business continues to expand to new industry segments that may be more highly regulated for privacy and data security, cybersecurity, and to countries outside the United States that have more strict data protection laws, we may be subject to increased compliance requirements and costs which could have a material adverse effect on our results of operations, financial condition or business. Industry practices relating to this business activity may change. We are in the process of negotiating new agreements with certain financial institutions governing our access to consumer transaction data when requested by the consumer. These agreements may contain additional requirements relating to our processing and provision of de-identified data. Additionally, our data panel customers might demand that the data that they purchase meet additional data sourcing standards, which we may not satisfy in all cases in the future. Failure to comply with existing or new laws, regulations, standards and obligations could result in loss of rights to use source data for data panels, loss of data panel subscriptions, fines, sanctions or other penalties, which could have a material adverse effect on our results of operations, financial condition or business.

State or federal legislation, regulatory requirements, or regulatory enforcement applicable to this business activity may also change. Privacy groups, governmental agencies and individuals also may seek to restrict or prevent, or may advocate for greater regulation of, our provision of data panels to data panel customers. For example, in January 2020, three members of Congress wrote to the Federal Trade Commission (the "FTC") to request a review of these business practices. In February 2020, we received a civil investigative demand from the FTC for documents and information relating to our data collection, assembly, evaluation, sharing, correction and deletion practices, with which demand we fully complied. In November 2020, we were informed by the FTC that it had closed the matter with no further action.

Our use of data panels is subject to the agreement of our business customers from which we obtain the underlying data or for which we source their underlying data. Although our arrangements with these customers generally permit us to use non-identified transaction level data, some customers decline to permit the use of this data. The inability to use data may limit the usefulness of our solutions and services which could adversely affect our business. For some of our solutions, we contractually require our customers to provide necessary notices and to obtain necessary permissions and waivers for use and disclosure of information through our solutions. A failure by our customers to comply with these contractual requirements could limit our use of the related data and therefore the usefulness of our solutions and services which could adversely affect our business. Furthermore, a failure by our customers to comply with these contractual requirements could subject us to

claims or liability for unauthorized use or disclosure of information. These claims or liabilities could subject us to unexpected costs and have a material adverse effect on our results of operations, financial condition or business.

***Our investment advisory services may subject us to liability for losses that result from potential, perceived or actual breaches of our fiduciary duties.***

Our investment advisory services involve fiduciary obligations that require us to act in the best interests of our clients, and we may be sued and face liabilities for actual or claimed breaches of our fiduciary duties. Because we provide investment advisory services, both directly and indirectly, with respect to substantial assets we could face substantial liability if it is determined that we have breached our fiduciary duties. In certain circumstances, which generally depend on the types of investment solutions and services we are providing, we may enter into client agreements jointly with advisors and retain third-party investment money managers on behalf of clients. As a result, we may be included as a defendant in lawsuits against financial advisors and third-party investment money managers that involve claims of breaches of the duties of such persons, and we may face liabilities for the improper actions and/or omissions of such advisors and third-party investment money managers. In addition, we may face claims based on the results of our investment advisory recommendations, even in the absence of a breach of our fiduciary duty. This risk may be heightened during periods when equity or other financial markets are declining in value or are particularly volatile, or when clients or investors with financial advisory clients are experiencing losses. Such claims and liabilities could have a material adverse effect on our results of operations, financial condition or business.

***We may become subject to liability based on the use of our investment solutions and services by our clients.***

Our investment solutions and services support the investment processes of our clients, which, in the aggregate, manage billions of dollars of assets. Our client agreements have provisions designed to limit our exposure to potential liability claims brought by our clients or third parties based on the use of our investment solutions and services. However, these provisions have certain exceptions and could be invalidated by unfavorable judicial decisions or by federal, state, foreign or local laws. Use of our products as part of the investment process creates the risk that clients, or the parties whose assets are managed by our clients, may pursue claims against us for very significant dollar amounts. Any such claim, even if the outcome were to be ultimately favorable to us, would involve a significant commitment of our management, personnel, financial and other resources and could have a negative impact on our reputation. Such claims and lawsuits could therefore have a material adverse effect on our results of operations, financial condition or business.

Furthermore, our clients may use our investment solutions and services together with software, data or products from other companies. As a result, when problems occur, it might be difficult to identify the source of the problem. Even when our investment solutions and services do not cause these problems, the existence of these errors might cause us to incur significant costs and divert the attention of our management and technical personnel, any of which could materially adversely affect our results of operations, financial condition or business.

***If our investment solutions and services fail to perform properly due to undetected errors or similar problems, our results of operations, financial condition and business could be materially adversely affected.***

Investment solutions and services we develop or license may contain undetected errors or defects despite testing. Such errors can exist at any point in the life cycle of our investment solutions or services, but are frequently found after introduction of new investment solutions and services or enhancements to existing investment solutions or services. We continually introduce new investment solutions and services and new versions of our investment solutions and services. Despite internal testing and testing by current and potential clients, our current and future investment solutions and services may contain serious defects or malfunctions. If we detect any errors before release, we might be required to delay the release of the investment solution or service for an extended period of time while we address the problem. We might not discover errors that affect our new or current investment solutions, services or enhancements until after they are deployed, and we may need to provide enhancements to correct such errors. Errors may occur that could have a material adverse effect on our results of operations, financial condition or business and could result in harm to our reputation, lost sales, delays in commercial release, third-party claims, regulatory

actions, contractual disputes, contract terminations or renegotiations, or unexpected expenses and diversion of management and other resources to remedy errors. In addition, negative public perception and reputational damage caused by such claims would adversely affect our client relationships and our ability to enter into new contracts. Any of these problems could have a material adverse effect on our results of operations, financial condition and business.

***We could face liability for certain information we provide, including information based on data we obtain from other parties.***

We may be subject to claims for securities law violations, negligence, breach of fiduciary duties or other claims relating to the information we provide. For example, individuals may take legal action against us if they rely on information we have provided and it contains an error. In addition, we could be subject to claims based upon the content that is accessible from our website through links to other websites. Moreover, we could face liability based on inaccurate information provided to us by others. Defending any such claims could be expensive and time-consuming, and any such claim could materially adversely affect our results of operations, financial condition or business.

***Our charter provides that the Court of Chancery of the State of Delaware will be the exclusive forum for certain legal actions between us and our stockholders, which could increase costs to bring a claim, discourage claims or limit the ability of our stockholders to bring a claim in a judicial forum viewed by the stockholders as more favorable for disputes with us or our directors, officers or other employees.***

Our charter provides that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any (i) derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine. Although we believe this exclusive forum provision benefits us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, this choice of forum provision may increase costs to bring a claim, discourage claims or limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other

employees, which may discourage such lawsuits against us or our directors, officers and other employees. The exclusive forum provision in our charter will not preclude or contract the scope of exclusive federal or concurrent jurisdiction for actions brought under the federal securities laws including the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the respective rules and regulations promulgated thereunder.

***A deemed "change of control" of our company could require us to obtain the consent of our clients and a failure to do so properly could adversely affect our results of operations, financial condition or business.***

Under the Advisers Act, the investment advisory agreements entered into by our investment adviser subsidiaries may not be assigned without the client's consent. Under the Investment Company Act, advisory agreements with registered funds terminate automatically upon assignment and, any assignment of an advisory agreement must be approved by the board of directors and the shareholders of the registered fund. Under the Advisers Act and the Investment Company Act, such an assignment may be deemed to occur upon a change of control of the Company. A change of control includes either gaining or losing a "controlling person". Whether someone is a controlling person for these purposes depends significantly on the specific facts and circumstances. There can be no assurance that if we undergo a change of control, we would be successful in obtaining all necessary consents or that the method by which we obtain such consents could not be challenged at a later time. If we are unable to obtain all necessary consents or if such a challenge were to be successful it could have a material adverse effect on our results of operations, financial condition or business.

**Risks Related to our Common Stock**

***Holders of our common stock may be diluted by future issuances of common or preferred stock or convertible securities in connection with our incentive plans, acquisitions or otherwise; and future sales of such shares in the public market, or the expectations that such sales may occur, could lower our stock price.***

Our charter authorizes us to issue shares of our common stock and options, rights, warrants and appreciation rights relating to our common stock for the consideration and on the terms and conditions established by our Board of Directors in its sole discretion. We could issue a significant number of shares of common stock, or securities convertible into shares of our common stock, in the future in connection with investments or acquisitions. Any of these issuances could dilute our existing stockholders, and such dilution could be significant. Moreover, such dilution could have a material adverse effect on the market price for the shares of our common stock.

The future issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of shares of our common stock, either by diluting the voting power of our common stock if the preferred stock votes together with the common stock as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote, even if the action were approved by the holders of our shares of our common stock. The future issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive.

***We do not currently intend to pay dividends on our common stock for the foreseeable future and any share repurchases will be subject to our discretion; consequently, your ability to achieve a return on your investment may depend only on appreciation in the price of our common stock.***

We do not anticipate paying any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any gains on their investment. Investors seeking cash dividends should not purchase our common stock.

Additionally, in 2016, we announced that our Board of Directors authorized a share repurchase program under which we may repurchase up to 2.0 million shares of our outstanding common stock. **As of December 31, 2023, 0.3 million shares could still be purchased under this program.** We retain the ability to repurchase when circumstances warrant and may suspend or discontinue such program at any time. The Inflation Reduction Act of 2022, which was signed into law in August 2022, imposes a 1% excise tax on the fair market value of stock repurchases after December 31, 2022, which may impact our future decisions on how to return value to stockholders in the most tax efficient manner.

***Certain provisions in our charter documents and agreements and Delaware law may inhibit potential acquisition bids for our company and prevent changes in our management.***

Our certificate of incorporation and bylaws contains provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change of control of our company or changes in management that our stockholders might deem advantageous. As a result of these provisions in our certificate of incorporation, the price investors may be willing to pay for shares of our common stock may be limited.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which imposes certain restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock.

#### **Item 1B. Unresolved Staff Comments**

None.

## Item 1C. Cybersecurity

### Risk Management and Strategy

Envestnet's Information Security Program uses a risk-based approach to assess, identify and manage material risks from cybersecurity threats and is an integral part of our enterprise risk management program and processes. The Information Security Program is complemented by our business continuity and disaster recovery planning controls. Envestnet's Group Head, Cybersecurity/Information Security Officer is a member of the firm's Risk Management Committee.

We regularly update our enterprise-wide Information Security Program to align with industry best practices and applicable regulations. Envestnet's Information Security Program includes a policy framework that leverages elements from National Institute of Standards and Technology Cybersecurity Frameworks, NIST 800-53 Standards, ISO 27001, Cloud Security Alliance, and other relevant industry best practices to protect the confidentiality, availability, and integrity of our data and systems.

Directed by Envestnet's Group Head, Cybersecurity/Information Security Officer, the Information Security team defines, implements and monitors our Information Security Program. We review and approve our security policies, procedures, and standards annually or whenever material updates are made during the year. Moreover, we undergo SOC 1 Type 2, SOC 2 Type 2, and PCI-DSS (where applicable) audits on multiple technology platforms.

In addition to our Information Security team, we use third-party vendors to help address material risks from cybersecurity threats. Among other things, third parties conduct security assessments, monitor endpoint security, probe our defenses, and conduct cybersecurity exercises. We also leverage third-party providers to aid management to detect, respond and recover in the event of a cyber incident.

To keep information security risks related to suppliers and other third parties within an acceptable range, Envestnet has a third-party oversight program. This program categorizes our third parties, assesses the potential impact of a compromise of Envestnet data and other resources in relation to the third-party's engagement and manages the risk associated with third parties. This risk management includes understanding whether the third-party has required controls in place, whether it has vulnerabilities that need to be managed before beginning work with us and what residual risks will remain and require acceptance or further decision making.

### Risks from Cybersecurity Threats

No risks from cybersecurity threats materially affected Envestnet's business strategy, results of operations or financial condition during the year that ended December 31, 2023. Moreover, such risks do not appear to be reasonably likely to affect our business strategy, results of operations or financial condition.

### Governance

#### **Board of Directors' Oversight of Risks from Cybersecurity Threats**

Envestnet's Board of Directors maintains regular oversight of risks from cybersecurity threats. In particular, its Compliance and Information Security Committee reviews, assesses, and makes recommendations to our Board about our regulatory compliance programs and information technology security framework, including cybersecurity threats. This includes receiving regular reports from the Information Security team on audits, security issues, changes in risk postures and regulatory matters. The Compliance and Information Security Committee also oversees selection of Envestnet's independent security

assessors and reviews their reports. The Committee is authorized to request that any Envestnet director, officer, employee, outside counsel or independent auditor attend a meeting of the committee or meet with any of its members or advisors.

The majority of the directors who serve on the Compliance and Information Security Committee must be independent. The Committee meets quarterly and on an ad hoc basis.

## **Management's Role in Assessing and Managing Material Risks from Cybersecurity Threats**

Envestnet's senior management assesses and manages material risks from cybersecurity threats through its Information Security Management Committee. The Information Security Management Committee provides direction, management, support and sponsorship associated with information security. Chaired by Envestnet's Group Head, Cybersecurity/Information Security Officer, the Information Security Management Committee consists of Envestnet's Executive and Senior management from Operations, Legal, Compliance, Systems, Business, Human Resources and Finance.

Our Group Head, Cybersecurity/Information Security Officer has a total of more than 28 years of experience in cybersecurity, technology and information technology roles with financial services, technology and consulting companies. She joined Envestnet in 2020.

The Information Security Management Committee's responsibilities include, but are not limited to:

- Setting, reviewing and supporting the components of the Information Security Program;
- Monitoring significant risk trends and proposing changes to controls and policies, as appropriate;
- Ensuring that information security is resourced and prioritized;
- Ensuring the proper execution of risk management activities;
- Establishing and maintaining a culture that promotes information security;
- Reviewing and evaluating the implementation and effectiveness of the Information Security Program through regular external and internal assessments;
- Maintaining cybersecurity incident response preparedness;
- Providing support for and visibility to information security initiatives; and
- Coordinating with the Information Security team to provide regular reports to the Compliance and Information Security Committee of the Board of Directors about audits, security issues, changes in risk postures and regulatory matters, among other cybersecurity topics.

### **Item 2. Properties**

Our headquarters are located in Berwyn, Pennsylvania. We support our Envestnet Wealth Solutions segment primarily through offices in Denver, Colorado; Raleigh, North Carolina; Berwyn, Pennsylvania; Richmond, Virginia; Boston, Massachusetts; and Trivandrum, India. We support our Envestnet Data & Analytics segment primarily through offices our office in San Mateo, California; and Raleigh, North Carolina. The majority of our offices are leased. We believe that our office facilities are adequate for our immediate needs and that additional or substitute space is available if needed to accommodate the foreseeable growth of our operations.

### **Item 3. Legal Proceedings**

See Part II, Item 8, "Note 21—Commitments" 24—Commitments and Contingencies" for Legal Proceedings details.

### **Item 4. Mine Safety Disclosures**

This section is not applicable.

## **PART II**

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

#### **(a) Market Information**

Our common stock is listed on the New York Stock Exchange under the symbol "ENV".

**(b) Holders**

The number of holders of record of our common stock was 124,114 as of February 21, 2023 February 23, 2024.

**Common Stock**

As of December 31, 2022 December 31, 2023, we had 500,000,000 common shares authorized at a par value of \$0.005, of which 54,013,826 54,773,662 shares were outstanding.

**Preferred Stock**

As of December 31, 2022 December 31, 2023, we had 50,000,000 preferred shares authorized at a par value of \$0.005, of which no shares were outstanding.

**(c) Dividends**

We have never declared or paid cash dividends on our common stock, and we intend to retain our future earnings, if any, to fund the growth of our business. We therefore do not anticipate paying any cash dividends on our common stock in the foreseeable future. Our future decisions concerning the payment of dividends on our common stock will depend upon our results of operations, financial condition and capital expenditure plans, as well as any other factors that the Board, in its sole discretion, may consider relevant.

**(d) Securities Authorized for Issuance Under Equity Compensation Plan**

For a description of securities authorized under our equity compensation plans, see Part II, Item 8, "Note 15—19—Stock-Based Compensation" and Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters".

**(e) Stock Performance Graph**

The following graph compares the cumulative return to stockholders for \$100 invested in our common stock relative to the cumulative total returns of the Russell® 2000 Index and The S&P North American Technology Sector Index for each of the last five fiscal years. In calculating total annual stockholder return, reinvestment of dividends, if any, is assumed. The indices are included for comparative purposes only. This graph is not "soliciting material," is not deemed filed with the SEC and is not to be incorporated by reference in any of our filings under the Securities Act, as amended, or the Exchange Act, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

**5 YEAR STOCK PERFORMANCE GRAPH**



	12/30/2017	12/31/2018	12/31/2019	12/30/2020	12/30/2021	12/31/2022	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Envestnet, Inc.	\$100.00	\$ 98.68	\$139.68	\$165.08	\$159.16	\$123.77						

Russell®	Russell®
2000 Index	2000 Index
	100.00 87.82 108.66 128.61 146.23 114.70
S&P North American Technology Sector Index	S&P North American Technology Sector Index
	100.00 101.11 144.78 207.31 260.56 167.17

The stock price performance included in the graph above is not necessarily indicative of future stock price performance.

**(f) Recent Sales of Unregistered Securities**

None

**(g) Issuer Purchases of Equity Securities**

	Total number of shares purchased	Average price paid per share	Total number of shares purchased	Maximum number (or approximate dollar value) of shares
			as part of publicly announced plans or programs	that may yet be purchased under the plans or programs
October 1, 2022 through October 31, 2022	—	\$ —	—	1,748,882
November 1, 2022 through November 30, 2022	—	—	—	1,748,882
December 1, 2022 through December 31, 2022	1,417,622	60.50	1,417,622	331,260

In 2016, the Company announced that its Board of Directors had authorized a share repurchase program under which the Company may repurchase up to 2.0 million shares of its common stock. The timing and volume of share repurchases will be determined by the Company's management based on its ongoing assessments of the capital needs of the business, the market price of its 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. **No share repurchases were made during the three months ended December 31, 2023. As of December 31, 2022** December 31, 2023, 0.3 million shares could still be purchased under this program.

**Item 6. [Reserved]**

**Item 6. Selected Financial Data**

Part II, Item 6 is no longer required as the Company has adopted certain provisions within the amendments to Regulation S-K that eliminate Item 301.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with the consolidated financial statements and the notes to those statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See Part I, "Forward-Looking Statements" and Part I, Item 1A, "Risk Factors" for a discussion of the uncertainties, risks, and assumptions associated with these statements. Actual results could differ materially from the results referenced in forward-looking statements.

## 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 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 106,000 Envestnet's clients include more than 108,000 advisors, and approximately 6,900 companies, including 16 of the 20 largest U.S. banks, 47 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.

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 and India and other international locations.

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.

## Recent Developments

### Leadership Update

On January 7, 2024, the Company entered into a separation and release agreement with Mr. Crager in which it was agreed that Mr. Crager will step down as chief executive officer on March 31, 2024 and as a member of the Company's Board of Directors promptly following Envestnet's 2024 Annual Meeting. Beginning April 2024, Mr. Crager will serve as a senior advisor, focusing on client and partner relationships. Beginning April 1, 2024, James Fox will begin serving as our Interim Chief Executive Officer until our Board of Directors has appointed a new chief executive officer. Mr. Fox has served as a member of our Board of Directors since February 2015 and Chair of the Board of Directors since March 2020.

### Business Segments

On October 1, 2023, we changed the composition of our 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 change does 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 Annual Report on Form 10-K for the year ended December 31, 2023 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 consolidated balance sheets should have been recognized as a prepayment included within prepaid expenses and other current assets and other assets in the 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 years reported within this Annual Report on Form 10-K for the year ended December 31, 2023.

### **Macroeconomic Environment**

Our business is directly and indirectly affected by macroeconomic conditions and the state of global financial markets. Recent geopolitical uncertainty, resulting, in part, from the conflict in the Middle East which intensified on and after October 7, 2023, the military conflict between Russia and Ukraine which escalated in February 2022, as well as rising inflation, have contributed to significant volatility and decline in global financial markets during 2022 which continues as continued throughout most of the date of this Annual Report, 2023. The uncertainty over the extent and duration of the ongoing conflict 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 and duration of the conflict and this period 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 the conflict 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 December 31, 2022 December 31, 2023, the consolidated financial statements do not reflect any adjustments as a result of these macroeconomic conditions.

### **Credit Agreement**

**On November 14, 2022, we entered into a First Amendment to the Third Amended and Restated Credit Agreement (the "Third Credit Agreement") with a group of banks. The Third Credit Agreement, dated as of February 4, 2022, amended and restated, in its entirety, our prior credit agreement.**

The First Amendment to the Third Credit Agreement amended certain provisions under the Third Credit Agreement to (i) permit us to enter into derivative transactions related to our common stock in connection with the issuance of any convertible indebtedness permitted to be incurred under the Third Credit Agreement and (ii) eliminate the testing of the liquidity covenant on March 31, 2023. The Third Credit Agreement amended certain provisions under the prior credit agreement to, among other things, (i) extend the maturity of loans and the revolving credit commitments, (ii) reduce the interest rate payable on the loans and (iii) increase capacity and flexibility under certain of the negative covenants.

The Third Credit Agreement provides, subject to certain customary conditions, for a revolving credit facility ("Revolving Credit Facility"), in an aggregate amount of \$500.0 million, with a \$20.0 million sub-facility for issuances of letters of credit.

In connection with entering into the Third Credit Agreement, we capitalized \$1.9 million of new issuance costs and wrote off \$0.6 million of existing deferred financing charges.

In the event that we borrow monies under the Revolving Credit Facility, at Envestnet's option, we will pay interest on these borrowings at a rate equal to either (i) a base rate plus an applicable margin ranging from 0.25% to 1.75% per annum or (ii) an adjusted Term Secured Overnight Financing Rate ("SOFR") plus an applicable margin ranging from 1.25% to 2.75% per annum, in each case based upon the total net leverage ratio, as calculated pursuant to the Third Credit Agreement. Any borrowings under the Credit Facility mature on February 4, 2027. The undrawn portion of the commitments under the Credit Facility is subject to a commitment fee at a rate ranging from 0.25% to 0.30% per annum, based upon the total net leverage ratio as calculated pursuant to the Credit Agreement.

Obligations under the Third Credit Agreement are guaranteed by substantially all of Envestnet's domestic subsidiaries and are secured by a first-priority lien on substantially all of the personal property (other than intellectual property) of Envestnet and the guarantors, subject to certain exclusions. Proceeds under the Third Credit Agreement may be used to finance capital expenditures and permitted acquisitions and for working capital and general corporate purposes.

### **Private Offering of Convertible Notes due 2027**

In November 2022, we issued \$575.0 million aggregate principal amount of convertible notes due 2027 ("Convertible Notes due 2027"). The Convertible Notes due 2027 will mature on December 1, 2027, unless earlier repurchased, redeemed or converted. Net proceeds from the offering were approximately \$558.7 million. The Convertible Notes due 2027 bear interest at a rate of 2.625% per annum payable semiannually in arrears in cash on June 1 and December 1 of each year, beginning on June 1, 2023.

The Convertible Notes due 2027 are general unsecured obligations, subordinated in right of payment to our obligations under our revolving credit facility. The Convertible Notes due 2027 are convertible into shares of our common stock under certain circumstances prior to maturity at a conversion rate of 13.6304 shares per one thousand principal amount of notes, which represents a conversion price of \$73.37 per share, subject to adjustment under certain conditions.

In connection with the pricing of the Convertible Notes due 2027, the Company entered into privately negotiated capped call transactions (the "Capped Call Transactions") with certain financial institutions for a total cost of approximately \$79.6 million. The Capped Call Transactions initially cover the number of shares of our common stock underlying the Convertible Notes due 2027, subject to customary anti-dilution adjustments. The Capped Call Transactions are net purchased call options on our common stock.

Using proceeds from the issuance of the Convertible Notes due 2027, we repurchased \$300.0 million aggregate principal of the outstanding Convertible Notes due 2023 for cash consideration of approximately \$312.4 million and recognized a loss on extinguishment of approximately \$13.4 million recognized in interest expense. As of December 31, 2022, aggregate principal of \$45.0 million less unamortized debt issuance costs of \$0.1 million remain outstanding after the repurchase. Additionally, we repurchased \$200.0 million aggregate principal of the outstanding Convertible Notes due 2025 for cash consideration of approximately \$181.8 million and recognized a gain on extinguishment of approximately \$15.1 million recognized in interest expense. As of December 31, 2022, aggregate principal of \$317.5 million less unamortized debt issuance costs of \$4.8 million remain outstanding after the repurchase.

See Part II, Item 8, "Note 10—Debt, Convertible Notes due 2025" for more details regarding the issuance of the Convertible Notes due 2027, repurchases of Convertible Notes due 2023 and Convertible Notes due 2025, and Capped Call Transactions.

### **Procurement of Technology Solutions**

On April 1, 2022, we entered into a purchase agreement with a privately held company to acquire the technology solutions being developed by this privately held company for a purchase price of \$9.0 million. We have paid a \$4.0 million advance during the year ended December 31, 2022. This advance is included in other non-current assets in the consolidated balance sheets.

### **Office Closures**

In April 2022, in response to changing needs and an increase in employees working remotely, we closed three offices in the United States. In December 2022, we closed our office in Bangalore, India as a result of the outsourcing arrangement with Tata Consultancy Services ("TCS") (as described below). We are currently exploring alternative uses for these properties, including sublease options. In connection with these closures, in the year ended December 31, 2022, we recognized \$4.4 million of losses on asset retirements, which are included in general and administration expense in the consolidated statement of operations. Additionally, in the year ended December 31, 2022, we recognized approximately \$13.0 million of lease related impairments, primarily right-of-use assets, which are included in general and administration expense in the consolidated statement of operations.

### **Investment in Privately Held Companies**

On May 20, 2022, we acquired a 25.0% interest in a privately held company for cash consideration of \$5.0 million. Subject to the occurrence of certain conditions, we agreed to invest up to an additional \$10.0 million for additional units in the future. We use the equity

method of accounting to record our portion of this privately held company's net income or loss on a one quarter lag from the actual results of operations. We use the equity method of accounting because of our less than 50% ownership interest and lack of control and we do not otherwise exercise control over the significant economic and operating decisions of the privately held company.

On September 2, 2022, we acquired additional membership units in a privately held company in which we already had an approximate 43% ownership interest for \$8.4 million which increased our ownership interest to 48%. We use the equity method of accounting to record our portion of this privately held company's net income or loss on a one quarter lag from the actual results of operations. After this unit purchase, our investment in this privately held company exceeded our proportionate share of our net assets by approximately \$7.8 million, which represents amortizable intangible assets. We will recognize amortization of this basis difference prospectively over a period of 5 years. This amortization will be included within our proportional share of income (loss) in other expense, net in the consolidated statements of operations.

#### ***Dilution gains on equity method investee share issuance***

We have an ownership interest in a privately held company that is accounted for under the equity method. During the first quarter of 2022, we funded a \$2.5 million convertible loan to this privately held company. During the second quarter of 2022, this privately held company raised additional preferred equity which reduced our ownership to 41.0% and our convertible loan was converted. As a result of this transaction, we recorded a \$6.9 million dilution gain during the second quarter of 2022, which is included in other expense, net in the consolidated statements of operations.

During the fourth quarter of 2022, another of our equity method investee's raised additional preferred equity which reduced our ownership to 3.51%. As a result of this transaction, we recorded a \$2.6 million dilution gain during the fourth quarter of 2022, which is included in other expense, net in the consolidated statements of operations.

#### ***Exercise of Membership Interests***

We granted membership interests in certain of our equity investments to two legacy PIETech executives as part of the 2019 acquisition of PIETech. These interests, which were fully vested as of May 1, 2020, became exercisable on May 1, 2022. In July 2022, these executives exercised their respective put options and sold these membership interests to us for approximately \$10 million.

#### ***Acquisition of 401kplans.com***

On May 31, 2022, we acquired 401kplans.com LLC ("401kplans.com"). 401kplans.com has been integrated into the Envestnet Wealth Solutions segment.

401kplans.com provides a digital 401(k) retirement plan marketplace that streamlines retirement plan distribution and due diligence among financial advisors and third-party administrators. The acquisition demonstrates our commitment to the retirement plan industry and is expected to create a more seamless experience and enhance productivity for advisors by helping them shop, compare and select the best-fitting 401(k) plan for their client.

In connection with the 401kplans.com acquisition, we paid estimated consideration of \$14.5 million, net of cash acquired, subject to certain post-closing adjustments. We funded the acquisition with available cash resources.

#### ***Acquisition of Truelytics***

On July 1, 2022, we acquired Truelytics, Inc. ("Truelytics"). The acquisition of Truelytics aligns with our strategy to further connect our ecosystem by creating transformative progress for our advisors and clients. Truelytics is an Advisor Transition Management platform and the first end-to-end data-driven system to help wealth management and insurance enterprises attract, grow, and retain advisory businesses, while also reducing the costs related to advisor transitions. The Truelytics platform combines our data, analytics, and wealth technology to further support advisors across the ecosystem. Truelytics has been integrated into the Envestnet Data & Analytics segment.

In connection with the acquisition of Truelytics, we paid estimated cash consideration of approximately \$20.7 million, net of cash acquired, subject to certain post-closing adjustments. We funded the Truelytics acquisition with available cash resources.

#### **Acquisition of Redi2**

On July 1, 2022, we acquired Redi2 Technologies Inc. ("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 the Envestnet Wealth Solutions segment.

In connection with the Redi2 acquisition, we paid estimated consideration of approximately \$68.9 million in cash. In addition, certain executives may earn up to \$20.0 million in performance bonuses based upon the achievement of certain target financial and non-financial metrics. These performance bonuses are recognized as compensation and benefits expense in the statement of operations. As of December 31, 2022, the amount recorded in the statement of operations related to these performance bonuses was immaterial. We funded the Redi2 acquisition with available cash resources.

#### **Inflation Reduction Act of 2022**

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022 ("IRA"), 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 IRA are effective beginning in 2023. We are currently evaluating the impacts of this act on our consolidated financial statements.

#### **Entry into Outsourcing Arrangement**

In October 2022, we entered into an outsourcing arrangement with TCS to increase operational scale and business agility. Under this agreement, we will outsource certain administrative and operational services of the Envestnet Data & Analytics business located in Bangalore, India. The agreement became effective in October 2022 and will continue for a period of ten years. In certain circumstances, we may terminate certain portions of the agreement, and in doing so, the agreement requires us to pay significant termination fees. In connection with the outsourcing arrangement with TCS, we incurred severance expenses, write-off of lease related restructuring costs, and other related expenses of approximately \$9.1 million.

#### **Organizational Realignment**

In the fourth quarter of 2022, as part of an organizational realignment, we entered into separation agreements with a number of employees. This realignment will allow us to operate more efficiently and prioritize activities and services that will benefit our clients and the future of our business. In connection with the organizational realignment, we incurred approximately \$10.1 million of total severance expense during 2022.

#### **Privately Held Company Investment Promissory Note**

On January 31, 2023, we entered into a convertible promissory note agreement with a customer of our 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"). 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 year ended December 31, 2023, interest income related to the Convertible Promissory Note included in interest income in the consolidated statements of operations was \$1.5 million.

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 year ended December 31, 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 of 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.

#### **Reduction in Force Initiative**

During the year ended December 31, 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 \$35.4 million of total severance expense in the year ended December 31, 2023.

As of December 31, 2023 we had an ending liability balance of \$10.3 million related to these efforts, of which we anticipate approximately \$9.2 million to be paid throughout 2024, with the remaining balance paid through 2030.

#### **Operating Results**

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

**Revenue Factors:** 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 revenue was materially adversely affected. Beginning in the three months ended March 31, 2023 asset-based recurring revenue has been increasing 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 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 2023. In addition, during the fourth quarter of 2023, the Company recognized a non-cash impairment charge to goodwill of \$191.8 million. See below for further discussion of the goodwill impairment.

As discussed above, our business is directly and indirectly affected by macroeconomic conditions and the state of global financial markets. The return to 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, which the Company has undertaken as discussed above.

#### **Goodwill Impairment**

Due to lower revenue and profits in the Envestnet Data & Analytics segment in 2023 compared to prior years, the Company performed a quantitative goodwill impairment evaluation as part of the annual goodwill impairment analysis for each reporting unit in the fourth quarter of 2023 utilizing a combination of the discounted cash flow method (income approach) and guideline public company method (market approach).

As a result of this impairment test, the carrying value of the Envestnet Data & Analytics reporting unit exceeded its fair value, which resulted in the recognition of a non-cash impairment charge to goodwill of \$191.8 million in the consolidated statements of operations for the year ended December 31, 2023.

## 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:

		As of December 31,			As of December 31,		
		2022	2021	2020	2023	2022	2021
		(in millions, except accounts and advisors data)			(in millions, except accounts and advisors data)		
Platform Assets	Platform Assets						
AUM	AUM	\$ 341,144	\$ 362,038	\$ 263,043			
AUM							
AUM							
AUA	AUA	367,412	456,316	405,365			
Total AUM/A	Total AUM/A	708,556	818,354	668,408			
Subscription	Subscription	4,382,109	4,901,662	3,892,814			
Total Platform Assets		\$ 5,090,665	\$ 5,720,016	\$ 4,561,222			
Total platform assets							
Platform Accounts	Platform Accounts				Platform Accounts		
AUM	AUM	1,547,009	1,345,274	1,073,122			
AUA	AUA	1,135,026	1,217,076	1,276,975			
Total AUM/A	Total AUM/A	2,682,035	2,562,350	2,350,097			
Subscription	Subscription	15,665,020	14,986,531	11,079,048			
Total Platform Accounts		18,347,055	17,548,881	13,429,145			
Total platform accounts							
Advisors	Advisors				Advisors		
AUM/A	AUM/A	38,025	39,735	41,206			
Subscription	Subscription	67,520	68,808	65,104			

Total Advisors	Total Advisors	105,545	108,543	106,310
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The following 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:

Asset Rollforward - 2023												
	As of December 31, 2022		Gross Sales		Redemptions		Net Flows		Market Impact		Reclass to Subscription	As of December 31, 2023
(in millions, except account data)												
AUM	\$ 341,144	\$ 101,305	\$ (71,217)	\$ 30,088	\$ 47,360	\$ (2,591)	\$ 416,001					
AUA	367,412	127,906	(99,468)	28,438	48,868	(13,872)	430,846					
Total AUM/A	\$ 708,556	\$ 229,211	\$ (170,685)	\$ 58,526	\$ 96,228	\$ (16,463)	\$ 846,847					
Fee-Based Accounts	2,682,035			312,915			(99,109)			2,895,841		

The above AUM/A gross sales figures for the year ended December 31, 2023 include \$72.3 billion in new client conversions. We onboarded an additional \$169.7 billion in subscription conversions during the year ended December 31, 2023 bringing total conversions for the year ended December 31, 2023 to \$242.0 billion.

Asset Rollforward - 2022												
	As of December 31, 2021		Gross Sales		Redemptions		Net Flows		Market Impact		Reclass to Subscription	As of December 31, 2022
(in millions, except account data)												
AUM	\$ 362,038	\$ 100,098	\$ (68,181)	\$ 31,917	\$ (60,948)	\$ (584)	\$ 8,721	\$ 341,144				
AUA	456,316	120,409	(95,016)	25,393	(73,849)	(31,727)	(8,721)	367,412				
Total AUM/A	\$ 818,354	\$ 220,507	\$ (163,197)	\$ 57,310	\$ (134,797)	\$ (32,311)	\$ —	\$ 708,556				
Fee-Based Accounts	2,562,350			243,320			(123,635)			2,682,035		

<sup>(1)</sup> Certain assets have been reclassified from AUA to AUM to better reflect the nature of the services provided to certain customers.

The above AUM/A gross sales figures for the year ended December 31, 2022 include \$52.9 billion in new client conversions. We onboarded an additional \$132.3 billion in subscription conversions during 2022, the year ended December 31, 2022, bringing total conversions for the year ended December 31, 2022 to \$185.2 billion.

Asset Rollforward - 2021												
	As of December 31, 2020		Gross Sales		Redemptions		Net Flows		Market Impact		Reclass to Subscription	As of December 31, 2021
(in millions, except account data)												
AUM	\$ 362,038	\$ 100,098	\$ (68,181)	\$ 31,917	\$ (60,948)	\$ (584)	\$ 8,721	\$ 341,144				
AUA	456,316	120,409	(95,016)	25,393	(73,849)	(31,727)	(8,721)	367,412				
Total AUM/A	\$ 818,354	\$ 220,507	\$ (163,197)	\$ 57,310	\$ (134,797)	\$ (32,311)	\$ —	\$ 708,556				
Fee-Based Accounts	2,562,350			243,320			(123,635)			2,682,035		

	(in millions, except account data)								
AUM	\$ 263,043	\$ 117,066	\$ (52,668)	\$ 64,398	\$ 34,597	\$ —	\$ 362,038		
AUA	405,365	116,675	(92,299)	24,376	40,787	(14,212)	456,316		
Total AUM/A	\$ 668,408	\$ 233,741	\$ (144,967)	\$ 88,774	\$ 75,384	\$ (14,212)	\$ 818,354		
Fee-Based Accounts	2,350,097			322,138		(109,885)	2,562,350		

The above AUM/A gross sales figures include \$34.9 billion in new client conversions. We onboarded an additional \$312.4 billion in subscription conversions during 2021, bringing total conversions for the year to \$347.3 billion.

Asset and account figures in the "Reclass to Subscription" columns for the years ended December 31, 2022 December 31, 2023 and 2021 2022 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 year in which the reclassification occurred, with no impact on total platform assets or accounts.

### Envestnet Data & Analytics Segment

#### Paid End-Users

A paid end-user is defined as a user of an application or service provided to our customer using the Envestnet Data & Analytics platform whose status corresponds to a billable activity under the associated customer contract. We believe that our ability to increase the number of paid end-users is an indicator of our market penetration, the growth of our business, and our potential future business opportunities.

Paid The following table provides information regarding the number of paid end-users were approximately 37 million, 32 million and 35 million as of December 31, 2022, 2021 and 2020, respectively. firms using the Envestnet Data & Analytics platform in the periods indicated:

	As of		
	December 31, 2023	December 31, 2022	December 31, 2021
	(in millions, except number of firms data)		
Number of paid end-users	38.3	38.8	31.8
Number of firms	1,324	1,286	1,211

### Revenues Revenue

#### Overview

We earn revenues revenue primarily under three pricing models. First, a portion of our revenues revenue is derived from fees charged as a percentage of the assets that are managed or administered on our technology platforms by financial advisors. These revenues are This revenue is recorded under asset-based revenues. revenue. Our asset-based fees vary based on the types of investment solutions and services that financial advisors utilize. Asset-based fees accounted for approximately 60%, 60% and 54% of our total revenues for the years ended December 31, 2022, 2021 and 2020, respectively. In future periods, the percentage of our total revenues revenue attributable to asset-based fees is expected to vary based on fluctuations in securities markets, whether we enter into new, or lose, significant subscription agreements, the mix of AUM or AUA, and other factors.

We also generate **revenues** **revenue** from recurring, contractual subscription fees for providing access to our technology platforms. This subscription revenue includes both contractual minimum payments and usage-based fees and is driven primarily by the number of customers, including new customers as well as customers who renew their existing subscription contracts, and the number of paid end-users. **These revenues are** **This revenue** is recorded under subscription-based **revenues** **revenue**. Subscription fees vary based on the scope of technology solutions and services being used, and are priced in a variety of constructs based on the size of the business, number of users or number of accounts and in many cases can increase over time based on the growth of these factors. **Subscription fees accounted for 39%, 38% and 43%** of our total revenues for the years ended December 31, 2022, 2021 and 2020, respectively.

Finally, a portion of our **revenues are** **revenue** is generated from fees received in connection with professional services and other sources.

#### **Asset-based recurring revenues** **revenue**

We generally charge our customers fees based on a higher percentage of the market value of AUM than the fees we charge on the market value of AUA, because we provide fiduciary oversight and/or act as the investment advisor in connection with assets we categorize as AUM. The level of fees varies based on the nature of the investment solutions and services we provide, as well as the specific investment manager, fund and/or custodian chosen by the financial advisor. A portion of our **revenues** **revenue** from assets under management or administration includes costs paid by us to third parties for sub-advisory, clearing, custody and brokerage services. These expenses are recorded under **cost of revenues** **direct expense**. We do not have fiduciary responsibility in connection with AUA and, therefore, generally charge lower fees on these assets. Our fees for AUA vary based on the nature of the investment solutions and services we provide.

Approximately **80%** **75%** of our asset-based recurring **revenues** **revenue** from AUM/A are billed to customers at the beginning of each quarter and are based on the market value of their assets on our platforms as of the end of the prior quarter. For example, asset-based recurring **revenues** **revenue** recognized during the fourth quarter of **2022** were **2023** was primarily based on the market value of assets as of **September 30, 2022** **September 30, 2023**. Our asset-based recurring **revenues** **revenue** is generally recognized ratably throughout the quarter based on the number of days in the quarter.

Our asset-based recurring **revenues** **revenue** is affected by the amount of new assets that are added to existing and new client accounts, which we refer to as gross sales. Gross sales, from time to time, also include conversions of client assets to our technology platforms. The amounts of assets that are withdrawn from client accounts are referred to as redemptions. We refer to the difference between gross sales and redemptions as net flows. Positive net flows indicate that the market value of assets added to client accounts exceeds the market value of assets that have been withdrawn from client accounts.

Our asset-based **revenues** **revenue** is also affected by changes in the market values of securities held in client accounts due to fluctuations in the securities markets. Certain types of securities have historically experienced greater market price fluctuations, such as equity securities, than other securities, such as fixed income securities, though in any given period the type of securities that experience the greatest fluctuations may vary.

#### **Subscription-based recurring revenues** **revenue**

Subscription-based recurring **revenues** **revenue** is generally recognized ratably over the term of each respective subscription agreement, commencing on the date the service is provisioned to the customer, provided all applicable revenue recognition criteria have been satisfied. As part of the subscription contracts, **many of our** **open banking** **customers** **generally** commit to a minimum level of paid end-users from which a minimum level of non-refundable subscription revenue is derived. As paid end-users in excess of the guaranteed minimum level access the platform, the customer is then required to pay additional usage fees calculated based upon a contracted per-paid-user fee. No refunds or credits are given if fewer paid end-users access the platform than the contracted minimum level. Usage-based revenue is recognized as earned, provided all applicable revenue recognition criteria have been satisfied. **Our subscription-based revenue is affected by the addition, loss and timing of customer contracts as well as access to data in the research business.**

## **Professional services and other revenues revenue**

We also receive **revenues revenue** from professional services fees by providing customers with certain technology platform software development and implementation services. **These revenues are** **This revenue is** recognized when completed, under a proportional-performance model utilizing an output-based approach or on a straight-line basis, over the estimated life of the customer relationship. Our contracts generally have fixed prices and generally specify or quantify interim deliverables.

## **Expenses**

The following is a description of our principal expense items:

### **Cost of revenues Direct expense**

**Cost** **Direct expense** primarily consists of **revenues** **primarily includes** expenses related to our receipt of sub-advisory and clearing, custody and brokerage services from third parties. The largest component of **cost of revenues** **direct expense** is paid to **third party** **third-party** investment managers. Clearing, custody and brokerage services are performed by third-party providers. These expenses are typically calculated based upon a contractual percentage of the market value of assets held in customer accounts measured as of the end of each fiscal quarter and are recognized ratably throughout the quarter based on the number of days in the quarter. Also included in **cost of revenues** **direct expense** are vendor specific expenses related to the direct support of **revenues** **revenue** associated with the Envestnet Data & Analytics products.

### **Employee compensation**

#### **Compensation and benefits**

**Compensation and benefits** **expenses** **Employee compensation** **expense** primarily **relate to** **consists of** **employee compensation**, **including** **salaries**, **short-term** **incentive compensation**, **non-cash stock-based compensation**, **incentive compensation**, **benefits** and **employer-related taxes**.

### **General and administration administrative**

**General and** **administration** **expenses** **include** **administrative expense** **primarily consists of** **costs** **and expenses** **related to** **occupancy**, **communications services**, **research and data services**, **software and maintenance charges**, **marketing**, **professional and legal services**, **travel and entertainment** and **acquisition/transaction related expenses**.

### **Depreciation and amortization**

Depreciation and amortization **expenses** **include** **expense** **primarily consists of** depreciation and amortization related to:

- fixed assets, including building and building improvements, computer equipment and software, leasehold improvements, office furniture and fixtures and office equipment and other;
- internally developed software; and
- intangible assets, primarily related to customer lists, proprietary technology and trade names, the values of which are capitalized in connection with our acquisitions.

Building, furniture and equipment are depreciated using the straight-line method based on the estimated useful lives of the depreciable assets. Leasehold improvements are amortized using the straight-line method over their estimated economic useful lives or the remaining lease term, whichever is shorter. Improvements are capitalized, while repairs and maintenance costs are recorded as expenses in the period they are incurred. Assets are tested for recoverability whenever events or circumstances indicate that the carrying value of the assets may not be recoverable.

## Operational Highlights

Internally developed software is amortized on a straight-line basis over its estimated useful life. We evaluate the useful lives

	Year Ended December 31,			2023 vs 2022		2022 vs 2021	
	2023	2022	2021	\$ Change	% Change	\$ Change	% Change
(in thousands, except per share information and percentages)							
<b>Revenue:</b>							
<i>Envestnet Wealth Solutions:</i>							
Asset-based	\$ 745,238	\$ 738,228	\$ 709,376	\$ 7,010	1 %	\$ 28,852	4 %
Subscription-based	325,398	310,217	280,076	15,181	5 %	30,141	11 %
Total recurring revenue	1,070,636	1,048,445	989,452	22,191	2 %	58,993	6 %
Professional services and other revenue	24,068	16,799	14,190	7,269	43 %	2,609	18 %
Total Envestnet Wealth Solutions revenue	\$ 1,094,704	\$ 1,065,244	\$ 1,003,642	\$ 29,460	3 %	\$ 61,602	6 %
<i>Envestnet Data &amp; Analytics:</i>							
Subscription-based	\$ 139,332	\$ 167,627	\$ 173,913	\$ (28,295)	(17)%	\$ (6,286)	(4)%
Total recurring revenue	139,332	167,627	173,913	(28,295)	(17)%	(6,286)	(4)%
Professional services and other revenue	11,584	6,913	8,962	4,671	68 %	(2,049)	(23)%
Total Envestnet Data & Analytics revenue	\$ 150,916	\$ 174,540	\$ 182,875	\$ (23,624)	(14)%	\$ (8,335)	(5)%
Total consolidated revenue	\$ 1,245,620	\$ 1,239,784	\$ 1,186,517	\$ 5,836	— %	\$ 53,267	4 %
Deferred revenue fair value adjustment	69	216	284	(147)	(68)%	(68)	(24)%
Total consolidated adjusted revenue*	\$ 1,245,689	\$ 1,240,000	\$ 1,186,801	\$ 5,689	— %	\$ 53,199	4 %
Consolidated net income (loss) attributable to Envestnet, Inc.	\$ (238,724)	\$ (80,939)	\$ 13,296	\$ (157,785)	**	\$ (94,235)	**
Net income (loss) attributable to Envestnet, Inc. per share:							
Basic	\$ (4.38)	\$ (1.47)	\$ 0.24	\$ (2.91)	**	\$ (1.71)	**
Diluted	\$ (4.38)	\$ (1.59)	\$ 0.24	\$ (2.79)	**	\$ (1.83)	**

Adjusted EBITDA*	\$ 250,913	\$ 215,408	\$ 261,730	\$ 35,505	16 %	\$ (46,322)	(18)%
Adjusted net income*	\$ 140,199	\$ 122,476	\$ 158,022	\$ 17,723	14 %	\$ (35,546)	(22)%
Adjusted net income per diluted share*	\$ 2.12	\$ 1.86	\$ 2.42	\$ 0.26	14 %	\$ (0.56)	(23)%

\*Non-GAAP financial measure. See "Non-GAAP Financial Measures" below for definitions and reconciliations of these assets on an annual basis and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. non-GAAP measures.

Intangible assets are depreciated using an accelerated or straight-line basis over their estimated economic useful lives and are reviewed for possible impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

#### **Interest income**

Interest income primarily includes amounts earned on our bank accounts and money market funds.

#### **Interest expense**

Interest expense includes coupon interest and issuance cost amortization related to our convertible note issuances, as well as interest and amortization of upfront fees and monthly fees related to our Revolving Credit Facility. The issuance costs and upfront fees are amortized over the term of the related agreements. Interest expense may also include gain or loss on extinguishment of debt. See Part II, Item 8, "Note 10 —Debt" for additional details regarding our third-party debt.

#### **Other income (expense), net**

Other income (expense), net includes gains (losses) on our portion of our equity method investees' results and foreign exchange gains or losses as well as other miscellaneous income or expense items as appropriate.

\*\*Not meaningful

#### **Results of Operations Business Segments**

	Year Ended December 31,					
	2022		2021		% Change	
	(in thousands, except for percentages)					
Revenues:						
Asset-based	\$ 738,228	\$ 709,376	4 %	\$ 540,947		31 %
Subscription-based	477,844	453,989	5 %	426,507		6 %
Total recurring revenues	1,216,072	1,163,365	5 %	967,454		20 %
Professional services and other revenues	23,712	23,152	2 %	30,776		(25)%
Total revenues	1,239,784	1,186,517	4 %	998,230		19 %
Operating expenses:						
Cost of revenues	468,460	423,723	11 %	305,929		39 %
Compensation and benefits	490,725	432,829	13 %	398,970		8 %
General and administration	216,075	171,657	26 %	160,229		7 %

Depreciation and amortization	130,548	117,767	11 %	113,661	4 %
Total operating expenses	1,305,808	1,145,976	14 %	978,789	17 %
Income (loss) from operations	(66,024)	40,541	*	19,441	109 %
Other income (expense):					
Interest income	4,184	827	*	1,112	(26)%
Interest expense	(16,843)	(16,931)	(1)%	(31,504)	(46)%
Other income (expense), net	264	(4,076)	(106)%	2,906	*
Total other expense, net	(12,395)	(20,180)	(39)%	(27,486)	(27)%
Income (loss) before income tax provision (benefit)	(78,419)	20,361	*	(8,045)	*
Income tax provision (benefit)	7,061	7,667	(8)%	(5,401)	*
Net income (loss)	(85,480)	12,694	*	(2,644)	*
Add: Net (income) loss attributable to non-controlling interest	4,541	602	*	(466)	*
Net income (loss) attributable to Envestnet, Inc.	<u>\$ (80,939)</u>	<u>\$ 13,296</u>	*	<u>\$ (3,110)</u>	*

\* Not meaningfulOn October 1, 2023, we changed the composition of our 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 change does 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 Annual Report on Form 10-K for the year ended December 31, 2023 is presented in conjunction with the current organizational structure, with prior periods adjusted accordingly.

#### Year ended December 31, 2022 compared to year ended December 31, 2021 Correction of Immaterial Error

##### Asset-based recurring revenues

Asset-based recurring revenues increased 4% from \$709.4 million in 2021 to \$738.2 million in 2022. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycles as a result of the upswing in the equity markets During the fourth quarter of 2021, offset by 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 equity markets beginning consolidated balance sheets should have been recognized as a prepayment included within prepaid expenses and other current assets and other assets in the first quarter consolidated balance sheets. The Company concluded that the classification of 2022 through these transactions was immaterial in prior period financial statements and that amendment of previously filed reports was not required. However, the end of 2022. In 2022, revenues were also positively affected by new account growth and positive net flows of AUM/A. The revenue increase was partially offset by existing customers switching from an asset-based pricing model to a subscription-based pricing model.

The number of financial advisors with AUM or AUA Company corrected this immaterial error in the prior years reported within this Annual Report on our technology platforms decreased from approximately 40,000 as of December 31, 2021 to approximately 38,000 as of December 31, 2022 and Form 10-K for the number of AUM or AUA client accounts increased from approximately 2.6 million as of December 31, 2021 to approximately 2.7 million as of December 31, 2022 year ended December 31, 2023.

Asset-based recurring revenue remained consistent at 60% of total revenue in 2021 and 2022.

## **Macroeconomic Environment**

Our business is directly and indirectly affected by macroeconomic conditions and the state of global financial markets. Recent geopolitical uncertainty, resulting, in part, from the conflict in the Middle East which intensified on and after October 7, 2023, the 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 continued throughout most of 2023. The uncertainty over the extent and duration of the ongoing conflict 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 and duration of the conflict and this period 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 December 31, 2023, the consolidated financial statements do not reflect any adjustments as a result of these macroeconomic conditions.

## **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 year ended December 31, 2023, interest income related to the Convertible Promissory Note included in interest income in the consolidated statements of operations was \$1.5 million.

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 year ended December 31, 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 of 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.

## **Reduction in Force Initiative**

During the year ended December 31, 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 \$35.4 million of total severance expense in the year ended December 31, 2023.

As of December 31, 2023 we had an ending liability balance of \$10.3 million related to these efforts, of which we anticipate approximately \$9.2 million to be paid throughout 2024, with the remaining balance paid through 2030.

## **Operating Results**

**Subscription-based recurring revenues** Beginning in the three months ended December 31, 2021 through December 31, 2023, the Company reported a loss from operations and loss before income tax provision in every quarter. We have incurred these quarterly losses as a result of several factors as described below.

**Subscription-based recurring revenues increased 5% from \$454.0 million** *Revenue Factors:* Throughout 2022, the financial markets experienced a broad downturn and our redemption rates were higher than our historical average, and as a result, in 2021 to \$477.8 million in 2022. This increase was primarily due to an increase of \$27.3 million in the Envestnet our Wealth Solutions segment, our asset-based recurring revenue was materially adversely affected. Beginning in the three months ended March 31, 2023 asset-based recurring revenue has been increasing 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 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 can be attributed we believe will increase our operational efficiencies and to new reduce future operating expenses, while negatively impacting our operating results in the short-term. These actions include both internal and existing customer growth 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 existing customers switching from severance expense for a reduction in force initiative announced in the first quarter of 2023 which has continued into the fourth quarter of 2023. In addition, during the fourth quarter of 2023, the Company recognized a non-cash impairment charge to goodwill of \$191.8 million. See below for further discussion of the goodwill impairment.

As discussed above, our business is directly and indirectly affected by macroeconomic conditions and the state of global financial markets. The return to 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 asset-based pricing model 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, which the Company has undertaken as discussed above.

### **Goodwill Impairment**

Due to a subscription-based pricing model. This increase is partially offset by a \$3.4 million decrease lower revenue and profits in the Envestnet Data & Analytics segment in 2023 compared to prior years, the Company performed a quantitative goodwill impairment evaluation as part of the annual goodwill impairment analysis for each reporting unit in the fourth quarter of 2023 utilizing a combination of the discounted cash flow method (income approach) and guideline public company method (market approach). As a result of this impairment test, the carrying value of the Envestnet Data & Analytics reporting unit exceeded its fair value, which resulted in the recognition of a non-cash impairment charge to goodwill of \$191.8 million in the consolidated statements of operations for the year ended December 31, 2023.

## **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:

Platform Assets	As of December 31,		
	2023	2022	2021
	(in millions, except accounts and advisors data)		
AUM	\$ 416,001	\$ 341,144	\$ 362,038
AUA	430,846	367,412	456,316
Total AUM/A	846,847	708,556	818,354

Subscription	4,959,514	4,382,109	4,901,662
Total platform assets	\$ 5,806,361	\$ 5,090,665	\$ 5,720,016
<b>Platform Accounts</b>			
AUM	1,640,879	1,547,009	1,345,274
AUA	1,254,962	1,135,026	1,217,076
Total AUM/A	2,895,841	2,682,035	2,562,350
Subscription	16,248,598	15,665,020	14,986,531
Total platform accounts	19,144,439	18,347,055	17,548,881
<b>Advisors</b>			
AUM/A	38,697	38,025	39,735
Subscription	69,973	67,520	68,808
Total Advisors	108,670	105,545	108,543

The following tables provide 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:

Asset Rollforward - 2023								
	As of December 31, 2022	Gross Sales	Redemptions	Net Flows	Market Impact	Reclass to Subscription	As of December 31, 2023	
(in millions, except account data)								
AUM	\$ 341,144	\$ 101,305	\$ (71,217)	\$ 30,088	\$ 47,360	\$ (2,591)	\$ 416,001	
AUA	367,412	127,906	(99,468)	28,438	48,868	(13,872)	430,846	
Total AUM/A	\$ 708,556	\$ 229,211	\$ (170,685)	\$ 58,526	\$ 96,228	\$ (16,463)	\$ 846,847	
Fee-Based Accounts	2,682,035			312,915		(99,109)	2,895,841	

The above AUM/A gross sales figures for the year ended December 31, 2023 include \$72.3 billion in new client conversions. We onboarded an additional \$169.7 billion in subscription conversions during the year ended December 31, 2023 bringing total conversions for the year ended December 31, 2023 to \$242.0 billion.

Asset Rollforward - 2022								
	As of December 31, 2021	Gross Sales	Redemptions	Net Flows	Market Impact	Reclass to Subscription	Reclassification <sup>(1)</sup>	As of December 31, 2022
(in millions, except account data)								
AUM	\$ 362,038	\$ 100,098	\$ (68,181)	\$ 31,917	\$ (60,948)	\$ (584)	\$ 8,721	\$ 341,144
AUA	456,316	120,409	(95,016)	25,393	(73,849)	(31,727)	(8,721)	367,412
Total AUM/A	\$ 818,354	\$ 220,507	\$ (163,197)	\$ 57,310	\$ (134,797)	\$ (32,311)	\$ —	\$ 708,556
Fee-Based Accounts	2,562,350			243,320		(123,635)		2,682,035

<sup>(1)</sup> Certain assets have been reclassified from AUA to AUM to better reflect the nature of the services provided to certain customers.

The above AUM/A gross sales figures for the year ended December 31, 2022 include \$52.9 billion in new client conversions. We onboarded an additional \$132.3 billion in subscription conversions during the year ended December 31, 2022, bringing total conversions for the year ended December 31, 2022 to \$185.2 billion.

Asset and account figures in the "Reclass to Subscription" columns for the years ended December 31, 2023 and 2022 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 year in which the reclassification occurred, with no impact on total platform assets or accounts.

### **Envestnet Data & Analytics Segment**

#### **Paid End-Users**

A paid end-user is defined as a user of an application or service provided to our customer using the Envestnet Data & Analytics platform whose status corresponds to a billable activity under the associated customer contract. We believe that our ability to increase the number of paid end-users is an indicator of our market penetration, the growth of our business, and our potential future business opportunities.

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

	As of		
	December 31, 2023	December 31, 2022	December 31, 2021
	(in millions, except number of firms data)		
Number of paid end-users	38.3	38.8	31.8
Number of firms	1,324	1,286	1,211

### **Revenue**

#### **Overview**

We earn revenue primarily under three pricing models. First, a portion of our revenue is derived from fees charged as a percentage of the assets that are managed or administered on our technology platforms by financial advisors. This revenue is recorded under asset-based revenue. Our asset-based fees vary based on the types of investment solutions and services that financial advisors utilize. In future periods, the percentage of our total revenue attributable to asset-based fees is expected to vary based on fluctuations in securities markets, whether we enter into new, or lose, significant subscription agreements, the mix of AUM or AUA, and other factors.

We also generate revenue from recurring, contractual subscription fees for providing access to our technology platforms. This subscription revenue includes both contractual minimum payments and usage-based fees and is driven primarily by the number of customers, including new customers as well as customers who renew their existing subscription contracts, and the number of paid end-users. This revenue is recorded under subscription-based revenue. Subscription fees vary based on the scope of technology solutions and services being used, and are priced in a variety of constructs based on the size of the business, number of users or number of accounts and in many cases can increase over time based on the growth of these factors.

Finally, a portion of our revenue is generated from fees received in connection with professional services and other sources.

### **Asset-based recurring revenue**

We generally charge our customers fees based on a higher percentage of the market value of AUM than the fees we charge on the market value of AUA, because we provide fiduciary oversight and/or act as the investment advisor in connection with assets we categorize as AUM. The level of fees varies based on the nature of the investment solutions and services we provide, as well as the specific investment manager, fund and/or custodian chosen by the financial advisor. A portion of our revenue from assets under management or administration includes costs paid by us to third parties for sub-advisory, clearing, custody and brokerage services. These expenses are recorded under direct expense. We do not have fiduciary responsibility in connection with AUA and, therefore, generally charge lower fees on these assets. Our fees for AUA vary based on the nature of the investment solutions and services we provide.

Approximately 75% of our asset-based recurring revenue from AUM/A are billed to customers at the beginning of each quarter and are based on the market value of their assets on our platforms as of the end of the prior quarter. For example, asset-based recurring revenue recognized during the fourth quarter of 2023 was primarily based on the market value of assets as of September 30, 2023. Our asset-based recurring revenue is generally recognized ratably throughout the quarter based on the number of days in the quarter.

Our asset-based recurring revenue is affected by the amount of new assets that are added to existing and new client accounts, which we refer to as gross sales. Gross sales, from time to time, also include conversions of client assets to our technology platforms. The amounts of assets that are withdrawn from client accounts are referred to as redemptions. We refer to the difference between gross sales and redemptions as net flows. Positive net flows indicate that the market value of assets added to client accounts exceeds the market value of assets that have been withdrawn from client accounts.

Our asset-based revenue is also affected by changes in the market values of securities held in client accounts due to fluctuations in the securities markets. Certain types of securities have historically experienced greater market price fluctuations, such as equity market decline impacting securities, than other securities, such as fixed income securities, though in any given period the asset management type of securities that experience the greatest fluctuations may vary.

### **Subscription-based recurring revenue**

Subscription-based recurring revenue is generally recognized ratably over the term of each respective subscription agreement, commencing on the date the service is provisioned to the customer, provided all applicable revenue recognition criteria have been satisfied. As part of the subscription contracts, many of our open banking customers commit to a minimum level of paid end-users from which a minimum level of non-refundable subscription revenue is derived. As paid end-users in excess of the guaranteed minimum level access the platform, the customer is then required to pay additional usage fees calculated based upon a contracted per-paid-user fee. No refunds or credits are given if fewer paid end-users access the platform than the contracted minimum level. Usage-based revenue is recognized as earned, provided all applicable revenue recognition criteria have been satisfied. Our subscription-based revenue is affected by the addition, loss and timing of customer contracts as well as access to data in the research business. Periodically, existing customers switch from an asset-based pricing model to a subscription-based pricing model.

### **Professional services and other revenues**

We also receive revenue from professional services fees by providing customers with certain technology platform software development and other revenues increased 2% implementation services. This revenue is recognized when completed, under a proportional-performance model utilizing an output-based approach or on a straight-line basis, over the estimated life of the customer relationship. Our contracts generally have fixed prices and generally specify or quantify interim deliverables.

### **Expenses**

The following is a description of our principal expense items:

### **Direct expense**

Direct expense primarily consists of expenses related to our receipt of sub-advisory and clearing, custody and brokerage services from \$23.2 million third parties. The largest component of direct expense is paid to third-party investment managers. Clearing, custody and brokerage services are performed by third-party providers. These expenses are typically calculated based upon a contractual percentage of the market value of assets held in 2021 to \$23.7 million customer accounts measured as of the end of each fiscal quarter and are recognized ratably throughout the quarter based on the number of days in 2022. The increase was primarily due to an increase in the quarter. Also included in revenues resulting from the 2022 Advisor Summit, which was held as an in-person event. The 2021 Advisor Summit was virtual due direct expense are vendor specific expenses related to the COVID-19 pandemic. direct support of revenue associated with the Envestnet Data & Analytics products.

### **Cost of revenues Employee compensation**

Cost Employee compensation expense primarily consists of revenues increased 11% from \$423.7 million in 2021 to \$468.5 million in 2022. The increase was primarily due to an increase in asset-based cost of revenues of \$36.6 million, which directly correlates with the increase to asset-based recurring revenues during the period. Also contributing to this increase was an increase in professional services and other cost of revenues of \$6.9 million, primarily as a result of our 2022 Advisor Summit, which was held in-person in 2022, and an increase in subscription-based cost of revenues of \$1.2 million. As a percentage of total revenues, cost of revenues increased from 36% to 38% for the years ended December 31, 2021 and 2022.

### **Compensation and benefits**

Compensation and benefits increased 13% from \$432.8 million in 2021 to \$490.7 million in 2022. The increase is comprised of increases in employee salaries, incentive compensation, non-cash stock-based compensation, incentive compensation, benefits and employer-related payroll taxes of \$40.5 million, non-cash compensation expense of \$12.3 million, and miscellaneous employee related expenses of \$3.6 million. These increases were primarily due to increased headcount as a result of growth and acquisitions in the Envestnet Wealth Solutions segment. Also contributing to this increase was an increase in severance expense of \$18.8 million, primarily a result of the outsourcing of the arrangement with TCS as well as an organizational realignment in the fourth quarter. These increases were partially offset by a decrease in incentive compensation expense of \$20.5 million primarily due to the result of lower revenue and profitability measures achieved in our incentive compensation program. As a percentage of total revenues, compensation and benefits increased from 36% in 2021 to 40% in 2022 primarily due to lower revenue increase compared to a higher growth in compensation and benefits. taxes.

### **General and administration administrative**

General and administration expenses increased 26% from \$171.7 million in 2021 administrative expense primarily consists of costs related to \$216.1 million in 2022. The increase was primarily due to increases in lease restructuring occupancy, communications services, research and transaction costs of \$16.6 million driven by the closure of four offices, data services, software and maintenance charges, of \$13.9 million, marketing, professional and legal services, travel and entertainment expenses of \$5.6 million, communications, research and data services of \$3.5 million, insurance, bank and payroll expenses of \$2.0 million and miscellaneous other general and administration expenses of \$2.5 million. These increases were partially offset by decreases in total occupancy costs of \$4.6 million and professional and legal fees of \$4.3 million. As a percentage of total revenues, general and administration expenses increased from 14% in 2021 to 17% and 2022, which is primarily attributed to the increase in lease restructuring and other acquisition/transaction related costs. expenses.

### **Depreciation and amortization**

Depreciation and amortization expense increased 11% from \$117.8 million in 2021 to \$130.5 million in 2022, primarily due to increases in internally developed software amortization expense consists of \$8.4 million, finance lease amortization expense of \$4.7 million and intangible asset amortization of \$3.3 million. The increases are partially offset by a decrease in fixed assets depreciation of \$3.7 million. As a percentage of total revenues, depreciation and amortization expense increased from 10% in 2021 to 11% in 2022. related to:

Interest income• fixed assets, including building and building improvements, computer equipment and software, leasehold improvements, office furniture and fixtures and office equipment and other;

- internally developed software; and

Interest income increased from \$0.8 million to \$4.2 million in 2022, primarily due to an increase in the effective interest rates earned on connection with our cash and money market funds compared to the prior year acquisitions.

### Other income (expense), net Operational Highlights

#### Other income (expense), net decreased from other expense

	Year Ended December 31,			2023 vs 2022		2022 vs 2021	
	2023	2022	2021	\$ Change	% Change	\$ Change	% Change
(in thousands, except per share information and percentages)							
<b>Revenue:</b>							
<i>Envestnet Wealth Solutions:</i>							
Asset-based	\$ 745,238	\$ 738,228	\$ 709,376	\$ 7,010	1 %	\$ 28,852	4 %
Subscription-based	325,398	310,217	280,076	15,181	5 %	30,141	11 %
Total recurring revenue	1,070,636	1,048,445	989,452	22,191	2 %	58,993	6 %
Professional services and other revenue	24,068	16,799	14,190	7,269	43 %	2,609	18 %
<b>Total Envestnet Wealth Solutions revenue</b>	<b>\$ 1,094,704</b>	<b>\$ 1,065,244</b>	<b>\$ 1,003,642</b>	<b>\$ 29,460</b>	<b>3 %</b>	<b>\$ 61,602</b>	<b>6 %</b>
<i>Envestnet Data &amp; Analytics:</i>							
Subscription-based	\$ 139,332	\$ 167,627	\$ 173,913	\$ (28,295)	(17)%	\$ (6,286)	(4)%
Total recurring revenue	139,332	167,627	173,913	(28,295)	(17)%	(6,286)	(4)%
Professional services and other revenue	11,584	6,913	8,962	4,671	68 %	(2,049)	(23)%
<b>Total Envestnet Data &amp; Analytics revenue</b>	<b>\$ 150,916</b>	<b>\$ 174,540</b>	<b>\$ 182,875</b>	<b>\$ (23,624)</b>	<b>(14)%</b>	<b>\$ (8,335)</b>	<b>(5)%</b>
<b>Total consolidated revenue</b>	<b>\$ 1,245,620</b>	<b>\$ 1,239,784</b>	<b>\$ 1,186,517</b>	<b>\$ 5,836</b>	<b>— %</b>	<b>\$ 53,267</b>	<b>4 %</b>
Deferred revenue fair value adjustment	69	216	284	(147)	(68)%	(68)	(24)%
<b>Total consolidated adjusted revenue*</b>	<b>\$ 1,245,689</b>	<b>\$ 1,240,000</b>	<b>\$ 1,186,801</b>	<b>\$ 5,689</b>	<b>— %</b>	<b>\$ 53,199</b>	<b>4 %</b>
Consolidated net income (loss) attributable to Envestnet, Inc.	\$ (238,724)	\$ (80,939)	\$ 13,296	\$ (157,785)	**	\$ (94,235)	**
Net income (loss) attributable to Envestnet, Inc. per share:							

Basic	\$	(4.38)	\$	(1.47)	\$	0.24	\$	(2.91)	**	\$	(1.71)	**
Diluted	\$	(4.38)	\$	(1.59)	\$	0.24	\$	(2.79)	**	\$	(1.83)	**
Adjusted EBITDA*	\$	250,913	\$	215,408	\$	261,730	\$	35,505	16 %	\$	(46,322)	(18)%
Adjusted net income*	\$	140,199	\$	122,476	\$	158,022	\$	17,723	14 %	\$	(35,546)	(22)%
Adjusted net income per diluted share*	\$	2.12	\$	1.86	\$	2.42	\$	0.26	14 %	\$	(0.56)	(23)%

\*Non-GAAP financial measure. See "Non-GAAP Financial Measures" below for definitions and reconciliations of \$4.1 million in 2021 to other income of \$0.3 million in 2022, primarily due to dilution gains of \$9.5 million recorded in 2022 related to equity method investee share issuances partially offset by an increase in losses recorded for our share of losses on our equity method investees and a loss on foreign exchange. non-GAAP measures.

#### Income tax provision

	Year Ended December 31,	
	2022	2021
(in thousands, except for percentages)		
Income (loss) before income tax provision	\$ (78,419)	\$ 20,361
Income tax provision	7,061	7,667
Effective tax rate	(9.0)%	37.7 %

Our 2022 effective tax rate differs from the statutory rate primarily due to the change in the valuation allowance we have placed on a portion of US deferred tax assets, the generation of research and development ("R&D") tax credits, executive compensation deduction limitations, income related to Indian partnerships, a change in our India indefinite reinvestment assertion, and state income taxes.

Our 2021 effective tax rate differs from the statutory rate primarily due to the change in the valuation allowance we have placed on a portion of US deferred tax assets, the generation of R&D tax credits, executive compensation deduction limitations, income related to Indian partnerships, and state income taxes.

#### Year ended December 31, 2021 compared to year ended December 31, 2020

For a discussion of the 2021 Results of Operations compared to 2020, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K filed with the SEC on February 25, 2022.

\*\*Not meaningful

#### Business Segments

Business On October 1, 2023, we changed the composition of our 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 change does 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 Annual Report on Form 10-K for the year ended December 31, 2023 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 consolidated balance sheets should have been recognized as a prepayment included within prepaid expenses and other current assets and other assets in the 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 years reported within this Annual Report on Form 10-K for the year ended December 31, 2023.

### **Macroeconomic Environment**

Our business is directly and indirectly affected by macroeconomic conditions and the state of global financial markets. Recent geopolitical uncertainty, resulting, in part, from the conflict in the Middle East which intensified on and after October 7, 2023, the 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 continued throughout most of 2023. The uncertainty over the extent and duration of the ongoing conflict 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 and duration of the conflict and this period 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 December 31, 2023, the consolidated financial statements do not reflect any adjustments as a result of these macroeconomic conditions.

### **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 year ended December 31, 2023, interest income related to the Convertible Promissory Note included in interest income in the consolidated statements of operations was \$1.5 million.

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 year ended December 31, 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 of 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.

### **Reduction in Force Initiative**

During the year ended December 31, 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 \$35.4 million of total severance expense in the year ended December 31, 2023.

As of December 31, 2023 we had an ending liability balance of \$10.3 million related to these efforts, of which we anticipate approximately \$9.2 million to be paid throughout 2024, with the remaining balance paid through 2030.

### **Operating Results**

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

**Revenue Factors:** 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 revenue was materially adversely affected. Beginning in the three months ended March 31, 2023 asset-based recurring revenue has been increasing 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 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 2023. In addition, during the fourth quarter of 2023, the Company recognized a non-cash impairment charge to goodwill of \$191.8 million. See below for further discussion of the goodwill impairment.

As discussed above, our business is directly and indirectly affected by macroeconomic conditions and the state of global financial markets. The return to 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, which the Company has undertaken as discussed above.

### **Goodwill Impairment**

Due to lower revenue and profits in the Envestnet Data & Analytics segment in 2023 compared to prior years, the Company performed a quantitative goodwill impairment evaluation as part of the annual goodwill impairment analysis for each reporting unit in the fourth quarter of 2023 utilizing a combination of the discounted cash flow method (income approach) and guideline public company method (market approach). As a result of this impairment test, the carrying value of the Envestnet Data & Analytics reporting unit exceeded its fair value, which resulted in the recognition of a non-cash impairment charge to goodwill of \$191.8 million in the consolidated statements of operations for the year ended December 31, 2023.

### **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:

	As of December 31,		
	2023	2022	2021
	(in millions, except accounts and advisors data)		
<i>Platform Assets</i>			
AUM	\$ 416,001	\$ 341,144	\$ 362,038
AUA	430,846	367,412	456,316
Total AUM/A	846,847	708,556	818,354
Subscription	4,959,514	4,382,109	4,901,662
Total platform assets	<u>\$ 5,806,361</u>	<u>\$ 5,090,665</u>	<u>\$ 5,720,016</u>
<i>Platform Accounts</i>			
AUM	1,640,879	1,547,009	1,345,274
AUA	1,254,962	1,135,026	1,217,076
Total AUM/A	2,895,841	2,682,035	2,562,350
Subscription	16,248,598	15,665,020	14,986,531
Total platform accounts	<u>19,144,439</u>	<u>18,347,055</u>	<u>17,548,881</u>
<i>Advisors</i>			
AUM/A	38,697	38,025	39,735
Subscription	69,973	67,520	68,808
Total Advisors	<u>108,670</u>	<u>105,545</u>	<u>108,543</u>

The following tables provide 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:

	Asset Rollforward - 2023							
	As of December 31, 2022	Gross Sales	Redemptions	Net Flows	Market Impact	Reclass to Subscription	As of December 31, 2023	
	(in millions, except account data)							
AUM	\$ 341,144	\$ 101,305	\$ (71,217)	\$ 30,088	\$ 47,360	\$ (2,591)	\$ 416,001	
AUA	367,412	127,906	(99,468)	28,438	48,868	(13,872)	430,846	
Total AUM/A	<u>\$ 708,556</u>	<u>\$ 229,211</u>	<u>\$ (170,685)</u>	<u>\$ 58,526</u>	<u>\$ 96,228</u>	<u>\$ (16,463)</u>	<u>\$ 846,847</u>	
Fee-Based Accounts	2,682,035			312,915		(99,109)	2,895,841	

The above AUM/A gross sales figures for the year ended December 31, 2023 include \$72.3 billion in new client conversions. We onboarded an additional \$169.7 billion in subscription conversions during the year ended December 31, 2023 bringing total conversions for the year ended December 31, 2023 to \$242.0 billion.

Asset Rollforward - 2022	

	As of December 31, 2021						Reclass to Subscription			As of December 31, 2022	
	Gross Sales	Redemptions	Net Flows	Market Impact			Subscription	Reclassification <sup>(1)</sup>			
(in millions, except account data)											
AUM	\$ 362,038	\$ 100,098	\$ (68,181)	\$ 31,917	\$ (60,948)	\$ (584)	\$ 8,721	\$ 341,144			
AUA	456,316	120,409	(95,016)	25,393	(73,849)	(31,727)	(8,721)		367,412		
Total AUM/A	<u>\$ 818,354</u>	<u>\$ 220,507</u>	<u>\$ (163,197)</u>	<u>\$ 57,310</u>	<u>\$ (134,797)</u>	<u>\$ (32,311)</u>	<u>\$ —</u>		<u>\$ 708,556</u>		
Fee-Based Accounts	2,562,350			243,320		(123,635)				2,682,035	

<sup>(1)</sup> Certain assets have been reclassified from AUA to AUM to better reflect the nature of the services provided to certain customers.

The above AUM/A gross sales figures for the year ended December 31, 2022 include \$52.9 billion in new client conversions. We onboarded an additional \$132.3 billion in subscription conversions during the year ended December 31, 2022, bringing total conversions for the year ended December 31, 2022 to \$185.2 billion.

Asset and account figures in the “Reclass to Subscription” columns for the years ended December 31, 2023 and 2022 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 year in which the reclassification occurred, with no impact on total platform assets or accounts.

### Envestnet Data & Analytics Segment

#### Paid End-Users

A paid end-user is defined as a user of an application or service provided to our customer using the Envestnet Data & Analytics platform whose status corresponds to a billable activity under the associated customer contract. We believe that our ability to increase the number of paid end-users is an indicator of our market penetration, the growth of our business, and our potential future business opportunities.

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

	As of		
	December 31, 2023	December 31, 2022	December 31, 2021
	(in millions, except number of firms data)		
Number of paid end-users	38.3	38.8	31.8
Number of firms	1,324	1,286	1,211

### Revenue

#### Overview

We earn revenue primarily under three pricing models. First, a portion of our revenue is derived from fees charged as a percentage of the assets that are managed or administered on our technology platforms by financial advisors. This revenue is recorded under asset-based revenue. Our asset-based fees vary based on the types of investment solutions and services that financial advisors utilize. In future periods, the percentage of our total revenue attributable to asset-based fees is expected to vary based on fluctuations in securities markets, whether we enter into new, or lose, significant subscription agreements, the mix of AUM or AUA, and other factors.

We also generate revenue from recurring, contractual subscription fees for providing access to our technology platforms. This subscription revenue includes both contractual minimum payments and usage-based fees and is driven primarily by the number of customers, including new customers as well as customers who renew their existing subscription contracts, and the number of paid end-users. This revenue is recorded under subscription-based revenue. Subscription fees vary based on the scope of technology solutions and services being used, and are priced in a variety of constructs based on the size of the business, number of users or number of accounts and in many cases can increase over time based on the growth of these factors.

Finally, a portion of our revenue is generated from fees received in connection with professional services and other sources.

#### **Asset-based recurring revenue**

We generally charge our customers fees based on a higher percentage of the market value of AUM than the fees we charge on the market value of AUA, because we provide fiduciary oversight and/or act as the investment advisor in connection with assets we categorize as AUM. The level of fees varies based on the nature of the investment solutions and services we provide, as well as the specific investment manager, fund and/or custodian chosen by the financial advisor. A portion of our revenue from assets under management or administration includes costs paid by us to third parties for sub-advisory, clearing, custody and brokerage services. These expenses are recorded under direct expense. We do not have fiduciary responsibility in connection with AUA and, therefore, generally charge lower fees on these assets. Our fees for AUA vary based on the nature of the investment solutions and services we provide.

Approximately 75% of our asset-based recurring revenue from AUM/A are billed to customers at the beginning of each quarter and are based on the market value of their assets on our platforms as of the end of the prior quarter. For example, asset-based recurring revenue recognized during the fourth quarter of 2023 was primarily based on the market value of assets as of September 30, 2023. Our asset-based recurring revenue is generally recognized ratably throughout the quarter based on the number of days in the quarter.

Our asset-based recurring revenue is affected by the amount of new assets that are added to existing and new client accounts, which we refer to as gross sales. Gross sales, from time to time, also include conversions of client assets to our technology platforms. The amounts of assets that are withdrawn from client accounts are referred to as redemptions. We refer to the difference between gross sales and redemptions as net flows. Positive net flows indicate that the market value of assets added to client accounts exceeds the market value of assets that have been withdrawn from client accounts.

Our asset-based revenue is also affected by changes in the market values of securities held in client accounts due to fluctuations in the securities markets. Certain types of securities have historically experienced greater market price fluctuations, such as equity securities, than other securities, such as fixed income securities, though in any given period the type of securities that experience the greatest fluctuations may vary.

#### **Subscription-based recurring revenue**

Subscription-based recurring revenue is generally recognized ratably over the term of each respective subscription agreement, commencing on the date the service is provisioned to the customer, provided all applicable revenue recognition criteria have been satisfied. As part of the subscription contracts, many of our open banking customers commit to a minimum level of paid end-users from which a minimum level of non-refundable subscription revenue is derived. As paid end-users in excess of the guaranteed minimum level access the platform, the customer is then required to pay additional usage fees calculated based upon a contracted per-paid-user fee. No refunds or credits are given if fewer paid end-users access the platform than the contracted minimum level. Usage-based revenue is recognized as earned, provided all applicable revenue recognition criteria have been satisfied. Our subscription-based revenue is affected by the addition, loss and timing of customer contracts as well as access to data in the research business.

#### **Professional services and other revenue**

We also receive revenue from professional services fees by providing customers with certain technology platform software development and implementation services. This revenue is recognized when completed, under a proportional-performance model utilizing an output-based approach or on a straight-line basis, over the estimated life of the customer relationship. Our contracts generally have fixed prices and generally specify or quantify interim deliverables.

## Expenses

The following is a description of our principal expense items:

### ***Direct expense***

Direct expense primarily consists of expenses related to our receipt of sub-advisory and clearing, custody and brokerage services from third parties. The largest component of direct expense is paid to third-party investment managers. Clearing, custody and brokerage services are performed by third-party providers. These expenses are typically calculated based upon a contractual percentage of the market value of assets held in customer accounts measured as of the end of each fiscal quarter and are recognized ratably throughout the quarter based on the number of days in the quarter. Also included in direct expense are vendor specific expenses related to the direct support of revenue associated with the Envestnet Data & Analytics products.

### ***Employee compensation***

Employee compensation expense primarily consists of employee salaries, incentive compensation, non-cash stock-based compensation, incentive compensation, benefits and employer-related taxes.

### ***General and administrative***

General and administrative expense primarily consists of costs related to occupancy, communications services, research and data services, software and maintenance charges, marketing, professional and legal services, travel and entertainment and acquisition/transaction related expenses.

### ***Depreciation and amortization***

Depreciation and amortization expense primarily consists of depreciation and amortization related to:

- fixed assets, including building and building improvements, computer equipment and software, leasehold improvements, office furniture and fixtures and office equipment and other;
- internally developed software; and
- intangible assets, primarily related to customer lists, proprietary technology and trade names, the values of which are capitalized in connection with our acquisitions.

## Operational Highlights

	Year Ended December 31,			2023 vs 2022		2022 vs 2021	
	2023	2022	2021	\$ Change	% Change	\$ Change	% Change
(in thousands, except per share information and percentages)							

Revenue:

<b>Envestnet Wealth Solutions:</b>										
Asset-based	\$ 745,238	\$ 738,228	\$ 709,376	\$ 7,010	1 %	\$ 28,852		4 %		
Subscription-based	325,398	310,217	280,076	15,181	5 %	30,141		11 %		
Total recurring revenue	1,070,636	1,048,445	989,452	22,191	2 %	58,993		6 %		
Professional services and other revenue	24,068	16,799	14,190	7,269	43 %	2,609		18 %		
Total Envestnet Wealth Solutions revenue	<u>\$ 1,094,704</u>	<u>\$ 1,065,244</u>	<u>\$ 1,003,642</u>	<u>\$ 29,460</u>	<u>3 %</u>	<u>\$ 61,602</u>		<u>6 %</u>		
<b>Envestnet Data &amp; Analytics:</b>										
Subscription-based	\$ 139,332	\$ 167,627	\$ 173,913	\$ (28,295)	(17)%	\$ (6,286)		(4)%		
Total recurring revenue	139,332	167,627	173,913	(28,295)	(17)%	(6,286)		(4)%		
Professional services and other revenue	11,584	6,913	8,962	4,671	68 %	(2,049)		(23)%		
Total Envestnet Data & Analytics revenue	<u>\$ 150,916</u>	<u>\$ 174,540</u>	<u>\$ 182,875</u>	<u>\$ (23,624)</u>	<u>(14)%</u>	<u>\$ (8,335)</u>		<u>(5)%</u>		
Total consolidated revenue	\$ 1,245,620	\$ 1,239,784	\$ 1,186,517	\$ 5,836	— %	\$ 53,267		4 %		
Deferred revenue fair value adjustment	69	216	284	(147)	(68)%	(68)		(24)%		
Total consolidated adjusted revenue*	\$ 1,245,689	\$ 1,240,000	\$ 1,186,801	\$ 5,689	— %	\$ 53,199		4 %		
Consolidated net income (loss) attributable to Envestnet, Inc.	\$ (238,724)	\$ (80,939)	\$ 13,296	\$ (157,785)	**	\$ (94,235)		**		
Net income (loss) attributable to Envestnet, Inc. per share:										
Basic	\$ (4.38)	\$ (1.47)	\$ 0.24	\$ (2.91)	**	\$ (1.71)		**		
Diluted	\$ (4.38)	\$ (1.59)	\$ 0.24	\$ (2.79)	**	\$ (1.83)		**		
Adjusted EBITDA*	\$ 250,913	\$ 215,408	\$ 261,730	\$ 35,505	16 %	\$ (46,322)		(18)%		
Adjusted net income*	\$ 140,199	\$ 122,476	\$ 158,022	\$ 17,723	14 %	\$ (35,546)		(22)%		
Adjusted net income per diluted share*	\$ 2.12	\$ 1.86	\$ 2.42	\$ 0.26	14 %	\$ (0.56)		(23)%		

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

\*\*Not meaningful

## Results of Operations

**Year ended December 31, 2023 compared to year ended December 31, 2022**

	Year Ended December 31,					
	2023		2022		\$ Change	% Change
	Amount	% of Revenue	Amount	% of Revenue		
(in thousands, except percentages)						
<b>Revenue:</b>						
Asset-based	\$ 745,238	60 %	\$ 738,228	60 %	\$ 7,010	1 %
Subscription-based	464,730	37 %	477,844	39 %	(13,114)	(3)%
Total recurring revenue	1,209,968	97 %	1,216,072	98 %	(6,104)	(1)%
Professional services and other revenue	35,652	3 %	23,712	2 %	11,940	50 %
<b>Total revenue</b>	<b>1,245,620</b>	<b>100 %</b>	<b>1,239,784</b>	<b>100 %</b>	<b>5,836</b>	<b>— %</b>
<b>Operating expenses:</b>						
Direct expense	473,038	38 %	470,424	38 %	2,614	1 %
Employee compensation	444,828	36 %	490,725	40 %	(45,897)	(9)%
General and administrative	210,113	17 %	218,831	18 %	(8,718)	(4)%
Depreciation and amortization	130,304	10 %	125,828	10 %	4,476	4 %
Goodwill impairment	191,818	15 %	—	— %	191,818	100 %
<b>Total operating expenses</b>	<b>1,450,101</b>	<b>116 %</b>	<b>1,305,808</b>	<b>105 %</b>	<b>144,293</b>	<b>11 %</b>
<b>Loss from operations</b>	<b>(204,481)</b>	<b>(16)%</b>	<b>(66,024)</b>	<b>(5)%</b>	<b>(138,457)</b>	<b>*</b>
<b>Other income (expense):</b>						
Interest income	6,288	1 %	4,184	— %	2,104	50 %
Interest expense	(25,138)	(2)%	(16,843)	(1)%	(8,295)	(49)%
Other income (expense), net	(9,666)	(1)%	264	— %	(9,930)	*
<b>Total other income (expense), net</b>	<b>(28,516)</b>	<b>(2)%</b>	<b>(12,395)</b>	<b>(1)%</b>	<b>(16,121)</b>	<b>(130)%</b>
<b>Loss before income tax provision</b>	<b>(232,997)</b>	<b>(19)%</b>	<b>(78,419)</b>	<b>(6)%</b>	<b>(154,578)</b>	<b>*</b>
<b>Income tax provision</b>	<b>12,777</b>	<b>1 %</b>	<b>7,061</b>	<b>1 %</b>	<b>5,716</b>	<b>81 %</b>
<b>Net loss</b>	<b>(245,774)</b>	<b>(20)%</b>	<b>(85,480)</b>	<b>(7)%</b>	<b>(160,294)</b>	<b>*</b>
<b>Add: Net loss attributable to non-controlling interest</b>	<b>7,050</b>	<b>1 %</b>	<b>4,541</b>	<b>— %</b>	<b>2,509</b>	<b>55 %</b>
<b>Net loss attributable to Envestnet, Inc.</b>	<b>\$ (238,724)</b>	<b>(19)%</b>	<b>\$ (80,939)</b>	<b>(7)%</b>	<b>\$ (157,785)</b>	<b>*</b>

\* Not meaningful

#### **Asset-based recurring revenue**

Asset-based recurring revenue increased \$7.0 million, or 1%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 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 increased from approximately 38,000 as of December 31, 2022 to approximately 39,000 as of December 31, 2023 and the number of AUM/A client accounts increased from approximately 2.7 million as of December 31, 2022 to approximately 2.9 million as of December 31, 2023.

### **Subscription-based recurring revenue**

Subscription-based recurring revenue decreased \$13.1 million, or 3%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to a decrease of \$28.3 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, partially offset by an increase of \$15.2 million in the Envestnet Wealth Solutions segment, which can be attributed to new and existing customer growth.

### **Professional services and other revenue**

Professional services and other revenue increased \$11.9 million, or 50%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 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 customer deployments.

### **Direct expense**

Direct expense increased \$2.6 million, or 1%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to an increase in asset-based direct expense of \$3.8 million, which directly correlates with the increase to asset-based recurring revenue during the period, partially offset by a decrease in subscription-based direct expense of \$1.8 million, which directly correlates with the decrease to subscription-based recurring revenue during the period.

### **Employee compensation**

Employee compensation decreased \$45.9 million, or 9%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to decreases in salaries, benefits and related payroll taxes of \$38.8 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 non-cash compensation expense of \$9.3 million and other immaterial decreases within employee compensation, partially offset by an increase in severance expense of \$5.3 million as a result of the reduction in force initiative and organizational realignment.

As a percentage of total revenue, employee compensation decreased 4% points for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily a result of the outsourcing arrangement with TCS, a reduction in force initiative in 2023 and an organizational realignment in the fourth quarter of 2022.

### **General and administrative**

General and administrative expenses decreased \$8.7 million, or 4%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to decreases in restructuring charges and transaction costs of \$22.1 million, marketing costs of \$7.3 million, occupancy costs of \$4.6 million, communications, research and data services of \$3.4 million and other immaterial decreases within general and administrative expense, partially offset by increases in software and maintenance charges of \$31.4 million which is primarily a result of the outsourcing arrangement with TCS.

### **Depreciation and amortization**

Depreciation and amortization expense increased \$4.5 million, or 4%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to an increase in amortization related to internally developed software of \$15.5 million, partially offset by decreases in amortization related to intangible assets of \$9.0 million and depreciation related to fixed assets of \$2.2 million.

### **Goodwill impairment**

Goodwill impairment increased \$191.8 million for the year ended December 31, 2023 compared to the year ended December 31, 2022 as a result of the recognition of a non-cash impairment charge to goodwill in the Envestnet Data & Analytics segment during the year ended December 31, 2023.

#### **Total other income (expense), net**

Total other income (expense), net increased \$16.1 million, or 130% for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to a \$9.0 million decrease in dilution gain on equity method investee share issuance, an \$8.3 million increase in interest expense and a \$1.7 million increase in loss allocations from equity method investments. These increases were partially offset by an increase of \$2.1 million in interest income, a \$1.0 million decrease in foreign currency expense and a \$0.4 million increase in fair market value adjustment on investment in private company.

#### **Income tax provision**

	Year Ended December 31,	
	2023	2022
	(in thousands, except for percentages)	
Loss before income tax provision	\$ (232,997)	\$ (78,419)
Income tax provision	12,777	7,061
Effective tax rate	(5.5)%	(9.0)%

Our 2023 effective tax rate differs from the statutory rate primarily due to the effect of goodwill impairment, the change in the valuation allowance we have placed on a portion of U.S. deferred tax assets, the generation of R&D tax credits, executive compensation deduction limitations, tax deficiency related to stock-based compensation, income related to Indian partnerships, a change in our India indefinite reinvestment assertion and state income taxes.

Our 2022 effective tax rate differs from the statutory rate primarily due to the change in the valuation allowance we have placed on a portion of U.S. deferred tax assets, the generation of R&D tax credits, executive compensation deduction limitations, income related to Indian partnerships, a change in our India indefinite reinvestment assertion and state income taxes.

#### **Year ended December 31, 2022 compared to year ended December 31, 2021**

	Year Ended December 31,					
	2022		2021		\$ Change	% Change
	Amount	% of Revenue	Amount	% of Revenue		
(in thousands, except percentages)						
Revenue:						
Asset-based	\$ 738,228	60 %	\$ 709,376	60 %	\$ 28,852	4 %
Subscription-based	477,844	39 %	453,989	38 %	23,855	5 %
Total recurring revenue	1,216,072	98 %	1,163,365	98 %	52,707	5 %
Professional services and other revenue	23,712	2 %	23,152	2 %	560	2 %

Total revenue	1,239,784	100 %	1,186,517	100 %	53,267	4 %
Operating expenses:						
Direct expense	470,424	38 %	423,723	36 %	46,701	11 %
Employee compensation	490,725	40 %	432,829	36 %	57,896	13 %
General and administrative	218,831	18 %	171,657	14 %	47,174	27 %
Depreciation and amortization	125,828	10 %	117,767	10 %	8,061	7 %
Total operating expenses	1,305,808	105 %	1,145,976	97 %	159,832	14 %
Income (loss) from operations	(66,024)	(5)%	40,541	3 %	(106,565)	*
Other income (expense):						
Interest income	4,184	— %	827	— %	3,357	*
Interest expense	(16,843)	(1)%	(16,931)	(1)%	88	1 %
Other income (expense), net	264	— %	(4,076)	— %	4,340	106%
Total other income (expense), net	(12,395)	(1)%	(20,180)	(2)%	7,785	39 %
Income (loss) before income tax provision	(78,419)	(6)%	20,361	2 %	(98,780)	*
Income tax provision	7,061	1 %	7,667	1 %	(606)	(8)%
Net income (loss)	(85,480)	(7)%	12,694	1 %	(98,174)	*
Add: Net loss attributable to non-controlling interest	4,541	— %	602	— %	3,939	*
Net income (loss) attributable to Envestnet, Inc.	\$ (80,939)	(7)%	\$ 13,296	1 %	\$ (94,235)	*

\* Not meaningful

#### Asset-based recurring revenue

Asset-based recurring revenue increased \$28.9 million, or 4%, for the year ended December 31, 2022 compared to the year ended December 31, 2021 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 at the end of the previous quarter, partially offset by existing customers switching from an asset-based pricing model to a subscription-based pricing model.

The number of financial advisors with asset-based recurring revenue on our technology platforms decreased from approximately 40,000 as of December 31, 2021 to approximately 38,000 as of December 31, 2022 and the number of AUM/A client accounts increased from approximately 2.6 million as of December 31, 2021 to approximately 2.7 million as of December 31, 2022.

#### Subscription-based recurring revenue

Subscription-based recurring revenue increased \$23.9 million, or 5%, for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to an increase of \$30.1 million in the Envestnet Wealth Solutions segment, which can be attributed to new and existing customer growth along with additional revenue from existing customers switching from an asset-based pricing model to a subscription-based pricing model, partially offset by a decrease of \$6.3 million in the Envestnet Data & Analytics segment, which is primarily attributable to the equity market decline impacting our asset management customers in the research business.

#### Professional services and other revenue

Professional services and other revenue increased \$0.6 million, or 2%, for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to an increase in revenue resulting from the 2022 Advisor Summit, which was held as an in-person event. The 2021 Advisor Summit was virtual due to the COVID-19 pandemic.

#### ***Direct expense***

Direct expense increased \$46.7 million, or 11%, for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to an increase in asset-based direct expense of \$36.6 million, which directly correlates with the increase to asset-based recurring revenue during the period, an increase in professional services and other direct expense of \$6.9 million, primarily as a result of our 2022 Advisor Summit, which was held in-person, and an increase in subscription-based direct expense of \$3.1 million, which directly correlates with the increase in subscription-based recurring revenue during the period.

#### ***Employee compensation***

Employee compensation increased \$57.9 million, or 13%, for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to increases in salaries, benefits and related payroll taxes of \$40.5 million, non-cash compensation expense of \$12.3 million and other miscellaneous increases within employee compensation of \$3.6 million, primarily due to increased headcount as a result of growth and acquisitions in the Envestnet Wealth Solutions segment. Also contributing to this increase was an increase in severance expense of \$18.8 million, primarily a result of the outsourcing arrangement with TCS in the Envestnet Data & Analytics segment and an organizational realignment in the fourth quarter of 2022. These increases were partially offset by a decrease in incentive compensation expense of \$20.5 million primarily due to lower revenue and profitability measures achieved in our incentive compensation program.

As a percentage of total revenue, employee compensation increased 4% points for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to higher employee compensation related to increased headcount in the Envestnet Wealth Solutions segment and higher severance expense primarily a result of the outsourcing arrangement with TCS and an organizational realignment in the fourth quarter of 2022.

#### ***General and administrative***

General and administrative expenses increased \$47.2 million, or 27%, for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to increases in lease restructuring and transaction costs of \$16.6 million driven by the closure of four offices, software and maintenance charges of \$16.6 million, travel and entertainment expenses of \$5.6 million, communications, research and data services of \$3.5 million, insurance, bank and payroll expenses of \$2.0 million and other miscellaneous increases within general and administrative expense of \$2.5 million. These increases were partially offset by decreases in total occupancy costs of \$4.6 million and professional and legal fees of \$4.3 million.

As a percentage of total revenue, general and administrative expense increased 4% points for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to an increase in lease restructuring and other related costs.

#### ***Depreciation and amortization***

Depreciation and amortization expense increased \$8.1 million, or 7%, for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to increases in amortization related to internally developed software of \$8.4 million and intangible assets of \$3.3 million, partially offset by a decrease in depreciation related to fixed assets of \$3.7 million.

#### ***Total other income (expense), net***

Total other income (expense), net decreased \$7.8 million, or 39% for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to a \$9.5 million increase in dilution gain on equity method investee share issuance and a \$3.4 million

increase in interest income, partially offset by a \$1.8 million increase in loss allocations from equity method investments and a \$1.4 million increase in foreign currency expense.

#### Income tax provision

	Year Ended December 31,	
	2022	2021
(in thousands, except for percentages)		
Income (loss) before income tax provision	\$ (78,419)	\$ 20,361
Income tax provision	7,061	7,667
Effective tax rate	(9.0)%	37.7 %

Our 2022 effective tax rate differs from the statutory rate primarily due to the change in the valuation allowance we have placed on a portion of U.S. deferred tax assets, the generation of R&D tax credits, executive compensation deduction limitations, income related to Indian partnerships, a change in our India indefinite reinvestment assertion and state income taxes.

Our 2021 effective tax rate differs from the statutory rate primarily due to the change in the valuation allowance we have placed on a portion of U.S. deferred tax assets, the generation of R&D tax credits, executive compensation deduction limitations, income related to Indian partnerships and state income taxes.

#### Segment Results

Envestnet is organized around our service offerings, two business segments based on clients served and products provided to meet those needs. Financial information about each of our two business segments is contained in Part II, Item 8, "Note 19–23—Segment Information" to the consolidated financial statements included within this Annual Report. Our business segments are as follows:

- **Envestnet Wealth Solutions** – a leading provider of comprehensive and unified wealth management software, services and 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.

We also incur expenses not directly attributable to the segments listed above. These nonsegment operating expenses 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-operational 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 change does 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 Annual report on Form 10-K for the year ended December 31, 2023 is presented in conjunction with the current organizational structure, with prior periods adjusted accordingly.

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

	Year Ended December 31,		
	2022	2021	2020
(in thousands)			
Envestnet Wealth Solutions	\$ 55,972	\$ 124,651	\$ 91,501
Envestnet Data & Analytics	(20,870)	2,033	(9,943)
Nonsegment operating expenses	(101,126)	(86,143)	(62,117)
Income (loss) from operations	(66,024)	40,541	19,441
Interest income	4,184	827	1,112
Interest expense	(16,843)	(16,931)	(31,504)
Other income (expense), net	264	(4,076)	2,906
Consolidated income (loss) before income tax provision (benefit)	(78,419)	20,361	(8,045)
Income tax provision (benefit)	7,061	7,667	(5,401)
Consolidated net income (loss)	(85,480)	12,694	(2,644)
Add: Net (income) loss attributable to non-controlling interest	4,541	602	(466)
Consolidated net income (loss) attributable to Envestnet, Inc.	\$ (80,939)	\$ 13,296	\$ (3,110)

	Year Ended December 31,		
	2023	2022	2021
(in thousands)			
Envestnet Wealth Solutions	\$ 108,753	\$ 57,323	\$ 129,287
Envestnet Data & Analytics	(216,542)	(22,221)	(2,603)
Nonsegment operating expenses	(96,692)	(101,126)	(86,143)
Income (loss) from operations	(204,481)	(66,024)	40,541
Total other income (expense), net	(28,516)	(12,395)	(20,180)
Income (loss) before income tax provision	(232,997)	(78,419)	20,361
Income tax provision	12,777	7,061	7,667
Net income (loss)	(245,774)	(85,480)	12,694
Add: Net loss attributable to non-controlling interest	7,050	4,541	602
Net income (loss) attributable to Envestnet, Inc.	\$ (238,724)	\$ (80,939)	\$ 13,296

### Envestnet Wealth Solutions

The following table presents income from operations for the Envestnet Wealth Solutions segment:

Segment	2023	2022	2021
Envestnet Wealth Solutions	\$ 108,753	\$ 57,323	\$ 129,287
Envestnet Data & Analytics	(216,542)	(22,221)	(2,603)
Nonsegment operating expenses	(96,692)	(101,126)	(86,143)
Income (loss) from operations	(204,481)	(66,024)	40,541
Total other income (expense), net	(28,516)	(12,395)	(20,180)
Income (loss) before income tax provision	(232,997)	(78,419)	20,361
Income tax provision	12,777	7,061	7,667
Net income (loss)	(245,774)	(85,480)	12,694
Add: Net loss attributable to non-controlling interest	7,050	4,541	602
Net income (loss) attributable to Envestnet, Inc.	\$ (238,724)	\$ (80,939)	\$ 13,296

	Year Ended December 31,					
	2022	2021	% Change	2020	% Change	
	(in thousands, except for percentages)					
<b>Revenues:</b>						
Asset-based	\$ 738,228	\$ 709,376	4 %	\$ 540,947	31 %	
Subscription-based	294,997	267,720	10 %	248,810	8 %	
Total recurring revenues	1,033,225	977,096	6 %	789,757	24 %	
Professional services and other revenues	16,568	14,070	18 %	16,333	(14)%	
Total revenues	1,049,793	991,166	6 %	806,090	23 %	
<b>Operating expenses:</b>						
Cost of revenues	443,471	399,313	11 %	283,497	41 %	
Compensation and benefits	312,910	269,153	16 %	257,698	4 %	
General and administration	140,782	107,976	30 %	92,680	17 %	
Depreciation and amortization	96,658	90,073	7 %	80,714	12 %	
Total operating expenses	993,821	866,515	15 %	714,589	21 %	
Income from operations	\$ 55,972	\$ 124,651	(55)%	\$ 91,501	36 %	

**Year ended December 31, 2022 December 31, 2023 compared to year ended December 31, 2021 for the Envestnet Wealth Solutions segment December 31, 2022**

### Revenues

	Year Ended December 31,							
	2023		2022		\$ Change	% Change		
	Amount	% of Revenue	Amount	% of Revenue				
(in thousands, except percentages)								
<b>Revenue:</b>								
Asset-based	\$ 745,238	68 %	\$ 738,228	69 %	\$ 7,010	1 %		
Subscription-based	325,398	30 %	310,217	29 %	15,181	5 %		
Total recurring revenue	1,070,636	98 %	1,048,445	98 %	22,191	2 %		
Professional services and other revenue	24,068	2 %	16,799	2 %	7,269	43 %		
Total revenue	1,094,704	100 %	1,065,244	100 %	29,460	3 %		
<b>Operating expenses:</b>								
Direct expense	449,065	41 %	444,447	42 %	4,618	1 %		
Employee compensation	313,338	29 %	321,277	30 %	(7,939)	(2)%		
General and administrative	120,247	11 %	143,597	13 %	(23,350)	(16)%		
Depreciation and amortization	103,301	9 %	98,600	9 %	4,701	5 %		
Total operating expenses	985,951	90 %	1,007,921	95 %	(21,970)	(2)%		
Income from operations	\$ 108,753	10 %	\$ 57,323	5 %	\$ 51,430	90 %		

### Asset-based recurring revenues revenue

Asset-based recurring revenues increased 4% from \$709.4 million in 2021 to \$7.0 million, or 1%, for the year ended December 31, 2023 compared to \$738.2 million in 2022. The increase was the year ended December 31, 2022 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 increased from approximately 38,000 as of December 31, 2022 to approximately 39,000 as of December 31, 2023 and the number of AUM/A client accounts increased from approximately 2.7 million as of December 31, 2022 to approximately 2.9 million as of December 31, 2023.

#### ***Subscription-based recurring revenue***

Subscription-based recurring revenue increased \$15.2 million, or 5%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to new and existing customer growth.

#### ***Professional services and other revenue***

Professional services and other revenue increased \$7.3 million, or 43%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to timing of the completion of customer projects and deployments.

#### ***Direct expense***

Direct expense increased \$4.6 million, or 1%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to 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 \$7.9 million, or 2%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to decreases in salaries, benefits and related payroll taxes of \$9.8 million, which is primarily a result of the upswing in the equity markets force initiative in 2023 and an organizational realignment in the fourth quarter of 2021, 2022, a decrease in non-cash compensation expense of \$3.4 million and other immaterial decreases within employee compensation, partially offset by an increase in severance expense of \$4.0 million as a result of the reduction in force initiative and organizational realignment and an increase in incentive compensation of \$3.4 million.

#### ***General and administrative***

General and administrative expenses decreased \$23.4 million, or 16%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to decreases in restructuring charges and transaction costs of \$15.1 million, marketing costs of \$4.9 million, occupancy costs of \$2.5 million and other immaterial decreases within general and administrative expense, partially offset by an increase in software and maintenance charges of \$4.0 million.

#### ***Depreciation and amortization***

Depreciation and amortization increased \$4.7 million, or 5%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to an increase in amortization related to internally developed software of \$9.5 million, partially offset by a decline in amortization related to intangible assets of \$4.4 million.

**Year ended December 31, 2022 compared to year ended December 31, 2021**

	Year Ended December 31,							
	2022		2021		\$ Change	% Change		
	Amount	% of Revenue	Amount	% of Revenue				
(in thousands, except percentages)								
<b>Revenue:</b>								
Asset-based	\$ 738,228	69 %	\$ 709,376	71 %	\$ 28,852	4 %		
Subscription-based	310,217	29 %	280,076	28 %	30,141	11 %		
Total recurring revenue	1,048,445	98 %	989,452	99 %	58,993	6 %		
Professional services and other revenue	16,799	2 %	14,190	1 %	2,609	18 %		
<b>Total revenue</b>	<b>1,065,244</b>	<b>100 %</b>	<b>1,003,642</b>	<b>100 %</b>	<b>61,602</b>	<b>6 %</b>		
<b>Operating expenses:</b>								
Direct expense	444,447	42 %	400,119	40 %	44,328	11 %		
Employee compensation	321,277	30 %	275,184	27 %	46,093	17 %		
General and administrative	143,597	13 %	108,028	11 %	35,569	33 %		
Depreciation and amortization	98,600	9 %	91,024	9 %	7,576	8 %		
<b>Total operating expenses</b>	<b>1,007,921</b>	<b>95 %</b>	<b>874,355</b>	<b>87 %</b>	<b>133,566</b>	<b>15 %</b>		
<b>Income from operations</b>	<b>\$ 57,323</b>	<b>5 %</b>	<b>\$ 129,287</b>	<b>13 %</b>	<b>\$ (71,964)</b>	<b>(56)%</b>		

**Asset-based recurring revenue**

Asset-based recurring revenue increased \$28.9 million, or 4%, for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to an increase in asset values applicable to our quarterly billing cycles, which are based on the market value of 2022 through the customers' assets on our platforms at the end of 2022. In 2022, revenues were also positively affected by new account growth and positive net flows of AUM/A. The revenue increase was the previous quarter, partially offset by existing customers switching from an asset-based pricing model to a subscription-based pricing model.

The number of financial advisors with AUM or AUA asset-based recurring revenue on our technology platforms decreased from approximately 40,000 as of December 31, 2021 to approximately 38,000 as of December 31, 2022 and the number of AUM or AUA AUM/A client accounts increased from approximately 2.6 million as of December 31, 2021 to approximately 2.7 million as of December 31, 2022.

**As a percentage of total revenues, asset-based Subscription-based recurring revenue decreased from 72% of total revenue in 2021 to 70% in 2022.**

**Subscription-based recurring revenues**

Subscription-based recurring revenues revenue increased 10% from \$267.7 million in 2021 to \$30.1 million, or 11%, for the year ended December 31, 2022 compared to \$295.0 million in 2022, the year ended December 31, 2021 primarily due to new and existing customer growth along with additional revenue from existing customers switching from an asset-based pricing model to a subscription-based pricing model.

**Professional services and other revenues revenue**

Professional services and other revenues revenue increased \$2.6 million, or 18% from \$14.1 million in 2021, for the year ended December 31, 2022 compared to \$16.6 million in 2022. The increase was the year ended December 31, 2021 primarily due to an increase in revenues revenue resulting from the 2022 Advisor Summit, which was held as an in-person event. The 2021 Advisor Summit was virtual due to the COVID-19 pandemic.

#### **Cost of revenues Direct expense**

Cost of revenues Direct expense increased \$44.3 million, or 11% from \$399.3 million in 2021, for the year ended December 31, 2022 compared to \$443.5 million in 2022. The increase was the year ended December 31, 2021 primarily due to an increase in asset-based cost direct expense of revenues of \$36.6 million, which directly correlates with the increase in asset-based recurring revenues for revenue during the period. Also contributing to this increase was period and an increase in professional services and other cost of revenues direct expense of \$7.0 million, primarily as a result of our 2022 Advisor Summit, which was held in-person. As a percentage of segment revenues, cost of revenues increased from 40% in 2021 to 42% in 2022.

#### **Compensation and benefits**

##### **Employee compensation**

Compensation and benefits Employee compensation increased 16% from \$269.2 million in 2021 \$46.1 million, or 17%, for the year ended December 31, 2022 compared to \$312.9 million in 2022, the year ended December 31, 2021 primarily due to increases in salaries, benefits and related payroll taxes of \$34.3 million \$36.3 million, non-cash compensation of \$10.3 million \$9.7 million and an increase in severance expense of \$8.9 million. These other miscellaneous increases within employee compensation, primarily relate due to an increase in increased headcount as a result of growth and acquisitions, along with the and an increase in severance expense related to of \$8.6 million, primarily a result of an organizational realignment in the fourth quarter organizational realignment of 2022. These increases are were partially offset by a decrease in incentive compensation expense of \$10.4 million primarily a result of due to lower revenue and profitability measures achieved in our incentive compensation program.

As a percentage of segment revenues, revenue, employee compensation and benefits increased from 27% in 2021 3% points for the year ended December 31, 2022 compared to 30% in 2022, the year ended December 31, 2021 primarily due to lower revenue increase as well as higher growth employee compensation related to increased headcount and higher severance expense primarily a result of an organizational realignment in compensation and benefits. the fourth quarter of 2022.

##### **General and administration administrative**

General and administration administrative expenses increased 30% from \$108.0 million in 2021 \$35.6 million, or 33%, for the year ended December 31, 2022 compared to \$140.8 million in 2022, the year ended December 31, 2021 primarily due to increases in software and maintenance charges of \$14.3 million, lease restructuring and transaction costs of \$9.1 million driven by the closure of three four offices, software and maintenance charges of \$11.5 million, travel and entertainment expenses of \$3.3 million, miscellaneous general and administrative expenses of \$3.1 million and insurance, bank and payroll charges of \$1.5 million, and other immaterial increases within general and administrative expense. These increases were partially offset by decreases in occupancy costs of \$4.1 million and professional services fees of \$3.5 million. As a percentage of segment revenues, general and administration expenses increased from 11% in 2021 to 13% in 2022.

##### **Depreciation and amortization**

Depreciation and amortization increased 7% from \$90.1 million in 2021 \$7.6 million, or 8%, for the year ended December 31, 2022 compared to \$96.7 million in 2022, the year ended December 31, 2021 primarily due to an increase increases in amortization related to internally developed software amortization expense of \$4.5 million and an increase in finance lease amortization expense intangible assets of \$2.8 million. These increases are \$4.5 million, partially offset by other immaterial decreases within depreciation and amortization As a

percentage decrease in depreciation related to fixed assets of segment revenues, depreciation and amortization expense remained consistent at 9% in 2021 and 2022.

**Year ended December 31, 2021 compared to year ended December 31, 2020 for the Envestnet Wealth Solutions segment**

For a discussion of the 2021 Results of Operations compared to 2020 for the Envestnet Wealth Solutions segment, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K filed with the SEC on February 25, 2022 \$1.4 million.

**Envestnet Data & Analytics**

**The following table presents loss from operations for the Envestnet Data & Analytics segment: Year ended December 31, 2023 compared to year ended December 31, 2022**

	Year Ended December 31,				
	2022		2021		% Change
	(in thousands, except for percentages)				
<b>Revenues:</b>					
Subscription-based	\$ 182,847	\$ 186,269	(2)%	\$ 177,697	5 %
Professional services and other revenues	7,144	9,082	(21)%	14,443	(37)%
<b>Total revenues</b>	<b>189,991</b>	<b>195,351</b>	<b>(3)%</b>	<b>192,140</b>	<b>2 %</b>
<b>Operating expenses:</b>					
Cost of revenues	24,989	24,410	2 %	22,432	9 %
Compensation and benefits	109,667	105,416	4 %	110,436	(5)%
General and administration	42,315	35,798	18 %	36,268	(1)%
Depreciation and amortization	33,890	27,694	22 %	32,947	(16)%
<b>Total operating expenses</b>	<b>210,861</b>	<b>193,318</b>	<b>9 %</b>	<b>202,083</b>	<b>(4)%</b>
<b>Income (loss) from operations</b>	<b>\$ (20,870)</b>	<b>\$ 2,033</b>	<b>*</b>	<b>\$ (9,943)</b>	<b>(120)%</b>

	Year Ended December 31,				
	2023		2022		
	Amount	% of Revenue	Amount	% of Revenue	\$ Change
(in thousands, except percentages)					
<b>Revenue:</b>					
Subscription-based	\$ 139,332	92 %	\$ 167,627	96 %	\$ (28,295)
Professional services and other revenue	11,584	8 %	6,913	4 %	4,671
<b>Total revenue</b>	<b>150,916</b>	<b>100 %</b>	<b>174,540</b>	<b>100 %</b>	<b>(23,624)</b>
<b>Operating expenses:</b>					
Direct expense	23,973	16 %	25,977	15 %	(2,004)
Employee compensation	69,414	46 %	101,300	58 %	(31,886)
General and administrative	55,250	37 %	42,256	24 %	12,994

Depreciation and amortization	27,003	18 %	27,228	16 %	(225)	(1)%
Goodwill impairment	191,818	127 %	—	— %	191,818	100 %
Total operating expenses	367,458	243 %	196,761	113 %	170,697	87 %
Loss from operations	\$ (216,542)	(143)%	\$ (22,221)	(13)%	\$ (194,321)	*

\* Not meaningful

#### ***Subscription-based recurring revenue***

Subscription-based recurring revenue decreased \$28.3 million, or 17%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 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.

As a percentage of segment revenue, subscription-based recurring revenue decreased 4% points for the year ended December 31, 2023 compared to the year ended December 31, 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 \$4.7 million, or 68%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to an increase in point in time revenue recognized on customer deployments.

As a percentage of segment revenue, professional services and other revenue increased 4% points for the year ended December 31, 2023 compared to the year ended December 31, 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 \$2.0 million, or 8%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to a decrease in subscription-based direct expense, which directly correlates with the decrease to subscription-based recurring revenue during the period.

#### ***Employee compensation***

Employee compensation decreased \$31.9 million, or 31%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to decreases in salaries, benefits and related payroll taxes of \$25.9 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, incentive compensation of \$2.4 million, non-cash compensation expense of \$1.7 million and other immaterial decreases within employee compensation.

As a percentage of segment revenue, employee compensation expense decreased 12% points for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to the outsourcing arrangement with TCS, partially offset by a decrease in segment revenue period over period.

#### ***General and administrative***

General and administrative expenses increased \$13.0 million, or 31%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to increases in software and maintenance charges of \$25.0 million, which is primarily a result of the outsourcing arrangement with TCS, partially offset by decreases in restructuring charges and transaction costs of \$3.1 million, research and data services expense of \$3.0 million, occupancy costs of \$2.2 million and other immaterial decreases within general and administrative expense.

As a percentage of segment revenue, general and administrative expense increased 13% points for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to the outsourcing arrangement with TCS as well as a decrease in segment revenue period over period.

#### **Depreciation and amortization**

Depreciation and amortization decreased \$0.2 million, or 1%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to decreases in amortization related to intangible assets of \$4.5 million and depreciation related to fixed assets of \$1.6 million, partially offset by an increase in amortization related to internally developed software of \$5.9 million.

#### **Goodwill impairment**

Goodwill impairment increased \$191.8 million for the year ended December 31, 2023 compared to the year ended December 31, 2022 as a result of the recognition of a non-cash impairment charge to goodwill during the year ended December 31, 2023.

#### **Year ended December 31, 2022 compared to year ended December 31, 2021 for the Envestnet Data & Analytics segment**

##### **Revenues**

	Year Ended December 31,					
	2022		2021		\$ Change	% Change
	Amount	% of Revenue	Amount	% of Revenue		
(in thousands, except percentages)						
Revenue:						
Subscription-based	\$ 167,627	96 %	\$ 173,913	95 %	\$ (6,286)	(4)%
Professional services and other revenue	6,913	4 %	8,962	5 %	(2,049)	(23)%
Total revenue	174,540	100 %	182,875	100 %	(8,335)	(5)%
Operating expenses:						
Direct expense	25,977	15 %	23,604	13 %	2,373	10 %
Employee compensation	101,300	58 %	99,385	54 %	1,915	2 %
General and administrative	42,256	24 %	35,746	20 %	6,510	18 %
Depreciation and amortization	27,228	16 %	26,743	15 %	485	2 %
Total operating expenses	196,761	113 %	185,478	101 %	11,283	6 %
Loss from operations	\$ (22,221)	(13)%	\$ (2,603)	(1)%	\$ (19,618)	*

\* Not meaningful

#### **Subscription-based recurring revenues revenue**

Subscription-based recurring revenues revenue decreased 2% from \$186.3 million in 2021 \$6.3 million, or 4%, for the year ended December 31, 2022 compared to \$182.8 million in 2022, the year ended December 31, 2021 which is primarily due attributable to the equity market decline impacting our asset management customers in the research business.

#### **Professional services and other revenues revenue**

Professional services and other revenues revenue decreased 21% from \$9.1 million in 2021 \$2.0 million, or 23%, or the year ended December 31, 2022 compared to \$7.1 million in 2022, the year ended December 31, 2021 primarily due to the timing of the completion of customer projects and deployments.

#### **Compensation and benefits Direct expense**

Compensation and benefits Direct expense increased 4% from \$105.4 million in 2021 \$2.4 million, or 10%, for the year ended December 31, 2022 compared to \$109.7 million in 2022, the year ended December 31, 2021 primarily due to additional expense related to entering into an arrangement with a third-party for the use of cloud hosted virtual servers.

#### **Employee compensation**

Employee compensation increased \$1.9 million, or 2%, for the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily due to increases in severance expense of \$7.6 million \$6.7 million, miscellaneous employee expense of \$2.2 million and salaries, benefits and related payroll taxes of \$2.2 million. The increase in severance expense is primarily a result of the outsourcing arrangement with TCS as well as an organizational realignment in the fourth quarter. The quarter of 2022, an increase in salaries, benefits and related payroll taxes of \$0.9 million and other immaterial increases were within employee compensation, partially offset by decreases in incentive compensation of \$7.6 million and stock-based compensation expense of \$2.0 million \$1.3 million.

As a percentage of segment revenues, revenue, employee compensation and benefits expense increased from 54% in 2021 4% points for the year ended December 31, 2022 compared to 58% in 2022. The increase in compensation and benefits as a percentage of total revenues is the year ended December 31, 2021 primarily due to a decrease higher severance expense related to the outsourcing arrangement with TCS and an organizational realignment in revenue as well as an overall increase in compensation the fourth quarter of 2022.

#### **General and benefits. administrative**

##### **General and administration**

General and administration administrative expenses increased \$6.5 million, or 18% from \$35.8 million in 2021, for the year ended December 31, 2022 compared to \$42.3 million in 2022, the year ended December 31, 2021 primarily due to increases in restructuring and transaction costs of \$2.8 million, research and data services expense of \$2.4 million, travel and entertainment expense of \$1.8 million and software and maintenance charges of \$1.7 million. These increases were primarily, partially offset by other immaterial decreases in immaterial other within general and administration expenses. administrative expense.

As a percentage of segment revenues revenue, general and administration expenses administrative expense increased from 18% in 2021 4% points for the year ended December 31, 2022 compared to 22% in 2022, which is the year ended December 31, 2021 primarily due to a decrease in revenues as well as an overall increase in general and administration expenses. administrative expense as well as a decrease in segment revenue.

#### **Depreciation and amortization**

Depreciation and amortization increased 22% from \$27.7 million in 2021 to \$33.9 million in 2022, the year ended December 31, 2021 primarily due to an increase in amortization related to internally developed software amortization expense of \$3.8 million and intangible asset amortization expense, partially offset by decreases in depreciation related to fixed assets of \$2.6 million. As a percentage of segment revenues, depreciation \$2.2 million and amortization expense increased from 14% in 2021 to 18% in 2022. The increase in depreciation and amortization as a percentage of intangible assets of total revenues is \$1.1 million.

#### **Nonsegment**

##### **Year ended December 31, 2023 compared to year ended December 31, 2022**

	Year Ended December 31,				\$ Change	% Change					
	2023		2022								
	(in thousands, except percentages)										
<b>Operating expenses:</b>											
Employee compensation	\$ 62,076	\$ 68,148	\$ (6,072)		(9)%						
General and administrative	34,616	32,978	1,638		5 %						
<b>Total operating expenses</b>	<b>\$ 96,692</b>	<b>\$ 101,126</b>	<b>\$ (4,434)</b>		<b>(4)%</b>						

#### **Employee compensation**

Employee compensation decreased \$6.1 million, or 9%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to a decrease in non-cash compensation expense of \$4.2 million and a decrease in salaries, benefits and related payroll taxes of \$3.0 million, partially offset by other immaterial increases within employee compensation.

#### **General and administrative**

General and administrative expenses increased \$1.6 million, or 5%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to an increase in software and maintenance charges of \$2.4 million, an increase in governance related expense of \$1.8 million as well as higher amortization expense incurred associated with activist shareholder activity during the year ended December 31, 2023 and an increase in professional fees of \$1.0 million. These increases were partially offset by increased capitalization related to internally developed software decreases in restructuring and transaction costs of \$3.4 million and the procurement of technology solutions from a privately held company. other immaterial decreases in general and administrative expense.

##### **Year ended December 31, 2021 December 31, 2022 compared to year ended December 31, 2020 for the Envestnet Data & Analytics segment December 31, 2021**

For a discussion of the 2021 2022 Results of Operations compared to 2020 for the Envestnet Data & Analytics segment, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K filed with the SEC on February 25, 2022 February 28, 2023.

#### **Nonsegment**

The following table presents nonsegment operating expenses:

	Year Ended December 31,				% Change	% Change		
	2022		2021					
	(in thousands, except percentages)							

	(in thousands, except for percentages)					
Operating expenses:						
Compensation and benefits	\$ 68,148	\$ 58,260	17 %	\$ 30,836	89 %	
General and administration	32,978	27,883	18 %	31,281	(11)%	
Total operating expenses	\$ 101,126	\$ 86,143	17 %	\$ 62,117	39 %	

**Year ended December 31, 2022 compared to year ended December 31, 2021 for Nonsegment**

**Compensation and benefits**

Compensation and benefits increased 17% from \$58.3 million in 2021 to \$68.1 million in 2022, primarily due to increases in headcount that resulted in increases in non-cash compensation expense of \$4.0 million and salaries, benefits and related payroll taxes of \$3.3 million. In addition, severance expense increased by \$3.4 million as a result of an organization realignment in the fourth quarter of 2022. The increases are partially offset by a decrease in incentive compensation of \$2.5 million.

**General and administration**

General and administration expenses increased 18% from \$27.9 million in 2021 to \$33.0 million in 2022, primarily due to an increase in restructuring charges and transaction costs of \$4.1 million, primarily driven by acquisition activity and system implementation costs.

**Year ended December 31, 2021 compared to year ended December 31, 2020 for Nonsegment**

For a discussion of the 2021 Results of Operations compared to 2020 for Nonsegment expenses, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K filed with the SEC on February 25, 2022.

**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 revenues, revenue," "adjusted EBITDA," "adjusted net income" and "adjusted net income per diluted share". share."

"Adjusted revenues" 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 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 revenues" 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.

"Adjusted EBITDA" represents net income (loss) before deferred revenue fair value adjustment, interest income, interest expense, accretion on contingent consideration and purchase liability, income tax provision (benefit), depreciation and amortization, goodwill impairment, non-cash compensation expense, restructuring charges and transaction costs, severance expense, accretion on contingent consideration and purchase liability, fair market value adjustment to contingent consideration liability, fair market value adjustment on investment in private company, litigation, regulatory and regulatory other governance related expenses, foreign currency, gain on settlement of liability, gain on

insurance reimbursement, non-income tax expense adjustment, gain on acquisition of equity method investment, gain on sale of interest in private company, dilution gain on equity method investee share issuance, loss allocations from equity method investments and (income) loss attributable to non-controlling interest.

"Adjusted net income" represents net income (loss) before income tax provision (benefit), deferred revenue fair value adjustment, accretion on contingent consideration and purchase liability, non-cash interest expense, cash interest on our Convertible Notes, (subsequent to the adoption of ASU 2020-06 on January 1, 2021), goodwill impairment, non-cash compensation expense, restructuring charges and transaction costs, severance expense, amortization of acquired intangibles, accretion on contingent consideration and purchase liability, fair market value adjustment to contingent consideration liability, fair market value adjustment to investment in private company, litigation, regulatory and regulatory other governance related expenses, foreign currency, gain on settlement of liability, gain on insurance reimbursement, non-income tax expense adjustment, dilution gain on equity method investee share issuance, gain on acquisition of equity method investment, gain on sale of interest in private company, loss allocations from equity method investments and (income) loss attributable to non-controlling interest. Reconciling items are presented gross of tax, and a normalized tax rate is applied to the total of all reconciling items to arrive at adjusted net income. The normalized tax rate is based solely on the estimated blended statutory income tax rates in the jurisdictions in which we operate. We monitor the normalized tax rate based on events or trends that could materially impact the rate, including tax legislation changes and changes in the geographic mix of our operations.

"Adjusted net income per diluted share" represents adjusted net income attributable to common stockholders divided by the diluted number of weighted-average shares outstanding. Beginning January 1, 2021, For purposes of the dilutive effect of our Convertible Notes are calculated using the if-converted method in accordance with the adoption of ASU 2020-06 (See "Note 2—Summary of Significant Accounting Policies"). As a result, 9.9 million adjusted net income per share calculation, we assume all potential shares to be issued in connection with our Convertible Notes are assumed to be dilutive for purposes of the adjusted net income per share calculation beginning January 1, 2021. dilutive.

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 of Directors and our management may also consider adjusted EBITDA, among other factors, when determining management's incentive compensation.

We also present adjusted revenues, revenue, adjusted EBITDA, adjusted net income and adjusted net income per diluted share as supplemental performance measures because we believe that they provide our Board, management and investors with additional information to assess our performance. Adjusted revenues revenue 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 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, accretion on contingent consideration and purchase liability, severance, fair market value adjustment to contingent consideration liability, income or loss allocations from equity method investments, litigation and regulatory related expenses, foreign currency, gain on settlement of liability, gain on insurance reimbursement, gain on acquisition of equity method investment, fair market value adjustment to investment in private company, dilution gain on equity method investee share issuance, income or loss allocations from equity method investments, pre-tax (income) 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, 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, restructuring charges and transaction costs, severance expense, accretion on contingent consideration and purchase liability, fair market value adjustment to contingent consideration liability, fair market value adjustment to investment in private company, litigation, regulatory and other governance related expenses, foreign currency, gain on settlement of liability, gain on insurance reimbursement, non-income tax expense adjustment, dilution gain on equity method investee share issuance, loss allocations from equity method investments, and (income) loss attributable to non-controlling interest. Our management also believes it is useful to exclude non-cash stock-based compensation expense from adjusted EBITDA and adjusted net income 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.

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

Adjusted revenues, revenue, adjusted EBITDA, adjusted net income and adjusted net income per diluted share are not measurements of our financial performance under GAAP and should not be considered as an alternative to revenues, 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 revenues, revenue, adjusted EBITDA, adjusted net income and adjusted net income per diluted share 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 revenues, revenue, adjusted EBITDA, adjusted net income and adjusted net income per diluted share do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted revenues, revenue, adjusted EBITDA, adjusted net income and adjusted net income per diluted share do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted revenues, revenue, adjusted EBITDA, adjusted net income and adjusted net income per diluted share 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 \$12.1 million \$15.9 million, \$7.9 million \$12.1 million, and \$8.3 million in \$7.9 million for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, 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 revenues, revenue, adjusted EBITDA, adjusted net income and adjusted net income per diluted share differently than we do, limiting their usefulness as a comparative measure.

Management compensates for the inherent limitations associated with using adjusted revenues, revenue, adjusted EBITDA, adjusted net income and adjusted net income per diluted share through disclosure of such limitations, presentation of our financial statements in accordance with GAAP and reconciliation of adjusted revenues revenue to revenues, revenue, the most directly comparable GAAP measure

and adjusted EBITDA, adjusted net income and adjusted net income per diluted share to net income (loss) and net income (loss) per share, 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 revenues revenue to adjusted revenues based on our historical results: revenue:

	Year Ended December 31,		
	2022	2021	2020
(in thousands)			
Total revenues	\$ 1,239,784	\$ 1,186,517	\$ 998,230
Deferred revenue fair value adjustment	216	284	692
Adjusted revenues	<u>\$ 1,240,000</u>	<u>\$ 1,186,801</u>	<u>\$ 998,922</u>

	Year Ended December 31,		
	2023	2022	2021
(in thousands)			
Total revenue	\$ 1,245,620	\$ 1,239,784	\$ 1,186,517
Deferred revenue fair value adjustment <sup>(1)</sup>	69	216	284
Adjusted revenue	<u>\$ 1,245,689</u>	<u>\$ 1,240,000</u>	<u>\$ 1,186,801</u>

The following table sets forth a reconciliation of net income (loss) to adjusted EBITDA based on our historical results: EBITDA:

	Year Ended December 31,		
	2022	2021	2020
(in thousands)			
Net income (loss)	\$ (85,480)	\$ 12,694	\$ (2,644)
Add (deduct):			
Deferred revenue fair value adjustment	216	284	692
Interest income	(4,184)	(827)	(1,112)
Interest expense	16,843	16,931	31,504
Accretion on contingent consideration and purchase liability	—	730	1,688
Income tax provision (benefit)	7,061	7,667	(5,401)
Depreciation and amortization	130,548	117,767	113,661
Non-cash compensation expense	80,333	68,020	57,113
Restructuring charges and transaction costs	35,141	18,490	19,383

Severance	30,117	11,347	25,110
Fair market value adjustment to contingent consideration liability	—	(1,067)	(3,105)
Fair market value adjustment on investment in private company	(400)	(758)	—
Litigation and regulatory related expenses	6,055	7,591	7,825
Foreign currency	1,419	(7)	116
Gain on settlement of liability	—	(1,206)	—
Gain on insurance reimbursement	—	(968)	—
Non-income tax expense adjustment	802	(1,347)	421
Gain on acquisition of equity method investment	—	—	(4,230)
Gain on sale of interest in private company	—	—	(1,647)
Dilution gain on equity method investee share issuance	(9,517)	—	—
Loss allocations from equity method investments	8,874	7,093	5,399
(Income) loss attributable to non-controlling interest	2,300	(704)	(1,830)
Adjusted EBITDA	<u>\$ 220,128</u>	<u>\$ 261,730</u>	<u>\$ 242,943</u>

	Year Ended December 31,		
	2023	2022	2021
(in thousands)			
Net income (loss)	\$ (245,774)	\$ (85,480)	\$ 12,694
Add (deduct):			
Deferred revenue fair value adjustment <sup>(1)</sup>	69	216	284
Interest income	(6,288)	(4,184)	(827)
Interest expense	25,138	16,843	16,931
Income tax provision <sup>(2)(3)</sup>	12,777	7,061	7,667
Depreciation and amortization	130,304	125,828	117,767
Goodwill impairment <sup>(4)</sup>	191,818	—	—
Non-cash compensation expense <sup>(5)</sup>	71,031	80,333	68,020
Restructuring charges and transaction costs <sup>(6)</sup>	16,263	35,141	18,490
Severance expense <sup>(7)</sup>	35,399	30,117	11,347
Litigation, regulatory and other governance related expenses <sup>(8)</sup>	6,982	6,055	7,591
Foreign currency <sup>(9)</sup>	437	1,419	(7)
Non-income tax expense adjustment <sup>(10)</sup>	(392)	802	(1,347)
Accretion on contingent consideration and purchase liability <sup>(11)</sup>	—	—	730
Fair market value adjustment to contingent consideration liability <sup>(12)</sup>	—	—	(1,067)
Fair market value adjustment on investment in private company <sup>(13)</sup>	(804)	(400)	(758)
Gain on settlement of liability <sup>(14)</sup>	—	—	(1,206)
Gain on insurance reimbursement <sup>(15)</sup>	—	—	(968)
Dilution gain on equity method investee share issuance <sup>(16)</sup>	(546)	(9,517)	—
Loss allocations from equity method investments <sup>(17)</sup>	10,579	8,874	7,093
(Income) loss attributable to non-controlling interest <sup>(18)</sup>	<u>3,920</u>	<u>2,300</u>	<u>(704)</u>

Adjusted EBITDA	\$ 250,913	\$ 215,408	\$ 261,730
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The following table sets forth a reconciliation of net income (loss) to adjusted net income and adjusted net income per diluted share:

	Year Ended December 31,		
	2023	2022	2021
	(in thousands, except share and per share amounts)		
Net income (loss)	\$ (245,774)	\$ (85,480)	\$ 12,694
Income tax provision <sup>(2)(3)</sup>	12,777	7,061	7,667
Income (loss) before income tax provision (benefit)	(232,997)	(78,419)	20,361
Add (deduct):			
Deferred revenue fair value adjustment <sup>(1)</sup>	69	216	284
Non-cash interest expense <sup>(19)</sup>	5,655	4,678	5,745
Cash interest - Convertible Notes <sup>(20)</sup>	17,845	10,897	9,919
Amortization of acquired intangibles <sup>(21)</sup>	62,927	71,901	68,587
Goodwill impairment <sup>(4)</sup>	191,818	—	—
Non-cash compensation expense <sup>(5)</sup>	71,031	80,333	68,020
Restructuring charges and transaction costs <sup>(6)</sup>	16,263	35,141	18,490
Severance expense <sup>(7)</sup>	35,399	30,117	11,347
Litigation, regulatory and other governance related expenses <sup>(8)</sup>	6,982	6,055	7,591
Foreign currency <sup>(9)</sup>	437	1,419	(7)
Non-income tax expense adjustment <sup>(10)</sup>	(392)	802	(1,347)
Accretion on contingent consideration and purchase liability <sup>(11)</sup>	—	—	730
Fair market value adjustment to contingent consideration liability <sup>(12)</sup>	—	—	(1,067)
Fair market value adjustment to investment in private company <sup>(13)</sup>	(804)	(400)	(758)
Gain on settlement of liability <sup>(14)</sup>	—	—	(1,206)
Gain on insurance reimbursement <sup>(15)</sup>	—	—	(968)
Dilution gain on equity method investee share issuance <sup>(16)</sup>	(546)	(9,517)	—
Loss allocations from equity method investments <sup>(17)</sup>	10,579	8,874	7,093
(Income) loss attributable to non-controlling interest <sup>(18)</sup>	3,920	2,300	(704)
Adjusted net income before income tax effect	188,186	164,397	212,110
Income tax effect <sup>(22)</sup>	(47,987)	(41,921)	(54,088)
Adjusted net income	\$ 140,199	\$ 122,476	\$ 158,022
Basic number of weighted-average shares outstanding	54,457,365	55,199,482	54,470,975
Effect of dilutive shares:			
Convertible Notes	11,084,413	10,092,369	9,898,549

Non-vested RSUs and PSUs	413,734	390,270	633,384
Options to purchase common stock	47,388	111,327	206,022
Warrants	—	—	73,715
Diluted number of weighted-average shares outstanding	<u>66,002,900</u>	<u>65,793,448</u>	<u>65,282,645</u>
Adjusted net income per share - diluted	<u>\$ 2.12</u>	<u>\$ 1.86</u>	<u>\$ 2.42</u>

The following tables set forth a reconciliation of revenue to adjusted revenue and income (loss) from operations to adjusted EBITDA based on our historical results: results for each segment for the years ended December 31, 2023, 2022 and 2021:

	Year Ended December 31,		
	2022	2021	2020
	(in thousands)		
Net income (loss)	\$ (85,480)	\$ 12,694	\$ (2,644)
Income tax provision (benefit) <sup>(1)</sup>	7,061	7,667	(5,401)
Income (loss) before income tax provision (benefit)	(78,419)	20,361	(8,045)
Add (deduct):			
Deferred revenue fair value adjustment	216	284	692
Accretion on contingent consideration and purchase liability	—	730	1,688
Non-cash interest expense	4,678	5,745	17,480
Cash interest - Convertible Notes <sup>(2)</sup>	10,897	9,919	—
Non-cash compensation expense	80,333	68,020	57,113
Restructuring charges and transaction costs	35,141	18,490	19,383
Severance	30,117	11,347	25,110
Amortization of acquired intangibles	71,901	68,587	73,559
Fair market value adjustment to contingent consideration liability	—	(1,067)	(3,105)
Fair market value adjustment to investment in private company	(400)	(758)	—
Litigation and regulatory related expenses	6,055	7,591	7,825
Foreign currency	1,419	(7)	116
Gain on settlement of liability	—	(1,206)	—
Gain on insurance reimbursement	—	(968)	—
Non-income tax expense adjustment	802	(1,347)	421
Gain on acquisition of equity method investment	—	—	(4,230)
Gain on sale of interest in private company	—	—	(1,647)
Dilution gain on equity method investee share issuance	(9,517)	—	—
Loss allocations from equity method investments	8,874	7,093	5,399
(Income) loss attributable to non-controlling interest	2,300	(704)	(1,830)
Adjusted net income before income tax effect	164,397	212,110	189,929
Income tax effect <sup>(3)</sup>	(41,921)	(54,088)	(48,432)

Adjusted net income	\$ 122,476	\$ 158,022	\$ 141,497
Basic number of weighted-average shares outstanding	55,199,482	54,470,975	53,589,232
Effect of dilutive shares:			
Options to purchase common stock	111,327	206,022	416,593
Unvested restricted stock units	390,270	633,384	592,033
Convertible Notes	10,092,369	9,898,549	414,398
Warrants	—	73,715	58,459
Diluted number of weighted-average shares outstanding	65,793,448	65,282,645	55,070,715
Adjusted net income per share - diluted	\$ 1.86	\$ 2.42	\$ 2.57

	Year Ended December 31, 2023			
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total
(in thousands)				
Revenue	\$ 1,094,704	\$ 150,916	\$ —	\$ 1,245,620
Deferred revenue fair value adjustment <sup>(1)</sup>	69	—	—	69
Adjusted revenue	\$ 1,094,773	\$ 150,916	\$ —	\$ 1,245,689
Income (loss) from operations	\$ 108,753	\$ (216,542)	\$ (96,692)	\$ (204,481)
Add (deduct):				
Deferred revenue fair value adjustment <sup>(1)</sup>	69	—	—	69
Depreciation and amortization	103,301	27,003	—	130,304
Goodwill impairment <sup>(4)</sup>	—	191,818	—	191,818
Non-cash compensation expense <sup>(5)</sup>	44,510	8,193	18,328	71,031
Restructuring charges and transaction costs <sup>(6)</sup>	10,868	215	5,180	16,263
Severance expense <sup>(7)</sup>	17,232	11,813	6,354	35,399
Litigation, regulatory and other governance related expenses <sup>(8)</sup>	—	5,322	1,660	6,982
Non-income tax expense adjustment <sup>(10)</sup>	(320)	(72)	—	(392)
Loss attributable to non-controlling interest <sup>(18)</sup>	3,920	—	—	3,920
Adjusted EBITDA	\$ 288,333	\$ 27,750	\$ (65,170)	\$ 250,913

	Year Ended December 31, 2022			
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total
(in thousands)				
Revenue	\$ 1,065,244	\$ 174,540	\$ —	\$ 1,239,784
Deferred revenue fair value adjustment <sup>(1)</sup>	216	—	—	216
Adjusted revenue	\$ 1,065,460	\$ 174,540	\$ —	\$ 1,240,000

Income (loss) from operations	\$ 57,323	\$ (22,221)	\$ (101,126)	\$ (66,024)
<b>Add (deduct):</b>				
Deferred revenue fair value adjustment <sup>(1)</sup>	216	—	—	216
Depreciation and amortization	98,600	27,228	—	125,828
Non-cash compensation expense <sup>(5)</sup>	47,891	9,891	22,551	80,333
Restructuring charges and transaction costs <sup>(6)</sup>	22,871	3,731	8,539	35,141
Severance expense <sup>(7)</sup>	13,237	10,745	6,135	30,117
Litigation, regulatory and other governance related expenses <sup>(8)</sup>	—	6,055	—	6,055
Non-income tax expense adjustment <sup>(10)</sup>	878	(76)	—	802
Loss attributable to non-controlling interest <sup>(18)</sup>	2,300	—	—	2,300
Other	635	5	—	640
<b>Adjusted EBITDA</b>	<b>\$ 243,951</b>	<b>\$ 35,358</b>	<b>\$ (63,901)</b>	<b>\$ 215,408</b>

	<b>Year Ended December 31, 2021</b>			
	<b>Envestnet Wealth Solutions</b>	<b>Envestnet Data &amp; Analytics</b>	<b>Nonsegment</b>	<b>Total</b>
(in thousands)				
Revenue	\$ 1,003,642	\$ 182,875	\$ —	\$ 1,186,517
Deferred revenue fair value adjustment <sup>(1)</sup>	284	—	—	284
<b>Adjusted revenue</b>	<b>\$ 1,003,926</b>	<b>\$ 182,875</b>	<b>\$ —</b>	<b>\$ 1,186,801</b>
Income (loss) from operations	\$ 129,287	\$ (2,603)	\$ (86,143)	\$ 40,541
<b>Add (deduct):</b>				
Deferred revenue fair value adjustment <sup>(1)</sup>	284	—	—	284
Depreciation and amortization	91,024	26,743	—	117,767
Non-cash compensation expense <sup>(5)</sup>	37,343	12,078	18,599	68,020
Restructuring charges and transaction costs <sup>(6)</sup>	13,795	242	4,453	18,490
Severance expense <sup>(7)</sup>	4,614	4,016	2,717	11,347
Litigation, regulatory and other governance related expenses <sup>(8)</sup>	—	7,591	—	7,591
Non-income tax expense adjustment <sup>(10)</sup>	(1,507)	160	—	(1,347)
Accretion on contingent consideration and purchase liability <sup>(11)</sup>	632	98	—	730
Fair market value adjustment to contingent consideration liability <sup>(12)</sup>	—	(1,067)	—	(1,067)
Income attributable to non-controlling interest <sup>(18)</sup>	(704)	—	—	(704)
Other	78	—	—	78

Adjusted EBITDA	\$ 274,846	\$ 47,258	\$ (60,374)	\$ 261,730
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#### **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 years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021, the effective tax rate computed in accordance with GAAP equaled (9.0) (5.5)%, 37.7% (9.0)% and 67.1% 37.7%, respectively.
- (2) Cash interest on the Company's Convertible Notes included only for the for the year ended December 31, 2022 and 2021 due to the adoption of ASU 2020-06 on January 1, 2021 (See Part II, Item 8, "Note 2—Summary of Significant Accounting Policies").
- (3) Estimated normalized effective tax rate of 25.5% has been used to compute adjusted net income for all years presented.

**Note on Income Taxes:** As of December 31, 2022 December 31, 2023, we had net operating loss carryforwards, before any uncertain tax position reserves, of approximately \$69 million \$64 million and \$221 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 computed in accordance with GAAP, and from the income tax effect amount calculated using the normalized rate shown above. effective tax rate.

- (4) Goodwill impairment represents the recognition of a non-cash impairment charge to goodwill in the Envestnet Data & Analytics reporting unit. These charges are infrequent and outside the ordinary course of our continuing operations. We exclude these charges to facilitate a more meaningful evaluation of our current operating performance and comparisons to our past operating performance.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) Litigation, regulatory and other governance related expenses represent certain third-party non-recurring litigation fees primarily related to litigation matters discussed in Note 24—Commitments and Contingencies as well as governance related expenses associated with activist shareholder activity. The following tables set forth litigation costs relate to two matters over a reconciliation three-year time period and are not reoccurring expenditures.
- (9) Foreign currency represents gains and losses from foreign currency denominated transactions and the remeasurement of revenues foreign currency denominated balance sheet accounts. These adjustments can vary significantly from period to adjusted revenues period and income (loss) are not indicative of our core operating performance.

- (10) 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.
- (11) Accretion on contingent consideration and purchase liability represents accretion related to the Company's contingent consideration. These adjustments are non-cash and are not indicative of our core operating performance.
- (12) Fair market value adjustment to contingent consideration liability represents non-recurring gains and losses related to the Company's contingent consideration. These adjustments are infrequent and outside the ordinary course of our continuing operations.
- (13) 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.
- (14) Gain on settlement of liability represents the gain related to the settlement of a contingent liability. These adjustments are infrequent and outside the ordinary course of our continuing operations.
- (15) Gain on insurance reimbursement represents the gain related to an insurance reimbursement. These adjustments are infrequent and outside the ordinary course of our continuing operations.
- (16) 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 operations period to adjusted EBITDA based on period and are outside the ordinary course of our historical continuing operations.
- (17) 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 segment for these investments can vary significantly from period to period and do not represent the years ended December 31, 2022, 2021 and 2020.

	Year Ended December 31, 2022			
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total
(in thousands)				
Revenues	\$ 1,049,793	\$ 189,991	\$ —	\$ 1,239,784
Deferred revenue fair value adjustment	216	—	—	216
Adjusted revenues	<u>\$ 1,050,009</u>	<u>\$ 189,991</u>	<u>\$ —</u>	<u>\$ 1,240,000</u>
Income (loss) from operations	\$ 55,972	\$ (20,870)	\$ (101,126)	\$ (66,024)
Add (deduct):				
Deferred revenue fair value adjustment	216	—	—	216
Depreciation and amortization	96,658	33,890	—	130,548
Non-cash compensation expense	47,043	10,739	22,551	80,333
Restructuring charges and transaction costs	22,868	3,734	8,539	35,141
Severance	12,415	11,567	6,135	30,117
Litigation and regulatory related expenses	—	6,055	—	6,055
Non-income tax expense adjustment	878	(76)	—	802
Loss attributable to non-controlling interest	2,300	—	—	2,300
Other	635	5	—	640
Adjusted EBITDA	<u>\$ 238,985</u>	<u>\$ 45,044</u>	<u>\$ (63,901)</u>	<u>\$ 220,128</u>

Company's ongoing operations.

	Year Ended December 31, 2021				
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total	
(in thousands)					
Revenues	\$ 991,166	\$ 195,351	\$ —	\$ 1,186,517	
Deferred revenue fair value adjustment	284	—	—	284	
Adjusted revenues	<u>\$ 991,450</u>	<u>\$ 195,351</u>	<u>\$ —</u>	<u>\$ 1,186,801</u>	
Income (loss) from operations	\$ 124,651	\$ 2,033	\$ (86,143)	\$ 40,541	
Add (deduct):					
Deferred revenue fair value adjustment	284	—	—	284	
Accretion on contingent consideration and purchase liability	632	98	—	730	
Depreciation and amortization	90,073	27,694	—	117,767	
Non-cash compensation expense	36,787	12,634	18,599	68,020	
Restructuring charges and transaction costs	13,795	242	4,453	18,490	
Severance	4,614	4,016	2,717	11,347	
Fair market value adjustment to contingent consideration liability	—	(1,067)	—	(1,067)	
Litigation and regulatory related expenses	—	7,591	—	7,591	
Non-income tax expense adjustment	(1,507)	160	—	(1,347)	
Income attributable to non-controlling interest	(704)	—	—	(704)	
Other	78	—	—	78	
Adjusted EBITDA	<u>\$ 268,703</u>	<u>\$ 53,401</u>	<u>\$ (60,374)</u>	<u>\$ 261,730</u>	

(18) (Income) 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.

- (19) 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.
- (20) 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.
- (21) 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.
- (22) 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% has been used to compute adjusted net income for all years presented.

Year Ended December 31, 2020

	Envestnet Wealth Solutions	Envestnet Data & Analytics	Nonsegment	Total
(in thousands)				
Revenues	\$ 806,090	\$ 192,140	\$ —	\$ 998,230
Deferred revenue fair value adjustment	692	—	—	692
Adjusted revenues	<u>\$ 806,782</u>	<u>\$ 192,140</u>	<u>\$ —</u>	<u>\$ 998,922</u>
Income (loss) from operations	\$ 91,501	\$ (9,943)	\$ (62,117)	\$ 19,441
Add (deduct):				
Deferred revenue fair value adjustment	692	—	—	692
Accretion on contingent consideration and purchase liability	1,430	258	—	1,688
Depreciation and amortization	80,714	32,947	—	113,661
Non-cash compensation expense	35,797	14,932	8,908	59,637
Restructuring charges and transaction costs	6,878	2,304	10,201	19,383
Severance	18,617	4,628	1,865	25,110
Fair market value adjustment to contingent consideration liability	—	(3,105)	—	(3,105)
Litigation and regulatory related expenses	—	7,825	—	7,825
Non-income tax expense adjustment	514	(93)	—	421
Income attributable to non-controlling interest	(1,830)	—	—	(1,830)
Other	15	5	—	20
Adjusted EBITDA	<u>\$ 234,328</u>	<u>\$ 49,758</u>	<u>\$ (41,143)</u>	<u>\$ 242,943</u>

## Liquidity and Capital Resources

As of December 31, 2022, 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 provided by operating activities primarily due to the payment of annual bonuses during the first quarter of the year following the year they were incurred and prepayments made during the first quarter of the year associated with our Advisor Summit which is held during the second quarter of the year.

We believe our existing cash and cash equivalents of \$162.2 million compared to \$429.3 million as of December 31, 2021.

We plan to use existing cash as of December 31, 2022, and cash generated in the ongoing operations of our business and amounts under our revolving credit facility will be sufficient to fund our current operations, including capital expenditures expenditure needs and possible acquisitions or other strategic activity, and to meet our debt service obligations. 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 borrow under our revolving credit facility Revolving Credit Facility or incur additional debt to fund our ongoing operations or to fund potential acquisitions or other strategic activities.

**Credit Agreement** 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.

On February 4, 2022 As of December 31, 2023, we entered into a First Amendment to the Third Amended had total cash and Restated Credit Agreement (the "Third Credit Agreement") cash equivalents of \$91.4 million, dated as of February 4, 2022. The Third Credit Agreement amended and restated, in its entirety, the prior credit agreement.

The First Amendment to the Third Credit Agreement amended certain provisions no amounts outstanding under the Third Credit Agreement to (i) permit us to enter into derivative transactions related to our common stock in connection with the issuance of any convertible indebtedness permitted to be incurred under the Third Credit Agreement and (ii) eliminate the testing of the liquidity covenant on March 31, 2023. The Third Credit Agreement amended certain provisions under the prior credit agreement to, among other things, (i) extend the maturity of loans and the revolving credit commitments, (ii) reduce the interest payable on the loans, and (iii) increase capacity and flexibility under certain of the negative covenants.

The Third Credit Agreement provides, subject to certain customary conditions, for the Revolving Credit Facility in an aggregate amount and \$500.0 million available to borrow under the Revolving Credit Facility, subject to covenant compliance.

### **Revolving Credit Facility**

In February 2022, we entered into the Revolving Credit Facility, which provides for a \$500.0 million revolving line of \$500.0 million, with credit, including a sub-facility for a \$20.0 million sub-facility for letters letter of credit.

Proceeds under the Third Credit Agreement may be used credit, and is set to finance capital expenditures and permitted acquisitions and for working capital and general corporate purposes.

mature in February 2027. Outstanding loans under the Revolving Credit Facility accrue interest, at our option, at a rate equal to either (i) a base rate plus an applicable margin ranging from 0.25% to 1.75% per annum or (ii) an adjusted Term SOFR plus an applicable margin ranging from 1.25% to 2.75% per annum, in each case based upon our total net leverage ratio, as calculated pursuant to the **Third Revolving Credit Agreement**. Facility. The undrawn portion of the commitments under the Revolving Credit Facility is subject to a commitment fee at a rate ranging from 0.25% to 0.30% per annum based upon our total net leverage ratio, as calculated pursuant to the **Third Revolving Credit Agreement**. Borrowings made under the Third Credit Agreement are scheduled to mature on February 4, 2027. Facility.

There are no amounts outstanding under 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 we have \$500.0 million available to borrow under 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 all other covenants in the Revolving Credit Facility subject to covenant compliance, as of December 31, 2023.

### **Convertible Notes**

In November 2022, As of December 31, 2023 we issued \$575.0 million aggregate principal had Convertible Notes with an issuance amount of \$575.0 million and \$317.5 million related to the Convertible Notes due 2027. 2027 and Convertible Notes due 2025, respectively. The Convertible Notes due 2027 will mature on December 1, 2027, unless otherwise repurchased, redeemed or converted. Net proceeds from the offering were approximately \$558.7 million. The Convertible Notes due 2027 converted and bear interest at a rate of 2.625% per annum payable semiannually in arrears on June 1 and December 1 of each year, beginning on June 1, 2023.

Using proceeds from the issuance of the Convertible Notes due 2027, we repurchased \$300.0 million of the \$345.0 million of convertible notes issued in May 2018 that mature on June 1, 2023 (the "Convertible Notes due 2023") for cash consideration of approximately \$312.4 million and recognized a loss on extinguishment of approximately \$13.4 million recognized in interest expense. As of December 31, 2022, aggregate principal of \$45.0 million less unamortized debt issuance costs of \$0.1 million remain outstanding after the repurchase. The Convertible Notes due 2023 bear interest at a rate of 1.75% per annum payable semiannually in arrears on June 1 and December 1 of each year.

Using proceeds from the issuance of the Convertible Notes due 2027, we repurchased \$200.0 million of the \$517.5 million of convertible notes issued in August 2020 that mature on August 15, 2025 (the "Convertible Notes due 2025") for cash consideration of approximately \$181.8 million and recognized a gain on extinguishment of approximately \$15.1 million recognized in interest expense. As of December 31, 2022, aggregate principal of \$317.5 million less unamortized debt issuance costs of \$4.8 million remaining outstanding after the repurchase. The Convertible Notes due 2025 bear interest at a rate of 0.75% per annum payable semiannually in arrears on February 15 and August 15 of each year.

See Part II, Item 8, "Note 10—14—Debt" for further information regarding the terms of our Revolving Credit Facility and Convertible Notes.

#### Capped Call Transactions

In connection with the pricing of the Convertible Notes due 2027, we entered into privately negotiated Capped Call Transactions with certain financial institutions for a total cost of approximately \$79.6 million. The Capped Call Transactions initially cover the number of shares of our common stock underlying the Convertible Notes due 2027, subject to customary anti-dilution adjustments. The Capped Call Transactions are net purchased call options on our common stock.

#### *Issuance and sale of Common Shares to BlackRock*

On December 20, 2018, we issued and sold to BlackRock, Inc. ("BlackRock") warrants to purchase approximately 470,000 common shares of our common stock at an exercise price of \$65.16 per share, subject to customary anti-dilution adjustments. The warrants were exercisable at BlackRock's option for four years from the date of issuance. The warrants were unexercised upon expiration on December 20, 2022.

#### *Impact of Tax Cuts and Jobs Act*

Beginning in 2022, the Tax Cuts and Jobs Act ("TCJA") eliminates the option to deduct research and development ("R&D") expenditures currently and requires taxpayers to amortize them pursuant to IRC Section 174. As a result, in 2023, we expect the amount of cash we pay for income taxes to increase compared to 2022.

#### Cash Flows

The following table presents information regarding a summary of our cash flows for the periods indicated:

Year Ended December 31,		Year Ended December 31,		2022
2022	2021	2023		
(in thousands)		(in thousands)		

Net cash provided by operating activities	Net cash provided by operating activities	\$ 117,037	\$ 250,577
Net cash used in investing activities	Net cash used in investing activities	(251,126)	(176,138)
Net cash used in financing activities	Net cash used in financing activities	(127,002)	(29,170)
Effect of exchange rate on changes on cash		(6,164)	(555)
Net (decrease) increase in cash, cash equivalents and restricted cash		<u><u>\$(267,255)</u></u>	<u><u>\$ 44,714</u></u>
Effect of exchange rate on changes on cash, cash equivalents and restricted cash			
Net change in cash, cash equivalents and restricted cash			

### ***Operating Activities***

Net cash provided by operating activities increased \$56.5 million for the year ended December 31, 2022 was \$117.0 million December 31, 2023 compared to net the year ended December 31, 2022, primarily due to a an increase of \$33.5 million in cash provided due to timing of payments within our working capital accounts and an increase of \$23.0 million in cash provided by operating activities our business operations. Our working capital is affected by the timing of \$250.6 million for payments related to several items, including but not limited to, employee incentives, income tax payments and cash collections from our clients. For the same period year ended December 31, 2023 compared to the year ended December 31, 2022, the increase of \$33.5 million in 2021. The decrease was cash provided within our working capital accounts is primarily due to an increase in pre-tax net loss period over period of \$98.8 million, cash payment timing differences within accounts payable and accrued expenses and prepaid expenses and other assets as well as a \$19.6 million decrease in the change 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 assets and liabilities of \$72.3 million, which is primarily timing related, and gains on equity method investee share issuances recorded performance in 2022 of \$9.5 million, compared to 2021. These increases were partially offset by year-over-year increases an increase in lease-related impairment charges and loss on property and equipment disposals driven by office closures cash used in fees receivable, net of \$19.3 million, noncash addbacks for depreciation and amortization expense \$15.6 million as a result of \$12.8 million, and non-cash compensation expense an increase in fees receivable net, from December 31, 2022 to December 31, 2023 due to timing of \$12.3 million. cash collections from our clients.

### ***Investing Activities***

Net cash used in investing activities decreased \$97.1 million for the year ended December 31, 2022 was \$251.1 million December 31, 2023 compared to net cash used in investing activities of \$176.1 million for the same period in 2021. The increase was year ended December 31, 2022, primarily due to year-over-year increases of \$61.7 million in net disbursements cash used related to acquisitions and investments in privately held companies and an additional \$24.0 million acquisition of internally developed software costs capitalized in 2022 compared to 2021. These increases were partially offset by decreases businesses of \$104.1 million during the year ended December 31, 2022, a decrease in cash disbursements related to investing in private companies of \$10.5 million for acquisitions of proprietary technology, purchases of property and equipment of \$7.6 million and \$12.2 million, an issuance of notes note receivable to equity method investees of \$6.4 million during the year ended December 31, 2022 and a decrease in cash used to acquire proprietary technology of \$2.0 million. 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 year ended December 31, 2023, an increase in capitalization of internally developed software of \$5.2 million and an increase in cash used to purchase property and equipment of \$2.8 million.

### ***Financing Activities***

Net cash used in financing activities decreased \$35.6 million for the year ended December 31, 2022 was \$127.0 million December 31, 2023 compared to net the year ended December 31, 2022, primarily due to debt activity during the year ended December 31, 2022, including \$312.4 million in cash used in financing activities of \$29.2 million for related to the same period in 2021. In November 2022, we received proceeds of approximately \$558.7 million from the issuance of the Convertible Notes due 2027. We repurchased \$312.4 million repurchase of the Convertible Notes due 2023, and \$181.8 million in cash used related to the repurchase of the Convertible Notes due 2025. Additionally, we 2025, \$79.6 million in cash used approximately \$79.6 million from the net proceeds to pay the cost of entering into Capped Call Transactions. We also increased Transactions and \$16.3 million in cash used related to issuance costs for Convertible Notes due 2027, as well as a decrease in cash used for share repurchases of \$81.7 million \$76.5 million and increased finance lease payments a decrease in cash paid related to tax withholdings for stock-based compensation of \$18.7 million in 2022 also contributed to the year-over-year increase. \$4.5 million. These increases in net cash used in financing activities decreases were partially offset by additional \$575.0 million in cash provided by the issuance of Convertible Notes due 2027 during the year ended December 31, 2022, \$45.0 million in cash used for the settlement of Convertible Notes due 2023 during the year ended December 31, 2023 and \$16.0 million in cash proceeds from capital contributions of \$12.8 million in 2022 made by non-controlling shareholders and decreased contingent consideration payments of \$8.5 million during the year ended December 31, 2022.

### ***Commitments***

We enter into unconditional purchase obligations arrangements for certain of our services that we receive in the normal course of business. As of December 31, 2022 December 31, 2023, the Company estimated future minimum unconditional purchase obligations of approximately \$103 million \$150 million. This amount increased by \$65 million compared to the prior year primarily driven by our entry into the outsourcing agreement with TCS.

As of December 31, 2022 December 31, 2023, we had \$876.6 million in outstanding debt. For further details of our debt and the timing of expected future payments see Part II, Item 8, "Note 14—Debt."

As of December 31, 2023, future minimum lease payments under non-cancellable leases were \$154.7 million \$140.0 million. These leases expire at various dates prior to 2033. See Part II, Item 8, "Note 15—Leases" for further details.

In connection with certain of our acquisitions, the Redi2 acquisition, we have entered into arrangements whereby we have agreed to pay performance bonuses up to \$20 million \$20.0 million in performance bonuses based upon the achievement of certain performance targets. As of December 31, 2022 December 31, 2023, the liabilities associated with these performance bonuses were immaterial.

We have also committed \$12.5 million \$8.8 million in future funding to certain of our equity method investees.

We expect to increase our capital expenditures to approximately \$33 million in 2023 compared to approximately \$16 million in 2022. Subsequent to 2023, we expect to spend approximately \$19 - \$30 million per year on capital expenditures.

We have entered into a purchase agreement with a privately held company to acquire the technology solutions being developed by this privately held company for a purchase price of \$18.0 million, including an advance of \$3.0 million. We closed the transaction on February 1, 2022 and paid the remaining \$15.0 million on February 2, 2022. This proprietary technology asset has been integrated into the Envestnet Data & Analytics segment and is being amortized over an estimated useful life of five years. In addition, the agreement includes an earn-out payment of \$10.0 million based upon the achievement of certain target metrics within five years after the date of our launch of the technology solutions. The parties have agreed to renegotiate the terms of the earn-out payment. On April 1, 2022, we entered into a purchase agreement with this same privately held company to acquire certain technology solutions being developed by this privately held company for an original purchase price of \$9.0 million, including an advance of \$4.0 million. The purchase agreement was amended subsequent to December 31, 2022 to increase the purchase price to \$14 million for additional functionality.

We include 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. We have experienced no previous claims and cannot determine the maximum amount of potential future payments, if any, related to these indemnification and guarantee provisions. We believe that it is unlikely that we will have to make material payments under these arrangements and therefore we have not recorded a contingent liability in the consolidated balance sheets.

## Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). GAAP. The accounting policies described below require management to apply significant judgment in connection with the preparation of our consolidated financial statements. In particular, judgment is applied to determine the appropriate assumptions to be used in calculating estimates that affect certain reported amounts in our consolidated financial statements. These estimates and assumptions are based on historical experience and on various other factors that we believe to be reasonable under the circumstances. If different estimates or assumptions were used, our results of operations, financial condition and cash flows could have been materially different than those reflected in our consolidated financial statements. For additional information regarding our critical accounting policies, see Part II, Item 8, "Note 2—Summary of Significant Accounting Policies".

### Revenue Recognition

Revenues are Revenue is derived from asset-based and subscription-based services and professional services and other sources. Revenues are Revenue is recognized when control of these services is transferred to our customers, in an amount that reflects the consideration that we expect to be entitled to in exchange for those services. All revenue recognized in the consolidated statements of operations is considered to be revenue from contracts with customers. Sales and usage-based taxes are excluded from revenues. revenue.

**Asset-based recurring revenues—revenue**—Asset-based recurring revenues revenue primarily consist of fees for providing customers continuous access to platform services through our uniquely customized platforms. These platform services include investment manager research, portfolio diagnostics, proposal generation, investment model management, rebalancing and trading, portfolio performance reporting and monitoring solutions, billing and back office and middle-office operations and administration and are made available to customers throughout the contractual term from the date the customized platform is launched.

The asset-based fees we earn are generally based upon variable percentages of assets managed or administered on our platforms. The fee percentage varies based on the level and type of services we provide to our customers, as well as the values of existing customer accounts. The values of the customer accounts are affected by inflows or outflows of customer funds and market fluctuations.

The platform services are substantially the same over each quarter and performed in a similar manner over the contract period, and are considered stand-ready promises. The platform services that are delivered to the customer over the quarter are considered distinct, as the customer benefits distinctly from each increment of our services and each quarter is separately identified in the contract, and are considered to be a single performance obligation under ASC 606.

The pricing generally resets each quarter and the pricing structure is consistent throughout the term of the contract. The variable fees are generally calculated and billed quarterly in advance based on preceding quarter-end values and the variable amounts earned from the platform services relate specifically to the benefits transferred to the customer during that quarter. Accordingly, revenue is allocated to the specific quarter in which services are performed.

The asset-based contracts generally contain one performance obligation and revenue is recognized on a ratable basis over the quarter beginning on the date that the platform services are made available to the customer as the customer simultaneously consumes and receives the benefits of the services. All asset-based fees are recognized in the Envestnet Wealth Solutions segment.

For certain services provided by third parties, we evaluate whether we are the principal (revenues (revenue reported on a gross basis) or agent (revenues(revenue reported on a net basis)). Generally, we report customer fees including charges for third party service providers where we have a direct contract with such third party service providers on a gross basis, whereas the amounts billed to our customers are recorded as revenues, revenue, and amounts paid to third party service providers are recorded as cost of revenues, direct expense. We are the principal in the transaction because we control the services before they are transferred to our customers. Control is evidenced by being primarily responsible to our customers and having discretion in establishing pricing.

**Subscription-based recurring revenues—revenue**—Subscription-based recurring revenues revenue primarily consist of fees for providing customers continuous access to our platform for wealth management and financial wellness. The subscription-based fees generally include fixed fees and or usage-based fees.

Generally, the subscription services are substantially the same over each quarter and performed in a similar manner over the contract period, and are considered stand-ready promises. Quarterly subscription services are considered distinct as the customer can benefit from each increment of services on its own and each quarter is separately identified in the contract, and services are considered to be a single performance obligation under the ASC 606.

The usage-based pricing generally resets each quarter and the pricing structure is generally consistent throughout the term of the contract. The fixed fees are generally calculated and billed quarterly in advance. The usage-based fees are generally calculated and are billed either monthly or quarterly based on the actual usage and relate specifically to the benefits transferred to the customer during that month or quarter. Accordingly, revenue is allocated to the specific quarter in which services are performed.

Certain subscription-based contracts contain multiple performance obligations (i.e. platform services performance obligation and professional services performance obligation). Fixed fees are generally recognized on a ratable basis over the quarter beginning when the subscription services are made available to the customer, as the customer simultaneously receives and consumes the benefits of the subscription services. Usage-based revenue is recognized on a monthly basis as the customer receives and consumes the benefit as we provide the services. Subscription-based fees are recognized in both the Envestnet Wealth Solutions and Envestnet Data & Analytics segments.

*Professional services and other revenues—revenue*—We earn professional services fees by providing contractual customized services and platform software development as well as initial implementation fees. Professional services contracts generally have fixed prices, and generally specify the deliverables in the contract. Certain professional services contracts are billed on a

time and materials basis and revenue is recognized over time as the services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed. Initial implementation fees are fixed and are generally recognized ratably over the contract term.

Other *revenues* revenue primarily include revenue related to the Advisor Summit. Other revenue is recognized when the events are held. Other revenue is not significant.

The majority of the professional services and other contracts contain one performance obligation. Professional services and other *revenues* revenue are recognized in both the Envestnet Wealth Solutions and Envestnet Data & Analytics segments.

#### ***Reviews for impairment of goodwill and acquired intangible assets***

Goodwill is tested for impairment at the reporting unit level on an annual basis and more often if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Based on the relevant GAAP authoritative guidance, we aggregate components of a single operating segment into a reporting unit, if appropriate. For purposes of performing the impairment tests, we identify reporting units in accordance with GAAP. The identification of reporting units and consideration of aggregation criteria requires management judgment.

If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and no further testing is performed. If the carrying value of the reporting unit exceeds its fair value, then a quantitative evaluation must be performed. If the carrying value of a reporting unit's goodwill exceeds its fair value, then an impairment loss equal to the difference will be recorded. In accordance with applicable accounting guidance, prior to performing a quantitative evaluation, an assessment of qualitative factors may be performed to determine whether it is more likely than not that the fair value of a reporting unit exceeds its carrying value. If it is determined that it is unlikely that the carrying value exceeds the fair value, we are not required to complete the quantitative goodwill impairment evaluation. The selection and assessment of qualitative factors used to determine whether it is more likely than not that the fair value of a reporting unit exceeds the carrying value involves management judgment. If it is determined that it is unlikely that the carrying value of the reporting unit exceeds its fair value, a quantitative goodwill impairment evaluation is not required, and no impairment is recorded. If it is determined that it is more likely than not that the carrying value of the reporting unit exceeds its fair value, then a quantitative goodwill impairment test must be performed and if the carrying value of a reporting unit exceeds its fair value, then an impairment loss equal to the difference is recorded.

We completed our Due to lower revenue and profits in the Envestnet Data & Analytics segment in 2023 compared to prior years, the Company performed a quantitative goodwill impairment evaluation as part of the annual goodwill impairment test analysis for each reporting unit as of October 31, 2022 for October 31, 2023. Additionally, the fiscal year ended December 31, 2022. At Company implemented organizational changes that date, we resulted in changes to its reporting units. The Company completed an assessment immediately prior to and after the organization change and determined it was appropriate to aggregate certain components of the same operating segment into a single reporting unit. We concluded that we have two reporting units. We also determined that it was not more likely than not that the fair value of the Company's reporting units exceeded unit is greater than the carrying value. As a result of these analyses, the carrying value and

concluded that of the Envestnet Data & Analytics reporting unit exceeded its fair value, which resulted in the recognition of a non-cash impairment charge to goodwill was not impaired. As a result, we did not perform of \$191.8 million during the quantitative goodwill impairment evaluation, fourth quarter of 2023.

As part of the ongoing monitoring efforts to assess goodwill for possible indications of impairment, we will continue to consider a wide variety of factors, including but not limited to the global economic environment and its potential impact on our business. There can be no assurance that our estimates and assumptions regarding forecasted cash flows of certain our reporting units, the current economic environment, discount rates, or the other inputs used in forecasting the present value of forecasted cash flows, as well as the selection of representative guideline public company's will prove to be accurate projections of future performance.

Intangible assets are reviewed for impairment whenever events or changes in circumstances may affect the recoverability of the net assets. Such reviews include an analysis of current results and take into consideration the undiscounted value of projected operating cash flows. No material intangible asset impairment charges have been recorded for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021.

#### **Income taxes**

We are subject to income taxes in the United States, Australia, Canada, India, and the United Kingdom. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes.

We use the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for net operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in our income tax provision in the period that includes the enactment date. We record a valuation allowance to reduce deferred tax assets to an amount that we determine is more-likely-than-not to be realized in the future.

In our ordinary course of business, we may enter into transactions for which the ultimate tax determination is uncertain. In such cases, we establish reserves for tax-related uncertainties based on our estimates of whether, and the extent to which, additional taxes will be due. The reserves are established when we believe that certain positions are likely to be challenged and may not be fully sustained on review by tax authorities. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or refinement of an estimate. Although we believe our reserves are reasonable, no assurance can be given that the final outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will be reflected in our provision for income taxes. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

The amount of income tax we pay is subject to audits by federal, state and foreign tax authorities, which may result in proposed assessments. Our estimate of the potential outcome for any uncertain tax issue is highly judgmental. We believe that we have adequately provided for the foreseeable outcome related to these matters. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, audits are closed or when statutes of limitations on potential assessments expire. Additionally, the jurisdictions in which our earnings or deductions are realized may differ from our current estimates. As a result, our effective tax rate may fluctuate significantly on a quarterly basis.

Significant judgment is also required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized,

we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

Our effective tax rates differ from the statutory rates primarily due to the effect of goodwill impairment, the change in the valuation allowance the Company has placed on a portion of its USU.S. deferred tax assets, the generation of R&D tax credits, the executive compensation deduction limitation, tax deficiency related to stock-based compensation, income related to the India partnerships, change in our permanent reinvestment assertion for our Indian subsidiary, and state taxes. Our provision for income taxes varies based on, among other things, changes in the valuation of our deferred tax assets and liabilities, the tax effects of non-cash stock-based compensation or changes in applicable tax laws, regulations and accounting principles or interpretations thereof.

We are subject to examination of our income tax returns by the U.S. Internal Revenue Service and other tax authorities. We assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these examinations will not have a material adverse effect on our results of operations, financial condition and cash flows.

Our Indian subsidiaries are currently under examination by the India Tax Authority for the fiscal years ended March 31, 2020 March 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2012, 2011 and 2010. Based on the outcome of examinations of our subsidiary or the result of the expiration of statutes of limitations it is reasonably possible that the related unrecognized tax benefits could change from those recorded in the consolidated balance sheets. It is possible that one or more of these audits may be finalized within the next twelve months.

## Recent Accounting Pronouncements

See Part II, Item 8, "Note 2—Summary of Significant Accounting Policies" for a detailed description of Recent Accounting Pronouncements.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

### *Market risk*

Our exposure to market risk is directly related to asset-based recurring revenues revenue earned based upon a contractual percentage of AUM or AUA. In Asset-based fees represented approximately 60% of our total revenue for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 60%, 60% and 54% of our revenues, respectively, were derived from revenues based on the market value of AUM or AUA. 2021. We expect this percentage to vary over time. A decrease in the aggregate value of AUM or AUA may cause our revenue to decline which in turn could lead to a decrease in our earnings. If there are financial market declines, for COVID-19 or any other matter, our asset-based revenues revenue may negatively be impacted in future periods.

### *Foreign currency risk*

A portion of our revenues are revenue is billed in various foreign currencies. We are directly exposed to changes in foreign currency exchange rates through the translation of these monthly revenues revenue into U.S. dollars. For the year ended December 31, 2022 December 31, 2023, we estimate that a hypothetical 10% change in the value of various foreign currencies to the U.S. dollar would not have a material effect on our consolidated financial position, results of operations or cash flow.

The expenses of our Indian subsidiaries, which primarily consist of expenditures costs related to employee compensation, and benefits, are paid using the Indian Rupee. We are directly exposed to changes in foreign currency exchange rates through the translation of these monthly expenditures costs into U.S. dollars. For the year ended December 31, 2022 December 31, 2023, we estimate that a hypothetical 10% increase in the value of the Indian Rupee to the U.S. dollar would result in a decrease of approximately \$7.4 million \$4.1 million to pre-tax

earnings and a hypothetical 10% decrease in the value of the Indian Rupee to the U.S. dollar would result in an increase of approximately \$6.0 million \$3.4 million to pre-tax earnings.

#### **Interest rate risk**

On February 4, 2022, we entered into the Third Credit Agreement which amends and restates, in its entirety, the Prior Credit Agreement. The Third Credit Agreement provides for a Credit Facility of \$500.0 million and a \$20.0 million sub-facility for the issuance of letters of credit. We are subject to market risk from changes in interest rates only if we have borrowings outstanding on our the Revolving Credit Facility. At our option, outstanding Outstanding loans under the Revolving Credit Facility accrue interest, at our option, at a rate equal to either (i) a base rate plus an applicable margin ranging from 0.25% to 1.75% per annum or (ii) an adjusted Term SOFR rate plus an applicable margin ranging from 1.25% to 2.75% per annum, in each case based upon our total net leverage ratio, as calculated pursuant to the Third Revolving Credit Agreement. Facility. As these rates fluctuate, so too will our interest expense on amounts borrowed under the Third Credit Agreement. We currently of December 31, 2023, we have no borrowings or amounts outstanding under the Third Revolving Credit Agreement for the year ended December 31, 2022.

As of December 31, 2022, we have \$45.0 million of outstanding 1.75% Convertible Notes due 2023, \$317.5 million of outstanding 0.75% Convertible Notes due 2025, and \$575.0 million of outstanding 2.625% Convertible Notes due 2027 (collectively "Convertible Notes"). The total estimated fair value of our Convertible Notes was approximately \$946.0 million as of December 31, 2022. The fair value was determined based on quoted market prices in less active markets and is categorized accordingly as Level 2 in the fair value hierarchy.

Facility.

#### **Item 8. Financial Statements and Supplementary Data**

##### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and the Board of Directors  
Envestnet, Inc.:

##### *Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting*

We have audited the accompanying consolidated balance sheets of Envestnet, Inc. and subsidiaries (the Company) as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022 December 31, 2023, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022 December 31, 2023, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 December 31, 2023 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

##### *Change in Accounting Principle*

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for convertible notes as of January 1, 2021 due to the adoption of Accounting Standards Update No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic

470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible instruments and Contracts in an Entity's own Equity.

#### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

#### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### *Critical Audit Matter Matters*

The critical audit matter matters communicated below is a matter are matters arising from the current period audit of the consolidated financial statements that was were communicated or required to be communicated to the audit committee and that: (1) relates relate to accounts or

disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter matters below, providing a separate opinion opinions on the critical audit matter matters or on the accounts or disclosures to which it relates, they relate.

#### *Sufficiency of audit evidence over the IT elements of revenue recognition*

As discussed in Notes 2 and 14 to the consolidated financial statements, the Company has recorded \$1.2 billion of revenues revenue for the year ended December 31, 2022 December 31, 2023. Revenues are Revenue is derived from asset-based services, subscription or licensing-based services, and professional services and other sources, and sold with varying price structures. The Company recognizes revenues revenue when control of the services is transferred to customers.

We identified the evaluation of the sufficiency of audit evidence over the information technology ("IT") IT elements of revenue recognition as a critical audit matter. Subjective and complex auditor judgment was required to assess the sufficiency of audit procedures performed and the nature and extent of audit evidence obtained due to the complexity and number of IT systems and the specialized skills needed to test the IT elements of the revenue recognition process.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over the IT elements of revenue recognition, including the determination of IT systems for which those procedures were to be performed based on the nature of the information processed by the systems. We evaluated the design and tested the operating effectiveness of certain internal controls within the Company's revenue recognition process, including the automated elements of the flow of transactions and certain manual controls over the underlying transaction data processed by the IT systems. We involved IT professionals with specialized skills and knowledge, who assisted in testing certain general IT controls and certain application controls interacting within the Company's revenue recognition process. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed.

#### *Goodwill impairment of Data and Analytics reporting unit*

As discussed in Notes 2 and 10 to the consolidated financial statements, the goodwill balance at December 31, 2023 was \$806.6 million. The Company reviews goodwill for impairment by performing a qualitative or quantitative evaluation at least annually, or whenever events or circumstances indicate a likely reduction in the fair value of a reporting unit below its carrying amount. During the year, the Company performed a quantitative goodwill impairment evaluation for each reporting unit, utilizing a combination of the discounted cash flow method (income approach) and a market approach. As a result of this impairment test, the carrying value of the Data and Analytics reporting unit exceeded its estimated fair value, which resulted in the recognition of a non-cash impairment charge to goodwill of \$191.8 million.

We identified the evaluation of the goodwill impairment for the Data and Analytics reporting unit as a critical audit matter. Subjective auditor judgment was required to evaluate certain assumptions used in the discounted cash flow method (income approach), including forecasted earnings before interest, taxes, depreciation and amortization (EBITDA) margins and the discount rate. Determination of these assumptions is subjective and sensitive to variation that could have had a significant effect on the reporting unit's estimated fair value. Additionally, the audit effort associated with this estimate required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the impairment evaluation of goodwill, including controls related to the Company's development of projected EBITDA margins and the discount rate. We evaluated the Company's ability to accurately project EBITDA margin cash flows by comparing the Company's historical projections to actual results. We evaluated the forecasted EBITDA margins by comparing them to historical performance, assessing the projected impacts of strategic initiatives implemented, and evaluating information in publicly available analyst reports. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the discount rate by independently developing a discount rate range using publicly available market data for comparable entities.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

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

Assets	Assets	December 31,		December 31,	
		2022		2023	
					2022
Current assets:	Current assets:			Assets	
Cash and cash equivalents	Cash and cash equivalents	\$ 162,173	\$ 429,279	Current assets:	
Fees receivable, net	Fees receivable, net	101,696	95,291		
Prepaid expenses and other current assets	Prepaid expenses and other current assets	41,363	42,706		
Total current assets	Total current assets	305,232	567,276		
Property and equipment, net	Property and equipment, net	62,443	50,215		
Internally developed software, net	Internally developed software, net	184,558	133,659		
Intangible assets, net	Intangible assets, net	379,995	400,396		
Goodwill	Goodwill	998,414	925,154		
Operating lease right-of-use assets, net	Operating lease right-of-use assets, net	81,596	90,714		
Other non-current assets		99,927	73,768		
Other assets					
Total assets	Total assets	\$2,112,165	\$2,241,182		
<b>Liabilities and Equity</b>					
Liabilities and equity				Liabilities and equity	
Current liabilities:	Current liabilities:			Current liabilities:	
Accrued expenses and other liabilities		\$ 216,532	\$ 225,159		
Accounts payable		17,334	19,092		

Accounts payable, accrued expenses and other current liabilities					
Operating lease liabilities	Operating lease liabilities	11,949	10,999		
Deferred revenue	Deferred revenue	36,363	33,473		
Current portion of long-term debt	44,886	—			
Current portion of debt					
Total current liabilities	Total current liabilities	327,064	288,723		
Long-term debt		871,769	848,862		
Non-current operating lease liabilities		110,652	105,920		
Debt					
Operating lease liabilities, net of current portion					
Deferred tax liabilities, net	Deferred tax liabilities, net	16,196	21,021		
Other non-current liabilities		18,880	17,114		
Other liabilities					
Total liabilities	Total liabilities	1,344,561	1,281,640		
Commitments and contingencies	Commitments and contingencies	Commitments and contingencies			
Equity:					
Stockholders' equity:					
Preferred stock, par value \$0.005, 50,000,000 shares authorized; no shares issued and outstanding as of December 31, 2022 and December 31, 2021	—	—			
Common stock, par value \$0.005, 500,000,000 shares authorized; 70,025,733 and 68,879,152 shares issued as of December 31, 2022 and December 31, 2021, respectively; 54,013,826 and 54,793,088 shares outstanding as of December 31, 2022 and December 31, 2021, respectively	350	344			
Stockholders' equity					

Preferred stock, par value \$0.005,  
50,000,000 shares authorized; no  
shares issued and outstanding as  
of December 31, 2023 and  
December 31, 2022

Preferred stock, par value \$0.005,  
50,000,000 shares authorized; no  
shares issued and outstanding as  
of December 31, 2023 and  
December 31, 2022

Preferred stock, par value \$0.005,  
50,000,000 shares authorized; no  
shares issued and outstanding as  
of December 31, 2023 and  
December 31, 2022

Common stock,

par value

\$0.005,

500,000,000

shares

authorized;

71,129,801 and

70,025,733

shares issued

as of

December 31,

2023 and

December 31,

2022,

respectively;

54,773,662 and

54,013,826

shares

outstanding as

of December

31, 2023 and

December 31,

2022,

respectively

Treasury stock

at cost,

16,356,139 and

16,011,907

shares as of

December 31,

2023 and

December 31,

2022,

respectively

Additional paid-in capital	Additional paid-in capital	1,135,284	1,131,628
Accumulated deficit	Accumulated deficit	(118,927)	(37,988)

Treasury stock at cost, 16,011,907 and 14,086,064 shares as of December 31, 2022 and December 31, 2021, respectively	(253,551)	(134,996)
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Accumulated other comprehensive loss	Accumulated other comprehensive loss	(8,589)	(1,899)
<b>Total stockholders' equity</b>		<b>754,567</b>	<b>957,089</b>
Total stockholders' equity, attributable to Envestnet, Inc.			
Non-controlling interest	Non-controlling interest	13,037	2,453
<b>Total equity</b>	<b>Total equity</b>	<b>767,604</b>	<b>959,542</b>
Total liabilities and equity	liabilities and equity	<u><u>\$2,112,165</u></u>	<u><u>\$2,241,182</u></u>

See accompanying notes to Consolidated Financial Statements.

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

	Year Ended December 31,			Year Ended December 31,		
				2023	2022	2021
	2022	2021	2020	2023	2022	2021
<b>Revenues:</b>						
<b>Revenue:</b>						
Asset-based	Asset-based	\$ 738,228	\$ 709,376	\$ 540,947		
Subscription-based	Subscription-based	477,844	453,989	426,507		
Total recurring revenues		1,216,072	1,163,365	967,454		
Professional services and other revenues		23,712	23,152	30,776		
<b>Total revenues</b>		<b>1,239,784</b>	<b>1,186,517</b>	<b>998,230</b>		
Total recurring revenue						
Professional services and other revenue						
<b>Total revenue</b>						

Operating expenses:	Operating expenses:	Operating expenses:		
Cost of revenues	468,460	423,723	305,929	
Compensation and benefits	490,725	432,829	398,970	
General and administration	216,075	171,657	160,229	
Direct expense				
Employee compensation				
General and administrative				
Depreciation and amortization	Depreciation and amortization	130,548	117,767	113,661
Goodwill impairment				
Total operating expenses	Total operating expenses	1,305,808	1,145,976	978,789
Income (loss) from operations	Income (loss) from operations	(66,024)	40,541	19,441
Other income (expense):	Other income (expense):			
Interest income				
Interest income				
Interest income	Interest income	4,184	827	1,112
Interest expense	Interest expense	(16,843)	(16,931)	(31,504)
Other income (expense), net	Other income (expense), net	264	(4,076)	2,906
Total other expense, net	(12,395)	(20,180)	(27,486)	
Income (loss) before income tax provision (benefit)		(78,419)	20,361	(8,045)
Income tax provision (benefit)		7,061	7,667	(5,401)
Total other income (expense), net				
Income (loss) before income tax provision				

Income tax provision						
Net income (loss)	Net income (loss)		(85,480)	12,694	(2,644)	
Add: Net (income) loss attributable to non-controlling interest			4,541	602	(466)	
Add: Net loss attributable to non-controlling interest						
Net income (loss) attributable to Envestnet, Inc.	Net income (loss) attributable to Envestnet, Inc.	\$ (80,939)	\$ 13,296	\$ (3,110)		
Net income (loss) per share attributable to Envestnet, Inc.:						
Net income (loss) attributable to Envestnet, Inc. per share:						
Basic	Basic	\$ (1.47)	\$ 0.24	\$ (0.06)		
Diluted	Diluted	\$ (1.59)	\$ 0.24	\$ (0.06)		
Weighted average common shares outstanding:	Weighted average common shares outstanding:					
Basic	Basic	55,199,482	54,470,975	53,589,232		
Basic						
Basic						
Diluted	Diluted	56,842,125	55,384,096	53,589,232		

See accompanying notes to Consolidated Financial Statements.

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

Year Ended December 31,				Year Ended December 31,			
2022			2021	2022			2021

Net income	Net income									
(loss)	(loss)									
attributable to	attributable to									
Envestnet, Inc.	Envestnet, Inc.	\$(80,939)	\$13,296	\$(3,110)						
Other comprehensive income										
(loss), net of taxes:										
Foreign currency translation										
gains (losses), net		(6,690)	(1,501)	1,351						
Other										
comprehensive										
income (loss),										
net of tax:										
Foreign currency translation										
adjustments										
Foreign currency translation										
adjustments										
Foreign currency translation										
adjustments										
Total other										
comprehensive										
income (loss),										
net of tax										
Comprehensive	Comprehensive									
income (loss)	income (loss)									
attributable to	attributable to									
Envestnet, Inc.	Envestnet, Inc.	\$(87,629)	\$11,795	\$(1,759)						

See accompanying notes to Consolidated Financial Statements.

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

	Accumulated									
	Common Stock		Treasury Stock		Additional		Other		Non-	
	Shares	Amount	Shares	Amount	Paid-in	Comprehensive	Accumulated	controlling	Total	
Balance, December 31, 2019	66,320,706	\$ 331	(13,479,000)	\$ (90,965)	\$ 1,037,141	\$ (1,749)	\$ (75,664)	\$ (1,518)	\$ 867,576	
Adoption of ASC 326	—	—	—	—	—	—	—	(1,138)	—	(1,138)
Exercise of stock options	705,333	4	—	—	10,756	—	—	—	—	10,760
Issuance of common stock - vesting of restricted stock units	804,982	4	—	—	—	—	—	—	—	4
Issuance of common stock	1,685	—	—	—	126	—	—	—	—	126
Stock-based compensation expense	—	—	—	—	56,292	—	—	—	—	56,292

Shares withheld to satisfy tax withholdings	—	—	(260,171)	(19,501)	—	—	—	—	(19,501)
Transfer of non-controlling units, net of tax	—	—	—	—	666	—	—	(139)	527
Capital contribution - non-controlling interest	—	—	—	—	(66)	—	—	672	606
Issuance of Convertible Notes due 2025, net of offering costs and taxes of \$8,694	—	—	—	—	61,859	—	—	—	61,859
Foreign currency translation gain, net of taxes	—	—	—	—	—	1,351	—	—	1,351
Net income (loss)	—	—	—	—	—	—	(3,110)	466	(2,644)
Balance, December 31, 2020	67,832,706	\$ 339	(13,739,171)	\$ (110,466)	\$ 1,166,774	\$ (398)	\$ (79,912)	\$ (519)	\$ 975,818

	Accumulated									
	Common Stock		Treasury Stock		Additional		Other		Non-	
	Common		Paid-in		Comprehensive		Accumulated		controlling	
	Shares	Amount	Shares	Amount	Capital	Loss	Deficit	Interest	Total	Equity
Balance, December 31, 2020	67,832,706	\$ 339	(13,739,171)	\$ (110,466)	\$ 1,166,774	\$ (398)	\$ (79,912)	\$ (519)	\$ 975,818	
Adoption of ASU 2020-06, net of taxes of \$7,641 (See note 2)	—	—	—	—	(108,470)	—	28,628	—	(79,842)	
Net income (loss)	—	—	—	—	—	—	13,296	(602)	12,694	
Other comprehensive loss, net of tax	—	—	—	—	—	(1,501)	—	—	(1,501)	
Stock-based compensation expense	—	—	—	—	67,525	—	—	—	67,525	
Issuance of common stock, vesting of RSUs and PSUs	891,466	5	—	—	—	—	—	—	—	5
Net cash paid related to tax withholding for stock-based compensation	—	—	(291,405)	(20,529)	—	—	—	—	(20,529)	
Proceeds from the exercise of stock options	76,303	—	—	—	2,090	—	—	—	2,090	
Capital contribution, non-controlling interest	—	—	—	—	(127)	—	—	3,328	3,201	
Issuance of common stock	78,677	—	—	—	4,068	—	—	—	4,068	
Net cash paid related to share repurchases	—	—	(55,488)	(4,001)	—	—	—	—	(4,001)	
Other	—	—	—	—	(232)	—	—	246	14	
Balance, December 31, 2021	68,879,152	\$ 344	(14,086,064)	\$ (134,996)	\$ 1,131,628	\$ (1,899)	\$ (37,988)	\$ 2,453	\$ 959,542	

Adoption of ASU 2020-06, net of taxes of \$7,641 (See Note 2)	—	—	—	—	(108,470)	—	28,628	—	(79,842)	
Exercise of stock options	76,303	—	—	—	2,090	—	—	—	2,090	
Issuance of common stock - vesting of restricted stock units	891,466	5	—	—	—	—	—	—	—	5
Issuance of common stock	78,677	—	—	—	4,068	—	—	—	4,068	
Stock-based compensation expense	—	—	—	—	67,525	—	—	—	67,525	
Shares withheld to satisfy tax withholdings	—	—	(291,405)	(20,529)	—	—	—	—	(20,529)	
Share repurchases	—	—	(55,488)	(4,001)	—	—	—	—	(4,001)	
Capital contribution - non-controlling interest	—	—	—	—	(127)	—	—	3,328	3,201	
Foreign currency translation loss, net of taxes	—	—	—	—	—	(1,501)	—	—	(1,501)	
Other	—	—	—	—	(232)	—	—	246	14	
Net income (loss)	—	—	—	—	—	—	13,296	(602)	12,694	

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	—	—	—	—	—	—	(80,939)	(4,541)	(85,480)
Other comprehensive loss, net of tax	—	—	—	—	—	(6,690)	—	—	(6,690)
Stock-based compensation expense	—	—	—	—	79,581	—	—	—	79,581
Issuance of common stock, vesting of RSUs and PSUs	1,063,779	6	—	—	—	—	—	—	6
Net cash paid related to tax withholding for stock-based compensation	—	—	(356,201)	(23,516)	—	—	—	—	(23,516)
Proceeds from the exercise of stock options	82,802	—	—	—	2,620	—	—	—	2,620
Capital contribution, non-controlling interest	—	—	—	—	1,288	—	—	14,749	16,037
Net cash paid related to share repurchases	—	—	(1,569,642)	(95,039)	—	—	—	—	(95,039)
Purchase of Capped Call Transactions	—	—	—	—	(79,585)	—	—	—	(79,585)
Other	—	—	—	—	(248)	—	—	376	128
Balance, December 31, 2022	70,025,733	\$ 350	(16,011,907)	\$ (253,551)	\$ 1,135,284	\$ (8,589)	\$ (118,927)	\$ 13,037	\$ 767,604

-continued-

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

	Accumulated								
	Common Stock		Treasury Stock		Additional		Other		Non-
	Shares	Amount	Shares	Amount	Paid-in Capital	Comprehensive Loss	Accumulated Deficit	controlling Interest	Total 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
Exercise of stock options	82,802	—	—	—	2,620	—	—	—	2,620
Issuance of common stock - vesting of restricted stock units	1,063,779	6	—	—	—	—	—	—	6
Stock-based compensation expense	—	—	—	—	79,581	—	—	—	79,581
Shares withheld to satisfy tax withholdings	—	—	(356,201)	(23,516)	—	—	—	—	(23,516)
Share repurchases	—	—	(1,569,642)	(95,039)	—	—	—	—	(95,039)
Capital contribution - non-controlling interest	—	—	—	—	1,288	—	—	14,749	16,037
Foreign currency translation loss, net of taxes	—	—	—	—	—	(6,690)	—	—	(6,690)
Capped call transactions	—	—	—	—	(79,585)	—	—	—	(79,585)
Other	—	—	—	—	(248)	—	—	376	128
Net loss	—	—	—	—	—	—	(80,939)	(4,541)	(85,480)
Balance, December 31, 2022	70,025,733	\$ 350	(16,011,907)	\$ (253,551)	\$ 1,135,284	\$ (8,589)	\$ (118,927)	\$ 13,037	\$ 767,604

Accumulated

	Common Stock		Treasury Stock		Additional		Other		Non-		
			Common		Paid-in	Comprehensive	Accumulated	controlling	Interest	Total	
	Shares	Amount	Shares	Amount	Capital	Loss	Deficit			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	—	—	—	—	—	—	—	(238,724)	(7,050)	(245,774)	
Other comprehensive income, net of tax	—	—	—	—	—	22	—	—	—	22	
Stock-based compensation expense	—	—	—	—	70,719	—	—	—	312	71,031	
Issuance of common stock, vesting of RSUs and PSUs	1,031,658	5	—	—	—	—	—	—	—	5	
Net cash paid related to tax withholding for stock-based compensation	—	—	(344,232)	(19,022)	—	—	—	—	—	(19,022)	
Proceeds from the exercise of stock options	72,410	—	—	—	1,608	—	—	—	—	1,608	
Purchase of non-controlling units from third-party shareholders	—	—	—	—	(984)	—	—	—	(24)	(1,008)	
Other	—	—	—	—	—	—	—	—	40	40	
Balance, December 31, 2023	71,129,801	\$ 355	(16,356,139)	\$ (272,573)	\$1,206,627	\$ (8,567)	\$ (357,651)	\$ 6,315	\$ 574,506		

See accompanying notes to Consolidated Financial Statements.

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

	Year Ended December 31,			Year Ended December 31,		
				2023	2022	2021
	2022	2021	2020			
<b>OPERATING ACTIVITIES:</b>						
Cash flows from operating activities:						
Net income (loss)	Net income (loss)	\$ (85,480)	\$ 12,694	\$ (2,644)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	Depreciation and amortization	130,548	117,767	113,661		
Provision for doubtful accounts		511	1,598	2,817		
Depreciation and amortization						
Depreciation and amortization						

Deferred income taxes	Deferred income taxes	(3,490)	(320)	(1,884)
Release of uncertain tax positions		—	—	(7,101)
Deferred income taxes				
Deferred income taxes				
Goodwill impairment				
Goodwill impairment				
Goodwill impairment				
Non-cash compensation expense	Non-cash compensation expense	80,333	68,020	59,637
Non-cash interest expense	Non-cash interest expense	7,445	5,799	18,515
Fair market value adjustment to investment in private company				
Dilution gain on equity method investee share issuance				
Loss allocations from equity method investments				
Lease related impairments				
Loss on extinguishment of Convertible Notes due 2023	Loss on extinguishment of Convertible Notes due 2023	13,421	—	—
Gain on extinguishment of Convertible Notes due 2025	Gain on extinguishment of Convertible Notes due 2025	(15,089)	—	—
Gain on extinguishment of Convertible Notes due 2025				

Gain on extinguishment of Convertible Notes due 2025			
Accretion on contingent consideration and purchase liability	—	730	1,688
Loss on property and equipment disposals			
Loss on property and equipment disposals			
Loss on property and equipment disposals			
Payments of contingent consideration	Payments of contingent consideration	—	(2,360)
Fair market value adjustment to contingent consideration liability	Fair market value adjustment to contingent consideration liability	—	(1,067) (3,105)
Gain on settlement of liability	Gain on settlement of liability	—	(1,206)
Loss allocations from equity method investments	8,874	7,093	5,399
Gain on equity method investments	(9,517)	—	(4,230)
Loss on property and equipment disposals	5,097	—	—
Lease related impairments, including right-of-use assets	15,750	1,537	2,661
Other	Other	355	(293) (729)
Changes in operating assets and liabilities, net of acquisitions:			
Other			
Other			
Changes in operating assets and liabilities:			
Fees receivable, net	Fees receivable, net	(5,031)	(16,731) (15,055)
Prepaid expenses and other current assets	2,864	399	(9,666)
Other non-current assets	(4,992)	2,741	(1,963)

Accrued expenses and other liabilities	(24,711)	53,265	22,109
Accounts payable	(3,724)	1,290	(187)
Fees receivable, net			
Fees receivable, net			
Prepaid expenses and other assets			
Accounts payable, accrued expenses and other liabilities			
Accounts payable, accrued expenses and other liabilities			
Accounts payable, accrued expenses and other liabilities			
Deferred revenue	Deferred revenue	(305)	(2,080) (4,125)
Other non-current liabilities		4,178	1,701 (5,962)
Deferred revenue			
Deferred revenue			
Net cash provided by operating activities	Net cash provided by operating activities	117,037	250,577 169,836
<b>INVESTING ACTIVITIES:</b>			
Net cash provided by operating activities			
Net cash provided by operating activities			
Cash flows from investing activities:			
Purchases of property and equipment	Purchases of property and equipment	(16,172)	(23,731) (12,088)
Capitalization of internally developed software	Capitalization of internally developed software	(89,153)	(65,170) (54,908)
Acquisitions of businesses, net of cash acquired			
Investments in private companies	Investments in private companies	(16,351)	(25,926) (15,640)
Acquisitions of businesses, net of cash acquired			
		(104,100)	(32,794) (20,257)

Acquisition of proprietary technology	Acquisition of proprietary technology	(15,000)	(25,517)	—
Advance for technology solutions		(4,000)	(3,000)	—
Issuance of notes receivable to equity method investees		(6,350)	—	—
Issuance of loan receivable to private company				
Issuance of loan receivable to private company				
Issuance of loan receivable to private company				
Issuance of note receivable to equity method investees				
Other	Other	—	—	2,897
Net cash used in investing activities	Net cash used in investing activities	(251,126)	(176,138)	(99,996)

-continued-

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

	Year Ended December 31,		
	2022	2021	2020
<b>FINANCING ACTIVITIES:</b>			
Proceeds from issuance of Convertible Notes due 2027	575,000	—	—
Convertible Notes due 2027 issuance costs	(16,323)	—	—
Repurchase of Convertible Notes due 2023	(312,422)	—	—
Repurchase of Convertible Notes due 2025	(181,772)	—	—
Proceeds from issuance of Convertible Notes due 2025	—	—	517,500
Convertible Notes due 2025 issuance costs	—	—	(14,540)
Proceeds from borrowings on revolving credit facility	—	—	45,000
Payments on revolving credit facility	—	—	(305,000)
Capital contributions - non-controlling shareholders	16,037	3,201	606
Payments of deferred consideration on prior acquisitions	—	—	(1,879)
Payments of contingent consideration	(743)	(9,276)	—
Purchase of capped calls	(79,585)	—	—
Proceeds from exercise of stock options	2,620	2,090	10,760

Taxes paid in lieu of shares issued for stock-based compensation	(23,516)	(20,529)	(19,501)
Share repurchases	(85,750)	(4,001)	—
Finance lease payments	(18,682)	—	—
Other	(1,866)	(655)	4
Net cash provided by (used in) financing activities	(127,002)	(29,170)	232,950
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(6,164)</b>	<b>(555)</b>	<b>(831)</b>
<b>INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(267,255)</b>	<b>44,714</b>	<b>301,959</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD (See Note 2)</b>	<b>429,428</b>	<b>384,714</b>	<b>82,755</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD (See Note 2)</b>	<b>\$ 162,173</b>	<b>\$ 429,428</b>	<b>\$ 384,714</b>
Supplemental disclosure of cash flow information - net cash paid during the period for income taxes	\$ 12,120	\$ 7,920	\$ 8,304
Supplemental disclosure of cash flow information - cash paid during the period for interest	11,046	11,132	12,990
Supplemental disclosure of non-cash operating, investing and financing activities:			
Common stock issued to settle purchase liability	—	4,068	126
Contingent consideration issued in acquisition of businesses	—	—	5,239
Internally developed software costs included in accrued expenses and other liabilities	—	591	—
Leasehold improvements funded by lease incentive	—	164	1,806
Membership interest liabilities included in other non-current liabilities	752	496	3,345
Purchase liabilities included in accrued expenses and other liabilities	—	2,951	632
Purchase of fixed assets included in accounts payable and accrued expenses and other liabilities	4,206	1,328	1,841
Property and equipment acquired through financing leases	18,682	—	—
Transfer of non-controlling units	—	—	771
Treasury stock purchases included in accrued expenses and other liabilities	9,289	—	—
Right-of-use assets obtained in exchange for lease liabilities, net	13,211	4,596	39,370
Conversion of equity method investee loan to shares	2,623	—	—

	Year Ended December 31,		
	2023	2022	2021
Cash flows from financing activities:			
Proceeds from borrowings under Revolving Credit Facility	55,000	—	—
Payments related to Revolving Credit Facility	(55,000)	—	—
Settlement of Convertible Notes due 2023	(45,000)	—	—
Proceeds from issuance of Convertible Notes due 2027	—	575,000	—
Convertible Notes due 2027 issuance costs	—	(16,323)	—
Repurchase of Convertible Notes due 2023	—	(312,422)	—
Repurchase of Convertible Notes due 2025	—	(181,772)	—
Payments related to Capped Call Transactions	—	(79,585)	—

Proceeds from exercise of stock options	1,608	2,620	2,090
Payments related to tax withholdings for stock-based compensation	(19,022)	(23,516)	(20,529)
Payments related to share repurchases	(9,289)	(85,750)	(4,001)
Purchase of non-controlling units from third-party shareholders	(1,008)	—	—
Proceeds from capital contributions of non-controlling shareholders	—	16,037	3,201
Payments of contingent consideration	—	(743)	(9,276)
Other	5	(1,866)	(655)
<b>Net cash used in financing activities</b>	<b>(72,706)</b>	<b>(108,320)</b>	<b>(29,170)</b>
Effect of exchange rate on changes in cash, cash equivalents and restricted cash	1,106	(6,164)	(555)
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>(70,795)</b>	<b>(267,255)</b>	<b>44,714</b>
Cash, cash equivalents and restricted cash, beginning of period	162,173	429,428	384,714
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 91,378</b>	<b>\$ 162,173</b>	<b>\$ 429,428</b>
<b>Supplemental disclosure of cash flow information</b>			
Net cash paid for income taxes	\$ 15,866	\$ 12,120	\$ 7,920
Cash paid for interest	\$ 20,101	\$ 11,046	\$ 11,132
<b>Supplemental disclosure of non-cash activities</b>			
Purchase of fixed assets included in accounts payable and accrued expenses and other current liabilities	\$ 710	\$ 4,206	\$ 1,328
Right-of-use assets obtained in exchange for lease liabilities, net	\$ 1,395	\$ 13,211	\$ 4,596
Conversion of equity method investee loan to shares	\$ 4,129	\$ 2,623	\$ —
Treasury stock purchases included in accrued expenses and other liabilities	\$ —	\$ 9,289	\$ —
Membership interest liabilities included in other liabilities	\$ —	\$ 752	\$ 496
Common stock issued to settle purchase liability	\$ —	\$ —	\$ 4,068
Internally developed software costs included in accrued expenses and other liabilities	\$ —	\$ —	\$ 591
Leasehold improvements funded by lease incentive	\$ —	\$ —	\$ 164
Purchase liabilities included in accrued expenses and other liabilities	\$ —	\$ —	\$ 2,951

See accompanying notes to Consolidated Financial Statements.

**Envestnet, Inc.**  
**Notes to 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 19—23—Segment Information". The 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 Wealth Solutions serves its clients principally through the following product and service suites:

- **Envestnet | Enterprise** provides an end-to-end open architecture wealth management platform, through which advisors can construct portfolios for clients. It begins with aggregated household data which then leads to the creation of a financial plan, asset allocation, investment strategy, portfolio management, rebalancing and performance reporting. Advisors have access to nearly approximately 23,000 investment products. Envestnet | Enterprise also sells data aggregation and reporting, data analytics and digital advice capabilities to customers.
- **Envestnet | Tamarac™ Wealth Analytics** delivers an end-to-end platform experience that transforms data into actionable intelligence that informs its client's next best course of action. The insights foster the acceleration of data-driven strategy with enterprise-level analytics including clients, fees, opportunities, attrition, benchmarking and firm valuation.
- **Envestnet | Tamarac** provides leading trading, rebalancing, portfolio accounting, performance reporting and client relationship management software, principally to high-end RIAs.
- **Envestnet | MoneyGuide** provides leading goals-based goal-based financial planning solutions to the financial services industry. The highly adaptable software helps financial advisors add significant value for their clients using best-in-class technology with enhanced integrations to generate financial plans.
- **Envestnet | Retirement Workplace Solutions ("ERS & 401kplans.com")** offers a comprehensive suite of services for advisor-sold retirement plans. Our It's retirement solutions address the regulatory, data, and investment needs of retirement plans and delivers the information holistically. 401kplans.com Workplace Solutions includes a digital 401(k) retirement plan marketplace that streamlines retirement plan distribution and due diligence among financial advisors and third-party administrators. With Envestnet's retirement solutions marketplace, advisors can employ Envestnet's outsourced fiduciary services for investment selection and monitoring in retirement plan portfolios and can access essential information to make investment recommendations and understand the impact of fund changes to the total cost of their plans.
- **Envestnet | PMC®, or Portfolio Management Consultants ("PMC")** provides research and consulting services to assist advisors in creating investment solutions for their clients. These solutions include over 5,000 vetted third-party managed account products, multi-manager portfolios, and fund strategist portfolios, as well as over 950 approximately 850 proprietary products, such as quantitative portfolios and fund strategist portfolios. PMC also offers portfolio overlay and tax optimization services.
- **Envestnet | Redi2("Redi2") Billing Solutions (Redi2)** offers revenue management and hosted fee-billing solutions in the global financial services industry. Redi2's platform enables fee calculation, invoice creation, payouts and accounting, and billing compliance. Redi2 solutions caters to different segments of the market with three different product lines: Revenue Manager which provides client revenue accounting and billing services for asset managers; Wealth Manager which delivers multi-party billing and payouts for broker-dealers and

**Envestnet, Inc.**  
**Notes to Consolidated Financial Statements**

turnkey asset management programs and BillFin™ which offers advisory billing and invoicing for financial advisors.

- **Envestnet Data & Analytics** – a leading provider of financial data aggregation, data intelligence, analytics and digital experiences platform. to meet the needs of financial institutions, enterprise FinTech firms and market investment research firms worldwide.

Envestnet Data & Analytics enables consumers to aggregate serves two primary markets:

- **Open Banking** provides personal financial accounts within client applications management, wealth management, payments, credit/lending, business financial management and provides to clients the functionality to gather, refine, enterprise business intelligence solutions for retail and aggregate massive sets of consumer permissioned data for use in financial applications, reports, market research analysis, commercial banks, credit unions, credit card providers, wealth management firms, FinTech firms, E-commerce and application programming interfaces ("APIs"). payment solution providers.

#### Envestnet, Inc.

**Notes to Consolidated Financial Statements.** **Alternative Data** provides de-identified consumer spending insights for investment research and corporate and marketing research clients.

For a summary of commonly used industry terms and abbreviations used in this annual report on Form 10-K, see the [Glossary of Terms](#).

Envestnet operates six RIAs registered with the U.S. Securities and Exchange Commission ("SEC").

## 2. Summary of Significant Accounting Policies

The Company follows accounting standards established by the [Financial Accounting Standards Board \("FASB"\)](#) FASB to ensure consistent reporting of financial condition, results of operations and cash flows. References to accounting principles generally accepted in the United States ("GAAP") GAAP in these notes are to the FASB ASC and ASUs.

**Segment Reporting** Accounting Standards Codification —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 change does 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 Annual report on Form 10-K for the year ended December 31, 2023 is presented in conjunction with the current organizational structure, with prior periods adjusted accordingly.

**Correction of Immaterial Error™ ("ASC")** —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 related updates ("ASU") included as a component of property and equipment, net in the consolidated balance sheets should have been recognized as a prepayment included within prepaid expenses and other current assets and other assets in the 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 years reported within this Annual Report on Form 10-K for the year ended December 31, 2023.

In the consolidated balance sheets as of December 31, 2022, these adjustments resulted in an increase to prepaid expenses and other current assets of \$6.1 million, an increase to other assets of \$7.9 million and a corresponding decrease to property and equipment, net of \$14.0 million. In the consolidated statements of operations for the year ended December 31, 2022, these adjustments resulted in an increase in direct expense of \$2.0 million, an increase in general and administrative expense of \$2.7 million and a corresponding decrease in depreciation and amortization expense of \$4.7 million. In the consolidated statements of cash flows for the year ended December 31, 2022, these adjustments resulted in a decrease in net cash provided by operating activities of \$18.7 million and a corresponding decrease in net cash used in financing activities of \$18.7 million.

*Principles of Consolidation*—The consolidated financial statements include the accounts of Envestnet and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

*Foreign Currency*—Accounts for the Envestnet Wealth Solutions segment that are denominated in a non-U.S. currency have been remeasured 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 revenues revenue and expenses are translated at average exchange rates. Differences arising from these foreign currency translations are recorded in the consolidated balance sheets as accumulated other comprehensive income (loss) within stockholders' equity. The

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

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 income (expense), net in the consolidated statements of operations.

*Management Estimates*—Management has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues revenue and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with GAAP. Areas requiring the use of management estimates relate to estimating uncollectible receivables, revenue recognition, valuations and assumptions used for impairment testing of goodwill, intangible and other long-lived assets, right-of-use assets, performance shares issued, contingent consideration, realization of deferred tax assets, uncertain tax positions, sales tax liabilities, operating lease liabilities, fair value of the liability portion of the convertible debt, commitments and contingencies and assumptions used to allocate purchase prices in business combinations. Actual results could differ materially from these estimates under different assumptions or conditions.

*Reclassifications*—Certain amounts in the consolidated balance sheets as of December 31, 2023 and December 31, 2022 and the consolidated statements of cash flows for years ended December 31, 2023, 2022 and 2021 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 consolidated statements of operations, consolidated statements of comprehensive income (loss) or consolidated statements of stockholders' equity.

#### *Revenue Recognition*

The Company accounts for its revenue arrangements in accordance with FASB Topic 606 - Revenue from Contracts with Customers ("ASC 606"). The Company derives revenues revenue from asset-based and subscription-based services and professional services and other sources. Revenues are Revenue is recognized when control of these services is transferred to our the Company's customers, in an amount that reflects the consideration that we expect to be entitled to in exchange for those services. All revenue recognized in the consolidated statements of operations is considered to be revenue from contracts with customers. Sales and usage-based taxes are excluded from revenues. revenue. The majority of the Company's revenues are revenue is recognized when services are provided.

*Asset-Based Recurring Revenues Revenue*—Asset-based recurring revenues revenue primarily consist of fees for providing customers continuous access to platform services through the Company's uniquely customized platforms. These platform services include investment manager research, portfolio diagnostics, proposal generation, investment model management, rebalancing and trading, portfolio performance reporting and monitoring solutions, billing and back office and

middle-office operations and administration and are made available to customers throughout the contractual term from the date the customized platform is launched.

The asset-based fees the Company earns are generally based upon variable percentages of assets managed or administered on **our** **its** platforms. The fee percentage varies based on the level and type of services the Company provides to its customers, as well as the values of existing customer accounts. The values of the customer accounts are affected by inflows or outflows of customer funds and market fluctuations.

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

The platform services are substantially the same over each quarter and performed in a similar manner over the contract period, and are considered stand-ready promises. The platform services that are delivered to the customer over the quarter are considered distinct, as the customer benefits distinctly from each increment of **our** **the Company's** services and each quarter is separately identified in the contract, and are considered to be a single performance obligation.

The pricing generally resets each quarter and the pricing structure is consistent throughout the term of the contract. The variable fees are generally calculated and billed quarterly in advance based on preceding quarter-end values and the variable amounts earned from the platform services relate specifically to the benefits transferred to the customer during that month or quarter. Accordingly, revenue is allocated to the specific quarter in which services are performed.

The asset-based contracts generally contain one performance obligation and revenue is recognized on a ratable basis over the quarter beginning on the date that the platform services are made available to the customer as the customer simultaneously consumes and receives the benefits of the services. All asset-based fees are recognized in the Envestnet Wealth Solutions segment.

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

For certain services provided by third parties, the Company evaluates whether it is the principal (**revenues** (**revenue** reported on a gross basis) or agent (**revenues** (**revenue** reported on a net basis)). Generally, the Company reports customer fees including charges for third party service providers where the Company has a direct contract with such third party service providers on a gross basis, whereas the amounts billed to its customers are recorded as **revenues**, **revenue**, and amounts paid to third party service providers are recorded as **cost of revenues**, **direct expense**. The Company is the principal in the transaction because it controls the services before they are transferred to its customers. Control is evidenced by the Company being primarily responsible to its customers and having discretion in establishing pricing.

**Subscription-Based Recurring Revenues** **Revenue**—Subscription-based recurring **revenues** **revenue** primarily consist of fees for providing customers continuous access to the Company's platform for wealth management and financial wellness. The subscription-based fees generally include fixed fees and or usage-based fees.

Generally, the subscription services are substantially the same over each quarter and performed in a similar manner over the contract period, and are considered stand-ready promises. Quarterly subscription services are considered distinct as the customer can benefit from each increment of services on its own and each quarter is separately identified in the contract, and services are considered to be a single performance obligation.

Certain subscription-based contracts include fixed and variable consideration. The amount of variable consideration that is included in the transaction price may be subject to constraint and included in the subscription-based recurring

revenues revenue only to the extent that is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. The Company utilizes the expected value method to estimate variable consideration based on available historical, current, and forecasted information.

The usage-based pricing generally resets each quarter and the pricing structure is generally consistent throughout the term of the contract. The fixed fees are generally calculated and billed quarterly in advance. The usage-based fees are generally calculated and are billed either monthly or quarterly based on the actual usage and relate specifically to the benefits transferred to the customer during that quarter. Accordingly, revenue is allocated to the specific quarter in which services are performed.

Fixed fees are generally recognized on a ratable basis over the quarter beginning when the subscription services are made available to the customer, as the customer simultaneously receives and consumes the benefits of the subscription services. Usage-based revenue is recognized on a monthly basis as the customer receives and consumes the benefit as the Company provides the services. Subscription-based fees are recognized in both the Envestnet Wealth Solutions and Envestnet Data & Analytics segments.

*Professional Services and Other Revenues Revenue*—The Company earns professional services fees by providing contractual customized services and platform software development as well as initial implementation fees. Professional services contracts generally have one performance obligation, fixed prices, and generally specify the deliverables in the contract. Certain professional services contracts are billed on a time and materials basis and revenue is recognized over time as the services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed. Initial implementation fees are fixed and are generally recognized ratably over the contract term.

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

Other revenues revenue is not significant and primarily include includes revenue related to the Advisor Summit. Other revenues are Summit which is recognized when the events are event is held. Other revenues are not significant.

The majority of the Company's professional services and other contracts contain one performance obligation. Professional services and other revenues are revenue is recognized in both the Envestnet Wealth Solutions and Envestnet Data & Analytics segments.

*Arrangements with Multiple Performance Obligations*—Certain of the Company's contracts with customers contain multiple performance obligations, such as a platform services performance obligation and a professional services performance obligation. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. Standalone selling prices of services are estimated based on observable transactions when these services are sold on a standalone basis or based on expected cost plus margin.

*Remaining Performance Obligations*—Remaining performance obligations represent the transaction price allocated to unsatisfied or partially satisfied performance obligations. The disclosure includes estimates of variable consideration. The Company applies the practical expedients and exemption not to disclose the value of unsatisfied performance obligations for (i)

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

contracts with an original expected length of one year or less; (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed; and (iii) contracts for which the variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation.

*Contract Balances*—The Company records contract liabilities (deferred revenue) when cash payments are received in advance of its performance. The term between invoicing date and when payment is due is generally not significant. For the majority of its arrangements, the Company requires advance quarterly payments before the services are delivered to the customer.

*Deferred Revenue*—Deferred revenue primarily consists of implementation fees, professional services and subscription fee payments received in advance from customers.

*Deferred Sales Incentive Compensation*—Sales incentive compensation earned by the Company's sales force is considered an incremental and recoverable cost to acquire a contract with a customer. Sales incentive compensation for initial contracts is deferred and amortized on a straight-line basis over the period of benefit. The Company determined the period of benefit by taking into consideration its customer contracts, life of the technology and other factors. Sales incentive compensation for renewal contracts are deferred and amortized on a straight-line basis over the related contractual renewal period. Deferred sales incentive compensation is included in other **non-current** assets in the consolidated balance sheets and amortization expense is included in **employee compensation and benefits** expenses in the consolidated statements of operations.

The Company has applied the practical expedient to recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period would have been one year or less. These costs are included in **employee compensation and benefits expenses** in the consolidated statements of operations.

**Cost of Revenues Direct Expense**—Cost of revenues **Direct expense** primarily includes expenses related to third party investment management and clearing, custody and brokerage services. Generally, these expenses are calculated based upon a contractual percentage of the market value of assets held in customer accounts measured as of the end of each quarter and are recognized ratably throughout the quarter based on the number of days in the quarter. Also included in **direct expense** are **vendor specific expenses related to the direct support of revenue associated with the Envestnet Data & Analytics products**.

*Allowance for Doubtful Accounts*—The Company evaluates the need for an allowance for doubtful accounts for potentially uncollectible fees receivable. In establishing the amount of the allowance, if any, customer-specific information is considered related to delinquent accounts, including historical loss experience and current economic conditions. As of **December 31, 2022** **December 31, 2023** and **2021, 2022**, the Company's allowance for doubtful accounts was **\$2.6 million** **\$2.3 million** and **\$3.9 million** **\$2.6 million**, respectively.

*Cash and Cash Equivalents*—The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value. The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents.

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

*Restricted Cash*—The following table reconciles cash, cash equivalents and restricted cash from the consolidated balance sheets to amounts reported in the consolidated statements of cash flows:

	December 31,		
	2022	2021	2020
	(in thousands)		
	December 31,		December 31,
	2023	2022	2021
	(in thousands)		
Cash and cash equivalents	\$62,132	\$29,238	\$4,565
Restricted cash included in prepaid expenses and other current assets	—	149	—
Restricted cash included in other non-current assets	—	—	149
Total cash, cash equivalents and restricted cash	\$62,132	\$29,438	\$4,714
Total cash, cash equivalents and restricted cash			

**Investments**—The Company has investments in private companies for which it has significant influence that are recorded using the equity method of accounting. The Company uses the equity method of accounting because of its less than 50% ownership and/or lack of control in these companies. These investments are included in other non-current assets on the consolidated

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

balance sheets. The Company records the portion of its earnings or losses in these privately held companies' net income or loss on a one quarter lag from the actual results of operations as a component of other income (expense), net in the consolidated statements of operations.

The Company reviews all investments on a regular basis to evaluate the carrying amount and economic viability. This evaluation process is based on information that the Company requests directly from these investees and includes, but is not limited to, the review of the investee's cash position, financing needs, earnings/revenue outlook, operational performance, management/ownership changes and competition. As this information is not subject to the same disclosure regulations as U.S. publicly traded companies, the basis for these evaluations is subject to the timing and accuracy of the data received from these investees.

When a review of an investee's operations indicates that there is a decline in its value and it has been determined that this decline is other than temporary, the Company assesses the investment for impairment. Impaired investments are written down to estimated fair value. Fair value is estimated using a variety of valuation methodologies, including comparing the investee with publicly traded companies in similar lines of business, applying valuation multiples to estimated future operating results and analyzing estimated discounted future cash flows.

There were no impairments. For the year ended December 31, 2023, an impairment, or downward adjustment due to observable transactions, of investments \$2.0 million was recognized for these investments. No such charge was recognized for the years ended December 31, 2022, 2021 and 2020, 2021.

For investments where the Company owns equity interests in privately held companies though does not have significant influence and there is no readily determinable fair value, it accounts for the investment under the measurement alternative at cost minus impairment, if any, plus or minus fair value changes when there are observable price changes.

*Property and Equipment*—Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of furniture, property and equipment, outside of leasehold improvements and land, is computed using the straight-line method based on estimated useful lives of the depreciable assets. Leasehold improvements are amortized on a straight-line basis over their estimated economic useful lives or the remaining lease term, whichever is shorter. Improvements are capitalized, while repairs and maintenance costs are charged to operations as incurred. Assets are reviewed for recoverability whenever events or circumstances indicate the carrying value may not be recoverable. There were immaterial impairments of property and equipment for the year ended December 31, 2023 and 2021. There were \$5.1 million of impairments of property and equipment for the year ended December 31, 2022. There were immaterial impairments of property and equipment for the years ended December 31, 2021 and 2020.

*Internally Developed Software for Internal Use*—Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Maintenance and training costs are expensed as incurred. Internally developed software is amortized on a straight-line basis over its estimated useful life. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. There were immaterial impairments of internally developed software for internal use for the years ended December 31, 2022, December 31, 2023, 2021, 2022 and 2020, 2021.

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

*Goodwill and Intangible Assets*—Goodwill consists of the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Goodwill is reviewed for impairment each year using a qualitative or quantitative process that is performed at least annually or whenever events or circumstances indicate a likely reduction in the fair value of a reporting unit below its carrying amount. The Company has concluded that it has two reporting units.

The Company performs the annual impairment analysis on October 31 in order to provide management time to complete the analysis prior to year-end. Prior to performing the quantitative evaluation, an assessment of qualitative factors may be performed to determine whether it is more likely than not that the fair value of a reporting unit exceeds the carrying value. If it is determined that it is unlikely that the carrying value exceeds the fair value, the Company is not required to complete the quantitative goodwill impairment evaluation. If it is determined that the carrying value may exceed fair value when considering qualitative factors, a quantitative goodwill impairment evaluation is performed. When performing the quantitative evaluation, if the carrying value of the reporting unit exceeds its fair value, an impairment loss equal to the difference will be recorded. No goodwill impairment charges have been recorded for the years ended December 31, 2022, 2021 and 2020, 2021. See "Note 10—Goodwill" for a discussion of the impairment analysis for the year ended December 31, 2023.

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

**Intangible Assets**—Intangible assets are recorded at cost less accumulated amortization. Amortization of intangible assets is computed using the straight-line method based on estimated useful lives of the assets. Intangible assets are reviewed for impairment whenever events or changes in circumstances may affect the recoverability of the net assets. Such reviews include an analysis of current results and take into consideration the undiscounted value of projected operating cash flows. No material intangible asset impairment charges have been recorded for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020. 2021.

**Leases**—The Company accounts for its leases in accordance with FASB Topic ASC 842 - Leases (“ASC 842”) and has elected the available package of practical expedients as well as elected to apply the short-term lease exemption to all of its classes of underlying assets.

At inception, the Company determines if an arrangement is a lease. Operating leases are included in operating right-of-use (“ROU”) ROU assets, current operating lease liabilities and non-current operating lease liabilities, in the Company's consolidated balance sheets. Finance leases are included in property and equipment, net of current portion in the Company's consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the remaining lease term. The operating lease ROU asset also includes prepaid payments and excludes lease incentives. As none of the Company's leases provide an implicit rate, the Company uses an estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components. The Company has elected the practical expedient to account for non-lease components as part of the lease component for all asset classes. The majority of the Company's lease agreements are real estate leases.

**Fair Value Measurements**—The Company accounts for its fair value measurements in accordance with FASB Topic ASC 825, - Financial Instruments (“ASC 825”), which provides companies the option to report selected financial assets and liabilities at fair value and also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheets. The Company has not elected the ASC 825-10 option to report selected financial assets and liabilities at fair value.

ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the Company's choice to use fair value on its earnings.

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

Financial assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon a fair value hierarchy established by GAAP, which prioritizes the inputs used to measure fair value into the following levels:

- Level I: Inputs based on quoted market prices in active markets for identical assets or liabilities at the measurement date.
- Level II: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or inputs that are observable and can be corroborated by observable market data.
- Level III: Inputs reflect management's best estimates and assumptions of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the valuation of the instruments.

The carrying amount of financial assets and liabilities, which consist primarily of cash and cash equivalents, fees receivable, net and accounts payable, accrued expenses and other current liabilities, approximate their fair value due to their short-term nature.

*Income Taxes*—The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is

**Envestnet, Inc.**

**Notes to Consolidated Financial Statements (continued)**

recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce deferred tax assets to an amount that is more likely than not to be realized.

The Company follows authoritative guidance related to how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. The tax benefits recognized in the consolidated financial statements from tax positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

*Business Combinations*—The Company accounts for business combinations under the acquisition method. The cost of an acquired company is assigned to the tangible and intangible assets acquired and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets acquired and liabilities assumed requires management to make estimates and use valuation techniques when market values are not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. Transaction costs associated with business combinations are expensed as incurred. The Company determines the fair value of contingent consideration payable on the acquisition date using a discounted cash flow approach utilizing an appropriate discount rate. Each reporting period thereafter, the Company revalues these obligations and records increases or decreases in their fair value as adjustments to fair market value adjustment to contingent consideration in the Company's consolidated statements of operations. Changes in the fair value of the contingent consideration payable can result from adjustments to the estimated revenue forecasts included in the contingent consideration calculations.

*Stock-Based Compensation*—Compensation cost relating to stock-based awards made to employees and directors is recognized in the consolidated financial statements using the Black-Scholes option-pricing model in the case of non-qualified stock option awards, and intrinsic value in the case of restricted stock awards. The Company measures the cost of such awards based on the estimated fair value of the award measured at the grant date and recognizes the expense on a straight-line basis over the requisite service period, which is the vesting period.

Determining the fair value of stock options requires the Company to make several estimates, including the volatility of its stock price, the expected life of the option, forfeiture rate, dividend yield and interest rates. The Company estimates the expected life of its options using historical internal forfeiture data. The Company estimates stock-price volatility using historical third-party quotes of Envestnet's the Company's

common stock. The Company utilizes a risk-free interest rate, which is based on the yield of U.S. zero coupon securities with a maturity equal to the expected life of the options. The Company has not and does not expect to pay dividends on its common shares.

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

The Company is required to estimate expected forfeitures of stock-based awards at the grant date and recognize compensation cost only for those awards expected to vest. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. Therefore, changes in the forfeiture assumptions may impact the total amount of expense ultimately recognized over the vesting period. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances.

**Convertible Notes**—In May 2018, the Company issued \$345.0 million of 1.75% The Convertible Notes due June 2023. In August 2020, the Company issued \$517.5 million of 0.75% Convertible Notes due August 2025. In November 2022, the Company issued \$575.0 million of 2.625% Convertible Notes due November 2027. The Company used a portion of the proceeds from the Convertible Notes due 2027 and available cash to repurchase \$300.0 million aggregate principal amount of the outstanding Convertible Notes due 2023 and \$200.0 million aggregate principal amount of the outstanding Convertible Notes due 2025 in November 2022. Collectively the “Convertible Notes” are accounted for in accordance with FASB Topic 470 - Debt (“ASC 470”). The Company has determined that the embedded conversion options in the Convertible Notes are not required to be separately accounted for as a derivative under GAAP. Upon adoption of ASU 2020-06, the Company accounts for the Convertible Notes as a single liability measured at amortized cost.

**Capped Call Transactions**—In November 2022, the Company entered into privately negotiated capped call transactions (the “Capped the Capped Call Transactions”) with certain financial institutions (the “Capped the Capped Call Counterparties”). The Capped Call Transactions initially cover the number of shares of Envestnet’s the Company’s common stock underlying the Convertible Notes due 2027, subject to customary anti-dilution adjustments. The Capped Call Transactions are net purchased call options on Envestnet’s the Company’s common stock.

The Capped Call Transactions are separate transactions entered into by the Company with each of the Capped Call Counterparties, are not part of the terms of the Convertible Notes due 2027, and do not affect any holder’s rights under the Convertible Notes due 2027. Holders of the Convertible Notes due 2027 do not have any rights with respect to the Capped Call Transactions.

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

As the Capped Call Transactions are legally detachable and separately exercisable from the Convertible Notes due 2027, they were evaluated as freestanding instruments under FASB Topic 480 - Distinguishing Liabilities from Equity. The Company concluded that the Capped Call Transactions meet the scope exceptions for derivative instruments under FASB Topic 815 - Derivatives and Hedging. As such, the Capped Call Transactions meet the criteria for classification in equity and are included as a reduction to additional paid-in capital.

**Non-controlling Interest**—In March 2018, the Company initially acquired a 43% fully diluted interest in a private company for cash consideration of \$1.3 million. In connection with the acquisition, the Company was granted the ability to appoint two members to the private company’s board of directors. The appointment of Company’s two board appointed members gives the Company hold the majority of the board’s private company’s board voting rights. rights until December 31, 2024. As a result, the Company uses the consolidation method of accounting for this investment. The private company was formed to enable financial advisors to provide insurance and income protection products to their clients.

**Net Income (Loss) Per Share**—Basic net income (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding for the period. For the calculation of diluted net

income (loss) per share, the basic weighted average number of shares is increased by the dilutive effect of the Company's potentially dilutive securities, including stock options, restricted stock awards, restricted stock units, common warrants and convertible notes. The Company accounts for the effect of convertible notes on diluted net income (loss) per share using the if-converted method.

### Recent Accounting Pronouncements

**Recently Adopted Accounting Pronouncements**—In August 2020, the FASB issued ASU 2020-06, “Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity.” This update simplifies the accounting for certain convertible instruments by reducing the number of accounting models available for convertible debt instruments and revises Topic 815-40, which provides guidance on how an entity must determine whether a contract qualifies for a scope exception from derivative accounting. Under the new guidance, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, or that do not result in substantial premiums accounted for as paid-in capital. The convertible debt instruments will be accounted for as a single liability measured at amortized cost. In addition, the new guidance requires the if-converted method to be applied for all convertible instruments. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2021. Early adoption of the standard is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Adoption of the standard requires using either a modified retrospective or a full retrospective approach.

**Envestnet, Inc.**

**Notes to Consolidated Financial Statements (continued)**

The Company adopted this standard as of January 1, 2021 using the modified retrospective approach. Adoption of this standard resulted in a decrease to accumulated deficit of \$28.6 million (net of \$0.9 million in taxes), a decrease to paid-in capital of \$108.5 million (net of \$6.7 million in taxes) and an increase to Convertible Notes of \$87.5 million. Interest expense recognized in future periods is expected to be reduced as a result of accounting for the convertible debt instrument as a single liability measured at its amortized cost, with an expected decrease of approximately \$22.1 million in 2021 as a result of the adoption.

In October 2021, the FASB issued ASU 2021-08, “Business Combinations (“ASC 805”). (Topic 805): Accounting for Contract Assets and Contract Liabilities.” This update amends ASC 805 Business Combinations to add contract assets and contract liabilities to the list of exceptions to the recognition and measurement principles that apply to business combinations and to require that an entity (acquirer) recognize and measure contract assets and contract liabilities in accordance with ASC 606. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2022. Early adoption of the standard is permitted. The amendment is to be applied prospectively to business combinations occurring on or after the effective date of the amendment. The Company has early adopted this standard as of January 1, 2022. Adoption of ASU 2021-08 did not have a material impact on the Company's consolidated financial statements.

### 3. **Acquisitions**

#### **2020 Acquisitions**

##### **Acquisition of Private Technology Company**

On February 18, 2020, the Company, through its wholly owned subsidiary Yodlee, Inc. (“Yodlee”), acquired a private technology company (the “Private Technology Company Acquisition”). The private technology company enables the consent generation and data flow between financial information providers, such as banks and financial institutions, and financial information users, such as financial technology lenders and other financial services agencies, through a network of cloud-based interoperable interfaces or application programming interfaces. The technology and operations of the private technology company have been integrated into the Company's Envestnet Data & Analytics segment. **Recent Accounting Pronouncements Not Yet Adopted**

In connection with 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 the Private Technology Company Acquisition, the Company acquired all common control leases. This standard is effective for fiscal years beginning after December 15, 2023, including interim periods within those

fiscal years. Early adoption of the outstanding shares standard is permitted. Adoption of the private technology company and paid cash consideration of \$2.3 million, net of cash acquired, subject to certain closing and post-closing adjustments, plus up to an additional \$6.8 million in contingent consideration, based upon achieving certain performance targets. The Company recorded ASU 2023-01 will not have a liability as of the date of acquisition of \$5.2 million, which represented the estimated fair value of contingent consideration material impact on the date of acquisition. Company's consolidated financial statements.

In 2021 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, and 2020, we determined that certain performance targets for this acquisition would not be met. As a result, we reduced the contingent consideration liability plus accrued interest associated with this acquisition by \$0.7 million and \$3.1 million, respectively, and recorded this as a reduction to general and administration expenses. Future changes to the estimated fair value interim periods within fiscal years beginning after December 15, 2024. Early adoption of the contingent consideration, if any, will be recognized in our earnings. Contingent consideration of \$1.1 million was paid during the year ended December 31, 2021. standard is permitted.

The Company recorded estimated goodwill of \$7.0 million, which is not deductible 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 purposes, and estimated identifiable intangible assets disclosures. This standard is effective for proprietary technologies of \$1.0 million fiscal years beginning after December 15, 2024. The tangible assets acquired and liabilities assumed were not material.

The results Early adoption of the private technology company's operations are included in the consolidated statements of operations beginning February 18, 2020 and were not considered material to the Company's results of operations.

For the years ended December 31, 2022, 2021 and 2020, acquisition related costs for the Private Technology Company Acquisition were not material and are included in general and administration expenses. standard is permitted.

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

**Acquisition of Private Cloud Technology Company****3.** **Acquisitions**

On March 2, 2020, the Company acquired certain assets of a private cloud technology company (the "Private Cloud Technology Company Acquisition"). The private cloud technology company enables enterprises to design and implement the digital transition from legacy systems and applications to a modern cloud computing platform. The technology and operations of the private cloud technology company have been integrated into the Company's Envestnet Wealth Solutions segment.

In connection with the Private Cloud Technology Company Acquisition, the Company paid estimated consideration of \$12.0 million, net of cash acquired. In connection with the acquisition, the Company recorded estimated goodwill of \$10.9 million, which is deductible for income tax purposes. The tangible assets acquired and liabilities assumed were not material.

The results of the private cloud technology company's operations are included in the consolidated statements of operations beginning March 2, 2020 and were not considered material to the Company's results of operations.

For the years ended December 31, 2022, 2021 and 2020, acquisition related costs for the Private Cloud Technology Company Acquisition were not material and are included in general and administration expenses.

**Acquisition of Private Financial Technology Design Company**

On March 3, 2020, the Company acquired the outstanding units of a private financial technology design company that were not owned by the Company and merged the acquired company into a wholly owned subsidiary of the Company (the "Private Financial Technology Design Company Acquisition"). The private financial technology design company designs integrated, intuitive digital technology applications for institutional financial services firms, bank wealth management organizations, independent advisor networks, and broker-dealers. The

technology and operations of the private financial technology design company have been integrated into the Envestnet Wealth Solutions segment.

The Company previously owned approximately 45% of the outstanding units in this private financial technology design company and accounted for it as an equity method investment. Based upon the estimated value of the private financial technology design company of \$11.0 million, the Company paid estimated consideration of \$5.9 million, net of cash acquired, for the remaining outstanding units. As a result of the acquisition, the Company recognized a gain of \$4.2 million in the first quarter of 2020 on the re-measurement to fair value of its previously held interest, which is included in other income (expense), net in the consolidated statements of operations.

In connection with the Private Financial Technology Design Company Acquisition, the Company recorded estimated total goodwill of \$9.2 million, of which approximately \$6.2 million is deductible for income tax purposes, and estimated identifiable intangible assets for proprietary technologies of \$2.0 million. The tangible assets acquired and liabilities assumed were not material.

The results of the private financial technology design company's operations are included in the consolidated statements of operations beginning March 3, 2020 and were not considered material to the Company's results of operations.

For the years ended December 31, 2022, 2021 and 2020, acquisition related costs for the Private Financial Technology Design Company Acquisition were not material and are included in general and administration expenses.

The goodwill arising from these 2020 acquisitions represents the expected synergistic benefits of these transactions, primarily related to an increase in future revenues as a result of potential new business and cross selling opportunities, as well as enhancements to our technologies.

#### **Envestnet, Inc.**

#### **Notes to Consolidated Financial Statements (continued)**

### **2021 Acquisitions**

#### ***Acquisition of Proprietary Technology***

The Company previously owned approximately 29% of the outstanding units in a privately held company and accounted for it as an equity method investment. On March 11, 2021, the Company entered into an intellectual property purchase agreement with this privately held company to acquire all of the proprietary technology developed by the privately held company for approximately \$35.5 million. Concurrent with the intellectual property purchase agreement, the Company also entered into a redemption agreement with the same privately held company to redeem the Company's previously held equity interest for approximately \$10.0 million. The Company accounted for these two arrangements as a single unit of account. As of the acquisition date, the net cost of the proprietary technology acquired, including capitalized transaction costs, was approximately \$24.5 million, which will be amortized over a five-year period on a straight-line basis. The proprietary technology has been integrated into the Envestnet Wealth Solutions. Solutions segment.

#### ***Acquisition of Harvest***

On April 7, 2021, pursuant to an agreement and plan of merger, (the "Merger Agreement"), dated as of March 31, 2021, between, among others, Harvest, Savings & Wealth Technologies ("Harvest"), a Delaware corporation, and Bounty Merger Sub, Inc, a wholly-owned subsidiary of the Company, ("Merger Sub"), the Company completed the merger of Harvest with and into Bounty Merger Sub, with Merger Sub continuing as the surviving corporation (the "Harvest Acquisition") and operating as a wholly-owned subsidiary of Envestnet. Harvest has been integrated into the Envestnet Wealth Solutions segment.

Harvest provides automated goals-based saving and wealth solutions tools to customers of banks, credit unions, trust companies, and other financial institutions. The acquisition optimizes the Company's API-based financial wellness ecosystem, and also helps strengthen the Company's foothold to enable embedded finance, which the Company sees as a key driver of the future of financial services.

In connection with the Harvest Acquisition, merger, the Company paid estimated consideration of \$32.8 million, net of cash acquired (of which approximately \$3.0 million was held in escrow for 18 months after the closing date), net of cash acquired, subject to certain post-closing adjustments. The Company funded the acquisition with cash on hand.

The following table summarizes the estimated final fair values of the assets acquired and liabilities assumed as of the acquisition date of acquisition: (in thousands):

	Measurement Period		
	Preliminary Estimate	Adjustments	Revised Estimate
	(in thousands)		
Tangible assets acquired, net of cash <sup>(1)</sup>	\$ 2,032	\$ 3,278	\$ 5,310
Total liabilities assumed	(596)	54	(542)
Identifiable intangible assets	9,500	—	9,500
Goodwill	21,858	(3,332)	18,526
<b>Total net assets acquired</b>	<b>\$ 32,794</b>	<b>\$ —</b>	<b>\$ 32,794</b>

<sup>(1)</sup> The Company recorded measurement period adjustments of \$3.3 million primarily due to the establishment of deferred tax assets during the year ended December 31, 2021.

Tangible assets acquired, net of cash received	\$ 5,310
Identifiable intangible assets	9,500
Goodwill	18,526
<b>Total assets acquired</b>	<b>33,336</b>
Total liabilities assumed	(542)
<b>Total net assets acquired, net of cash received</b>	<b>\$ 32,794</b>

The goodwill arising from the acquisition represents the expected synergistic benefits of the transaction, primarily related to an increase in future revenues as a result of potential cross selling opportunities, as well as enhancements to the Company's existing technologies. The goodwill is not deductible for income tax purposes.

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

A summary of estimated intangible assets acquired estimated useful lives and amortization method is as follows:

	Preliminary Estimate (in thousands)	Estimated Useful Life in Years	Amortization Method
<b>Gross Carrying Amount</b>			
	(in thousands)		
	(in thousands)		
	(in thousands)		
Proprietary technology			
Proprietary technology			

Proprietary technology	Proprietary technology	\$	6,900	6	Straight-line
Customer list	Customer list		2,600	14	Accelerated
Customer list					
Customer list					
Total intangible assets acquired	Total intangible assets acquired	\$	9,500		
Total intangible assets acquired					
Total intangible assets acquired					

The results of Harvest's operations are included in the consolidated statements of operations beginning April 7, 2021 and were not considered material to the Company's results of operations.

For the years ended December 31, 2022 and 2021, the The Company's acquisition related costs were not material and are included in general and administration expenses. administrative expense in the consolidated statements of operations were not material for the years ended December 31, 2023 and 2022.

## 2022 Acquisitions

### **Acquisition of 401kplans.com**

On May 31, 2022, Envestnet Retirement Solutions, LLC, a wholly-owned subsidiary of the Company, acquired all of the issued and outstanding membership interests of 401kplans.com LLC ("401kplans.com"). 401kplans.com has been integrated into the Envestnet Wealth Solutions segment.

401kplans.com provides a digital 401(k) retirement plan marketplace that streamlines retirement plan distribution and due diligence among financial advisors and third-party administrators. The acquisition demonstrates Envestnet's commitment to the retirement plan industry and is expected to create a more seamless experience and enhance productivity for advisors by helping them shop, compare and select the best-fitting 401(k) plan for their clients.

In connection with the 401kplans.com acquisition, the Company paid estimated consideration of \$14.5 million, net of cash acquired, subject to certain post-closing adjustments. The Company funded the acquisition with available cash resources.

The following table summarizes the estimated fair values of the assets acquired as of the date of acquisition (in thousands):

	Measurement Period				
	Preliminary Estimate		Adjustments		Revised Estimate
	(in thousands)				
Tangible assets acquired, net of acquired cash	\$ 94	\$ 10		\$ 104	
Identifiable intangible assets	3,000	—		3,000	
Goodwill	11,378	18		11,396	
<b>Total net assets acquired</b>	<b>\$ 14,472</b>	<b>\$ 28</b>		<b>\$ 14,500</b>	

Tangible assets acquired, net of cash received	\$ 104
Identifiable intangible assets	3,000
Goodwill	11,396
<b>Total net assets acquired, net of cash received</b>	<b>\$ 14,500</b>

The goodwill arising from the acquisition represents the expected benefits of the transaction, primarily related to the enhancement of the Company's existing technologies and increase in future ~~revenues~~ revenue as a result of potential cross selling opportunities. The ~~estimated~~ goodwill is ~~expected to be~~ deductible for income tax purposes.

A summary of ~~estimated~~ intangible assets acquired ~~estimated useful lives and amortization method~~ is as follows:

	Preliminary Estimate (in thousands)	Estimated Useful Life in Years	Amortization Method
Proprietary technology	\$ 3,000	5	Straight-line
	Gross Carrying Amount (in thousands)	Estimated Useful Life (in years)	Amortization Method
Proprietary technology	\$ 3,000	5	Straight-line

The results of 401kplans.com's operations are included in the consolidated statements of operations beginning May 31, 2022 and are not considered material to the Company's results of operations.

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

For the year ended December 31, 2022, the ~~The Company's acquisition related costs were not material and are included in general and administration expenses~~ administrative expense in the consolidated statements of operations were not material for the year ended December 31, 2023 and 2022.

**Acquisition of Truelytics**

On July 1, 2022, pursuant to an agreement and plan of merger, (the "Merger Agreement"), dated as of May 10, 2022, between, among others, Truelytics, Inc. ("Truelytics"), Yodlee Inc. and Quadrant Merger Sub, Inc., a wholly-owned subsidiary of Envestnet ("Merger Sub"), the Company, the Company completed the merger of Truelytics with and into Quadrant Merger Sub, with Truelytics continuing as the surviving corporation (the "Truelytics Merger") and a wholly owned subsidiary of Envestnet. Truelytics has been integrated into the Envestnet Data & Analytics Wealth Solutions segment.

The acquisition of Truelytics aligns with the Company's strategy to further connect its ecosystem by creating transformative progress for its advisors and clients. Truelytics is an advisor transition management platform and the first end-to-end data-driven system to help wealth management and insurance enterprises attract, grow, and retain advisory businesses, while also reducing the costs related to advisor transitions. The Truelytics platform combines Envestnet data, analytics, and wealth technology to further support advisors across the ecosystem.

The ~~In connection with the Truelytics merger, the Company paid estimated cash consideration of \$20.7 million, net of cash acquired, subject to certain post-closing adjustments.~~ The Company funded the Truelytics acquisition with available cash resources.

The following table summarizes the **estimated** fair values of the assets acquired **at as of** the date of **acquisition: acquisition** (in thousands):

	Measurement Period		
	Preliminary Estimate	Adjustments	Revised Estimate
	(in thousands)		
Tangible net assets acquired, net of acquired cash	\$ 532	\$ (22)	\$ 510
Identifiable intangible assets	4,000	—	4,000
Goodwill	16,195	22	16,217
<b>Total net assets acquired</b>	<b>\$ 20,727</b>	<b>\$ —</b>	<b>\$ 20,727</b>
 Tangible assets acquired, net of cash received			\$ 510
Identifiable intangible assets			4,000
Goodwill			16,217
<b>Total net assets acquired, net of cash received</b>			<b>\$ 20,727</b>

The goodwill arising from the acquisition represents the expected benefits of the transaction, primarily related to the enhancement of the Company's existing technologies and increase in future **revenues** **revenue** as a result of potential cross selling opportunities. The **estimated** goodwill is not **expected to be** deductible for income tax purposes.

A summary of **estimated** intangible assets acquired **estimated useful lives and amortization method** is as follows:

	Preliminary Estimate	Estimated Useful Life in	
	(in thousands)	Years	Amortization Method
Proprietary technology	\$ 4,000	5	Straight-line
 Gross Carrying Amount			
(in thousands)		(in years)	
Proprietary technology	\$ 4,000	5	Straight-line

The results of Truelytics' operations are included in the consolidated statements of operations beginning July 1, 2022 and are not considered material to the Company's results of operations.

For the year ended December 31, 2022, the **The Company's acquisition related costs were not material and are included in general and administration expenses**, administrative expense in the consolidated statements of operations were not material for the year ended December 31, 2023 and 2022.

#### **Acquisition of Redi2**

On July 1, 2022, pursuant to a stock purchase agreement, dated as of June 24, 2022, between Envestnet and Redi2, **Technologies Inc.**, ("Redi2"), Envestnet completed the acquisition of all of the issued and outstanding shares of 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 the Envestnet Wealth Solutions segment.

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

In connection with the Redi2 acquisition, the Company paid **estimated** consideration as follows:

	Measurement Period		
	Preliminary Estimate	Adjustments	Revised Estimate
	(in thousands)		
Cash consideration, net	\$ 69,406	\$ —	\$ 69,406
Estimated working capital adjustment	(1,465)	932	(533)
<b>Total</b>	<b>\$ 67,941</b>	<b>\$ 932</b>	<b>\$ 68,873</b>

of \$68.9 million, net of cash acquired. The Company funded the Redi2 acquisition with available cash resources. In addition, **certain executives may earn** the Company has agreed to **pay up to** \$20.0 million in performance bonuses based upon the achievement of certain target financial and non-financial metrics. **These performance bonuses** targets, which will be recognized as **employee compensation** and benefits expense in the consolidated statement of operations. The Company recognized \$2.4 million related to these performance bonuses **recognized** during the year ended December 31, 2023 and an immaterial amount for the year ended December 31, 2022 **were immaterial**.

The following table summarizes the **estimated** fair values of the assets acquired **as of** the date of **acquisition: acquisition** (in thousands):

	Measurement Period		
	Preliminary Estimate	Adjustments	Revised Estimate
	(in thousands)		
Total current assets	\$ 1,985	\$ —	\$ 1,985
Other non-current assets	3,349	(28)	3,321
Identifiable intangible assets	26,500	—	26,500
Goodwill	44,236	2,231	46,467
<b>Total assets acquired</b>	<b>76,070</b>	<b>2,203</b>	<b>78,273</b>
Accounts payable and accrued expenses	(1,157)	(1,271)	(2,428)
Operating lease liabilities	(2,201)	—	(2,201)
Deferred revenue	(4,771)	—	(4,771)
<b>Total liabilities assumed</b>	<b>(8,129)</b>	<b>(1,271)</b>	<b>(9,400)</b>
<b>Total net assets acquired, net of cash received</b>	<b>\$ 67,941</b>	<b>\$ 932</b>	<b>\$ 68,873</b>

Current assets, net of cash received	\$ 1,985
Other assets	3,321
Identifiable intangible assets	26,500
Goodwill	46,467
Total assets acquired	78,273
Accounts payable and accrued expenses	(2,428)
Operating lease liabilities	(2,201)
Deferred revenue	(4,771)
Total liabilities assumed	(9,400)
<b>Total net assets acquired, net of cash received</b>	<b>\$ 68,873</b>

The goodwill arising from the acquisition represents the expected benefits of the transaction, primarily related to the enhancement of the Company's existing technologies and increase in future revenues as a result of potential cross selling opportunities. Estimated goodwill of \$40.7 million is expected to be deductible for income tax purposes.

A summary of estimated intangible assets acquired estimated useful lives and amortization method is as follows:

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

The estimated fair values of certain of the assets acquired and liabilities assumed are provisional and based on information that was available to the Company as of the acquisition date. The estimated fair values of these provisional items are based on certain valuation procedures that are in progress and not yet at the point where there is sufficient information for a definitive measurement. The Company believes the preliminary information provides a reasonable basis for estimating the fair values of these amounts, though is waiting for additional information necessary to finalize those fair values. Therefore, provisional measurements of fair values reflected herein are subject to change and such changes could be significant. The Company expects to finalize the valuation of tangible assets acquired, liabilities assumed, identifiable intangible assets and goodwill balances and complete the acquisition accounting as soon as reasonably practicable though no later than July 1, 2023.

#### Envestnet, Inc.

#### Notes related to Consolidated Financial Statements (continued)

the Redi2 acquisition during the year ended December 31, 2023.

The results of operations of Redi2 are included in the consolidated statements of operations beginning July 1, 2022 and are not considered material to the Company's results of operations.

For the year ended December 31, 2022, the Company's acquisition related costs totaled \$1.5 million and are included in general and administration expenses, administrative expense in the consolidated statements of operations were not material for the year ended

December 31, 2023 and \$1.5 million for the year ended December 31, 2022.

#### ***Pro Forma Financial Information***

The results of the Company's acquisitions since January 1, 2020 January 1, 2021 were not considered material to the Company's results of operations, therefore, pro forma information is not presented.

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

#### **4. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consisted of the following:

	December 31,		December 31,	
	2022	2021	2023	2022
	(in thousands)		(in thousands)	
Prepaid technology	Prepaid technology	\$16,649	\$15,415	
Prepaid data servers				
Income tax prepayments and receivables				
Non-income tax receivables	Non-income tax receivables	5,488	7,013	
Prepaid insurance	Prepaid insurance	2,881	2,234	
Income tax prepayments and receivables		2,515	1,310	
Escrow for acquisition		545	2,951	
Other	Other	13,285	13,783	
Total prepaid expenses and other current assets	Total prepaid expenses and other current assets	\$41,363	\$42,706	

#### **5. Property and Equipment, Net**

Property and equipment, net consisted of the following:

		December 31,			Depreciable Life	December 31,	
		Estimated Useful Life				2023	2022
		2022	2021	(in thousands)			(in thousands)
<b>Cost:</b>							
				(in thousands)			
Computer equipment and software	Computer equipment and software	3 years	\$66,639	\$72,289			
Leasehold improvements	Leasehold improvements	Shorter of the lease term or useful life of the asset	36,158	43,544			
Leased data servers		3 years	19,273	590			
Office furniture and fixtures	Office furniture and fixtures	3-7 years	10,796	12,214			
Office equipment and other	Office equipment and other	3-5 years	11,563	7,973			
Building and building improvements	Building and building improvements	7-39 years	2,729	2,729			
Land	Land	Not applicable	940	940			
			148,098	140,279			
Less: accumulated depreciation and amortization							
			(85,655)	(90,064)			
<b>Total property and equipment</b>							
Less: accumulated depreciation							
Total property and equipment, net	Total property and equipment, net		\$62,443	\$50,215			

During the year ended December 31, 2023, the Company retired property and equipment that was no longer in service with a historical cost of \$12.9 million within the Envestnet Wealth Solutions segment and \$1.2 million within the Envestnet Data & Analytics segment. During the year ended December 31, 2022, the Company retired property and equipment that was no longer in service with a historical cost of \$20.0 million within the Envestnet Wealth Solutions segment and \$10.4 million within the Envestnet Data & Analytics segment.

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

During the year ended December 31, 2022, the Company entered into an arrangement with a third party cloud service provider for the use of dedicated servers to migrate its infrastructure to the cloud. As the terms of the arrangement convey a finance lease under ASC 842, the Company accounts for those dedicated servers as leased assets when the lease term commences. The leased dedicated servers are presented as a component of property and equipment, net in the consolidated balance sheets as of December 31, 2022. To take advantage of the favorable savings programs offered by the cloud service provider, the Company prepaid the lease payments and therefore does not have a lease liability recorded for the leased assets. Amortization of the right-of-use assets totaled \$4.9 million for the year ended December 31, 2022. Finance lease activity as of and for the year ended December 31, 2021 was not material.

During the year ended December 31, 2022 and 2021, the Company retired property and equipment that was no longer in service for the Envestnet Wealth Solutions segment with an historical cost of \$20.0 million and \$12.7 million, respectively. During the year ended December 31, 2022 and 2021, the Company retired property and equipment that was no longer in service for the Envestnet Data & Analytics segment with an historical cost of \$10.4 million and \$2.4 million, respectively.

The following table presents the cost amounts and related accumulated depreciation written off by category:

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Accumulated		Accumulated	
	Cost	Depreciation	Cost	Depreciation
(in thousands)				
Computer equipment and software	\$ 15,887	\$ (14,947)	\$ 10,936	\$ (10,838)
Leasehold improvements	2,442	(1,209)	197	(178)
Office furniture and fixtures	660	(418)	1,702	(1,646)
Office equipment and other	11,467	(8,785)	2,227	(1,915)
<b>Total property and equipment retirements</b>	<b>\$ 30,456</b>	<b>\$ (25,359)</b>	<b>\$ 15,062</b>	<b>\$ (14,577)</b>

Depreciation and amortization expense was as follows:

	Year Ended December 31,		
	2022	2021	2020
(in thousands)			
Depreciation and amortization expense	\$ 21,688	\$ 20,577	\$ 21,432

  

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Accumulated		Accumulated	
	Cost	Depreciation	Cost	Depreciation
(in thousands)				
Computer equipment and software	\$ 12,269	\$ (12,267)	\$ 15,887	\$ (14,947)
Leasehold improvements	934	(860)	2,442	(1,209)
Office furniture and fixtures	721	(551)	660	(418)
Office equipment and other	149	(57)	11,467	(8,785)
<b>Total property and equipment retirements</b>	<b>\$ 14,073</b>	<b>\$ (13,735)</b>	<b>\$ 30,456</b>	<b>\$ (25,359)</b>

## 6. Internally Developed Software, Net

Internally developed software, net consisted of the following:

		December 31,		Estimated Useful Life	December 31,	
		2022	2021		2023	2022
		(in thousands)			(in thousands)	
Internally developed software	Internally developed software	5 years	\$313,200	\$225,380		
Less: accumulated amortization	Less: accumulated amortization		(128,642)	(91,721)		
Internally developed software, net	Internally developed software, net		\$184,558	\$133,659		

Amortization expense was as follows:

## 7. Geographical Information

		Year Ended December 31,		
		2022		2021
		(in thousands)		
Amortization expense		\$ 36,959	\$ 28,603	\$ 18,670

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

		December 31,	
		2023	
		(in thousands)	
United States		\$ 270,381	\$ 231,855
India		2,555	1,093
Other		—	91
Total long-lived assets, net		\$ 272,936	\$ 233,039

See "Note 18—Revenue and Direct Expense" for detail of revenue by geographic area.

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

## 7.8. Goodwill and Intangible Assets, Net

Changes in Intangible assets, net consisted of the carrying amount of goodwill were as follows: following:

	Envestnet		Envestnet		Total	
	Wealth Solutions		Data & Analytics			
	(in thousands)					
Balance at December 31, 2020	\$ 603,350		\$ 303,423		\$ 906,773	
Harvest acquisition	18,526		—		18,526	
Foreign currency translation	—		(145)		(145)	
Balance at December 31, 2021	621,876		303,278		925,154	
401kplans.com acquisition	11,396		—		11,396	
Truelytics acquisition	—		16,217		16,217	
Redi2 acquisition	46,467		—		46,467	
Foreign currency translation	—		(820)		(820)	
Balance at December 31, 2022	\$ 679,739		\$ 318,675		\$ 998,414	

	December 31, 2023			December 31, 2022		
	Gross		Net	Gross		Net
	Carrying	Accumulated	Carrying	Carrying	Accumulated	Carrying
	Amount	Amortization	Amount	Amount	Amortization	Amount
(in thousands)						
Customer lists	\$ 604,080	\$ (327,042)	\$ 277,038	\$ 604,080	\$ (285,288)	\$ 318,792
Proprietary technologies	93,058	(37,052)	56,006	113,224	(59,401)	53,823
Trade names	15,700	(10,676)	5,024	15,700	(8,320)	7,380
Total intangible assets	\$ 712,838	\$ (374,770)	\$ 338,068	\$ 733,004	\$ (353,009)	\$ 379,995

During the year ended December 31, 2023, the Company retired fully amortized intangible assets, including proprietary technologies, with a historical cost of \$40.5 million within the Envestnet Wealth Solutions segment and had no retirements of intangible assets within the Envestnet Data & Analytics segment. During the year ended December 31, 2022, the Company retired fully amortized intangible assets, including proprietary technologies, with a historical cost of \$2.5 million within the Envestnet Wealth Solutions segment and retired fully amortized intangible assets, including proprietary technologies and trade names, with a historical cost of \$25.1 million within the Envestnet Data & Analytics segment.

On June 21, 2021, During June 2021, the Company entered into a purchase agreement with a privately held company to acquire the technology solutions being developed by this privately held company for a purchase price of \$18.0 million, including an advance of \$3.0 million. The Company closed the transaction and paid the remaining \$15.0 million in February 2022. This proprietary technology asset has been integrated into the Envestnet Data & Analytics segment and is being amortized over an estimated useful life of five years. In addition, the agreement included an earn-out payment of \$10.0 million based upon the achievement of certain target metrics within five years after the date of the Company's launch of the technology solutions. The parties have agreed to renegotiate the terms of the earn-out payment.

Intangible assets, net consisted of the following:

	December 31, 2022	December 31, 2021

	Gross		Net		Gross		Net	
	Carrying		Accumulated		Carrying		Accumulated	
	Amount	Amortization	Amount	Amortization	Amount	Amortization	Amount	Amortization
(in thousands)								
Customer lists	\$ 604,080	\$ (285,288)	\$ 318,792	\$ 590,080	\$ (241,189)	\$ 348,891		
Proprietary technologies	113,224	(59,401)	53,823	85,324	(43,004)	42,320		
Trade names	15,700	(8,320)	7,380	33,700	(24,515)	9,185		
<b>Total intangible assets</b>	<b>\$ 733,004</b>	<b>\$ (353,009)</b>	<b>\$ 379,995</b>	<b>\$ 709,104</b>	<b>\$ (308,708)</b>	<b>\$ 400,396</b>		

During April 2022, the Company had no retirements entered into a separate purchase agreement with this same privately held company to acquire technology solutions being developed by this privately held company for a purchase price of intangible assets \$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 Envestnet Wealth Solutions segment. During 2021, transaction and paid the Company retired fully amortized intangible assets for remaining \$10.0 million during the three months ended March 31, 2023. This proprietary technology asset has been integrated into the Envestnet Wealth Solutions segment with and is being amortized over an historical cost estimated useful life of \$5.0 million, including proprietary technologies and customer lists. five years.

During 2022, May 2023, the Company had \$27.6 million retirements entered into a separate purchase agreement with this same privately held company to acquire technology solutions for a purchase price of fully amortized intangible assets, \$7.0 million, including trade names 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. The Company closed the transaction and paid the remaining \$5.0 million during the three months ended December 31, 2023. The proprietary technologies for technology asset has been integrated into the Envestnet Data & Analytics segment. During 2021, the Company had no retirements Wealth Solutions segment and is being amortized over an estimated useful life of intangible assets for the Envestnet Data & Analytics segment. five years.

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

**Amortization expense was as follows:**

	Year Ended December 31,		
	2022	2021	2020
(in thousands)			
Amortization expense	\$ 71,901	\$ 68,587	\$ 73,559

Future The estimated future amortization expense of the Company's intangible assets as of December 31, 2022, is expected to be December 31, 2023 was as follows (in thousands):

2024		\$ 57,368
2025		53,973
2026		46,448
2027		37,672
2028		30,296
Thereafter		112,311
<b>Total</b>		<b>\$ 338,068</b>

## 9. Depreciation and Amortization Expense

Depreciation and amortization expense consisted of the following:

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
Intangible asset amortization	\$ 62,927	\$ 71,901	\$ 68,587
Internally developed software amortization	52,422	36,959	28,603
Property and equipment depreciation	14,955	16,968	20,577
<b>Total depreciation and amortization</b>	<b>\$ 130,304</b>	<b>\$ 125,828</b>	<b>\$ 117,767</b>

## 10. Goodwill

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

	Amortization Expense	
	(in thousands)	
Years ending December 31:		
2023	\$	60,087
2024		53,240
2025		49,900
2026		41,997
2027		33,432
Thereafter		141,339
<b>Total</b>	<b>\$</b>	<b>379,995</b>

	Envestnet		
	Wealth Solutions		Data & Analytics
	(in thousands)		
Balance as of December 31, 2021	\$ 636,246	\$ 288,908	\$ 925,154
Goodwill recognized from acquisitions	74,080	—	74,080
Foreign currency translation	—	(820)	(820)
<b>Balance as of December 31, 2022</b>	<b>710,326</b>	<b>288,088</b>	<b>998,414</b>
Goodwill impairment	—	(191,818)	(191,818)
Foreign currency translation	—	(33)	(33)
<b>Balance as of December 31, 2023</b>	<b>\$ 710,326</b>	<b>\$ 96,237</b>	<b>\$ 806,563</b>

### Goodwill Impairment

Due to lower revenue and profits in the Envestnet Data & Analytics segment in 2023 compared to prior years, the Company performed a quantitative goodwill impairment evaluation as part of the annual goodwill impairment analysis for each reporting unit in the fourth quarter of 2023 utilizing a combination of the discounted cash flow method (income approach) and guideline public company method (market approach). As a result of this impairment test, the carrying value of the Envestnet Data & Analytics reporting unit exceeded its fair value, which resulted in the recognition of a non-cash impairment charge to goodwill of \$191.8 million in the consolidated statements of operations for the year ended December 31, 2023.

### Envestnet, Inc.

### Notes to Consolidated Financial Statements (continued)

## 11. 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 year ended December 31, 2023, interest income related to the Convertible Promissory Note included in interest income in the consolidated statements of operations was \$1.5 million.

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 year ended December 31, 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 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 year ended December 31, 2023.

## 8.12. Investments

### Equity Method Investments

The Company owns equity interests in various privately held companies for which it has significant influence and, therefore, recognizes its investment under the equity method. Equity method investments are initially recorded at cost. Under the equity method of accounting, the investment is adjusted for the Company's proportionate share of earnings or losses, dividends, capital contributions and changes in ownership interests.

As of December 31, 2023, the Company's ownership interests in these companies ranged from approximately 4% to 55%. As of December 31, 2022, the Company's ownership interests in these companies ranged from approximately 3% to 48%. As of December 31, 2021, the Company's ownership interests in these companies ranged from approximately 4% to 47%. As of December 31, 2022 December 31, 2023 and December 31, 2021, 2022, the carrying value of the Company's equity method investments was \$37.4 million \$33.5 million and \$18.6 million \$37.4 million, respectively, which are included in other non-current assets in the consolidated balance sheets. As of December 31, 2022 December 31, 2023, the Company has committed \$12.5 million \$8.8 million in future funding to certain of these equity method investees.

Summarized combined financial information for these investments is as follows (amounts represent 100% of investee financial information, except Envestnet's proportional share of losses):

December 31,

Balance Sheets	2022		2021	
	(in thousands)			
Current assets	\$	42,059	\$	40,333
Non-current assets		50,703		33,529
Current liabilities		17,647		20,018
Non-current liabilities		9,437		1,583

	December 31,	
	2023	2022
	(in thousands)	
Current assets	\$ 68,602	\$ 42,059
Other assets	\$ 66,016	\$ 50,703
Current liabilities	\$ 17,150	\$ 17,647
Other liabilities	\$ 1,857	\$ 9,437

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

	Year Ended December 31,			Year Ended December 31,		
	2023			2023	2022	2021
	(in thousands)			(in thousands)		
<b>Year Ended December 31,</b>						
<i>Statements of Operations</i>	2022	2021	2020			
	(in thousands)					
Revenues	\$ 79,062	\$ 65,085	\$ 35,603			
Revenue						
Revenue						
Revenue						
Loss from operations	Loss from operations	(8,896)	(149)	(4,758)		
Net loss	Net loss	(7,124)	(134)	(5,062)		
Envestnet's proportional share of gains	Envestnet's share of gains					
(losses) <sup>(1)</sup>	(losses) <sup>(1)</sup>	643	(7,093)	(5,399)		

<sup>(1)</sup> The years ended December 31, 2022 includes December 31, 2023 and 2022 include a \$0.5 million and \$9.5 million dilution gain on equity method investee share issuance, respectively.

Envestnet's proportional share of gains (losses) from the Company's equity method investments are included in other income (expense), net in the consolidated statements of operations.

#### Equity Method Investments

The Company has an approximate 3.51% 3.76% 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. Revenues Revenue from the private services company totaled \$16.0 million \$12.3 million, \$16.4 million \$16.0 million and \$11.5 million \$16.4 million in the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively. As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company had recorded a net receivable of \$2.0 million \$1.7 million and \$3.0 million \$2.0 million, respectively, from the private services company. During the fourth quarter of 2022, year ended December 31, 2022, the Company recognized a \$2.6 million dilution gain on this investment.

During the first quarter of 2022, the Company funded a \$2.5 million convertible loan to a privately held company that is accounted for under the equity method. During the second quarter of 2022, this privately held company raised additional preferred equity which reduced the Company's ownership to 41.0% and the Company's convertible loan was converted. As a result of this transaction, the Company recorded a \$6.9 million \$6.9 million dilution gain during the second quarter of 2022, which is included in other income (expense), net in the consolidated statements of operations. During the third quarter of 2022, the Company acquired additional membership units in this privately held company for \$8.4 million which increased its ownership interest to 48.0%. The Company uses the equity method of accounting to record its portion of this privately held company's net income or loss on a one quarter lag from the actual results of operations. After this unit purchase, the Company's investment in this privately held company exceeded its proportionate share of its net assets by approximately \$7.8 million, which represents amortizable intangible assets. The Company will recognize amortization of this basis difference prospectively over a period of 5 years. This amortization will be included within Envestnet's proportional share of income (loss) in other income (expense), net in the consolidated statements of operations.

During the second quarter of 2022, the Company acquired an approximate 25.0% interest in a privately held company for cash consideration of \$5.0 million. Subject and subject to the occurrence of certain conditions, the Company agreed to invest up to an additional \$10.0 million for additional units in the future. During 2023, the Company contributed an additional \$2.5 million, decreasing the future additional commitment to \$7.5 million. The Company uses the equity method of accounting to record its portion of this privately held company's net income or loss on a one quarter lag from the actual results of operations. The Company uses the equity method of accounting because of its less than 50% ownership interest and lack of control and does not otherwise exercise control over the significant economic and operating decisions of the privately held company.

#### Other Equity Investments

The Company owns equity interests in various privately held companies for which it does not have significant influence, there is no readily determinable fair value, and its investment qualifies for recognition under the measurement alternative at cost minus impairment, if any, plus or minus fair value changes when there are observable price changes.

As of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, the carrying value of these other equity investments was \$22.1 million \$22.8 million and \$18.7 million \$22.1 million, respectively, which are included in other non-current assets in the consolidated balance sheets. There have been no impairments For the year ended December 31, 2023, an impairment, or downward adjustments adjustment due to observable transactions, of \$2.0 million was recognized for these investments as of investments. No such charge was recognized for the year ended December 31, 2022 and 2021. Fair value adjustments, resulting from observable price changes, of \$0.4 million \$2.8 million and \$0.8 \$0.4 million were recognized during the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. These adjustments are included in other income (expense), net in the consolidated statements of operations.

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

#### 9.13. Accounts Payable, Accrued Expenses and Other Current Liabilities

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

	December 31,		December 31,	
	2022	2021	2023	2022
	(in thousands)		(in thousands)	
	(in thousands)		(in thousands)	
Accrued investment	Accrued investment			
manager fees	manager fees	\$ 93,788	\$ 95,858	
Accrued compensation	Accrued compensation			
and related taxes	and related taxes	77,939	97,523	
Accounts payable				
Accrued professional services	Accrued professional services	10,762	7,746	
Accrued technology				
Accrued interest				
Accrued treasury stock purchases	Accrued treasury stock purchases	9,289	—	
Accrued technology		6,393	8,951	
Non-income tax payables		2,548	4,907	
Other accrued expenses	Other accrued expenses	15,813	10,174	
Total accrued expenses and other liabilities		\$216,532	\$225,159	
Total accrued expenses and other current liabilities				

#### Entry into Outsourcing Arrangement and Organizational Realignment

In During the fourth quarter of 2022, year ended December 31, 2022, the Company entered into an outsourcing arrangement with Tata Consultancy Services ("TCS") TCS to increase operational scale and business agility. Under this agreement, the Company will began to outsource certain administrative and operational services of the Envestnet Data & Analytics segment located in Bangalore, India. In connection with this agreement, the Company closed its Bangalore office. The agreement became effective in October 2022 and will continue for a period

of ten years. In certain circumstances, the Company may terminate certain portions of the agreement, and in doing so, the agreement requires the Company to pay significant termination fees. Additionally, as part of an organizational realignment in the fourth quarter of 2022, the Company entered into separation agreements with a number of employees. This realignment will allow Envestnet to operate more efficiently and prioritize activities and services that will benefit its clients and the future of its business.

In connection with the outsourcing arrangement with TCS, the fourth quarter 2022 organizational realignment and various other severance activity, the Company recognized \$30.1 million in total severance expense during the year ended December 31, 2022.

During the year ended December 31, 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 the fourth quarter 2022 organizational realignment, the Company recognized approximately \$18.7 million in total severance expense for the fourth quarter of 2022. year ended December 31, 2023.

As of December 31, 2022 December 31, 2023 the Company has accrued had an ending liability balance of \$10.3 million related to these efforts, of which the Company anticipates approximately \$9.0 \$9.2 million to be paid during 2024, with the remaining balance paid through 2030.

The following table presents a reconciliation of the beginning and ending liability balance related to these efforts, which is primarily included within accrued compensation and related taxes. Additionally, as a result of taxes in the outsourcing arrangement and related office closure, the Company recognized office closure and other related expenses totaling \$0.9 million during the year ended December 31, 2022. table above.

	Envestnet Wealth		Envestnet Data &		Total
	Solutions	Analytics	Nonsegment		
(in thousands)					
Balance as of December 31, 2021	\$ 4,670	\$ 810	\$ —	\$ 5,480	
Severance	13,237	10,745	6,135	30,117	
Cash payments	(5,325)	(8,769)	(6,135)	(20,229)	
Balance as of December 31, 2022	12,582	2,786	—	15,368	
Severance	17,232	11,813	6,354	35,399	
Cash payments	(20,021)	(14,113)	(6,354)	(40,488)	
Balance as of December 31, 2023	\$ 9,793	\$ 486	\$ —	\$ 10,279	

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

**10.14. Debt**

The Company's outstanding following tables set forth the carrying value and estimated fair value of the Company's debt obligations as of December 31, 2022 December 31, 2023 and 2021 were as follows: 2022:

	December 31,	
	2022	2021
(in thousands)		
Revolving credit facility balance	\$ —	\$ —

Convertible Notes due 2023	\$ 45,000	\$ 345,000
Unamortized issuance costs on Convertible Notes due 2023	(114)	(2,979)
Convertible Notes due 2023 carrying value	<u>\$ 44,886</u>	<u>\$ 342,021</u>
Convertible Notes due 2025	\$ 317,500	\$ 517,500
Unamortized issuance costs on Convertible Notes due 2025	(4,765)	(10,659)
Convertible Notes due 2025 carrying value	<u>\$ 312,735</u>	<u>\$ 506,841</u>
Convertible Notes due 2027	\$ 575,000	\$ —
Unamortized issuance costs on Convertible Notes due 2027	(15,966)	(—)
Convertible Notes due 2027 carrying value	<u>\$ 559,034</u>	<u>\$ —</u>

	December 31, 2023			
	Unamortized			
	Issuance Amount	Issuance Costs	Carrying Value	Fair Value (Level II)
(in thousands)				
Revolving Credit Facility	\$ —	\$ —	\$ —	\$ —
Convertible Notes due 2025	317,500	(2,968)	314,532	294,958
Convertible Notes due 2027	575,000	(12,920)	562,080	571,746
<b>Total debt</b>	<b>\$ 892,500</b>	<b>\$ (15,888)</b>	<b>\$ 876,612</b>	<b>\$ 866,704</b>

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

#### **Revolving Credit Agreement Facility**

On February 4, 2022, the Company entered into a Third Amended and Restated the Revolving Credit Agreement (the "Third Credit Agreement") Facility with a group of banks (the "Banks"), for which Bank of Montreal is acting as administrative agent. The Third Revolving Credit Agreement Facility amended and restated, in its entirety, the Company's prior credit agreement. In connection with entering into the Third Revolving Credit Agreement, Facility, the Company capitalized an additional \$1.9 million of deferred financing charges to Other non-current other assets on in the consolidated balance sheets and wrote off \$0.6 million of pre-existing finance charges to other expense, income (expense), net on in the consolidated statements of operations.

Pursuant to the Third Revolving Credit Agreement, the Banks have agreed to provide the Company with Facility provides for a \$500.0 million revolving credit facility line of \$500.0 million (the "Revolving Credit Facility"). The Third Credit Agreement also includes credit, including a sub-facility for a \$20.0 million sub-facility for the issuances letter of letters of credit. As of December 31, 2022 credit, and December 31, 2021, there is set to mature in February 2027. There were no amounts outstanding under the Revolving Credit Facility. Facility as of December 31, 2023 and December 31, 2022.

Obligations under the Third Revolving Credit Agreement Facility are guaranteed by substantially all of Envestnet's U.S. subsidiaries and are secured by a first-priority lien on substantially all of the personal property (other than intellectual property) of Envestnet and the guarantors, subject to certain exclusions. Proceeds under the Third Credit Agreement may be used to finance capital expenditures and permitted acquisitions and for working capital and general corporate purposes.

In the event the Company has borrowings under the Third Revolving Credit Agreement Facility, at the Company's option, it will pay interest on these borrowings at a rate equal to either (i) a base rate plus an applicable margin ranging from 0.25% to 1.75% per annum or (ii) an adjusted Term Secured Overnight Financing Rate ("SOFR") SOFR plus an applicable margin ranging from 1.25% to 2.75% per annum, in each case based upon the total net leverage ratio, as calculated pursuant to the Third Revolving Credit Agreement. Any borrowings under the Third Credit Agreement will mature on February 4, 2027 Facility. There is also a commitment fee at a rate ranging from 0.25% to 0.30% per annum based upon the total net leverage ratio.

As of December 31, 2023 and December 31, 2022, debt issuance costs related to the Third Revolving Credit Agreement of \$0.7 million and \$2.2 million are presented Facility included in prepaid expenses and other non-current current assets in consolidated balance sheets were \$0.7 million and \$0.7 million, respectively, and included in other assets in the consolidated balance sheets were \$1.5 million and \$2.2 million, respectively.

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

The Third Revolving Credit Agreement 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 ratio.

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

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 a minimum liquidity covenant, 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 December 31, 2022. On November 14, 2022, the Company entered into a First Amendment to the Third Credit Agreement, which amended certain provisions under the Third Credit Agreement, including elimination of required testing of the liquidity covenant beginning March 31, 2023. The borrowing base and rate were not amended by this First Amendment to the Third Credit Agreement.

As of December 31, 2022, the Company had all \$500.0 million available to borrow under in the Revolving Credit Facility subject to covenant compliance as of December 31, 2023.

**Convertible Notes due 2023**

In May 2018, the Company issued \$345.0 million of convertible notes maturing June 1, 2023 (the "Convertible Notes due 2023"). Net proceeds from the offering were \$335.0 million. 2023. The Convertible Notes due 2023 bear interest at a rate of 1.75% per

annum payable semiannually in arrears on June 1 and December 1 of each year. In November 2022, the Company repurchased \$300.0 million aggregate principal of the outstanding Convertible Notes due 2023 for cash consideration of approximately \$312.4 million and recognized a loss on extinguishment of approximately \$13.4 million included within interest expense in the consolidated statements of operations. 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.

In August 2020, the Company issued \$517.5 million of Convertible Notes due 2025 that mature on August 15, 2025. The Convertible Notes due 2025 bear interest at a rate of 0.75% per annum payable semiannually in arrears in cash on February 15 and August 15 of each year. In November 2022, the Company repurchased \$200.0 million aggregate principal of the outstanding Convertible Notes due 2025 for cash consideration of approximately \$181.8 million and recognized a gain on extinguishment of approximately \$15.1 million within interest expense in the consolidated statements of operations. As of December 31, 2023, the Convertible Notes due 2025 could result in approximately 3.0 million shares issuable upon conversion, subject to adjustment under certain conditions.

In November 2022, the Company issued \$575.0 million of Convertible Notes due 2027 that mature on December 1, 2027. The Convertible Notes due 2027 bear interest at a rate of 2.625% per annum payable semiannually in arrears in cash on June 1 and December 1 of each year. As of December 31, 2023, the Convertible Notes due 2027 could result in approximately 7.8 million shares issuable upon conversion, subject to adjustment under certain conditions.

The Convertible Notes due 2023 are general unsecured senior obligations, subordinated in right of payment to the Company's obligations under its Credit Agreement. The Convertible Notes due 2023 rank equally in right of payment with all of the Company's other existing and future senior indebtedness and will be senior in right of payment to any of the Company's future subordinated obligations. The Convertible Notes due 2023 will be structurally subordinated to the indebtedness and other liabilities of any of the Company's subsidiaries, other than its wholly owned subsidiary, Envestnet Asset Management, Inc., which will fully and unconditionally guarantee the notes Convertible Notes on an unsecured basis, and other than to the extent the Convertible Notes due 2023 are guaranteed in the future by any of our the Company's other subsidiaries as described in the indenture and will be effectively subordinated to and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

Upon the occurrence of a "fundamental change", as defined in the indenture, the holders may require the Company to repurchase all or a portion of the Convertible Notes due 2023 for cash at 100% of the principal amount of the Convertible Notes due 2023 being purchased, plus any accrued and unpaid interest.

The Company may redeem for cash all or any portion of the notes, Convertible Notes due 2025 and the Convertible Notes due 2027, at the Company's option, on or after June 5, 2021 August 15, 2023 and December 5, 2025, respectively, if the last reported sale price of Envestnet's the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, consecutive or non-consecutive, within a 30 consecutive trading day period ending on, and including, any of the five trading days immediately preceding the date on which the Company provides notice of redemption.

The Convertible Notes due 2023 2025 and the Convertible Notes due 2027 are convertible into shares of Envestnet's the Company's common stock under certain circumstances prior to maturity at an initial conversion rate of 14.6381 shares per one thousand principal amount conversion rate of the Convertible Notes due 2023, 9.3682 and 13.6304, respectively, which represents a conversion price of \$68.31 per share, subject to adjustment under certain conditions. conditions, of \$106.74 and \$73.37, respectively. The initial conversion rate is subject to adjustment upon a "fundamental change", as defined in the indenture, if the Company calls all or any portion of the notes for optional redemption, or subject to anti-dilution provisions provided in the indenture. On or after December 15, 2022, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may surrender their notes for conversion at any time, regardless of the foregoing circumstances.

Upon conversion, the Company may pay cash, shares of Envestnet's common stock or a combination of cash and stock, as determined by the Company in its discretion.

Upon issuance, the Company separately accounted for the liability and equity components of the Convertible Notes due 2023 by allocating the proceeds from issuance of the Convertible Notes due 2023 between the liability component and the embedded conversion

option, or equity component. This allocation was done by first estimating an interest rate at the time of issuance for similar notes that do not include an embedded conversion option. The Company allocated \$46.6 million to the equity component, presented within additional paid-in capital, net of offering costs of \$1.4 million. The Company recorded a discount on the Convertible Notes due 2023 of \$48.0 million which was accreted and recorded as additional interest expense.

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

Upon the adoption of ASU 2020-06 on January 1, 2021, the equity component is no longer separated from the host contract and is now accounted for as a single liability measured at amortized cost within long-term debt in the consolidated balance sheets. Accordingly, no future accretion of the original issue discount necessary. During the years ended December 31, 2022, 2021 and 2020, the Company recognized \$0.0 million, \$0.0 million and \$9.4 million, respectively, in accretion related to the discount.

In connection with the issuance of the Convertible Notes due 2023, the Company incurred \$10.0 million of issuance costs in 2018, of which \$8.6 million was originally allocated to the debt component and presented net in long-term debt and \$1.4 million was originally allocated to the equity component and presented within additional paid-in capital in the consolidated balance sheets. Upon the adoption of ASU 2020-06, the costs originally allocated to the equity component are reflected within long-term debt and are being amortized and recorded as additional interest expense over the life of the Convertible Notes due 2023.

In November 2022, the Company repurchased \$300.0 million aggregate principal of the outstanding Convertible Notes due 2023 for cash consideration of approximately \$312.4 million and recognized a loss on extinguishment of approximately \$13.4 million recognized in interest expense on the consolidated statements of operations. As of December 31, 2022, aggregate principal of \$45.0 million less unamortized debt issuance costs of \$0.1 million remain outstanding after this repurchase which may result in approximately 0.7 million shares issuable upon conversion, subject to adjustment under certain conditions.

**Convertible Notes due 2025**

In August 2020, the Company issued \$517.5 million of convertible notes that mature on August 15, 2025 (the "Convertible Notes due 2025"). Net proceeds from the offering were \$503.0 million. The Convertible Notes due 2025 bear interest at a rate of 0.75% per annum payable semiannually in arrears in cash on February 15 and August 15 of each year.

The Convertible Notes due 2025 are general unsecured senior obligations, subordinated in right of payment to the Company's obligations under its Credit Agreement. The Convertible Notes due 2025 rank equally in right of payment with all of the Company's other existing and future senior indebtedness and will be senior in right of payment to any of the Company's future subordinated obligations. The Convertible Notes due 2025 will be structurally subordinated to the indebtedness and other liabilities of any of the Company's subsidiaries, other than its wholly owned subsidiary, Envestnet Asset Management, Inc., which will fully and unconditionally guarantee the notes on an unsecured basis, and other than to the extent the Convertible Notes due 2025 are guaranteed in the future by any of our other subsidiaries as described in the indenture and will be effectively subordinated to and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

Upon the occurrence of a "fundamental change," as defined in the indenture, the holders may require the Company to repurchase all or a portion of the Convertible Notes due 2025 for cash at 100% of the principal amount of the Convertible Notes due 2025 being purchased, plus any accrued and unpaid interest.

The Company may redeem for cash all or any portion of the notes, at the Company's option, on or after August 15, 2023 if the last reported sale price of Envestnet's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, consecutive or non-consecutive, within a 30 consecutive trading day period ending on, and including, any of the five trading days immediately preceding the date on which the Company provides notice of redemption.

The Convertible Notes due 2025 are convertible into shares of Envestnet's common stock under certain circumstances prior to maturity at a an initial conversion rate of 9.3682 shares per one thousand principal amount of the Convertible Notes due 2025, which represents a conversion price of \$106.74 per share, subject to adjustment under certain conditions. The initial conversion rate is subject to adjustment upon a "fundamental change", as defined in the indenture, if the Company calls all or any portion of the notes for optional redemption, or subject to anti-dilution provisions provided in the indenture. Holders may convert their the Convertible Notes due 2025 and the Convertible Notes due 2027 at their option at any time prior to the close of business on the business day immediately preceding February 15, 2025 and June 1, 2027, respectively, only under the following circumstances: (a) during any calendar quarter

**Envestnet, Inc.**

**Notes to Consolidated Financial Statements (continued)**

commencing after the calendar quarter ending on September 30, 2020 and December 31, 2022, respectively (and only during such calendar quarter), if the last reported sale price of Envestnet's the Company's common stock, for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price of the Convertible Notes in effect on each applicable trading day; (b) during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for the notes for each such trading day is less than 98% of the last reported sale price of Envestnet's the Company's common stock on such date

**Envestnet, Inc.**

**Notes to Consolidated Financial Statements (continued)**

multiplied by the then-current conversion rate; (c) if the Company calls any or all of the notes Convertible Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (d) upon the occurrence of specified corporate events described in the Indenture. On indenture. Holders may surrender the Convertible Notes due 2025 and Convertible Notes due 2027 for conversion at any time, regardless of the foregoing circumstances, on or after February 15, 2025, and June 1 2027, respectively, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may surrender their notes for conversion at any time, regardless of the foregoing circumstances.

date. Upon conversion, the Company may pay cash, shares of Envestnet's the Company's common stock or a combination of cash and stock, as determined by the Company in its discretion.

Upon issuance, the Company separately accounted for the liability and equity components of the Convertible Notes due 2025 by allocating the proceeds from issuance of the Convertible Notes due 2025 between the liability component and the embedded conversion option, or equity component. This allocation was done by first estimating an interest rate at the time of issuance for similar notes that do not include the embedded conversion option. The Company allocated \$61.9 million to the equity component presented within additional paid-in capital, net of offering costs of \$1.9 million and taxes of \$6.7 million. The Company recorded a discount on the Convertible Notes due 2025 of \$70.6 million which was accreted and recorded as additional interest expense.

Upon the adoption of ASU 2020-06 on January 1, 2021, the equity component is no longer separated from the host contract and is now accounted for as a single liability measured at amortized cost within long-term debt in the consolidated balance sheets. Accordingly, no future accretion of the original issue discount necessary. During the years ended December 31, 2022, 2021 and 2020, the Company recognized \$0.0 million, \$0.0 million and \$4.7 million, respectively in accretion related to the discount.

In connection with the issuance of the Convertible Notes due 2025, the Company incurred \$14.5 million of issuance costs in 2020, of which \$12.6 million was originally allocated to the debt component and presented net in long-term debt and \$1.9 million was originally allocated to the equity component and presented within additional paid-in capital in the consolidated balance sheets. Upon the adoption of ASU 2020-06, the costs originally allocated to the equity component are reflected within long-term debt and are being amortized and recorded as additional interest expense over the life of the Convertible Notes due 2025.

In November 2022, the Company repurchased \$200.0 million aggregate principal of the outstanding Convertible Notes due 2025 for cash consideration of approximately \$181.8 million and recognized a gain on extinguishment of approximately \$15.1 million recognized in interest expense on the consolidated statements of operations. As of December 31, 2022, aggregate principal of \$317.5 million less unamortized debt issuance costs of \$4.8 million remain outstanding after this repurchase which may result in approximately 3.0 million shares issuable upon conversion, subject to adjustment under certain conditions.

#### **Convertible Notes due 2027**

In November 2022, the Company issued \$575.0 million of Convertible Notes due 2027. Net proceeds from the offering were \$558.7 million. The Convertible Notes due 2027 bear interest at a rate of 2.625% per annum payable semiannually in arrears in cash on June 1 and December 1 of each year.

The Convertible Notes due 2027 are general unsecured senior obligations, subordinated in right of payment to the Company's obligations under its Credit Agreement. The Convertible Notes due 2027 rank equally in right of payment with all of the Company's other existing and future senior indebtedness and will be senior in right of payment to any of the Company's future subordinated obligations. The Convertible Notes due 2027 will be structurally subordinated to the indebtedness and other liabilities of any of the Company's subsidiaries, other than its wholly owned subsidiary, Envestnet Asset Management, Inc., which will fully and unconditionally guarantee the notes on an unsecured basis, and other than to the extent the Convertible Notes due 2027 are guaranteed in the future by any of our other subsidiaries as described in the indenture and will be effectively subordinated to and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

Upon the occurrence of a "fundamental change," as defined in the indenture, the holders may require the Company to repurchase all or a portion of the Convertible Notes due 2027 for cash at 100% of the principal amount of the Convertible Notes due 2027 being purchased, plus any accrued and unpaid interest.

#### **Envestnet, Inc.**

#### **Notes to Consolidated Financial Statements (continued)**

The Company may redeem for cash all or any portion of the notes, at the Company's option, on or after December 5, 2025 if the last reported sale price of Envestnet's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, consecutive or non-consecutive, within a 30 consecutive trading day period ending on, and including, any of the five trading days immediately preceding the date on which the Company provides notice of redemption.

The Convertible Notes due 2027 are convertible into shares of Envestnet's common stock under certain circumstances prior to maturity at a an initial conversion rate of 13.6304 shares per one thousand principal amount of the Convertible Notes due 2027, which represents a conversion price of \$73.37 per share and approximately 7.8 million shares issuable upon conversion, subject to adjustment under certain conditions. The initial conversion rate is subject to adjustment upon a "fundamental change", as defined in the indenture, if the Company calls all or any portion of the notes for optional redemption, or subject to anti-dilution provisions provided in the indenture. Holders may convert their Convertible Notes due 2027 at their option at any time prior to the close of business on the business day immediately preceding June 1, 2027, only under the following circumstances: (a) during any calendar quarter commencing after the calendar quarter ending on December 31, 2022 (and only during such calendar quarter), if the last reported sale price of the Company's common stock, for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price of the Notes in effect on each applicable trading day; (b) during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for the notes for each such trading day is less than 98% of the last reported sale price of Envestnet's common stock on such date multiplied by the then-current conversion rate; (c) if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (d) upon the occurrence of specified corporate events described in the

Indenture. On or after June 1, 2027, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may surrender their notes for conversion at any time, regardless of the foregoing circumstances.

Upon conversion, the Company may pay cash, shares of Envestnet's common stock or a combination of cash and stock, as determined by the Company in its discretion.

As of December 31, 2022, the Convertible Notes due 2027 are presented at their gross proceeds of \$575.0 million less unamortized debt issuance costs of \$16.0 million.

In connection with the issuance of the Convertible Notes due 2027, the Company incurred a total of \$16.3 million of issuance costs in 2022, which are being amortized and recorded as additional interest expense over the life of the Convertible Notes due 2027.

See "Note 18—22—Net Income (Loss) Per Share" for further discussion of the effect of conversion on net income per common share.

In connection with the pricing of the Convertible Notes due 2027, the Company entered into privately negotiated Capped Call Transactions for a total cost of approximately \$79.6 million. The Capped Call Transactions initially cover the number of shares of ~~our~~ the Company's common stock underlying the Convertible Notes due 2027, subject to customary anti-dilution adjustments. The Capped Call Transactions generally are expected to reduce the potential dilutive effect on the common stock upon any conversion of the Convertible Notes due 2027 and/or offset any potential cash payments the Company is required to make in excess of the principal amount of converted Convertible Notes due 2027, as the case may be, with such reduction and/or offset subject to a cap, subject to certain adjustments under the terms of the Capped Call Transactions. The Capped Call Transactions allow the Company to purchase shares of ~~our~~ the Company's common stock at a strike price equal to the initial conversion price of \$73.37 per share and are subject to a cap of \$110.74 per share, subject to certain adjustments under the terms of the Capped Call Transactions. The options underlying the Capped Call Transactions can, at the Company's option, remain outstanding until the maturity date for the Convertible Notes due 2027 of December 1, 2027, even if all or a portion of the Convertible Notes due 2027 are converted, repurchased or redeemed prior to such date.

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

#### **Interest Expense**

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

	Year Ended December 31,		
	2022		
	(in thousands)		
Coupon interest	\$ 10,897	\$ 9,919	\$ 7,442
Amortization of issuance costs <sup>(1)</sup>	4,678	5,745	3,396
Undrawn and other fees	1,268	1,267	796
Accretion of debt discount	—	—	14,084
Interest on revolving credit facility	—	—	5,786
<b>Total interest expense</b>	<b>\$ 16,843</b>	<b>\$ 16,931</b>	<b>\$ 31,504</b>

	Year Ended December 31,		
	2023		
	2022		

	(in thousands)			
Convertible Notes interest	\$ 17,845	\$ 10,897	\$ 9,919	
Amortization of debt discount and issuance costs <sup>(1)</sup>	5,655	4,678	5,745	
Undrawn and other fees	1,255	1,268	1,267	
Revolving Credit Facility interest	383	—	—	
<b>Total interest expense</b>	<b>\$ 25,138</b>	<b>\$ 16,843</b>	<b>\$ 16,931</b>	

<sup>(1)</sup> For the year ended December 31, 2022, amount includes a net gain on the extinguishment of debt of \$1.7 million related to the partial repurchase of Convertible Notes due 2023 and Convertible Notes due 2025.

For the years ended December 31, 2022, 2021 and 2020, total interest expense related to the Convertible Notes due 2023 was \$20.7 million, \$8.0 million, and \$17.1 million, respectively, with coupon interest expense of \$5.4 million, \$6.0 million, and \$6.0 million, and amortization of debt discount, issuance costs of \$1.9 million, \$2.0 million, and \$11.1 million, respectively. For the year ended December 31, 2022, recognized in total interest expense of \$20.7 million includes a loss on extinguishment of debt of \$13.4 million in connection with the repurchase of \$300.0 million in Convertible Notes due 2023. Excluding the impact of the repurchase, the effective interest rate of the Convertible Notes due 2023 was approximately 2.4%, 2.4%, and 6.0% for the years ended December 31, 2022, 2021, and 2020, respectively. The effective interest rate of the Convertible Notes due 2023 is equal to the stated interest rate plus the amortization of the debt issuance costs subsequent to adoption of ASU 2020-06.

For the years ended December 31, 2022, 2021 and 2020, total interest expense related to the Convertible Notes due 2025 was \$(8.6) million, \$6.8 million, and \$6.9 million, respectively, with coupon interest expense of \$3.7 million, \$3.9 million, and \$1.4 million, and amortization of debt discount and issuance costs of \$2.8 million, \$2.9 million, and \$5.5 million, respectively. For the year ended December 31, 2022, recognized in total interest expense of \$8.6 million includes a gain on extinguishment of debt of \$15.1 million in connection with the repurchase of \$200.0 million in Convertible Notes due 2025. Excluding the impact of the repurchase, the effective interest rate of the Convertible Notes due 2025 was approximately 1.3%, 1.3%, and 4.0% for the years ended December 31, 2022, 2021, and 2020, respectively. The effective interest rate of the Convertible Notes due 2025 was equal to the stated interest rate plus the amortization of the debt issuance costs subsequent to adoption of ASU 2020-06, and is set forth below:

For the year ended December 31, 2022, total interest expense related

	December 31,		
	2023	2022	2021
Convertible Notes due 2023	N/A	2.4 %	2.4 %
Convertible Notes due 2025	1.3 %	1.3 %	1.3 %
Convertible Notes due 2027	3.2 %	3.2 %	N/A

#### Envestnet, Inc.

Notes to the Convertible Notes due 2027 was \$2.2 million with coupon interest expense of \$1.8 million and issuance costs of \$0.4 million. The effective interest rate of the Convertible Notes due 2027 for the year ended December 31, 2022 was approximately 3.2%. The effective interest rate of the Convertible Notes due 2027 was equal to the stated interest rate plus the amortization of the debt issuance costs. Consolidated Financial Statements (continued)

#### 11.15. Leases

The Company has operating leases for corporate offices and certain equipment some of which may with various lease expiration dates through 2033. Certain leases include options the option to extend the leases for up to 7 years, and some of which may include options to or

early terminate the leases within 90 days. Terms of the Company's operating leases may change from time to time. The Company's leases have remaining lease terms of 3 months to 11 years. See "Note 5 - Property and Equipment, net" for further discussion of finance leases.

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

agreement.

The following table illustrates presents information for the Company's operating leases as of and for the year ended December 31, 2022 and 2021: leases:

	December 31,	
	2022	2021
	(in thousands)	
Total operating lease cost	\$ 15,157	\$ 18,600
Short-term lease cost	12,445	4,940
Weighted average remaining lease term (in years)	9.2	9.8
Weighted average discount rate	5.0 %	5.1 %
Cash paid for amounts included in the measurement of the operating lease liability	15,748	18,052

	Year Ended December 31,		
	2023	2022	2021
	(in thousands, except weighted-averages)		
Total operating lease cost	\$ 17,549	\$ 15,157	\$ 18,600
Short-term lease cost	\$ 16,203	\$ 12,445	\$ 4,940
Weighted-average remaining lease term (in years)	8.5	9.2	9.8
Weighted-average discount rate	4.9 %	5.0 %	5.1 %
Cash paid for amounts included in the measurement of lease liabilities	\$ 16,718	\$ 15,748	\$ 18,052

The Company did not have significant sublease income or variable lease cost for the years ended December 31, 2022 December 31, 2023, 2022 and 2021.

Future minimum Maturities of operating lease payments under non-cancellable leases, liabilities were as follows as of December 31, 2022, were as follows: December 31, 2023 (in thousands):

Years Ending December 31,	Operating Leases	
	(in thousands)	
2023	\$	16,058
2024	2024	17,925
2025	2025	15,372
2026	2026	15,242

2027	2027	15,370
2028		
Thereafter	Thereafter	74,709
Total future minimum lease payments		154,676
Less imputed interest		(32,075)
Total lease payments		
Less: imputed interest		
Total operating lease liabilities	Total operating lease liabilities	\$ 122,601

As a result of adverse market conditions and office closures, in 2022, 2021 and 2020, the Company wrote down operating lease right-of-use assets totaling \$5.1 million, \$13.0 million \$1.5 million and \$2.7 million \$1.5 million during the years ended December 31, 2023, 2022 and 2021, respectively, as which are included within general and administrative expense in the consolidated statements of operations.

As of December 31, 2022, the Company has several operating lease commitments, primarily for our corporate offices, that have not yet commenced. These operating leases are expected to commence before January 2024 with lease terms of up to 10 years.

## 12.16. Stockholders' Equity

In 2016, the Company announced that its Board of Directors had authorized a share repurchase program under which the Company may repurchase up to 2,000,000 shares of its the Company's common stock. The timing and volume of share repurchases will be determined by the Company's management based on its ongoing assessments of the capital needs of the business, the market price of its common stock and general market conditions. No time limit has been set for the completion of the repurchase program has no termination date and the program may be suspended or discontinued at any time. The repurchase program authorizes No share repurchases were made during the Company to purchase its common stock from time to time in year ended December 31, 2023. During the open market (including pursuant to a "Rule 10b5-1 plan") year ended December 31, 2022, 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. Throughout 2022, we the Company repurchased 1,569,642 shares of the Company's common stock under the share repurchase program for an aggregate purchase price of \$95.0 million. Throughout 2021, we repurchased 55,488 shares of the Company's common stock for \$4.0 million. As of December 31, 2022 December 31, 2023, a maximum of 331,260 shares may yet be purchased remained available under this the share repurchase program.

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

On December 20, 2018, the Company issued and sold to BlackRock Inc. ("BlackRock") warrants to purchase approximately 470,000 common shares at an exercise price of \$65.16 per share, subject to customary anti-dilution adjustments. The warrants were exercisable at BlackRock's option for four years from the date of issuance. The warrants were unexercised upon expiration on December 20, 2022.

In December 2021, the Company issued 78,677 shares of the Company's common stock for the settlement of liabilities connected with a prior acquisition.

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

### 13.17. Fair Value Measurements

The following tables set forth the fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis, in the consolidated balance sheets as of December 31, 2022 and December 31, 2021, based on the three-tier fair value hierarchy: hierarchy as described in detail in "Note 2—Summary of Significant Accounting Policies":

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

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

	December 31, 2021				
	Fair Value	Level I	Level II	Level III	
(in thousands)					
<b>Assets:</b>					
Money market funds	\$ 2,684	\$ 2,684	\$ —	\$ —	\$ —
Assets to fund deferred compensation liability	11,140	—	—	—	11,140
<b>Total assets</b>	<b>\$ 13,824</b>	<b>\$ 2,684</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 11,140</b>
<b>Liabilities:</b>					
Contingent consideration	\$ 743	\$ —	\$ —	\$ —	\$ 743
Deferred compensation liability	10,418	10,418	—	—	—

Total liabilities	\$ 11,161	\$ 10,418	\$ —	\$ 743
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Level I assets and liabilities include money-market funds not insured by the Federal Deposit Insurance Corporation ("FDIC") and deferred compensation liability. The Company periodically invests excess cash in money-market funds not insured by the FDIC. The Company believes that the investments in money market funds are on deposit with creditworthy financial institutions and that the funds are highly liquid. These money-market funds are considered Level I and are included in cash and cash equivalents in the consolidated balance sheets. The fair values of the Company's investments in money-market funds are based on the daily quoted market prices for the net asset value of the various money market funds. The fair market value of the deferred compensation liability is based on the daily quoted market prices for the net asset value of the various funds in which the participants have selected, and is included in other non-current liabilities in the consolidated balance sheets.

Level III assets and liabilities consist of the estimated fair values of contingent consideration as well as the assets to fund the Company's deferred compensation liability. The fair market value of the assets used to fund the Company's deferred compensation liability approximates the cash surrender value of the Company's life insurance premiums and is included in other non-current assets in the consolidated balance sheets.

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

**Fair Value of Contingent Consideration Liabilities**

The fair value of the contingent consideration liabilities related to certain of the Company's acquisitions were estimated using a discounted cash flow method with significant inputs that are not observable in the market and thus represents a Level III fair value measurement. The significant inputs in the Company's Level III fair value measurement not supported by market activity included its assessments of expected future cash flows related to these acquisitions and their ability to meet the target performance objectives during the subsequent periods from the date of acquisition, which management believes are appropriately discounted considering the uncertainties associated with these obligations, and are calculated in accordance with the terms of their respective agreements.

The Company will continue to reassess the fair values of the contingent consideration liabilities at each reporting date until settlement. Changes to these estimated fair values will be recognized in the Company's earnings and included in general and administration expenses in the consolidated statements of operations.

The table below presents a reconciliation of the Company's contingent consideration liabilities, which were measured at fair value on a recurring basis using significant unobservable inputs (Level III) for the period from December 31, 2021 to December 31, 2022:

	<b>Fair Value of Contingent Consideration Liabilities</b>
	(in thousands)
Balance at December 31, 2021	\$ 743
Payments of contingent consideration liability	(743)
Balance at December 31, 2022	\$ —

The table below presents a reconciliation of assets used to fund deferred compensation liability, which was measured at fair value on a recurring basis using significant unobservable inputs (Level III) for the period from December 31, 2021 to December 31, 2022:

	Fair Value of Assets Used to Fund Deferred Compensation Liability
	(in thousands)
Balance at December 31, 2021	\$ 11,140
Contributions	649
Fair value adjustments and fees	(1,715)
Balance at December 31, 2022	<u>\$ 10,074</u>

The fair market value of the assets used to fund the Company's deferred compensation liability is based upon the cash surrender value of the Company's life insurance premiums. The value of the assets used to fund the Company's deferred compensation liability, which are included in other non-current assets in the consolidated balance sheets, decreased due to losses on the underlying investment vehicles. These losses are recognized in the Company's earnings and included in general and administration expenses in the consolidated statements of operations.

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 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 year ended December 31, 2022 December 31, 2023.

The table below presents a reconciliation of the contingent consideration liability and assets used to fund the Company's deferred compensation liability, which are measured at fair value on a recurring basis using significant unobservable inputs (Level III):

	Contingent Consideration Liability	Assets to Fund Deferred Compensation Liability
	(in thousands)	
Balance at December 31, 2021	\$ 743	\$ 11,140
Payments	(743)	—
Contributions	—	649
Fair value adjustments and fees	—	(1,715)
Balance at December 31, 2022	—	10,074
Fair value adjustments and fees	—	887
Balance at December 31, 2023	<u>\$ —</u>	<u>\$ 10,961</u>

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

The fair market value of the assets used to fund the Company's deferred compensation liability is measured using the cash surrender value of the Company's life insurance premiums and is included in other assets in the consolidated balance sheets. Changes in fair value, if any, are recognized in the Company's earnings and included in general and administrative expense in the consolidated statements of operations.

**Fair Value of Debt Agreements and Other Financial Assets and Liabilities**

The Company considered its Convertible Notes due 2023, Convertible Notes due 2025 and Convertible Notes due 2027 to be Level II liabilities as of December 31, 2022 December 31, 2023 and 2021, 2022, and used a market approach to calculate their respective fair values. The estimated fair value for each convertible note was determined based on the estimated or actual bids and offers in an over-the-counter market on December 31, 2022 December 31, 2023 and 2021 December 31, 2022, respectively (See "Note 10—14—Debt").

In May 2018, the Company issued \$345.0 million of Convertible Notes due 2023. As of December 31, 2022

18. Revenue and 2021, the carrying value of the Convertible Notes due 2023 equaled \$44.9 million and \$342.0 million, respectively, and represented the aggregate principal amount outstanding less the debt issuance costs. As of December 31, 2022 and 2021, the estimated fair value of the Convertible Notes due 2023 was \$46.1 million and \$439.9 million, respectively.

In August 2020, the Company issued \$517.5 million of Convertible Notes due 2025. As of December 31, 2022 and 2021, the carrying value of the Convertible Notes due 2025 equaled \$312.7 million and \$506.8 million, and represented the aggregate principal amount outstanding less the debt issuance costs. As of December 31, 2022 and 2021, the estimated fair value of the Convertible Notes due 2025 was \$293.7 million and \$526.1 million, respectively.

In November 2022, the Company issued \$575.0 million of Convertible Notes due 2027. As of December 31, 2022, the carrying value of the Convertible Notes due 2027 equaled \$559.0 million and represented the aggregate principal amount outstanding less the debt issuance costs. As of December 31, 2022, the estimated fair value of the Convertible Notes due 2027 was \$606.1 million.

As of December 31, 2022 and 2021, no advances were outstanding on the revolving credit facility under the Credit Agreement. The Company considered the revolving credit facility to be a Level I liability as of December 31, 2022 and 2021 (See "Note 10—Debt").

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 at December 31, 2022 based upon the short-term nature of these assets and liabilities.

#### 14. Revenues and Cost of Revenues Direct Expense

##### Disaggregation of Revenue

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

	Year Ended December 31, 2022		
	Envestnet Wealth		Envestnet Data & Analytics
	Solutions	Analytics	Consolidated
(in thousands)			
Revenues:			
Asset-based	\$ 738,228	\$ —	\$ 738,228
Subscription-based	294,997	182,847	477,844
Total recurring revenues	1,033,225	182,847	1,216,072
Professional services and other revenues	16,568	7,144	23,712
Total revenues	\$ 1,049,793	\$ 189,991	\$ 1,239,784

	Year Ended December 31, 2023		
	Envestnet Wealth		Envestnet Data & Analytics
	Solutions	Analytics	Consolidated
(in thousands)			
Revenue:			
Asset-based	\$ 745,238	\$ —	\$ 745,238
Subscription-based	325,398	139,332	464,730

Total recurring revenue	1,070,636	139,332	1,209,968
Professional services and other revenue	24,068	11,584	35,652
<b>Total revenue</b>	<b>\$ 1,094,704</b>	<b>\$ 150,916</b>	<b>\$ 1,245,620</b>

	Year Ended December 31, 2022		
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Consolidated
	(in thousands)		
<b>Revenue:</b>			
Asset-based	\$ 738,228	\$ —	\$ 738,228
Subscription-based	310,217	167,627	477,844
<b>Total recurring revenue</b>	<b>1,048,445</b>	<b>167,627</b>	<b>1,216,072</b>
Professional services and other revenue	16,799	6,913	23,712
<b>Total revenue</b>	<b>\$ 1,065,244</b>	<b>\$ 174,540</b>	<b>\$ 1,239,784</b>

	Year Ended December 31, 2021		
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Consolidated
	(in thousands)		
<b>Revenue:</b>			
Asset-based	\$ 709,376	\$ —	\$ 709,376
Subscription-based	280,076	173,913	453,989
<b>Total recurring revenue</b>	<b>989,452</b>	<b>173,913</b>	<b>1,163,365</b>
Professional services and other revenue	14,190	8,962	23,152
<b>Total revenue</b>	<b>\$ 1,003,642</b>	<b>\$ 182,875</b>	<b>\$ 1,186,517</b>

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

	Year Ended December 31, 2021		
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Consolidated
	(in thousands)		
<b>Revenues:</b>			
Asset-based	\$ 709,376	\$ —	\$ 709,376
Subscription-based	267,720	186,269	453,989
<b>Total recurring revenues</b>	<b>977,096</b>	<b>186,269</b>	<b>1,163,365</b>
Professional services and other revenues	14,070	9,082	23,152
<b>Total revenues</b>	<b>\$ 991,166</b>	<b>\$ 195,351</b>	<b>\$ 1,186,517</b>

	Year Ended December 31, 2020		
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Consolidated
(in thousands)			
Revenues:			
Asset-based	\$ 540,947	\$ —	\$ 540,947
Subscription-based	248,810	177,697	426,507
Total recurring revenues	789,757	177,697	967,454
Professional services and other revenues	16,333	14,443	30,776
Total revenues	\$ 806,090	\$ 192,140	\$ 998,230

One customer accounted for more than 10% of the Company's total revenues, substantially all of which are included within the Envestnet Wealth Solutions segment:

	Year Ended December 31,		
			2020
	2022	2021	2020
Fidelity	16 %	17 %	15 %

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

	Year Ended December 31,		
	2022	2021	2020
(in thousands)			
United States	\$ 1,218,254	\$ 1,166,251	\$ 977,047
International <sup>(1)</sup>	21,530	20,266	21,183
Total revenues	\$ 1,239,784	\$ 1,186,517	\$ 998,230

	Year Ended December 31,		
	2023	2022	2021
(in thousands)			
United States	\$ 1,223,246	\$ 1,218,254	\$ 1,166,251
International	22,374	21,530	20,266
Total revenue	\$ 1,245,620	\$ 1,239,784	\$ 1,186,517

<sup>(1)</sup> Revenue associated with Fidelity, substantially all of which is included within the Envestnet Wealth Solutions segment, accounted for approximately 16%, 16% and 17% of the Company's total revenue for the years ended December 31, 2023, 2022 and 2021, respectively. No foreign country other customer accounted for more than 10% of the Company's total revenues revenue.

### **Remaining Performance Obligations**

As of December 31, 2022 December 31, 2023, 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 \$544.6 million \$534.2 million. We expect to recognize approximately 43% 41% of this revenue in 2023, 2024, approximately 42% 45% throughout 2024 2025 and 2025, 2026, with the balance recognized thereafter. These remaining performance obligations are not indicative of revenue for future periods.

**Envestnet, Inc.**

### **Notes to Consolidated Financial Statements (continued)**

#### **Contract Balances**

Total deferred revenue increased \$0.7 million for the year ended December 31, 2023 and \$4.9 million for the year ended December 31, 2022, primarily the result of timing of cash receipts and decreased \$2.0 million for the year ended December 31, 2021. These fluctuations are primarily due to timing differences related to the satisfaction of outstanding performance obligations and the Company's billing cycles during the years then ended, revenue recognition. The majority of the Company's deferred revenue as of December 31, 2022 December 31, 2023 will be recognized over the course of the next twelve months.

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the opening deferred revenue balance was \$33.1 million \$35.6 million and \$33.8 million for the years ended December 31, 2022 and 2021, \$33.1 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 \$11.0 million \$11.5 million and \$11.8 million \$11.0 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Amortization expense for the deferred sales incentive compensation was \$4.3 million \$4.8 million and \$4.4 million \$4.3 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Deferred sales incentive compensation is included in other non-current assets on in the consolidated balance sheets and amortization expense is included in employee compensation and benefits expenses on expense in the consolidated statements of operations. No significant impairment loss for capitalized costs was recorded during for the periods years ended December 31, 2023 and 2022.

#### **Cost of Revenues Direct Expense**

The following table summarizes cost of revenues direct expense by revenue category:

	Year Ended December 31,			Year Ended December 31,		
	Year Ended December 31,			2023	2022	2021
	2022	2021	2020			
	(in thousands)			(in thousands)		
Asset-based	Asset-based	\$430,345	\$393,717	\$278,569	(in thousands)	
Subscription-based	Subscription-based	30,613	29,445	26,934		

Professional services and other	Professional services and other	7,502	561	426
<b>Total cost of revenues</b>		<b>\$468,460</b>	<b>\$423,723</b>	<b>\$305,929</b>
<b>Total direct expense</b>				

### Envestnet, Inc.

#### Notes to Consolidated Financial Statements (continued)

#### 15.19. Stock-Based Compensation

On June 22, 2010, the Board of Directors approved the 2010 Long-Term Incentive Plan, ("2010 Plan"), effective upon the closing of the Company's initial public offering. The 2010 Plan provides for the grant of options, stock appreciation rights, Full Value Awards (as defined in the 2010 Plan agreement) and cash incentive awards to employees, consultants and non-employee directors to purchase common stock, which vest over time and have a maximum ten-year contractual term. As approved by the Company's shareholders, the 2010 Plan has since been amended whereby the maximum number of shares of common stock that may be delivered under the 2010 Plan is 12,375,000. Stock options and stock appreciation rights are granted with an exercise price no less than the fair-market-value price of the common stock at the date of the grant. As of December 31, 2022 December 31, 2023, the maximum number of options and restricted stock available for future issuance under the Company's plans is 2,579,021. 1,819,036.

As a result of the PIETech acquisition in 2019, the Company adopted the 2019 Equity Plan in order to make inducement grants to certain PIETech employees who will join joined Envestnet | MoneyGuide. Envestnet agreed to grant at future dates, not earlier than the sixty day anniversary of the PIETech Acquisition, up to 301,469 shares of Envestnet common stock in the form of RSUs and PSUs pursuant to the 2019 Equity Plan. The RSUs vest over time and the PSUs vest upon the achievement of meeting certain performance conditions as well as a subsequent service condition. The Company is recognizing recognizes the estimated expense on a graded-vesting method over a requisite service period of three to five years, which is the estimated vesting period. The Company estimates the expected vesting amount and recognizes compensation expense only for those awards expected to vest. This estimate is reassessed by management each reporting period and may change based upon new facts and circumstances. Changes in assumptions impact the total amount of expense and are recognized over the vesting period.

### Envestnet, Inc.

#### Notes to Consolidated Financial Statements (continued)

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

	Year Ended December 31,			Year Ended December 31,			
	2022	2021	2020	2023	2022	2021	
	(in thousands)			(in thousands)			(in thousands)
Stock-based compensation expense	\$79,581	\$67,525	\$56,292				

Tax effect on stock-based compensation expense	Tax effect on stock-based compensation expense	(20,293)	(17,219)	(14,354)
Net effect on income		\$59,288	\$50,306	\$41,938
Net effect on income (loss)				

The tax effect on stock-based compensation expense above was calculated using a blended statutory rate of 25.5% for each of the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021, respectively.

### Stock Options

There were no stock options granted during the years ended December 31, 2023 and 2022. The following weighted average assumptions were used to value options granted during the periods indicated: year ended December 31, 2021:

	Year Ended December 31,			
	2022		2021	
	\$	—	\$ 31.23	\$ —
Grant date fair value of options				
Volatility		— %	42.1 %	— %
Risk-free interest rate		— %	0.4 %	— %
Dividend yield		— %	— %	— %
Expected term (in years)		0.0	6.5	0.0

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

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life		
			(Years)	Aggregate	Intrinsic Value (in thousands)
Outstanding as of December 31, 2019	1,150,586	\$ 25.66	3.4	\$	50,590
Exercised	(705,333)	18.83			
Forfeited	(7,213)	48.70			
Outstanding as of December 31, 2020	438,040	36.28	4.1		20,156
Granted	4,781	74.83			
Exercised	(76,303)	27.37			
Forfeited	(1,277)	49.02			
Outstanding as of December 31, 2021	365,241	38.61	3.3		14,878
Exercised	(82,802)	31.67			
Forfeited	(4,904)	72.96			
Outstanding as of December 31, 2022	277,535	40.07	2.2		6,005
Options exercisable	277,303	39.69	2.2		6,005

The aggregate intrinsic values in the table below represent the total pre-tax intrinsic value (the aggregate difference between the fair value of the Company's common stock on December 31, 2022, 2021 and 2020 of \$61.70, \$79.34 and \$82.29, respectively, and the exercise

price of in-the-money options) that would have been received by the option holders had all option holders exercised their options as of that date.

	Year Ended December 31,
	2021
Weighted-average grant date fair value	\$ 31.23
Expected volatility	42.1 %
Risk-free interest rate	0.4 %
Expected dividend yield	— %
Expected term (in years)	6.5

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

Other information is as follows: The following tables summarize option activity under the Company's plans:

	Year Ended December 31,		
	2022	2021	2020
	(in thousands)		
Total intrinsic value of options exercised	\$ 2,650	\$ 3,815	\$ 35,687
Cash received from exercises of stock options	2,620	2,090	10,760

	Options	Weighted-Average		
		Weighted-Average	Remaining	Aggregate Intrinsic Value
		Exercise Price	Contractual Life	
		(Years)	(in thousands)	
Outstanding as of December 31, 2022	277,535	\$ 40.07		
Exercised	(72,410)	\$ 25.07		
Forfeited	(2,959)	\$ 55.28		
Outstanding and exercisable as of December 31, 2023	<u>202,166</u>	<u>\$ 45.22</u>	<u>1.6</u>	<u>\$ 1,330</u>

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
Intrinsic value of options exercised	\$ 2,243	\$ 2,650	\$ 3,815
Cash received from exercises of stock options	\$ 1,608	\$ 2,620	\$ 2,090

Exercise prices As of stock options outstanding as of December 31, 2022 range from \$15.34 to \$74.83. At December 31, 2022 December 31, 2023, there was an immaterial no amount of unrecognized compensation expense related to unvested stock options.

### Restricted Stock Units and Performance Stock Units

Periodically, the Company grants restricted stock units and performance-based stock units to employees. Restricted stock units vest one-third on the first anniversary of the grant date and quarterly thereafter. Performance-based restricted units vest upon the achievement of certain pre-established business and financial metrics as well as a subsequent service condition. The business and financial metrics governing the vesting of these performance-based restricted stock units provide thresholds that dictate the number of shares to vest upon each evaluation date, which range from 0% to 150% of the original grant number. If these metrics are achieved, as defined in the individual grant terms, these shares would cliff vest three years from the grant date.

The following is a summary of the activity for **unvested** **non-vested** restricted stock units granted under the Company's plans:

	RSUs						RSUs		PSUs	
							Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Fair Value per Share
	RSUs			PSUs						
							Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Fair Value per Share
Outstanding as of December 31, 2019		1,318,870	\$ 58.88		254,118	\$ 67.96				
Non-vested as of December 31, 2022										
Non-vested as of December 31, 2022										
Non-vested as of December 31, 2022										
Granted	Granted	970,390	74.61		81,689	83.47				
Vested	Vested	(804,982)	57.77		—	—				
Forfeited	Forfeited	(138,931)	62.14		(33,010)	64.70				
Outstanding as of December 31, 2020		1,345,347	70.56		302,797	72.50				
Granted		1,195,313	71.03		129,865	70.92				
Vested		(828,942)	69.50		(62,524)	61.53				
Forfeited		(204,294)	70.71		(10,954)	78.97				
Outstanding as of December 31, 2021		1,507,424	71.50		359,184	73.64				
Granted		1,401,742	73.13		113,269	68.47				
Vested		(908,362)	71.22		(155,417)	66.22				
Forfeited		(318,828)	73.16		(57,987)	78.17				
Outstanding as of December 31, 2022		1,681,976	72.69		259,049	74.83				
Non-vested as of December 31, 2023										

At December 31, 2022 December 31, 2023, there was \$88.2 million \$67.4 million of unrecognized compensation expense related to unvested non-vested restricted stock units, which the Company expects to recognize over a weighted-average period of 1.81.7 years. At December 31, 2022 December 31, 2023, there was \$4.8 million \$1.9 million of unrecognized compensation expense related to unvested non-vested performance-based restricted stock units, which the Company expects to recognize over a weighted-average period of 1.51.1 years.

In connection with the unexpected death of our former CEO in 2019, the Company modified certain of his outstanding equity awards. The modifications included the extension of exercise periods for his outstanding stock options and the immediate vesting of his outstanding RSUs. All unvested PSUs were forfeited. In 2020, the Company recognized a gain of \$2.5 million in other income (expense), net as a result of a fair value adjustment upon settlement of the former CEO's stock options.

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

In connection with the PIETech acquisition the Company also granted membership interests in certain of the Company's equity investments to two legacy PIETech executives with an estimated grant date fair market value of \$8.9 million. These membership interests vested on May 1, 2020 and became exercisable on May 1, 2022, with the option to put the membership interests to the Company. For the years ended December 31, 2022, 2021 and 2020 the Company recorded approximately \$0.8 million, \$0.5 million and \$3.3 million, respectively, as a component of compensation and benefits in the consolidated statements of operations. As of December 31, 2021, the corresponding liability was recorded in accrued expenses and other current liabilities. In July 2022, these executives exercised their respective put options and sold these membership interests to the Company for approximately \$10 million.

**16.20. Benefit Plan**

The Company sponsors a profit sharing and savings plan under Section 401(k) of the Internal Revenue Code, covering substantially all domestic employees. The Company made voluntary employer matching contributions as follows: to this plan of \$8.1 million, \$8.1 million and \$6.9 million for the years ended December 31, 2023, 2022 and 2021, respectively.

	Year Ended December 31,		
	2022	2021	2020
	(in thousands)		
Voluntary employer matching contributions	\$ 8,087	\$ 6,873	\$ 6,247

**17.21. Income Taxes**

Income (loss) before income tax expense (benefit) was generated in the following jurisdictions:

	Year Ended December 31,			Year Ended December 31,		
	2022	2021	2020	2023	2022	2021
	(in thousands)			(in thousands)		
Domestic	Domestic	\$ (89,000)	\$ 9,730	\$ (17,234)		
Foreign	Foreign	10,581	10,631	9,189		
Total	Total	<u><u>\$ (78,419)</u></u>	<u><u>\$ 20,361</u></u>	<u><u>\$ (8,045)</u></u>		

The components of the income tax expense (benefit) charged to operations are summarized as follows:

	Year Ended December 31,			Year Ended December 31,		
	2022	2021	2020	2023	2022	2021
	(in thousands)			(in thousands)		
(in thousands)						
Current: Current:						
Federal						
Federal						
Federal	\$1,185	\$ —	\$(1,086)			
State	6,964	3,488	2,111			
Foreign	2,402	4,499	(4,542)			
	14,256					
	10,551	7,987	(3,517)			
Deferred:						
Deferred:						
Deferred:						
Federal	(2,453)	4,021	(2,659)			
State	(1,439)	(3,548)	1,158			
Foreign	402	(793)	(383)			
	(3,490)	(320)	(1,884)			
	(1,479)					
Total	Total	\$7,061	\$7,667	\$(5,401)		
Total						
Total						

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

Net deferred **Deferred** tax assets (liabilities), **net** consisted of the following:

	December 31,	
	2022	2021
	(in thousands)	
Deferred revenue	\$ 8,945	\$ 6,436
Prepaid expenses and accrued expenses	8,847	8,099
Right-of-use assets	(20,388)	(22,190)
Lease liabilities	31,328	28,994
Net operating loss and tax credit carryforwards	64,590	85,698

Property and equipment and intangible assets	(94,061)	(100,314)
Stock-based compensation expense	10,559	9,652
Investment in partnerships	2,836	2,941
Convertible Notes	20,440	—
R&D expenditures	43,956	—
Withholding taxes	(4,841)	—
Other	196	(173)
<b>Total deferred tax assets, net</b>	<b>72,407</b>	<b>19,143</b>
Less: valuation allowance	(88,603)	(40,164)
<b>Net deferred tax liabilities</b>	<b>\$ (16,196)</b>	<b>\$ (21,021)</b>

Beginning in 2022, the Tax Cuts and Jobs Act ("TCJA") eliminates the option to deduct research and development ("R&D") expenditures currently and requires taxpayers to amortize them pursuant to IRC Section 174. As a result, in 2023, the Company expects the amount of cash paid for income taxes to increase compared to 2022.

	<b>December 31,</b>	
	<b>2023</b>	
	<b>(in thousands)</b>	
Deferred revenue	\$ 8,699	\$ 8,945
Prepaid expenses and accrued expenses	6,663	8,847
Right-of-use assets	(17,528)	(20,388)
Lease liabilities	29,497	31,328
Net operating loss and tax credit carryforwards	63,866	64,590
Property and equipment and intangible assets	(84,139)	(94,061)
Stock-based compensation expense	9,215	10,559
Investment in partnerships	(4,416)	2,836
Convertible Notes	16,754	20,440
R&D expenditures	68,543	43,956
Withholding taxes	(5,035)	(4,841)
Other	(865)	196
<b>Total deferred tax assets, net</b>	<b>91,254</b>	<b>72,407</b>
Less: valuation allowance	(107,822)	(88,603)
<b>Deferred tax liabilities, net</b>	<b>\$ (16,568)</b>	<b>\$ (16,196)</b>

The deferred tax liability that is not being recorded because of the Company's assertion to permanently reinvest the earnings of its India subsidiaries is \$2.0 million related to the withholding tax in India, net of an assumed foreign tax deduction for this amount in the U.S.

The valuation allowance for deferred tax assets as of December 31, 2022 December 31, 2023 and 2021 2022 was \$88.6 107.8 million and \$40.2 million \$88.6 million, respectively. The change in the valuation allowance from 2021 2022 to 2022 2023 was primarily related to the 401kplans.com, Truelytics, and Redi2 acquisitions, the increased deferred tax assets for R&D expenditures, original issue discount on convertible debt, and additional valuation allowance on state NOLs. R&D tax credits and net operating loss carryforwards. In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some or all of the deferred tax assets will be realized.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence is the cumulative pre-tax loss incurred over the three years ended December 31, 2022 December 31, 2023. Such objective evidence limits the ability to consider other subjective evidence, such as

the Company's projections for future growth. On the basis of this evaluation, as of December 31, 2022 December 31, 2023, a valuation allowance of \$88.6 million \$107.8 million has been recorded to record only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence, such as the Company's projections for growth.

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

The expected income tax provision (benefit) calculated at the statutory federal rate differs from the actual provision as follows:

	Year Ended December 31,			Year Ended December 31,		
	2022	2021	2020	2023	2022	2021
	(in thousands)			(in thousands)		
Tax provision (benefit), at U.S. federal statutory tax rate	Tax provision (benefit), at U.S. federal statutory tax rate			\$15,515	\$4,402	\$1,787
State income tax provision (benefit), net of federal benefit	State income tax provision (benefit), net of federal benefit			(3,463)	856	(2,461)
Effect of stock-based compensation excess tax benefit		717	(364)		(9,349)	
Effect of stock-based compensation tax shortfall						
Effect of limitation on executive compensation	Effect of limitation on executive compensation	2,511	1,678	961		
Effect of permanent items	Effect of permanent items	869	661	(703)		
Effect of India partnerships	Effect of India partnerships	1,644	1,422	2,977		
Change in valuation allowance	Change in valuation allowance	26,974	5,660	16,210		

Effect of change in state and foreign income tax rates	Effect of change in state and foreign income tax rates	(254)	(1,184)	1,323
Uncertain tax positions	Uncertain tax positions	(617)	158	(6,093)
Research and development credits	Research and development credits	(10,993)	(5,695)	(5,939)
Effect of goodwill impairment				
Change in India indefinite reinvestment assertion	Change in India indefinite reinvestment assertion	4,372	—	—
Other	Other	816	73	(540)
Income tax provision (benefit)		\$ 7,061	\$ 7,667	\$(5,401)
Income tax provision				

At December 31, 2022 December 31, 2023, the Company had NOL net operating loss carryforwards, before any uncertain tax position reserves, for federal income tax purposes of approximately \$69 million \$64 million available to offset future federal taxable income, if any, of which \$32 million \$27 million expire through 2036 and \$37 million are carried forward indefinitely. In addition, as of December 31, 2022 December 31, 2023, the Company had NOL net operating loss carryforwards for state income tax purposes of approximately \$221 million \$225 million available to reduce future income subject to income taxes. The state NOL net operating loss carryforwards that are subject to expiration expire through 2041. In addition, the Company had R&D credit carryforwards of approximately \$38 million for federal and \$14 million \$15 million for California, Massachusetts and Illinois, New Jersey, as well as foreign tax credits of \$0.9 million available to offset federal income tax. Federal R&D credits began to expire in 2022 will expire through 2041, 2043. California R&D credits carryover indefinitely.

A reconciliation of the beginning and ending amount of unrecognized tax benefit follows:

	Year Ended December 31,			Year Ended December 31,		
	2022 2021 2020			2023 2022 2021		
	(in thousands)			(in thousands)		
Balance at beginning of year	Balance at beginning of year	\$14,517	\$15,132	\$18,939		

Additions based on tax positions related to the current year	Additions based on tax positions related to the current year	2,522	1,631	1,420
Reductions based on tax positions related to prior years		(296)	(550)	(2,793)
Additions (reductions) based on tax positions related to prior years				
Reductions for settlements with taxing authorities related to prior years				
Reductions for settlements with taxing authorities related to prior years				
Reductions for settlements with taxing authorities related to prior years	Reductions for settlements with taxing authorities related to prior years	—	(394)	(2,434)
Reductions for lapses of statute of limitations	Reductions for lapses of statute of limitations	(3,131)	(1,302)	—
Balance at end of year	Balance at end of year	\$13,612	\$14,517	\$15,132

At December 31, 2022 December 31, 2023, the amount of unrecognized tax benefits that would benefit the Company's effective tax rate, if recognized, was \$13.6 million \$15.3 million. At this time, the Company estimates that the liability for unrecognized tax benefits will decrease by an estimated \$0.3 \$1.6 million in the next twelve months as statutes of limitations expire. expire and a transfer pricing agreement is concluded with India.

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

The Company recognizes potential interest and penalties related to unrecognized tax benefits in income tax expense. For the years ended December 31, 2022 December 31, 2023 and 2021, income tax expense (benefit) included \$0.3 million \$(0.4) million and \$0.6 million \$0.3 million, respectively, of potential interest and penalties related to unrecognized tax benefits. The Company had accrued interest and penalties of \$2.0 million \$1.6 million and \$1.9 million \$2.0 million as of December 31, 2022 December 31, 2023 and 2021, respectively, 2022, respectively, which are included in other liabilities in the consolidated balance sheets.

The Company files a consolidated federal income tax return and separate tax returns with various states. Additionally, foreign subsidiaries of the Company file tax returns in foreign jurisdictions. The Company was notified by the Internal Revenue Service ("IRS") in August 2021 that the calendar year 2018 federal income tax return had been selected for audit by the IRS. The Company's tax returns for the 2018-2021 2019-2022 calendar years remain open to examination by the IRS in their entirety. With respect to state taxing jurisdictions, the Company's tax returns for the 2017-2021 2018-2022 calendar years remain open to examination by various state revenue services.

The Company's Indian subsidiaries are currently under examination by the India Tax Authority for the fiscal years ended March 31, 2020 March 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2012, 2011 and 2010. Based on the outcome of examinations of the Company's subsidiaries or the result of the expiration of statutes of limitations, it is reasonably possible that the related unrecognized tax benefits could change from those recorded in the consolidated balance sheets. It is possible that one or more of these audits may be finalized within the next twelve months.

#### **Inflation Reduction Act of 2022**

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022 ("IRA"), 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 IRA are effective beginning in 2023. The Company is currently evaluating the impacts of this act on the consolidated financial statements.

#### **18.22. Net Income (Loss) Per Share**

Basic net income (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding for the period. For the calculation of diluted net income (loss) per share, the basic weighted average number of shares is increased by the dilutive effect of stock options, common warrants, restricted stock awards, restricted stock units and Convertible Notes, if dilutive.

Prior to January 1, 2021, the Company accounted for the effect of its convertible notes using the treasury stock method since they may be settled in cash, shares or a combination thereof at the Company's option. As a result, the Convertible Notes due 2023 and Convertible Notes due 2025 had no effect on diluted net income per share until the Company's stock price exceeded the conversion price of \$68.31 per share and \$106.74 per share, respectively, and certain other criteria were met, or if the trading price of the convertible notes met certain criteria. Pursuant to the adoption of ASU 2020-06 on January 1, 2021, the Company now accounts for the effect of its convertible notes on diluted net income per share using the if-converted method (See "Note 2—Summary of Significant Accounting Policies" and "Note 10—Debt").

#### **Envestnet, Inc.**

#### **Notes to Consolidated Financial Statements (continued)**

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

	Year Ended December 31,		
	2022	2021	2020
	(in thousands, except share and per share amounts)		
Net income (loss) attributable to Envestnet, Inc. (a)	\$ (80,939)	\$ 13,296	\$ (3,110)

Interest and gain on settlement of Convertible Notes due 2025, net of interest and tax		(9,524)	—	—
Net income (loss) attributable to Envestnet, Inc. - Diluted (b)	\$ (90,463)	\$ 13,296	\$ (3,110)	
<b>Weighted-average common shares outstanding:</b>				
Basic (c)	55,199,482	54,470,975	53,589,232	
<b>Effect of dilutive shares:</b>				
Options to purchase common stock	—	206,022	—	
Unvested restricted stock units	—	633,384	—	
Convertible Notes	1,642,643	—	—	
Warrants	—	73,715	—	
Diluted (d)	56,842,125	55,384,096	53,589,232	
<b>Net income (loss) per share attributable to Envestnet, Inc common stock:</b>				
Basic (a/c)	\$ (1.47)	\$ 0.24	\$ (0.06)	
Diluted (b/d)	\$ (1.59)	\$ 0.24	\$ (0.06)	

	Year Ended December 31,		
	2023	2022	2021
(in thousands, except share and per share amounts)			
Net income (loss) attributable to Envestnet, Inc. - Basic	\$ (238,724)	\$ (80,939)	\$ 13,296
Interest and gain on settlement of Convertible Notes due 2025, net of interest and tax	—	(9,524)	—
Net income (loss) attributable to Envestnet, Inc. - Diluted	\$ (238,724)	\$ (90,463)	\$ 13,296
<b>Weighted-average common shares outstanding:</b>			
Basic	54,457,365	55,199,482	54,470,975
<b>Effect of dilutive shares:</b>			
Convertible Notes	—	1,642,643	—
Non-vested RSUs and PSUs	—	—	633,384
Options to purchase common stock	—	—	206,022
Warrants	—	—	73,715
Diluted	54,457,365	56,842,125	55,384,096
<b>Net income (loss) attributable to Envestnet, Inc., per share:</b>			
Basic	\$ (4.38)	\$ (1.47)	\$ 0.24
Diluted	\$ (4.38)	\$ (1.59)	\$ 0.24

### Envestnet, Inc.

#### Notes to Consolidated Financial Statements (continued)

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

	December 31,		
	2022	2021	2020
Options to purchase common stock	277,535	—	438,040
Unvested RSU's and PSU's	1,941,025	—	1,648,144
Convertible Notes <sup>(1)</sup>	11,470,646	9,898,549	9,898,549
Warrants	—	—	470,000
<b>Total anti-dilutive securities</b>	<b>13,689,206</b>	<b>9,898,549</b>	<b>12,454,733</b>

	December 31,		
	2023	2022	2021
Convertible Notes <sup>(1)</sup>	11,084,413	11,470,646	9,898,549
Non-vested RSU's and PSU's	1,672,311	1,941,025	—
Options to purchase common stock	202,166	277,535	—
<b>Total anti-dilutive securities</b>	<b>12,958,890</b>	<b>13,689,206</b>	<b>9,898,549</b>

<sup>(1)</sup> From 2021 to 2022, this amount increased by 7,837,480 potential common shares associated with the Convertible Notes due 2027 issued in 2022, partially offset by 4,391,743 potential common shares associated with the Convertible Notes due 2023 and 1,873,640 potential common shares associated with the Convertible Notes due 2025 repurchased in 2022. From 2022 (See "Note 10—Debt") to 2023, this amount decreased by 386,233 potential common shares associated with the Convertible Notes due 2023 that matured on June 1, 2023. See "Note 14—Debt".

## 19.23. 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.

### Envestnet, Inc.

**Notes** We also incur expenses not directly attributable to Consolidated Financial Statements (continued)

The information in 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-operational expenses. Intersegment revenues were not material for the year ended December 31, 2022 and 2021.

See "Note 14—Revenues 18—Revenue and Cost of Revenues" "Direct Expense" for detail of revenues revenue by segment.

**Envestnet, Inc.**  
**Notes to 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.:

	Year Ended December 31,		
	2022	2021	2020
	(in thousands)		
Envestnet Wealth Solutions	\$ 55,972	\$ 124,651	\$ 91,501
Envestnet Data & Analytics	(20,870)	2,033	(9,943)
Nonsegment operating expenses	(101,126)	(86,143)	(62,117)
Income (loss) from operations	(66,024)	40,541	19,441
Interest expense, net of interest income	(12,659)	(16,104)	(30,392)
Other income (expense), net	264	(4,076)	2,906
Consolidated income (loss) before income tax benefit	(78,419)	20,361	(8,045)
Income tax provision (benefit)	7,061	7,667	(5,401)
Consolidated net income (loss)	(85,480)	12,694	(2,644)
Add: Net (income) loss attributable to non-controlling interest	4,541	602	(466)
Consolidated net income (loss) attributable to Envestnet, Inc.	<u>\$ (80,939)</u>	<u>\$ 13,296</u>	<u>\$ (3,110)</u>

A summary of consolidated total assets, consolidated depreciation and amortization and consolidated capital expenditures by segment follows:

	December 31,	
	2022	2021
	(in thousands)	
Segment assets:		
Envestnet Wealth Solutions	\$ 1,503,646	\$ 1,720,779
Envestnet Data & Analytics	608,519	520,403
Consolidated total assets	<u>\$ 2,112,165</u>	<u>\$ 2,241,182</u>

	Year Ended December 31,		
	2022	2021	2020
	(in thousands)		
Segment depreciation and amortization:			
Envestnet Wealth Solutions	\$ 96,658	\$ 90,073	\$ 80,714

Envestnet Data & Analytics	33,890	27,694	32,947
Consolidated depreciation and amortization	\$ 130,548	\$ 117,767	\$ 113,661

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

	Year Ended December 31,		
	2022		
	2021		
Segment capital expenditures:			
Envestnet Wealth Solutions	\$ 79,993	\$ 65,264	\$ 46,891
Envestnet Data & Analytics	25,332	23,637	20,105
Consolidated capital expenditures	\$ 105,325	\$ 88,901	\$ 66,996

**20. Geographical Information**

	Year Ended December 31,		
	2023		
	2022		
(in thousands)			
Envestnet Wealth Solutions	\$ 108,753	\$ 57,323	\$ 129,287
Envestnet Data & Analytics	(216,542)	(22,221)	(2,603)
Nonsegment operating expenses	(96,692)	(101,126)	(86,143)
Income (loss) from operations	(204,481)	(66,024)	40,541
Total other income (expense), net	(28,516)	(12,395)	(20,180)
Income (loss) before income tax provision	(232,997)	(78,419)	20,361
Income tax provision	12,777	7,061	7,667
Net income (loss)	(245,774)	(85,480)	12,694
Add: Net loss attributable to non-controlling interest	7,050	4,541	602
Net income (loss) attributable to Envestnet, Inc.	\$ (238,724)	\$ (80,939)	\$ 13,296

The following table sets forth certain long-lived assets presents a summary of total assets, depreciation and amortization and capital expenditures, including both purchases of property and equipment net and capitalization of internally developed software, net by geographic area: segment:

	December 31,		
	2022		
	2021		
(in thousands)			
United States	\$ 245,817	\$ 180,680	
India	1,093	2,923	
Other	91	271	
Total long-lived assets, net	\$ 247,001	\$ 183,874	

	Total Assets		Depreciation and amortization			Capital expenditures		
	As of December 31,		For the year ended December 31,			For the year ended December 31,		
	2023	2022	2023	2022	2021	2023	2022	2021
	(in thousands)							
Envestnet Wealth Solutions	\$ 1,562,600	\$ 1,560,923	\$ 103,301	\$ 98,600	\$ 91,024	\$ 95,777	\$ 82,442	\$ 66,709
Envestnet Data & Analytics	314,652	551,242	27,003	27,228	26,743	17,525	22,883	22,192
Total	\$ 1,877,252	\$ 2,112,165	\$ 130,304	\$ 125,828	\$ 117,767	\$ 113,302	\$ 105,325	\$ 88,901

See "Note 14—Revenues and Cost of Revenues" for detail of revenues by geographic area.

## 21.24. 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 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. As of December 31, 2022 December 31, 2023, the Company estimated future minimum unconditional purchase obligations of approximately \$103 \$150 million. This amount increased by \$65 million compared to the prior year primarily driven by the Company's entry into the outsourcing agreement with TCS.

### **Envestnet, Inc.**

### **Notes to Consolidated Financial Statements (continued)**

In connection with certain of our acquisitions, we have entered into arrangements whereby we have the Redi2 acquisition, the Company has agreed to pay performance bonuses up to \$20 million \$20.0 million in performance bonuses based upon the achievement of certain performance targets. As of December 31, 2022 December 31, 2023, the liabilities associated with these performance bonuses were immaterial.

We have also committed \$12.5 million \$8.8 million in future funding to certain of our equity method investees.

On April 1, 2022, the Company entered into a purchase agreement with a privately held company to acquire the technology solutions being developed by this privately held company for a purchase price of \$9.0 million. The Company has paid a \$4.0 million advance during the year ended December 31, 2022. This advance is included in other non-current assets in the consolidated balance sheets.

### **Envestnet, Inc.**

### **Notes to Consolidated Financial Statements (continued)**

## Legal Proceedings

The Company and its subsidiary, Yodlee, Inc. ("Yodlee"), have been named as defendants in a lawsuit filed on July 17, 2019, by FinancialApps LLC ("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's 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's 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 are currently briefing 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 motions.

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 Company believes FinancialApps's 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

Envestnet, Inc.

## Notes to Consolidated Financial Statements (continued)

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 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 violations of certain California 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

## Envestnet, Inc.

## Notes to Consolidated Financial Statements (continued)

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. 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 December 31, 2022 December 31, 2023. 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.

### 22. Subsequent Events

#### Privately Held Company

On January 31, 2023, the Company entered into a convertible promissory note agreement 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"). 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.

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 upon satisfaction of certain financial metrics.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### *a. Evaluation of 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 **December 31, 2022** **December 31, 2023**. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, are defined as 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 (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that 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 this evaluation, our chief executive officer and chief financial officer have concluded that, as of **December 31, 2022** **December 31, 2023**, our disclosure controls and procedures were effective.

#### *b. Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States and include policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Our management, including our chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting as of **December 31, 2022** **December 31, 2023** using the criteria established in the updated Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of **December 31, 2022** **December 31, 2023**.

Our independent registered public accounting firm, KPMG LLP, has issued a report concerning the effectiveness of our internal control over financial reporting as of **December 31, 2022** **December 31, 2023**. See Part II, Item 8, "Report of Independent Registered Public Accounting Firm".

#### *c. Changes in Internal Control Over Financial Reporting*

There were no changes to our internal control over financial reporting during the three months ended **December 31, 2022** **December 31, 2023**, that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

#### **Item 9B. Other Information**

None.

#### **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

None.

### **Part III**

#### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the **2022** **2023** fiscal year, and is hereby incorporated by reference.

Information required by this Item relating to our executive officers and other corporate officers is included under the caption "Information about our Executive Officers" in Part I, Item 1 of this report.

We have adopted a code of ethics that applies to all of our employees, including our principal executive officer, our principal financial officer and our principal accounting officer. This code of ethics is posted on our website within the "Investor Relations" section. We intend to disclose any amendment to, or waiver from, a provision of this code of ethics by posting such information to our website. Information found on our website is not part of this Annual Report or any other report filed with the SEC.

#### **Item 11. Executive Compensation**

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the **2022** **2023** fiscal year, and is hereby incorporated by reference.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the **2022** **2023** fiscal year, and is hereby incorporated by reference. For a description of securities authorized under our equity compensation plans, please refer to our Proxy Statement.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the **2022** **2023** fiscal year, and is hereby incorporated by reference.

#### **Item 14. Principal Accounting Fees and Services**

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the **2022** **2023** fiscal year, and is hereby incorporated by reference.

### **PART IV**

## Item 15. Exhibits, Financial Statement Schedules

		Page Number in Form 10-K
(a)(1)	The following documents are filed as part of this Annual Report on Form 10-K:	
1.	Consolidated Financial Statements	
	The following financial statements are included in Part II, Item 8 of this Annual Report on Form 10-K:	
	<a href="#">Report of Independent Registered Public Accounting Firm</a>	67
	(KPMG LLP, Denver, CO, Auditor Firm ID: 185)	
	<a href="#">Consolidated Balance Sheets as of December 31, 2022 2023 and 2021</a>	692022
	<a href="#">Consolidated Statements of Operations for each of the years ended December 31, 2022 2023, 2021 2022 and 2020</a>	702021
	<a href="#">Consolidated Statements of Comprehensive Income (Loss) for each of the years ended December 31, 2022 2023, 2021 2022, and 2020</a>	712021
	<a href="#">Consolidated Statements of Stockholders' Equity for each of the years ended December 31, 2022 2023, 2021 2022</a>	722021
	<a href="#">and 2020</a>	
	<a href="#">Consolidated Statements of Cash Flows for each of the years ended December 31, 2022 2023, 2021 2022 and 2020</a>	742021
	<a href="#">Notes to Consolidated Financial Statements</a>	76
(a)	Evaluation and Qualifying Accounts Financial Statement Schedules	
(2)	2.	Financial statements and schedules are omitted for the reason that they are not applicable, are not required, or the information is included in the financial statements or the related notes.
(b)	3. Exhibits: Exhibits	
	The Exhibits required by Item 601 of Regulation S-K are listed in the Index to the Exhibits on pages 122 to 125 of this report, which is incorporated herein by reference.	

## Item 16. Form 10-K Summary

Not applicable.

### INDEX TO EXHIBITS

Exhibit No.	Description
3.1	<a href="#">Fifth Amended and Restated Certificate of Incorporation of Envestnet, Inc. (filed as Exhibit 3.1 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (File No. 333-165717) filed with the SEC on July 1, 2010 and incorporated by reference herein).</a>
3.2	<a href="#">Amended and Restated Bylaws of Envestnet, Inc. (filed as Exhibit 3.2 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (File No. 333-165717) filed with the SEC on July 1, 2010 and incorporated by reference herein).</a>
4.1	<a href="#">Indenture, dated as of August 20, 2020, by and among Envestnet, Inc., Envestnet Asset Management, Inc., and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Form 8-K filed with the SEC on August 20, 2020 and incorporated by reference herein).</a>

4.2 [Indenture, dated as of May 25, 2018, by and among the Company, Envestnet Asset Management, Inc. and U.S. Bank National Association, as trustee \(filed as Exhibit 4.1 to the Company's Form 8-K filed with the SEC on May 25, 2018 and incorporated by reference herein\).](#)  
 [Reserved]

4.3 [Indenture, dated as of November 17, 2022, by and among the Company, Envestnet, Inc., Envestnet Asset Management, Inc., and U.S. Bank National Association, as trustee \(filed as Exhibit 4.1 to the Company's Form 8-K filed with the SEC on November 17, 2022 and incorporated by reference herein\).](#)

4.4 [Warrant issued to Blackhawk Investment Holdings, LLC \(filed as Exhibit 4.1 to the Company's Form 8-K filed with the SEC on December 20, 2018 and incorporated by reference herein\).](#)  
 [Reserved]

4.5 [Registration Rights Agreement, dated as of December 20, 2018, between the Company and BlackRock, Inc. \(filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on December 20, 2018 and incorporated by reference herein\).](#)  
 [Reserved]

4.6 [Description of Registrant's Securities \(filed as Exhibit 4.5 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein\).](#)

10.1 [Technology and Services Agreement dated as of March 31, 2008, between the Company and FMR LLC \(filed as Exhibit 10.1 to Amendment No. 1 to the Company's Registration Statement on Form S-1 \(File No. 333-165717\) filed with the SEC on May 6, 2010 and incorporated by reference herein\).\\*\\*](#)

10.2 [First Amendment to Technology and Services Agreement dated as of June 26, 2008 between the Company and FMR LLC \(filed as Exhibit 10.2 to Amendment No. 1 to the Company's Registration Statement on Form S-1 \(File No. 333-165717\) filed with the SEC on May 6, 2010 and incorporated by reference herein\).](#)

10.3 [Second Amendment to Technology and Services Agreement dated as of May 5, 2009 between the Company and FMR LLC \(filed as Exhibit 10.3 to Amendment No. 1 to the Company's Registration Statement on Form S-1 \(File No. 333-165717\) filed with the SEC on May 6, 2010 and incorporated by reference herein\).\\*\\*](#)

10.4 [Third Amendment to Technology and Services Agreement dated as of November 16, 2009 between the Company and FMR LLC \(filed as Exhibit 10.4 to Amendment No. 1 to the Company's Registration Statement on Form S-1 \(File No. 333-165717\) filed with the SEC on May 6, 2010 and incorporated by reference herein\).\\*\\*](#)

10.5 [Services Agreement dated as of December 28, 2005 between Envestnet Asset Management, Inc. and Fidelity Brokerage Services LLC \(filed as Exhibit 10.5 to Amendment No. 1 to the Company's Registration Statement on Form S-1 \(File No. 333-165717\) filed with the SEC on May 6, 2010 and incorporated by reference herein\).\\*\\*](#)

10.6 [Services Agreement effective March 24, 2005 between Envestnet Asset Management, Inc. and National Financial Services, LLC \(filed as Exhibit 10.6 to Amendment No. 1 to the Company's Registration Statement on Form S-1 \(File No. 333-165717\) filed with the SEC on May 6, 2010 and incorporated by reference herein\).\\*\\*](#)

10.7 [Services Agreement Amendment between Envestnet Asset Management, Inc. and National Financial Services, LLC dated March 2008 \(filed as Exhibit 10.7 to Amendment No. 1 to the Company's Registration Statement on Form S-1 \(File No. 333-165717\) filed with the SEC on May 6, 2010 and incorporated by reference herein\).\\*\\*](#)

10.8 [Envestnet, Inc. 2010 Long-Term Incentive Plan, as amended through the Fifth Amendment \(filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on May 13, 2021 and incorporated by reference herein\).\\*](#)

10.9 [Form of Non-Qualified Stock Option Grant Certificate under the Envestnet, Inc. 2010 Long-Term Incentive Plan \(filed as Exhibit 10.12 to the Company's Form 10-K for the fiscal year ended December 31, 2010 filed with the SEC on March 18, 2011 and incorporated by reference herein\).\\*](#)

10.10 [Form of Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan \(for awards prior to February 2020\)\(filed as Exhibit 10.10 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein\).\\*](#)

Exhibit No.	Description
10.11	<a href="#">Form of Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan (for awards beginning February 2020)(filed as Exhibit 10.11 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*</a>
10.12	<a href="#">Form of Performance-Based Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan (filed as Exhibit 10.12 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*</a>
10.13	<a href="#">Form of Annual Non-Equity Incentive Compensation Grant Certificate under the Envestnet, Inc. 2010 Long-Term Incentive Plan (filed as Exhibit 10.13 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*</a>
10.14	<a href="#">Fourth Amendment to Technology and Services Agreement, dated as of December 31, 2011, between the Company and FMR LLC (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on January 6, 2012 and incorporated by reference herein).</a>
10.15	<a href="#">Amendment to Services Agreement effective December 31, 2011, between Envestnet Asset Management, Inc. and Fidelity Brokerage Services, LLC (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on January 6, 2012 and incorporated by reference herein).</a>
10.16	<a href="#">Third Amendment to Services Agreement effective December 31, 2011, between Envestnet Asset Management, Inc. and National Financial Services LLC. (filed as Exhibit 10.3 to the Company's Form 8-K filed with the SEC on January 6, 2012 and incorporated by reference herein).</a>
10.17	<a href="#">Envestnet, Inc. Executive Deferred Compensation Plan (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on February 10, 2015 and incorporated by reference herein).*</a>
10.18	<a href="#">Envestnet, Inc. Director Deferred Compensation Plan (filed as Exhibit 10.2 to the Company's Form 8-K/A filed with the SEC on February 11, 2015 and incorporated by reference herein).*</a>
10.19	<a href="#">Executive Agreement, dated as of May 12, 2016 between William Crager, the Company and Envestnet Asset Management, Inc. (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on May 13, 2016 and incorporated by reference herein).*</a>
10.20	<a href="#">Executive Agreement, dated as of May 12, 2016 between Peter D'Arrigo, the Company and Envestnet Asset Management, Inc. (filed as Exhibit 10.3 to the Company's Form 8-K filed with the SEC on May 13, 2016 and incorporated by reference herein).*</a>
10.21	<a href="#">Executive Agreement, dated as of August 2, 2016 between Shelly O'Brien, the Company and Envestnet Asset Management, Inc. (filed as Exhibit 10.21 to the Company's Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC on February 25, 2022 and incorporated by reference herein).*,***</a>
10.22	<a href="#">Executive Agreement, dated as of August 2, 2016 between Scott Grinis, the Company and Envestnet Asset Management, Inc. (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on August 4, 2016 and incorporated by reference herein).*</a> [Reserved]
10.23	<a href="#">Executive Agreement, dated as of June 1, 2019 between Stuart DePina, the Company and Envestnet Financial Technologies, Inc. (filed as Exhibit 10.23 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*</a> [Reserved]
10.24	<a href="#">Severance Agreement and General Release, dated as of October 29, 2020 between Scott Grinis and Envestnet Financial Technologies, Inc. (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on October 30, 2020 and incorporated by reference herein).*</a>

by reference herein).

10.25 [Form of Amendment to Executive Employment Agreements \(filed as Exhibit 10.25 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein\).\\*](#)

10.26 [Envestnet, Inc. 2019 Acquisition Equity Incentive Plan \(filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8 filed with the SEC on June 29, 2020 and incorporated by reference herein\).\\*](#)

10.27 [Form of Restricted Stock Unit Grant Certificate under the Envestnet, Inc. 2019 Acquisition Equity Incentive Plan \(filed as Exhibit 10.27 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein\).\\*](#)

10.28 [Form of Performance-Based Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2019 Acquisition Equity Incentive Plan \(filed as Exhibit 10.28 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein\).\\*](#)

Exhibit No.	Description
10.29	<a href="#">Summary of Non-Employee Director Compensation (filed as Exhibit 10.29 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*</a>
10.30	<a href="#">Second Amended and Restated Credit Agreement dated as of July 18, 2017 among Envestnet, Inc., the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Bank of Montreal, as Administrative Agent (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on July 24, 2017 and incorporated by reference herein).</a>
10.31	<a href="#">Amended and Restated Security Agreement, dated as of July 18, 2017, among Envestnet, Inc., the Debtors from time to time party thereto and Bank of Montreal, as Administrative Agent (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on July 24, 2017 and incorporated by reference herein).</a>
10.32	<a href="#">First Amendment to Second Amended and Restated Credit Agreement, dated as of May 24, 2018, among Envestnet, Inc., the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and Bank of Montreal, as Administrative Agent (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on May 31, 2018 and incorporated by reference herein).</a>
10.33	<a href="#">Second Amendment to Second Amended and Restated Credit Agreement, dated as of September 27, 2019, among Envestnet, Inc., the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and Bank of Montreal as Administrative Agent (filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended September 30, 2019 filed with the SEC on November 8, 2019 and incorporated by reference herein).***</a>
10.34	<a href="#">Third Amendment to Second Amended and Restated Credit Agreement, dated as of October 29, 2021, among Envestnet, Inc., the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and Bank of Montreal as Administrative Agent (filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended September 30, 2021 filed with the SEC on November 9, 2021 and incorporated by reference herein).***</a>
10.35	<a href="#">Third Amended and Restated Credit Agreement, dated as of February 4, 2022, by and among Envestnet, the Guarantors party thereto, the Lenders party thereto and Bank of Montreal as Administrative Agent (filed as Exhibit 10.01 to the Company's Form 8-K filed with the SEC on February 8, 2022 and incorporated by reference herein).***</a>
10.36	<a href="#">First Amendment to Third Amended and Restated Credit Agreement, dated as of February 4, 2022, in each case, by and among Envestnet, the Guarantors party thereto, the Lenders party thereto and Bank of Montreal as Administrative Agent (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on November 15, 2022 and incorporated by reference herein).***</a>
10.37	<a href="#">Form of Restricted Stock Unit Grant Award Agreement for Non-Employee Directors under the Envestnet, Inc. 2010 Long-Term Incentive Plan (filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended March 31, 2021 filed with the SEC on</a>

May 7, 2021 and incorporated by reference herein).\*

10.38 [Form of Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan \(for awards granted in 2021\) \(filed as Exhibit 10.2 to the Company's Form 10-Q for the period ended March 31, 2021 filed with the SEC on May 7, 2021 and incorporated by reference herein\).\\*](#)

10.39 [Form of Performance-Based Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan \(for awards granted in 2021\) \(filed as Exhibit 10.3 to the Company's Form 10-Q for the period ended March 31, 2021 filed with the SEC on May 7, 2021 and incorporated by reference herein\).\\*](#)

10.40 [Form of Performance-Based Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan \(for awards beginning February 2022\) \(filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended March 31, 2022 filed with the SEC on May 6, 2022 and incorporated by reference herein\).\\*](#)

10.41 [Form of Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan \(for awards beginning February 2022\) \(filed as Exhibit 10.2 to the Company's Form 10-Q for the period ended March 31, 2022 filed with the SEC on May 6, 2022 and incorporated by reference herein\).\\*](#)

10.42 [Consultant Agreement, dated June 6, 2022, between Envestnet Financial Technologies, Inc. and Stuart DePina \(filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on June 7, 2022 and incorporated by reference herein\).](#)

10.43 [Severance Agreement and General Release, dated June 6, 2022, between Envestnet Financial Technologies, Inc. and Stuart DePina \(filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on June 7, 2022 and incorporated by reference herein\).](#)

10.44 [Cooperation Agreement, dated March 27, 2023, by and among Impactive Capital LP and Envestnet, Inc. \(filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on March 28, 2023 and incorporated by reference herein\).\\*\\*\\*](#)

Exhibit No.	Description
10.45	<a href="#">Executive Agreement, dated September 23, 2023, between Josh Warren, the Company and Envestnet Financial Technologies, Inc. (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on September 25, 2023 and incorporated by reference herein)*</a>
10.46	<a href="#">Severance Agreement and General Release, dated September 23, 2023, between Peter D'Arrigo and Envestnet Financial Technologies, Inc. (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on September 25, 2023 and incorporated by reference herein)*</a>
10.47	<a href="#">Separation and Release Agreement, dated January 7, 2024, between William Crager, the Company and Envestnet Financial Technologies, Inc. (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on January 8, 2024 and incorporated by reference herein)*</a>
10.48	<a href="#">Interim Executive Agreement, dated January 7, 2024, between James L. Fox, the Company and Envestnet Financial Technologies, Inc. (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on January 8, 2024 and incorporated by reference herein)*</a>
21.1	<a href="#">Subsidiaries of the Company, filed herewith.</a>
23.1	<a href="#">Consent of Independent Registered Public Accounting Firm, filed herewith.</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>

Exhibit No.	Description
32.1(1)	<a href="#">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.</a>
32.2(1)	<a href="#">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.</a>
97	<a href="#">Clawback Policy</a>
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.

\*\* Certain information redacted pursuant to a grant of confidential treatment by the staff of the Securities and Exchange Commission.

\*\*\* Certain information identified in the exhibit has been excluded as permitted by Item 601 of Regulation S-K.

\*\*\*\* Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the cover page; (ii) the Consolidated Balance Sheets as of December 31, 2022 December 31, 2023 and 2021; 2022; (iii) the Consolidated Statements of Operations for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020; 2021; (iv) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020; 2021; (v) the Consolidated Statements of Stockholders' Equity for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020; 2021; (vi) the Consolidated Statements of Cash Flows for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020; 2021; (vii) Notes to Consolidated Financial Statements tagged as blocks of text.

## GLOSSARY OF TERMS

The following abbreviations or acronyms used in this Form 10-K 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	Form 10-K for the year ended December 31, 2022
401kplans.com	401kplans.com LLC
Advisers Act	Investment Advisers Act of 1940, as amended
AETR	Annual effective tax rate

AI	Artificial intelligence
Annual Report	Annual report on Form 10-K for the year ended December 31, 2023
API	Application programming interfaces
ASC	Accounting Standards Codification™
ASC 310 - Receivables	Accounting Standards Codification Topic 310, Receivables
ASC 470	Accounting Standards Codification Topic 470, Debt
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 825	Accounting Standards Codification Topic 825, Financial Instruments
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
AUM/A	Assets under management or administration
BlackRock	BlackRock, Inc.
Board	Board of Directors
Bounty Merger Sub	Bounty Merger Sub, Inc.
CAGR	Compound annual growth rate
Capped Call Counterparties	Financial institutions with which capped call transactions are entered into with
Capped Call Transactions	Privately negotiated capped call transactions in connection with the Convertible Notes due 2027
Company	Envestnet, Inc. and all subsidiaries
Convertible Notes	Collectively the Convertible Notes due 2023, Convertible Notes due 2025 and Convertible Notes due 2027
Convertible Notes due 2023	\$345.0 million of aggregate principal amount of convertible notes issued in May 2018 with an interest rate of 1.75% per year that mature 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 million of 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	\$20.0 million convertible promissory note issued in January 2023 with a customer of the Company's business
DEI	Diversity, Equity & Inclusion
DOL	Department of Labor
EAM	Envestnet Asset Management
EIOC	Envestnet Institute on Campus
Envestnet	Envestnet, Inc.
EPS	Envestnet Portfolio Solutions, Inc.
ERISA	Employee Retirement Income Security Act of 1974
ERS	Envestnet Retirement Solutions

ESI	Envestnet Securities, Inc.
ETR	Effective tax rate
Exchanges	Fiduciary Exchange, LLC (FIDx), Advisor Credit Exchange, LLC (ACE), HealthPilot, LLC, and Trucendent, LLC.
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FICO	Fair Isaac Corporation
Fidelity	FMR LLC, an affiliate of FMR Corp.
FIDx Markets	FIDx Markets, LLC
FinancialApps	FinancialApps, LLC
FINRA	Financial Industry Regulatory Authority
FinTech	Financial Technology
FTC	Federal Trade Commission
GAAP	United States Generally Accepted Accounting Principles
GIPS	Global Investment Performance Standards
Harvest	Harvest Savings & Wealth Technologies
Impactive Capital	Impactive Capital L.P.
Investment Company Act	Investment Company Act of 1940, as amended
IRA	Inflation Reduction Act of 2022
IRC Section 174	Internal Revenue Code of 1986, Section 174: Amortization of Research and Experimental Expenditures
IRS	Internal Revenue Service
IT	Information technology
Magis	Magis Capital Partners LLC
PMC	Portfolio Management Consultants
PSU	Performance-based restricted stock unit
QRG	QRG Capital Management, Inc.
Quadrant Merger Sub	Quadrant Merger Sub, Inc.
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
ROU	Right-of-use
RSU	Restricted stock unit
SEC	Securities and Exchange Commission

SOFR	Secured Overnight Financing Rate
TCJA	Tax Cuts and Jobs Act
TCS	Tata Consultancy Services
Truelytics	Truelytics, Inc.
U.S.	United States
UMA	Unified managed accounts
Waiver	Waiver with respect to the Revolving Credit Facility
WIN	Women's Initiative Network
Yodlee	Yodlee, Inc.

### SIGNATURES

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

#### ENVESTNET, INC.

Date: **February 28, 2023** **February 28, 2024**

*/s/ William C. Crager*

**William C. Crager**

***Chief Executive Officer, Director (Principal Executive Officer)***

Date: **February 28, 2023** **February 28, 2024**

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

**Peter H. D'Arrigo Joshua B. Warren**

***Chief Financial Officer (Principal Financial Officer)***

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on **February 28, 2023** **February 28, 2024**.

Name	Position
/s/ William C. Crager William C. Crager	Chief Executive Officer, Director (Principal Executive Officer)
/s/ Peter H. D'Arrigo Joshua B. Warren Peter H. D'Arrigo Joshua B. Warren	Chief Financial Officer (Principal Financial Officer)
/s/ Matthew J. Majoros Matthew J. Majoros	Senior Vice President, Financial Reporting (Principal Accounting Officer)
/s/ Luis Aguilar Luis Aguilar	Director
/s/ Ross Chapin Ross Chapin	Director
/s/ Gayle Crowell Gayle Crowell	Director
/s/ James Fox James Fox	Chairperson, Director
/s/ Wendy Lane Wendy Lane	Director
/s/ Valerie Mosley Valerie Mosley	Director
/s/ Greg Gregory Smith Gregory Smith	Director
/s/ Lauren Taylor Wolfe Lauren Taylor Wolfe	Greg Smith Director
/s/ Barbara Turner Barbara Turner	Director

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## Exhibit 21.1

Envestnet, Inc.  
Subsidiaries of the Registrant

Name	Jurisdiction of Incorporation
Envestnet Asset Management, Inc.	Delaware
Envestnet Asset Management Canada, Inc.	Quebec
Envestnet Asset Management India Private Limited	India
Envestnet D&A Credit, LLC	Delaware
Envestnet Embedded Advisory, Inc.	Delaware
Envestnet Financial Technologies, Inc.	Delaware
Envestnet Holdings, LLC	Delaware
Envestnet Portfolio Solutions, Inc.	Delaware
Envestnet Retirement Solutions, LLC	Delaware
Envestnet Securities Holdings, LLC	Delaware
Envestnet Securities, Inc.	Delaware
Fiduciary Exchange, LLC	Delaware
Fiduciary Exchange Markets, LLC	Delaware
FolioDynamics Inc.	Delaware
Folio Dynamics Holdings Inc.	Delaware
FDx Advisors, Inc.	California
FIDx Group, LLC	Delaware
Klein Decisions, Inc.	North Carolina
M3Fn, LLC	Delaware
MoneyGuide, Inc.	Delaware
NetAssetManagement, Inc.	Delaware
Oltis Software LLC	Arizona
PMC International, Inc.	Colorado
Portfolio Brokerage Services, Inc.	Colorado
Portfolio Management Consultants, Inc.	Colorado
Prima Capital Holding, Inc.	Colorado
QRG Capital Management, Inc.	Delaware
Tamarac, Inc.	Washington
Yodlee, Inc.	Delaware
Yodlee Canada, Inc.	Canada
Yodlee Group Australia PTY Ltd.	Australia
Finbonacci Softsys Pvt, Ltd.	India
Yodlee Infotech Private Limited	India
Yodlee FinSoft Private Limited	India

Exhibit 23.1

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statements (Nos. 333-249735 and statement (No. 333-235478) on Form S-3ASR and the registration statements (Nos. 333-169050, 333-181071, 333-204858, 333-208107, 333-239533 and 333-256619) on Form S-8 of our report dated **February 28, 2023** **February 28, 2024**, with respect to the consolidated financial statements of Envestnet, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado

February 28, **2023** 2024

### **Exhibit 31.1**

#### **CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, William C. Crager, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended **December 31, 2022** **December 31, 2023**, 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: February 28, 2023 February 28, 2024

/s/ William C. Crager

William C. Crager

*Chief Executive Officer, Director*

*(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 Annual Report on Form 10-K for the period ended December 31, 2022 December 31, 2023, 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):

- 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
- 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: **February 28, 2023** **February 28, 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 Annual Report of Envestnet, Inc. (the "Company") on Form 10-K for the period ended **December 31, 2022** **December 31, 2023** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William C. Crager, 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:

- The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: */s/ William C. Crager*

William C. Crager

*Chief Executive Officer, Director*

*(Principal Executive Officer)*

Dated: **February 28, 2023** **February 28, 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.

**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 Annual Report of Envestnet, Inc. (the "Company") on Form 10-K for the period ended **December 31, 2022** December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Peter H. 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.

By: /s/ Peter H. D'Arrigo **Joshua B. Warren**  
**Peter H. D'Arrigo** **Joshua B. Warren**  
*Chief Financial Officer*  
*(Principal Financial Officer)*

Dated: **February 28, 2023** February 28, 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.

**ENVESTNET, INC.  
CLAWBACK POLICY**

The following amended and restated clawback policy (the "Policy") of Envestnet, Inc. and its subsidiaries (the "Company") applies to certain compensatory payments or awards held by certain employees of the Company, as provided below. Article 1 of the Policy amends and restates the terms of the clawback policy adopted by the Company in January of 2018. Article 2 of the Policy requires the recovery of erroneously awarded compensation in order to

satisfy the requirements of Section 303A.14 of the New York Stock Exchange Listed Company Manual (the “**Listing Standards**”) and to satisfy the requirements of Rule 10D-1 (“**Rule 10D-1**”) as adopted by the Securities and Exchange Commission (the “**SEC**”) pursuant to the Securities Exchange Act of 1934 (the “**Exchange Act**”) to implement Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Article 3 contains general provisions that apply to the entire Policy.

## Article 1. MISCONDUCT PROVISIONS

Section 1.1 Purpose. The purpose of Article 1 is to promote adherence to the highest standards of integrity and professional excellence by requiring, at the discretion of the Compensation Committee of the Company’s Board of Directors (the “**Committee**”), forfeiture of unsettled Covered Awards and recoupment of previously settled Covered Awards when a Covered Officer:

(a) Engages in fraud or other intentional misconduct that is materially related to a financial restatement by the Company; or

(b) Engages in fraud or other intentional misconduct that results in material financial or reputational harm to the Company.

Section 1.2 Covered Officers. Article 1 applies to each individual who is an “officer” of the Company under Section 16 of the Securities Exchange Act of 1934 (as amended, the “**Exchange Act**”), as well as any other Company officer designated by the Committee, subject in each case to signed written acknowledgment by the individual (a “**Covered Officer**”) in a form similar to that attached as Appendix A. Covered Officers that cease to be employed by the Company for any reason or are no longer “officers” under Section 16 of the Exchange Act will continue to be subject to Article 1 with respect to their Covered Awards; provided that the Committee may in its discretion remove an individual’s designation as a Covered Officer.

Section 1.3 Covered Awards. Article 1 applies to all incentive compensation (including cash bonuses and vested and unvested equity awards, including options, restricted stock and restricted stock units, performance stock unit awards and performance stock awards) from the Company that (i) is awarded, earned, vested or settled during or after the fiscal year in which a Clawback Event occurs, or (ii) is either outstanding during, or has a performance period that relates to, the fiscal year in which the Clawback Event occurs (collectively, the “**Covered Awards**”). Covered Awards do not include other compensation such as base salary or elective deferrals of base salary. Article 1 applies to a Covered Award regardless of whether it is granted before or after adoption of Article 1 and regardless of whether it is granted before or after an individual becomes a Covered Officer.

Section 1.4 Clawback Event. A “**Clawback Event**” occurs when, at any time during his or her employment by the Company (including before becoming a Covered Officer):

(a) the Covered Officer engages in fraud or other intentional misconduct that is materially related to a restatement of the financial statements of the Company; or

(b) the Covered Officer engages in fraud or other intentional misconduct that results in significant financial or reputational harm to the Company.

**Section 1.5 Forfeiture and Clawback.** As determined by the Committee pursuant to Section 6, when a Clawback Event occurs with respect to a Covered Officer, the Covered Officer's unsettled Covered Awards will be subject to forfeiture, and the Covered Officer's settled Covered Awards will be subject to recoupment. For Covered Awards settled in cash, the amount subject to recoupment will equal the amount of the cash payment made to the Covered Officer in settlement of such Covered Award. For Covered Awards settled with shares of the Company or other equity, the amount subject to recoupment will equal the fair market value of the shares or other equity distributed to the Covered Officer in settlement of such Covered Award on the date of such distribution minus any amount paid by the Covered Officer for such shares or other equity.

**Section 1.6 Repayment Notification.** The Committee shall provide written notice of its determination of amounts required to be repaid by the Covered Officer under Article 1, and the Covered Officer will have sixty days (or longer period as determined by the Committee) to repay those amounts to the Company.

#### Section 1.7 Tax Matters.

(a) Notwithstanding any other provision of the Policy to the contrary, distribution with respect to a Covered Award or settlement of a Covered Award will be made no later than the latest date on which such distribution would be required to avoid additional tax by reason of Section 409A of the Internal Revenue Code; provided, however, that if such settlement occurs during a period when such Covered Award remains suspended pursuant to Section 3.2, then the after-tax proceeds of such distribution or settlement shall be held in escrow until such time as such Covered Award is no longer subject to a suspension or such amounts are determined to have been forfeited by the Committee.

(b) The amount of Covered Awards recouped from an individual under Article 1 will be reduced by the excess, if any, of the amount of any taxes due from the individual with respect to payments (including amounts taxable as a result of the exercise of an option) previously made to him or her, minus the amount of the tax benefits to him or her attributable to the recoupment.

### **Article 2. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

**Section 2.1** The purpose of Article 2 is to provide for the recovery of erroneously awarded compensation in order to satisfy the requirements of the Listing Standards and Rule 10D-1 in the event of a Restatement (as defined below).

#### Section 2.2 Definitions As used in this Article 2, the following definitions shall apply:

(a) **"Applicable Period"** means the three completed fiscal years prior to the earlier of (i) the date the Company's board of directors, a board committee, or officer(s) authorized to take such action if board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement. In addition to the last three completed fiscal years described in the preceding sentence, the Applicable Period includes any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years; provided, however, a transition period between the last day of the Company's previous

fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year for purposes of the Applicable Period.

(b) **“Covered Executive”** means all of the Company’s current and former executive officers, as determined by the Committee, in accordance with the Listing Standards and Rule 10D-1 and the definition of executive officer as defined in Rule 10D-1(d).

(c) **“Erroneously Awarded Compensation”** means the amount of Incentive-Based Compensation received by a Covered Executive that exceeds the amount of Incentive-Based

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Compensation that otherwise would have been received had it been determined based on the restated financial statements.

(d) **“Incentive-Based Compensation”** means all compensation (including cash bonuses or other cash incentive awards (including any deferred element thereof), and vested and unvested equity awards, including options, restricted stock and restricted stock units, performance stock unit awards and performance stock awards) from the Company or a subsidiary of the Company that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. For the avoidance of doubt, Incentive-Based Compensation does not include annual salary, compensation awarded based on completion of a specified period of service, or compensation awarded based on subjective standards, strategic measures, or operational measures, unless also based on attainment of a Financial Reporting Measure.

(e) **“Financial Reporting Measures”** are measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures, including stock price and total shareholder return.

(f) **“Restatement”** means an accounting restatement of the Company’s financial statements due to material noncompliance with any financial reporting requirement under the federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

Section 2.3 **Recovery Event.** If the Company is required to prepare a Restatement, then, as determined by the Committee pursuant to this Article 2, the Covered Executive’s unsettled Incentive-Based Compensation will be subject to forfeiture, and the Covered Executive’s settled Incentive-Based Compensation will be subject to recoupment, subject to the following:

(a) The forfeiture or recoupment of the Incentive-Based Compensation will apply to a recipient of Incentive-Based Compensation if the recipient of the Incentive-Based Compensation was a Covered Executive at any time during

the performance period for such Incentive-Based Compensation. This Policy applies to Incentive-Based Compensation received by a Covered Executive after beginning services as a Covered Executive, and any subsequent changes in a Covered Executive's employment status, including retirement or termination of employment, do not affect the Company's rights to recover Erroneously Awarded Compensation pursuant to this Policy.

(b) The amount to be forfeited or recouped will equal the Erroneously Awarded Compensation. The Committee will take actions necessary to recover the Erroneously Awarded Compensation reasonably promptly following a Restatement. Where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information from the Restatement, the amount must be based on a reasonable estimate of the effect of the Restatement on stock price or total shareholder return upon which the Incentive-Based Compensation was granted, vested, paid or settled. The Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to the New York Stock Exchange. The amount of the Erroneously Awarded Compensation shall not be reduced based on, or otherwise calculated with regard to, any taxes paid by the Covered Executive with respect to such amounts.

(a) This Article 2 shall only apply to Incentive-Based Compensations that was received (or would have been settled in the absence of an elective deferral of payment by the individual) during, or in respect of, the Applicable Period and that was received (or would have been settled in the absence of an elective deferral of payment by the individual) during the period while the Company has a class of securities listed on a national securities exchange or a national securities association. For purposes of this Article 2, Incentive-Based Compensation shall be deemed to have been received during the fiscal period in which the financial reporting measure specified in the applicable Incentive-Based

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Compensation is attained, even if such Incentive-Based Compensation is paid or granted after the end of such fiscal period. The Company's obligation to recover erroneously awarded compensation is not dependent on if or when the restated financial statements are filed.

Section 2.4 Impracticability. The Company shall recover any Erroneously Awarded Compensation unless the conditions set forth in clauses (a), (b) or (c) of the following sentence are met and such recovery would be impracticable, as determined by the Committee in accordance with Rule 10D-1 and the Listing Standards. No recovery shall be required if:

(a) the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; *provided* that before concluding that it would be impractical to recover any amount of Erroneously Awarded Compensation based on this clause (a), the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) and provide such documentation to the New York Stock Exchange;

(b) recovery would violate home country law where that law was adopted prior to November 28, 2022; *provided* that before concluding that it would be impractical to recover any amount of Erroneously Awarded

Compensation based on this clause (b), the Company shall obtain an opinion of home country counsel, acceptable to the New York Stock Exchange, that recovery would result in such violation, and shall provide such opinion to the New York Stock Exchange; or

(c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company or a subsidiary, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code.

### **Article 3. GENERAL PROVISIONS**

**Section 3.1 Method of Clawback.** The Committee shall determine, in its sole discretion, the method of recovering any Covered Awards and Erroneously Awarded Compensation pursuant to this Policy, which may include, without limitation:

- (a) requiring reimbursement of cash Covered Awards and Erroneously Awarded Compensation previously paid;
- (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- (c) offsetting the recouped amount from any compensation otherwise owed by the Company or any subsidiary to the Covered Officer or Covered Executive;
- (d) cancelling outstanding vested or unvested equity awards; and/or
- (e) taking any other remedial and recovery action as determined by the Committee; provided, however that any such action pursuant to subsections (a) through (e) shall be subject to applicable law and shall be subject to compliance with Section 409A of the Internal Revenue Code.

### **Section 3.2 Suspension of Outstanding Covered Awards.**

(a) After a determination by the Committee that a Clawback Event or Restatement may have occurred, the Committee may suspend all Covered Awards or Incentive-Based Compensation the Committee determines may be forfeited under Article 1 or Article 2, in which case and subject to the terms of this Section, Covered Awards or Incentive-Based Compensation subject to the suspension: (i) if unvested, will not vest, and (ii) otherwise will not be distributed or permitted to be exercised or otherwise settled. In the event the term of an option award will expire during a period of suspension, the Covered Officer or Covered Executive will be permitted to exercise the option before it expires; however settlement of the option award following such exercise will remain suspended and the

securities otherwise deliverable upon settlement shall remain subject to forfeiture under the terms of Article 1 and Article 2.

(b) Following suspension of a Covered Award or Incentive-Based Compensation under subsection (a) above, the Committee will determine as promptly as practicable whether the suspended Covered Award or Incentive-Based Compensation is to be forfeited or whether the suspension of the Covered Award or Incentive-Based Compensation is to be ended. For Covered Awards and Incentive-Based Compensation that are ultimately not forfeited, the following provisions will apply upon the Committee's determination to lift the suspension:

(i) Unvested awards that would not otherwise have vested during the suspension by their original terms will be thereafter subject to vesting under their original terms;

(ii) Unvested awards that otherwise would have vested during the suspension will vest as soon as practicable and otherwise consistent with their original terms;

(iii) Cash awards such as annual bonus withheld during the suspension will be immediately payable;

(iv) In no event will distribution of cash or shares be made to a Covered Officer or Covered Executive with respect to a Covered Award or Incentive-Based Compensation if, by reason of termination of employment or otherwise, the Covered Officer or Covered Executive would have forfeited the Covered Award or Incentive-Based Compensation if the Covered Award or Incentive-Based Compensation had not been suspended; and

(v) Distribution or settlement of a Covered Award or Incentive-Based Compensation will be made no later than the latest date on which such distribution or settlement would be required to avoid additional tax by reason of Section 409A of the Internal Revenue Code; provided, however, that if such distribution or settlement occurs during a period when such Covered Award or Incentive-Based Compensation remains suspended pursuant to this Section 3.2, then the after-tax proceeds of such distribution or settlement shall be held in escrow until such time as such Covered Award or Incentive-Based Compensation is no longer subject to a suspension or such amounts are determined to have been forfeited by the Committee.

### Section 3.3 Committee Administration and Discretion.

(a) The authority to manage the operation and administration of this Policy is vested in the Committee. This authority includes the obligation to determine: for Article 1, (i) whether conduct amounts to fraud or intentional misconduct, (ii) whether conduct is materially related to a financial restatement, and (iii) whether conduct results in material financial or reputational harm and for Article II, (i) whether a Restatement has occurred for the purposes of Article 2, Rule 10D-1 and the Listing Standards and (ii) the amount of Erroneously Awarded Compensation. The Committee may retain and rely upon the advice and determinations of legal counsel, accountants and other relevant experts to operate and administer this Policy. Any interpretation of the Policy by the Committee and any decision made by it with respect to the Policy will be final, binding and conclusive on all persons.

(b) Enforcement of Article 1 is subject to the Committee's discretion. In particular, after taking into account such considerations as it determines to be relevant, the Committee may reduce or eliminate a forfeiture or recoupment that may otherwise apply to a Covered Award, or otherwise enforce or decline to enforce (including through legal action) the provisions of Article 1.

**Section 3.4 No Indemnification.** The Company shall not indemnify any current or former Covered Executive against the loss of Erroneously Awarded Compensation, and shall not pay, or reimburse any Covered Executives for premiums, for any insurance policy to fund such executive's potential repayment obligations.

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**Section 3.5 Notice.** Before the Committee determines to seek recovery pursuant to this Policy, it shall provide the Covered Executive or Covered Officer with written notice and the opportunity to be heard at a meeting of the Committee or the Board (either in person or via telephone).

**Section 3.6 Effective Date.** This Policy as restated is effective as of November 1, 2023 (the "**Effective Date**"). The terms of this Policy shall apply to any Covered Awards and Incentive-Based Compensation that are received by a Covered Executive on or after October 2, 2023, even if such Covered Awards and Incentive-Based Compensation were approved, awarded or granted to the Covered Executive prior to October 2, 2023. Subject to applicable law, the Committee may effect forfeiture or recoupment under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

**Section 3.7 Amendment and Interpretation.** The Committee may amend this Policy from time to time in its discretion, and shall amend this Policy as it deems necessary, appropriate or advisable to reflect the regulations adopted by the SEC and to comply with any rules or standards adopted by a national securities exchange on which the Company's securities are then listed. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC and any national securities exchange on which the Company's securities are then listed.

**Section 3.8 Other Recoupment Rights.** The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement, or similar agreement entered into, amended or restated on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive or Covered Officer to agree to abide by the terms of this Policy and the application of this Policy to any award made prior to the Effective Date. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any other recoupment or recoupment policy, any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

**Section 3.9 Successors.** This Policy shall be binding and enforceable against all Covered Executives and Covered Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

**Section 3.10 Disclosure Obligations.** The Company shall file all disclosures with respect to this Policy required by applicable SEC filings and rules.

**Section 3.11 Entire Agreement.** To the extent inconsistent with this Policy, this Policy supersedes all prior contracts, agreements and understandings, written or oral, with any Covered Executive. In the event any contract, agreement or understanding with any Covered Executive is inconsistent with the terms of this Policy, the terms of this Policy shall govern.

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## **Appendix A**

### **Acknowledgement**

[Date]

[Covered Officer/Executive name]

Address]

Dear [Covered Officer/Executive name]:

Please sign and return to me this letter acknowledging that you have received a copy of the Envestnet, Inc. Clawback Policy and that you agree to its application to you as a Covered Officer and, if applicable, as a Covered Executive. Your receipt of grants of equity or incentive compensation on or after the effective date of the Clawback Policy is conditioned on your agreeing to the terms of the Clawback Policy.

By signing this letter, you agree that the Policy, as it may be amended from time to time, applies to your Covered Awards and Incentive-Based Compensation (as defined in the Policy), regardless of whether it is granted on, before, or after the date on which this Policy was adopted by the Company or the date that you sign this letter. Additionally, you agree and acknowledge that the Policy supersedes any prior contract, agreement and understanding, written or oral, between you and the Company and that, in the event any contract, agreement or understanding with you is inconsistent with the Policy, the terms of the Policy shall govern.

You also agree and acknowledge that the Covered Awards and Incentive-Based Compensation subject to the Policy are voluntary programs, that you have chosen to accept such Covered Awards and Incentive-Based Compensation understanding that such Covered Awards and Incentive-Based Compensation are subject to forfeiture and recoupment as set forth in the Policy, and that you specifically agree to such forfeiture and recoupment. If you do not wish to accept any future Covered Awards and Incentive-Based Compensation subject to the Policy or to otherwise agree to the terms of the Policy, you must notify in writing [ ] in [Human Resources] [within 10 days after receiving notice of a grant of a Covered Award or Incentive-Based Compensation that you are rejecting such grant] [no later than [ ]].

If you have any questions about the Policy, please contact me.

Very truly yours,

[Company representative name]

[Title]

Acknowledged and agreed:

*[Covered Officer/Executive name]*

Date:

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