

REFINITIV

DELTA REPORT

10-Q

HQY - HEALTHEQUITY, INC.
10-Q - APRIL 30, 2024 COMPARED TO 10-Q - OCTOBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1236
CHANGES	250
DELETIONS	367
ADDITIONS	619

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

Form 10-Q

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

For the quarterly period ended **October 31, 2023** **April 30, 2024**
OR

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

Commission file number: 001-36568

HEALTH EQUITY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

52-2383166

(I.R.S. Employer
Identification Number)

15 West Scenic Pointe Drive
Suite 100
Draper, Utah 84020

(Address of principal executive offices) (Zip code)

(801) 727-1000

(Registrant's telephone Number, including Area Code)

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 \$0.0001 per share	HQY	The NASDAQ Global Select Market

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth Company	<input type="checkbox"/>

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. ☐

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

As of **November 29, 2023** **May 29, 2024**, there were **85,801,144** **87,010,560** shares of the registrant's common stock outstanding.

HealthEquity, Inc. and subsidiaries

Form 10-Q quarterly report

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Part I. Financial information

Item 1. Financial statements

HealthEquity, Inc. and subsidiaries

Condensed consolidated balance sheets

(in thousands, except par value)	(in thousands, except par value)	October 31, 2023	January 31, 2023	(in thousands, except par value)	April 30, 2024	January 31, 2024
	(unaudited)					
	(unaudited)					
Assets						
Assets						
Assets	Assets					
Current assets	Current assets					
Current assets						
Current assets						
Cash and cash equivalents	Cash and cash equivalents	\$ 334,061	\$ 254,266			
Accounts receivable, net of allowance for doubtful accounts of \$4,876 and \$4,989 as of October 31, 2023 and January 31, 2023, respectively		96,181	96,835			
Cash and cash equivalents						

Cash and cash equivalents			
Accounts receivable, net of allowance for doubtful accounts of \$3,741 and \$3,947 as of April 30, 2024 and January 31, 2024, respectively			
Other current assets	Other current assets	44,166	31,792
Total current assets	Total current assets	474,408	382,893
Property and equipment, net	Property and equipment, net	7,660	12,862
Operating lease right-of-use assets	Operating lease right-of-use assets	50,329	56,461
Intangible assets, net	Intangible assets, net	860,514	936,359
Goodwill	Goodwill	1,648,145	1,648,145
Other assets	Other assets	52,446	52,180
Total assets	Total assets	\$3,093,502	\$3,088,900
Liabilities and stockholders' equity			
Current liabilities			
Current liabilities			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	\$ 13,419	\$ 13,899
Accrued compensation	Accrued compensation	31,208	45,835
Accrued liabilities	Accrued liabilities	41,840	43,668
Current portion of long-term debt		—	17,500
Operating lease liabilities	Operating lease liabilities	9,769	10,159
Total current liabilities	Total current liabilities	96,236	131,061
Long-term liabilities	Long-term liabilities		
Long-term debt, net of issuance costs			
Long-term debt, net of issuance costs			
Long-term debt, net of issuance costs	Long-term debt, net of issuance costs	874,270	907,838
Operating lease liabilities, non-current	Operating lease liabilities, non-current	50,580	58,988
Other long-term liabilities	Other long-term liabilities	17,711	12,708

Deferred tax liability	Deferred tax liability	66,737	82,665	
Total long-term liabilities	Total long-term liabilities	1,009,298	1,062,199	
Total liabilities	Total liabilities	1,105,534	1,193,260	
Commitments and contingencies (see Note 5)	Commitments and contingencies (see Note 5)			Commitments and contingencies (see Note 5)
Stockholders' equity	Stockholders' equity			
Preferred stock, \$0.0001 par value, 100,000 shares authorized, no shares issued and outstanding as of October 31, 2023 and January 31, 2023, respectively		—	—	
Common stock, \$0.0001 par value, 900,000 shares authorized, 85,800 and 84,758 shares issued and outstanding as of October 31, 2023 and January 31, 2023, respectively		9	8	
Preferred stock, \$0.0001 par value, 100,000 shares authorized, no shares issued and outstanding as of April 30, 2024 and January 31, 2024, respectively				
Preferred stock, \$0.0001 par value, 100,000 shares authorized, no shares issued and outstanding as of April 30, 2024 and January 31, 2024, respectively				
Preferred stock, \$0.0001 par value, 100,000 shares authorized, no shares issued and outstanding as of April 30, 2024 and January 31, 2024, respectively				
Common stock, \$0.0001 par value, 900,000 shares authorized, 87,010 and 86,127 shares issued and outstanding as of April 30, 2024 and January 31, 2024, respectively				
Additional paid-in capital	Additional paid-in capital	1,808,695	1,745,716	
Accumulated earnings	Accumulated earnings	179,264	149,916	
Total stockholders' equity	Total stockholders' equity	1,987,968	1,895,640	
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$3,093,502	\$3,088,900	

See accompanying notes to condensed consolidated financial statements.

HealthEquity, Inc. and subsidiaries
Condensed consolidated statements of operations and
comprehensive income (loss) (unaudited)

		Three months ended October 31,		Nine months ended October 31,			
		Three months ended April 30,				Three months ended April 30,	
(in thousands, except per share data)	(in thousands, except per share data)	2023	2022	2023	2022	(in thousands, except per share data)	2023
Revenue	Revenue						
Service revenue	Service revenue						
Service revenue	Service revenue						
Service revenue	Service revenue						
Service revenue	Service revenue	\$107,512	\$108,580	\$318,343	\$315,962		
Custodial revenue	Custodial revenue	106,575	74,642	299,933	199,606		
Interchange revenue	Interchange revenue	35,132	32,864	118,924	112,339		
Total revenue	Total revenue	249,219	216,086	737,200	627,907		
Cost of revenue	Cost of revenue						
Service costs	Service costs						
Service costs	Service costs						
Service costs	Service costs	75,347	76,493	232,445	232,281		
Custodial costs	Custodial costs	9,177	6,812	27,310	20,543		
Interchange costs	Interchange costs	6,287	5,923	20,281	19,240		
Total cost of revenue	Total cost of revenue	90,811	89,228	280,036	272,064		
Gross profit	Gross profit	158,408	126,858	457,164	355,843		
Operating expenses	Operating expenses						
Sales and marketing	Sales and marketing	19,656	17,245	58,714	49,648		
Sales and marketing	Sales and marketing						
Sales and marketing	Sales and marketing						
Technology and development	Technology and development	55,614	48,890	163,573	140,653		
General and administrative	General and administrative	26,379	25,131	78,363	74,795		
Amortization of acquired intangible assets	Amortization of acquired intangible assets	23,213	23,541	69,545	71,420		
Merger integration	Merger integration	2,655	6,509	8,157	23,486		
Total operating expenses	Total operating expenses	127,517	121,316	378,352	360,002		
Income (loss) from operations		30,891	5,542	78,812	(4,159)		

Income from operations						
Other expense	Other expense					
Interest expense						
Interest expense						
Interest expense	Interest expense	(13,545)	(12,165)	(41,814)	(34,119)	
Other income, net	Other income, net	3,741	443	8,325	174	
Total other expense	Total other expense	(9,804)	(11,722)	(33,489)	(33,945)	
Income (loss) before income taxes		21,087	(6,180)	45,323	(38,104)	
Income tax provision (benefit)		6,414	(4,539)	15,975	(12,170)	
Net income (loss) and comprehensive income (loss)		\$ 14,673	\$ (1,641)	\$ 29,348	\$ (25,934)	
Net income (loss) per share:						
Income before income taxes						
Income tax provision						
Net income and comprehensive income						
Net income per share:						
Basic						
Basic						
Basic	Basic	\$ 0.17	\$ (0.02)	\$ 0.34	\$ (0.31)	
Diluted	Diluted	\$ 0.17	\$ (0.02)	\$ 0.34	\$ (0.31)	
Weighted-average number of shares used in computing net income (loss) per share:						
Weighted-average number of shares used in computing net income per share:						
Basic						
Basic						
Basic	Basic	85,697	84,572	85,424	84,349	
Diluted	Diluted	87,122	84,572	86,707	84,349	

See accompanying notes to condensed consolidated financial statements.

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HealthEquity, Inc. and subsidiaries

Condensed consolidated statements of stockholders' equity (unaudited)

		Three months ended October 31,		Nine months ended October 31,			
		Three months ended April 30,				Three months ended April 30,	
(in thousands)	(in thousands)	2023	2022	2023	2022	(in thousands)	2023

Total stockholders' equity, beginning balance	Total stockholders' equity, beginning balance	\$1,949,614	\$1,864,896	\$1,895,640	\$1,852,575
Common stock:	Common stock:				

Common stock:

Common stock:

Beginning balance

Beginning balance

Beginning balance	Beginning balance	9	8	8	8
Issuance of common stock upon exercise of stock options, and for restricted stock	Issuance of common stock upon exercise of stock options, and for restricted stock	—	—	1	—
Ending balance	Ending balance	9	8	9	8

Additional paid-in capital:	Additional paid-in capital:
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Beginning balance

Beginning balance

Beginning balance	Beginning balance	1,785,014	1,713,122	1,745,716	1,676,508
Issuance of common stock upon exercise of stock options, and for restricted stock	Issuance of common stock upon exercise of stock options, and for restricted stock	2,019	1,693	3,040	6,167
Stock-based compensation	Stock-based compensation	21,662	18,170	59,939	50,310
Ending balance	Ending balance	1,808,695	1,732,985	1,808,695	1,732,985

Accumulated earnings	Accumulated earnings
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Beginning balance	Beginning balance	164,591	151,766	149,916	176,059
Net income (loss)		14,673	(1,641)	29,348	(25,934)

Beginning balance			
Beginning balance			
Net income			

Ending balance	Ending balance	179,264	150,125	179,264	150,125
Total stockholders' equity, ending balance	Total stockholders' equity, ending balance	\$1,987,968	\$1,883,118	\$1,987,968	\$1,883,118

Total stockholders' equity, ending balance	100.00	100.00
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Total stockholders' equity, ending
balance

See accompanying notes to condensed consolidated financial statements.

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HealthEquity, Inc. and subsidiaries

Condensed consolidated statements of cash flows (unaudited)

		Nine months ended October 31,			
		Three months ended April 30,		Three months ended April 30,	
(in thousands)	(in thousands)	2023	2022 (in thousands)	2024	2023
Cash flows from operating activities:	Cash flows from operating activities:				
Net income (loss)		\$ 29,348	\$ (25,934)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Net income					
Net income					
Net income					
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization					
Depreciation and amortization					
Depreciation and amortization					
Stock-based compensation	Stock-based compensation	59,939	50,310		
Amortization of debt discount and issuance costs	Amortization of debt discount and issuance costs	2,150	2,454		
Loss on extinguishment of debt	Loss on extinguishment of debt	1,157	—		
Other non-cash items		—	269		
Deferred taxes	Deferred taxes	(15,928)	(10,565)		
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:				
Accounts receivable, net					
Accounts receivable, net					

Accounts receivable, net	Accounts receivable, net	654	(451)
Other assets	Other assets	(12,820)	6,809
Operating lease right-of-use assets	Operating lease right-of-use assets	8,241	6,169
Accrued compensation	Accrued compensation	(14,829)	(11,630)
Accounts payable, accrued liabilities, and other current liabilities	Accounts payable, accrued liabilities, and other current liabilities	(2,363)	(33,170)
Operating lease liabilities, non-current	Operating lease liabilities, non-current	(9,966)	(5,401)
Other long-term liabilities	Other long-term liabilities	5,003	(4,427)
Net cash provided by operating activities	Net cash provided by operating activities	165,753	95,159
Cash flows from investing activities:	Cash flows from investing activities:		
Purchases of software and capitalized software development costs	Purchases of software and capitalized software development costs	(30,413)	(35,306)
Purchases of software and capitalized software development costs			
Purchases of software and capitalized software development costs			
Purchases of property and equipment	Purchases of property and equipment	(1,134)	(2,971)
Acquisitions of HSA portfolios	Acquisitions of HSA portfolios	(3,257)	(70,574)
Net cash used in investing activities	Net cash used in investing activities	(34,804)	(108,851)
Cash flows from financing activities:	Cash flows from financing activities:		
Proceeds from long-term debt			
Proceeds from long-term debt			
Proceeds from long-term debt			
Principal payments on long-term debt	Principal payments on long-term debt	(54,375)	(6,562)

Settlement of client-held funds obligation, net	Settlement of client-held funds obligation, net	(183)	(1,579)
Proceeds from exercise of common stock options	Proceeds from exercise of common stock options	3,404	6,616
Net cash used in financing activities		(51,154)	(1,525)
Increase (decrease) in cash and cash equivalents		79,795	(15,217)
Net cash provided by (used in) financing activities			
Decrease in cash and cash equivalents			
Beginning cash and cash equivalents	Beginning cash and cash equivalents	254,266	225,414
Ending cash and cash equivalents	Ending cash and cash equivalents	\$334,061	\$210,197

See accompanying notes to condensed consolidated financial statements.

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HealthEquity, Inc. and subsidiaries

Condensed consolidated statements of cash flows (unaudited) (continued)

		Nine months ended October 31,			
				Three months ended April 30,	Three months ended April 30,
(in thousands)	(in thousands)	2023	2022	(in thousands)	2024
Supplemental cash flow data:	Supplemental cash flow data:				
Interest expense paid in cash	Interest expense paid in cash	\$44,194	\$36,268		
Income tax payments, net		24,777	775		
Interest expense paid in cash					
Interest expense paid in cash					
Income tax payments (refunds), net					
Supplemental disclosures of non-cash investing and financing activities:	Supplemental disclosures of non-cash investing and financing activities:				

Purchases of software and capitalized software development costs included in accounts payable, accrued liabilities, or accrued compensation	Purchases of software and capitalized software development costs included in accounts payable, accrued liabilities, or accrued compensation	2,882	4,099
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Purchases of software and capitalized software development costs included in accounts payable, accrued liabilities, or accrued compensation

Purchases of software and capitalized software development costs included in accounts payable, accrued liabilities, or accrued compensation

Purchases of property and equipment included in accounts payable or accrued liabilities	Purchases of property and equipment included in accounts payable or accrued liabilities	98	297
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Acquisitions of HSA portfolios included in accounts payable or accrued liabilities

Exercise of common stock options receivable	Exercise of common stock options receivable	19	21
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Increase in goodwill due to measurement period adjustments, net		—	77
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See accompanying notes to condensed consolidated financial statements.

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HealthEquity, Inc. and subsidiaries

Notes to condensed consolidated financial statements (unaudited)

Note 1. Summary of business and significant accounting policies

Business

HealthEquity, Inc. ("HealthEquity" or the "Company") was incorporated in the state of Delaware on September 18, 2002. HealthEquity is a leader in administering health savings accounts ("HSAs") and complementary consumer-directed benefits ("CDBs"), which empower consumers to access tax-advantaged healthcare savings while also providing corporate tax advantages for employers.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. The reclassifications relate primarily to recordkeeping and advisory fees associated with HSA investments, which were reclassified from custodial revenue to service revenue to better align the Company's financial statement presentation with the underlying drivers of the Company's revenue streams. The Company also reclassified certain immaterial personnel-related costs from custodial costs to service costs or general and administrative costs. The reclassifications had no impact on the Company's total revenue, income from operations, net income, cash flows, or stockholders' equity. The following table presents the impact of the reclassifications:

(in thousands)	Three months ended April 30, 2023		
	Prior presentation	Reclassifications	Current presentation
Service revenue	\$ 105,112	\$ 5,961	\$ 111,073
Custodial revenue	94,441	(5,961)	88,480
Interchange revenue	44,879	—	44,879
Total revenue	244,432	—	244,432
Total cost of revenue	96,606	(644)	95,962
Gross profit	147,826	644	148,470
Total operating expenses	124,645	644	125,289
Total other expense	(13,169)	—	(13,169)
Income tax provision	5,918	—	5,918
Net income	\$ 4,094	\$ —	\$ 4,094

Principles of consolidation

The Company consolidates entities in which the Company has a controlling financial interest, which includes all of its wholly owned direct and indirect subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation

The accompanying condensed consolidated financial statements as of **October 31, 2023** **April 30, 2024** and for the three **and nine** months ended **October 31, 2023** **April 30, 2024** and **2022** **2023** are unaudited and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and the applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. In the opinion of management, the interim data includes all adjustments necessary for a fair presentation of the results for the interim periods. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended **January 31, 2023** **January 31, 2024**. The fiscal year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP.

Significant accounting policies

There have been no material changes in the Company's significant accounting policies as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the fiscal year ended **January 31, 2023** **January 31, 2024**.

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Recently adopted accounting pronouncements

None.

Recently issued accounting pronouncements not yet adopted

None. In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of other segment items, interim disclosure of a reportable segment's profit or loss and assets, the title and position of the CODM, and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. The ASU requires public companies with a single reportable segment to provide the segment disclosures required by Topic 280 and will be effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. We are currently evaluating the ASU to determine its impact on our disclosures.

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The following table sets forth the computation of basic and diluted net income (loss) per share:

	Three months	
	ended October	Nine months
	31,	ended October 31,

Weighted-average dilutive effect of stock options and restricted stock units	Weighted-average dilutive effect of stock options and restricted stock units	1,425	—	1,283	—
Diluted weighted-average common shares outstanding	Diluted weighted-average common shares outstanding	87,122	84,572	86,707	84,349
Net income (loss) per share:					
Net income per share:					
Basic					
Basic					
Basic	Basic	\$ 0.17	\$ (0.02)	\$ 0.34	\$ (0.31)
Diluted	Diluted	\$ 0.17	\$ (0.02)	\$ 0.34	\$ (0.31)

For the three months ended **October 31, 2023** **April 30, 2024** and **2022**, approximately **0.6 million** **2023**, **0.1 million** and **2.0 million** **1.0 million** shares, respectively, attributable to outstanding stock options and restricted stock units were excluded from the calculation of diluted net income (loss) per share as their inclusion would have been anti-dilutive.

For the nine months ended October 31, 2023 and 2022, approximately 1.0 million and 2.4 million shares, respectively, attributable to outstanding stock options and restricted stock units were excluded from the calculation of diluted net income (loss) per share as their inclusion would have been anti-dilutive.

Note 3. Supplemental financial statement information

Selected condensed consolidated balance sheet and condensed consolidated statement of operations and comprehensive income (loss) components consisted of the following:

Prepaid expenses

As of April 30, 2024 and January 31, 2024, the Company had prepaid expenses of \$36.9 million and \$31.2 million, respectively, which are included within other current assets on the Company's condensed consolidated balance sheets.

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Property and equipment

Property and equipment consisted of the following:

(in thousands)	(in thousands)	October 31, 2023	January 31, 2023	(in thousands)	April 30, 2024	January 31, 2024
Leasehold improvements	Leasehold improvements	\$18,214	\$18,269			
Furniture and fixtures	Furniture and fixtures	8,392	8,392			
Computer equipment	Computer equipment	26,918	28,021			
Property and equipment, gross	Property and equipment, gross	53,524	54,682			
Accumulated depreciation	Accumulated depreciation	(45,864)	(41,820)			

Depreciation expense was \$1.4 million and \$2.5 million for the three months ended October 31, 2023 April 30, 2024 and 2022 was \$1.8 million and \$2.9 million, respectively, and \$6.4 million and \$9.4 million for the nine months ended October 31, 2023 and 2022, 2023, respectively.

The Company does not recognize revenue until its right to consideration is unconditional and therefore has no related contract assets. The Company records a receivable when revenue is recognized prior to payment and the Company has unconditional right to payment. Alternatively, when payment precedes the related services, the Company records a contract liability, or deferred revenue, until its performance obligations are satisfied. As of **October 31, 2023**, **April 30, 2024** and **January 31, 2023**, **January 31, 2024**, the balance of deferred revenue was **\$5.8 million**, **\$5.3 million** and **\$8.3 million**, **\$6.2 million**, respectively, and is included within accrued liabilities on the Company's condensed consolidated balance sheets, respectively. The balances are related to cash received in advance for interchange and custodial revenue arrangements, other up-front fees and other commuter deferred revenue. The Company expects to recognize approximately **67%**, **74%** of its balance of deferred revenue as revenue over the next 12 months and the remainder thereafter. During Amounts expected to be recognized as revenue within a period of 12 months or less are classified as accrued liabilities on the Company's condensed consolidated balance sheets, with the remainder included within other long-term liabilities. Revenue recognized during the three and nine months ended **October 31, 2023**, approximately **\$1.1 million** and **\$4.0 million**, respectively, of revenue was

recognized April 30, 2024 that was included in the balance of deferred revenue as of January 31, 2023 January 31, 2024 was \$1.5 million. The Company expects to satisfy its remaining obligations for these arrangements.

The components of operating lease costs were as follows:

Accrued liabilities

Accrued inventory of \$5.7 million is included within accrued liabilities on the Company's condensed consolidated balance sheet as of October 31, 2023.

Other income, net

Other income, net, consisted of the following:

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Other income (expense), net	Other income (expense), net	28	—	530	(357)
Total other income, net	Total other income, net	\$3,741	\$443	\$8,325	\$174

Interest expense

Based on the application of Accounting Standards Codification ("ASC") 470-50, *Debt - Modifications and Extinguishments*, the Company recorded a \$1.2 million loss on extinguishment of debt due to the prepayment of \$50.0 million under the Company's Term Loan Facility (as defined in Note 6—Indebtedness) in April 2023, which is included within interest expense in the condensed consolidated statement of operations and comprehensive income for the **nine three** months ended **October 31, 2023** **April 30, 2023**.

Supplemental cash flow information

Supplemental cash flow information related to the Company's operating leases was as follows:

		Nine months ended October 31,			
				Three months ended April 30,	
(in thousands)	(in thousands)	2023	2022	(in thousands)	2024
Cash paid for amounts included in the measurement of lease liabilities:	Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	Operating cash flows from operating leases	\$8,174	\$9,387		
Operating lease right-of-use assets obtained in exchange for new operating lease obligations		\$2,109	\$1,092		
Operating cash flows from operating leases					
Operating cash flows from operating leases					
Right-of-use assets obtained in exchange for lease obligations					

Note 4. Intangible assets and goodwill

Intangible assets

The gross carrying amount and associated accumulated amortization of intangible assets were as follows:

October 31, 2023								
April 30, 2024					April 30, 2024			
(in thousands)	(in thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount	(in thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:	Amortizable intangible assets:							
Software and software development costs	Software and software development costs							
Software and software development costs	Software and software development costs	\$ 257,863	\$ (186,405)	\$ 71,458				
Acquired HSA portfolios	Acquired HSA portfolios	264,445	(76,654)	187,791				
Acquired customer relationships	Acquired customer relationships	759,782	(192,203)	567,579				
Acquired developed technology	Acquired developed technology	132,825	(99,210)	33,615				
Acquired trade names	Acquired trade names	12,900	(12,829)	71				
Total amortizable intangible assets	Total amortizable intangible assets	\$ 1,427,815	\$ (567,301)	\$ 860,514				
January 31, 2023								
January 31, 2024					January 31, 2024			
(in thousands)	(in thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount	(in thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:	Amortizable intangible assets:							
Software and software development costs	Software and software development costs							
Software and software development costs	Software and software development costs	\$ 233,194	\$ (152,178)	\$ 81,016				
Acquired HSA portfolios	Acquired HSA portfolios	261,188	(63,547)	197,641				

Acquired customer relationships	Acquired customer relationships	759,782	(153,434)	606,348
Acquired developed technology	Acquired developed technology	132,825	(81,692)	51,133
Acquired trade names	Acquired trade names	12,900	(12,679)	221
Total amortizable intangible assets	Total amortizable intangible assets	\$1,399,889	\$ (463,530)	\$936,359

Amortization expense was \$37.5 million and \$36.5 million for the three months ended October 31, 2023 April 30, 2024 and 2022 was \$36.0 million and \$37.6 million, respectively, and \$108.8 million and \$111.4 million for the nine months ended October 31, 2023 and 2022, 2023, respectively.

Goodwill

There were no changes to the carrying value of goodwill during the nine three months ended October 31, 2023 April 30, 2024.

Note 5. Commitments and contingencies

Commitments

The Company's principal commitments consist of long-term debt, operating lease obligations for office space and data storage facilities, processing services agreements, software subscriptions, telephony services, and other contractual commitments.

In April 2023, the Company used \$50.0 million of cash to prepay, in direct order of maturity, principal due under its Term Loan Facility.

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In September 2023, the Company entered into an agreement to acquire the BenefitWallet HSA portfolio from Conduent Business Services, LLC ("Conduent"). The transfer closed in a series of three tranches, as presented in the following table:

(in thousands, except HSA Assets)	Transfers to HealthEquity			Applicable purchase price	
	HSAs	HSA Assets (in millions)	Paid using cash on hand	Paid using borrowings under the Revolving	
				Credit Facility	Total purchase price
March 7, 2024	266 \$	1,071 \$	163,974 \$	— \$	163,974
April 11, 2024	134	555	34,925	50,000	84,925
May 9, 2024	216	1,047	1,101	175,000	176,101
Total	616 \$	2,673 \$	200,000 \$	225,000 \$	425,000

The BenefitWallet HSA portfolio acquisition was accounted for a purchase price as an asset acquisition, and related acquisition costs were capitalized as part of \$425.0 the cost of the asset, which is included within intangible assets, net, on the Company's condensed consolidated balance sheet. The Company capitalized \$11.7 million and up to \$20.0 million in transfer-related expenses. In addition, the Company expects to incur approximately \$7.0 \$15.5 million of transaction costs associated with the acquisition. The agreement contemplates a transfer acquisition during the three months ended April 30, 2024 and in May 2024, respectively. Total capitalized transaction costs of approximately 665,000 customer accounts and their approximately \$2.8 billion \$27.2 million include the reimbursement of HSA assets and includes a mechanism to adjust \$20.0 million of Conduent's transfer-related expenses. In addition, in May 2024, the purchase price based on the amount of HSA assets actually transferred. Pursuant to the agreement, HealthEquity will assume Company assumed a contract with a depository partner representing approximately 7% of the total maximum acquired HSA assets, Assets added through the acquisition, which provides a custodial yield that is below current market rates and expires in June 2026. The transfer is expected to close Company recorded a \$20.3 million liability in multiple tranches during the first half of fiscal 2025, subject to the satisfaction of certain customary closing conditions. The Company expects to pay approximately 50% May 2024 as a result of the purchase price and associated costs using cash on hand, with assumed contract, which will be recorded as an increase to custodial revenue over the remainder paid using life of the Company's Revolving Credit Facility (as defined in Note 6—Indebtedness) with the actual percentages to be determined in connection with the payment for each tranche.

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assumed contract.

There were no other material changes during the **nine three** months ended **October 31, 2023** **April 30, 2024**, outside of the ordinary course of business, in the Company's commitments from those disclosed in its Annual Report on Form 10-K for the fiscal year ended **January 31, 2023** **January 31, 2024**.

Contingencies

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future but have not yet been made. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Legal matters

In April 2021, WageWorks, Inc. ("WageWorks"), a wholly owned subsidiary of the Company, exercised its right to terminate a lease for office space in Mesa, Arizona that had not yet commenced, with aggregate lease payments of \$63.1 million and a term of approximately 11 years, following the landlord's failure to fulfill its obligations under the lease **agreement**. **Because the lease had not yet commenced, the Company had not recognized a right-of-use asset, operating lease liability, or any rent expense associated with the lease.** **agreement (the "Lease").** WageWorks' right to terminate the **lease agreement** **Lease** was disputed by the landlord, Union Mesa 1, LLC ("Union Mesa"), **which claimed that the Lease had commenced on December 1, 2020.** On November 5, 2021, Union Mesa notified WageWorks that it was in default of the **lease Lease** for failure to pay rent, which Union Mesa claimed was due beginning in November 2021, **and on after 11 months of abated rent.** On November 24, 2021, **Union Mesa** drew \$2.8 million, the full amount under the letter of credit that WageWorks had posted to secure its obligations under the **lease.** **Lease.**

On December 1, 2021, WageWorks filed a lawsuit against Union Mesa in the **Maricopa County Superior Court of in the State of Arizona in and for the County of Maricopa, Arizona.** On January 4, 2022, WageWorks filed an amended complaint, **in the Superior Court.** Pursuant to the lawsuit, **WageWorks seeks seeking a** declaratory judgment that the **lease Lease** was properly terminated and recourse against Union Mesa for breach of contract, breach of the duty of good faith and fair dealing, and conversion, including return of the funds drawn under the letter of credit. **On January 31, 2022, Union Mesa filed a motion to dismiss for the conversion cause of action, which the Superior Court denied on April 13, 2022.** **On May 18, 2022, In May and June 2022, Union Mesa filed an answer, counterclaim, and counterclaim with third-party complaint against WageWorks and the Superior Court, wherein Union Mesa denied Company, denying** WageWorks' claims and separately **seeks seeking** recourse against WageWorks for breach of contract and breach of the implied covenant of good faith and fair dealing. **On May 19, 2022, Union Mesa filed an amended complaint and counterclaim seeking the same recourse. On June 29, 2022, Union Mesa filed a second amended answer and counterclaim, which names dealing, as well as against the Company as a counter-defendant, under the terms of its guaranty of WageWorks' obligations under the Lease.** On July 21, 2022, WageWorks and the Company filed an answer to the **counterclaims, counterclaim and the third-party complaint on its declaratory judgment claim that WageWorks' termination was improper under the Lease.** On **April 26, 2023** **December 8, 2023,** representatives from the parties participated in a court-ordered mediation held in Phoenix, Arizona, which was unsuccessful. On December 29, 2023, the Superior

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Court issued an order denying Union Mesa filed a Mesa's motion for partial summary judgment **after finding that genuine issues of material fact exist.** A trial is scheduled to start on December 9, 2024.

WageWorks is seeking consequential damages relating to Union Mesa's breach of the **Company Lease** and **WageWorks filed a response on September 5, 2023, an oral argument was held on conversion of the motion on September 29, 2023, letter of credit, including consequential damages, pre-judgment interest, and the parties are awaiting a decision on the motion from the Superior Court. its attorneys' fees.** Union Mesa has denied liability for these damages. Through its claims, Union Mesa is seeking direct and consequential damages in an amount to be proven at trial and an award of its reasonable attorney fees, plus interest, until any damages or fees that are awarded are paid. **The parties According to Union Mesa, these damages include (i) all rent payments due under the Lease accruing from December 2, 2020 (including abated rent), (ii) late charges of 3% on past due amounts, (iii) interest on past due amounts at an interest rate of the prime rate plus 5%, (iv) costs incurred in reletting the premises, (v) attorneys' fees negotiating the lease and related agreements, and (vi) any other amounts necessary to compensate Union Mesa for the detriment proximately caused by WageWorks' alleged breach of the Lease. In addition, Union Mesa states that it intends to re-assert periodic actions against WageWorks to seek all amounts due from time to time through the remaining term of the Lease or until the premises are currently engaged in discovery, successfully relet.**

The Company and its subsidiaries are involved in various other litigation, governmental proceedings and claims, not described above, that arise in the normal course of business. It is not possible to determine the ultimate outcome or the duration of such litigation, governmental proceedings or claims, or the impact that such litigation, proceedings and claims will have on the Company's financial position, results of operations, and cash flows.

As required under GAAP, the Company records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information, the Company does not believe that any liabilities relating to these matters are probable or that the amount of any resulting loss is estimable. However, litigation is subject to inherent uncertainties and the Company's view of these matters may change in the future. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on the Company's financial position, results of operations and cash flows for the period in which the unfavorable outcome occurs, and potentially in future periods.

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Note 6. Indebtedness

Long-term debt consisted of the following:

(in thousands)	(in thousands)	October 31, 2023	January 31, 2023	(in thousands)	April 30, 2024	January 31, 2024
4.50% Senior Notes due 2029	4.50% Senior Notes due 2029	\$600,000	\$600,000			
Term Loan Facility	Term Loan Facility	286,875	341,250			
Revolving Credit Facility						
Principal amount	Principal amount	886,875	941,250			
Less: unamortized discount and issuance costs (1)	Less: unamortized discount and issuance costs (1)	12,605	15,912			
Total debt, net	Total debt, net	874,270	925,338			
Less: current portion of long-term debt	Less: current portion of long-term debt	—	17,500	Less: current portion of long-term debt		
Long-term debt, net	Long-term debt, net	\$874,270	\$907,838			

(1) In addition to the \$12.6 \$11.2 million and \$15.9 \$11.9 million of unamortized discount and issuance costs related to long-term debt as of October 31, 2023 April 30, 2024 and January 31, 2023 January 31, 2024, respectively, \$2.7 \$2.3 million and \$3.4 \$2.5 million of unamortized issuance costs related to the Company's Revolving Credit Facility (as defined below) are included within other assets on the condensed consolidated balance sheets as of October 31, 2023 April 30, 2024 and January 31, 2023 January 31, 2024, respectively.

4.50% Senior Notes due 2029

On October 8, 2021, the Company completed its offering of \$600 million aggregate principal amount of its 4.50% Senior Notes due 2029 (the "Notes"). The Notes were issued under an indenture (the "Indenture"), dated October 8, 2021, among the Company, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee.

The Notes are guaranteed by each of the Company's existing, wholly owned domestic subsidiaries that guarantees its obligations under the Credit Agreement (as defined below) and are required to be guaranteed by any of the Company's future subsidiaries that guarantee its obligations under the Credit Agreement or certain of its other indebtedness. The Notes will mature on October 1, 2029. Interest on the Notes is payable on April 1 and October 1 of each year. **Accrued As of April 30, 2024 and January 31, 2024, the balance of accrued** interest on the Notes was \$2.3 million and **\$9.0 million as of October 31, 2023 and January 31, 2023 \$9.3 million**, respectively, **and which** is included within accrued liabilities on the Company's condensed consolidated balance sheets. The effective interest rate on the Notes is 4.72%.

The Notes are unsecured senior obligations of the Company and rank equally in right of payment to all of its existing and future senior unsecured debt and senior in right of payment to all of its future subordinated debt.

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The Notes are redeemable at the Company's option, in whole or in part, at any time on or after October 1, 2024, at a redemption price if redeemed during the 12 months beginning (i) October 1, 2024 of 102.250%, (ii) October 1, 2025 of 101.125%, and (iii) October 1, 2026 and thereafter of 100.000%, in each case of the principal amount of the Notes being redeemed, and together with accrued and unpaid interest, if any, to, but excluding, the date of redemption. The Company may also redeem some or all of the Notes before October 1, 2024 at a redemption price equal to 100% of the principal amount of the Notes, plus the applicable "make-whole" premium as of, and accrued and unpaid interest, if any, to, but excluding, the date of redemption. In addition, at any time prior to October 1, 2024, the Company may redeem up to 40% of the aggregate principal amount of the Notes issued under the Indenture on one or more occasions in an aggregate amount equal to the net cash proceeds of one or more equity offerings at a redemption price equal to 104.500% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption. Furthermore, the Company may be required to make an offer to purchase the Notes upon the sale of certain assets or upon specific kinds of changes of control.

The Indenture contains covenants that impose significant operational and financial restrictions on the Company; however, these covenants generally align with the covenants contained in the Credit Agreement. See "Credit Agreement" below for a description of these covenants.

Credit Agreement

On October 8, 2021, the Company entered into a credit agreement (the "Credit Agreement") among the Company, as borrower, each lender from time to time party thereto (the "Lenders"), JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Agent") and the Swing Line Lender (as defined in the Credit Agreement), and each L/C Issuer (as defined therein) party thereto, pursuant to which the Company established:

- (i) a five-year senior secured term loan A facility (the "Term Loan Facility"), in an aggregate principal amount of \$350 million; and
- (ii) a five-year senior secured revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Credit Facilities"), in an aggregate principal amount of up to \$1.0 billion (with a \$25 million sub-limit for the issuance of letters of credit), the proceeds of which may be used for working capital and

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general corporate purposes of the Company and its subsidiaries, including the financing of acquisitions and other investments.

Subject to the terms and conditions set forth in the Credit Agreement (including obtaining additional commitments from one or more new or existing lenders), the Company may in the future incur additional loans or commitments under the Credit Agreement in an aggregate principal amount of up to \$300 million, plus an additional amount so long as the Company's pro forma First Lien Net Leverage Ratio (as defined in the Credit Agreement) would not exceed 3.85 to 1.00 as of the date such loans or commitments are incurred.

Prior to June 1, 2023, borrowings under the Credit Facilities bore interest at an annual rate equal to, at the option of the Company, either (i) LIBOR (adjusted for reserves) plus a margin ranging from 1.25% to 2.25% or (ii) an alternate base rate plus a margin ranging from 0.25% to 1.25%, with the applicable margin determined in either scenario by reference to a leverage-based pricing grid set forth in the Credit Agreement.

On June 1, 2023, the Company entered into an amendment to the Credit Agreement ("Amendment No. 1") which replaced interest rate provisions based on LIBOR with the forward-looking term rate based on the secured overnight financing rate published by the CME Group Benchmark Administration Limited ("Term SOFR"). As a result, borrowings under the Credit Agreement as so amended by Amendment No. 1 bear interest as of October 31, 2023, at an annual rate equal to, at the option of the Company, either (i) Term SOFR, plus a 0.10% credit spread adjustment, plus a margin ranging from 1.25% to 2.25%, or (ii) an alternate base rate, plus a margin ranging from 0.25% to 1.25%, with the applicable margin determined in either scenario by reference to a leverage-based pricing grid set forth in the Credit Agreement (as amended by Amendment No. 1) amended). As of October 31, 2023 April 30, 2024, the stated interest rate on the Credit Facilities was 6.68% 6.67% and the effective interest rate on the Term Loan Facility was 7.44% 7.43%.

The Company is also required to pay certain fees to the Lenders, including, among others, a quarterly commitment fee on the average unused amount of the Revolving Credit Facility at a rate ranging from 0.20% to 0.40%, with the applicable rate also determined by reference to a leverage-based pricing grid set forth in the Credit Agreement. As of October 31, 2023 April 30, 2024, no amounts have been drawn the Company had \$50.0 million outstanding under the its Revolving Credit Facility. In May 2024, the Company borrowed an additional \$175.0 million under its Revolving Credit Facility, which was used to pay for the third tranche of the BenefitWallet HSA portfolio acquisition.

The loans made under the Term Loan Facility amortize in equal quarterly installments in an aggregate annual amount equal to the following percentage of the original principal amount of the Term Loan Facility: (i) 2.5% for the first year after October 8, 2021; (ii) 5.0% for each of the second and third years after October 8, 2021; (iii) 7.5% for

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the fourth year after October 8, 2021; and (iv) 10.0% for the fifth year after October 8, 2021. In addition, the Term Loan Facility is required to be mandatorily prepaid with 100% of the net cash proceeds of all asset sales, insurance and condemnation recoveries, subject to customary exceptions and thresholds, including to the extent such proceeds are reinvested in assets useful in the business of the Company and its subsidiaries within 450 days following receipt (or committed to be reinvested within such 450-day period and reinvested within 180 days after the end of such 450-day period). The loans under the Credit Facilities may be prepaid, and the commitments thereunder may be reduced, by the Company without penalty or premium, subject to the reimbursement of customary "breakage costs." In April 2023, the Company used \$50.0 million of cash to prepay, in direct order of maturity, principal due under its Term Loan Facility.

The Credit Agreement contains significant customary affirmative and negative covenants, including covenants that limit, among other things, the ability of the Company and its subsidiaries to incur additional indebtedness, create liens, merge or dissolve, make investments, dispose of assets, engage in sale and leaseback transactions, make distributions and dividends and prepayments of junior indebtedness, engage in transactions with affiliates, enter into restrictive agreements, amend documentation governing junior indebtedness, modify its fiscal year and modify its organizational documents, in each case, subject to customary exceptions, thresholds, qualifications and "baskets." In addition, the Credit Agreement contains financial performance covenants, which require the Company to maintain (i) a maximum total net leverage ratio, measured as of the last day of each fiscal quarter, of no greater than 5.00 to 1.00 and (ii) a minimum consolidated interest coverage ratio, measured as of the last day of each fiscal quarter, of no less than 3.00 to 1.00. The Company was in compliance with all covenants under the Credit Agreement as of October 31, 2023 April 30, 2024, and for the period then ended. The Company continues to be in compliance with all covenants under the Credit Agreement through the filing date of this Quarterly Report on Form 10-Q.

The repayment obligation under the Credit Agreement may be accelerated upon the occurrence of an event of default thereunder, including, among other things, failure to pay principal, interest or fees on a timely basis, material inaccuracy of any representation or warranty, failure to comply with covenants, cross-default to other material debt, material judgments, change of control and certain insolvency or bankruptcy-related events, in each case, subject to any certain grace and/or cure periods.

The obligations of the Company under the Credit Agreement are required to be unconditionally guaranteed by each of the Company's existing or subsequently acquired or organized domestic subsidiaries and are secured by security

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interests in substantially all assets of the Company and the guarantors, in each case, subject to certain customary exceptions.

Note 7. Income taxes

The Company follows ASC 740-270, *Income Taxes - Interim Reporting*, for the computation and presentation of its interim period tax provision. Accordingly, management estimated the effective annual tax rate and applied this rate to pre-tax income through the end of the latest fiscal quarter to determine the interim income tax provision. For the three and nine months ended **October 31, 2023** **April 30, 2024**, the Company recorded an income tax provision of **\$6.4 million and \$16.0 million, respectively, \$4.4 million**. This resulted in an effective income tax provision rate of **30.4% and 35.2% 13.3%** for the three and nine months ended **October 31, 2023** **April 30, 2024**, respectively, compared with an effective income tax benefit rate of **73.4% and 31.9% 59.1%** for the three and nine months ended **October 31, 2022**, respectively, **April 30, 2023**. For the three and nine months ended **October 31, 2023**, **April 30, 2024 and 2023**, discrete tax items impacting the effective tax rate were primarily due to **return-to-provision adjustments on research and development tax credits, an increase in unrecognized tax benefits, adjustments from settlement of an Internal Revenue Service ("IRS") examination, and differences in tax deductible stock-based compensation compared to GAAP stock-based compensation expense**. For the three and nine months ended **October 31, 2022**, discrete tax items impacting the effective tax rate were primarily due to a decrease in unrecognized tax benefits and differences in tax deductible stock-based compensation compared to GAAP stock-based compensation expense.

As of **October 31, 2023** **April 30, 2024** and **January 31, 2023** **January 31, 2024**, the Company's total gross unrecognized tax benefit was **\$13.8** **\$20.2 million and \$8.7** **\$19.2 million**, respectively. If recognized, **\$10.3** **\$17.1 million of the total gross unrecognized tax benefits would affect the Company's effective tax rate as of** **October 31, 2023** **April 30, 2024**.

The Company files income tax returns with U.S. federal and state taxing jurisdictions and is currently under examination by **the state of California and Texas**. **The Texas examination** **These examinations** may lead to ordinary course adjustments or proposed adjustments to the Company's taxes, net operating losses, and/or tax credit carryforwards. **An IRS examination was effectively settled during the three months ended October 31, 2023; adjustments recorded as a result of the examination were not material**. As a result of the Company's net operating loss carryforwards and tax credit carryforwards, the Company remains subject to examination by one or more jurisdictions for tax years after 2006.

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Note 8. Stock-based compensation

The following table shows a summary of stock-based compensation in the Company's condensed consolidated statements of operations and comprehensive income **(loss)** during the periods presented:

		Three months ended October 31,		Nine months ended October 31,			

Stock options

A summary of stock option activity is as follows:

Outstanding stock options					
(in thousands, except for exercise prices and term)	Number of options	Range of exercise prices	Weighted-average exercise price	Weighted-average contractual term (in years)	Aggregate intrinsic value
Outstanding as of January 31, 2023	1,021	\$14.00 - 82.39	\$ 36.06	3.2	\$ 27,293
Exercised	(99)	\$14.00 - 59.63	\$ 30.68		
Forfeited	(4)	\$24.36 - 44.53	\$ 38.41		
Outstanding as of October 31, 2023	918	\$14.00 - 82.39	\$ 36.63	2.4	\$ 32,636
Vested and expected to vest as of October 31, 2023	918		\$ 36.63	2.4	\$ 32,636
Exercisable as of October 31, 2023	918		\$ 36.63	2.4	\$ 32,636

Outstanding stock options					
(in thousands, except for exercise prices and term)	Number of options	Range of exercise prices	Weighted-average exercise price	Weighted-average contractual term (in years)	Aggregate intrinsic value
Outstanding as of January 31, 2024	726	\$14.00 - 73.61	\$ 36.91	2.5	\$ 28,067
Exercised	(117)	\$14.00 - 41.28	\$ 16.47		
Outstanding as of April 30, 2024	609	\$14.00 - 73.61	\$ 40.84	2.6	\$ 23,169
Vested and expected to vest as of April 30, 2024	609		\$ 40.84	2.6	\$ 23,169
Exercisable as of April 30, 2024	609		\$ 40.84	2.6	\$ 23,169

Restricted stock units

A summary of RSU activity is as follows:

RSUs and PRSUs					
RSUs and PRSUs				RSUs and PRSUs	
(in thousands, except for weighted-average grant date fair value)	(in thousands, except for weighted-average grant date fair value)	Weighted-average grant date fair value	Shares	(in thousands, except for weighted-average grant date fair value)	Shares
Outstanding as of January 31, 2023	3,011	\$ 70.40			
Outstanding as of January 31, 2024					
Granted	Granted	1,890	64.82		
Vested	Vested	(925)	67.34		

Forfeited	Forfeited	(307)	70.03
Outstanding as of			
October 31, 2023	3,669	\$	68.33
Outstanding			
as of April			
30, 2024			

Performance restricted stock units. During the three months ended April 30, 2023 April 30, 2024, the Company awarded 270,966 182,044 performance restricted stock units ("PRSUs") subject to a market condition based on the Company's total shareholder return ("TSR") relative to the Russell 2000 index as measured on January 31, 2026 January 31, 2027. The Company used a Monte Carlo simulation to determine that the grant date fair value of the awards was \$23.9 million. \$20.2 million. Compensation expense is recorded over the requisite service period if the service condition is met regardless of whether the market condition is satisfied. The market condition allows for a range of vesting from 0% to 200% based on the level of performance achieved. The PRSUs cliff vest upon approval by the Talent, Compensation and Culture Committee of the board of directors.

During the three months ended April 30, 2024, the Company awarded 60,682 PRSUs subject to the achievement of certain financial criteria measured on January 31, 2027. The PRSUs cliff vest and are issued upon approval by the Talent, Compensation and Culture Committee. The Company records stock-based compensation related to PRSUs over the requisite service period when it is considered probable that the performance conditions will be met. The

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Company believes it is probable that the PRSUs will vest at least in part. The vesting of the PRSUs will ultimately range from 0% to 200% of the number of shares underlying the PRSU grant based on the level of achievement of the performance goals.

Each of the PRSUs granted during the three months ended April 30, 2024 contain a provision such that upon the award holder's eligible retirement, the PRSUs would remain outstanding and eligible to vest based on achievement of their respective market or performance conditions without regard to the award holder's continued employment on the vesting date. Based on the application of ASC 718, Compensation - Stock Compensation, expense is recognized over the requisite service period, which ends on the earlier of (1) the date of approval by the Talent, Compensation and Culture Committee or (2) the date the award holder becomes eligible for retirement (defined as at least 55 years old with least 10 years of service at the Company). As a result, the expense associated with PRSUs granted to retirement-eligible individuals was recorded on the grant date.

Note 9. Fair value

Fair value measurements are made at a specific point in time based on relevant market information. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1—quoted prices in active markets for identical assets or liabilities;
- Level 2—inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3—unobservable inputs based on the Company's own assumptions.

Cash and cash equivalents are considered Level 1 instruments and are valued based on publicly available daily net asset values. The carrying values of cash and cash equivalents approximate fair values due to the short-term nature of these instruments.

The Notes are valued based upon quoted market prices and are considered Level 2 instruments because the markets in which the Notes trade are not considered active markets. As of October 31, 2023 April 30, 2024, the fair value of the Notes was \$514.7 million \$547.5 million.

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The Term Loan Facility is Borrowings under the Credit Facilities are considered a Level 2 instrument instruments and recorded at book value in the Company's condensed consolidated financial statements. The Term Loan Facility reprices Credit Facilities reprice frequently due to variable interest rate terms and entails entail no significant changes in credit risk. As a result, the fair value of the Term Loan Facility Credit Facilities approximates carrying value.

Note 10. Subsequent events

Except for the completion of the BenefitWallet HSA portfolio acquisition and related borrowing under the Revolving Credit Facility, as described in Note 5—Commitments and contingencies, there were no subsequent events that required recognition or disclosure.

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Item 2. Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Statements that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "seek," "should," "target," "will," "would" and similar expressions or variations intended to identify forward-looking statements. Such statements include, but are not limited to, statements concerning our ability to integrate acquired businesses, the **impact on the Company of societal and economic changes arising out of the COVID-19 pandemic**, the anticipated synergies and other benefits of acquired businesses and any future acquisitions, health savings accounts and other tax-advantaged consumer-directed benefits, tax and other regulatory changes, market opportunity, our future financial and operating results, our investment and acquisition strategy, our sales and marketing strategy, management's plans, beliefs and objectives for future operations, technology and development, economic and industry trends or trend analysis, expectations about seasonality, opportunity for portfolio purchases and other acquisitions, operating expenses, anticipated income tax rates, capital expenditures, cash flows and liquidity. These statements are based on the beliefs and assumptions of our management based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk factors" included in our Annual Report on Form 10-K for the fiscal year ended **January 31, 2023**, this Quarterly Report on Form 10-Q for the quarterly period ended **October 31, 2023**, **January 31, 2024** and our other reports filed with the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such events.

Overview

We are a leader and an innovator in providing technology-enabled services that empower consumers to make healthcare saving and spending decisions. We use our innovative technology to manage consumers' tax-advantaged health savings accounts ("HSAs") and other consumer-directed benefits ("CDBs") offered by employers, including flexible spending accounts and health reimbursement arrangements ("FSAs" and "HRAs"), and to administer Consolidated Omnibus Budget Reconciliation Act ("COBRA"), commuter and other benefits. As part of our services, we provide consumers with **healthcare bill evaluation and payment processing services**, personalized benefit information, **including information on treatment options and comparative pricing**, **access to remote and telemedicine benefits**, the ability to earn wellness incentives, and investment advice to grow their tax-advantaged healthcare savings.

The core of our offerings is the HSA, a financial account through which consumers spend and save long-term for healthcare expenses on a tax-advantaged basis. As of **October 31, 2023** **April 30, 2024**, we administered **8.3 million** **9.1 million** HSAs, with balances totaling **\$22.6 billion** **\$27.3 billion**, which we call HSA Assets, as well as **7.0 million** **6.9 million** complementary CDBs. We refer to the aggregate number of HSAs and other CDBs that we administer as Total Accounts, of which we had **15.3 million** **16.0 million** as of **October 31, 2023** **April 30, 2024**.

We reach consumers primarily through relationships with their employers, which we call Clients. We reach Clients primarily through relationships with benefits brokers and advisors, integrated partnerships with a network of health plans, benefits administrators, benefits brokers and consultants, and retirement plan recordkeepers, which we call Network Partners, and a sales force that calls on Clients directly.

We have increased our share of the growing HSA market from 4% in December 2010 to 20% as of **June** **December** 2023, measured by HSA Assets. According to Devenir, as of **June** **December** 2023, we **are** **were** the largest HSA provider by both accounts and HSA Assets. In addition, we believe we are the largest provider of other CDBs. We seek to differentiate ourselves through our service-driven culture, product breadth, ecosystem connectivity, and proprietary technology.

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Our proprietary technology allows us to help consumers optimize the value of their HSAs and other CDBs and gain confidence and skills in managing their healthcare costs as part of their financial security.

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Our ability to assist consumers is enhanced by our capacity to securely share data in both directions with others in the health, benefits, and retirement ecosystems. Our commuter benefits offering also leverages connectivity to an ecosystem of mass transit, ride hailing, and parking providers.

We earn revenue primarily from three sources: service, custodial, and interchange. We earn service revenue mainly from fees paid by our Network Partners, Clients, and members for the administration services we provide in connection with the HSAs and other CDBs we offer. We earn custodial revenue primarily from HSA **Assets cash** held by our federally insured bank and credit union partners, which we collectively call our Depository Partners, **or HSA cash held by** our insurance company partners, **recordkeeping fees we earn in respect of mutual funds in which our members invest**, and Client-held funds deposited with our Depository Partners. We earn interchange revenue mainly from fees paid by

merchants on payments that our members make using our physical payment cards and on our virtual payment system. See “Key components of our results of operations” for additional information on our sources of revenue, including the adverse impacts caused by the societal and economic changes arising out of the COVID-19 pandemic. revenue.

BenefitWallet HSA portfolio acquisition

In September 2023, we entered into an agreement to acquire the BenefitWallet HSA portfolio from Conduent Business Services, LLC (“Conduent”). The transfer closed in a series of three tranches, as presented in the following table:

(in thousands, except HSA Assets)	Transfers to HealthEquity			Applicable purchase price		
	HSAs	HSA Assets (in millions)	Paid using cash on hand	Paid using borrowings under the Revolving		Total purchase price
				Credit Facility		
March 7, 2024	266 \$	1,071 \$	163,974 \$	—	\$	163,974
April 11, 2024	134	555	34,925	50,000		84,925
May 9, 2024	216	1,047	1,101	175,000		176,101
Total	616 \$	2,673 \$	200,000 \$	225,000	\$	425,000

The BenefitWallet HSA portfolio acquisition was accounted for a purchase price as an asset acquisition, and related acquisition costs were capitalized as part of \$425.0 million the cost of the asset, which is included within intangible assets, net, on our condensed consolidated balance sheet. We capitalized \$11.7 million and up to \$20.0 million in transfer-related expenses. In addition, we expect to incur approximately \$7.0 million \$15.5 million of transaction costs associated with the acquisition. The agreement contemplates a transfer acquisition during the three months ended April 30, 2024 and in May 2024, respectively. Total capitalized transaction costs of approximately 665,000 customer accounts and their approximately \$2.8 billion \$27.2 million include the reimbursement of HSA Assets and includes a mechanism to adjust the purchase price based on the amount \$20.0 million of HSA Assets actually transferred. Pursuant to the agreement, HealthEquity will assume Conduent's transfer-related expenses. In addition, in May 2024, we assumed a contract with a Depository Partner representing approximately 7% of the total maximum acquired HSA Assets added through the acquisition, which provides a custodial yield that is below current market rates and expires in June 2026. The transfer is expected to close We recorded a \$20.3 million liability in multiple tranches during the first half of fiscal 2025, subject to the satisfaction of certain customary closing conditions. We expect to pay approximately 50% May 2024 as a result of the purchase price and associated costs using cash on hand, with assumed contract, which will be recorded as an increase to custodial revenue over the remainder paid using our revolving credit facility with life of the actual percentages to be determined in connection with the payment for each tranche, assumed contract.

Key factors affecting our performance

We believe that our future performance will be driven by a number of factors, including those identified below. Each of these factors presents both significant opportunities and significant risks to our future performance. See also the section entitled “Risk factors” included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023, this Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2023, January 31, 2024 and our other reports filed with the SEC.

Our acquisition and integration strategy

We have historically acquired HSA portfolios and businesses that strengthen our service offerings, including through the pending BenefitWallet HSA portfolio acquisition. offerings. We plan to continue this growth strategy and are regularly engaged in evaluating different opportunities. We have developed an internal capability to source, evaluate, and integrate acquired HSA portfolios. Our success depends in part on our ability to successfully integrate acquired businesses and HSA portfolios with our business in an efficient and effective manner and to realize anticipated synergies. manner.

Structural change in U.S. health insurance

We derive revenue primarily from healthcare-related saving and spending by consumers in the U.S., which are driven by changes in the broader healthcare industry, including the structure of health insurance. The average family premium for employer-sponsored health insurance has risen by 22% since 2018 and 47% since 2013, resulting in increased participation in HSA-qualified health plans and HSAs and increased consumer cost-sharing in health insurance more generally. We believe that continued growth in healthcare costs and related factors will spur continued growth in HSA-qualified health plans and HSAs and may encourage policy changes making HSAs or

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similar vehicles available to new populations such as individuals in Medicare. However, the timing and impact of these and other developments in U.S. healthcare are uncertain. Moreover, changes in healthcare policy, such as “Medicare for all” plans, could materially and adversely affect our business in ways that are difficult to predict.

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Trends in U.S. tax law

Tax law has a profound impact on our business. Our offerings to members, Clients, and Network Partners consist primarily of services enabled, mandated, or advantaged by provisions of U.S. tax law and regulations. Changes in tax policy are speculative and may affect our business in ways that are difficult to predict.

Our client base

Our business model is based on a B2B2C distribution strategy, whereby we work with Network Partners and Clients to reach consumers to increase the number of our members with HSA accounts and complementary CDBs. We believe that there are significant opportunities to expand the scope of services that we provide to our current Clients.

Broad distribution footprint

We believe we have a diverse distribution footprint to attract new Clients and Network Partners. Our sales force calls on enterprise and regional employers in industries across the U.S., as well as potential Network Partners from among health plans, benefits administrators, and retirement plan record keepers. Our Network Partners are a key channel through which we gain access to Clients and members. Our Network Partners collectively employ thousands of sales representatives and account managers who promote both the Network Partners' products and our products and services. Our sales representatives and account management teams work with and train the sales representatives and account management teams of our Network Partners.

Product breadth

We are the largest custodian and administrator of HSAs, as well as a market-share leader in each of the major categories of complementary CDBs, including FSAs and HRAs, COBRA and commuter benefits administration. Our Clients and their benefits advisors increasingly seek HSA providers that can deliver an integrated offering of HSAs and complementary CDBs. With our CDB capabilities, we can provide employers with a single partner for both HSAs and complementary CDBs, which is preferred by the vast majority of employers, according to research conducted for us by Aite Group. We believe that the combination of HSA and complementary CDB offerings significantly strengthens our value proposition to employers, health benefits brokers and consultants, and Network Partners as a leading single-source provider.

Interest rates

As a non-bank custodian, our members' custodial HSA cash assets are held by either our federally insured Depository Partners (our "Basic Rates" Basic Rates offering), pursuant to contractual arrangements we have with these Depository Partners, or by our insurance company partners through group annuity contracts or other similar arrangements (our "Enhanced Rates" Enhanced Rates offering). For the reasons described below, we have been taking steps to encourage our members to place more of their HSA cash in our Enhanced Rates offering. As our Basic Rates contracts expire, the HSA cash held in those Basic Rates contracts will transition to Enhanced Rates contracts, subject to our members retaining the right to keep their HSA cash in Basic Rates.

The lengths of our agreements with Depository Partners typically range from three to five years and may have fixed or variable interest rate terms. The terms of new and renewing agreements with our Depository Partners are impacted by the then-prevailing interest rate environment, which in turn is driven by macroeconomic factors and government policies over which we have no control. Such factors, and the response of our competitors to them, also determine the amount of interest retained by our members.

HSA members who place their HSA cash into our Enhanced Rates offering retain a higher yield compared to our Basic Rates offering. An increase in the percentage of HSA cash held in our Enhanced Rates offering also positively impacts our custodial revenue, as we generally receive a higher yield on HSA cash held by our insurance company partners compared to cash held by our Depository Partners. As with our Depository Partners, yields paid by our insurance company partners are impacted by the prevailing interest rate environment, which in turn is driven by macroeconomic factors and government policies over which we have no control. Such factors, and the response of our competitors to them, also determine the amount of interest retained by our members.

We believe that increased participation in our Enhanced Rates offering, diversification of Depository Partners and insurance company partners, varied contract terms, and other factors reduce our exposure to short-term fluctuations in prevailing interest rates and mitigate the short-term impact of sustained increases or declines in prevailing

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interest rates on our custodial revenue. Over longer periods, sustained shifts in prevailing interest rates affect the amount of custodial revenue we can realize on custodial assets and the interest retained by our members.

Interest on our term loan facility credit facilities changes frequently due to variable interest rate terms, and as a result, our interest expense is expected to fluctuate based on changes in prevailing interest rates. Recent interest rate increases have caused interest expense related to our term loan facility credit facilities to increase substantially.

Our proprietary technology

We believe that innovations incorporated in our technology which enable differentiate us from our competitors and help drive our growth by enabling us to better assist consumers to make healthcare saving and spending decisions and maximize the value of their tax-advantaged benefits, differentiate us from our competitors and drive our growth, benefits. Our full suite of CDB offerings complements our HSA solution and

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enhances our leadership position within the HSA sector. We intend are currently investing in a significant modernization of our proprietary technology platforms to continue to invest in our technology development to support new opportunities and enhance our capabilities security, privacy and platform infrastructure, while maintaining a focus on data security existing applications, features, and the privacy of our customers' data, services. For example, we are making significant investments in the architecture and infrastructure of the technology that we use to provide our services to improve our transaction processing capabilities and support continued account and transaction growth, as well as in data-driven personalized engagement to help our members spend less, save more, and build wealth for retirement. In addition, we are investing in technology solutions to meet the evolving needs of our members, Clients and Network Partners. Our current innovation efforts include, among others, increasing member and client self-service capabilities, developing APIs, driving electronic communication rather than paper, increasing straight-through processing, improving overall process times utilizing both traditional robotic process automation, and increasingly through AI tools, leveraging stacked cards, and mobile wallet.

Our Purple culture

A successful healthcare consumer needs education and guidance delivered by people as well as by technology. The education and customer service we provide is driven by our Purple culture, which we believe is a significant factor in our ability to attract and retain customers and to address opportunities in the rapidly changing healthcare sector. We invest in and intend to continue to invest in human capital through technology-enabled training, career development, and advancement opportunities.

Our competition and industry

Our direct competitors are HSA custodians and other CDB providers. Many of these are state or federally chartered banks and other financial institutions for which we believe benefits administration services are not a core business. Some of our direct competitors (including healthcare service companies such as UnitedHealth Group's Optum, Webster Bank, and well-known retail investment companies, such as Fidelity Investments) are in a position to devote more resources to the development, sale, and support of their products and services than we have at our disposal. Our other CDB administration competitors include health insurance carriers, human resources consultants and outsourcers, payroll providers, national CDB specialists, regional third-party administrators, and commercial banks. In addition, numerous indirect competitors, including benefits administration service providers, partner with banks and other HSA custodians to compete with us. Our Network Partners and ecosystem partners may also choose to offer competitive services directly, as some health plans have done. Our success depends on our ability to predict and react quickly to these and other industry and competitive dynamics.

As a result of the COVID-19 pandemic, we have seen a significant decline in the use of commuter benefits due to many of our members working from home, which has negatively impacted both our interchange revenue and service revenue, and this "work from home" trend, or hybrid work environments, may continue indefinitely.

Regulatory environment

Federal law and regulations, including the Affordable Care Act, the Internal Revenue Code, the Employee Retirement Income Security Act and Department of Labor regulations, and public health regulations that govern the provision of health insurance and provide the tax advantages associated with our services, play a pivotal role in determining our market opportunity. Privacy and data security-related laws such as the Health Insurance Portability and Accountability Act, or HIPAA, and the Gramm-Leach-Bliley Act, laws governing the provision of investment advice to consumers, such as the Investment Advisers Act of 1940, or the Advisers Act, the USA PATRIOT Act, anti-money laundering laws, and the Federal Deposit Insurance Act, all play a similar role in determining our competitive landscape. In addition, state-level regulations also have significant implications for our business in some cases. For example, our subsidiary HealthEquity Trust Company is regulated by the Wyoming Division of Banking, and several states are considering, or have already passed, new privacy regulations that can affect our business. Various states also have laws and regulations that impose additional restrictions on our collection, storage, and use of personally identifiable information. Privacy regulation in particular has become a priority issue in many states, including, for example, the California Privacy Rights Act, which became effective on January 1, 2023. Our ability to predict and react quickly to relevant legal and regulatory trends and to correctly interpret their market and competitive implications is important to our success.

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Key financial and operating metrics

Our management We regularly reviews review a number of key operating and financial metrics to evaluate our business, determine the allocation of our resources, make decisions regarding corporate strategies and evaluate forward-looking projections and trends affecting our business. We discuss certain of these key financial metrics, including revenue, below in the section entitled "Key components of our results of operations." In addition, we utilize other key metrics as described below.

Total Accounts

The following table sets forth our HSAs, CDBs, and Total Accounts as of and for the periods indicated:

(in thousands, except percentages)	(in thousands, except percentages)	October 31, 2023	October 31, 2022	Change	January 31, 2023	(in thousands, except percentages)	April 30, 2024	April 30, 2023	% Change	January 31, 2024
HSAs	HSAs	8,295	7,650	8 %	7,984					
New HSAs from sales - Quarter-to-date	New HSAs from sales - Quarter-to-date	163	170	(4) %	445					
New HSAs from sales - Year-to-date	New HSAs from sales - Year-to-date	453	526	(14) %	971					
New HSAs from acquisitions - Year-to-date	New HSAs from acquisitions - Year-to-date	—	90	(100) %	90					
HSAs with investments	HSAs with investments	592	529	12 %	541					
CDBs	CDBs	6,984	6,849	2 %	6,933					
Total Accounts	Total Accounts	15,279	14,499	5 %	14,917					

Average Total	Average Total				
Accounts -	Accounts -				
Quarter-to-date	Quarter-to-date	15,167	14,523	4 %	14,677
Average Total	Average Total				
Accounts -	Accounts -				
Year-to-date	Year-to-date	15,034	14,482	4 %	14,531

* Not meaningful

The number of our HSAs and CDBs are key metrics because our revenue is driven by the amount we earn from them. The number of our HSAs increased by 0.6 million 1.1 million, or 8% 13%, from October 31, 2022 April 30, 2023 to October 31, 2023 April 30, 2024, driven by new HSAs from sales, sales and new HSAs added through the first two tranches of the BenefitWallet HSA portfolio acquisition. The number of our CDBs increased decreased by 0.1 million, 41 thousand, or 2% 1%, from October 31, 2022 April 30, 2023 to October 31, 2023 April 30, 2024, primarily driven by an increase a decrease in FSA and COBRA accounts, partially offset by increases in HRA and commuter accounts, partially offset by a decrease in COBRA accounts due to a change in the manner in which COBRA accounts are counted following migration to our current COBRA platform. accounts.

HSA Assets

The following table sets forth HSA Assets as of and for the periods indicated:

(in millions, except percentages)	(in millions, except percentages)	October 31, 2023	October 31, 2022	% Change	January 31, 2023	(in millions, except percentages)	April 30, 2024	April 30, 2023	% Change	January 31, 2024
HSA cash	HSA cash	\$13,971	\$13,096	7 %	\$14,199					
HSA investments	HSA investments	8,597	7,108	21 %	7,947					
Total HSA Assets	Total HSA Assets	22,568	20,204	12 %	22,146					
Average daily HSA cash - Quarter-to-date	Average daily HSA cash - Quarter-to-date	13,977	12,973	8 %	13,375					
Average daily HSA cash - Year-to-date	Average daily HSA cash - Year-to-date	14,024	12,941	8 %	13,049					

HSA Assets includes our HSA members' custodial assets, which consists of the following components: (i) HSA cash, which includes member cash deposits held by our Depository Partners and our insurance company partners, and (ii) HSA investments, in mutual funds through which includes member investments held by our custodial investment fund partners, partner. Measuring HSA Assets is important because our custodial revenue is directly affected by average daily custodial balances for HSA Assets that are revenue generating.

HSA cash increased by \$0.9 billion \$1.7 billion, or 7% 12%, from October 31, 2022 April 30, 2023 to October 31, 2023 April 30, 2024, due to net HSA contributions from new and existing HSA members and HSA cash added through the first two tranches of the BenefitWallet HSA portfolio acquisition, partially offset by transfers to HSA investments.

HSA investments increased by \$3.2 billion, or 39%, from April 30, 2023 to April 30, 2024, due to HSA investments added through the first two tranches of the BenefitWallet HSA portfolio acquisition, the increased market value of invested balances, and transfers from HSA cash.

Total HSA Assets increased by \$5.0 billion, or 22%, from April 30, 2023 to April 30, 2024, primarily due to net HSA contributions from new and existing HSA members, partially offset by transfers to HSA investments.

Assets added through the first two tranches of the BenefitWallet HSA investments increased by \$1.5 billion, or 21%, from October 31, 2022 to October 31, 2023, primarily due to transfers from HSA cash portfolio acquisition, and the increased market value of invested balances.

Total HSA Assets increased by \$2.4 billion, or 12%, from October 31, 2022 to October 31, 2023, primarily due to net HSA contributions from new and existing HSA members and the increased value of invested balances.

Client-held funds

(in millions, except percentages)	October 31, 2023	October 31, 2022	% Change	January 31, 2023
Client-held funds	\$ 761	\$ 759	0 %	\$ 901
Average daily Client-held funds - Quarter-to-date	794	794	0 %	809
Average daily Client-held funds - Year-to-date	862	832	4 %	827

The following table summarizes the amount of HSA cash held by our Depository Partners and insurance company partners that is expected to reprice by fiscal year and the respective average annualized yield currently earned on that HSA cash as of April 30, 2024:

Year ending January 31, (in billions, except percentages)	HSA cash expected to reprice	Average annualized yield
Remainder of 2025	\$ 1.8	3.7 %
2026	3.3	1.7 %
2027	3.0	1.7 %
2028	1.9	3.9 %
Thereafter	5.1	3.9 %
Total (1)	\$ 15.1	3.0 %

(1) Excludes \$0.8 billion of HSA cash held in floating-rate contracts as of April 30, 2024. BenefitWallet HSA Assets transferred to HealthEquity on May 9, 2024 are also excluded.

Client-held funds

(in millions, except percentages)	April 30, 2024	April 30, 2023	% Change	January 31, 2024
Client-held funds	\$ 858	\$ 926	(7)%	\$ 842
Average daily Client-held funds - Quarter-to-date	840	902	(7)%	791
Average daily Client-held funds - Year-to-date	840	902	(7)%	845

Client-held funds are interest-earning deposits from which we generate custodial revenue. These deposits are amounts remitted by Clients and held by us on their behalf to pre-fund and facilitate administration of CDBs. We deposit the Client-held funds with our Depository Partners in interest-bearing, demand deposit accounts that have a floating interest rate and no set term or duration. Client-held funds fluctuate depending on the timing of funding and spending of CDB balances and the number of CDBs we administer.

Adjusted EBITDA

We define Adjusted EBITDA, which is a non-GAAP financial metric, as **adjusted** earnings before interest, taxes, depreciation and amortization, amortization of acquired intangible assets, stock-based compensation expense, merger integration expenses, acquisition costs, gains and losses on equity securities, amortization of incremental costs to obtain a contract, costs associated with unused office space, and certain other non-operating items. We believe that Adjusted EBITDA provides useful information to investors and analysts in understanding and evaluating our operating results in the same manner as our management and our board of directors because it reflects operating profitability before consideration of non-operating expenses and non-cash expenses and serves as a basis for comparison against other companies in our industry.

The following table presents a reconciliation of net income, **(loss)**, the most comparable GAAP financial measure, to Adjusted EBITDA for the periods indicated:

		Three months ended October 31,		Nine months ended October 31,			
		Three months ended April 30,				Three months ended April 30,	
(in thousands)	(in thousands)	2023	2022	2023	2022	(in thousands)	2024
Net income (loss)		\$14,673	\$ (1,641)	\$ 29,348	\$ (25,934)		
Net income							
Interest income	Interest income	(3,713)	(443)	(7,795)	(584)		
Interest expense	Interest expense	13,545	12,165	41,814	34,119		
Income tax provision (benefit)		6,414	(4,539)	15,975	(12,170)		
Income tax provision							
Depreciation and amortization	Depreciation and amortization	14,567	16,959	45,622	49,306		
Amortization of acquired intangible assets	Amortization of acquired intangible assets	23,213	23,541	69,545	71,420		
Stock-based compensation expense	Stock-based compensation expense	21,662	18,170	59,939	50,310		
Merger integration expenses	Merger integration expenses	2,655	6,509	8,157	23,486		
Acquisition costs		—	—	—	53		

Amortization of incremental costs to obtain a contract	Amortization of incremental costs to obtain a contract	1,379	1,114	4,033	3,256
Costs associated with unused office space	Costs associated with unused office space	950	1,181	3,252	3,788
Other	Other	301	345	454	1,690
Adjusted EBITDA	Adjusted EBITDA	\$95,646	\$73,361	\$270,344	\$198,740

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The following table sets forth our net income (loss) as a percentage of revenue:

(in thousands, except percentages)	Three months ended October 31,				Nine months ended October 31,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Net income (loss)	\$ 14,673	\$ (1,641)	\$ 16,314	*	\$ 29,348	\$ (25,934)	\$ 55,282	*
As a percentage of revenue	6 %	(1)%			4 %	(4)%		

* Not meaningful

(in thousands, except percentages)	Three months ended April 30,			
	2024	2023	\$ Change	% Change
Net income	\$ 28,813	\$ 4,094	\$ 24,719	604%
As a percentage of revenue	10 %	2 %		

Our net income increased by \$16.3 million \$24.7 million, from net loss of \$1.6 million \$4.1 million for the three months ended October 31, 2022 April 30, 2023 to net income of \$14.7 million \$28.8 million for the three months ended October 31, 2023 April 30, 2024, due to an increase in gross profit and decreases in other expense and income net, tax provision, partially offset by a net increases increase in operating expenses, and income tax provision, as described more fully in the section entitled "Comparison of the three and nine months ended October 31, 2023 April 30, 2024 and 2022, 2023."

Our net income increased by \$55.3 million, from net loss of \$25.9 million for the nine months ended October 31, 2022 to net income of \$29.3 million for the nine months ended October 31, 2023, due to an increase in gross profit and other income, net, partially offset by net increases in operating expenses and income tax provision, as described more fully in the section entitled "Comparison of the three and nine months ended October 31, 2023 and 2022."

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The following table sets forth our Adjusted EBITDA as a percentage of revenue:

Three months ended October 31,				Nine months ended October 31,			
Three months ended April 30,							
(in thousands, except percentages)							
(in thousands, except percentages)							
(in thousands, except percentages)							
(in thousands, except percentages)							
2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
2024	2023	\$ Change	% Change				

Adjusted EBITDA	Adjusted EBITDA	\$95,646	\$73,361	\$ 22,285	30 %	\$270,344	\$198,740	\$ 71,604	36 %	Adjusted EBITDA	\$ 117,435	\$ \$	86,587	\$ \$	30,848	36	36 %
As a percentage of revenue	As a percentage of revenue	38 %	34 %			37 %	32 %										

Our Adjusted EBITDA increased by \$22.3 million \$30.8 million, or 30% 36%, from \$73.4 million \$86.6 million for the three months ended October 31, 2022 April 30, 2023 to \$95.6 million \$117.4 million for the three months ended October 31, 2023 April 30, 2024, primarily due to an increase in total revenue, partially offset by increases in personnel and related personnel-related costs.

Our use of Adjusted EBITDA, including as a percentage of revenue, has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

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Non-GAAP net income

Non-GAAP net income is calculated by adding back to GAAP net income before income taxes the following items: amortization of acquired intangible assets, stock-based compensation expense, merger integration expenses, acquisition costs, gains and losses on equity securities, costs associated with unused office space, and losses on extinguishment of debt, and subtracting a non-GAAP tax provision using a normalized non-GAAP tax rate. We believe that non-GAAP net income and non-GAAP net income per diluted share provide useful information to investors and analysts in understanding and evaluating our operating results in the same manner as our management and our board of directors because these non-GAAP metrics reflect operating profitability before consideration of certain non-operating expenses and non-cash expenses and serve as a basis for comparison against other companies in our industry.

The following table presents a reconciliation of net income, the most comparable GAAP financial measure, to non-GAAP net income for the periods indicated:

		Three months ended April 30,	
(in thousands, except per share data)		2024	2023
Net income	\$	28,813	\$ 4,094
Income tax provision		4,426	5,918
Income before income taxes - GAAP		33,239	10,012
Non-GAAP adjustments:			
Amortization of acquired intangible assets		25,545	23,166
Stock-based compensation expense		32,020	18,204
Merger integration expenses		2,143	3,458
Costs associated with unused office space		790	1,016
Loss on extinguishment of debt		—	1,157
Total adjustments to income before income taxes - GAAP		60,498	47,001
Income before income taxes - Non-GAAP		93,737	57,013
Income tax provision - Non-GAAP (1)		23,434	14,253
Non-GAAP net income		70,303	42,760
Diluted weighted-average shares		88,324	86,102
GAAP net income per diluted share	\$	0.33	\$ 0.05
Non-GAAP net income per diluted share	\$	0.80	\$ 0.50

(1) The Company utilizes a normalized non-GAAP tax rate to provide better consistency across the interim reporting periods within a given fiscal year by eliminating the effects of non-recurring and period-specific items, which can vary in size and frequency, and which are not necessarily reflective of the Company's longer-term operations. The normalized non-GAAP tax rate applied to each period presented was 25%. The Company may adjust its non-GAAP tax rate as additional information becomes available and in conjunction with any other significant events occurring that may materially affect this rate, such as merger and acquisition activity, changes in business outlook, or other changes in expectations regarding tax regulations.

Our non-GAAP net income increased by \$71.6 million \$27.5 million, or 36% 64%, from \$198.7 million for the nine three months ended October 31, 2022 April 30, 2023 to \$270.3 million for the nine three months ended October 31, 2023 April 30, 2024, primarily due to an increase in total revenue, partially offset by increases in personnel personnel-related costs and related costs, interest expense.

Our use of Adjusted EBITDA, including as a percentage of revenue, non-GAAP net income has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

Key components of our results of operations

Revenue

We generate revenue from three primary sources: service revenue, custodial revenue, and interchange revenue.

Service revenue. We earn service revenue from the fees we charge our Network Partners, Clients, and members for the administration services we provide in connection with the HSAs and other CDBs we offer. With respect to our Network Partners and Clients, our fees are generally based on a fixed tiered structure for the duration of the relevant service agreement and are paid to us on a monthly basis. In addition, once a member's HSA cash balance reaches a certain threshold, the member is able to invest his or her HSA Assets through our investment partner from

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which we earn recordkeeping and advisory fees, calculated as a percentage of the member's HSA investments. We recognize revenue on a monthly basis as services are rendered to our members and Clients.

Custodial revenue. We earn custodial revenue primarily from HSA Assets cash held by our Depository Partners or our insurance company partners recordkeeping fees we earn in respect of mutual funds in which our members invest, and Client-held funds deposited with held by our Depository Partners. HSA cash is held by our Depository Partners pursuant to contracts that (i) typically have terms ranging from three to five years, (ii) provide for a fixed or variable interest rate payable on the average daily cash balances held by the relevant Depository Partner, and (iii) have minimum and maximum required balances. HSA cash held by our insurance company partners is held in group annuity contracts or similar arrangements. Client-held funds held by our Depository Partners are held in interest-bearing demand deposit accounts that have a floating interest rate and no set term or duration. We earn custodial revenue on HSA Assets cash and Client-held funds that is based on the interest rates offered to us by these Depository Partners and insurance company partners. In addition, once a member's HSA cash balance reaches a certain threshold, the member is able to invest his or her HSA Assets in mutual funds through our custodial investment partner from which we earn a recordkeeping fee, calculated as a percentage of custodial investments.

Interchange revenue. We earn interchange revenue each time one of our members uses one of our physical payment cards or virtual platforms to make a purchase. This revenue is collected each time a member "swipes" our payment card to pay expenses. We recognize interchange revenue monthly based on reports received from third parties, namely, the card-issuing banks and card processors.

Cost of revenue

Cost/Service costs. Service costs are comprised of revenue includes costs related to servicing accounts, managing Client and Network Partner relationships and processing reimbursement claims. Expenditures include personnel-related costs, depreciation, amortization, stock-based compensation, common expense allocations (such as office rent, supplies, and other overhead expenses), new member and participant supplies, and other operating costs related to servicing our members. Other components of cost of revenue include interest retained by members on HSA cash and interchange costs incurred in connection with processing card transactions for our members.

Service costs. Service costs include the servicing costs described in the paragraph above. Additionally, for new accounts, we incur on-boarding costs associated with the new accounts, such as new member welcome kits, the cost associated with issuance of new payment cards, and costs of marketing materials that we produce for our Network Partners.

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Custodial costs. Custodial costs are comprised of interest retained by our HSA members in respect of on HSA cash personnel-related costs, and fees we pay to banking consultants whom we use to help secure agreements with our Depository Partners. Interest retained by HSA members is calculated on a tiered basis. The interest rates retained by HSA members can change based on a formula or upon required notice.

Interchange costs. Interchange costs are comprised of costs we incur in connection with processing payment transactions initiated by our members. Due to the substantiation requirement on FSA/HRA-linked payment card transactions, payment card costs are higher for FSA/HRA card transactions. In addition to fixed per card fees, we are assessed additional transaction costs determined by the amount of the transaction.

Gross profit and gross margin

Our gross profit is our total revenue minus our total cost of revenue, and our gross margin is our gross profit expressed as a percentage of our total revenue. Our gross margin has been and will continue to be affected by a number of factors, including interest rates, the amount we charge our Network Partners, Clients, and members, the mix of our sources of revenue, how many services we deliver per account, and payment processing costs per account.

Operating expenses

Sales and marketing. Sales and marketing expenses consist primarily of personnel and related expenses for our sales and marketing staff, including sales commissions for our direct sales force, external agent/broker commission expenses, marketing expenses, depreciation, amortization, stock-based compensation, and common expense allocations.

Technology and development. Technology and development expenses include personnel and related expenses for software development and delivery, licensed software, information technology, data management, product, and security. Technology and development expenses also include software engineering services, the costs of operating our technology infrastructure, depreciation, amortization of capitalized software development costs, stock-based compensation, and common expense allocations.

General and administrative. General and administrative expenses include personnel and related expenses of, and professional fees incurred by our executive, finance, legal, internal audit, corporate development, compliance, and people departments. They also include depreciation, amortization, stock-based compensation, and common expense allocations.

Amortization of acquired intangible assets. Amortization of acquired intangible assets results primarily from intangible assets acquired in connection with business combinations. The assets include acquired customer relationships, acquired developed technology, and acquired trade names and trademarks, which we amortize over

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the assets' estimated useful lives, estimated to be 7-15 years, 2-5 years, and 3 years, respectively. We also acquired intangible HSA portfolios from third-party custodians. We amortize these assets over the assets' estimated useful life of 15 years. We evaluate our acquired intangible assets for impairment annually, or at a triggering event.

Merger integration. Merger integration expenses include personnel and related expenses, including severance, professional fees, legal expenses, and facilities and technology expenses directly related to integration activities to merge operations as a result of acquisitions.

Interest expense

Interest expense consists primarily consists of accrued interest expense and amortization of deferred financing costs associated with our long-term debt. Interest on our term loan facility and revolving credit facility (together, the "Credit Facilities") changes frequently due to variable interest rate terms, and as a result, our interest expense is expected to fluctuate based on changes in prevailing interest rates.

Other income, net

Other income, net, consists primarily of interest income earned on corporate cash, acquisition costs, and other miscellaneous income and expense.

Income tax provision (benefit)

We are subject to federal and state income taxes in the United States based on a January 31 fiscal year end. We use the asset and liability method to account for income taxes, under which current tax liabilities and assets are recognized for the estimated taxes payable or refundable on the tax returns for the current fiscal year. 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, net operating loss carryforwards, and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted statutory

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tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized. As of October 31, 2023 April 30, 2024, we have not recorded a valuation allowance on federal deferred tax assets, but we have recorded a valuation allowance on certain state deferred tax assets. We maintain an overall net federal and state deferred tax liability on our condensed consolidated balance sheet.

Comparison of the three and nine months ended October 31, 2023 April 30, 2024 and 2022 2023

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. The reclassifications relate primarily to recordkeeping and advisory fees associated with HSA investments, which were reclassified from custodial revenue to service revenue to better align our financial statement presentation with the underlying drivers of our revenue streams. We also reclassified certain immaterial personnel-related costs from custodial costs to service costs or general and administrative costs. The reclassifications had no impact on our total revenue, income from operations, net income, cash flows, or stockholders' equity. The following table presents the impact of the reclassifications:

Three months ended April 30, 2023				
(in thousands)	Prior presentation		Reclassifications	Current presentation
Service revenue	\$	105,112	\$ 5,961	\$ 111,073
Custodial revenue		94,441	(5,961)	88,480
Interchange revenue		44,879	—	44,879
Total revenue		244,432	—	244,432
Total cost of revenue		96,606	(644)	95,962
Gross profit		147,826	644	148,470
Total operating expenses		124,645	644	125,289
Total other expense		(13,169)	—	(13,169)
Income tax provision		5,918	—	5,918
Net income	\$	4,094	\$ —	\$ 4,094

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Revenue

The following table sets forth our revenue for the periods indicated:

Three months ended October 31,										Nine months ended October 31,									
Three months ended April 30,																			
(in thousands, except percentages)																			
(in thousands, except percentages)																			
(in thousands, except percentages)	(in thousands, except percentages)	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change	2024	2023	\$ Change	% Change						
Service revenue	Service revenue	\$ 107,512	\$ 108,580	\$ (1,068)	(1) %	\$ 318,343	\$ 315,962	\$ 2,381	1 %	Service revenue	\$ 118,214	\$ 111,073	\$ 7,141	6 %					
Custodial revenue	Custodial revenue	106,575	74,642	31,933	43 %	299,933	199,606	100,327	50 %	Custodial revenue	121,644	88,480	33,164	37 %					
Interchange revenue	Interchange revenue	35,132	32,864	2,268	7 %	118,924	112,339	6,585	6 %	Interchange revenue	47,739	44,879	2,860	6 %					
Total revenue	Total revenue	\$ 249,219	\$ 216,086	\$ 33,133	15 %	\$ 737,200	\$ 627,907	\$ 109,293	17 %	Total revenue	\$ 287,597	\$ 244,432	\$ 43,165	18 %					

Service revenue. The \$1.1 million \$7.1 million, or 1% 6%, decrease increase in service revenue from the three months ended October 31, 2022 April 30, 2023 to the three months ended October 31, 2023 April 30, 2024 was primarily due to lower fees with respect to FSA the increases in the number of HSAs and COBRA accounts, partially offset by the amount of HSA investments.

We expect service revenue earned with respect to new HSAs.

The \$2.4 million, or 1%, continue to increase, in service revenue from the nine months ended October 31, 2022 to the nine months ended October 31, 2023 was primarily due to service revenue earned with respect to new HSAs, an increase in Total Accounts, partially offset by lower average service fees with respect to FSA and COBRA accounts. per account.

Custodial revenue. The \$31.9 million \$33.2 million, or 43% 37%, increase in custodial revenue from the three months ended October 31, 2022 April 30, 2023 to the three months ended October 31, 2023 April 30, 2024 was primarily due to an increase in average annualized yield on HSA cash from 2.00% 2.32% for the three months ended October 31, 2022 April 30, 2023 to 2.58% 2.93% for the three months ended October 31, 2023 April 30, 2024 (due to both higher market interest rates overall and increased participation in our Enhanced Rates offering), the \$1.0 billion \$1.3 billion, or 8% 9%, increase in the year-over-year average daily balance of HSA cash, as described above, and an increase in interest rates on the portion of our Client-held funds held by our Depository Partners in interest-bearing, demand deposit accounts that have a floating interest rate.

The \$100.3 million, or 50%, increase in custodial revenue from the nine months ended October 31, 2022 to the nine months ended October 31, 2023 was primarily due to an increase in average annualized yield on HSA cash from 1.83% for the nine months ended October 31, 2022 to 2.42% for the nine months ended October 31, 2023 (due to both higher interest rates overall and increased participation in our Enhanced Rates offering), the \$1.1 billion, or 8%, increase in the year-over-year average daily balance of HSA cash, as described above, and an increase in interest rates on the portion of our Client-held funds held by our Depository Partners in interest-bearing, demand deposit accounts that have a floating interest rate.

Assuming the current interest rate environment continues, we expect our average annualized yield on HSA cash to further increase as our existing agreements with our Depository Partners are renewed or replaced with agreements with higher rates, resulting in higher custodial revenue. In addition, we expect an increase in the percentage of HSA cash held in our Enhanced Rates offering to continue to positively impact our average annualized yield and thus our custodial revenue. In addition, on an annual basis, relative As Basic Rates contracts mature, we intend to transfer the fiscal year ended January 31, 2023, we expect custodial revenue resulting from associated HSA cash into Enhanced Rates contracts unless the portion of our Client-held funds held by our Depository Partners HSA member affirmatively opts to remain in interest-bearing, demand deposit accounts that have a floating interest rate to increase, the Basic Rates offering.

Interchange revenue. The \$2.3 million \$2.9 million, or 7% 6%, increase in interchange revenue from the three months ended October 31, 2022 April 30, 2023 to the three months ended October 31, 2023 April 30, 2024 was primarily due to an increase in Total Accounts.

The \$6.6 million, or 6%, increase in interchange revenue from the nine months ended October 31, 2022 to the nine months ended October 31, 2023 was primarily due to an increase in Total Accounts.

Total revenue. Total revenue increased \$33.1 million \$43.2 million, or 15% 18%, from the three months ended October 31, 2022 April 30, 2023 to the three months ended October 31, 2023 April 30, 2024 due to the increases in custodial, service, and interchange revenues, partially offset by the decrease in service revenues, described above.

Total revenue increased \$109.3 million, or 17%, from the nine months ended October 31, 2022 to the nine months ended October 31, 2023 due to the increases in custodial, interchange, and service revenues, described above.

Impact of COVID-19. Our business was adversely affected by the COVID-19 pandemic, and we expect that it will continue to be adversely affected by the societal and economic changes arising out of the pandemic. Our financial results related to certain of our products were adversely affected, such as commuter benefits, due to "work from home" and hybrid work environments, which have continued and may continue indefinitely. We saw a negative impact on the financial results related to our COBRA product, as the Employee Benefits Security Administration provided disaster relief in the form of an extension to the required timeline for participants to make COBRA elections, which we believe resulted in fewer COBRA elections by our members because they had more time to assess the cost of their out-of-pocket expenses against the cost of COBRA premiums. The national emergency under which the disaster relief was provided ended in April 2023; however, the extent to which COBRA elections will return to their prior levels, if at all, remains uncertain. The extent to which the societal and economic changes arising out of the COVID-19 pandemic, including any longer lasting impacts on the usage of our services, will continue to negatively impact our business remains highly uncertain and as a result may have a material adverse impact on our business and financial results.

Cost of revenue

The following table sets forth our cost of revenue for the periods indicated:

Three months ended October 31,												Nine months ended October 31,											
Three months ended April 30,																							
(in thousands, except percentages)																							
(in thousands, except percentages)																							
(in thousands, except percentages)	(in thousands, except percentages)																						
		2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change		2024	2023	\$ Change	% Change		2024	2023	\$ Change	% Change				
Service costs	Service costs	\$75,347	\$76,493	\$ (1,146)	(1) %	\$232,445	\$232,281	\$ 164	0 %	Service costs	\$ 82,347	\$ 80,873	\$ 1,474	2 %	Service costs	\$ 82,347	\$ 80,873	\$ 1,474	2 %				
Custodial costs	Custodial costs	9,177	6,812	2,365	35 %	27,310	20,543	6,767	33 %	Custodial costs	9,057	8,038	1,019	13 %	Custodial costs	9,057	8,038	1,019	13 %				
Interchange costs	Interchange costs	6,287	5,923	364	6 %	20,281	19,240	1,041	5 %	Interchange costs	9,055	7,051	2,004	28 %	Interchange costs	9,055	7,051	2,004	28 %				
Total cost of revenue	Total cost of revenue	\$90,811	\$89,228	\$ 1,583	2 %	\$280,036	\$272,064	\$ 7,972	3 %	Total cost of revenue	\$100,459	\$ 95,962	\$ 4,497	5 %	Total cost of revenue	\$100,459	\$ 95,962	\$ 4,497	5 %				

The \$6.8 million, or 33%, increase in custodial costs from the nine months ended October 31, 2022 to the nine months ended October 31, 2023 was primarily due to an increase in the average annualized rate of interest retained by HSA members on HSA cash from 0.17% during the nine months ended October 31, 2022 to 0.22% during the nine months ended October 31, 2023, and the \$1.1 billion, or 8%, increase in the year-over-year average daily balance of HSA cash, as described above.

On an annual basis, relative to the fiscal year ended January 31, 2023, we expect custodial costs to increase due to an increase in the average annualized rate of interest retained by HSA members on HSA cash and an increase in the year-over-year average daily balance of HSA cash.

Interchange costs. The \$0.4 million \$2.0 million, or 6% 28%, increase in interchange costs from the three months ended October 31, 2022 April 30, 2023 to the three months ended October 31, 2023 April 30, 2024 was primarily due to an increase in Total Accounts.

The \$1.0 million, or 5%, increase in interchange Accounts and certain costs from associated with our transition to a single card processor, which transition is expected to be completed during the nine three months ended October 31, 2022 to the nine months ended October 31, 2023 was primarily due to an increase in Total Accounts, ending July 31, 2024.

Total cost of revenue. As we continue to add Total Accounts, we expect that our cost of revenue will increase in dollar amount to support our Network Partners, Clients, and members. However, on an annual basis, relative to the fiscal year ended January 31, 2023 January 31, 2024, we expect our cost of revenue to decrease as a percentage of our total

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revenue, primarily due to an increase in custodial revenue, partially offset by increases in stock-based compensation and other personnel costs. Cost of revenue will continue to be affected by a number of different factors, including our ability to scale our service delivery, Network Partner implementation, and account management functions, and the impact of societal and economic changes arising out of the COVID-19 pandemic. functions.

Operating expenses

The following table sets forth our operating expenses for the periods indicated:

Three months ended October 31,						Nine months ended October 31,											
Three months ended April 30,																	
(in thousands, except percentages)																	
(in thousands, except percentages)																	
(in thousands, except percentages)	(in thousands, except percentages)																
percentages)	percentages)	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Sales and marketing	Sales and marketing	\$ 19,656	\$ 17,245	\$ 2,411	14 %	\$ 58,714	\$ 49,648	\$ 9,066	18 %	Sales and marketing	\$ 23,494	\$ 19,935	\$ 3,559	18 %			
Technology and development	Technology and development	55,614	48,890	6,724	14 %	163,573	140,653	22,920	16 %	Technology and development	56,090	53,192	2,898	5 %			
General and administrative	General and administrative	26,379	25,131	1,248	5 %	78,363	74,795	3,568	5 %	General and administrative	38,236	25,538	12,698	50 %			
Amortization of acquired intangible assets	Amortization of acquired intangible assets	23,213	23,541	(328)	(1) %	69,545	71,420	(1,875)	(3) %	Amortization of acquired intangible assets	25,545	23,166	2,379	10 %			
Merger integration	Merger integration	2,655	6,509	(3,854)	(59) %	8,157	23,486	(15,329)	(65) %	Merger integration	2,143	3,458	(1,315)	(38) %			
Total operating expenses	Total operating expenses	\$127,517	\$121,316	\$ 6,201	5 %	\$378,352	\$360,002	\$ 18,350	5 %	Total operating expenses	\$145,508	\$ 125,289	\$ 20,219	16 %			

We expect our sales and marketing expenses to increase for the foreseeable future as we continue to focus on our cross-selling program and marketing campaigns. On an annual basis, relative to the fiscal year ended **January 31, 2023** **January 31, 2024**, we expect our sales and marketing expenses to remain relatively steady as a percentage of our total revenue. However, our sales and marketing expenses may fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our sales and marketing expenses.

Technology and development. The **\$6.7 million** **\$2.9 million**, or **14%** **5%**, increase in technology and development expenses from the three months ended **October 31, 2022** **April 30, 2023** to the three months ended **October 31, 2023** **April 30, 2024** was primarily due to increases in personnel-related expenses and software costs.

The **\$22.9 million**, or **16%**, increase in technology and development expenses from the nine months ended **October 31, 2022** to the nine months ended **October 31, 2023** was primarily due to increases in personnel-related expenses and software costs.

We expect our technology and development expenses to increase for the foreseeable future as we continue to invest in the development and security of our proprietary technology, technology, including our ongoing modernization project described earlier. On an annual basis, relative to the fiscal year ended **January 31, 2023** **January 31, 2024**, we expect our technology and development expenses to **remain relatively steady** **decrease slightly** as a percentage of our total revenue. However, our technology and development expenses may fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our technology and development expenses.

General and administrative. The **\$1.2 million** **\$12.7 million**, or **5%** **50%**, increase in general and administrative expenses from the three months ended **October 31, 2022** **April 30, 2023** to the three months ended **October 31, 2023** **April 30, 2024** was primarily due to **accelerated stock-based compensation expense recognized with respect to certain performance restricted stock units granted during the current fiscal year, as described in Note 8—Stock-based compensation, and increases in other personnel-related expenses and professional services expense**, partially offset by a decrease in amortization expense.

The **\$3.6 million**, or **5%**, increase in general and administrative expenses from the nine months ended **October 31, 2022** to the nine months ended **October 31, 2023** was primarily due to increases in professional services expense, personnel-related expenses, and credit losses from trade receivables, partially offset by a decrease in amortization expense.

We expect our general and administrative expenses to increase for the foreseeable future due to the additional demands on our legal, compliance, and finance functions as we continue to grow our business. On an annual basis, relative to the fiscal year ended **January 31, 2023** **January 31, 2024**, we expect our general and administrative expenses to **remain relatively steady** **increase** as a percentage of our total revenue, revenue, primarily due to the increase in stock-based compensation expense during the three months ended **April 30, 2024**. However, our general and administrative expenses may fluctuate as a

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fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our general and administrative expenses.

Amortization of acquired intangible assets. The **\$0.3 million** **\$2.4 million**, or **1%** **10%**, **decrease** **increase** in amortization of acquired intangible assets from the three months ended **October 31, 2022** **April 30, 2023** to the three months ended **October 31, 2023** **April 30, 2024** was primarily due to the **smaller carrying amount of new intangible assets that have not been fully amortized, added through the BenefitWallet HSA portfolio acquisition.**

The **\$1.9 million** **\$2.1 million**, or **3%**, **decrease** **increase** in amortization of acquired intangible assets from the nine months ended **October 31, 2022** to the nine months ended **October 31, 2023** was **increase**, primarily due to the **smaller carrying amount of intangible assets that have not been fully amortized, added through BenefitWallet HSA portfolio acquisition.**

Merger integration. The **\$3.9 million** **\$1.3 million**, or **59%** **38%**, **decrease** **decrease** in merger integration expense from the three months ended **October 31, 2022** **April 30, 2023** to the three months ended **October 31, 2023** was primarily due to a decrease in merger integration activities related to the acquisitions of WageWorks and the Further business.

April 30, 2024. The **\$15.3 million**, or **65%**, decrease in merger integration expense from the nine months ended **October 31, 2022** to the nine months ended **October 31, 2023** was primarily due to a decrease in merger integration activities related to the acquisitions of the Further business and WageWorks.

The **\$2.7 million** and **\$8.2 million** **\$2.1 million** in merger integration expense for the three and nine months ended **October 31, 2023** **April 30, 2024** was primarily due to **professional fees, personnel and related expenses, including expenses incurred in conjunction with the migration of accounts, professional fees, and technology-related expenses directly related to the Further acquisition and certain ongoing merger integration expenses related to the WageWorks acquisition including ongoing lease expense related to WageWorks offices that have been permanently closed, less any related sublease income, and professional fees, of WageWorks.** We expect merger integration expenses attributable to the Further acquisition totaling approximately \$55 million to be incurred over a period of approximately five to six years from the date of the acquisition, which occurred in November 2021.

Interest expense

The **\$1.4 million** **\$3.2 million**, or **11%** **21%**, **increase** **decrease** in interest expense from the three months ended **October 31, 2022** **April 30, 2023** to the three months ended **October 31, 2023** **April 30, 2024** was primarily due to the **impact of higher interest rates on our Term Loan Facility, which had an effective interest rate of 7.44% as of October 31, 2023, up from 6.38% as of October 31, 2022, partially offset by a lower average principal balance under our Term Loan Facility.**

The **\$7.7 million**, or **23%**, **increase** **increase** in interest expense from **Credit Facilities** during the **nine three** months ended **October 31, 2022** to the nine months ended **October 31, 2023** was primarily due to the impact of higher interest rates on our Term Loan Facility, which had an effective interest rate of 7.44% as of October 31, 2023, up from 6.38% as of October 31, 2022, **April 30, 2024** and a **non-recurring** **\$1.2 million** loss on extinguishment of debt due to the prepayment of \$50.0 million under our **Term Loan Facility in April 2023, term loan facility** during the three months ended **April 30, 2023**. These decreases were partially offset by the impact of higher interest rates on our **Credit Facilities, which had a lower average principal balance under our Term Loan Facility, stated interest rate of 6.67% as of April 30, 2024, up from 6.56% as of April 30, 2023.**

Our **Term Loan Facility** **Credit Facilities** had an outstanding principal balance of **\$286.9 million** **\$336.9 million** and **\$343.4 million** **\$286.9 million** as of **October 31, 2023** **April 30, 2024** and **2022**, **2023**, respectively. The **decrease** **increase** was due to **principal payments, including \$50.0 million of borrowings under our revolving credit facility during the \$50.0 million prepayment in April 2023, three months ended April 30, 2024 to pay a portion of the BenefitWallet HSA portfolio acquisition purchase price.**

On an annual basis, relative to the fiscal year ended **January 31, 2023** **January 31, 2024**, we expect our interest expense to increase, primarily due to the **impact of increased interest rates on our Term Loan Facility and the \$1.2 million loss on extinguishment of debt in April 2023, partially offset by a lower average principal balance additional borrowings under our Term Loan Facility, revolving credit facility to pay a portion of the BenefitWallet HSA portfolio acquisition purchase price. The additional borrowings included \$50.0 million and \$175.0 million during the three months ended April 30, 2024 and in May 2024, respectively.** The interest rate on our **Term Loan Facility and Revolving Credit Facility Facilities** is variable and, accordingly, we may incur additional expense if interest rates continue to increase in future periods.

Other income, net

The **\$3.3 million** **\$1.6 million** increase in other income, net, from **\$0.4 million** **\$1.8 million** during the three months ended **October 31, 2022** **April 30, 2023** to **\$3.7 million** **\$3.4 million** during the three months ended **October 31, 2023** **April 30, 2024** was primarily due to an increase in interest income on corporate cash.

The **\$8.2 million** increase in other income, net, from **\$0.2 million** during the nine months ended **October 31, 2022** to **\$8.3 million** during the nine months ended **October 31, 2023** was primarily due to a **\$7.2 million** **\$2.3 million** increase in interest income on corporate cash, and partially offset by a **\$0.9 million** **\$0.7 million** increase in other **income, expense, net.**

Income tax provision (benefit)

For the three months ended **October 31, 2023** **April 30, 2024** and **2022, 2023**, we recorded an income tax provision of **\$6.4 million** **\$4.4 million** and an income tax benefit of **\$4.5 million** **\$5.9 million**, respectively. The increase in income tax provision was primarily the result of

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an increase in pre-tax book income, an increase in unrecognized tax benefits, and adjustments from settlement of an IRS examination, partially offset by return-to-provision adjustments on research and development tax credits.

For the nine months ended **October 31, 2023** and **2022**, we recorded an income tax provision of **\$16.0 million** and an income tax benefit of **\$12.2 million**, respectively. The increase **decrease** in income tax provision was primarily the result of an increase in pre-tax book income, an increase in unrecognized tax benefits, adjustments from settlement of an IRS examination, and a decrease in tax deductible stock-based compensation compared to GAAP stock-based compensation expense partially offset by return-to-provision adjustments on and an increase in research and development tax credits, partially offset by an increase in pre-tax book income and an increase in nondeductible executive compensation.

Seasonality

Seasonal concentration of our growth combined with our recurring revenue model create seasonal variation in our results of operations. Revenue results are seasonally impacted due to ancillary service fees, timing of HSA contributions, and timing of card spend. Cost of revenue is seasonally impacted as a significant number of new and existing Network Partners bring us new HSAs and CDBs beginning in January of each year concurrent with the start of many employers' benefit plan years. Before we realize any revenue from these new accounts, we incur costs related to implementing and supporting our new Network Partners and new accounts. These costs of services relate to activating accounts and hiring additional staff, including seasonal help to support our member support center. These expenses begin to ramp up during our third fiscal quarter, with the majority of seasonal expenses incurred in our fourth fiscal quarter.

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Liquidity and capital resources

Cash and cash equivalents overview

Our principal sources of liquidity are our current cash and cash equivalents balances, collections from our service, custodial, and interchange revenue activities, and availability under our **Revolving Credit Facility (as defined below), revolving credit facility.** We rely on cash provided by operating activities to meet our short-term liquidity requirements, which primarily relate to the payment of corporate payroll and other operating costs, principal and interest payments on our long-term debt, and capital expenditures.

As of **October 31, 2023** **April 30, 2024** and **January 31, 2023** **January 31, 2024**, cash and cash equivalents were **\$334.1 million** **\$251.2 million** and **\$254.3 million** **\$404.0 million**, respectively.

Capital resources

We maintain a "shelf" registration statement on Form S-3 on file with the SEC. A shelf registration statement, which includes a base prospectus, allows us at any time to offer any combination of securities described in the prospectus in one or more offerings. Unless otherwise specified in a prospectus supplement accompanying the base prospectus, we would use the net proceeds from the sale of any securities offered pursuant to the shelf registration statement for general corporate purposes, including, but not limited to, working capital, sales and marketing activities, general and administrative matters, capital expenditures, and repayment of indebtedness, and if opportunities arise, for the acquisition of, or investment in, assets, technologies, solutions or businesses that complement our business. Pending such uses, we may invest the net proceeds in interest-bearing securities. In addition, we may conduct concurrent or other financings at any time.

Our credit agreement includes a five-year senior secured revolving credit facility, **(the "Revolving Credit Facility")**, in an aggregate principal amount of up to \$1.0 billion, which may be used for working capital and general corporate purposes, including the financing of acquisitions and other investments. For a description of the terms of the credit agreement, refer to Note 6—Indebtedness. As of **October 31, 2023** **April 30, 2024**, **there were no amounts the amount** outstanding under the **Revolving Credit Facility, revolving credit facility was \$50.0 million.** In connection with May 2024, we borrowed an additional \$175.0 million under our revolving credit facility, which was used to pay for the third tranche of the BenefitWallet HSA portfolio acquisition, which is expected to close in multiple tranches during the first half of fiscal 2025, we expect to borrow approximately 50% of the purchase

price and related costs using our Revolving Credit Facility with the actual percentages to be determined in connection with the payment for each tranche acquisition. We were in compliance with all covenants under the credit agreement as of October 31, 2023 April 30, 2024, and for the period then ended.

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We continue to be in compliance with all covenants under the Credit Agreement through the filing date of this Quarterly Report on Form 10-Q.

Use of cash

In April 2023, During the three months ended April 30, 2024, we used \$50.0 million \$256.1 million of cash, to prepay, in direct order of maturity, principal due which includes \$50.0 million borrowed under our Term Loan Facility, revolving credit facility, to pay for the first two tranches of the BenefitWallet HSA portfolio acquisition.

Capital expenditures for the nine three months ended October 31, 2023 April 30, 2024 and 2022 2023 were \$31.5 million \$13.8 million and \$38.3 million \$9.1 million, respectively. We expect to continue our current level of capital expenditures for the remainder of the fiscal year ending January 31, 2024 January 31, 2025 as we continue to invest in improving the architecture and functionality of our proprietary systems. Capital expenditures to improve the architecture of our proprietary systems include computer hardware, personnel and related costs for software engineering, and outsourced software engineering services.

We believe our existing cash, cash equivalents, and Revolving Credit Facility revolving credit facility will be sufficient to meet our operating and capital expenditure requirements for at least the next 12 months. To the extent these current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may need to raise additional funds through public or private equity or debt financing. In the event that additional financing is required, we may not be able to raise it on favorable terms, if at all.

The following table shows our cash flows from operating activities, investing activities, and financing activities for the stated periods:

		Nine months ended October 31,			
		Three months ended April 30,		Three months ended April 30,	
(in thousands)	(in thousands)	2023	2022	(in thousands)	2024
Net cash provided by operating activities	Net cash provided by operating activities	\$ 165,753	\$ 95,159		
Net cash used in investing activities	Net cash used in investing activities	(34,804)	(108,851)		
Net cash used in financing activities	Net cash used in financing activities	(51,154)	(1,525)		
Increase (decrease) in cash and cash equivalents		79,795	(15,217)		
Net cash provided by (used in) financing activities					
Decrease in cash and cash equivalents					
Beginning cash and cash equivalents	Beginning cash and cash equivalents	254,266	225,414		
Ending cash and cash equivalents	Ending cash and cash equivalents	\$ 334,061	\$ 210,197		

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Cash flows from operating activities. Net cash provided by operating activities increased by \$70.6 million \$33.9 million from the nine three months ended October 31, 2022 April 30, 2023 to the nine three months ended October 31, 2023 April 30, 2024 primarily due to increased collections cash receipts with respect to our custodial revenue and a decrease in cash payments made to our accounts payable, accrued liabilities, and other current liabilities during the nine months ended October 31, 2023. revenue.

Cash flows from investing activities. Net cash used in investing activities decreased increased by \$74.0 million \$260.8 million from the nine three months ended October 31, 2022 April 30, 2023 to the nine three months ended October 31, 2023 April 30, 2024 due to a \$67.3 million decrease in \$256.1 million of cash used in to pay a portion of the BenefitWallet HSA portfolio acquisitions, acquisition purchase price, a \$4.9 million decrease \$4.1 million increase in cash used for purchases of software and capitalized software development costs, and a \$1.8 million decrease \$0.6 million increase in cash used for purchases of property and equipment.

Cash flows from financing activities. Net cash provided by financing activities was \$51.8 million during the three months ended April 30, 2024, compared to \$51.0 million of net cash used in financing activities increased by \$49.6 million from during the nine three months ended October 31, 2022 to the nine months ended October 31, 2023 April 30, 2023. The change was due to a \$47.8 million increase \$54.4 million decrease in principal payments on our long-term debt, which includes the \$50.0 million of cash used to prepay, in direct order of maturity, principal due borrowings under our Term Loan Facility, revolving credit facility during the three months ended April 30, 2024 to pay a portion of the BenefitWallet HSA portfolio acquisition purchase price, and a \$3.2 million decrease \$1.4 million increase in proceeds from the exercise of common stock options. These changes were partially offset by a \$1.4 million decrease \$3.0 million increase in net payments made in the settlement of client-held funds obligations.

Contractual obligations

See Note 5—Commitments and contingencies for information about our contractual obligations.

Off-balance sheet arrangements

As of October 31, 2023 April 30, 2024, other than outstanding letters of credit issued under our Revolving Credit Facility, revolving credit facility, we did not have any off-balance sheet arrangements. The standby letters of credit generally expire within one year. However, in the ordinary course of business, we will continue to renew or modify the terms of the letters of credit to support business requirements. The letters of credit are contingent liabilities, supported by our Revolving Credit Facility, revolving credit facility, and are not reflected on our condensed consolidated balance sheets.

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Critical accounting policies and significant management estimates

Our management's discussion and analysis of financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources, and we evaluate our critical accounting estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions and conditions.

Our significant accounting policies are more fully described in Note 1 of the accompanying unaudited condensed consolidated financial statements and in Note 1 to our audited consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023 January 31, 2024. There have been no significant or material changes in our critical accounting policies during the nine three months ended October 31, 2023 April 30, 2024, as compared to those disclosed in "Management's discussion and analysis of financial condition and results of operations – Critical accounting policies and significant management estimates" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023 January 31, 2024.

Recent accounting pronouncements

See Note 1—Summary of business and significant accounting policies within the interim financial statements included in this Form 10-Q for further discussion.

Item 3. Quantitative and qualitative disclosures about market risk

Market risk

Concentration of market risk. We derive a substantial portion of our revenue from providing services to tax-advantaged healthcare account holders. A significant downturn in this market or changes in state and/or federal laws impacting the preferential tax treatment of healthcare accounts such as HSAs could have a material adverse effect on our results of operations. During the nine three months ended October 31, 2023 April 30, 2024 and 2022, 2023, no one customer

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accounted for greater than 10% of our total revenue. We monitor market and regulatory changes regularly and make adjustments to our business if necessary.

Inflation. Inflationary factors may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, the current high rate of inflation may have an adverse effect on our ability to maintain current levels of expenses as a percentage of revenue if our revenue does not correspondingly increase with inflation.

Concentration of credit risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of cash and cash equivalents. We maintain our cash and cash equivalents in bank and other depository accounts, which frequently may exceed federally insured limits. Our cash and cash equivalents as of **October 31, 2023** **April 30, 2024** and **January 31, 2023** **January 31, 2024** were **\$334.1 million** **\$251.2 million** and **\$254.3 million** **\$404.0 million**, respectively, the vast majority of which was not covered by federal depository insurance. We have not experienced any material losses in such accounts. Our accounts receivable balance as of **October 31, 2023** **April 30, 2024** and **January 31, 2023** **January 31, 2024** was **\$96.2 million** **\$106.2 million** and **\$96.8 million** **\$104.9 million**, respectively. We have not experienced any significant write-offs to our accounts receivable and believe that we are not exposed to significant credit risk with respect to our accounts receivable. We continue to monitor our credit risk and place our cash and cash equivalents with reputable financial institutions.

Interest rate risk

HSA Assets and Client-held funds. HSA Assets consist of custodial HSA funds we hold in custody on behalf of our members. As of **October 31, 2023** **April 30, 2024** and **January 31, 2023** **January 31, 2024**, we held in custody HSA Assets of **\$22.6 billion** **\$27.3 billion** and **\$22.1 billion** **\$25.2 billion**, respectively. As a non-bank custodian, we contract with our Depository Partners and insurance company partners to hold **custodial HSA cash assets** on behalf of our members, and we earn a significant portion of our total revenue from interest paid to us by these partners. **Custodial HSA cash assets** held by our insurance company partners **are** held in group annuity contracts or similar arrangements. The lengths of our agreements with Depository Partners typically range from three to five years and have either fixed or variable interest rates. As HSA Assets increase and existing contracts with Depository Partners expire, we seek to enter into new contracts with Depository Partners **and insurance company partners**, the terms of which are impacted by the then-prevailing interest rate environment. **The**

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We believe that increased participation in our Enhanced Rates offering, diversification of **HSA Assets held by our** Depository Partners and insurance company partners, and varied contract terms, substantially reduces our exposure to short-term fluctuations in prevailing interest rates and mitigates the short-term impact of a sustained increase or decline in prevailing interest rates on our custodial revenue. A sustained decline in prevailing interest rates may negatively affect our business by reducing the size of the interest rate yield, or yield, available to us and thus the amount of the custodial revenue we can realize. Conversely, a sustained increase in prevailing interest rates can increase our yield. An increase in our yield would increase our custodial revenue as a percentage of total revenue. In addition, if our yield increases, we expect the spread to also increase between the interest offered to us by our Depository Partners and insurance company partners and the interest retained by our members, thus increasing our profitability. However, we may be required to increase the interest retained by our members in a rising prevailing interest rate environment. Changes in prevailing interest rates are driven by macroeconomic trends and government policies over which we have no control.

Client-held funds are interest earning deposits from which we generate custodial revenue. As of **October 31, 2023** **April 30, 2024** and **January 31, 2023** **January 31, 2024**, we held Client-held funds of **\$761 million** **\$858 million** and **\$901 million** **\$842 million**, respectively. These deposits are amounts remitted by Clients and held by us on their behalf to pre-fund and facilitate administration of our other CDBs. These deposits are held with Depository Partners. We deposit the Client-held funds with our Depository Partners in interest-bearing, demand deposit accounts that have a floating interest rate and no set term or duration. A sustained decline in prevailing interest rates may negatively affect our business by reducing the size of the yield available to us and thus the amount of the custodial revenue we can realize from Client-held funds. Conversely, a sustained increase in prevailing interest rates may increase our yield. Changes in prevailing interest rates are driven by macroeconomic trends and government policies over which we have no control.

Cash and cash equivalents. We consider all highly liquid investments purchased with an original maturity of three months or less to be unrestricted cash equivalents. Our unrestricted cash and cash equivalents are held in institutions in the U.S. and include deposits in a money market account that is unrestricted as to withdrawal or use. As of **October 31, 2023** **April 30, 2024** and **January 31, 2023** **January 31, 2024**, we had unrestricted cash and cash equivalents of **\$334.1 million** **\$251.2 million** and **\$254.3 million** **\$404.0 million**, respectively. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of our cash and cash equivalents as a result of changes in interest rates.

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Long-term debt. As of **October 31, 2023** **April 30, 2024** and **January 31, 2023** **January 31, 2024**, we had **\$286.9 million** **\$336.9 million** and **\$341.3 million** **\$286.9 million**, respectively, outstanding under our **term loan facility and no amounts drawn under our Revolving Credit Facility. Facilities.** Our overall interest rate sensitivity under these credit facilities is primarily influenced by any amounts borrowed and the prevailing interest rates on these instruments. The stated interest rate on our **term loan credit facility and Revolving Credit Facility Facilities** is variable and was **6.68% at October 31, 2023** **6.67% as of April 30, 2024**. Accordingly, we may incur additional expense if interest rates further increase in future periods. For example, a one percent increase in the interest rate on the amount outstanding under our **credit facilities Credit Facilities** as of **October 31, 2023** **April 30, 2024** would result in approximately **\$2.9 million** **\$3.4 million** of additional interest expense over the next 12 months. The interest rate on our \$600 million of unsecured Senior Notes due 2029 is fixed at 4.50%.

Item 4. Controls and procedures

Evaluation of disclosure controls and procedures

Management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures as of **October 31, 2023** **April 30, 2024**, the end of the period covered by this Quarterly Report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to provide reasonable assurance that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on such evaluation, our CEO and our CFO concluded that as of **October 31, 2023** **April 30, 2024**, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

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Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended **October 31, 2023** **April 30, 2024** that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II—Other information

Item 1. Legal proceedings

From time-to-time, we may be subject to various legal proceedings and claims that arise in the normal course of our business activities. Except as described in Note 5—Commitments and contingencies, as of the date of this Quarterly Report on Form 10-Q, we were not a party to any litigation whereby the outcome of such litigation, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our results of operations, cash flows or financial position. For a description of these legal proceedings, see Note 5—Commitments and contingencies of the notes to condensed consolidated financial statements.

Item 1A. Risk factors

The risks described in "Risk factors" in our Annual Report on Form 10-K for the fiscal year ended January 31, **2023** **2024**, **this Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2023**, and subsequent periodic reports could materially and adversely affect our business, financial condition and results of operations. **Except as described below, there** **There** have been no material changes in such risks. These risk factors do not identify all risks that we face, and our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Our acquisition of the BenefitWallet HSA portfolio may not be consummated, and if consummated, we may not realize the expected benefits. We have entered into an agreement to acquire the BenefitWallet HSA portfolio. Completion of the acquisition is subject to certain closing conditions and a number of risks and uncertainties. We can provide no assurance that the various closing conditions will be satisfied or that the risks and uncertainties will not occur. In addition, a significant decline in prevailing interest rates at the time of the completion of the acquisition would have an adverse impact on our ability to realize the potential benefits of the acquisition.

Item 5. Other information

Rule 10b5-1 plan elections

On **September 22, 2023** **March 25, 2024**, **Delano Ladd, Jon Kessler**, our **President and Chief Executive Vice President, General Counsel and Secretary, Officer**, entered into a Rule 10b5-1 trading arrangement (the "**Ladd Kessler Arrangement**"). The **Ladd Kessler Arrangement** provides for the sale, between **December 22, 2023** **June 24, 2024** and **August 30, 2024** **November 29, 2024**, of up to **7,643** **85,000** aggregate shares of the Company's common stock held directly or indirectly by Mr. **Ladd, Kessler**. The **Ladd Kessler Arrangement** was entered into during an open insider trading window and is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act.

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Item 6. Exhibits

Incorporate by reference					
Exhibit no.	Description	Form	File No.	Exhibit	Filing Date
2.1 [†] 10.1 ⁺	Custodial Transfer Restricted Stock Unit Award Agreement and Asset Purchase Agreement, dated as of September 18, 2023, by and between Conduent Business Services, LLC, and HealthEquity, Inc. Grant Notice	8-K	001-36568	2.1	September 19, 2023
31.1 ⁺	Certification of the Principal Executive Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2 ⁺	Certification of the Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1 [#]	Certification of the Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2 [#]	Certification of the Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	XBRL Instance document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH	Inline XBRL Taxonomy schema linkbase document				
101.CAL	Inline XBRL Taxonomy calculation linkbase document				
101.DEF	Inline XBRL Taxonomy definition linkbase document				
101.LAB	Inline XBRL Taxonomy labels linkbase document				
101.PRE	Inline XBRL Taxonomy presentation linkbase document				
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2023 April 30, 2024 , formatted in Inline XBRL.				
+ Filed herewith.					
* Furnished herewith.					
# These certifications are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference in any filing the registrant makes under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.					
[†] Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. HealthEquity hereby undertakes to furnish supplementally copies of any of the omitted schedules upon request by the SEC.					

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: [December 5, 2023](#) [June 3, 2024](#)

HEALTHEQUITY, INC.

By: /s/ James Lucania

Name: James Lucania

Title: Executive Vice President and Chief Financial Officer

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Exhibit 10.1

HEALTHEQUITY, INC.
Performance-Based Restricted Stock Unit Notice
(2014 EQUITY INCENTIVE PLAN)

HealthEquity, Inc. (the “Company”), pursuant to its 2014 Equity Incentive Plan, as amended and restated from time to time (the “Plan”), hereby grants to Participant a Restricted Stock Unit Award for the number of shares of the Company’s Common Stock set forth below (the “Restricted Stock Units”). The Restricted Stock Unit Award is subject to all of the terms and conditions as set forth in this Performance-Based Restricted Stock Unit Notice (this “Grant Notice”), in the Restricted Stock Unit Award Agreement (attached hereto as Attachment I) and the Plan (attached hereto as Attachment II), both of which are incorporated herein in their entirety. Capitalized terms not explicitly defined herein but defined in the Plan or the Restricted Stock Unit Award Agreement will have the same definitions as in the Plan or the Restricted Stock Unit Award Agreement. If there is any conflict between the terms in this Grant Notice and the Plan, the terms of the Plan will control.

Name of Participant:
Date of Grant:
Performance Period:
Target Number of Restricted Stock Units:

Relative TSR


Vesting Condition: Seventy-five percent (75%) of the target number of Restricted Stock Units shall be subject to the Relative TSR Vesting Condition. The shares subject to the Relative TSR Vesting Condition shall vest based on the Company’s relative Total Shareholder Return for the Performance Period as compared to the Total Shareholder Return of the members of the Comparator Group, as follows, subject to Participant’s Continuous Service through the Certification Date (as defined below):

Relative Total Shareholder Return	Percentage of Restricted Stock Units that Satisfy the Relative TSR Vesting Condition (% of Target)
<10 th percentile	0%
10 th percentile	25%
50 th percentile	100%
90 th percentile	200%

Linear interpolation shall be used to determine the percentage of the target number of Restricted Stock Units that satisfy the Relative TSR Vesting Condition between each percentile listed.

To determine such relative Total Shareholder Return, the Committee will calculate the Total Shareholder Return of the Company and each member of the Comparator Group for the Performance Period, and the Company and each member of the Comparator Group will be ranked in order of maximum to minimum according to their respective Total Shareholder Return for the

Performance Period, with the company with the highest return ranked as 1. After this ranking, the percentile performance of the Company relative to the Comparator Group will be determined as follows:

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P 1 R-1

N-1

Where: “P” represents the percentile performance, which will be rounded, if necessary, to the nearest tenth of a percent.

“N” represents the number of companies in the Comparator Group (inclusive of the Company).

“R” represents the Company’s ranking versus the Comparator Group.

Example: If there are 1,967 Comparator Companies (inclusive of the Company), and the Company ranked 984th out of 1,967, the performance would be at the 50th percentile: $.500 = 1 - ((984-1)/(1,967-1))$.

Non-GAAP Net Income

Vesting Condition: Twenty-five percent (25%) of the target number of Restricted Stock Units shall be subject to the Non-GAAP Net Income Vesting Condition. The shares subject to the Non-GAAP Net Income Vesting Condition shall vest based on the Company’s cumulative Non-GAAP Net Income Per Share for the Performance Period, as follows, subject to Participant’s Continuous Service through the Certification Date:

Cumulative Non-GAAP Net Income Per Share	Percentage of Restricted Stock Units that Satisfy the Non-GAAP Net Income Vesting Condition (% of Target)
\$10.44	50%
\$12.28	100%
\$15.35	200%

Linear interpolation shall be used to determine the percentage of the target number of Restricted Stock Units that satisfy the Non-GAAP Net Income Vesting Condition between each dollar amount listed.

Certification Date: As soon as reasonably practicable following the last fiscal year in the Performance Period, but in no event later than April 30th of the following fiscal year to which the Performance Period relates, or the date of a Change in Control, if applicable, the Committee shall determine the Company's relative Total Shareholder Return for the Performance Period relative to the members of the Comparator Group and the Company's cumulative Non-GAAP Net Income Per Share for the Performance Period (such date of determination, the "**Certification Date**").

Following the Certification Date, any Restricted Stock Units granted hereunder that do not vest shall immediately be forfeited for no consideration.

Treatment on a Change in

Control: If a Change in Control occurs during Participant's Continuous Service (or following Participant's Qualifying Retirement), and the surviving corporation or

acquiring corporation (or the surviving or acquiring corporation's parent company) assumes or continues the Restricted Stock Unit Award or substitutes the Restricted Stock Unit Award for a similar stock award, the Committee may determine the satisfaction of the Relative TSR Vesting Condition and the Non-GAAP Net Income Vesting Condition at the greater of (x) deemed achievement of target performance and (y) actual performance determined as of the most recent quarter-end prior to the date of the consummation of the Change in Control (the "**Eligible Restricted Stock Units**"). Except as provided otherwise in the immediate following sentence, such Eligible Restricted Stock Units will vest at the conclusion of the Performance Period, subject to Participant's Continuous Service with the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) through the last day of such Performance Period. If Participant's Continuous Service is terminated by the Company without Cause (other than due to death or Disability) or by Participant for Good Reason during the twenty-four (24)-month period commencing on such Change in Control or due to the Participant's Qualifying Retirement on or following the Change in Control, all Eligible Restricted Stock Units that have not previously vested shall vest as of the date of such termination or Qualifying Retirement, as applicable.

If a Change in Control occurs during Participant's Continuous Service (or following Participant's Qualifying Retirement) and the Restricted Stock Unit Award is not assumed, continued or substituted for a similar stock award by the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company), the Restricted Stock Unit Award will vest as of the date on which a Change in Control is consummated based on the greater of (x) deemed achievement of target performance and (y) actual performance determined by the Committee as of the most recent quarter-end prior to the date of the consummation of the Change in Control.

Treatment on a Qualifying

Retirement: If Participant's employment is terminated prior to the Certification Date due to a Qualifying Retirement, subject to Participant's execution and delivery of the Company's standard form of a general release of claims in favor of the Company and its Affiliates and such release become irrevocable no later than sixty (60) days following such termination, and Participant's continued compliance with the restrictive covenants set forth in the Team Member Confidentiality Agreement (as defined below), the Restricted Stock Units will remain outstanding and eligible to satisfy the Relative TSR Vesting Condition and the Non-GAAP Net Income Vesting Condition as though Participant remained in Continuous Service through the Certification Date. For the avoidance of doubt, the elimination of the Continuous Service condition shall not otherwise accelerate the vesting of the Restricted Stock Units (including to cause any such Restricted Stock Units to be earned or vest in a number of shares greater than would otherwise be earned or vest pursuant to the satisfaction of the performance conditions set forth herein).

Definitions: "**Beginning Share Price**" shall mean the product of (x) the average closing price of the common stock of the applicable company during the ninety (90) consecutive trading days preceding the first day of the Performance Period, in each case, with such stock price rounded down to the nearest cent, and (y) the sum of (A) one share of common stock of the applicable company, plus (B) a cumulative number of shares of common stock purchased with the dividends declared on the common stock, assuming same day reinvestment of the dividend

in shares of common stock at the closing price on the ex-dividend date, for the ex-dividend dates that occur during the ninety (90) consecutive trading days preceding the first day of the Performance Period, rounded down to the nearest thousandths.

"Comparator Group" shall mean companies comprising the Russell 2000 Index as of the first day of the Performance Period, inclusive of the Company. The Comparator Group may be changed as follows: (i) in the event of a merger, acquisition or business combination transaction of a member of the Comparator Group with or by another member of the Comparator Group, the surviving entity will remain in the Comparator Group; (ii) in the event of a merger, acquisition or other business combination transaction of a member of the Comparator Group with or by another company that is not a member of the Comparator Group, or "going private transaction" where the member of the Comparator Group is not the surviving entity or is otherwise no longer publicly traded, the company will no longer be a member of the Comparator Group; and (iii) in the event of a bankruptcy of a member of the Comparator Group such company will remain a member of the Comparator Group so long as such company is publicly traded.

"Ending Share Price" shall mean the product of (x) the average closing price of the common stock of the applicable company during the ninety (90) consecutive trading days ending on (and including) the last day of the Performance Period, in each case, with such stock price rounded down to the nearest cent, and (y) the sum of (A) one share of common stock of the applicable company, plus (B) a cumulative number of shares of common stock purchased with the dividends declared on the common stock, assuming same day reinvestment of the dividend in shares of common stock at the closing price on the ex-dividend date, for the ex-dividend dates that occur during the ninety (90) consecutive trading days preceding the first day of the Performance Period through the expiration of the Performance Period, rounded down to the nearest thousandths; provided, that, notwithstanding the foregoing, in the event of a Change in Control, the Ending Share Price in respect of the Company shall be equal to the price per share of Common Stock to be paid to the holder thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per share of Common Stock as reported for the last trading day immediately preceding the consummation of the Change in Control), adjusted to reflect an assumed reinvestment of any dividends in accordance with clause (B) above.

"Good Reason" shall mean, in the absence of an employment agreement between Participant and the Company or any of its Affiliates otherwise defining Good Reason, (i) a material reduction in Participant's base salary or annual bonus opportunity (other than pursuant to an across-the-board reduction applicable to all similarly-situated employees), (ii) a material diminution in Participant's title, duties, or responsibilities; provided, that the fact that Participant's duties following a Change in Control are owed to a surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) shall not in and of itself constitute a material diminution in Participant's title, duties, or responsibilities, or (iii) the relocation of Participant's principal place of employment more than fifty (50) miles from its then current location. Participant may terminate Participant's employment for Good Reason only after providing the Company written notice setting forth in reasonable specificity the event that constitutes Good Reason, which written notice, to be effective, must be provided to the Company within sixty (60) days

of the occurrence of such event. Said notice shall provide the Company with a sixty (60) day period during which the Company may cure such act or acts constituting Good Reason (the **"Cure Period"**), and such termination shall be effective at the expiration of the Cure Period unless the Company has fully cured during such Cure Period such act or acts that give rise to Good Reason. In the event that there is an employment agreement between Participant and the Company or any of its Affiliates otherwise defining Good Reason, "Good Reason" will have the meaning provided in such agreement, and a resignation for Good Reason hereunder will not be deemed to have occurred unless all applicable notice and cure periods in such employment agreement are complied with.

"Non-GAAP Net Income Per Share" shall mean, with respect to the Performance Period, the sum of the actual, reported non-GAAP net income per share for each fiscal year during the Performance Period, as determined by reference to the Company's annual financial statements made available following the completion of each fiscal year during the Performance Period.

"Qualifying Retirement" shall mean, in the absence of an employment agreement between Participant and the Company or any of its Affiliates otherwise defining Qualifying Retirement, (i) Participant's attainment of age fifty-five (55), and (ii) Participant has provided at least ten (10) years of Continuous Service.

"Total Shareholder Return" shall mean for each member of the Comparator Group, the percentage change in the value of the Common Stock or the common stock of a member of the Comparator Group, as applicable, determined by dividing (x) the Ending Share Price by (y) the Beginning Share Price, as determined by the Committee in its sole discretion, and then subtracting by 1.

Issuance Schedule: Subject to any change in respect of a Capitalization Adjustment (as provided in the Plan), a number of shares of Common Stock will be issued based on the number of Restricted Stock Units that are earned and become vested at the time set forth in Section 6 of the Restricted Stock Unit Award Agreement.

Restrictive Covenants: As a condition of the grant of Restricted Stock Units hereunder, the undersigned Participant hereby affirms all confidentiality, non-interference, invention assignment or similar covenants previously made by Participant in favor of the Company and acknowledges that such covenants are independent obligations of Participant (such covenants, the "**Team Member Confidentiality Agreement**"). Participant hereby acknowledges and agrees that this Grant Notice and the Team Member Confidentiality Agreement will be considered separate contracts, and the Team Member Confidentiality Agreement will survive the termination of this Grant Notice for any reason.

**Clawback Policy,
Share Ownership**

Guidelines, Etc.: The Restricted Stock Units (and any compensation paid or shares issued in respect of the Restricted Stock Units) are subject to (i) any share ownership guidelines to which Participant may be subject, (ii) any insider trading policy adopted by the Company and any applicable law regulating trading by employees, and (iii) the HealthEquity, Inc. Clawback Policy, or any other clawback policy adopted by the Company, and any compensation recovery policy otherwise required by applicable law.

Additional

Terms/Acknowledgements: By signing below or, if applicable, electronically accepting this Restricted Stock Unit Award, the undersigned Participant acknowledges having received and reviewed in their entirety, and fully understands and agrees to all provisions of, this Grant Notice, the Restricted Stock Unit Award Agreement, the Plan and the Team Member Confidentiality Agreement. Participant acknowledges and agrees that this Grant Notice and the Restricted Stock Unit Award Agreement may not be modified, amended or revised except as provided in the Plan. Participant further acknowledges that, as of the Date of Grant, this Grant Notice, the Restricted Stock Unit Award Agreement, the Plan and the Team Member Confidentiality Agreement set forth the entire agreement and understanding between Participant and the Company regarding the acquisition of the Common Stock pursuant to the Award specified above and supersede all prior oral and written agreements, promises and/or representations on that subject with the exception of (i) Restricted Stock Units previously granted and delivered to Participant, (ii) the HealthEquity, Inc. Clawback Policy or any other compensation recovery policy that is adopted by the Company or is otherwise required by applicable law, and (iii) any written employment or severance arrangement that would provide for vesting acceleration of this Restricted Stock Unit Award upon the terms and conditions set forth therein. By accepting this Restricted Stock Unit Award, Participant consents to receive such documents by electronic delivery and to participate in the Plan through an online or electronic system established and maintained by the Company or another third party designated by the Company.

Withholding Tax Election: Participant understands that by accepting this Restricted Stock Unit Award, Participant hereby (i) affirmatively elects (the "**Sell to Cover Election**"), effective as of the Date of Grant, to sell that number of shares of Common Stock determined in accordance with Section 10(a) of the Restricted Stock Unit Award Agreement, and to allow the Agent (as defined in the Restricted Stock Unit Award Agreement) to remit the cash proceeds of such sale to the Company as more specifically set forth in Section 10(a) of the Restricted Stock Unit Award Agreement; (ii) directs the Company to make a cash payment equal to the required tax withholding from the cash proceeds of such sale directly to the appropriate taxing authorities; and (iii) represents and warrants that (x) Participant has carefully reviewed Section 10(a) of the Restricted Stock Unit Award Agreement, (y) on the date Participant accepts this Restricted Stock Unit Award, he or she is not aware of any material, nonpublic information with respect to the Company or any securities of the Company, is not subject to any legal, regulatory or contractual restriction that would prevent the Agent from conducting sales, does not have, and will not attempt to exercise, authority, influence or control over any sales of shares of Common Stock effected by the Agent pursuant to the Restricted Stock Unit Award Agreement, and is entering into the Restricted Stock Unit Award Agreement and the Sell to Cover Election in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 (regarding trading of the Company's securities on the basis of material nonpublic information) under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and (z) it is Participant's intent that the Sell to Cover Election comply with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Exchange Act and be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act.

This Award of Restricted Stock Units is subject to Participant's returning a signed copy of this Grant Notice to the Company or, if applicable, electronically accepting this Award through the E*Trade website. Participant shall forfeit the Restricted Stock Units if Participant does not execute this Grant Notice or otherwise accept the Restricted Stock Units within 360 days of the Date of Grant.

HealthEquity, Inc.

By:
Signature
Title:
Date:

Participant

By:
Signature
Title:

Attachments: Restricted Stock Unit Award Agreement and 2014 Equity Incentive Plan, as amended and restated

Attachment I

HealthEquity, Inc.
2014 Equity Incentive Plan

Restricted Stock Unit Award Agreement

Pursuant to the Performance-Based Restricted Stock Unit Notice (the "**Grant Notice**") and this Restricted Stock Unit Award Agreement (this "**Agreement**"), HealthEquity, Inc. (the "**Company**") has granted you a Restricted Stock Unit Award (this "**Award**") under its 2014 Equity Incentive Plan, as amended and restated from time to time (the "**Plan**"), for the target number of Restricted Stock Units indicated in the Grant Notice.

If there is any conflict between the terms in this Agreement and the Plan, the terms of the Plan will control. Capitalized terms not explicitly defined in this Agreement or in the Grant Notice but defined in the Plan will have the same definitions as in the Plan.

The details of your Restricted Stock Unit Award, in addition to those set forth in the Grant Notice and the Plan, are as follows:

- 1. Grant of the Award.** This Award represents the right to be issued on a future date a number of shares of Common Stock based on the number of Restricted Stock Units that are earned and become vested on the applicable vesting date(s) (subject to any adjustment under Section 3 below) as indicated in the Grant Notice. As of the Date of Grant, the Company will credit to a bookkeeping account maintained by or on behalf of the Company for your benefit (the "**Account**"), the number of Restricted Stock Units subject to the Award. This Award was granted in consideration of your services to the Company.
- 2. Vesting.** Subject to the limitations contained herein, your Award will vest as provided in your Grant Notice. Vesting will cease upon the termination of your Continuous Service, except due to your Qualifying Retirement. Upon such termination of your Continuous Service, except due to your Qualifying Retirement, the Restricted Stock Units credited to the Account that were not vested on the date of such termination will be forfeited at no cost to the Company and you will have no further right, title or interest in or to such underlying shares of Common Stock.
- 3. Number of Shares.** The number of Restricted Stock Units subject to your Award may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan. Any additional Restricted Stock Units, shares, cash or other property that becomes subject to the Award pursuant to this Section 3, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Restricted Stock Units covered by your Award. Notwithstanding the provisions of this Section 3, no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 3. Any fraction of a share will be rounded down to the nearest whole share.

4. Securities Law Compliance. You may not be issued any shares of Common Stock under your Award unless the shares of Common Stock underlying the Restricted Stock Units are then registered under the Securities Act or, if not registered, the Company has determined that such issuance of the shares would be exempt from the registration requirements of the Securities Act. The issuance of shares of Common Stock must also comply with all other applicable laws and regulations governing the Award, and you shall not receive such Common Stock if the Company determines that such receipt would not be in material compliance with such laws and regulations.

5. Transfer Restrictions. Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of this Award or the shares issuable in respect of your Award, except as expressly provided in this Section 5. For example, you may not use shares that may be issued in respect of your Restricted Stock Units as security for a loan. The restrictions on transfer set forth herein will lapse upon delivery to you of shares in respect of your vested Restricted Stock Units.

a. Domestic Relations Orders. Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your right to receive the distribution of Common Stock or other consideration hereunder, pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulation 1.421-1(b)(2) that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this Award with the Company prior to finalizing the domestic relations order or marital settlement agreement to help ensure the required information is contained within the domestic relations order or marital settlement agreement.

b. Beneficiary Designation. Upon receiving written permission from the Board or its duly authorized designee, you may, by delivering written notice to the Company, in a form approved by the Company, designate a third party who, on your death, will thereafter be entitled to receive the shares issuable in respect of your Award. In the absence of such a designation, your executor or administrator of your estate will be entitled to receive any Common Stock or other consideration that vested but was not issued before your death.

6. Date of Issuance.

a. In the event one or more Restricted Stock Units vest, the Company shall issue to you a number of shares of Common Stock based on the number of Restricted Stock Units that are earned and become vested as soon as administratively possible following the applicable vesting date(s) (subject to any adjustment under Section 3 above) as indicated in the Grant Notice. The issuance date determined by this paragraph is referred to as the "**Original Issuance Date**".

b. If the Original Issuance Date falls on a date that is not a business day, delivery shall instead occur on the next following business day.

c. The form of delivery (e.g., a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

7. Dividends. You shall receive no benefit or adjustment to your Award with respect to any cash dividend, stock dividend or other distribution that does not result from a Capitalization Adjustment.

8. Restrictive Legends. The shares of Common Stock issued under your Award shall be endorsed with appropriate legends as determined by the Company.

9. Award Not a Service Contract. This Agreement is not an employment or service contract, and nothing in this Agreement will be deemed to create in any way whatsoever any obligation on your part to continue in the service of the Company or an Affiliate, or of the Company or an Affiliate to continue your service. In addition, nothing in this Agreement will obligate the Company or an Affiliate, their respective stockholders, boards of directors, officers or employees to continue any relationship that you might have as an employee, Director of or Consultant for the Company or an Affiliate.

10. Withholding Obligations.

a. On or before the time you receive a distribution of the shares of Common Stock underlying your Award, and at any other time as reasonably requested by the Company in accordance with applicable tax laws, you hereby agree to make adequate provision in cash for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any Affiliate that arise in connection with your Award (the "**Withholding Taxes**") measured based on the Fair Market Value of such shares of Common Stock as of the trading day immediately preceding the day shares of Common Stock are vested. In satisfaction of such Withholding Taxes and in accordance with the Sell to Cover Election included in the Grant Notice, you have irrevocably elected to sell the portion of the shares of Common Stock to be delivered underlying your Award necessary so as to satisfy the Withholding Taxes and shall execute any letter of instruction or agreement required by E*Trade Securities LLC or any other stock plan service provider or brokerage firm designated by the Company for

such purposes (the “**Agent**”) to cause the Agent to irrevocably commit to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company and/or its Affiliates. Notwithstanding any other provision of this Agreement, the Company shall not be obligated to deliver any new certificate representing shares of Common Stock to you or to your legal representative or enter such shares of Common Stock in book entry form unless and until you or your legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes, including payroll taxes, applicable to your taxable income resulting from the grant or vesting of the Restricted Stock Units or the issuance of shares of Common Stock. In accordance with your Sell to Cover Election pursuant to the Grant Notice, you hereby acknowledge and agree:

1) You hereby irrevocably appoint the Agent as your agent and authorize the Agent to (A) sell on the open market at the then prevailing market price(s), on your behalf, as soon as practicable on or after the shares of Common Stock are issued upon the vesting of the Restricted Stock Units, that number (rounded up to the next whole number) of shares of Common Stock so issued necessary to generate proceeds to cover (x) any tax withholding obligations incurred with respect to such vesting or issuance and (y) all applicable fees and commissions due to, or required to be collected by, the Agent with respect thereto and (B) apply any remaining funds to your brokerage account.

2) You hereby authorize the Company and the Agent to cooperate and communicate with one another to determine the number of shares of Common Stock that must be sold pursuant to subsection (1) above.

3) You understand that the Agent may effect sales as provided in subsection (1) above in one or more sales and that the average price for executions resulting from bunched orders will be assigned to your account. In addition, you acknowledge that it may not be possible to sell shares of Common Stock as provided by subsection (1) above due to (A) a legal or contractual restriction applicable to you or the Agent, (B) a market disruption, or (C) rules governing order execution priority on the national exchange where the shares of Common Stock may be traded. In the event of the Agent’s inability to sell shares of Common Stock, you will continue to be responsible for the timely payment to the Company and/or its Affiliates of all federal, state, local and foreign taxes that are required by applicable laws and regulations to be withheld, including but not limited to those amounts specified in subsection (1) above.

4) You acknowledge that regardless of any other term or condition of this Section 10(a), the Agent will not be liable to you for (A) special, indirect, punitive, exemplary, or consequential damages, or incidental losses or damages of any kind, or (B) any failure to perform or for any delay in performance that results from a cause or circumstance that is beyond its reasonable control.

5) You hereby agree to execute and deliver to the Agent any other agreements or documents as the Agent reasonably deems necessary or appropriate to carry out the purposes and intent of this Section 10(a). The Agent is a third-party beneficiary of this Section 10(a).

6) This Section 10(a) shall terminate no earlier than the date on which all tax withholding obligations arising in connection with the vesting of the Award have been satisfied.

b. Notwithstanding the foregoing, in the event that your Sell to Cover Election cannot be effected in such manner that would be consistent with maintaining an affirmative defense under Rule 10b5-1 or consistent with applicable local law (as determined by the Company in its sole discretion), then such transactions shall not occur and the Company or any Affiliate may, in its sole discretion, satisfy all or any portion of the Withholding Taxes obligation relating to your Award by any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company; (ii) causing you to tender a cash payment; or (iii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the Award with a Fair Market Value (measured as of the date shares of Common Stock are issued to pursuant to Section 6) equal to the amount of such Withholding Taxes; provided, however, that the number of such shares of Common Stock so withheld will not exceed the amount necessary to satisfy the Company’s required tax withholding obligations using the maximum statutory withholding rates for federal, state, local and foreign tax purposes (or such lesser amount as may be necessary to avoid classification of the Award as a

liability for financial accounting purposes); and provided, further, that to the extent necessary to qualify for an exemption from application of Section 16(b) of the Exchange Act, if applicable, such share withholding procedure will be subject to the express prior approval of the Company’s Compensation Committee.

c. Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to deliver to you any shares of Common Stock.

d. In the event the Company’s obligation to withhold arises prior to the delivery to you of shares of Common Stock or it is determined after the delivery of shares of Common Stock to you that the amount of the Company’s withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

11. Tax Consequences. You hereby agree that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes your tax liabilities. You will not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from your Award or your other compensation.

12. Notices. Any notices provided for in your Award or the Plan will be given in writing (including electronically) and will be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company. The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this Award by electronic means or to request your consent to participate in the Plan by electronic means. By accepting this Award, you consent to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

13. Unsecured Obligation. Your Award is unfunded, and as a holder of a vested Award, you shall be considered a general, unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement.

14. Governing Plan Document. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. If there is any conflict between the provisions of your Award and those of the Plan, the provisions of the Plan will control. In addition, your Award (and any compensation paid or shares issued under your Award) is subject to recoupment in accordance with The Dodd–Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, the HealthEquity, Inc. Clawback Policy, or any other clawback policy adopted by the Company, and any compensation recovery policy otherwise required by applicable law.

15. Other Documents. You hereby acknowledge receipt of and the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Plan prospectus. In addition, you acknowledge receipt of the Company's policy permitting certain individuals to sell shares only during certain "open window" periods under, and as otherwise permitted by, the Company's insider trading policy, in effect from time to time.

16. Effect On Other Employee Benefit Plans. The value of this Award will not be included as compensation, earnings, salaries, or other similar terms used when calculating your benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

17. Voting Rights. You will not have voting or any other rights as a stockholder of the Company with respect to the shares of Common Stock to be issued pursuant to this Award until such shares are issued to you. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in

this Award, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

18. Severability. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity will not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

19. Miscellaneous.

a. The rights and obligations of the Company under your Award will be transferable to any one or more persons or entities, and all covenants and agreements hereunder will inure to the benefit of, and be enforceable by, the Company's successors and assigns.

b. You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

c. You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award.

d. This Agreement will be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

e. All obligations of the Company under the Plan and this Agreement will be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

This Restricted Stock Unit Award Agreement will be deemed to be signed by you upon the signing by you of the Restricted Stock Unit Notice to which it is attached.

Attachment II

**Equity Incentive Plan
(see attached)**

Exhibit 31.1

**Certification of Principal Executive Officer
Pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as Adopted Pursuant to
Section 302 of Sarbanes-Oxley Act of 2002**

I, Jon Kessler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HealthEquity, 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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: ~~December 5, 2023~~ June 3, 2024

By: /s/ Jon Kessler
Name: Jon Kessler
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**Certification of Principal Financial Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of Sarbanes-Oxley Act of 2002**

I, James Lucania, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HealthEquity, 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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: ~~December 5, 2023~~ June 3, 2024

By: /s/ James Lucania
Name: James Lucania
Title: Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Jon Kessler, the Chief Executive Officer (Principal Executive Officer) of HealthEquity, Inc. (the "Company"), hereby certify that, to my knowledge:

1. Our Quarterly Report on Form 10-Q for the quarter ended **October 31, 2023** **April 30, 2024** (the "Report"), of the Company 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 results of operations of the Company.

Date: **December 5, 2023** **June 3, 2024**

By: /s/ Jon Kessler
Name: Jon Kessler
Title: *Chief Executive Officer*
(Principal Executive Officer)

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Exhibit 32.2

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, James Lucania, Executive Vice President and Chief Financial Officer (Principal Financial Officer) of HealthEquity, Inc. (the "Company"), hereby certify that, to my knowledge:

1. Our Quarterly Report on Form 10-Q for the quarter ended **October 31, 2023** **April 30, 2024** (the "Report"), of the Company 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 results of operations of the Company.

Date: **December 5, 2023** **June 3, 2024**

By: /s/ James Lucania
Name: James Lucania
Title: *Executive Vice President and Chief Financial Officer*
(Principal Financial Officer)

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