# GATEWAY TO FINANCIAL WELLNESS

## 2019 Annual Report

# Fellow shareholders,

Envestnet had an extraordinary year in 2019. Our commitment to innovation led to greater adoption of our unified advice platform, resulting in the continued growth of the financial wellness network we are building. Intelligent data is fueling this transformation, enabling advisors to broaden their definition of advice and provide even greater value to their investor clients.

Our year was also marked by tragedy. In October, our founder and dear friend, Jud Bergman, died suddenly in a terrible automobile accident. We have taken time to grieve, and we have also strengthened our resolve to execute on the vision we have been forging since we began the company. With Jud's eternal spirit, we will continue to drive the future of advice that helps families achieve their important financial goals. Our mission is clear and our purpose is true.

The year ahead in 2020 is not just another year—it marks our 20th anniversary. Much has changed over the past two decades, we have consistently embraced innovation to stay one step ahead of where advisors need to be. Having already completed the transition from turnkey asset management offering to unified advice platform, we are uniquely positioned to power the next phase of advice.

Now, more than ever, advice is vital for navigating clients through periods of extreme volatility and uncertainty. In the years ahead, we will remain focused on launching technology and services to help advisors expand their definition of advice and provide greater value to their clients, with the ultimate goal of improving the financial lives of millions of people across the country.

## 2019 Highlights

- Envestnet's total adjusted revenues in 2019 were $909 million, a year-over-year increase of 12%. Our adjusted EBITDA rose by 23% in 2019 to $193 million. We delivered $2.15 in adjusted earnings per share, 12% higher than 2018.
- Envestnet achieved a key milestone in 2019, providing service to more than 100,000 advisor clients. The steadily rising number of advisors and accounts on the Envestnet platform demonstrates the positive impact our financial wellness network is already making on everyday investors. In 2019, advisors grew 6%, accounts grew 10% to almost 12 million, and we ended the year with more than $3.7 trillion in platform assets—up 36% from 2018. In addition, at year end, more than 4,700 enterprise clients, including 16 of the 20 largest U.S. banks and 43 of the 50 largest wealth management and brokerage firms, leveraged Envestnet technology and services.
- Another area where Envestnet continues to add value for advisors and their clients is investment management. As demand for impact investing and tax-smart investment strategies increased last year, the assets in our environmental, social, and governance (ESG) and tax overlay solutions grew by 74% over 2018 levels. We anticipate that awareness, and appreciation, of the access we provide to a wide array of index-based, low-cost managed products will further increase this year, and throughout the new decade.
- We remained committed to integrating sustainability into our everyday actions to help generate long-term value for our shareholders, as well as the communities where our employees live and work. In 2019, we executed our social and environmental responsibilities in many ways, including the creation of a new industry standard of care for data, known as Data Stewardship. More information about our Corporate Social Responsibility practices is available at www.envestnet.com/CSR.

## Acquisitions, Alliances & Integrations

- In 2019, Envestnet acquired the popular **MoneyGuide** family of financial planning applications, adding a crucial element to the unified advice our platform enables advisors to provide. Financial planning is a key gateway to bringing investors closer to financial wellness—our integration of MoneyGuide into our unified advice platform enables advisors to significantly strengthen their value for investors.

- The acquisition of MoneyGuide was also part of our strategic plan for building the premier financial wellness network. We acquired **Yodlee** in 2015, well before the wealth management industry began to understand the value of aggregated data in effectively serving clients. Now, aggregated data from more than 21,000 sources through Envestnet | Yodlee can be fed seamlessly into MoneyGuide financial plans, generating in-depth, actionable insights which add value on behalf of clients throughout the Envestnet ecosystem. In addition, Yodlee surpassed 25 million end users in 2019.
- In April 2019, Envestnet completed the acquisition of **PortfolioCenter**, Schwab Performance Technologies' portfolio management and reporting technology solution for independent RIAs. PortfolioCenter is now fully integrated alongside Tamarac Reporting®, Tamarac Trading®, and Tamarac CRM®, offering a cloud-based tool for helping emerging RIAs streamline their operations and improve client reporting. The acquisition of PortfolioCenter, and its integration with **Envestnet | Tamarac**, gives our unified advice platform the capability to empower RIAs of all sizes with immediate scalability and efficiency. More than 150 PortfolioCenter customers signed on for higher-value Tamarac offerings during 2019. We are also actively supporting the 1,000+ emerging RIAs utilizing PortfolioCenter's hosted offering.

Strategic partnerships and integrations with other innovative financial services and wealth technology providers also remain a vital aspect of our growth strategy. Envestnet established the following alliances and integrations last year:

- We teamed up with our new MoneyGuide colleagues and industry leading experts to launch **Apprise Labs**, a next-generation software tool adding information about clients' short-term cash flow and retirement expenses into financial plans in MoneyGuide. Apprise Labs further expands the definition of unified advice to encompass trust and estate planning as well as lifetime cash flow.
- We completed our proposal integration with **BlackRock**, allowing advisors to run the iRetire retirement planning tool, and then access clients' retirement goal details within the Envestnet proposal workflow. Furthermore, advisors using Envestnet's model management solutions can now analyze their portfolios in BlackRock's Advisor Center and export any changes back to the Envestnet platform.
- Tamarac announced that its digital account opening services are now widely available to independent RIAs through **TD Ameritrade Institutional and Schwab Advisor Services™**.

## Fostering Innovation & Enhancing Technology

We made significant progress developing our financial wellness network in 2019, positioning us to effectively give advisors of all sizes the tools and intelligence to help their clients achieve financial wellness.

- After incorporating MoneyGuide into our unified advice platform in 2019, Envestnet launched **MyBlocks™**, a MoneyGuide offering designed to simplify financial planning for investors. MyBlocks breaks down key financial planning topics into easy-to-understand "blocks," which clients can select and complete at their own pace. Each block can also feed information directly into a MoneyGuide financial plan. We are proud to have created an innovative solution to help advisors begin the difficult financial planning conversation, by educating end consumers about different financial planning subjects as they begin the planning process.
- Fulfilling our mission to empower advisors to deliver better outcomes that improve all areas of their clients' financial lives, we launched the **Envestnet Insurance Exchange** in March 2019, providing advisors with seamless access to annuities and other insurance solutions from top carriers as part of a single, integrated financial wellness platform.
- In May 2019, we launched the **Envestnet Advisor Analytics** suite of solutions to enable advisors to intelligently utilize peer benchmarking and practice-level data to run their businesses more competitively and efficiently, and better monitor clients' investment goals and performance.
- In November 2019, we added five **Yodlee FinApps**—AI FinCheck, Cash Flow Analysis, Investment Holdings, Net Worth Summary, and OK to Spend—to MyBlocks, allowing clients to obtain a holistic picture of their wealth, including insurance and held-away assets, as they become familiar with financial planning topics and start building plans.
- To incorporate credit solutions into the advisor toolset, we recently unveiled the **Envestnet Credit Exchange,** offering access to a broad range of secured and unsecured financing options from top lenders.
- Last year's **Envestnet Advisor Summit** convened in Austin, Texas, and brought together more than 2,500 financial professionals from over 600 firms, making it our biggest Summit to date. Our annual Summit is the physical manifestation of our financial wellness network, where our partners as well as our current and prospective clients meet to learn from experts, and each other, how to broaden their unified advice and deliver financial wellness to investors.
- As part of our consistent embrace of innovation on behalf of advisors and their clients, we hosted our first global hackathon, known as **ENVathon**, in October 2019. ENVathon, which was run out of our offices in India and will become an annual event, brought together more than 500 Envestnet employees from around the world to ideate and design next-generation wealth management tools and technology. The solutions our employees developed together have led to enhancements for boosting productivity and improving the user experience across our unified advice platform, as well as updates to our financial planning tools. The Envestnet employees in our offices in Trivandrum and Bangalore, India continue to contribute a great deal to our ideation, innovation, and team-building efforts across our organization.

## In Memoriam: Jud Bergman

Our Chairman and CEO, Jud Bergman, was a true visionary who founded Envestnet 20 years ago with the mission to empower all financial advisors with the technology and intelligence to serve clients better and grow their businesses. As the nature of wealth advice evolved from product to platform, and now to network, Jud led the industry to meet the changing needs of advisors and their end clients.

We suddenly and tragically lost Jud last year. However, his commitment to advisors, and the investors who rely on them, lives on and remains at the heart of everything we do. We miss Jud dearly, and will continue to build the financial wellness network he envisioned.

Having had the tremendous fortune to have partnered with Jud over these last 20 years, I know very well who Envestnet is and what we are capable of. I know the scope of the opportunity ahead of us, and I also know the conviction and resolve our company has to achieve it. I am humbled and honored to lead Envestnet. We go forward with Jud's essential spirit.

## The Year, and Decade, Ahead

As we enter our company's third decade, we see tremendous opportunities to invest in wealth management and data for our advisor customers and their end clients. Data will continue to fuel our financial wellness network, and tactically help advisors drive better financial outcomes for their clients.

Indeed, the 2020s started off strong for Envestnet with our January announcement that we are teaming up with **Dynasty Financial Partners** to create an Exchange that will offer **Advisor Services**, set to officially launch later this year. This Exchange will provide advisors with access to growth capital, business management tools, marketing services, and outsourced CFO services—important capabilities to help advisors manage and grow their practices.

We have also rolled out **Envestnet Cloud Services**, a consultative and managed service offering that enables enterprises and RIAs to seamlessly transfer their data and business operations to a cloud-based platform. Envestnet Cloud Services also includes a data utility suite providing robust security, comprehensive data feeds, data enrichment and integration capabilities, advanced analytics, and portal enhancements to strengthen client engagement and advisor-directed outcomes. This offering is part of our effort to help enterprises and RIAs consolidate, manage, and optimize data across their organizations. Now more than ever, advisors need to be able to fully service clients and run their businesses in the cloud.

We are proud to lead the next transformation of advice to a financial wellness network. None of this would be possible without your support. We look forward to continuing to not only provide more value for advisors and their end clients, but also for you, our shareholders, in the coming years.

We appreciate your ongoing support, and we hope that you and yours stay safe and healthy. Envestnet is closely monitoring developments with the COVID-19 pandemic, and is taking proactive measures to address the evolving situation and ensure business continuity. The health and well-being of our customers, employees, and other stakeholders—including our shareholders—remain paramount, and you are welcome to reach out to us with any questions or concerns during this time.

Thank you very much.

Sincerely,

Bill Crager
CEO

# Financial Highlights

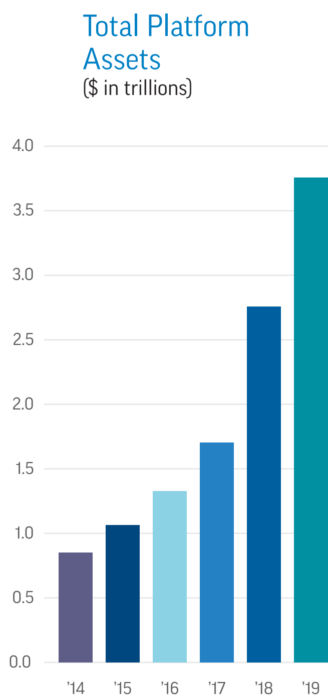
| (in millions) | 2019 | 2018 | % Change |
|---|---|---|---|
| | | for the year ended December 31, | |
| Adjusted Revenues | $ 909 | $ 813 | 12% |
| Adjusted EBITDA | $ 193 | $ 158 | 23% |

## Operating Metrics

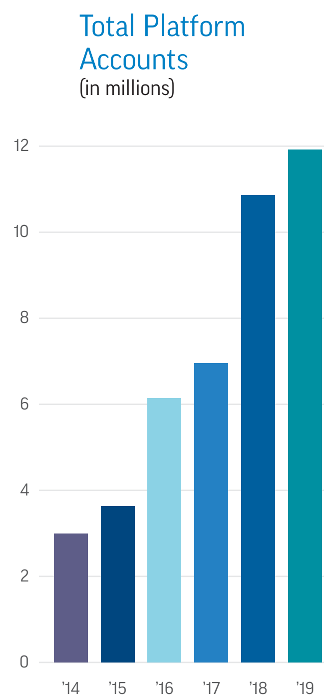
| | 2019 | as of December 31, 2018 | 2017 |
|---|---|---|---|
| **Platform Assets (in millions)** | | | |
| Assets Under Management (AUM) | $ 207,083 | $ 150,591 | $ 141,518 |
| Assets Under Administration (AUA) | 343,505 | 291,934 | 308,480 |
| TOTAL AUM/A | 550,588 | 442,525 | 449,998 |
| Subscription | 3,205,281 | 2,314,253 | 1,253,528 |
| TOTAL PLATFORM ASSETS | $ 3,755,869 | $2,756,778 | $1,703,526 |
| **Platform Accounts** | | | |
| AUM | 935,039 | 816,354 | 685,925 |
| AUA | 1,193,882 | 1,182,764 | 1,217,697 |
| TOTAL AUM/A | 2,128,921 | 1,999,118 | 1,903,622 |
| Subscription | 9,793,175 | 8,865,435 | 5,054,015 |
| TOTAL PLATFORM ACCOUNTS | 11,922,096 | 10,864,553 | 6,957,637 |
| **Advisors** | | | |
| AUM/A | 40,563 | 40,103 | 40,485 |
| Subscription | 61,180 | 56,237 | 25,566 |
| TOTAL ADVISORS | 101,743 | 96,340 | 66,051 |

Note: Adjusted revenues and Adjusted EBITDA are non-GAAP financial measures. Please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures" in our Form 10-K for the year ended December 31, 2019 for a reconciliation of Adjusted revenues to revenue and Adjusted EBITDA to net income (loss) and related disclosures.

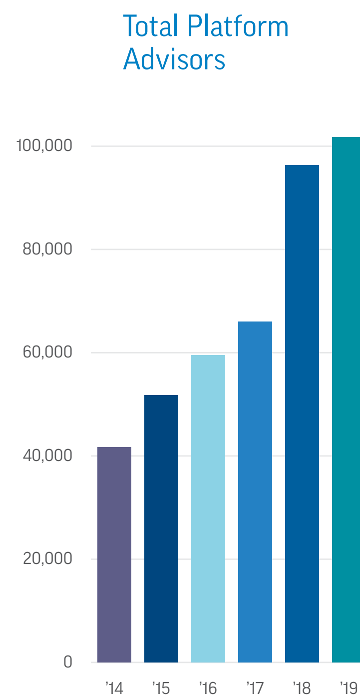
Total Platform Assets
($ in trillions)




Total Platform Accounts
(in millions)




Total Platform Advisors



# Board of Directors

## James Fox (Chairman)

Mr. Fox has served as a member of our Board since 2015 and Chairman of the Board since March 2020. Mr. Fox most recently retired as Non-Executive Chairman of FundQuest, Inc., upon its acquisition by the Company, effective December 2011 after serving in that role since September 2010 and, prior to that, as President and Chief Executive Officer starting in October 2005. Mr. Fox has over 30 years of senior executive experience with The BISYS Group, Inc. and First Data Corporation starting in 1989. He serves as a director of Madison CF (UK) Limited, Brinker Capital Holdings, Inc. and Ultimus Fund Solutions, LLC.

Mr. Fox participated in the Advanced Management Program at the Wharton School of the University of Pennsylvania. He earned his MBA in Finance from Suffolk University and his undergraduate degree in economics from the State University of New York.

## Charles Roame (Vice Chairman)

Mr. Roame has served as a member of our Board since 2011 and Vice Chairman of the Board since March 2020. Mr. Roame is a private investor and advisor to dozens of worldwide CEOs in the financial services and fintech markets. Mr. Roame also serves as a board member at Edelman Financial Engines (and the related affiliates of Hellman & Friedman, which own the majority of Edelman Financial Engines), as a board member of FacetWealth and as a trustee for the SA Funds where he chairs the Nominating & Governance Committee and serves on the Audit Committee. Mr. Roame has also served as the Managing Partner of Tiburon Strategic Advisors, LLC, a provider of research, strategy consulting, and other related services primarily to financial services firms, and the Tiburon Partners Fund, since 1998. Tiburon has published over 2,400 industry research papers, served hundreds of financial services companies and hosts the semi-annual Tiburon CEO Summits. Mr. Roame received his MBA from the University of Michigan and an undergraduate degree from Michigan State University.

## William Crager (CEO)

Mr. Crager serves as our Chief Executive Officer. Previously, Mr. Crager served as our Interim Chief Executive Officer between October 2019 and March 2020, Chief Executive of Envestnet Wealth Solutions since January 2019, and President of Envestnet since 2002. Prior to joining us, Mr. Crager served as Managing Director of Marketing and Client Services at Rittenhouse Financial Services, Inc., an investment management firm affiliated with Nuveen Investments. Mr. Crager received an MA from Boston University and a BA from Fairfield University, with a dual major in economics and English.

## Luis Aguilar

Mr. Aguilar has served as a member of our Board since March 2016. Mr. Aguilar was a Commissioner at the U.S. Securities and Exchange Commission from July 2008 through December 2015. Prior to his appointment as an SEC Commissioner, Mr. Aguilar was a partner with the international law firm of McKenna Long & Aldridge, LLP (subsequently merged with Dentons US LLP), specializing in corporate and securities law. Mr. Aguilar's previous experience includes serving as the general counsel, head of compliance, Executive Vice President and Corporate Secretary of Invesco, Inc. with responsibility for all legal and compliance matters regarding Invesco Institutional. While at Invesco, he was also Managing Director for Latin America and president of one of Invesco's broker-dealers. His career also includes tenure as a partner at several prominent national law firms: Alston & Bird LLP; Kilpatrick Townsend & Stockton LLP; and Powell Goldstein Frazer & Murphy LLP (subsequently merged with Bryan Cave LLP). He began his legal career as an attorney at the U.S. Securities and Exchange Commission.

Mr. Aguilar represented the Commission as its liaison to both the North American Securities Administrators Association and to the Council of Securities Regulators of the Americas. He also served as the sponsor of the SEC's first Investor Advisory Committee.

Mr. Aguilar serves as a director of Donnelley Financial Solutions, Inc. He has been a Principal in Falcon Cyber Investments, an investment firm exclusively focused on cyber security investment, since January 2016.

Mr. Aguilar is a graduate of the University of Georgia School of Law, and also received a master of laws degree in taxation from Emory University. He had earlier earned an undergraduate degree from Georgia Southern University.

## Anil Arora

Mr. Arora has served as a member of our Board since November 2015. He served as Vice Chairman of our Company, and Chief Executive of Envestnet | Yodlee from November 2015 until February 2019. He previously served as President and Chief Executive Officer and a director of Yodlee, Inc. since February 2000. Mr. Arora served as the Chairman of the board of directors of Yodlee, Inc. from March 2014 through November 2015. Prior to joining Yodlee, from June 1998 to February 2000, Mr. Arora served in various positions with Gateway, Inc., a computer hardware manufacturer which was acquired by Acer Inc. in October 2007, most recently as Senior Vice President, Gateway Internet and prior to that as Chief Marketing Officer with global responsibility for Gateway. From April 1995 to May 1998, Mr. Arora served in various positions for The Pillsbury Company, a subsidiary of General Mills, Inc. a manufacturer and marketer of branded consumer foods, including as Vice President, strategy and marketing for North America and vice president, general manager for Progresso. From June 1984 to April 1995, Mr. Arora served in various brand management and corporate strategy and operations roles for Kraft Foods Group, Inc., a manufacturer and marketer of leading branded consumer foods. Mr. Arora currently serves on the board of directors of Conagra Brands, Inc., a manufacturer of food products. Mr. Arora holds a MBA from the University of Michigan and an undergraduate degree in business administration from Rockford College.

## Ross Chapin

Mr. Chapin has served as a member of our Board since 2001. In October 2018, Mr. Chapin retired as a Managing Director of Parametric Portfolio Associates LLC, a provider of structured portfolio management, which he joined as a senior executive in October 2005. Prior to Parametric, Mr. Chapin co founded Orca Bay Partners, a private equity firm, in 1998. Mr. Chapin received an MBA from Columbia University in finance and accounting, and has an undergraduate degree from Denison University.

## Gayle Crowell

Ms. Crowell has served as a member of our Board since March 2016. She served as a member of the Yodlee, Inc. board of directors from July 2002 until November 19, 2015, when Yodlee, Inc. was acquired by the Company, and as lead independent director of Yodlee, Inc. between March 2014 and November 2015. Ms. Crowell served as an operational business consultant for Warburg Pincus LLC, a private equity firm, from June 2001 to January 2019. From January 2000 to June 2001, Ms. Crowell served as president of Epiphany, Inc., a developer of customer relationship management software which was acquired by SSA Global Technologies, Inc. in September 2005. Ms. Crowell currently serves on the boards of directors of Pliant Therapeutics, a biotechnology company developing therapies for fibrotic diseases and Hercules Capital, a specialty finance company. Ms. Crowell received an undergraduate degree in education from the University of Nevada at Reno.

## Valerie Mosley

Ms. Mosley has served as a member of our Board since October 2018. Ms. Mosley is CEO of Valmo Ventures, a company that creates, collaborates, and invests in companies, assets, and efforts that have significant potential to grow, profit and add value to society. Ms. Mosley was Senior Vice President, Partner, Portfolio Manager and Investment Strategist at Wellington Management Company, LLP, a money management firm. Ms. Mosley also chaired the firm's Industry Strategy Group, which took a long-term perspective to identify trends, headwinds, and tailwinds impacting various industries. As a member of several investment strategy groups, Ms. Mosley helped establish investment parameters to which team portfolio managers adhered. Ms. Mosley serves as a board member at Groupon, Inc., Dynex Capital, Inc., and Eaton Vance Funds. Ms. Mosley received her MBA from the University of Pennsylvania and an undergraduate degree from Duke University.

## Gregory Smith

Mr. Smith has served as a member of our Board since 2015. Mr. Smith currently is an Executive in Residence and Lecturer at the University of Wisconsin Milwaukee's Lubar School of Business. Prior to joining the University of Wisconsin Milwaukee, Mr. Smith served as Senior Vice President and Chief Financial Officer of the Marshall & Ilsley Corporation and M&I Bank from 2006 until the company's sale to BMO Harris Bank in 2011. Prior to joining Marshall & Ilsley, Mr. Smith held progressively senior roles during a 16-year Wall Street investment banking career, including six years as a Managing Director. He is currently a Director and Vice Chairman of the Church Mutual Insurance Company and its subsidiary CM Vantage Specialty Insurance Company. He is also a board member of the University School of Milwaukee and the Milwaukee Symphony Orchestra. He served as a Trustee of the Milwaukee County Pension Fund in 2014 and 2015. Mr. Smith is an honors graduate of both Princeton University, where he received an undergraduate degree, and The University of Chicago where he received an MBA. More recently, he has been recognized as a Board Leadership Fellow by the National Association of Corporate Directors.

# Executive Officers and Corporate Information

## Executive Officers

William Crager, Chief Executive Officer
Peter D'Arrigo, Chief Financial Officer
Stuart DePina, President, Chief Executive of Envestnet Data & Analytics
Scott Grinis, Chief Technology Officer
Josh Mayer, Chief Operating Officer
Shelly O'Brien, Chief Legal Officer, General Counsel and Corporate Secretary
Brandon Thomas, Chief Investment Officer

## Annual Meeting of Shareholders (Virtual-only)

Information about the Envestnet Annual Meeting of Shareholders on May 13, 2020 at 10:00 a.m. Central Time is in our proxy statement, which is also available online at www.envestnet.com on the Investor Relations page.

## Stock Exchange Listings

New York Stock Exchange. Symbol: ENV

## Investor Relations

Shareholders, securities analysts, portfolio managers and representatives of financial institutions seeking information about Envestnet should contact Investor Relations at company's address, by calling 312-827-3940 or emailing investor.relations@envestnet.com

## Stock Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC
6201 15th Ave
Brooklyn, NY 11219
www.astfinancial.com
800-937-5449

## Ordering Additional Annual Reports

Envestnet's 2019 Annual Report may be obtained without charge by completing and submitting the form on our website or by contacting Investor Relations.

## Corporate Offices

Chicago (Headquarters)
35 East Wacker Drive
24th Floor
Chicago, IL 60601
Main: 866-924-8912
Fax: 312-827-2801
Email: investor.relations@envestnet.com
www.envestnet.com

## Form 10-K

A copy of our Annual Report on Form 10-K for 2019 is available on our website. Additional copies of our Annual Report on Form 10-K or interim financial reports filed with the SEC may be obtained by contacting Investor Relations.

## Safe Harbor Statement

This annual report contains forward-looking statements regarding future events and our future results. These statements are based on our current expectations and projections about future events. Although we believe that our plans, intentions and expectations are reasonable, we may not achieve our plans, intentions or expectations. These forward-looking statements involve risks and uncertainties. Accordingly, investors should not place undue reliance upon our forward-looking statements. You should read this annual report and our other communications to you completely and with the understanding that our actual future results, levels of activity, performance and achievements may be different from what we expect and that these differences may be material. We qualify all of our forward-looking statements by these cautionary statements.

## Website

Visit www.envestnet.com/report/2019

## Other office locations include:

Bangalore, India
Berwyn, PA
Boston, MA
Denver, CO
Raleigh, NC
Redwood City, CA
Richmond, VA
Seattle, WA
Trivandrum, India

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the year ended December 31, 2019**
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**Commission file number 001-34835**

# Envestnet, Inc.

(Exact name of registrant as specified in its charter)

| **Delaware** | **20-1409613** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S Employer Identification No.) |
| **35 East Wacker Drive, Suite 2400** **Chicago,** **Illinois** | **60601** |
| (Address of principal executive offices) | (Zip Code) |

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

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

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

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

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

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

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

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

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

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

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

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

Aggregate market value of registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant's common stock on June 30, 2019 as reported on The New York Stock Exchange on that date: $2,206,054,725. For purposes of this calculation, shares of common stock held by (i) persons holding more than 5% of the outstanding shares of stock, and (ii) officers and directors of the registrant, as of June 30, 2019, are excluded in that such persons may be deemed to be affiliates. This determination is not necessarily conclusive of affiliate status.

As of February 21, 2020, 52,904,138 shares of the common stock with a par value of $0.005 per share were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Part III incorporates by reference portions of the registrant's definitive proxy statement for the annual meeting of stockholders, which will be filed within 120 days after the close of the 2019 fiscal year.

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***Forward-Looking Statements***

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

*Unless otherwise indicated, all amounts are in thousands, except share and per share information, numbers of financial advisors and client accounts.*

*This annual report on Form 10-K contains forward-looking statements regarding future events and our future results within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, in particular, statements about our plans, strategies and prospects under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations". These statements are based on our current expectations and projections about future events and are identified by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "expected," "intend," "will," "may," or "should" or the negative of those terms or variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business and other characteristics of future events or circumstances are forward-looking statements. Forward-looking statements may include, among others, statements relating to:*

- *difficulty in sustaining rapid revenue growth, which may place significant demands on our administrative, operational and financial resources;*
- *our ability to successfully identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies;*
- *our ability to successfully execute the conversion of clients' assets from their technology platform to our technology platforms in a timely and accurate manner;*
- *the amount of our debt and our ability to service our debt;*
- *the variability of our revenue from period to period;*
- *the targeting of some of our sales efforts at large financial institutions and large internet services companies which prolongs sales cycles, requires substantial upfront sales costs and results in less predictability in completing some of our sales;*
- *the deployment of our solutions by customers and potential delays and risks inherent in the process;*
- *the competitiveness of our solutions and services as compared to those of others;*
- *the concentration of our revenues from the delivery of our solutions and services to clients in the financial services industry;*
- *our reliance on a limited number of clients for a material portion of our revenue;*
- *the impact of fluctuations in market conditions and interest rates on the demand for our products and services and the value of assets under management or administration;*
- *changes in investing patterns on the assets on which we derive revenue and the freedom of investors to redeem or withdraw investments generally at any time;*
- *the renegotiation of fees by our clients;*
- *our ability to keep up with rapid technological change, evolving industry standards or changing requirements of clients;*
- *our ability to introduce new solutions and services and enhancements;*
- *our ability to maintain the security and integrity of our systems and facilities and to maintain the privacy of personal information and potential liabilities for data security breaches;*
- *the effect of privacy laws and regulations, industry standards and contractual obligations and changes to these laws, regulations, standards and obligations on how we operate our business and the negative effects of failure to comply with these requirements;*
- *liabilities associated with potential, perceived or actual breaches of fiduciary duties and/or conflicts of interest;*
- *failure of our solutions, services or systems, or those of third parties on which we rely, to work properly;*
- *harm to our reputation;*
- *our failure to process transactions effectively or fail to adequately protect against disputed or potential fraudulent activities;*
- *our inability to maintain our payment network with third-party service providers, or difficulties encountered by our disbursement partners;*
- *limitations on our ability to access information from third parties or charges for accessing such information;*
- *failure by our customers to obtain proper permissions or waivers for our use of disclosure of information;*
- *potential liability for use of inaccurate information by third parties provided by us;*
- *the failure of our insurance to adequately protect us;*

- *our dependence on our senior management team;*
- *our ability to recruit and retain qualified employees;*
- *regulatory compliance failures;*
- *changes in laws and regulations, including tax laws and regulations, or the inability to continue to rely on exemptions from the applicability of certain laws or regulations;*
- *the occurrence of a deemed "change of control";*
- *adverse judicial or regulatory proceedings against us;*
- *the failure to protect our intellectual property rights;*
- *potential claims by third parties for infringement or their intellectual property rights;*
- *our use of open source coding;*
- *protection of trade secrets and other proprietary information;*
- *risks associated with our international operations;*
- *the impact of fluctuations in foreign currency exchange rates;*
- *the uncertainty of the application and interpretation of certain tax laws;*
- *changes in accounting principles and standards;*
- *changes in the estimates of fair value of reporting units or of long-lived assets;*
- *issuances of additional shares of common stock or issuances of shares of preferred stock or convertible securities on our existing stockholders;*
- *general economic conditions, political and regulatory conditions;*
- *global events, natural disasters, environmental disasters, terrorist attacks and pandemics, including their impact on the economy and trading markets; and*
- *management's response to these factors.*

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

*Although we believe that our plans, intentions and expectations are reasonable, we may not achieve our plans, intentions or expectations.*

*You should read this annual report on Form 10-K completely and with the understanding that our actual future results, levels of activity, performance and achievements may be different from what we expect and that these differences may be material. We qualify all of our forward-looking statements by these cautionary statements.*

*The following discussion and analysis should also be read along with our consolidated financial statements and the related notes included elsewhere in this annual report. Except for the historical information contained herein, this discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below.*

***Except where we have otherwise indicated or the context otherwise requires, dollar amounts presented in this Form 10-K are in thousands, except for the Exhibits and per share amounts.***

## Item 1. Business

### General

Envestnet, a Delaware corporation, is a leading provider of intelligent systems for wealth management and financial wellness. Envestnet's unified technology enhances advisor productivity and strengthens the wealth management process. Envestnet empowers enterprises and advisors to more fully understand their clients and deliver better outcomes.

More than 4,700 companies, including 16 of the 20 largest U.S. banks, 43 of the 50 largest wealth management and brokerage firms, over 500 of the largest registered investment advisers ("RIAs") and hundreds of internet services companies, leverage Envestnet technology and services. Envestnet solutions enhance knowledge of the client, accelerate client on-boarding, improve client digital experiences and help drive better outcomes for enterprises, advisors and their clients.

Founded in 1999, Envestnet has been a leader in helping transform wealth management, working towards its goal of building a holistic financial wellness network that supports advisors and their clients.

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

Envestnet serves clients from its headquarters based in Chicago, Illinois, as well as other locations throughout the United States, India and other international locations.

### Segments

Envestnet is organized around two primary, complementary business segments. Financial information about each business segment is contained in Part II, Item 8, "Note 19—Segment Information". Our business segments are as follows:

- ***Envestnet Wealth Solutions*** – a leading provider of unified wealth management software and services to empower financial advisors and institutions.

- ***Envestnet Data & Analytics*** – a leading data aggregation and data intelligence platform powering dynamic, cloud-based innovation for digital financial services.

### *Envestnet Wealth Solutions Segment*

Envestnet Wealth Solutions empowers financial advisors at broker-dealers, banks and RIAs with the tools they require to deliver holistic wealth management to their end clients. In addition, the firm provides advisors with practice management support so that they can grow their practices and operate more efficiently. At the end of 2019, Envestnet Wealth Solutions' platform assets grew to approximately $4 trillion in nearly 11.9 million accounts overseen by more than 100 thousand advisors.

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

We offer these solutions principally through the following product and service suites:

- ***Envestnet | Enterprise*** – provides an end-to-end open architecture wealth management platform, through which advisors can construct portfolios for clients. It begins with aggregated household data which then leads to a financial plan, asset allocation, investment strategy, portfolio management, rebalancing and performance reporting. Advisors have access to over 20,000 investment products. Envestnet | Enterprise also offers data aggregation and reporting, data analytics and digital advice capabilities to customers.

- ***Envestnet | Tamarac***™ provides leading trading, rebalancing, portfolio accounting, performance reporting and client relationship management software, principally to high-end RIAs.

- ***Envestnet | MoneyGuide*** provides leading goals-based financial planning solutions to the financial services industry. The highly adaptable software helps financial advisors add significant value for their clients using best-in-class technology with enhanced integrations to generate financial plans.

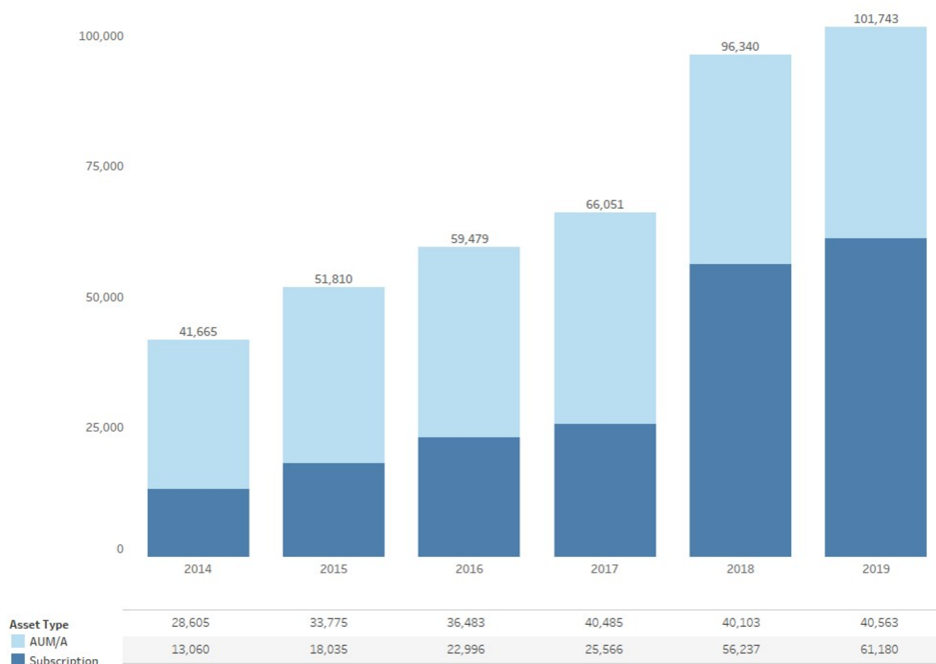
- ***Envestnet | Retirement Solutions* ("ERS")** offers a comprehensive suite of services for advisor-sold retirement plans. Leveraging integrated technology, ERS addresses the regulatory, data, and investment needs of retirement plans and delivers the information holistically.

- ***Envestnet | PMC®, or Portfolio Management Consultants* ("PMC")** – provides research and consulting services to assist advisors in creating investment solutions for their clients. These solutions include nearly 4,500 vetted third party managed account products, multi-manager portfolios, fund strategist portfolios, as well as over 1,000 proprietary products, such as quantitative portfolios and fund strategist portfolios. PMC also offers portfolio overlay and tax optimization services.

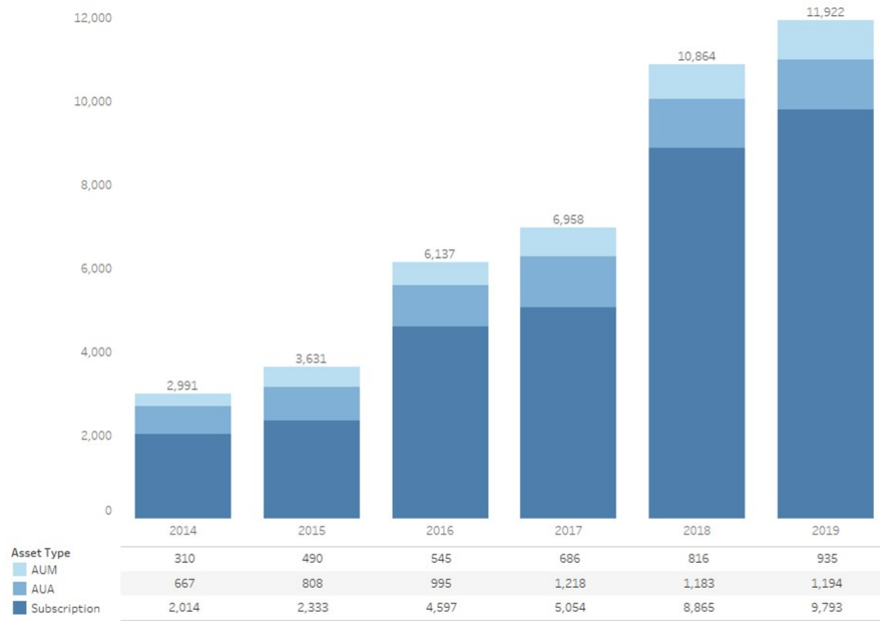
As the tables below indicate, Envestnet Wealth Solutions has experienced steady and significant growth over the last several years. We believe this growth is attributable to secular trends in the wealth management industry, the uniqueness and comprehensiveness of our products, as well as acquisitions.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

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

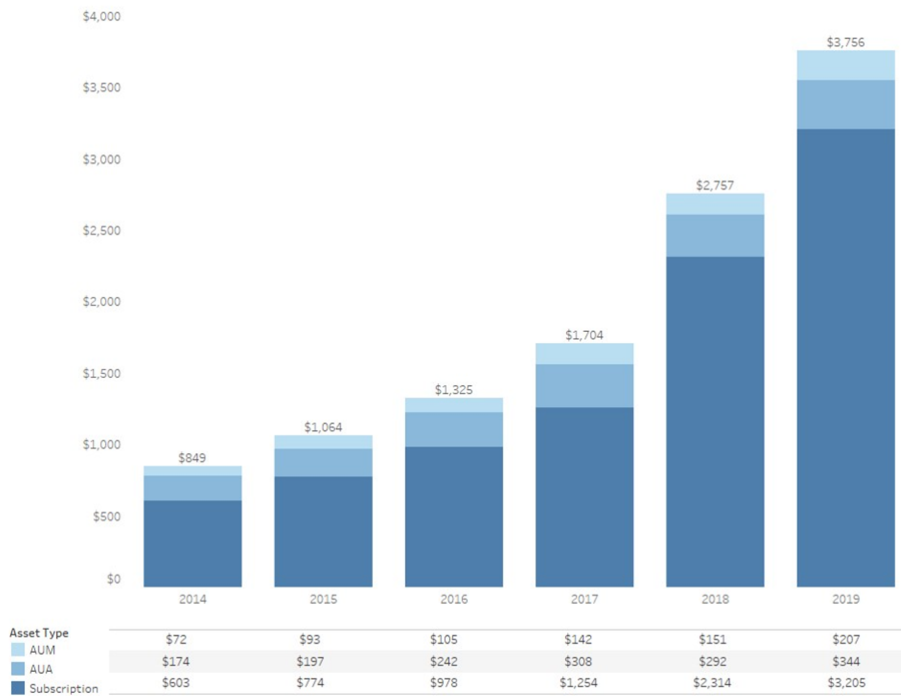
**AUM/A & Subscription Advisors**



**AUM/A & Subscription Accounts**
(in thousands)




**AUM/A & Subscription**
($ in billions)



***Envestnet Data & Analytics Segment***

Envestnet Data & Analytics is a leading data aggregation and data intelligence platform. As an artificial intelligence ("AI") and data specialist, Envestnet Data & Analytics gathers, refines and aggregates a massive set of end-user permissioned transaction level data, and combines them with financial applications, reports, market research analysis, and application programming interfaces ("APIs") for its customers.

Over 1,200 financial institutions, financial technology innovators and financial advisory firms, including 15 of the 20 largest U.S. banks, subscribe to the Envestnet Data & Analytics platform to underpin personalized financial apps and services for over 25 million paid subscribers.

Envestnet Data & Analytics serves two main customer groups: financial institutions ("FI") and financial technology innovators, which we refer to as Yodlee Interactive ("YI") customers.

- **The Financial Institutions** group provides customers with secure access to open APIs, end-user facing applications powered by our platform and APIs ("FinApps"), and reports. Customers receive end user-permissioned transaction data elements that we aggregate and cleanse. Envestnet Data & Analytics also enables customers to develop their own applications through its open APIs, which deliver secure data, money movement solutions, and other functionality. FinApps can be subscribed to individually or in combinations that include personal financial management, wealth management, credit card, payments and small-medium business solutions. They are targeted at the retail financial, wealth management, small business, credit card, lenders, and other financial services sectors. These FinApps help consumers and small businesses simplify and manage their finances, review their financial accounts, track their spending, calculate their net worth, and perform a variety of other activities. For example, Yodlee Expense and Income Analysis FinApp helps consumers track their spending, and a Payroll FinApp from a third party helps small businesses process their payroll. The suite of reports is designed to supplement traditional credit reports by utilizing consumer permissioned aggregated data from over 21,000 sources, including banking, investment, loan, and credit card information.

- **The Yodlee Interactive** group enables customers to develop new applications and enhance existing solutions. These customers operate in a number of sub-vertical markets, including wealth management, personal financial management, small business accounting, small business lending and authentication. They use the Envestnet Data & Analytics platform to build solutions that leverage our open APIs and provide access to a large end user base. In addition to aggregated transaction-level account data elements, we provide YI customers with secure access to account verification, money movement and risk assessment tools via our APIs. We play a critical role in transferring innovation from financial technology innovators to financial institutions. For example, YI customers use Envestnet Data & Analytics applications to provide working capital to small businesses online; personalized financial management, planning and advisory services; e-commerce payment solutions; and online accounting systems for small businesses. We provide access to our solutions across multiple channels, including web, tablet and mobile.

Both FI and YI channels benefit customers by improving end-user satisfaction and retention, accelerating speed to market, creating technology savings and enhancing their data analytics solutions and market research capabilities. End users receive better access to their financial information and more control over their finances, leading to more informed and personalized decision making. For customers who are members of the developer community, Envestnet Data & Analytics solutions provide access to critical data and payments solutions, faster speed to market and enhanced distribution.

**Envestnet Analytics** provides data analytics, mobile sales solutions, and online educational tools to financial advisors, asset managers and enterprises. These tools empower financial services firms to extract key business insights to run their business better and provide timely and focused support to advisors. Our dashboards deliver segmentation analytics, multi-dimensional benchmarking, and practice pattern analyses that provide critical insights to clients.

We believe that our brand leadership, innovative technology and intellectual property, large customer base, and unique data gathering and enrichment provide us with competitive advantages that have enabled us to generate strong growth.

**Market Opportunity**

The wealth management industry has experienced significant growth in terms of assets invested by retail investors in the past several years. According to the Federal Reserve, U.S. household financial assets totaled approximately $91 trillion as of September 30, 2019, representing a sizeable wealth management opportunity. According to Boston Consulting Group's Global Wealth Report 2019, North American wealth is expected to grow by 5.4% each year between 2018 and 2023 to exceed $115 trillion. Investable assets are projected to rise to 56% of this total, or some $65 trillion. Based on data from Cerulli Associates, advisors had discretion over 58% of managed account assets as of September 30, 2019.

In the next 5-10 years, we believe that fewer firms and fewer advisors will manage more assets, making scale and operational efficiency far more important. This will require firms to integrate technology in all areas of their business. According to Aite Groups Technology Integration Turbocharges Advisor Productivity Report, Envestnet's integrated technology delivers significant gains in operational efficiency.

The following trends are impacting Envestnet’s business and creating a large and growing market opportunity for technology-enabled investment solutions and services like ours:

- Wealth management continues to evolve as discount brokers and robo-advisors try to move ‘up market’ into financial advice and private banks try to move ‘down market’ from the ultra-high-net-worth, setting their sights on a broader swath of the end-consumer market.
- Fee pressure, digital advice and regulations (including Regulation Best Interest) add to the burden advisors and firms have to be profitable and maintain profit margins.
- While the future of financial advice grows more dependent on technology, investors want technology to complement, not replace, human advisors. According to studies from the Million Dollar Round Table and the Money Management Institute, the vast majority prefer working with a human advisor to build a trusting relationship.
- Advisors who use an integrated, all-in-one solution reported higher satisfaction with technology than advisory firms that are on open-architecture platforms or those that select individual pieces of technology. According to the 2019 InvestmentNews Advisor Technology Study, top-performing advice firms evaluate their technology more frequently and focus more on the impact that technology has on productivity and profitability. These firms place greater importance on technology that improves client experiences through more personalized advice, better outcomes and more effective marketing efforts.

**Business Model**

Envestnet’s business model lends itself to a high degree of recurring and predictable revenues. Envestnet provides asset-based, subscription-based and professional services on a business-to-business-to-consumer (“B2B2C”) basis to financial services clients, whereby customers offer solutions based on our platform to their end users. On a business-to-business (“B2B”) basis, we deliver an open platform to customers and third-party developers through an open API framework. We believe that a number of characteristics contribute to the success of our business model, including:

- Favorable trends with respect to growth in fee-based assets and need for advanced technology;
- Recurring and resilient revenue base; and
- Strong customer retention.

Revenue is generated in the following three categories:

***Asset-based recurring revenues***

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

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

In approximately 90% of asset-based fee arrangements, customers are billed at the beginning of each quarter based on the market value of customer assets on our wealth management platforms as of the end of the prior quarter, providing for a high degree of revenue visibility in the current quarter. Revenue may fluctuate from quarter to quarter based on changes in asset values, fee rates on those asset values and asset flows.

***Subscription-based recurring revenues***

Subscription-based recurring revenues primarily consist of fees for providing customers continuous access to the Company's platform for wealth management and financial wellness. The subscription-based fees generally include fixed fees and or usage-based fees.

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

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

***Professional Services and Other***

Envestnet also generates revenue from professional services for client onboarding, technology development and other project related work.

**Growth Strategy**

Envestnet intends to increase revenue and profitability by continuing to pursue the following strategies:

- Add new enterprise clients;
- Increase our advisor base;
- Extend the account base within a given advisor relationship;
- Expand the services utilized by each advisor or enterprise client, including the cross selling of services across Envestnet's business lines where applicable;
- Continue to invest in our technology platforms and data analytics capabilities; and
- Continue to pursue strategic transactions and other relationships.

**Technology Platforms**

Our technology platforms feature a three-tier architecture integrating a web-based user interface, an application tier that houses the business logic for all of the platforms' functionality and a SQL Server databases. The application tier resides behind load balancers which distribute the workload demands across our servers. We believe our technology design allows for significant scalability.

Envestnet undergoes an annual SSAE 16 SOC 1 Type II audit to validate the continued operation of our internal controls on three of its main technology platforms; the Unified Managed Platform, the Unified Managed Platform (Institutional) and Tamarac platforms. The SOC reports confirm design and operating effectiveness of internal controls. We maintain multiple redundancies, back up our databases and safeguard technologies and proprietary information consistent with industry best practices. We also maintain a comprehensive business continuity plan and company-wide risk assessment program that is consistent with industry best practices and that complies with applicable regulatory requirements.

We have historically made significant investments in platform development in order to enhance and expand our technology platforms and expect to continue to make significant investments in the future. In the years ended December 31, 2019, 2018 and 2017, we incurred technology development costs totaling approximately $59,850, $52,840 and $40,800, respectively. Of these costs, we capitalized approximately $34,000, $24,000 and $12,600, respectively, as internally developed software. We expect to continue focusing our technology development efforts principally on adding features to increase our market competitiveness, enhancements to improve operating efficiency, address regulatory demands and reduce risk and client-driven requests for new capabilities.

Our proprietary web-based platforms provide financial advisors with access to investment solutions and services that address in one unified, centrally-hosted platform, based on our knowledge of the industry, the widest range of front-, middle- and back-office needs in our industry. The "open architecture" design of our technology platforms provide financial advisors with flexibility in terms of the investment solutions and services they access, and configurability in the manner in which the financial advisors utilize particular investment solutions and services. The multi-tenant platform architecture ensures that this level of flexibility and customization is achieved without requiring us to create unique applications for each client, thereby reducing the need for additional technology personnel and associated expenses. In addition, though our technology platforms are designed to deliver a breadth of functions, financial advisors are able to select from the various investment solutions and services we offer, without being required to subscribe to or purchase more than what they believe is necessary.

Our data aggregation platform collects a wide variety of end user-permissioned transaction-level data from over 21,000 sources, including banking, investment, loan and credit card information, and puts this data in a common repository. Envestnet Data & Analytics developed robust proprietary technology and processes and established relationships that allows us to curate these data sources and expand our access to new data sources. Over 60% of this data is collected through structured feeds from our FI customers and other FIs. These structured feeds, which consist of either batch files pushed to us or real-time access, provide this critical data efficiently and at scale. Where we do not have direct connections, we capture data using our proprietary information-gathering techniques.

Beyond collecting data, our data aggregation platform performs a data refining process and augments the data with additional information from a variety of other sources. We enrich the data with a proprietary twelve-step process, adding such elements as categorization and merchant identification for bank or credit card account data and security identification, classification and normalization for investment data. As our platform usage grows and is exposed to more users and use cases, the system benefits from machine learning algorithms to better normalize, categorize and process large amounts of data, allowing our network to become more effective, efficient and valuable to our customers. Utilizing this enhanced data, including consolidated data from within our FI customers and account data regarding accounts at other FIs, our data intelligence organizes, analyzes and presents it in a manner that helps our customers offer personalized solutions that enable their consumers to achieve better financial outcomes.

Our analytics platform provides a highly scalable cloud-based environment that supports a cost effective and secure way of handling very large data sets, permitting us to develop and test new machine learning algorithms and transform these data sets using the resulting models. The results of the computations can be accessed interactively, as files, or via API access through our data aggregation platform.

Our money movement solutions facilitate payment flows. Our customers can debit and credit consumer and small business accounts in real time or in batches and route payments between accounts (funds transfer), to billers (bill pay), or to other individuals (peer to peer). Designed to be run as a service, our money movement solutions allow us to operate these functionalities in the cloud and quickly adapt to new payment systems. Our payment engine, which is a principal component of our money movement solutions, is a task-based payment processing platform that controls all payment activity across cobrands, originators, processors and billers.

**Customers**

- ***Financial advisors that are working alone or as part of financial advisory firms.*** Our principal value proposition aimed at financial advisors working alone or as part of financial advisory firms is that our technology platforms allow them to compete effectively with financial advisors employed by large financial institutions. Envestnet can provide these advisors with access to as many or more of the investment solutions and services that are typically available to financial advisors working at the largest firms.

- ***Enterprise clients in wealth management.*** We provide enterprise clients with customized, private-labeled technology platforms that enable them to support their affiliated financial advisors with a broad range of investment solutions and services. Our contracts with enterprise clients establish the applicable terms and conditions, including pricing terms, service level agreements and basic platform configurations.

- ***Financial institutions.*** We serve global banks through financial applications. Envestnet Data & Analytics Retail Banking solution is a set of innovative FinApps providing consumers with a clear picture and greater insight into their financial lives. It enables customers to consolidate all their financial account information in one place, giving them a better handle on their money. Personalized tools allow them to manage, and meet their financial goals – which in turn makes them more engaged and more loyal customers.

- ***Other financial technology providers.*** We work with a variety of firms who provide technology to the financial services industry. We provide FinApps, personal financial management tools and data aggregation capabilities to companies in online lending, e-commerce and payments, digital advice and wealth management and other web development firms.

**Sales and Marketing**

Our sales teams are organized based on our customers.

- Our advisor-facing sales teams are field sales professionals supported by internal consultants, organized regionally, responsible for supporting firms and investment advisors who are customers of Envestnet. They help advisors create investment proposals, navigate Envestnet's wealth management platform and facilitate new business. Our Platform Consulting Group helps advisors utilize Envestnet's wealth management platform effectively and efficiently. They are subject matter experts on advisor managed programs, unified managed accounts ("UMA"), proposal guidance and site navigation. They provide consulting services to a number of large clients. Envestnet's PMC Consulting team of investment professionals provide a variety of portfolio and investment management consulting services to RIAs and broker-dealer advisors using Envestnet's wealth management platform.

- Enterprise Consultants are the main point of contact for enterprise clients with respect to day-to-day platform matters as well as contractual and pricing efforts. This includes support for advisors and firm management with regard to the overall relationship. The enterprise consultant is essentially the client's relationship manager who serves as the liaison between the firm and Envestnet.

- We have a direct sales and pre-sales team servicing the leading global financial institutions. The FI sales team is divided geographically. Each regional sales and pre-sales team is responsible for acquiring new FI customers. Within the North America region, direct sales and pre-sales representatives are further divided into teams that focus on specific accounts, on a named-account basis, depending on size, location, product specialization and/or brand. These sales teams are supported by customer advocacy teams who specialize in customer account management and expansion. Together, sales, pre-sales and customer advocacy representatives are responsible for growing our customer relationships in terms of account penetration (cross-selling additional products and services into the same or additional groups within a FI) and expanding use of existing products and services (increasing usage).

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

Our marketing efforts are focused on initiatives to drive global company, brand and solutions awareness and significant lead generation and sales acceleration across our whole business. These initiatives include educating the market about our solutions, achieving recognition as the industry leader through awards, speaking engagements, thought leadership articles, data trends and metrics and high profile interviews. We use advertising and public relations to communicate our message to our target markets.

To implement our marketing efforts, we generally employ paid print and online advertisements in a variety of industry publications, as well as promotions that include e-blast campaigns and sponsored webinars for financial advisors. We also partner with independent broker-dealers on direct mail campaigns targeting such firms' financial advisors to describe the investment solutions and services that we offer, produce brochures and presentations for financial advisors to use with their clients and we create internet pages or sites to promote our investment solutions and services. Envestnet Data & Analytics employs a variety of integrated sales and marketing initiatives, including hosted demand generation webinars, sponsorship and partnership of key industry conferences, customer and developer-focused events and programs, incubator efforts and other high-profile activities designed to demonstrate thought leadership and engage new audiences in actionable and measurable ways. We employ many tools, including web and social properties, integrated creative campaigns consisting of online advertising, digital content marketing, direct mail and blogs. Envestnet Data & Analytics also supports industry analyst relations and media relations activities. In addition, our marketing efforts develop FI customer best practices tools to drive deeper consumer activity and engagement.

**Competition**

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

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

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

Our Envestnet Data & Analytics group competes with other financial technology companies, global payment networks, credit bureaus and data and analytic providers. Based on our industry experience, we do not believe any single company in the data aggregation and data intelligence space offers a comprehensive platform with diverse features such as ours.

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

- Reputation;
- Cloud-based delivery model;
- Data aggregation capability;
- Access to data through direct structured data feeds to FI's;
- Scale (size of customer base and level of user adoption);
- Security;
- Time to market;
- Breadth and depth of application functionality user experience;
- Access to third-party applications;
- Ease of use, ease of integration, flexibility and configurability; and
- Competitive pricing.

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

**Regulation**

***Overview***

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

Our subsidiaries Envestnet Asset Management, Inc. ("EAM"), Envestnet Portfolio Solutions, Inc. ("EPS"), FDX Advisors, Inc. and ERS operate investment advisory businesses. These subsidiaries are registered with the U.S. Securities and Exchange Commission ("SEC") as "investment advisers" under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and are regulated thereunder. They may also provide fiduciary services as defined in Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974 ("ERISA"), including acting as an "investment manager" (as defined in Section 3(38) of ERISA). As described further below, many of our investment advisory programs are conducted pursuant to the non-exclusive safe harbor from the definition of an "investment company" provided for under Rule 3a-4 of the Investment Company Act of 1940, as amended (the "Investment Company Act"). If Rule 3a-4 were to cease to be available, or if the SEC were to modify the rule or its interpretation of how the rule is applied, it could have a substantial effect on our business. EAM serves as the investment adviser to two mutual funds. Mutual funds are registered as "investment companies" under the Investment Company Act. The Advisers Act, Investment Company Act and ERISA, together with related regulations and interpretations of the SEC, impose numerous obligations and restrictions on investment advisers and mutual funds, including recordkeeping requirements, limitations on advertising, disclosure and reporting obligations, prohibitions on fraudulent

activities and detailed operating requirements, including restrictions on transactions between an adviser and its clients, and between a mutual fund and its advisers and affiliates. The fiduciary obligations of investment advisers to their clients require advisers to, among other things, consider the suitability of the investment products and advice they provide, seek "best execution" for their clients' securities transactions, conduct due diligence on third-party products offered to clients, consider the appropriateness of the adviser's fees and provide extensive and ongoing disclosure to clients. The application of these requirements to wrap fee programs is particularly complex and the SEC has in the past scrutinized firms' compliance with these requirements. The SEC is authorized to institute proceedings and impose fines and sanctions for violations of the Advisers Act and the Investment Company Act and has the power to restrict or prohibit an investment adviser from carrying on its business in the event that it fails to comply with applicable laws and regulations. Although we believe we are in compliance in all material respects with the requirements of the Advisers Act and the Investment Company Act and the rules and interpretations promulgated thereunder, our failure to comply with such laws, rules and interpretations could have a material adverse effect on us.

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

Either as a result of direct regulation or obligations under customer agreements, our subsidiaries are required to comply with certain provisions of the Gramm-Leach-Bliley Act, related to the privacy of consumer information and may be subject to other privacy and data security laws because of the solutions we provide. In addition, numerous regulations have been proposed and are still being written to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), for enhanced due diligence of the internal systems and processes of companies like ours by their financial institutions customers.

Our subsidiaries are subject to various federal and state laws and regulations that grant supervisory agencies, including the SEC and OCC, broad administrative powers. In the event of a failure to comply with these laws and regulations, the possible sanctions that may be imposed include the suspension of individual employees, limitations on the permissibility of our regulated subsidiaries and our other subsidiaries to engage in business for specified periods of time, censures, fines and the revocation of registration as an investment adviser, as applicable. Additionally, the securities laws and other regulations applicable to us and our subsidiaries provide for certain private rights of action that could give rise to civil litigation. Any litigation could have significant financial and non-financial consequences including monetary judgments and the requirement to take action or limit activities that could ultimately affect our business.

Many of the laws and regulations to which our subsidiaries are subject are evolving, unclear and inconsistent across various jurisdictions, and ensuring compliance with them is difficult and costly. We continually develop improvements to our existing products and services as well as new products and services. Many of these improvements or new products and services may implicate regulations to which we may not already be subject or with which we may not have experience. New laws or regulations, or changes in existing laws or regulations or interpretations of existing laws and regulations, including those relating to the activities of our investment adviser, broker-dealer and financial institution clients, may occur that could increase our compliance and other costs of doing business, require significant changes to our systems or solutions or substantially change the way that our clients operate their businesses. Compliance with any new or revised regulatory requirements may divert internal resources, be expensive and time-consuming and may require increased investment in compliance functions or new technologies. Failure to comply with the laws and regulations to which we and our subsidiaries are subject could result in fines, penalties or limitations on our ability to conduct our business, or federal or state actions, any of which could significantly harm our reputation, and could materially and adversely affect our business, operating results and financial condition.

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

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

- Separately managed accounts;

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

We believe that, to the extent we exercise discretion over accounts in any of these programs, these programs qualify for the safe-harbor because all of the programs have the following characteristics, which are generally required in order for a program to be eligible for the Rule 3a-4 safe harbor:

- Each client account is managed on the basis of the client’s financial situation, investment objectives and reasonable client-imposed investment restrictions;
- At the opening of the account, the client’s financial advisor obtains information from the client and provides us with the client’s financial situation, investment objectives and reasonable restrictions;
- On no less than an annual basis, the client’s financial advisor contacts the client to determine whether there have been any changes in the client’s financial situation or investment objectives, and whether the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions. This information is communicated to us and reflected in our management of client accounts;
- On a quarterly basis, we or another designated person (in most cases this will be the client’s financial advisor) notify the client to contact us or another designated person if there have been any changes to the client’s financial position or investment objectives or if the client wishes to impose any reasonable restrictions on the management of the account;
- We, the client’s financial advisor and the manager of the client’s account, all of whom are knowledgeable about the account and its management, are reasonably available to the client for consultation;
- All of the programs allow each client to impose reasonable restrictions on the management of his or her account;
- On at least a quarterly basis, the client is provided with a statement containing a description of all activity in the client’s account during the preceding period, including all transactions made on behalf of the account, all contributions and withdrawals made by the client, all fees and expenses charged to the account and the value of the account at the beginning and end of the period; and
- For all of the programs, each client retains, with respect to all securities and funds in the client’s account, the right to withdraw securities or cash, vote securities, or delegate the authority to vote securities to another person, receive written confirmation or other notification of each securities transaction by the client’s independent custodian and proceed directly as a security holder against the issuer of any security in the client’s account without the obligation to include us or any other client of the program in any such action as a condition precedent to initiating such proceeding.

**Employees**

As of December 31, 2019, we had 4,190 employees, including employees in operations, research and development, engineering and systems, executive and corporate functions, sales and marketing and investment management and research. Of these 4,190 employees, 1,643 were located in the United States, 2,532 were located in India and 15 were located in other international locations. None of our employees is represented by a labor union. We have never experienced a work stoppage and believe our relationship with our employees is positive.

**Information about our Executive Officers**

The following table summarizes information about each one of our executive officers.

| Name | Age | Position(s) |
|---|---|---|
| William Crager | 55 | Interim Chief Executive Officer, President and Chief Executive of Envestnet Wealth Solutions |
| Stuart DePina | 59 | Chief Executive of Envestnet Data & Analytics |
| Peter D’Arrigo | 52 | Chief Financial Officer |
| Scott Grinis | 58 | Chief Technology Officer |
| Shelly O’Brien | 54 | Chief Legal Officer, General Counsel and Corporate Secretary |
| Brandon Thomas | 56 | Chief Investment Officer |
| Josh Mayer | 46 | Chief Operating Officer |

*William Crager*—Mr. Crager has served as Interim Chief Executive Officer, President and Chief Executive of Envestnet Wealth Solutions. Having served as Envestnet's President since 2002, Mr. Crager was named Interim Chief Executive Officer in October 2019. Prior to joining us, Mr. Crager served as Managing Director of Marketing and Client

Services at Rittenhouse Financial Services, Inc., an investment management firm affiliated with Nuveen. Mr. Crager received an MA from Boston University and a BA from Fairfield University, with a dual major in economics and English.

*Stuart DePina*—Mr. DePina has served as Chief Executive of Envestnet Data & Analytics since February 2019. Prior to then, he was President of Envestnet | Tamarac. Prior to joining Tamarac, Mr. DePina served in various Chief Executive positions and served as a Partner of KPMG LLP in the investment services and entertainment industries. Mr. DePina holds a BS in accounting from The University of Texas at Austin.

*Peter D'Arrigo*—Mr. D'Arrigo has served as Chief Financial Officer since 2008. Prior to joining us, Mr. D'Arrigo worked at Nuveen where he served as Treasurer since 1999, as well as holding a variety of other titles after joining them in 1990. Mr. D'Arrigo received an MBA from the Northwestern University Kellogg Graduate School of Management and an undergraduate degree in applied mathematics from Yale University.

*Scott Grinis*—Mr. Grinis has served as Chief Technology Officer since 2004. Prior to joining us, Mr. Grinis co-founded Oberon Financial Technology, Inc., our subsidiary, prior to its acquisition by us. Mr. Grinis received a BS and an MS degree in electrical engineering from Stanford University.

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

*Brandon Thomas*—Mr. Thomas is a co-founder and has served as Chief Investment Officer and Managing Director of Portfolio Management Consultants, our internal investment management and portfolio consulting group, since 1999. Prior to joining us, Mr. Thomas was Director of Equity Funds for Nuveen. Mr. Thomas received an MBA from the University of Chicago, a JD from DePaul University and is a graduate of Brown University.

*Josh Mayer*—Mr. Mayer was appointed Chief Operating Officer in April 2014. Previously, he served as Envestnet's Executive Vice President and Director of Operations from January 2011 to April 2014, and as Envestnet's Senior Vice President, Head of Operations from 2004 to January 2011. From 2000 to 2004, Mr. Mayer served as the Director of Operations for Oberon Financial Technology, Inc., our subsidiary, prior to its acquisition by us. Mr. Mayer holds a Bachelor of Arts and Sciences from Georgetown University.

**Securities Exchange Act Reports**

The Company maintains a website at the following address: http://www.envestnet.com.

We make available on or through our website certain reports and amendments to those reports that we file with or furnish to the SEC in accordance with the Securities Exchange Act of 1934, as amended. These include our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports of Form 8-K and amendments to these reports. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information available with, or furnish it to, the SEC. The information on the Company's website is not incorporated by reference in this Annual Report on Form 10-K. The SEC also maintains a website at the following address, through which this information is available: http://www.sec.gov.

**Item 1A.  Risk Factors**

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

**Risks Related to Our Business**

***We have experienced significant revenue growth, which may be difficult to sustain and which may place significant demands on our administrative, operational and financial resources and any inability to maintain or manage our growth could have a material adverse effect on our results of operations, financial condition or business.***

Our revenues during the three years ended December 31, 2019 have grown at a compound annual growth rate of 15%. We expect our growth to continue, which could place additional demands on our resources and increase our expenses. Our future growth will depend on, among other things, our ability to successfully grow our total assets under management and administration by adding new investment solutions and services and add additional clients. If we are unable to implement our growth strategy, adding new investment solutions and services and gain new clients, our results of operations, financial condition or business may be materially adversely affected.

Sustaining growth will also require us to commit additional management, operational and financial resources and to maintain appropriate operational and financial systems. In addition, continued growth increases the challenges involved in:

- recruiting, training and retaining sufficiently skilled technical, marketing, sales and management personnel;
- preserving our culture, values and entrepreneurial environment;
- successfully expanding the range of investment solutions and services offered to our clients;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, compliance, record-keeping, communications and other internal systems; and
- maintaining high levels of satisfaction with our investment solutions and services among clients.

There can be no assurance that we will be able to maintain or accelerate our growth, and any failure to do so could adversely affect our results of operations, financial condition or business.

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

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

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

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

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

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

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

***Our revenue can fluctuate from period to period, which could cause our share price to fluctuate.***

Our revenue may fluctuate from period-to-period in the future due to a variety of factors, many of which are beyond our control. Factors relating to our business that may contribute to these fluctuations include the following events, as well as other factors described elsewhere in this document:

- a decline or slowdown of the growth in the value of financial market assets, which may reduce the value of assets under management and administration and therefore our revenues and cash flows;
- negative public perception and reputation of the financial services industry, which would reduce demand for our investment solutions and services;
- unanticipated changes to economic terms in contracts with clients, including renegotiations;
- downward pressure on fees we charge our clients, which would therefore reduce our revenue;
- changes in laws or regulations that could impact our ability to offer investment solutions and services;
- failure to obtain new clients;
- cancellation or non-renewal of existing contracts with clients;
- failure to protect our proprietary technology and intellectual property rights;
- unanticipated delays in connection with the conversion of client assets onto our technology platforms;
- changes to or a reduction in the suite of investment solutions and services we provide to, or used by, existing clients;
- changes in our pricing policies or the pricing policies of our competitors to which we have to adapt;
- adverse effects from actual or perceived errors, breaches of contract, confidentiality, privacy, or fiduciary obligations;
- fluctuations in currency exchange rates; and
- general economic and political conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers operate.

As a result of these and other factors, the results of operations for any quarterly or annual period may differ materially from the results of operations for any prior or future quarterly or annual period and should not be relied upon as indications of our future performance.

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

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

***Failure of our customers to deploy our solutions in a timely and successful manner could negatively affect our revenue and operating results.***

The timing of revenue from our customers depends on a number of factors outside of our control and may vary from period to period. Our customers may request customization of our solutions for their systems or engage in a prolonged, internal decision making process regarding the deployment of our solutions. Among our larger customers, deployment of our solutions can be a complex and prolonged process and requires integration into the existing platform on our customers' systems. Any delay during the deployment process related to technical difficulties experienced by our customers or us in integrating our solutions into our customers' systems could further lengthen the deployment period and create additional costs or customer dissatisfaction. During the deployment period, we expend substantial time, effort, and financial resources to assist our customers with the deployment. We generally are not able to recognize the full potential value of our customer contracts until our customers actually deploy our solutions. Cancellation of any deployment after it has begun could result in lost time, effort, and expenses invested in the canceled deployment process, and would adversely affect our ability to recognize revenue that we anticipated at the time of the execution of the related customer contract. If our customers do not timely and successfully deploy our solutions, our future revenue and operating results could be negatively impacted.

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

We compete with many different types of companies that vary in size and scope, including custodians, turnkey asset management platforms, data and analytics providers, and other financial technology companies. Representative competitors include Pershing LLC (a subsidiary of BNY Mellon Corporation), AssetMark, Inc., Advent Software (a subsidiary of SS&C Technologies Holdings, Inc.) and Orion Advisor Services in our Envestnet Wealth Solutions business and Intuit, Inc., Plaid Inc. and Fiserv, Inc in our Envestnet Data & Analytics business. Competition is discussed in greater detail under "Business—Competition" included in this Form 10-K. In addition, some of our clients have developed or may develop the in-house capability to provide the technology and/or investment advisory services they have retained us to perform. These clients may also offer internally developed services to their financial advisors, obviating the need to hire us, and they may offer these services to third-party financial advisors or financial institutions, thereby competing directly with us for that business.

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

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

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

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

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

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

A substantial portion of our revenues are derived from clients in the financial advisory industry. A decline or lack of growth in demand for financial advisory services would adversely affect our clients and, in turn, our results of operations,

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

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

For the years ended December 31, 2019, 2018 and 2017, revenues associated with our relationship with our single largest client, FMR LLC, an affiliate of FMR Corp., or Fidelity, accounted for 15%, 17% and 17% respectively, of our total revenues and our ten largest clients accounted for 29%, 31% and 37%, respectively, of our total revenues. Our license agreements with large financial institutions are generally multi-year contracts that may be terminated upon the expiration of the contract term or prior to such time for cause, which may include breach of contract, bankruptcy, insolvency and other reasons. A substantial majority of our revenues associated with Fidelity is derived from ongoing asset-based platform service fees paid by firms, advisors or advisors' clients obtained through the Fidelity relationship. A majority of our agreements with financial advisors generally provide for termination at any time. The license agreement with Fidelity, which accounted for less than 1% of our revenue in the year ended December 31, 2019, is subject to renewal on an annual basis. If Fidelity or a significant number of our most important clients were to renegotiate or terminate their contracts with us, our results of operations, financial condition or business could be materially adversely affected.

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

Asset-based fees make up a significant portion of our revenues. Asset-based fees represented 54%, 59% and 60% of our total revenues for the years ended December 31, 2019, 2018 and 2017, respectively. We expect that asset-based fees will continue to represent a significant percentage of our total revenues in the future. Significant fluctuations in securities prices may materially affect the value of the assets managed by our clients and may also influence financial advisor and investor decisions regarding whether to invest in, or maintain an investment in, a particular investment or strategy. If such market fluctuation led to less investment in the securities markets, our revenues and earnings derived from asset-based fees could be materially adversely affected. Our asset-based fees are generally calculated quarterly using the value of assets at the end of each calendar quarter. Our methodology may result in lower fees if the financial markets are down when fees are calculated, even if the market had performed well earlier in the quarter.

We provide our investment solutions and services to the financial services industry. The financial markets, and in turn the financial services industry, are affected by many factors, such as U.S. and foreign economic conditions and general trends in business and finance that are beyond our control. In the event that the U.S. or international financial markets suffer a severe or prolonged downturn, investors may choose to withdraw assets from financial advisors, which we refer to as "redemptions", and transfer them to investments that are perceived to be more secure, such as bank deposits and Treasury securities, and on which we might not earn fees. For example, in late 2007 and through the first quarter of 2009, the financial markets experienced a broad and prolonged downturn, our redemption rates were higher than our historical average, and our results of operations, financial condition and business were materially adversely affected. Any prolonged downturn in financial markets or increased levels of asset withdrawals could have a material adverse effect on our results of operations, financial condition or business. Historically, redemption rates have typically increased during periods where there has been a significant downturn in financial markets. Any potential decline in assets on which we earn fees would not necessarily be proportional to, and in total, could be greater than the overall market decline.

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

The clients of our financial advisors are generally free to change financial advisors, forgo the advice and other services provided by financial advisors or withdraw the funds they have invested with financial advisors. These clients of financial advisors may elect to change their investment strategies, by moving their assets away from equity securities to fixed income or

other investment options, or by withdrawing all or a portion of their assets from their accounts to avoid all securities markets-related risks. These actions by investors are outside of our control and could materially adversely affect the market value of the investment assets that our clients manage, which could materially adversely affect the asset-based fees we receive from our clients.

***Our investment advisory clients that pay us asset-based fees may seek to negotiate a lower fee percentage, which could limit the growth of, or decrease, our revenues.***

A significant portion of our revenues are derived from asset-based fees. Asset-based fees represented 54%, 59% and 60% of our total revenues for the years ended December 31, 2019, 2018 and 2017, respectively. Our investment advisory clients may, for a number of reasons, seek to negotiate a lower asset-based fee percentage. For example, an increase in the use of index-linked investment products by the clients of our financial advisor clients may result in lower fees being paid to our clients, and our clients may in turn seek to negotiate lower asset-based fee percentages for our services. In addition, as competition among our clients increases, they may be required to lower the fees they charge to their clients, which could cause them to seek to decrease our fees accordingly. If our fee percentage declines, our revenue growth may be slower than it would have been had we not reduced our fees, despite increasing assets on which we derive fees. Any of these factors could result in a decline in our asset-based fees, which could have a material adverse effect on our results of operations, financial condition or business.

***Our business will suffer if we do not keep up with rapid technological change, evolving industry standards or changing requirements of clients.***

We expect technological developments to continue at a rapid pace in our industry. Our success will depend, in part, on our ability to:

- continue to develop our technology expertise;
- recruit and retain skilled technology professionals;
- enhance our current investment solutions and services;
- develop new investment solutions and services that meet changing client needs;
- implement changes to our investment solutions and services to meet changing regulatory requirements;
- advertise and market our investment solutions and services;
- protect our proprietary technology and intellectual property rights; and
- influence and respond to emerging industry standards and other technological changes.

We must accomplish these tasks in a timely and cost-effective manner and our failure to do so could materially adversely affect our results of operations, financial condition or business.

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

The market for our investment solutions and services is characterized by shifting client demands, evolving market practices, new and evolving regulations, and for some of our investment solutions and services, rapid technological change. Changing client demands, new market rules and practices, or new technologies can render existing investment solutions and services obsolete and unmarketable. As a result, our future success will continue to depend upon our ability to develop new investment solutions and services and investment solution and service enhancements that address the future needs of our target markets and respond to technological and market changes. We incurred technology development costs of approximately $59,850, $52,840 and $40,800 in the years ended December 31, 2019, 2018 and 2017, respectively. We expect that our technology development costs will continue at this level or they may increase in the future. We may not be able to accurately estimate the impact of new investment solutions and services on our business or how their benefits will be perceived by our clients. Further, we may not be successful in developing, introducing, marketing and licensing our new investment solutions or services or investment solution or service enhancements on a timely and cost effective basis, or at all, and our new investment solutions and services and enhancements may not adequately meet the requirements of the marketplace or achieve market acceptance. In addition, clients may delay purchases in anticipation of new investment solutions or services or enhancements. Any of these factors could materially adversely affect our results of operations, financial condition or business.

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

We, and our customers through which our solutions are made available to end users, collect, use, transmit and store confidential financial information such as bank account numbers, social security numbers, non-public personally identifiable information, portfolio holdings, credit card data and outstanding debts and bills. The measures we take to provide security for collection, use, storage, processing and transmission of confidential end user information may not be effective to protect against data security breaches by third parties. We use commercially available security technologies, including hardware and software data encryption techniques and multi-layer network security measures, to protect transactions and information. Although we encrypt data fields that typically include sensitive, confidential information, other unencrypted data fields may include similar information that could be accessible in the event of a security breach. We use security and business controls to limit access and use of confidential end user information. Although we require our customers and third-party suppliers to implement controls similar to ours, the technologies and practices of our customers and third-party suppliers may not meet all of the requirements we include in our contracts and we may not have the ability to effectively monitor the implementation of security measures of our customers and third-party suppliers. In a number of cases, our customers build and host their own web applications and access our solutions through our APIs. In these cases, additional risks reside in the customer's system with respect to security and preventive controls. As a result, inadequacies of our customers' and third-party suppliers' security technologies and practices may only be detected after a security breach has occurred. Errors in the collection, use, storage or transmission of confidential end user information may result in a breach of privacy or theft of assets.

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

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

We could also be required to indemnify our customers for third-party claims, fines, penalties and/or other assessments imposed on our customers as a result of any data security breach and our liability could exceed our insurance coverage or ability to pay. Envestnet's Registered Investment Advisers may face SEC, FINRA and state enforcement actions, including monetary fines, if it is determined that Envestnet had inadequate data security measures in place to prevent such theft.

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

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

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

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

State or federal legislation, regulatory requirements, or regulatory enforcement applicable to this business activity may also change. Privacy groups, governmental agencies and individuals also may seek to restrict or prevent, or may advocate for greater regulation of, our provision of data panels to data panel customers. Recently, three members of Congress wrote to the Federal Trade Commission (the “FTC”) to request a review of these business practices. In February 2020, we received a civil investigative demand from the FTC for documents and information relating to our data collection, assembly, evaluation, sharing, correction and deletion practices. We intend to cooperate with the FTC. If, as a result of the FTC’s request, proceedings are initiated and we are found to have violated one or more applicable laws, we may be subject to monetary penalties and/or required to change one or more of our related business practices, any of which could have a material adverse effect on our results of operations, financial condition. Conduct giving rise to such liability could also form the basis for private civil litigation by third-parties allegedly harmed by such conduct.

Our use of data panels is subject to the agreement of our business customers from which we obtain the underlying data or for which we source they underlying data. Although our arrangements with these customers generally permit us to use non-identified transaction level data, some customers decline to permit the use of this data. The inability to use data may limit the usefulness of our solutions and services which could adversely affect our business. For some of our solutions, we contractually require our customers to provide necessary notices and to obtain necessary permissions and waivers for use and disclosure of information through our solutions. A failure by our customers to comply with these contractual requirements could limit our use of the related data and therefore the usefulness of our solutions and services which could adversely affect our business. Furthermore, a failure by our customers to comply with these contractual requirements could subject us to claims or liability for unauthorized use or disclosure of information. These claims or liabilities could subject us to unexpected costs and have a material adverse effect on our results of operations, financial condition or business.

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

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

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

Potential, perceived and actual conflicts of interest are inherent in our existing and future business activities and could give rise to client dissatisfaction, litigation or regulatory enforcement actions. In particular, we pay varying fees to third-party asset managers and custodians and our financial advisor customers, or their clients, could accuse us of directing them toward those asset managers or custodians that charge us the lowest fees and therefore provide us with a greater financial advantage. In addition, we offer proprietary mutual funds and portfolios of mutual funds through our internal investment management and portfolio consulting group, and financial advisors or their clients could conclude that we favor our proprietary investment products because of their belief that we earn higher fees when our proprietary investment products are used. Adequately addressing conflicts of interest is complex and difficult. If we fail, or appear to fail, to adequately address potential, perceived or actual conflicts of interest, the resulting negative public perception and reputational harm could materially adversely affect our client relations or ability to enter into contracts with new clients and, consequently, our results of operations, financial condition and business.

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

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

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

***If our reputation is harmed, our results of operations, financial condition or business could be materially adversely affected.***

Our reputation, which depends on earning and maintaining the trust and confidence of our clients and end users, is critical to our business. Our reputation is vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate. Regulatory inquiries or investigations, data security breaches, lawsuits initiated by our clients or stockholders, employee misconduct, perceptions of conflicts of interest and rumors, among other developments, could substantially damage our reputation, even if they are baseless or satisfactorily addressed. In addition, any perception that the quality of our solutions and services may not be the same or better than that of other providers, can also damage our reputation. Any damage to our reputation could harm our ability to attract and retain clients, which would materially adversely affect our results of operations, financial condition and business. Attempts to repair our reputation, if damaged may be costly and time consuming, and such efforts may not ultimately be successful.

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

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

by such claims would adversely affect our client relationships and our ability to enter into new contracts. Any of these problems could have a material adverse effect on our results of operations, financial condition and business.

***We could face liability or incur costs to remediate operational errors or to address possible customer dissatisfaction.***

Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, business disruptions and inadequacies or breaches in our internal control processes. The success of our business depends on our ability to mitigate those operational risks and deliver time-sensitive services. We operate in diverse markets and are reliant on the ability of our employees and systems to process large volumes of transactions often within short time frames. Our operations and those of third parties on whom we rely for information and transaction processing services are vulnerable to interruption by technical breakdowns, computer hardware and software malfunctions, software viruses, infrastructure failures, fire, earthquake, power loss, telecommunications failure, terrorist attacks, wars, internet failures and other events beyond our control. In the event of any such interruptions or improper operation of systems, human error or improper action by employees, we could suffer financial loss, regulatory sanctions or damage to our reputation.

In addition, our contracts with our customers often include stringent requirements for us to maintain certain levels of performance and service availability. Failure by us to meet these contractual requirements could result in a claim for substantial damages against us, regardless of whether we are responsible for that failure. Our customers may also delay or withhold payment to us, elect to terminate or not to renew their contracts with us, or refuse to integrate our solutions into their online offerings, or we could lose future sales to new customers as a result of damage to our reputation due to such service downtime or interruptions. If we suffer a significant database or network facility outage, our business could experience disruption until we fully implement our back-up systems. The occurrence of any such disruptions in our solutions could materially and adversely affect our business.

Furthermore, there may be circumstances when our customers are dissatisfied with our investment solutions and services, even in the absence of an operational error. In such circumstances, we may elect to make payments or otherwise incur increased costs or lower revenues in order to maintain a strong customer relationship. In any of the forgoing circumstances, our results of operations, financial condition or business could be materially adversely affected.

***Our business relies heavily on computer equipment, electronic delivery systems and the internet. Any failures or disruptions in such technologies could result in reduced revenues, increased costs and the loss of customers.***

Our business relies heavily on our computer equipment (including our servers), electronic delivery systems and the internet, but these technologies are vulnerable to disruptions, failures or slowdowns caused by fire, earthquake, power loss, telecommunications failure, terrorist attacks, wars, internet failures, computer viruses and other events beyond our control. We derive our subscription revenue from licenses to a single software platform, and related support and professional services. As such, any factor adversely affecting subscriptions to that single software platform, including those described elsewhere under “Risk Factors” or in other portions of this Form 10-K, would harm our business and operating results. Furthermore, we rely on agreements with our suppliers, such as our current data hosting and service provider, to provide us with access to certain computer equipment, electric delivery systems and the internet. We are unable to predict whether a future contractual dispute may arise with one of our suppliers that could cause a disruption in service, or whether our agreements with our suppliers can be obtained or renewed on acceptable terms, or at all. An unanticipated disruption, failure or slowdown affecting our key technologies or facilities may have significant ramifications, such as data-loss, data corruption, damaged software codes or inaccurate processing of transactions. We maintain off- site back-up facilities for our electronic information and computer equipment, but these facilities could be subject to the same interruptions that may affect our primary facilities. Any significant disruptions, failures, slowdowns, data-loss or data corruption could have a material adverse effect on our results of operations, financial condition or business and result in the loss of customers.

***If we fail to process transactions effectively or fail to adequately protect against disputed or potential fraudulent activities, our revenue and earnings may be harmed.***

Envestnet Data & Analytics processes a significant volume and dollar value of transactions on a daily basis using its money movement solutions. Effective processing systems and controls are essential to ensure that transactions are handled appropriately. Despite our efforts, it is possible that we may make errors or that funds may be misappropriated due to fraud. If we are unable to effectively manage our systems and processes we may be unable to process money movement transactions in an accurate, reliable and timely manner, which may harm our business. In addition, if we do not detect suspected fraudulent or non-sufficient fund transactions within agreed-upon timelines, we may be required to reimburse our customers for the transactions and such reimbursements may exceed the amount of the reserves we have established to make such payments.

The online payments industry has been experiencing an increasing amount of fraudulent activities by third parties. Although we do not believe that any of this activity is uniquely targeted at our business, this type of fraudulent activity may adversely impact us. In addition to any direct damages and potential fines that may result from such fraud, which may be substantial, a loss of confidence in our controls may seriously harm our business and damage our reputation. We may implement risk control mechanisms that could make it more difficult for legitimate end users to use our solutions, which could result in lost revenue and negatively impact our operating results.

***If we are unable to maintain our payment network with third-party service providers, or if our disbursement partners encounter business difficulties, our business could be harmed.***

Envestnet Data & Analytics' payment network consists of a single Originating Deposit Financial Institution ("ODFI"), and a small number of bill payment processors. Our ODFI clears and processes the funds from the customer. In the instance of funds transfers, the ODFI also processes funds to the end user's destination institution. For bill payment, funds are sent to the bill pay processors for disbursement to biller sites.

While we have entered into an agreement with our ODFI and each of our bill payment processors, these partners could choose to terminate or not renew their agreements with us. If we are unable to maintain our agreements with our current partners, or our current partners are unable to handle increased transaction volumes, our ability to disburse transactions and our revenue and business may be harmed. If we are unable to sign new payment processors and/or ODFIs under terms consistent with, or better than, those currently in place, our revenue and business may be harmed.

Payment processors and ODFI partners also engage in a variety of activities in addition to providing our services and may encounter business difficulties unrelated to our services. Such activities or difficulties could cause the affected partner to reduce the services provided, cease to do business with us, or cease doing business altogether. This could lead to our inability to move funds on a timely basis as required to settle transactions. In addition, because we offer next day automated clearing house transactions in certain cases, if a disbursement partner experiences insufficient liquidity or ceases to do business, we may not be able to recover funds that are held with that disbursement partner which could harm our financial condition and operating results.

We may also be forced to cease doing business with payment processors and/or ODFIs if rules governing electronic funds transfers change or are reinterpreted to make it difficult or impossible for us to operate our money movement solutions.

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

Our Envestnet Data & Analytics data aggregation solutions require certain data that we obtain from thousands of sources, including banks, other financial institutions, retail businesses and other organizations, some of which are not our current customers. As of December 31, 2019, we receive over 60% of this data through structured data feeds that are provided under the terms of our contracts with most of our financial institution, or FI, customers. Although all of the information we currently gather is end user-permissioned, non-identified data and, currently, we generally have free, unrestricted access to, or ability to use, such information, one or more of our current customers could decide to limit or block our access to the data feeds we currently have in place with these customers due to factors outside of our control such as more burdensome regulation of our or our customers' industry, increased compliance requirements or changes in business strategy. If the sources from which we obtain information that is important to our solutions limit or restrict our ability to access or use such information, we may be required to attempt to obtain the information, if at all, through end user-permissioned data scraping or other means that could be more costly and time-consuming, and less effective or efficient. In the past, a limited number of third parties, primarily airline and international sites, have either blocked our access to their websites or requested that we cease employing data scraping of their websites to gather information, and we could receive similar, additional requests in the future. Any such limitation or restriction may also preclude us from providing our solutions on a timely basis, if at all. In addition, if in the future one or more third parties challenge our right to access information from these sources, we may be required to negotiate with these sources for access to their information or to discontinue certain services currently provided by our solutions. The legal environment surrounding data scraping and similar means of obtaining access to information on third-party websites is not completely clear and is evolving, and one or more third parties could assert claims against us seeking damages or to prevent us from accessing information in that manner. In the event sources from which we obtain this information begin to charge us fees for accessing such information, we may be forced to increase the fees that we charge our customers, which could make our solutions less attractive, or our gross margins and other financial results could suffer.

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

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

***Our insurance coverage and contractual liability limitations may fail to provide adequate protections.***

We maintain general liability insurance coverage, including coverage for errors or omissions; however, this coverage may not continue to be available on reasonable terms or may be insufficient to cover one or more large claims. An insurer might disclaim coverage as to any future claim. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could harm our operating results and financial condition. Additionally, although we attempt to limit our contractual liability in delivering our solutions, these limitations on liability may be unenforceable in some cases, or may be insufficient to protect us from liability for damages.

***We depend on our senior management team and other key personnel and the loss of their services could have a material adverse effect on our results of operations, financial condition or business.***

We depend on the efforts, relationships and reputations of our senior management team and other key personnel, in order to successfully manage our business. We believe that success in our business will continue to be based upon the strength of our intellectual capital. On October 3, 2019, Jud Bergman, our Chairman and Chief Executive Officer, died in an automobile accident. Bill Crager, President and the Chief Executive of Envestnet Wealth Solutions, was named Interim Chief Executive Officer. While the loss of our Chairman and Chief Executive Officer has not resulted in a material impact on our business, the loss of the service of any other members of our senior management team could have a material adverse effect on our results of operations, financial condition or business.

***Our future success depends on our ability to recruit and retain qualified employees.***

Our ability to provide our services and maintain and develop relationships with clients depends largely on our ability to attract, train, motivate and retain highly skilled professionals, particularly professionals with backgrounds in sales, marketing, technology and financial and investment services. Consequently, we must hire and retain employees with the technical expertise and industry knowledge necessary to continue to develop our services and effectively manage our growing sales and marketing organization to assist the growth of our operations.

We believe there is significant competition for professionals with the skills necessary to perform the services we offer. We experience competition for these professionals from competitors, other technology companies and financial services organizations, many of which have greater resources than we do and therefore may be able to offer higher compensation packages. Competition for these employees is intense, and we may not have sufficient human resources programs, practices and benefits to be able to retain our existing employees, or be able to recruit and retain other highly skilled personnel. If we cannot hire and retain qualified personnel, our ability to sustain and continue to expand our business would be impaired and our revenue, operating results and financial condition could be harmed.

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

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

Certain of our subsidiaries are registered as "investment advisers" with the SEC under the Advisers Act and are regulated thereunder. In addition, many of our investment advisory services are conducted pursuant to the non-exclusive safe harbor from the definition of an "investment company" provided under Rule 3a-4 under the Investment Company Act. If Rule 3a-4 were to cease to be available, or if the SEC were to modify the rule or its interpretation of how the rule is applied, our

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

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

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

All of the foregoing laws and regulations are complex, evolving, unclear and inconsistent across various jurisdictions and we are required to expend significant resources in order to maintain our monitoring of, and compliance with, such laws and regulations. We continually develop improvements to our existing products and services as well as new products and services. Many of these improvements or new products and services may implicate regulations to which we may not already be subject or with which we may not have experience. Any failure on our part to comply with these and other applicable laws and regulations could result in decreasing the demand for these products and services, increasing our potential liability or increase or costs, regulatory fines, suspensions of personnel or other sanctions, including revocation of our subsidiaries as an investment adviser or broker-dealer, as the case may be, which could, among other things, require changes to our business practices and scope of operations or harm our reputation. Any of the foregoing could have a material adverse effect on our results of operations, financial condition or business.

***Changes to the laws or regulations applicable to us or to our clients could adversely affect our results of operations, financial condition or business.***

We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC or other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets around the world. In addition, we may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any current proposals will become law, and it is difficult to predict how any changes or potential changes could affect our business. Changes to laws or regulations could increase our potential liability in connection with the investment solutions and other services that we provide. The introduction of any new laws or regulations could make our ability to comply with applicable laws and regulations more difficult and expensive. Any of the foregoing could have a material adverse effect on our results of operations, financial condition or business.

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

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

unable to obtain all necessary consents or if such a challenge were to be successful it could have a material adverse effect on our results of operations, financial condition or business.

***We rely on exemptions from certain laws and if for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our business could be materially and adversely affected.***

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

***If government regulation of the internet or other areas of our business changes, or if consumer attitudes toward use of the internet change, we may need to change the manner in which we conduct our business or incur greater operating expenses.***

The adoption, modification or interpretation of laws or regulations relating to the internet or other areas of our business could adversely affect the manner in which we conduct our business. Such laws and regulations may cover sales practices, taxes, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts, consumer protection, broadband residential internet access and the characteristics and quality of services. Moreover, it is not clear how existing laws governing these matters apply to the internet. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, we may be required to incur additional expenses or alter our business model, either of which could have a material adverse effect on our results of operations, financial condition or business.

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

We have made substantial investments in software and other intellectual property on which our business is highly dependent. As of December 31, 2019, notwithstanding expiration of some of our oldest patents, we had over 50 issued patents in the U.S. and foreign jurisdictions as well as additional pending patent applications in the U.S. and foreign jurisdictions. Many of our key technologies, investment solutions or services are not covered by any copyright registration, issued patent or patent application. We are the owner of certain patent rights, registered trademarks in the United States, including “ENVESTNET,” and we claim common law rights in other trademarks that are not registered. We rely on a combination of patent, trade secret, trademark and copyright laws, confidentiality and nondisclosure agreements and other contractual and technical security measures to protect our proprietary technology, all of which provide only limited protection. Despite our efforts, unauthorized copying or other misappropriation of our proprietary technologies could enable third parties to benefit from our intellectual property rights without paying us for doing so, which could harm our business. Policing unauthorized use of proprietary technology is difficult and expensive and our monitoring and litigation may be necessary to protect and enforce our intellectual property rights. If litigation is necessary to protect and enforce our intellectual property rights, any such litigation could be very costly and could divert management attention and resources. If we are unable to protect our intellectual property rights or if third parties independently develop or gain access to our or similar technologies, investment solutions or services, our results of operations, financial condition and business could be materially adversely affected.

We cannot guarantee that:

- our intellectual property rights will provide competitive advantages to us;
- our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes will not be limited by our agreements with third parties;
- our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak;
- any of the trademarks, copyrights, trade secrets or other intellectual property rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged or abandoned;
- our trademark applications will lead to registered trademarks;
- competitors will not design around our intellectual property rights or develop similar technologies, investment solutions or products; or that we will not lose the ability to assert our intellectual property rights against others; or
- Our ability to identify and police any misappropriation and protect our proprietary technology will be sufficient.

We are also a party to a number of third-party intellectual property license agreements. Some of these license agreements require us to make one-time payments or ongoing subscription payments. We cannot guarantee that the third-party intellectual property we license will not be licensed to our competitors or others in our industry. In the future, we may need to

obtain additional licenses or renew existing license agreements. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms, or at all. In addition, we have granted our customers certain rights to use our intellectual property in the ordinary course of our business. Some of our customer agreements restrict our ability to license or develop certain customized technology or services within certain markets or to certain competitors of our customers. For example, our agreement with Fidelity restricts our ability to develop certain integration features that we have not also offered to develop for Fidelity. Some of our customer agreements grant our customers ownership rights with respect to the portion of the intellectual property we have developed or customized for our customers. In addition, some of our customer agreements require us to deposit the source code to the customized technology and investment solutions with a source code escrow agent, which source code may be released in the event we enter into bankruptcy or are unable to provide support and maintenance of the technology or investment solutions we have licensed to our customers. These provisions in our agreements may limit our ability to grow our business in the future.

***Third parties may assert intellectual property infringement claims against us which, if successful, could require us to pay significant damages or make changes to the investment solutions or services that we offer.***

Third parties may assert against us intellectual property infringement claims with respect to our internally developed or acquired technologies, investment solutions or services. In addition, we license content, software and other intellectual property rights from third parties and may be subject to claims of infringement if such parties do not possess the necessary intellectual property rights to the products they license to us. The risk of infringement claims against us will increase if more of our competitors are able to obtain patents for investment solutions or services or business processes. In addition, we face additional risk of infringement or misappropriation claims if we hire an employee who possesses third party proprietary information who decides to use such information in connection with our investment solutions, services or business processes without such third-party's authorization. We have in the past been and may in the future be subject to legal proceedings and claims that we have infringed or misappropriated the intellectual property rights of a third party. These claims sometimes involve patent holding companies who have no relevant product revenues and against whom our own proprietary technology may therefore provide little or no deterrence. In addition, third parties may in the future assert intellectual property infringement claims against our customers, which, in certain circumstances, we have agreed to indemnify. Any intellectual property related infringement or misappropriation claims, whether or not meritorious, could result in costly litigation and could divert management resources and attention. Moreover, should we be found liable for infringement or misappropriation, we may be required to enter into licensing agreements, if available on acceptable terms or at all, pay substantial damages or make changes to the investment solutions and services that we offer. Any of the foregoing could prevent us from competing effectively, result in substantial costs to us, divert management's attention and our resources away from our operations and otherwise harm our reputation.

***The use of "open source code" in investment solutions may expose us to additional risks and harm our intellectual property rights.***

To a limited extent, we rely on open source code to develop our platform, investment and other solutions and support for our internal systems and infrastructure. While we monitor our use of open source code to attempt to avoid subjecting our solutions to conditions we do not intend, such use could inadvertently occur. Additionally, if a third-party software provider has incorporated certain types of open source code into software we license from such third party for our solutions, we could, under certain circumstances, be required to disclose the source code for our solutions. This could harm our intellectual property position and have a material adverse effect on our results of operations, financial condition and business.

***Confidentiality agreements with employees, consultants and others may not adequately prevent disclosure of trade secrets and other proprietary information.***

We have devoted substantial resources to the development of our proprietary technologies, investment solutions and services. In order to protect our proprietary rights, we enter into confidentiality agreements with our employees, consultants and independent contractors. These agreements may not effectively prevent unauthorized disclosure of confidential information or unauthorized parties from copying aspects of our technologies, investment solutions or products or obtaining and using information that we regard as proprietary. Moreover, these agreements may not provide an adequate remedy in the event of such unauthorized disclosures of confidential information and we cannot assure you that our rights under such agreements will be enforceable. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could reduce any competitive advantage we have developed and cause us to lose customers or otherwise harm our business.

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

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

- the burdens of complying with a wide variety of foreign regulations, laws and legal standards, including privacy, data security, tax and employment, some of which may be materially different or more stringent than those of the United States;
- regional data privacy laws that apply to the transmission of data across international borders;
- lack of familiarity with, and unexpected changes in, foreign regulatory requirements;
- customers' unfamiliarity with and concerns regarding laws and regulations of the United States that may impact our business operations in their jurisdictions;
- negative, local perception of industries and customers that we may pursue;
- laws and business practices favoring local competitors;
- localization of our solutions, including unanticipated costs related to translation into foreign languages and adaptation for local practices and regulatory requirements;
- different pricing environments and longer sales cycles;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties in managing and staffing international operations;
- reduced or varied protection for intellectual property rights in some countries;
- compliance with laws and regulations for foreign operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our solutions in certain foreign markets, and the risks and costs of compliance;
- fluctuations in currency exchange rates;
- potentially adverse tax consequences, including the complexities of foreign value added tax systems, difficulty in interpreting international tax laws and restrictions on the repatriation of earnings;
- increased financial accounting and reporting burdens and complexities; and
- political, social and economic instability abroad, terrorist attacks and security concerns in general.

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

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

Our India operations are a key factor to our success. We believe that our significant presence in India provides certain important advantages for our business, such as direct access to a large pool of skilled professionals and assistance in growing our business internationally. However, it also creates certain risks that we must effectively manage. As of December 31, 2019, approximately 2,500 of our total employees were based in India. Wage costs in India for skilled professionals are currently lower than in the United States for comparably skilled professionals. However, wages in India are increasing at a faster rate than in the United States, which could result in us incurring increased costs for technical professionals and reduced margins. There is intense competition in India for skilled technical professionals, and we expect such competition to increase. As a result, we may be unable to cost-effectively retain our current employee base in India or hire additional new talent. In addition, India has experienced significant inflation, low growth in gross domestic product and shortages of foreign exchange. India also has experienced civil unrest and terrorism and, in the past, has been involved in conflicts with neighboring countries. The occurrence of any of these circumstances could result in disruptions to our India operations, which, if continued for an extended period of time, could have a material adverse effect on our business. If we are unable to effectively manage any of the foregoing risks related to our India operations, our development efforts could be impaired, our growth could be slowed, and our operating results could be negatively impacted.

***We face exposure to foreign currency exchange rate fluctuations.***

We have costs denominated in foreign currencies, primarily the Indian Rupee, and our revenue is primarily denominated in the U.S. dollar. This exposes us to the risk of fluctuations in foreign currency exchange rates. Accordingly, changes in exchange rates, and in particular a weakening of the U.S. dollar, would negatively affect our expenses and other operating results as expressed in U.S. dollars.

***We are a multinational organization faced with increasingly complex tax issues in several jurisdictions, and we could be obligated to pay additional taxes in various jurisdictions.***

As a multinational organization, we may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have a material adverse effect on our liquidity and operating results. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could have a material impact on us and the results of our operations. For example, the taxing authorities of India and other jurisdictions in which we operate may challenge our methodologies for allocating income and expense under our intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business is not consistent with the manner in which we report our income to the jurisdictions. If such a disagreement were to occur, and our positions were not sustained, we could be required to pay additional taxes, interest and penalties, resulting in higher effective tax rates, reduced cash flows and higher expenses.

***Due to uncertainty in the application and interpretation of applicable state sales and use tax laws, we may be subject to additional tax liability.***

We and our customers are subject to a variety of sales, use and other tax laws in the various states and cities in which we and they do business. These laws and their interpretations change from time to time and often do not address with clarity their applicability to the types of products and services we and our subsidiaries provide. Vendors, like us, are typically held responsible by taxing authorities for the collection and payment of any applicable sales and use taxes, even when owed by the end user. If one or more taxing authorities determines that taxes should have, but have not, been paid with respect to our products or services, we might be liable for past taxes in addition to taxes going forward. Liability for past taxes might also include interest and penalty charges. We are often entitled to seek reimbursement from our customers for any sales and use taxes we pay either under the terms of our customer contracts or under applicable law or legal principles. Nevertheless, our customers might be reluctant to pay back taxes and might refuse responsibility for interest or penalties associated with those taxes. If we are required to collect and pay back taxes and any associated interest and penalties, and if our clients do not reimburse us for all or a portion of these amounts, we will incur unplanned expenses that may be substantial. Moreover, imposition of such taxes on us going forward will effectively increase the cost of our products and services to our customers and might adversely affect our ability to retain existing customers or to gain new customers in the areas in which such taxes are imposed.

For the year ended December 31, 2019 and 2018, the Company estimated that a sales and use tax liability of $10,220 and $8,643, respectively, was probable related to current and prior years revenues in a number of taxing jurisdictions. In addition, for the same periods, the Company estimated a sales tax receivable of $3,346 and $5,246, respectively, related to estimated recoverability of a portion of the liability. Additional future information obtained from the applicable jurisdictions or audits by one or more taxing authorities may affect our estimate of our sales and use tax liability. There can be no assurance that we will not be subject to sales and use taxes or related penalties for past sales in jurisdictions where we currently believe no such taxes are required.

***Changes in accounting principles or standards, or in the way they are applied, could result in unfavorable accounting charges or effects and unexpected financial reporting fluctuations, and could adversely affect our reported operating results even if there are no underlying changes in the economics of the business.***

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”), which are subject to interpretation by the SEC and other regulatory bodies. A change in existing principles, standards or guidance can have a significant effect on our reported results, may retroactively affect previously reported results, could cause unexpected financial reporting fluctuations, and may require us to make costly changes to our internal controls, operational and financial reporting processes.

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

Over time, the fair values of long-lived assets change. At December 31, 2019, we had $879,850 of goodwill and $505,589 of intangible assets, net, representing 77% of our total assets.

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

We test our indefinite lived intangible assets on an annual basis and more often if an event occurs or circumstances change that would more likely than not reduce the fair value of the indefinite lived intangible asset below its carrying amount. We also test property, plant, and equipment and other intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Future asset impairment charges may occur if asset utilization declines, if customer demand decreases, or for a number of other reasons, which would reduce future earnings. Any such impairment charges could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Impairment charges would also reduce our consolidated stockholders’ equity and increase our debt-to-total-capitalization ratio, which could negatively impact our access to the debt and equity markets.

During the fourth quarter of 2019, we completed our annual goodwill impairment analysis. The qualitative analysis performed as of October 31, 2019 indicated that it is more likely than not that the fair value of each reporting unit exceeded the carrying value, and accordingly, no impairment existed. There can be no assurance that our estimates and assumptions of the fair value of our reporting units, the current economic environment, or the other inputs used to estimate the fair value of our reporting units will prove to be accurate, and any material error in our estimates and assumptions, could result in us needing to take a material impairment charge, which would have the effects discussed above.

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

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

As of December 31, 2019, we had $260,000 borrowings outstanding under our revolving credit facility (the “Amended Credit Agreement”) and $345,000 of outstanding 1.75% Convertible Notes due 2023. As of December 31, 2019, we had an additional $240,000 available to us to borrow in the future under our Amended Credit Agreement. This indebtedness could, among other things:

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

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

In the event the conditional conversion feature of $345,000 of our outstanding Convertible Notes due 2023 is triggered, holders of the Convertible Notes due 2023 will be entitled to convert their convertible notes at any time during specified periods at their option. We may elect to satisfy our conversion obligation in cash, in shares of our common stock or in a combination of cash and shares of our common stock. If one or more holders elect to convert their convertible notes, unless we satisfy our conversion obligation by delivering solely shares of our common stock (other than cash in lieu of any fractional share), we would be required to settle all or a portion of our conversion obligation through the payment of cash, which could adversely affect our liquidity. Furthermore, even if holders do not elect to convert their convertible notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes due 2023 as a current rather than long-term liability, which would result in a material reduction of our net working capital.

***We may not have the ability to raise the funds necessary to settle conversions of the Convertible Notes due 2023 or purchase the Convertible Notes due 2023 as required upon a fundamental change, and our existing debt contains, and our future debt may contain, limitations on our ability to pay cash upon conversion or purchase of the Convertible Notes due 2023.***

Following a fundamental change, holders of Convertible Notes due 2023 will have the right to require us to purchase their convertible notes for cash. A fundamental change may also constitute an event of default or prepayment under, and result in the acceleration of the maturity of, our then-existing indebtedness. In addition, upon conversion of the Convertible Notes due 2023, unless we settle our conversion obligation solely in shares of our common stock (other than cash in lieu of any fractional share), we will be required to make cash payments in respect of the Convertible Notes due 2023 being surrendered for conversion. We may not have sufficient financial resources, or will be able to arrange financing, to pay the fundamental change purchase price in cash with respect to the Convertible Notes due 2023 surrendered by holders for purchase upon a fundamental change or make cash payments upon conversions. In addition, restrictions in our Credit Agreement or future credit facilities or other indebtedness, if any, may not allow us to purchase the Convertible Notes due 2023 upon a fundamental change or make cash payments upon conversions of the Convertible Notes due 2023. Our failure to purchase the Convertible Notes due 2023 upon a fundamental change or make cash payments upon conversions thereof when required would result in an event of default with respect to the Convertible Notes due 2023 which could, in turn, constitute a default under the terms of our other indebtedness, if any. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and purchase the Convertible Notes due 2023 or make cash payments upon conversions thereof.

***Fluctuations in interest rates and turmoil in the financial markets could increase our cost of borrowing and impede access to or increase the cost of financing our operations and acquisitions***

Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve Board, which recently increased rates and may continue to do so. Increases in interest rates would increase our borrowing costs over time and could negatively impact our results of operations. While we have access to global credit markets, financial markets may experience significant disruption or deterioration, which could make future financing difficult or more expensive to secure and could negatively impact our ability to finance acquisitions.

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

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

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

economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive.

***We do not currently intend to pay dividends on our common stock for the foreseeable future and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.***

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

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

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

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

## Item 1B.  Unresolved Staff Comments

None.

## Item 2. Properties

Our headquarters are located in Chicago, Illinois. We support our Envestnet Wealth Solutions segment primarily through offices in Denver, Colorado; Berwyn, Pennsylvania; Richmond, Virginia; Seattle, Washington; and Trivandrum, India. We support our Envestnet Data & Analytics segment primarily through offices in Redwood City, California; Raleigh, North Carolina; and Bangalore, India. We also lease office space in other parts of the United States to further support our operations. We believe that our office facilities are adequate for our immediate needs and that additional or substitute space is available if needed to accommodate the foreseeable growth of our operations.

## Item 3. Legal Proceedings

See Part II, Item 8, “Note 21—Commitments and Contingencies” for Legal Proceedings details. For more information about the impact of legal proceedings in our business, see Part I, Item 1A “Risk Factors”.

## Item 4. Mine Safety Disclosures

This section is not applicable.

## PART II

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

**(a) Market Information**

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

**(b) Holders**

The number of holders of record of our common stock was 472 as of February 21, 2020.

**Common Stock**

As of December 31, 2019, we had 500,000,000 common shares authorized at a par value of $0.005, of which 52,841,706 shares were outstanding.

**Preferred Stock**

As of December 31, 2019, we had 50,000,000 preferred shares authorized at a par value of $0.005, of which no shares were outstanding.

**(c) Dividends**

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

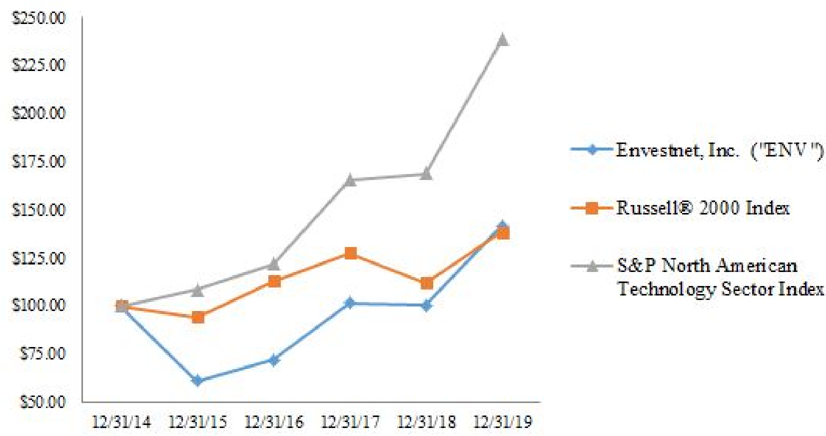
**(d) Securities Authorized for Issuance Under Equity Compensation Plan**

For a description of securities authorized under our equity compensation plans, see Part II, Item 8, “Note 15—Stock-Based Compensation”.

**(e) Stock Performance Graph**

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

**5 YEAR STOCK PERFORMANCE GRAPH**




| | 12/31/2014 | 12/31/2015 | 12/30/2016 | 12/31/2017 | 12/31/2018 | 12/31/2019 |
|---|---|---|---|---|---|---|
| Envestnet, Inc. | $ 100.00 | $ 60.74 | $ 71.73 | $ 101.44 | $ 100.10 | $ 141.70 |
| Russell® 2000 Index | 100.00 | 94.29 | 112.65 | 127.46 | 111.94 | 138.50 |
| S&P North American Technology Sector Index | 100.00 | 108.50 | 121.57 | 165.63 | 168.74 | 238.43 |

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

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

None

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

| | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs |
|---|---|---|---|---|
| October 1, 2019 through October 31, 2019 | — | $ — | — | 1,956,390 |
| November 1, 2019 through November 30, 2019 | — | — | — | 1,956,390 |
| December 1, 2019 through December 31, 2019 | — | — | — | 1,956,390 |

On February 25, 2016, the Company announced that its Board of Directors had authorized a share repurchase program under which the Company may repurchase up to 2,000,000 shares of its common stock. The timing and volume of share repurchases will be determined by the Company's management based on its ongoing assessments of the capital needs of the business, the market price of its common stock and general market conditions. No time limit has been set for the completion of the repurchase program, and the program may be suspended or discontinued at any time. The repurchase program authorizes the Company to purchase its common stock from time to time in the open market (including pursuant to a "Rule 10b5-1 plan"), in block transactions, in privately negotiated transactions, through accelerated stock repurchase programs, through option or other forward transactions or otherwise, all in compliance with applicable laws and other restrictions. As of December 31, 2019, 1,956,390 of shares could still be purchased under this program.

**Item 6. Selected Financial Data**

Set forth below is selected financial and other data of the Company. The notes to consolidated financial statements included in Part II, Item 8 provide additional context, including the impact of adopting new accounting pronouncements as provided in “Note 2—Summary of Significant Accounting Policies” and business acquisitions as detailed in “Note 3—Business Acquisitions”.

**Consolidated Statements of Operations**

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| | (in thousands, except for share and per share information) | | | | |
| Total revenues | $ 900,127 | $ 812,363 | $ 683,679 | $ 578,164 | $ 420,919 |
| Operating expenses: | | | | | |
| Cost of revenues | 278,811 | 263,400 | 219,037 | 180,590 | 161,309 |
| Compensation and benefits | 383,554 | 317,188 | 264,392 | 241,584 | 139,756 |
| General and administration | 152,564 | 139,984 | 121,010 | 115,435 | 72,900 |
| Depreciation and amortization | 101,271 | 77,626 | 62,820 | 63,999 | 27,962 |
| Total operating expenses | 916,200 | 798,198 | 667,259 | 601,608 | 401,927 |
| Income (loss) from operations | (16,073) | 14,165 | 16,420 | (23,444) | 18,992 |
| Total other expense, net | (32,022) | (23,327) | (18,109) | (17,046) | (10,004) |
| Income (loss) before income tax provision (benefit) | (48,095) | (9,162) | (1,689) | (40,490) | 8,988 |
| Income tax provision (benefit) | (30,893) | (13,172) | 1,591 | 15,077 | 4,552 |
| Net income (loss) | (17,202) | 4,010 | (3,280) | (55,567) | 4,436 |
| Add: Net loss attributable to non-controlling interest | 420 | 1,745 | — | — | — |
| Net income (loss) attributable to Envestnet, Inc. | $ (16,782) | $ 5,755 | $ (3,280) | $ (55,567) | $ 4,436 |
| Net income (loss) per share attributable to Envestnet, Inc.: | | | | | |
| Basic | $ (0.33) | $ 0.13 | $ (0.08) | $ (1.30) | $ 0.12 |
| Diluted | $ (0.33) | $ 0.12 | $ (0.08) | $ (1.30) | $ 0.12 |
| Weighted average common shares outstanding: | | | | | |
| Basic | 50,937,919 | 45,268,002 | 43,732,148 | 42,814,222 | 36,500,843 |
| Diluted | 50,937,919 | 47,384,085 | 43,732,148 | 42,814,222 | 38,386,873 |

**Consolidated Balance Sheet Data**

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| | (in thousands) | | | | |
| Cash and cash equivalents | $ 82,505 | $ 289,345 [3] | $ 60,115 | $ 52,592 | $ 51,718 |
| Working capital | (21,287) | 37,610 | (9,248) | (42,870) | (5,808) |
| Goodwill and intangible assets, net | 1,385,439 | 824,343 | 655,686 | 697,494 | 713,948 |
| Total assets | 1,801,884 | 1,313,747 | 862,052 | 872,401 | 876,249 |
| Non-current liabilities [1] | 730,518 [2] | 337,849 | 284,127 | 302,260 | 317,901 |
| Total stockholders' equity | 869,094 | 633,700 | 436,272 | 412,889 | 439,529 |

(1) Includes long-term debt of $565,513, $294,725, $240,158, $252,984 and $284,753 as of December 31, 2019, 2018, 2017, 2016 and 2015, respectively.

(2) Includes non-current operating lease liabilities of $88,365 resulting from the adoption of ASU 2016-02, "Leases" on January 1, 2019. See Part II, Item 8, "Note 10—Leases" for more information.

(3) In May 2018, we issued $345,000 of Convertible Notes. Net proceeds from the offering were $335,018. Also, in December 2018, we issued and sold shares of our common stock in a private placement for approximately $122,788.

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

***Except where we have otherwise indicated or the context otherwise requires, dollar amounts presented in this Form 10-K are in thousands, except for Exhibits and per share amounts.***

### Overview

Envestnet is a leading provider of intelligent systems for wealth management and financial wellness. Envestnet's unified technology enhances advisor productivity and strengthens the wealth management process. Envestnet empowers enterprises and advisors to more fully understand their clients and deliver better outcomes.

More than 4,700 companies, including 16 of the 20 largest U.S. banks, 43 of the 50 largest wealth management and brokerage firms, over 500 of the largest RIAs, and hundreds of internet services companies, leverage Envestnet technology and services. Envestnet solutions enhance knowledge of the client, accelerate client on-boarding, improve client digital experiences and help drive better outcomes for enterprises, advisors and their clients.

Founded in 1999, Envestnet has been a leader in helping transform wealth management, working towards its goal of building a holistic financial wellness network that supports enterprises, advisors and their clients.

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

We believe that our business model results in a high degree of recurring and predictable financial results.

### Recent Developments

***Acquisition of private AI company***

On January 2, 2019, we acquired a private artificial intelligence ("AI") company (the "private AI company acquisition"). In connection with the private AI company acquisition, we incurred estimated consideration of approximately $25,063, inclusive of estimated contingent consideration of $7,580, for all of the outstanding shares of the private AI company, subject to certain closing and post-closing adjustments. In December 2019, we determined that revenue targets for this acquisition would not be met. As a result, we reduced the contingent consideration liability plus accrued interest associated with this acquisition by $8,126 and recorded this as a reduction to general and administration expenses.

Through the use of conversational AI tools and applications that leverages the latest wave of customer-centric capabilities, we believe that the private company improves the way Financial Service Providers ("FSPs") can interact with and support their customers. The technology and operations of the private AI company have been integrated into our Envestnet Data & Analytics segment.

***Acquisition of PortfolioCenter business***

On April 1, 2019, Tamarac, Inc. ("Tamarac"), a wholly owned subsidiary of ours, acquired certain of the assets, primarily consisting of intangible assets, and the assumption of certain of the liabilities of the PortfolioCenter business ("PortfolioCenter") from Performance Technologies, Inc. (the "PC Seller"), a wholly owned subsidiary of The Charles Schwab Corporation ("PortfolioCenter acquisition"). The PortfolioCenter business provides investment advisors and investment advisory service providers with desktop, hosted and outsourced multicustodial software solutions. These solutions provide data-management and performance-measurement tools, as well as customizable accounting, reporting, and billing functions delivered through the commercial software application products known as PortfolioCenter Desktop, PortfolioCenter Hosted, PortfolioServices and Service Bureau.

Tamarac acquired PortfolioCenter to better serve small and mid-size RIA firms. PortfolioCenter has become a part of our Envestnet Wealth Solutions segment.

In connection with the PortfolioCenter acquisition, Tamarac paid $17,500 in cash and funded the acquisition with available cash resources. The PC Seller is also entitled to an earn-out payment based on a percentage of PortfolioCenter's eligible revenue for the twelve-month period beginning April 1, 2020. The discounted amount of the contingent consideration liability is estimated to be $8,200 and is included as a non-current liability in the consolidated balance sheets.

***Acquisition of PIEtech***

On May 1, 2019, we acquired all of the outstanding shares of capital stock of PIEtech, Inc., a Virginia corporation (“PIEtech”). PIEtech empowers financial advisors to use financial planning to efficiently motivate their clients to create, implement and maintain financial plans that best meet their lifetime financial goals. The technology and operations of PIEtech, which now operates as Envestnet MoneyGuide, has been integrated into our Envestnet Wealth Solutions segment.

The acquisition of PIEtech (the “PIEtech acquisition”) establishes us as a leader in financial planning solutions, providing advisors and their clients with access to a full spectrum of financial planning capabilities, and offering a broad range of data-driven, financial plan-informed financial wellness solutions, both domestically and internationally over time. Integration of PIEtech's MoneyGuide software with our integrated technology platform is expected to reduce friction and enhance productivity for advisors.

In connection with the PIEtech acquisition, we paid net cash consideration of $298,714, subject to the working capital adjustments set forth in the Merger Agreement, and issued 3,184,713 shares of Envestnet common stock to the sellers. We funded the PIEtech acquisition with available cash resources and borrowings under its revolving credit facility.

In connection with the PIEtech acquisition, we established a retention bonus pool consisting of approximately $30,000 of cash and restricted stock units to be granted to employees and management of PIEtech as inducement grants. As a result, we adopted the Envestnet, Inc. 2019 Acquisition Equity Incentive Plan (the “2019 Equity Plan”) in order to make inducement grants to certain PIEtech employees who will join Envestnet | MoneyGuide. We agreed to grant at future dates, not earlier than the sixty day anniversary of the PIEtech acquisition, up to 301,469 shares of Envestnet common stock in the form of restricted stock units (“RSUs”) and performance stock units (“PSUs”) pursuant to the 2019 Equity Plan and made cash retention payments of approximately $8,800 to certain legacy PIEtech employees who joined Envestnet MoneyGuide. As of December 31, 2019, we have issued approximately 62,400 of RSUs and 24,900 of PSUs under the Equity Plan to legacy PIEtech employees. At this time we expect to issue approximately 214,000 of additional RSUs and PSUs and expect to pay approximately $5,300 in cash bonus payments over the next three years in connection with the PIEtech acquisition.

We also granted membership interests in certain of our equity method investments to two legacy PIEtech executives with an estimated fair market value of $8,900. These membership interests will vest and become exercisable in future periods. As of December 31, 2019, the Company has recorded approximately $5,920 as a component of compensation and benefits in the consolidated statements of operations with a corresponding liability in other non-current liabilities in the consolidated balance sheets.

***Death of Chief Executive Officer***

On October 3, 2019, Jud Bergman, our Chairman and Chief Executive Officer, died in an automobile accident. Bill Crager, President of Envestnet and Chief Executive of Envestnet Wealth Solutions, has been named our Interim Chief Executive Officer. Mr. Crager has served as President of Envestnet since 2002 and has been an employee of the Company since 2000. Ross Chapin, has been named the Interim Non-Executive Chairman of our Board of Directors. Mr. Chapin has served as a director of the Company since 2001. In connection with Mr. Bergman's death, we modified certain of his existing outstanding equity awards. This resulted in additional non-cash compensation expense of $4,286 in 2019.

## Key Metrics

Key metrics beginning in 2018 include the addition of FolioDynamix, the metrics of which are shown below as of January 2, 2018, the date of acquisition:

| **FolioDynamix** | **Assets** | **Accounts** | **Advisors** |
|---|---|---|---|
| | **(in millions, except accounts and advisors data)** | | |
| Assets under Management (“AUM”) | $ 8,736 | 57,163 | |
| Assets under Administration (“AUA”) | 33,182 | 79,131 | |
| Total AUM/A | 41,918 | 136,294 | 3,838 |
| Subscription | 796,545 | 2,796,878 | 15,308 |
| Total Platform Assets | $ 838,463 | 2,933,172 | 19,146 |

*Envestnet Wealth Solutions Segment*

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

| | As of December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (in millions, except accounts and advisors data) | | |
| *Platform Assets* | | | |
| AUM | $ 207,083 | $ 150,591 | $ 141,518 |
| AUA | 343,505 | 291,934 | 308,480 |
| Total AUM/A | 550,588 | 442,525 | 449,998 |
| Subscription | 3,205,281 | 2,314,253 | 1,253,528 |
| Total Platform Assets | $ 3,755,869 | $ 2,756,778 | $ 1,703,526 |
| *Platform Accounts* | | | |
| AUM | 935,039 | 816,354 | 685,925 |
| AUA | 1,193,882 | 1,182,764 | 1,217,697 |
| Total AUM/A | 2,128,921 | 1,999,118 | 1,903,622 |
| Subscription | 9,793,175 | 8,865,435 | 5,054,015 |
| Total Platform Accounts | 11,922,096 | 10,864,553 | 6,957,637 |
| *Advisors* | | | |
| AUM/A | 40,563 | 40,103 | 40,485 |
| Subscription | 61,180 | 56,237 | 25,566 |
| Total Advisors | 101,743 | 96,340 | 66,051 |

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

| | Asset Rollforward - 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | As of 12/31/2018 | Gross Sales | Redemptions | Net Flows | Market Impact | Reclass to Subscription | As of 12/31/2019 |
| | (in millions, except account data) | | | | | | |
| AUM | $ 150,591 | $ 68,652 | $ (33,980) | $ 34,672 | $ 28,382 | $ (6,562) | $ 207,083 |
| AUA | 291,934 | 93,901 | (68,534) | 25,367 | 48,899 | (22,695) | 343,505 |
| Total AUM/A | $ 442,525 | $ 162,553 | $ (102,514) | $ 60,039 | $ 77,281 | $ (29,257) | $ 550,588 |
| *Fee-Based Accounts* | *1,999,118* | | | *228,759* | | *(98,956)* | *2,128,921* |

The above AUM/A gross sales figures include $31.5 billion in new client conversions. We onboarded an additional $297.9 billion in subscription conversions during 2019, bringing total conversions for the year to $329.4 billion.

| | Asset Rollforward - 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | As of 12/31/2017 | FolioDynamix | Gross Sales | Redemptions | Net Flows | Market Impact | Reclass to Subscription | As of 12/31/2018 |
| | (in millions, except account data) | | | | | | | |
| AUM | $ 141,518 | $ 8,736 | $ 63,081 | $ (45,945) | $ 17,136 | $ (11,590) | $ (5,209) | $ 150,591 |
| AUA | 308,480 | 33,182 | 141,037 | (89,756) | 51,281 | (21,183) | (79,826) | 291,934 |
| Total AUM/A | $ 449,998 | $ 41,918 | $ 204,118 | $ (135,701) | $ 68,417 | $ (32,773) | $ (85,035) | $ 442,525 |
| *Fee-Based Accounts* | *1,903,622* | *136,294* | | | *378,092* | | *(418,890)* | *1,999,118* |

The above AUM/A gross sales figures include $60.5 billion in new client conversions. We onboarded an additional $148.1 billion in subscription conversions during 2018, bringing total conversions for the year to $208.6 billion.

Asset and account figures in the "Reclass to Subscription" columns for the years ended December 31, 2019 and 2018 represent enterprise customers whose billing arrangements in future periods are subscription-based, rather than asset-based. Such amounts are included in Subscription metrics at the end of the quarter in which the reclassification occurred, with no impact on total platform assets or accounts.

*Envestnet Data & Analytics Segment*

***Paid Users***

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

Paid users were approximately 25.0 million, 23.3 million and 22.4 million as of December 31, 2019, 2018 and 2017, respectively. The increase was primarily driven by an increase in our number of customers as well as expansion of user base within certain existing customers.

**Revenues**

***Overview***

We earn revenues primarily under three pricing models. First, a majority of our revenues is derived from fees charged as a percentage of the assets that are managed or administered on our technology platforms by financial advisors. These revenues are recorded under asset-based revenues. Our asset-based fees vary based on the types of investment solutions and services that financial advisors utilize. Asset-based fees accounted for approximately 54%, 59% and 60% of our total revenues for the years ended December 31, 2019, 2018 and 2017, respectively. In future periods, the percentage of our total revenues attributable to asset-based fees is expected to vary based on fluctuations in securities markets, whether we enter into significant subscription agreements, the mix of AUM or AUA, and other factors.

We also generate revenues from recurring, contractual subscription fees for providing access to our technology platforms. This subscription revenue includes both contractual minimum payments and usage-based fees and is driven primarily by the number of customers, including new customers as well as customers who renew their existing subscription contracts, and the number of paid users. These revenues are recorded under subscription-based revenues. Subscription fees vary based on the scope of technology solutions and services being used, and are priced in a variety of constructs based on the size of the business, number of users or number of accounts and in many cases can increase over time based on the growth of these factors. Subscription fees accounted for 42%, 36% and 36% of our total revenues for the years ended December 31, 2019, 2018 and 2017, respectively.

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

***Asset-based recurring revenues***

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

For approximately 90% of our asset-based recurring revenues from assets under management or administration, we bill customers at the beginning of each quarter based on the market value of customer assets on our platforms as of the end of the prior quarter. For example, asset-based recurring revenues recognized during the fourth quarter of 2019 were primarily based on the market value of assets as of September 30, 2019. Our asset-based recurring revenues are generally recognized ratably throughout the quarter based on the number of days in the quarter.

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

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

***Subscription-based recurring revenues***

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

***Professional services and other revenues***

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

**Expenses**

The following is a description of our principal expense items:

***Cost of revenues***

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

***Compensation and benefits***

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

***General and administration***

General and administration expenses include occupancy costs and expenses relating to communications services, research and data services, website and system development, marketing, professional and legal services, travel and entertainment and acquisition/transaction related expenses.

***Depreciation and amortization***

Depreciation and amortization expenses include depreciation and amortization related to:

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

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

Internally developed software is amortized on a straight-line basis over its estimated useful life. We evaluate the useful lives of these assets on an annual basis and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

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

***Interest income***

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

***Interest expense***

Interest expense includes coupon interest, discount amortization and issuance cost amortization related to the Convertible Notes due 2019 and Convertible Notes due 2023, collectively the (“Convertible Notes”), as well as amortization of upfront fees and monthly fees related to the Amended Credit Agreement. See Part II, Item 8, “Note 9—Debt” for details. The discount, issuance costs and upfront fees are amortized over the term of the related agreements.

***Other expense, net***

Other expense, net includes foreign exchange gains or losses and gain or loss on foreign currency forward contracts as well as other miscellaneous revenue or expense items as appropriate.

**Results of Operations**

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | % Change | 2017 | % Change |
| | (in thousands, except for percentages) | | | | |
| Revenues: | | | | | |
| Asset-based | $ 484,312 | $ 481,233 | 1 % | $ 410,016 | 17 % |
| Subscription-based | 378,813 | 295,467 | 28 % | 245,867 | 20 % |
| Total recurring revenues | 863,125 | 776,700 | 11 % | 655,883 | 18 % |
| Professional services and other revenues | 37,002 | 35,663 | 4 % | 27,796 | 28 % |
| Total revenues | 900,127 | 812,363 | 11 % | 683,679 | 19 % |
| Operating expenses: | | | | | |
| Cost of revenues | 278,811 | 263,400 | 6 % | 219,037 | 20 % |
| Compensation and benefits | 383,554 | 317,188 | 21 % | 264,392 | 20 % |
| General and administration | 152,564 | 139,984 | 9 % | 121,010 | 16 % |
| Depreciation and amortization | 101,271 | 77,626 | 30 % | 62,820 | 24 % |
| Total operating expenses | 916,200 | 798,198 | 15 % | 667,259 | 20 % |
| Income (loss) from operations | (16,073) | 14,165 | * | 16,420 | (14)% |
| Other income (expense): | | | | | |
| Interest income | 3,347 | 2,363 | 42 % | 201 | * |
| Interest expense | (32,520) | (25,203) | 29 % | (16,347) | 54 % |
| Other expense, net | (2,849) | (487) | * | (1,963) | (75)% |
| Total other expense, net | (32,022) | (23,327) | 37 % | (18,109) | 29 % |
| Loss before income tax provision (benefit) | (48,095) | (9,162) | * | (1,689) | * |
| Income tax provision (benefit) | (30,893) | (13,172) | 135 % | 1,591 | * |
| Net income (loss) | (17,202) | 4,010 | * | (3,280) | * |
| Add: Net loss attributable to non-controlling interest | 420 | 1,745 | (76)% | — | * |
| Net income (loss) attributable to Envestnet, Inc. | $ (16,782) | $ 5,755 | * | $ (3,280) | * |

* Not meaningful

***Year ended December 31, 2019 compared to year ended December 31, 2018***

***Asset-based recurring revenues***

Asset-based recurring revenues increased 1% from $481,233 in 2018 to $484,312 in 2019. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycle as a result of the upswing in the equity markets relative to the comparable 2018 period. In 2019, revenues were also positively affected by new account growth and positive net flows of AUM/A. The increase was partially offset by a change in classification of revenues to subscription-based recurring revenues for certain customers. Periodically clients have chosen to change the way they pay for our solution, whereby they switch from an asset-based pricing model to a subscription-based model, which has increased our subscription-based metrics.

Excluding the revenue impact from the acquisitions of PortfolioCenter and PIEtech, asset-based recurring revenue decreased from 59% of total revenue in 2018 to 54% in 2019.

The number of financial advisors with AUM or AUA on our technology platforms increased from 40,103 as of December 31, 2018 to 40,563 as of December 31, 2019 and the number of AUM or AUA client accounts increased from approximately 2.0 million as of December 31, 2018 to approximately 2.1 million as of December 31, 2019.

***Subscription-based recurring revenues***

Subscription-based recurring revenues increased 28% from $295,467 in 2018 to $378,813 in 2019.

The acquisitions of PortfolioCenter and PIEtech contributed revenues of $6,702 and $27,348, respectively, to subscription-based recurring revenues in 2019. Excluding these revenues, the remaining increase of $49,296 is the result of continuing to add clients, selling additional services to existing clients and a change in classification of revenues from asset-based recurring revenues for certain customers.

***Professional services and other revenues***

Professional services and other revenues increased 4% from $35,663 in 2018 to $37,002 in 2019, primarily due to an increase in revenues of $2,967 contributed from the PIEtech acquisition.

***Cost of revenues***

Cost of revenues increased 6% from $263,400 in 2018 to $278,811 in 2019, primarily due to an increase in asset-based cost of revenues of $11,768 and an increase in subscription-based cost of revenues of $3,713. The acquisitions of PortfolioCenter and PIEtech had an immaterial impact to total cost of revenues in 2019. As a percentage of total revenues, cost of revenues decreased from 32% in 2018 to 31% in 2019.

***Compensation and benefits***

Compensation and benefits increased 21% from $317,188 in 2018 to $383,554 in 2019, primarily due to increases in salaries, benefits and related payroll taxes of $29,092, non-cash compensation expense of $20,199, incentive compensation of $8,351 and severance expense of $7,049. The acquisitions of PortfolioCenter and PIEtech contributed $3,553 and $19,338, respectively, to total compensation and benefits expense in 2019. As a percentage of total revenues, compensation and benefits increased from 39% in 2018 to 43% in 2019.

***General and administration***

General and administration expenses increased 9% from $139,984 in 2018 to $152,564 in 2019, primarily due to increases in professional and legal expenses of $4,744, systems development expense of $4,596, occupancy costs of $3,829, other miscellaneous general and administration expenses of $2,632, marketing expense of $2,320, accretion on contingent consideration and purchase liabilities of $1,550 and bad debt expense of $1,238. These increases were partially offset by a fair market value adjustment of $8,126 for contingent consideration. In December 2019, we determined that revenue targets for an acquisition would not be met. As a result, we reduced the contingent consideration liability plus accrued interest associated with this acquisition by $8,126 and recorded this as a reduction to general and administration expenses. The acquisitions of PortfolioCenter and PIEtech contributed $4,238 and $4,463, respectively, to total general and administration expense in 2019. As a percentage of total revenues, general and administration expenses remained consistent at 17% in 2018 and 2019.

***Depreciation and amortization***

Depreciation and amortization expense increased 30% from $77,626 in 2018 to $101,271 in 2019, primarily due to an increase in intangible asset amortization expense of $14,595, driven by the recognition of additional intangible assets related to the acquisitions of PortfolioCenter and PIEtech. Increases in property and equipment depreciation expense of $5,040 and internally developed software amortization expense of $4,009 also contributed to this increase. As a percentage of total revenues, depreciation and amortization expense increased from 10% in 2018 to 11% in 2019.

***Interest income***

Interest income increased from $2,363 in 2018 to $3,347 in 2019, primarily due to the interest earned on our bank accounts and money market funds.

***Interest expense***

Interest expense increased 29% from $25,203 in 2018 to $32,520 in 2019, primarily due to the issuance of the Convertible Notes due 2023 in May 2018. Interest expense includes coupon interest, discount amortization and issuance cost amortization related to our convertible notes, as well as interest and amortization of upfront fees and monthly fees related to the Amended Credit Agreement. The discount, issuance costs and upfront fees are amortized over the terms of the related agreements. As a percentage of total revenues, interest expense increased from 3% in 2018 to 4% in 2019.

***Other expense, net***

Other expense, net increased from $487 in 2018 to $2,849 in 2019, primarily a result of additional equity method losses recorded in 2019. Included within this amount is a gain on life insurance proceeds of approximately $5,000 that we received upon the death of our chief executive officer in October 2019. This gain was offset by a non-revocable charitable contribution of $5,020 made to a foundation created in honor of our former chief executive officer.

***Income tax provision***

| | Year Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Loss before income tax benefit | $ (48,095) | $ (9,162) |
| Income tax benefit | (30,893) | (13,172) |
| Effective tax rate | 64.2% | 143.8% |

Our 2019 effective tax rate differs from the statutory rate primarily due to state taxes, excess tax benefit related to stock-based compensation, the generation of R&D tax credits, unrecognized tax benefits, prior period true-ups and changes in valuation allowances.

Our 2018 effective tax rate differs from the statutory rate primarily due to the effect of state taxes, foreign taxes, prior period true-up, indefinite-lived intangibles, Base Erosion Anti-Abuse Tax ("BEAT") and release of a portion of the valuation allowance in connection with the 2018 FolioDynamix acquisition.

***Year ended December 31, 2018 compared to year ended December 31, 2017***

For a discussion of the 2018 Results of Operations compared to 2017, see Part II, Item 7 of our Form 10-K filed with the SEC on March 1, 2019.

**Business Segments**

Business segments are generally organized around our service offerings. Financial information about each of our two business segments is contained in Part II, Item 8, “Note 19—Segment Information”. Our business segments are as follows:

*Envestnet Wealth Solutions* – a leading provider of unified wealth management software and services to empower financial advisors and institutions.

*Envestnet Data & Analytics* – a leading data aggregation and data intelligence platform powering dynamic, cloud-based innovation for digital financial services.

We also incur expenses not directly attributable to the segments listed above. These nonsegment operating expenses include salary and benefits for certain corporate officers, certain types of professional service expenses and insurance, acquisition related transaction costs, restructuring charges and other non-recurring and/or non-operationally related expenses.

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Envestnet Wealth Solutions | $ 67,713 | $ 75,491 | $ 75,449 |
| Envestnet Data & Analytics | (25,262) | (10,013) | (19,456) |
| Nonsegment operating expenses | (58,524) | (51,313) | (39,573) |
| Income (loss) from operations | (16,073) | 14,165 | 16,420 |
| Interest income | 3,347 | 2,363 | 201 |
| Interest expense | (32,520) | (25,203) | (16,347) |
| Other expense, net | (2,849) | (487) | (1,963) |
| Consolidated loss before income tax provision (benefit) | (48,095) | (9,162) | (1,689) |
| Income tax provision (benefit) | (30,893) | (13,172) | 1,591 |
| Consolidated net income (loss) | (17,202) | 4,010 | (3,280) |
| Add: Net loss attributable to non-controlling interest | 420 | 1,745 | — |
| Consolidated net income (loss) attributable to Envestnet, Inc. | $ (16,782) | $ 5,755 | $ (3,280) |

**Envestnet Wealth Solutions**

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

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | % Change | 2017 | % Change |
| | (in thousands, except for percentages) | | | | |
| Revenues: | | | | | |
| Asset-based | $ 484,312 | $ 481,233 | 1 % | $ 410,016 | 17% |
| Subscription-based | 207,606 | 138,372 | 50 % | 106,048 | 30% |
| Total recurring revenues | 691,918 | 619,605 | 12 % | 516,064 | 20% |
| Professional services and other revenues | 17,540 | 13,000 | 35 % | 11,841 | 10% |
| Total revenues | 709,458 | 632,605 | 12 % | 527,905 | 20% |
| Operating expenses: | | | | | |
| Cost of revenues | 255,108 | 244,658 | 4 % | 205,793 | 19% |
| Compensation and benefits | 227,570 | 191,893 | 19 % | 157,237 | 22% |
| General and administration | 93,321 | 75,424 | 24 % | 63,203 | 19% |
| Depreciation and amortization | 65,746 | 45,139 | 46 % | 26,223 | 72% |
| Total operating expenses | 641,745 | 557,114 | 15 % | 452,456 | 23% |
| Income from operations | $ 67,713 | $ 75,491 | (10)% | $ 75,449 | * |

* Not meaningful

***Year ended December 31, 2019 compared to year ended December 31, 2018 for the Envestnet Wealth Solutions segment***

***Revenues***

***Asset-based recurring revenues***

Asset-based recurring revenues increased 1% from $481,233 in 2018 to $484,312 in 2019. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycle as a result of the upswing in the equity markets relative to the comparable 2018 period. In 2019, revenues were also positively affected by new account growth and positive net flows of AUM/A. The increase in revenues was partially offset by a change in classification of revenues to subscription-based

recurring revenues for certain customers. Periodically clients have chosen to change the way they pay for our solution, whereby they switch from an asset-based pricing model to a subscription-based model.

Excluding the revenue impact from the acquisitions of PortfolioCenter and PIEtech, asset-based recurring revenue decreased from 76% of total revenue in 2018 to 68% in 2019.

The number of financial advisors with AUM or AUA on our technology platforms increased from 40,103 as of December 31, 2018 to 40,563 as of December 31, 2019 and the number of AUM or AUA client accounts increased from approximately 2.0 million as of December 31, 2018 to approximately 2.1 million as of December 31, 2019.

***Subscription-based recurring revenues***

Subscription-based recurring revenues increased 50% from $138,372 in 2018 to $207,606 in 2019.

The acquisitions of PortfolioCenter and PIEtech contributed revenues of $6,702 and $27,348, respectively, to subscription-based recurring revenues in 2019. Excluding these revenues, the remaining increase of $35,184, or 25%, is a result of continuing to add clients, selling additional services to existing clients and a change in classification of revenues from asset-based recurring revenues for certain customers.

***Professional services and other revenues***

Professional services and other revenues increased 35% from $13,000 in 2018 to $17,540 in 2019, primarily due to an increase in revenues of $2,967 contributed from the PIEtech acquisition along with increases in revenues from both existing customers and onboarding of new customers.

***Cost of revenues***

Cost of revenues increased 4% from $244,658 in 2018 to $255,108 in 2019, primarily due to the corresponding increase in asset-based cost of revenues. The acquisitions of PortfolioCenter and PIEtech had an immaterial impact to total cost of revenues in 2019. As a percentage of segment revenues, cost of revenues decreased from 39% in 2018 to 36% in 2019, primarily due to the growth in higher margin subscription-based revenues.

***Compensation and benefits***

Compensation and benefits increased 19% from $191,893 in 2018 to $227,570 in 2019, primarily due to increases in salaries, benefits and related payroll taxes of $20,324 and non-cash compensation expense of $14,626, partially offset by a decrease in severance expense of $1,495. The acquisitions of PortfolioCenter and PIEtech contributed $3,553 and $19,338, respectively, to total compensation and benefits expense in 2019. As a percentage of segment revenues, compensation and benefits increased from 30% in 2018 to 32% in 2019.

***General and administration***

General and administration expenses increased 24% from $75,424 in 2018 to $93,321 in 2019, primarily due to increases in systems development expense of $4,988, occupancy costs of $3,592, other miscellaneous general and administration expenses of $3,459, marketing expense of $1,736, professional and legal fees of $1,557, accretion on contingent consideration and purchase liabilities of $1,550 and bad debt expense of $1,018. The acquisitions of PortfolioCenter and PIEtech contributed $4,238 and $4,463, respectively, to total general and administration expense in 2019. As a percentage of segment revenues, general and administration expenses increased from 12% in 2018 to 13% in 2019.

***Depreciation and amortization***

Depreciation and amortization increased 46% from $45,139 in 2018 to $65,746 in 2019, primarily due to an increase in intangible asset amortization expense of $14,650, driven by the recognition of additional intangible assets related to the acquisitions of PortfolioCenter and PIEtech. Also contributing to the increase was increased internally developed software amortization expense of $4,003 and property and equipment depreciation expense of $1,953. As a percentage of segment revenues, depreciation and amortization expense increased from 7% in 2018 to 9% in 2019.

***Year ended December 31, 2018 compared to year ended December 31, 2017 for the Envestnet Wealth Solutions segment***

For a discussion of the 2018 Results of Operations compared to 2017 for the Envestnet Wealth Solutions segment, see Part II, Item 7 of our Form 10-K filed with the SEC on March 1, 2019.

**Envestnet Data & Analytics**

The following table presents loss from operations for the Envestnet Data & Analytics segment:

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | % Change | 2017 | % Change |
| | (in thousands, except for percentages) | | | | |
| Revenues: | | | | | |
| Subscription-based | $ 171,207 | $ 157,095 | 9 % | $ 139,819 | 12 % |
| Professional services and other revenues | 19,462 | 22,663 | (14)% | 15,955 | 42 % |
| Total revenues | 190,669 | 179,758 | 6 % | 155,774 | 15 % |
| Operating expenses: | | | | | |
| Cost of revenues | 23,703 | 18,742 | 26 % | 13,244 | 42 % |
| Compensation and benefits | 118,062 | 102,378 | 15 % | 93,316 | 10 % |
| General and administration | 38,641 | 36,164 | 7 % | 32,073 | 13 % |
| Depreciation and amortization | 35,525 | 32,487 | 9 % | 36,597 | (11)% |
| Total operating expenses | 215,931 | 189,771 | 14 % | 175,230 | 8 % |
| Loss from operations | $ (25,262) | $ (10,013) | 152 % | $ (19,456) | 49 % |

***Year ended December 31, 2019 compared to year ended December 31, 2018 for the Envestnet Data & Analytics segment***

***Revenues***

***Subscription-based recurring revenues***

Subscription-base recurring revenues increased 9% from $157,095 in 2018 to $171,207 in 2019, primarily due to broad increases in revenue from new and existing customers.

***Professional services and other revenues***

Professional services and other revenues decreased 14% from $22,663 in 2018 to $19,462 in 2019, primarily due to the timing of the completion of projects and customer deployments.

***Cost of revenues***

The cost of revenues increased 26% from $18,742 in 2018 to $23,703 in 2019, primarily due to the corresponding increase in subscription-based recurring revenues. As a percentage of segment revenues, cost of revenues increased from 10% in 2018 to 12% in 2019.

***Compensation and benefits***

Compensation and benefits increased 15% from $102,378 in 2018 to $118,062 in 2019, primarily due to increases in salaries, benefits and related payroll taxes of $6,719 as we have increased overall headcount to support organic growth, increases in severance expense of $6,732 primarily related to a reduction in force at one location and increases in non-cash compensation expense of $3,411, partially offset by a decrease in incentive compensation of $1,393. As a percentage of segment revenues, compensation and benefits increased from 57% in 2018 to 62% in 2019.

***General and administration***

General and administration expenses increased 7% from $36,164 in 2018 to $38,641 in 2019, primarily due to expenses incurred in 2019 for a legal matter (see “Note 21—Commitments and Contingencies”), increases in transaction related expenses of $1,065, professional fees of $536, marketing costs of $501 and other miscellaneous increases. These increases were partially offset by a $865 decrease in costs related to communications, research and data. As a percentage of segment revenues, general and administration expenses remained constant at 20% in 2018 and 2019.

***Depreciation and amortization***

Depreciation and amortization increased 9% from $32,487 in 2018 to $35,525 in 2019, primarily due to an increase in property and equipment depreciation expense of $2,224 resulting from our business acquisitions and routine fixed asset purchases. As a percentage of segment revenues, depreciation and amortization expense increased from 18% in 2018 to 19% in 2019.

***Year ended December 31, 2018 compared to year ended December 31, 2017 for the Envestnet Data & Analytics segment***

For a discussion of the 2018 Results of Operations compared to 2017 for the Envestnet Data & Analytics segment, see Part II, Item 7 of our Form 10-K filed with the SEC on March 1, 2019.

**Nonsegment**

The following table presents nonsegment operating expenses:

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | % Change | 2017 | % Change |
| | (in thousands, except for percentages) | | | | |
| Operating expenses: | | | | | |
| Compensation and benefits | $ 37,922 | $ 22,917 | 65 % | $ 13,839 | 66% |
| General and administration | 20,602 | 28,396 | (27)% | 25,734 | 10% |
| Total operating expenses | $ 58,524 | $ 51,313 | 14 % | $ 39,573 | 30% |

***Year ended December 31, 2019 compared to year ended December 31, 2018 for nonsegment***

***Compensation and benefits***

Compensation and benefits increased 65% from $22,917 in 2018 to $37,922 in 2019, primarily due to increases in incentive compensation of $8,770, primarily a result of approximately $8,800 in retention bonuses paid in connection with the PIEtech Acquisition, non-cash compensation expense of $2,162, salaries, benefits and related payroll taxes of $2,050 and an increase in severance expense of $1,812.

***General and administration***

General and administration expenses decreased 27% from $28,396 in 2018 to $20,602 in 2019. In December 2019, we determined that revenue targets for an acquisition would not be met. As a result, we reduced the contingent consideration liability plus accrued interest associated with this acquisition by $8,126 and recorded this as a reduction to general and administration expenses.

***Year ended December 31, 2018 compared to year ended December 31, 2017 for nonsegment***

For a discussion of the 2018 Results of Operations compared to 2017 for nonsegment expenses, see Part II, Item 7 of our Form 10-K filed with the SEC on March 1, 2019.

**Non-GAAP Financial Measures**

In addition to reporting results according to GAAP, we also disclose certain non-GAAP financial measures to enhance the understanding of our operating performance. Those measures include “adjusted revenues,” “adjusted net revenues,” “adjusted EBITDA,” “adjusted net income” and “adjusted net income per share”.

We introduced adjusted net revenues as a non-GAAP financial metric in the first quarter of 2019 to eliminate the effects of asset-based costs of revenue, which is included in both asset-based recurring revenue and cost of revenue in our consolidated statements of operations. As our business model moves towards a more subscription-based recurring revenue model, excluding this portion of our revenue from certain analysis performed by management improves the usefulness and comparability of such analysis when evaluating the growth and profitability of the overall business, and in comparing segment performance. While the amounts included in the calculation of adjusted net revenues are disclosed in our consolidated financial statements and footnotes, management believes providing more transparency into this metric is beneficial to investors who wish to evaluate our performance in this fashion. Adjusted revenues and Adjusted net revenues have limitations as financial measures, should be considered as supplemental in nature and are not meant as a substitute for revenue prepared in accordance with GAAP.

“Adjusted revenues” excludes the effect of purchase accounting on the fair value of acquired deferred revenue. Under GAAP, we record at fair value the acquired deferred revenue for contracts in effect at the time the entities were acquired. Consequently, revenue related to acquired entities for periods subsequent to the acquisition does not reflect the full amount of revenue that would have been recorded by these entities had they remained stand-alone entities.

“Adjusted net revenues” represents adjusted revenues less asset-based costs of revenues. Under GAAP, we are required to recognize as revenue certain fees paid to investment managers and other third parties needed for implementation of investment solutions included in our assets under management. Those fees also are required to be recorded as cost of revenues. This non-GAAP metric presents adjusted revenues without such fees included, as they have no impact on our profitability.

“Adjusted EBITDA” represents net income (loss) before deferred revenue fair value adjustment, interest income, interest expense, accretion on contingent consideration and purchase liability, income tax provision (benefit), depreciation and amortization, non-cash compensation expense, restructuring charges and transaction costs, severance, fair market value adjustment on contingent consideration liability, litigation related expense, foreign currency, non-income tax expense adjustment, loss allocation from equity method investment and loss attributable to non-controlling interest.

“Adjusted net income” represents net income (loss) before deferred revenue fair value adjustment, accretion on contingent consideration and purchase liability, non-cash interest expense, non-cash compensation expense, restructuring charges and transaction costs, severance, amortization of acquired intangibles and fair value adjustment to property and equipment, net, fair market value adjustment on contingent consideration liability, litigation related expense, foreign currency, non-income tax expense adjustment, loss allocation from equity method investment and loss attributable to non-controlling interest. Reconciling items are presented gross of tax, and a normalized tax rate is applied to the total of all reconciling items to arrive at adjusted net income. The normalized tax rate is based solely on the estimated blended statutory income tax rates in the jurisdictions in which we operate. We monitor the normalized tax rate based on events or trends that could materially impact the rate, including tax legislation changes and changes in the geographic mix of our operations.

“Adjusted net income per share” represents adjusted net income attributable to common stockholders divided by the diluted number of weighted-average shares outstanding.

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

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

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

We also present adjusted revenues, adjusted net revenues, adjusted EBITDA, adjusted net income and adjusted net income per share as supplemental performance measures because we believe that they provide our Board of Directors, management and investors with additional information to assess our performance. Adjusted revenues provide comparisons from period to period by excluding the effect of purchase accounting on the fair value of acquired deferred revenue. Adjusted EBITDA provides comparisons from period to period by excluding potential differences caused by variations in the age and book depreciation of fixed assets affecting relative depreciation expense and amortization of internally developed software, amortization of acquired intangible assets, income tax provision (benefit), non-income tax expense, restructuring charges and transaction costs, accretion on contingent consideration and purchase liability, severance,litigation related expense, pre-tax loss attributable to non-controlling interest and changes in interest expense and interest income that are influenced by capital structure decisions and capital market conditions. Our management also believes it is useful to exclude non-cash stock-based compensation expense from adjusted EBITDA and adjusted net income because non-cash equity grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time.

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

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

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

- Adjusted revenues, adjusted net revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;

- Adjusted revenues, adjusted net revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect changes in, or cash requirements for, our working capital needs;

- Adjusted revenues, adjusted net revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect non-cash components of employee compensation;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements;

- Due to either net losses before income tax expense or the use of federal and state net operating loss carryforwards, we paid net cash of $8,119, $5,531, and $3,261 in the years ended December 31, 2019, 2018 and 2017, respectively. In the event that we begin to generate taxable income and our existing net operating loss carryforwards for federal and state income taxes have been fully utilized or have expired, income tax payments will be higher; and

- Other companies in our industry may calculate adjusted revenues, adjusted net revenues, adjusted EBITDA, adjusted net income and adjusted net income per share differently than we do, limiting their usefulness as a comparative measure.

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

reviews GAAP measures and evaluates individual measures that are not included in some or all of our non-U.S. GAAP financial measures, such as our level of capital expenditures and interest income, among other measures.

The following table sets forth a reconciliation of total revenues to adjusted revenues and adjusted net revenues based on our historical results:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (in thousands) | | |
| Total revenues | $ 900,127 | $ 812,363 | $ 683,679 |
| Deferred revenue fair value adjustment | 9,271 | 118 | 130 |
| Adjusted revenues | 909,398 | 812,481 | 683,809 |
| Less: Asset-based cost of revenues | (243,913) | (232,145) | (194,894) |
| Adjusted net revenues | $ 665,485 | $ 580,336 | $ 488,915 |

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (in thousands) | | |
| Net income (loss) | $ (17,202) | $ 4,010 | $ (3,280) |
| Add (deduct): | | | |
| Deferred revenue fair value adjustment | 9,271 | 118 | 130 |
| Interest income | (3,347) | (2,363) | (201) |
| Interest expense | 32,520 | 25,203 | 16,347 |
| Accretion on contingent consideration and purchase liability | 1,772 | 222 | 512 |
| Income tax provision (benefit) | (30,893) | (13,172) | 1,591 |
| Depreciation and amortization | 101,271 | 77,626 | 62,820 |
| Non-cash compensation expense | 60,444 | 40,245 | 31,331 |
| Restructuring charges and transaction costs | 26,558 | 15,580 | 13,666 |
| Severance | 15,367 | 8,318 | 2,316 |
| Fair market value adjustment on contingent consideration liability | (8,126) | — | — |
| Litigation related expense | 2,879 | — | 1,033 |
| Foreign currency | (72) | (589) | 494 |
| Non-income tax expense adjustment | 374 | (590) | 346 |
| Loss allocation from equity method investment | 2,361 | 1,146 | 1,469 |
| Loss attributable to non-controlling interest | 110 | 1,791 | 316 |
| Adjusted EBITDA | $ 193,287 | $ 157,545 | $ 128,890 |

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (in thousands) | | |
| Net income (loss) | $ (17,202) | $ 4,010 | $ (3,280) |
| Income tax provision (benefit) [1] | (30,893) | (13,172) | 1,591 |
| Loss before income tax provision (benefit) | (48,095) | (9,162) | (1,689) |
| Add (deduct): | | | |
| Deferred revenue fair value adjustment | 9,271 | 118 | 130 |
| Accretion on contingent consideration and purchase liability | 1,772 | 222 | 512 |
| Non-cash interest expense | 18,743 | 13,905 | 8,994 |
| Non-cash compensation expense | 60,444 | 40,245 | 31,331 |
| Restructuring charges and transaction costs | 26,558 | 15,580 | 13,666 |
| Severance | 15,367 | 8,318 | 2,316 |
| Amortization of acquired intangibles and fair value adjustment to property and equipment, net | 70,677 | 53,856 | 42,127 |
| Fair market value adjustment on contingent consideration liability | (8,126) | — | — |
| Litigation related expense | 2,879 | — | 1,033 |
| Foreign currency | (72) | (589) | 494 |
| Non-income tax expense adjustment | 374 | (590) | 346 |
| Loss allocation from equity method investment | 2,361 | 1,146 | 1,469 |
| Loss attributable to non-controlling interest | 110 | 1,791 | 316 |
| Adjusted net income before income tax effect | 152,263 | 124,840 | 101,045 |
| Income tax effect [2] | (38,827) | (33,705) | (40,418) |
| Adjusted net income | $ 113,436 | $ 91,135 | $ 60,627 |
| | | | |
| Basic number of weighted-average shares outstanding | 50,937,919 | 45,268,002 | 43,732,148 |
| Effect of dilutive shares: | | | |
| Options to purchase common stock | 1,015,164 | 1,304,493 | 1,649,225 |
| Unvested restricted stock units | 691,740 | 811,590 | 770,428 |
| Convertible Notes | 33,388 | — | — |
| Warrants | — | — | — |
| Diluted number of weighted-average shares outstanding | 52,678,211 | 47,384,085 | 46,151,801 |
| Adjusted net income per share - diluted | $ 2.15 | $ 1.92 | $ 1.31 |

(1) For the years ended December 31, 2019, 2018 and 2017, the effective tax rate computed in accordance with GAAP equaled 64.2%, 143.8% and (94.2)%, respectively.

(2) Estimated normalized effective tax rates of 25.5%, 27.0% and 40.0%, respectively, have been used to compute adjusted net income for the years ended December 31, 2019, 2018 and 2017, respectively.

Note on Income Taxes: As of December 31, 2019, we had net operating loss carryforwards of approximately $265,000 and $208,000 for federal and state income tax purposes, respectively, available to reduce future income subject to income taxes. As a result, the amount of actual cash taxes we pay for federal, state and foreign income taxes differs significantly from the effective income tax rate computed in accordance with GAAP, and from the normalized rate shown above.

The following tables set forth a reconciliation of revenues to adjusted revenues and income (loss) from operations to adjusted EBITDA based on our historical results for each segment for the years ended December 31, 2019, 2018 and 2017:

| | Year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | Envestnet Wealth Solutions | Envestnet Data & Analytics | Nonsegment | Total |
| | (in thousands) | | | |
| Revenues | $ 709,458 | $ 190,669 | $ — | $ 900,127 |
| Deferred revenue fair value adjustment | 9,271 | — | — | 9,271 |
| Adjusted revenues | 718,729 | 190,669 | — | 909,398 |
| Less: Asset-based cost of revenues | (243,913) | — | — | (243,913) |
| Adjusted net revenues | $ 474,816 | $ 190,669 | $ — | $ 665,485 |
| | | | | |
| Income (loss) from operations | $ 67,713 | $ (25,262) | $ (58,524) | $ (16,073) |
| Add (deduct): | | | | |
| Deferred revenue fair value adjustment | 9,271 | — | — | 9,271 |
| Accretion on contingent consideration and purchase liability | 1,772 | — | — | 1,772 |
| Depreciation and amortization | 65,746 | 35,525 | — | 101,271 |
| Non-cash compensation expense | 33,968 | 14,963 | 11,513 | 60,444 |
| Restructuring charges and transaction costs | 2,491 | 635 | 22,633 | 25,759 |
| Severance | 6,315 | 7,212 | 1,840 | 15,367 |
| Fair market value adjustment on contingent consideration liability | — | — | (8,126) | (8,126) |
| Litigation related expense | — | 2,879 | — | 2,879 |
| Other | 239 | — | — | 239 |
| Non-income tax expense adjustment | 500 | (126) | — | 374 |
| Loss attributable to non-controlling interest | 110 | — | — | 110 |
| Adjusted EBITDA | $ 188,125 | $ 35,826 | $ (30,664) | $ 193,287 |

| | Year Ended December 31, 2018 | | | |
|---|---|---|---|---|
| | Envestnet Wealth Solutions | Envestnet Data & Analytics | Nonsegment | Total |
| | (in thousands) | | | |
| Revenues | $ 632,605 | $ 179,758 | $ — | $ 812,363 |
| Deferred revenue fair value adjustment | 110 | 8 | — | 118 |
| Adjusted revenues | 632,715 | 179,766 | — | 812,481 |
| Less: Asset-based cost of revenues | (232,145) | — | — | (232,145) |
| Adjusted net revenues | $ 400,570 | $ 179,766 | $ — | $ 580,336 |
| | | | | |
| Income (loss) from operations | $ 75,491 | $ (10,013) | $ (51,313) | $ 14,165 |
| Add: | | | | |
| Deferred revenue fair value adjustment | 110 | 8 | — | 118 |
| Accretion on contingent consideration and purchase liability | 222 | — | — | 222 |
| Depreciation and amortization | 45,139 | 32,487 | — | 77,626 |
| Non-cash compensation expense | 19,342 | 11,552 | 9,351 | 40,245 |
| Restructuring charges and transaction costs | 3,143 | 1,735 | 10,702 | 15,580 |
| Severance | 7,810 | 480 | 28 | 8,318 |
| Other | 66 | 4 | — | 70 |
| Non-income tax expense adjustment | (1,177) | 587 | — | (590) |
| Loss attributable to non-controlling interest | 1,791 | — | — | 1,791 |
| Adjusted EBITDA | $ 151,937 | $ 36,840 | $ (31,232) | $ 157,545 |

| | Year Ended December 31, 2017 | | | |
|---|---|---|---|---|
| | Envestnet Wealth Solutions | Envestnet Data & Analytics | Nonsegment | Total |
| | (in thousands) | | | |
| Revenues | $ 527,905 | $ 155,774 | $ — | $ 683,679 |
| Deferred revenue fair value adjustment | 38 | 92 | — | 130 |
| Adjusted revenues | 527,943 | 155,866 | — | 683,809 |
| Less: Asset-based cost of revenues | (194,894) | — | — | (194,894) |
| Adjusted net revenues | $ 333,049 | $ 155,866 | $ — | $ 488,915 |
| | | | | |
| Income (loss) from operations | $ 75,449 | $ (19,456) | $ (39,573) | $ 16,420 |
| Add (deduct): | | | | — |
| Deferred revenue fair value adjustment | 38 | 92 | — | 130 |
| Accretion on contingent consideration and purchase liability | 512 | — | — | 512 |
| Depreciation and amortization | 26,223 | 36,597 | — | 62,820 |
| Non-cash compensation expense | 15,191 | 10,880 | 5,260 | 31,331 |
| Restructuring charges and transaction costs | 366 | — | 13,300 | 13,666 |
| Severance | 1,954 | 346 | 16 | 2,316 |
| Litigation related expense | — | 1,033 | — | 1,033 |
| Non-income tax expense adjustment | 346 | — | — | 346 |
| Loss attributable to non-controlling interest | 316 | — | — | 316 |
| Adjusted EBITDA | $ 120,395 | $ 29,492 | $ (20,997) | $ 128,890 |

**Liquidity and Capital Resources**

As of December 31, 2019, we had total cash and cash equivalents of $82,505, compared to $289,345 as of December 31, 2018. We plan to use existing cash as of December 31, 2019, cash generated in the ongoing operations of our business and amounts under our revolving credit facility to fund our current operations, capital expenditures and possible acquisitions or other strategic activity, and to meet our debt service obligations. If the cash generated in the ongoing operations of our business is insufficient to fund these requirements we may be required to borrow under our revolving credit facility or incur additional debt to fund our ongoing operations or to fund potential acquisitions or other strategic activities. We funded a portion of the May 1, 2019 PIEtech acquisition and the December 2019 settlement of the Convertible Notes due 2019 through a combination of cash on hand and through additional borrowings under our revolving credit facility. As a result of these borrowings, we expect our cash interest payments to increase.

***Amended Credit Agreement***

In 2014, we and certain of our subsidiaries entered into a credit agreement with a group of banks (the “Banks”), for which Bank of Montreal acted as administrative agent. Since 2014, the credit agreement has been amended several times, the latest of which occurred in September 2019 (the “Amended Credit Agreement”).

Pursuant to the Amended Credit Agreement, the Banks agreed to provide to the Company with a revolving credit facility of $500,000, of which amount may be increased by $150,000 (the “Revolving Credit Facility”). The Amended Credit Agreement also includes a $5,000 sub-facility for the issuance of letters of credit.

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

We pay interest on borrowings made under the Amended Credit Agreement at rates between 1.50% and 3.25% above LIBOR based on our total leverage ratio.  Borrowings under the Amended Credit Agreement are scheduled to mature on September 27, 2024.

As of December 31, 2019, there were $260,000 revolving credit amounts outstanding under the Revolving Credit Facility. As of December 31, 2019, our availability under the Revolving Credit Facility was $240,000, subject to covenant compliance.

See Part II, Item 8, “Note 9—Debt” for further information regarding our Amended Credit Agreement.

***Convertible Notes***

In May 2018, we issued $345,000 of convertible notes that mature on June 1, 2023 (the “Convertible Notes due 2023”). The Convertible Notes due 2023 bear interest at a rate of 1.75% per annum payable semiannually in arrears on June 1 and December 1 of each year. These Convertible Notes due 2023 are general unsecured senior obligations and are subordinated in right of payment to our obligations under our Amended Credit Agreement. The Convertible Notes due 2023 are structurally subordinated to the indebtedness and other liabilities of any of our subsidiaries, other than our wholly owned subsidiary, Envestnet Asset Management, Inc. (“EAM”), which has fully and unconditionally guaranteed the notes on an unsecured basis. The Convertible Notes due 2023 rank equally in right of payment with all of our existing and future senior indebtedness.

See Part II, Item 8, “Note 9—Debt” for further information regarding our Convertible Notes due 2023.

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

In December 2018, we issued and sold to BlackRock, Inc. (“BlackRock”) approximately 2,356,000 common shares at a purchase price of $52.13 per share, and warrants to purchase approximately 470,000 common shares at an exercise price of $65.16 per share, subject to customary anti-dilution adjustments. The warrants are exercisable at BlackRock’s option for four years from the date of issuance. The warrants may be exercisable through cash exercise or net issue exercise with cash settlement at our sole discretion.

**Cash Flows**

The following table presents information regarding our cash flows and cash, cash equivalents and restricted cash for the periods indicated:

| | Year Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (in thousands) | |
| Net cash provided by operating activities | $ 108,726 | $ 117,385 |
| Net cash used in investing activities | (375,708) | (241,679) |
| Net cash provided by financing activities | 60,465 | 352,294 |
| Effect of exchange rate on changes on cash | (399) | (592) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (206,916) | 227,408 |
| Cash, cash equivalents and restricted cash, end of period | 82,755 | 289,671 |

***Operating Activities***

Net cash provided by operating activities for the year ended December 31, 2019 was $108,726 compared to net cash provided by operating activities of $117,385 for the same period in 2018. After adjusting for non-cash items within net income (loss), the decrease was primarily due to the timing of payments and collections within operating assets and liabilities of $9,629.

***Investing Activities***

Net cash used in investing activities for the year ended December 31, 2019 was $375,708 compared to net cash used in investing activities of $241,679 for the same period in 2018. The change was primarily the result of increases in cash disbursements for business acquisitions of $126,298 and an increase in the capitalization of internally developed software costs of $10,028.

***Financing Activities***

Net cash provided by financing activities for the year ended December 31, 2019 was $60,465 compared to net cash provided by operating activities of $352,294 for the same period in 2018. In 2018, we received $345,000 proceeds from the issuance of convertible notes and $122,704 of proceeds from the issuance of common stock and warrants to Blackrock. We also paid $184,751 towards convertible notes that matured on December 15, 2019. These decreases in financing cash flows from 2018 to 2019 were partially offset by an increase in net borrowing activity on our Revolving Credit Facility of $341,168.

**Backlog**

We sell subscriptions to our solutions through contracts that are generally one to three years in length, although terms can extend to as long as five years. Our subscription agreements with our customers generally contain scheduled minimum subscription fees, and usage-based fees which depend on the extent their customers or end users use our platform. We consider the unpaid contractual minimum payments under our subscription agreements to be our backlog. Due to the inherent volatility of backlog measured using contractual minimums, and the fact that contractual minimums are becoming increasingly less important to our business, we do not utilize backlog as a key management metric internally and we do not believe that it is a meaningful measurement of our future revenues.

We expect that the amount of backlog relative to the total value of our subscription agreements will change from year to year for several reasons, including the timing of contract renewals, the proportion of total subscription revenue represented by contractual minimum payments and the average non-cancellable terms of our subscription agreements. The change in backlog that results from these events may not be an indicator of the likelihood of renewal or expected future revenues.

We also expect that as our customer base continues to mature and customer deployments scale usage, renewals over time will increasingly have fewer contractual minimum fees because such fees are intended to decrease the timing risk associated with initial deployment commitments.

In addition, because revenue for any period is a function of revenue recognized from deferred revenue under contracts in existence at the beginning of the period, as well as contracts that are renewed and new customer contracts that are entered into during the period, backlog at the beginning of any period is not necessarily indicative of future performance.

**Commitments**

We enter into unconditional purchase obligations arrangements for certain of our services that we receive in the normal course of business. The following table sets forth information regarding our contractual obligations as of December 31, 2019:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1 - 3 years | 4 - 5 years | More than 5 years |
| | (in thousands) | | | | |
| Convertible Notes | $ 345,000 | $ — | $ — | $ 345,000 | $ — |
| Revolving Credit Facility [1] | 309,293 | 10,400 | 20,800 | 278,093 | — |
| Operating leases[2] | 132,837 | 19,390 | 32,031 | 21,540 | 59,876 |
| Purchase obligations | 39,481 | 15,582 | 22,063 | 1,836 | — |
| Convertible Notes coupon interest payments | 21,133 | 6,038 | 12,076 | 3,019 | — |
| Contingent consideration | 10,640 | — | 10,640 | — | — |
| Definite consideration | 6,229 | 2,160 | 4,069 | — | — |
| Undrawn Revolving Credit Facility fees | 2,844 | 600 | 1,200 | 1,044 | — |
| Other[3] | 11,375 | 1,375 | 10,000 | — | — |
| Total | $ 878,832 | $ 55,545 | $ 112,879 | $ 650,532 | $ 59,876 |

(1) As of December 31, 2019, we have $260,000 of borrowings under our Revolving Credit Facility. The amounts included within the table assume that repayment of these borrowings does not occur until September 27, 2024, the date on which the Revolving Credit Facility matures. Included within this line item are estimated annual interest payments based on this amount of borrowings at an annual rate of 4%.
(2) We lease facilities under non-cancellable operating leases expiring at various dates through 2030.
(3) The Company granted membership interests in certain of the Company's equity method investments to two legacy PIEtech executives with an estimated grant date fair market value of $8,900. These membership interests will vest on May 1, 2020 and become exercisable on May 1, 2022, with the option to put the membership interests to the Company.

The table above does not reflect the following:

- Amounts estimated for uncertain tax positions as the timing and likelihood of such payments cannot be reasonably estimated.
- Voluntary employer matching contributions to our defined contribution benefit plans since the amount cannot be reasonably estimated. For the years ended December 31, 2019, 2018 and 2017, we made voluntary employer matching contributions of $6,044, $4,778 and $4,038, respectively.

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

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements within the meaning of Item 303(a)(4) of SEC Regulation S-K.

**Critical Accounting Policies**

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

***Revenue Recognition***

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

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

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

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

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

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

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

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

Generally, the subscription services are substantially the same over each quarter and performed in a similar manner over the contract period, and are considered stand-ready promises. Quarterly subscription services are considered distinct as the

customer can benefit from each increment of services on its own and each quarter is separately identified in the contract, and services are considered to be a single performance obligation under the ASC 606.

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

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

*Professional services and other revenues*— We earn professional services fees by providing contractual customized services and platform software development as well as initial implementation fees. Professional services contracts generally have fixed prices, and generally specify the deliverables in the contract. Certain professional services contracts are billed on a time and materials basis and revenue is recognized over time as the services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed. Initial implementation fees are fixed and recognized ratably over the contract term.

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

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

*Arrangements with multiple performance obligations*— Certain of the our contracts with customers contain multiple performance obligations such as platform services performance obligation and professional services performance obligation. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. Standalone selling prices of services are estimated based on observable transactions when these services are sold on a standalone basis or based on expected cost plus margin.

*Contract Balances*— We record contract liabilities (deferred revenue) when cash payments are received in advance of our performance. The term between invoicing date and when payment is due is generally not significant. For the majority of our arrangements, we require advance quarterly payments before services are delivered to the customer.

*Deferred Revenue*— Deferred revenue primarily consists of implementation fees, professional services and subscription fee payments received in advance from customers.

*Deferred sales incentive compensation*—Sales incentive compensation earned by our sales force is considered an incremental and recoverable cost to acquire a contract with a customer. Sales incentive compensation for initial contracts is deferred and amortized on a straight-line basis over the period of benefit, which we have determined to be five years. We determined the period of benefit by taking into consideration our customer contracts, life of the technology and other factors. Sales incentive compensation for renewal contracts are deferred and amortized on a straight-line basis over the related contractual renewal period. Deferred sales incentive compensation is included in other non-current assets in the consolidated balance sheets and amortization expense is included in compensation and benefits expenses in the consolidated statements of operations.

Management has applied the practical expedient to recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period would have been one year or less. These costs are included in compensation and benefits expenses in the consolidated statements of operations.

***Purchase accounting***

Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires knowledge of current market values, and the values of assets in use, and often requires the application of judgment regarding estimates and assumptions. While the ultimate responsibility resides with management, for material acquisitions, we retain the services of certified valuation specialists to assist with assigning estimated values to certain acquired assets and assumed liabilities, including intangible assets and contingent consideration.

Acquired intangible assets, excluding goodwill, are valued using a discounted cash flow methodology based on future cash flows specific to the type of intangible asset purchased. This methodology incorporates various estimates and assumptions, the most significant being projected revenue growth rates, margins and forecasted cash flows based on the discount rate and terminal growth rate. Management projects revenue growth rates, margins and cash flows based on the historical operating results of the acquired entity adjusted for synergies anticipated to be achieved through integration, expected future performance, operational strategies and the general macroeconomic environment. We review finite-lived intangible assets for triggering events such as significant changes in operations, customers or future revenue that might indicate the need to impair the assets acquired or change the useful lives of the assets acquired. There was no impairment recognized on intangible assets in 2019, 2018 or 2017.

Assumed liabilities are valued based on estimates of anticipated expenditures to be incurred to satisfy the assumed obligations, including contractual liabilities assumed, which require the exercise of professional judgment.

Assumed contracts may have favorable or unfavorable terms that must be valued as of the acquisition date. Such valuation is subject to management judgment regarding the evaluation and interpretation of contract terms in relation to other economic circumstances, such as the market rates for office space leases.

If we assume a performance obligation to customers as of the acquisition date, a deferred revenue obligation is recognized. Judgment is required to evaluate whether a future performance obligation exists and to assign a value to the performance obligation.

Assumed acquired tax liabilities for uncertain tax positions are dependent on assessing the past practices of the acquisition target based on our review of actual tax filings and information obtained through due diligence procedures. Evaluation of the validity of tax positions taken by the acquisition target are subject to management judgment.

We determine the fair value of contingent acquisition consideration payable on the acquisition date using a discounted cash flow approach utilizing an appropriate discount rate. Each reporting period thereafter, we revalue these obligations and record increases or decreases in their fair value as adjustments to fair market value adjustment on contingent consideration liability within general and administration expenses on the consolidated statements of operations. Changes in the fair value of the contingent acquisition consideration liability can result from adjustments to the estimated revenue forecasts included in the contingent payment calculations. In December 2019, we determined that revenue targets for an acquisition would not be met. As a result, we reduced the contingent consideration liability plus accrued interest associated with this acquisition by $8,126 and recorded this as a reduction to general and administration expenses.

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

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

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

We completed our annual goodwill impairment test as of October 31, 2019 for the fiscal year ended December 31, 2019. At that date, we determined it was appropriate to aggregate certain components of the same operating segment into a single reporting unit. We concluded that we have two reporting units. We also determined that it was more likely than not that the fair value of the reporting units exceeded the carrying value and concluded that goodwill was not impaired. As a result, we did not perform the quantitative goodwill impairment evaluation.

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

Intangible assets are reviewed for impairment whenever events or changes in circumstances may affect the recoverability of the net assets. Such reviews include an analysis of current results and take into consideration the undiscounted value of projected operating cash flows. No intangible asset impairment charges have been recorded for the years ended December 31, 2019, 2018 and 2017.

***Income taxes***

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

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

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

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

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

Our effective tax rates differ from the statutory rates primarily due to the effect of state taxes, excess tax benefit related to stock-based compensation, the generation of R&D tax credits, unrecognized tax benefits, prior period true-ups and changes in valuation allowances. Our provision for income taxes varies based on, among other things, changes in the valuation

of our deferred tax assets and liabilities, the tax effects of non-cash stock-based compensation or changes in applicable tax laws, regulations and accounting principles or interpretations thereof.

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

Our Indian subsidiaries are currently under examination by the India Tax Authority for the fiscal years ended March 31, 2019, 2018, 2017, 2014, 2013, 2012, 2011, 2010, and 2008. Based on the outcome of examinations of our subsidiary or the result of the expiration of statutes of limitations it is reasonably possible that the related unrecognized tax benefits could change from those recorded in the consolidated balance sheets. It is possible that one or more of these audits may be finalized within the next twelve months.

**Recent Accounting Pronouncements**

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

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

***Market risk***

Our exposure to market risk is directly related to asset-based recurring revenues earned based upon a contractual percentage of AUM or AUA. In the years ended December 31, 2019, 2018 and 2017, 54%, 59% and 60% of our revenues, respectively, were derived from revenues based on the market value of AUM or AUA. We expect this percentage to vary over time. A decrease in the aggregate value of AUM or AUA may cause our revenue to decline and our net income (loss) to decrease.

***Foreign currency risk***

A portion of our revenues are billed in various foreign currencies. We are directly exposed to changes in foreign currency exchange rates through the translation of these revenues into U.S. dollars. For the year ended December 31, 2019, we estimate that a hypothetical 10% change in the value of various currencies to the U.S. dollar would result in a corresponding increase or decrease of approximately $1,890 to pre-tax earnings.

The expenses of our Indian subsidiaries, which primarily consist of expenditures related to compensation and benefits, are paid using the Indian Rupee. We are directly exposed to changes in foreign currency exchange rates through the translation of these monthly expenditures into U.S. dollars. For the year ended December 31, 2019, we estimate that a hypothetical 10% increase in the value of the Indian Rupee to the U.S. dollar would result in a decrease of approximately $5,541 to pre-tax earnings and a hypothetical 10% decrease in the value of the Indian Rupee to the U.S. dollar would result in an increase of approximately $4,534 to pre-tax earnings.

***Interest rate risk***

We are subject to market risk from changes in interest rates. We have a revolving credit facility that bears interest at LIBOR plus an applicable margin between 1.50% and 3.25%. As the LIBOR rates fluctuate, so too will the interest expense on amounts borrowed under the Amended Credit Agreement. Interest charged on the revolving credit facility during 2019 was incurred at an average rate of 4.14%. As of December 31, 2019, there were $260,000 of revolving credit amounts outstanding under the Amended Credit Agreement. We incurred interest expense of $4,860 for the year ended December 31, 2019 related to the Amended Credit Agreement. A sensitivity analysis performed on the interest expense indicated that a hypothetical 0.25% increase or decrease in our interest rate would increase or decrease interest expense by approximately $397 on an annual basis.

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

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

We have audited the accompanying consolidated balance sheets of Envestnet, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

On April 1, 2019, the Company acquired certain assets and assumed certain liabilities of the PortfolioCenter business and on May 1, 2019 the Company acquired PIEtech, Inc., (collectively the "Acquired Companies"), and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, the Acquired Companies' internal control over financial reporting associated with total assets of $605,787 thousand and total revenues of $37,020 thousand included in the consolidated financial statements of the Company as of and for the year ended December 31, 2019. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over the financial reporting of the Acquired Companies.

*Change in Accounting Principles*

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for revenue transactions with customers as of January 1, 2018 due to the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, as amended.

Also as discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Update No. 2016-02, *Leases*, as amended.

*Basis for Opinions*

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

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

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated

financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

*Definition and Limitations of Internal Control Over Financial Reporting*

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

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

*Critical Audit Matters*

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Evaluation of revenue recognition*

As discussed in Notes 2 and 13 to the consolidated financial statements, the Company has recorded $900,127 thousand of revenues for the year ended December 31, 2019. Revenues are derived from asset-based services, subscription or licensing-based services, and professional services and other sources. The Company recognizes revenues when control of the services is transferred to customers. While revenues consist of a large number of similar, individually low value transactions, there are a number of different revenue streams with underlying services, sold with varying pricing structures. The Company's revenue recognition process includes a combination of automated and manual processes which rely on several distinct information technology (IT) systems and the IT framework underpinning revenue recognition is complex.

We identified the evaluation of revenue recognition as a critical audit matter due to the complexity and number of IT systems and the specialized skills needed to test the IT elements of the revenue recognition process. Subjective and complex auditor judgment was required to assess the sufficiency of audit procedures performed and the nature and extent of audit evidence obtained.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's general information technology and application controls related to the IT systems used within the Company's revenue recognition process, including the automated elements of the flow of transactions. We also tested certain manual controls over the underlying transaction data processed by the IT systems. We involved IT professionals with specialized skills and knowledge, who assisted in testing the various systems interacting within the Company's revenue recognition process. We applied judgment to assess the scope and level of procedures performed over the various IT systems based on the nature of the information processed by the systems. For one of the revenue streams, we developed an expectation of revenues based on payment receipts and compared it to the Company's recorded amount. This included testing, on a sample basis, the inputs used in deriving our expectation of revenues, including billed and unbilled fee receivables and deferred revenue. We tested the change in balances of these accounts by tracing the beginning and ending balances to underlying accounting records. For the

billed and unbilled fee receivables sample selections, we tested the ending balances by agreeing them to third-party confirmations. For the deferred revenue sample selections, we recalculated the ending balances by inspecting contract terms and evidence of delivery. We tested a sample of prices and quantities by agreeing them to contract terms and the IT system, respectively. For some of the other revenue streams, we tested the revenue inputs by selecting a sample and agreeing it to third-party revenue confirmations, evidence of delivery, contractual terms, and/or usage-based information produced by the IT systems.

*Assessment of acquisition-date fair value of customer lists*

As discussed in Note 3 to the consolidated financial statements, on May 1, 2019, the Company acquired PIEtech, Inc. in a business combination. As a result of the transaction, the Company acquired intangible assets associated with the generation of future income from PIEtech Inc.'s existing customers. The acquisition-date fair value for the customer lists of $222,000 thousand was estimated using an excess earnings method, and represented approximately 12% of the Company's total assets as of December 31, 2019.

We identified the assessment of acquisition-date fair value of the customer lists acquired in the PIEtech, Inc. business combination as a critical audit matter. A high degree of subjectivity was involved in assessing forecasted revenue growth rates and the discount rate used in the methodology to estimate fair values. There was limited observable market information for the forecasted revenue growth rates and the discount rate, and the calculated fair values were sensitive to reasonably possible changes to these assumptions.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's acquisition-date valuation process, including controls related to the valuation methodology used, and the development of the forecasted revenue growth rates and the estimated discount rate. We performed sensitivity analyses to assess the impact of changes in the assumptions listed above on the acquisition-date fair value. We evaluated the Company's forecasted revenue growth rates by comparing forecasted growth assumptions to those of the Company's historical acquisitions, and market data. In addition, we involved valuation professionals with specialized skills and knowledge who assisted in:

- assessing the selection of the valuation methodology,
- assessing the Company's estimated discount rate by comparing it against a discount rate that was independently developed using publicly available market data along with data from comparable companies, and
- developing an estimate for the acquisition-date fair value of the customer lists using the Company's cash flow forecasts and an independently developed discount rate, and comparing the result to the Company's fair value estimate.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

Chicago, Illinois

February 28, 2020

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

| | December 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 82,505 | $ 289,345 |
| Fees receivable, net | 67,815 | 68,004 |
| Prepaid expenses and other current assets | 32,183 | 23,557 |
| Total current assets | 182,503 | 380,906 |
| | | |
| Property and equipment, net | 53,756 | 44,991 |
| Internally developed software, net | 60,263 | 38,209 |
| Intangible assets, net | 505,589 | 305,241 |
| Goodwill | 879,850 | 519,102 |
| Operating lease right-of-use assets, net | 82,796 | — |
| Other non-current assets | 37,127 | 25,298 |
| Total assets | $ 1,801,884 | $ 1,313,747 |
| | | |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Accrued expenses and other liabilities | $ 137,944 | $ 133,298 |
| Accounts payable | 17,277 | 19,567 |
| Operating lease liabilities | 13,816 | — |
| Convertible Notes due 2019 | — | 165,711 |
| Contingent consideration | — | 732 |
| Deferred revenue | 34,753 | 23,988 |
| Total current liabilities | 203,790 | 343,296 |
| | | |
| Convertible Notes due 2023 | 305,513 | 294,725 |
| Revolving credit facility | 260,000 | — |
| Contingent consideration | 9,045 | — |
| Deferred revenue | 5,754 | 6,910 |
| Non-current operating lease liabilities | 88,365 | — |
| Deferred rent and lease incentive | — | 17,569 |
| Deferred tax liabilities, net | 29,481 | 640 |
| Other non-current liabilities | 32,360 | 18,005 |
| Total liabilities | 934,308 | 681,145 |
| | | |
| Commitments and contingencies | | |
| | | |
| Equity: | | |
| Stockholders’ equity: | | |
| Preferred stock, par value $0.005, 50,000,000 shares authorized | — | — |
| Common stock, par value $0.005, 500,000,000 shares authorized; 66,320,706 and 61,238,898 shares issued as of December 31, 2019 and December 31, 2018, respectively; 52,841,706 and 48,121,800 shares outstanding as of December 31, 2019 and December 31, 2018, respectively | 331 | 306 |
| Additional paid-in capital | 1,037,141 | 761,128 |
| Accumulated deficit | (75,664) | (58,882) |
| Treasury stock at cost, 13,479,000 and 13,117,098 shares as of December 31, 2019 and December 31, 2018, respectively | (90,965) | (67,858) |
| Accumulated other comprehensive loss | (1,749) | (994) |
| Total stockholders’ equity | 869,094 | 633,700 |
| Non-controlling interest | (1,518) | (1,098) |
| Total equity | 867,576 | 632,602 |
| Total liabilities and equity | $ 1,801,884 | $ 1,313,747 |

*See accompanying notes to Consolidated Financial Statements.*

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Revenues: | | | |
| Asset-based | $ 484,312 | $ 481,233 | $ 410,016 |
| Subscription-based | 378,813 | 295,467 | 245,867 |
| Total recurring revenues | 863,125 | 776,700 | 655,883 |
| Professional services and other revenues | 37,002 | 35,663 | 27,796 |
| Total revenues | 900,127 | 812,363 | 683,679 |
| Operating expenses: | | | |
| Cost of revenues | 278,811 | 263,400 | 219,037 |
| Compensation and benefits | 383,554 | 317,188 | 264,392 |
| General and administration | 152,564 | 139,984 | 121,010 |
| Depreciation and amortization | 101,271 | 77,626 | 62,820 |
| Total operating expenses | 916,200 | 798,198 | 667,259 |
| Income (loss) from operations | (16,073) | 14,165 | 16,420 |
| Other income (expense): | | | |
| Interest income | 3,347 | 2,363 | 201 |
| Interest expense | (32,520) | (25,203) | (16,347) |
| Other expense, net | (2,849) | (487) | (1,963) |
| Total other expense, net | (32,022) | (23,327) | (18,109) |
| Loss before income tax provision (benefit) | (48,095) | (9,162) | (1,689) |
| Income tax provision (benefit) | (30,893) | (13,172) | 1,591 |
| Net income (loss) | (17,202) | 4,010 | (3,280) |
| Add: Net loss attributable to non-controlling interest | 420 | 1,745 | — |
| Net income (loss) attributable to Envestnet, Inc. | $ (16,782) | $ 5,755 | $ (3,280) |
| Net income (loss) per share attributable to Envestnet, Inc.: | | | |
| Basic | $ (0.33) | $ 0.13 | $ (0.08) |
| Diluted | $ (0.33) | $ 0.12 | $ (0.08) |
| Weighted average common shares outstanding: | | | |
| Basic | 50,937,919 | 45,268,002 | 43,732,148 |
| Diluted | 50,937,919 | 47,384,085 | 43,732,148 |

*See accompanying notes to Consolidated Financial Statements.*

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| Net income (loss) attributable to Envestnet, Inc. | $ (16,782) | $ 5,755 | $ (3,280) |
| Other comprehensive income (loss), net of taxes: | | | |
| Foreign currency translation gains (losses), net | (755) | (1,618) | 1,046 |
| Comprehensive income (loss) attributable to Envestnet, Inc. | $ (17,537) | $ 4,137 | $ (2,234) |

*See accompanying notes to Consolidated Financial Statements.*

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

| | Common Stock | | Treasury Stock | | Additional | Accumulated Other | | Non- | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Common | | Paid-in | Comprehensive | Accumulated | controlling | Total |
| | Shares | Amount | Shares | Amount | Capital | Income (Loss) | Deficit | Interest | Equity |
| Balance, December 31, 2016 | 55,642,686 | $ 278 | (12,402,119) | $ (33,068) | $ 516,675 | $ (422) | $ (70,574) | $ 398 | $ 413,287 |
| Exercise of stock options | 837,857 | 4 | — | — | 7,947 | — | — | — | 7,951 |
| Issuance of common stock - vesting of restricted stock units | 969,513 | 5 | — | — | — | — | — | — | 5 |
| Stock-based compensation expense | — | — | — | — | 31,635 | — | — | — | 31,635 |
| Purchase of treasury stock for stock-based tax withholdings | — | — | (347,296) | (13,974) | — | — | — | — | (13,974) |
| Foreign currency translation gain | — | — | — | — | — | 1,046 | — | — | 1,046 |
| Net loss | — | — | — | — | — | — | (3,280) | — | (3,280) |
| Balance, December 31, 2017 | 57,450,056 | $ 287 | (12,749,415) | $ (47,042) | $ 556,257 | $ 624 | $ (73,854) | $ 398 | $ 436,670 |
| Adoption of ASC 606 (See Note 13) | — | — | — | — | — | — | 9,217 | — | 9,217 |
| Exercise of stock options | 359,345 | 2 | — | — | 5,303 | — | — | — | 5,305 |
| Issuance of common stock - vesting of restricted stock units | 1,073,681 | 4 | — | — | — | — | — | — | 4 |
| Stock-based compensation expense | — | — | — | — | 39,969 | — | — | 276 | 40,245 |
| Purchase of treasury stock for stock-based tax withholdings | — | — | (367,683) | (20,816) | — | — | — | — | (20,816) |
| Issuance of non-controlling units in private company | — | — | — | — | — | — | — | 473 | 473 |
| Issuance of Convertible Notes due 2023, net of offering costs | — | — | — | — | 46,611 | — | — | — | 46,611 |
| Issuance of common stock and warrants - private placement, net of offering costs | 2,355,816 | 13 | — | — | 118,148 | — | — | — | 118,161 |
| Purchase of non-controlling units in ERS | — | — | — | — | (5,160) | — | — | (1,400) | (6,560) |
| Reclassification of redeemable units | — | — | — | — | — | — | — | 900 | 900 |
| Foreign currency translation loss | — | — | — | — | — | (1,618) | — | — | (1,618) |
| Net income (loss) | — | — | — | — | — | — | 5,755 | (1,745) | 4,010 |
| Balance, December 31, 2018 | 61,238,898 | $ 306 | (13,117,098) | $ (67,858) | $ 761,128 | $ (994) | $ (58,882) | $ (1,098) | $ 632,602 |
| Exercise of stock options | 783,216 | 4 | — | — | 10,588 | — | — | — | 10,592 |
| Issuance of common stock - vesting of restricted stock units | 1,098,124 | 5 | — | — | — | — | — | — | 5 |
| Acquisition of business | 3,200,468 | 16 | — | — | 223,240 | — | — | — | 223,256 |
| Stock-based compensation expense | — | — | — | — | 54,436 | — | — | — | 54,436 |
| Purchase of treasury stock for stock-based tax withholdings | — | — | (361,902) | (23,107) | — | — | — | — | (23,107) |
| Payment of Convertible Notes due 2019 | — | — | — | — | (12,251) | — | — | — | (12,251) |
| Foreign currency translation loss | — | — | — | — | — | (755) | — | — | (755) |
| Net loss | — | — | — | — | — | — | (16,782) | (420) | (17,202) |
| Balance, December 31, 2019 | 66,320,706 | $ 331 | (13,479,000) | $ (90,965) | $ 1,037,141 | $ (1,749) | $ (75,664) | $ (1,518) | $ 867,576 |

*See accompanying notes to Consolidated Financial Statements.*

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| **OPERATING ACTIVITIES:** | | | |
| Net income (loss) | $ (17,202) | $ 4,010 | $ (3,280) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 101,271 | 77,626 | 62,820 |
| Deferred rent and lease incentive amortization | — | 671 | 1,027 |
| Provision for doubtful accounts | 2,855 | 1,618 | 867 |
| Deferred income taxes | (39,630) | (23,629) | (4,597) |
| Non-cash compensation expense | 60,444 | 40,245 | 31,331 |
| Non-cash interest expense | 19,246 | 14,534 | 8,994 |
| Accretion on contingent consideration and purchase liability | 1,772 | 222 | 512 |
| Payments of contingent consideration | (578) | — | (357) |
| Loss allocation from equity method investment | 2,361 | 1,146 | 1,469 |
| Gain on life insurance proceeds | (5,000) | — | — |
| Fair market value adjustment to contingent consideration liability | (8,126) | — | — |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Fees receivable, net | 1,139 | (12,890) | (8,121) |
| Prepaid expenses and other current assets | (6,440) | (887) | (787) |
| Other non-current assets | (5,234) | (3,336) | (1,690) |
| Accrued expenses and other liabilities | (811) | 12,939 | 16,810 |
| Accounts payable | (2,863) | 1,743 | (442) |
| Deferred revenue | 727 | 345 | 1,191 |
| Other non-current liabilities | 4,795 | 3,028 | 2,503 |
| Net cash provided by operating activities | 108,726 | 117,385 | 108,250 |
| **INVESTING ACTIVITIES:** | | | |
| Purchases of property and equipment | (19,847) | (20,524) | (14,945) |
| Capitalization of internally developed software | (34,096) | (24,068) | (12,624) |
| Investment in private companies | (5,250) | (1,200) | (1,450) |
| Acquisitions of businesses, net of cash acquired | (320,915) | (194,617) | — |
| Proceeds from life insurance policy | 5,000 | — | — |
| Other | (600) | (1,270) | — |
| Net cash used in investing activities | (375,708) | (241,679) | (29,019) |
| **FINANCING ACTIVITIES:** | | | |
| Proceeds from issuance of Convertible Notes due 2023 | — | 345,000 | — |
| Convertible Notes due 2023 issuance costs | — | (9,982) | — |
| Payment of Convertible Notes due 2019 | (184,751) | — | — |
| Proceeds from borrowings on revolving credit facility | 345,000 | 195,000 | 35,000 |
| Payments on revolving credit facility | (85,000) | (276,168) | (62,500) |
| Revolving credit facility issuance costs | (2,103) | — | (94) |
| Payments of contingent consideration | (171) | (2,193) | (1,929) |
| Payments of definite consideration | — | — | (445) |
| Payments of purchase consideration liabilities | — | — | (235) |
| Issuance of common stock and warrants - private placement, net of offering costs | — | 122,704 | — |
| Payment of Term Notes | — | — | (35,862) |
| Proceeds from exercise of stock options | 10,592 | 5,305 | 7,951 |
| Purchase of treasury stock for stock-based tax withholdings | (23,107) | (20,816) | (13,974) |
| Purchase of ERS units | — | (6,560) | — |
| Issuance of restricted stock units | 5 | 4 | 5 |
| Net cash provided by financing activities | 60,465 | 352,294 | (72,083) |

**Envestnet, Inc.**
**Consolidated Statements of Cash Flows (continued)**
**(in thousands)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | (399) | (592) | 375 |
| **INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH** | (206,916) | 227,408 | 7,523 |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD (See Note 2)** | 289,671 | 62,263 | 54,740 |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD (See Note 2)** | $ 82,755 | $ 289,671 | $ 62,263 |
| Supplemental disclosure of cash flow information - net cash paid during the period for income taxes | $ 8,119 | $ 5,531 | $ 3,261 |
| Supplemental disclosure of cash flow information - cash paid during the period for interest | 13,530 | 10,409 | 7,353 |
| Supplemental disclosure of non-cash operating, investing and financing activities: | | | |
| Common stock issued in acquisition of business | 222,484 | — | — |
| Contingent consideration issued in acquisition of businesses | 15,780 | — | — |
| Transaction costs of issuance of common stock and warrants included in accrued expenses and other liabilities | — | 4,543 | — |
| Purchase liabilities included in other non-current liabilities | 5,468 | — | — |
| Purchase of fixed assets included in accounts payable and accrued expenses and other liabilities | 1,832 | 1,997 | 1,286 |
| Membership interest liabilities included in other non-current liabilities | 5,920 | — | — |
| Common stock issued to settle purchase liability | 772 | — | — |
| Leasehold improvements funded by lease incentive | 1,816 | 1,780 | 2,098 |
| Non-cash debt issuance costs | — | — | 2,230 |
| Purchase liabilities included in accrued expenses and other liabilities | — | — | 856 |

*See accompanying notes to Consolidated Financial Statements.*

**Envestnet, Inc.**
**Notes to Consolidated Financial Statements**
**(in thousands, except share and per share amounts)**

## 1. Organization and Description of Business

Envestnet, Inc. (“Envestnet”) and its subsidiaries (collectively, the “Company”) provide intelligent systems for wealth management and financial wellness. Envestnet’s unified technology enhances advisor productivity and strengthens the wealth management process. Through a combination of platform enhancements, partnerships and acquisitions, Envestnet empowers enterprises and advisors to more fully understand their clients and deliver better outcomes.

Envestnet is organized around two primary, complementary business segments. Financial information about each business segment is contained in “Note 19—Segment Information”. The business segments are as follows:

- ***Envestnet Wealth Solutions*** – a leading provider of unified wealth management software and services to empower financial advisors and institutions.

  Envestnet Wealth Solutions serves its clients principally through the following product and service suites:

  - *Envestnet | Enterprise* provides an end-to-end open architecture wealth management platform, through which advisors can construct portfolios for clients. It begins with aggregated household data which then leads to a financial plan, asset allocation, investment strategy, portfolio management, rebalancing and performance reporting. Advisors have access to over 20,000 investment products. Envestnet | Enterprise also offers data aggregation and reporting, data analytics and digital advice capabilities to customers.

  - *Envestnet | Tamarac*™ provides leading trading, rebalancing, portfolio accounting, performance reporting and client relationship management software, principally to high-end registered investment advisers (“RIAs”).

  - *Envestnet | MoneyGuide* provides leading goals-based financial planning solutions to the financial services industry. The highly adaptable software helps financial advisors add significant value for their clients using best-in-class technology with enhanced integrations to generate financial plans.

  - *Envestnet | Retirement Solutions (“ERS”)* offers a comprehensive suite of services for advisor-sold retirement plans. Leveraging integrated technology, ERS addresses the regulatory, data and investment needs of retirement plans and delivers the information holistically.

  - *Envestnet | PMC®, or Portfolio Management Consultants (“PMC”)* provides research and consulting services to assist advisors in creating investment solutions for their clients. These solutions include over 4,500 vetted third party managed account products, multi-manager portfolios, fund strategist portfolios, as well as over 1,000 proprietary products, such as quantitative portfolios and fund strategist portfolios. PMC also offers portfolio overlay and tax optimization services.

- ***Envestnet Data & Analytics*** – a leading data aggregation and data intelligence platform powering dynamic, cloud-based innovation for digital financial services, and includes product offerings from Envestnet | Yodlee and Envestnet | Analytics.

Envestnet operates four RIAs registered with the U.S. Securities and Exchange Commission (“SEC”). As of December 31, 2019, Envestnet filed requests to terminate the registration of its broker-dealer with the SEC and the Financial Industry Regulatory Authority, both of which were approved.

## 2. Summary of Significant Accounting Policies

The Company follows accounting standards established by the Financial Accounting Standards Board (“FASB”) to ensure consistent reporting of financial condition, results of operations and cash flows. References to accounting principles generally accepted in the United States (“GAAP”) in these notes are to the FASB *Accounting Standards Codification*™, sometimes referred to as the codification or “ASC”.

*Principles of Consolidation*—The consolidated financial statements include the accounts of Envestnet and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

*Foreign Currency*—Accounts for the Envestnet Wealth Solutions segment that are denominated in a non-U.S. currency have been re-measured using the U.S. dollar as the functional currency. Certain accounts within the Envestnet Data & Analytics segment are recorded and measured in foreign currencies. The assets and liabilities for those subsidiaries with a functional currency other than the U.S. dollar are translated at exchange rates in effect at the balance sheet date, and revenues and expenses are translated at average exchange rates. Differences arising from these foreign currency translations are recorded in the consolidated balance sheets as accumulated other comprehensive income (loss) within stockholders' equity. The Company is also subject to gains and losses from foreign currency denominated transactions and the remeasurement of foreign currency denominated balance sheet accounts, both of which are included in other expense, net in the consolidated statements of operations.

*Management Estimates*—Management has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with GAAP. Areas requiring the use of management estimates relate to estimating uncollectible receivables, revenue recognition, valuations and assumptions used for impairment testing of goodwill, intangible and other long-lived assets, right of use assets, restricted stock and stock options issued, contingent consideration, realization of deferred tax assets, uncertain tax positions, sales tax liabilities, operating lease liabilities, fair value of the liability portion of the convertible debt, fair value of warrants issued, commitments and contingencies and assumptions used to allocate purchase prices in business combinations. Actual results could differ materially from these estimates under different assumptions or conditions.

*Revenue Recognition*

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

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

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

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

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

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

For certain services provided by third parties, the Company evaluates whether it is the principal (revenues reported on a gross basis) or agent (revenues reported on a net basis). Generally, the Company reports customer fees including charges for third party service providers where the Company has a direct contract with such third party service providers on a gross basis, whereas the amounts billed to its customers are recorded as revenues, and amounts paid to third party service providers are recorded as cost of revenues. The Company is the principal in the transaction because it controls the services before they are transferred to its customers. Control is evidenced by the Company being primarily responsible to its customers and having discretion in establishing pricing.

*Subscription-Based Recurring Revenues*—Subscription-based recurring revenues primarily consist of fees for providing customers continuous access to the Company's platform for wealth management and financial wellness. The subscription-based fees generally include fixed fees and or usage-based fees.

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

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

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

*Professional Services and Other Revenues*—The Company earns professional services fees by providing contractual customized services and platform software development as well as initial implementation fees. Professional services contracts generally have fixed prices, and generally specify the deliverables in the contract. Certain professional services contracts are billed on a time and materials basis and revenue is recognized over time as the services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed. Initial implementation fees are fixed and recognized ratably over the contract term.

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

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

*Arrangements with Multiple Performance Obligations*—Certain of the Company's contracts with customers contain multiple performance obligations such as platform services performance obligation and professional services performance obligation. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. Standalone selling prices of services are estimated based on observable transactions when these services are sold on a standalone basis or based on expected cost plus margin.

The Company has applied the practical expedients and exemption and therefore does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less; (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed; and (iii) contracts for which the variable consideration is allocated entirely to a wholly unsatisfied performance obligations or to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation.

*Contract Balances*—The Company records contract liabilities (deferred revenue) when cash payments are received in advance of its performance. The term between invoicing date and when payment is due is generally not significant. For the

majority of its arrangements, the Company requires advance quarterly payments before the services are delivered to the customer.

*Deferred Revenue*—Deferred revenue primarily consists of implementation fees, professional services, and subscription fee payments received in advance from customers.

*Deferred Sales Incentive Compensation*—Sales incentive compensation earned by the Company's sales force is considered an incremental and recoverable cost to acquire a contract with a customer. Sales incentive compensation for initial contracts is deferred and amortized on a straight-line basis over the period of benefit. The Company determined the period of benefit by taking into consideration its customer contracts, life of the technology and other factors. Sales incentive compensation for renewal contracts are deferred and amortized on a straight-line basis over the related contractual renewal period. Deferred sales incentive compensation is included in other non-current assets in the consolidated balance sheets and amortization expense is included in compensation and benefits expenses in the consolidated statements of operations.

The Company has applied the practical expedient to recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period would have been one year or less. These costs are included in compensation and benefits expenses in the consolidated statements of operations.

*Cost of Revenues*—Cost of revenues primarily includes expenses related to third party investment management and clearing, custody and brokerage services. Generally, these expenses are calculated based upon a contractual percentage of the market value of assets held in customer accounts measured as of the end of each quarter and are recognized ratably throughout the quarter based on the number of days in the quarter.

*Allowance for Doubtful Accounts*—The Company evaluates the need for an allowance for doubtful accounts for potentially uncollectible fees receivable. In establishing the amount of the allowance, if any, customer-specific information is considered related to delinquent accounts, including historical loss experience and current economic conditions. As of December 31, 2019, and 2018, the Company's allowance for doubtful accounts was $1,093 and $826, respectively.

*Cash and Cash Equivalents*—The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value. The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents.

*Restricted Cash*—The following table reconciles cash, cash equivalents and restricted cash from the consolidated balance sheets to amounts reported in the consolidated statements of cash flows:

| | December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Cash and cash equivalents | $ 82,505 | $ 289,345 | $ 60,115 |
| Restricted cash included in prepaid expenses and other current assets | 82 | 158 | 2,000 |
| Restricted cash included in other non-current assets | 168 | 168 | 148 |
| Total cash, cash equivalents and restricted cash | $ 82,755 | $ 289,671 | $ 62,263 |

*Property and Equipment*—Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of furniture and equipment is computed using the straight-line method based on estimated useful lives of the depreciable assets. Leasehold improvements are amortized on a straight-line basis over their estimated economic useful lives or the remaining lease term, whichever is shorter. Improvements are capitalized, while repairs and maintenance costs are charged to operations as incurred. Assets are reviewed for recoverability whenever events or circumstances indicate the carrying value may not be recoverable.

*Internally Developed Software for Internal Use*—Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable

the expenditures will result in additional functionality. Maintenance and training costs are expensed as incurred. Internally developed software is amortized on a straight-line basis over its estimated useful life. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. There were no impairments of internally developed software for internal use during the years ended December 31, 2019, 2018 and 2017.

*Goodwill and Intangible Assets*—Goodwill consists of the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Goodwill is reviewed for impairment each year using a qualitative or quantitative process that is performed at least annually or whenever events or circumstances indicate a likely reduction in the fair value of a reporting unit below its carrying amount. The Company has concluded that it has two reporting units.

The Company performs the annual impairment analysis on October 31 in order to provide management time to complete the analysis prior to year-end. Prior to performing the quantitative evaluation, an assessment of qualitative factors may be performed to determine whether it is more likely than not that the fair value of a reporting unit exceeds the carrying value. If it is determined that it is unlikely that the carrying value exceeds the fair value, the Company is not required to complete the quantitative goodwill impairment evaluation. If it is determined that the carrying value may exceed fair value when considering qualitative factors, a quantitative goodwill impairment evaluation is performed. When performing the quantitative evaluation, if the carrying value of the reporting unit exceeds its fair value, an impairment loss equal to the difference will be recorded. No goodwill impairment charges have been recorded for the years ended December 31, 2019, 2018 and 2017.

Intangible assets are recorded at cost less accumulated amortization. Intangible assets are reviewed for impairment whenever events or changes in circumstances may affect the recoverability of the net assets. Such reviews include an analysis of current results and take into consideration the undiscounted value of projected operating cash flows. No intangible asset impairment charges have been recorded for the years ended December 31, 2019, 2018 and 2017.

*Leases*—On January 1, 2019, the Company adopted ASU 2016-02 and all subsequent ASUs that modified Topic 842 (“ASC 842”) using the effective date transition method and elected the available package of practical expedients. The Company has elected to apply the short-term lease exemption to all of its classes of underlying assets.

Adoption of the standard had a material impact on the Company's consolidated balance sheets, but did not have an impact on the Company's consolidated statements of operations. The most significant impact was the recognition of right-of-use (“ROU”) assets and lease liabilities for operating leases. Adoption of the standard had no impact to previously reported results.

At inception, the Company determines if an arrangement is a lease. Operating leases are included in operating ROU assets, current operating lease liabilities and non-current operating lease liabilities in the Company's consolidated balance sheets. The Company does not have material finance leases.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the remaining lease term. The operating lease ROU asset also includes prepaid payments and excludes lease incentives. As none of the Company's leases provide an implicit rate, the Company uses an estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components. The Company has elected the practical expedient to account for non-lease components as part of the lease component for all asset classes. The majority of the Company's lease agreements are real estate leases.

*Income Taxes*—The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is

recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce deferred tax assets to an amount that is more likely than not to be realized.

The Company follows authoritative guidance related to how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. The tax benefits recognized in the consolidated financial statements from tax positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

*Business Combinations*—The Company accounts for business combinations under the acquisition method. The cost of an acquired company is assigned to the tangible and intangible assets acquired and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets acquired and liabilities assumed requires management to make estimates and use valuation techniques when market values are not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. Transaction costs associated with business combinations are expensed as incurred. The Company determines the fair value of contingent consideration payable on the acquisition date using a discounted cash flow approach utilizing an appropriate discount rate. Each reporting period thereafter, the Company revalues these obligations and records increases or decreases in their fair value as adjustments to fair market value adjustment on contingent consideration in the Company's consolidated statements of operations. Changes in the fair value of the contingent consideration payable can result from adjustments to the estimated revenue forecasts included in the contingent consideration calculations.

*Stock-Based Compensation*—Compensation cost relating to stock-based awards made to employees and directors is recognized in the consolidated financial statements using the Black-Scholes option-pricing model in the case of non-qualified stock option awards, and intrinsic value in the case of restricted stock awards. The Company measures the cost of such awards based on the estimated fair value of the award measured at the grant date and recognizes the expense on a straight-line basis over the requisite service period, which is the vesting period.

Determining the fair value of stock options requires the Company to make several estimates, including the volatility of its stock price, the expected life of the option, forfeiture rate, dividend yield and interest rates. The Company estimates the expected life of its options using historical internal forfeiture data. The Company estimates stock-price volatility using historical third-party quotes of Envestnet's common stock. The Company utilizes a risk-free interest rate, which is based on the yield of U.S. zero coupon securities with a maturity equal to the expected life of the options. The Company has not and does not expect to pay dividends on its common shares.

The Company is required to estimate expected forfeitures of stock-based awards at the grant date and recognize compensation cost only for those awards expected to vest. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. Therefore, changes in the forfeiture assumptions may impact the total amount of expense ultimately recognized over the vesting period. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances.

*Convertible Notes*—In 2014, the Company issued $172,500 of 1.75% convertible notes that matured on December 15, 2019. In May 2018, the Company issued $345,000 of 1.75% convertible notes due June 2023. Collectively the "Convertible Notes" are accounted for in accordance with ASC 470-20. The Company has determined that the embedded conversion options in the Convertible Notes are not required to be separately accounted for as a derivative under GAAP. The Company separately accounts for the liability and equity components of Convertible Notes that can be settled in cash by allocating the proceeds from issuance between the liability component and the embedded conversion option, or equity component, in accordance with accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. The value of the equity component is calculated by first measuring the fair value of the liability component, using the interest rate of a similar liability that does not have a conversion feature, as of the issuance date. The difference between the proceeds from the convertible debt issuance and the amount measured as the liability component is recorded as the equity component with a corresponding discount recorded on the debt. The Company recognizes the accretion of the resulting discount using the effective interest method as part of interest expense in its consolidated statements of operations.

*Non-controlling Interest*—Effective February 1, 2014, the Company formed ERS with various third parties. ERS offers advisory and technology enabled services to financial advisors and retirement plans. In exchange for a 64.5% ownership

interest in ERS, the Company contributed certain assets and has agreed to fund a certain amount of the operating expenses of ERS. Primarily due to the issuance of units related to the contributions of FinaConnect, Inc. and Castle Rock Innovations, Inc. and the purchase of additional ERS units acquired from the former owners of Klein Decisions, Inc. the Company’s ownership in ERS increased to 81.5% as of December 31, 2016. During the year ended December 31, 2018, the Company purchased all remaining outstanding units for approximately $6,560, which increased the Company’s ownership percentage to 100% as of December 31, 2018.

The allocation of gains and losses to the members of ERS was based on a hypothetical liquidation book value method in accordance with the ERS operating agreement. There were no losses for the years ended December 31, 2018 and 2017 reflected as non-controlling interest in the consolidated statements of operations related to ERS.

In March 2018, the Company acquired a 43% fully diluted interest in a private company for cash consideration of $1,333. In connection with the acquisition, the Company was granted the ability to appoint two members to the private company's board of directors. The appointment of two board members gives the Company the majority of the board's voting rights. As a result, the Company uses the consolidation method of accounting for this investment. The private company was formed to enable financial advisors to provide insurance and income protection products to their clients.

***Recent Accounting Pronouncements***

*Recently Adopted Accounting Pronouncements*—In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which amends the existing accounting standards for revenue recognition. This standard was effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2017. These changes became effective for the Company's fiscal year beginning January 1, 2018 and have been reflected in these consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases,” which amends the requirements for assets and liabilities recognized for all leases longer than twelve months. This standard was effective for financial statements issued by public companies for the annual and interim periods beginning after December 15, 2018. These changes became effective for the Company's fiscal year beginning January 1, 2019 and have been reflected in these consolidated financial statements. See “Note 10—Leases”.

In August 2018, the FASB issued ASU 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)”. This update is intended to guide entities in evaluating the accounting for fees paid by a customer in a cloud computing arrangement by providing guidance for determining when the arrangement includes a software license. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2019. Early adoption of the standard is permitted. The Company early adopted this standard beginning January 1, 2019, noting that this standard was applied prospectively. Adoption of this standard did not have a material impact on the Company's consolidated financial statements.

*Not Yet Adopted Accounting Pronouncements*—In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)”. This update significantly changes the way that entities will be required to measure credit losses. This standard requires that entities estimate credit losses based upon an “expected credit loss” approach rather than the “incurred loss” approach, which is currently used. The new approach will require entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts of collectability. The change in approach is anticipated to impact the timing of recognition of credit losses. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2019. Early adoption of the standard is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”. This update aims to reduce complexity within the accounting for income taxes as part of the simplification initiative. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2020. Early adoption of the standard is permitted. The Company is currently evaluating the potential impact of this guidance on its consolidated financial statements.

## 3. Business Acquisitions

The following acquisitions are included within the Envestnet Wealth Solutions segment, except for the private company acquisitions, which are included within the Envestnet Data & Analytics segment.

***FolioDynamix***

On January 2, 2018, the Company acquired all of the issued and outstanding membership interests of FolioDynamics Holdings, Inc. ("FolioDynamix") through a merger of FolioDynamix with and into a wholly owned subsidiary of Envestnet.

FolioDynamix provides financial institutions, RIAs, and other wealth management clients with an end-to-end technology solution paired with a suite of advisory tools including model portfolios, research and overlay management services. FolioDynamix is included in the Envestnet Wealth Solutions segment.

The Company acquired FolioDynamix to add complementary trading tools as well as commission and brokerage support to Envestnet's existing suite of offerings. Envestnet is continuing to integrate the technology and operations of FolioDynamix into the Company's wealth management channel, enabling the Company to further leverage its operating scale and data analytics capabilities.

The Company funded the acquisition with a combination of cash on the Company's consolidated balance sheets and borrowings under its revolving credit facility.

The consideration transferred in the acquisition was as follows:

| | | |
|---|---|---|
| Cash consideration | $ | 199,877 |
| Working capital and other adjustments | | (6,742) |
| Total consideration transferred | $ | 193,135 |

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 4,876 |
| Accounts receivable | | 4,962 |
| Prepaid expenses and other current assets | | 3,773 |
| Property and equipment, net | | 927 |
| Other non-current assets | | 441 |
| Identifiable intangible assets | | 135,700 |
| Goodwill | | 79,891 |
| Total assets acquired | | 230,570 |
| Accounts payable | | (5,358) |
| Accrued expenses | | (7,907) |
| Deferred tax liability | | (23,300) |
| Deferred revenue | | (806) |
| Other non-current liabilities | | (64) |
| Total liabilities assumed | | (37,435) |
| Total net assets acquired | $ | 193,135 |

The goodwill arising from the acquisition represents the expected synergistic benefits of the transaction, primarily related to lower future operating expenses and the knowledge and experience of the workforce in place. The goodwill is not deductible for income tax purposes.

A summary of estimated identifiable intangible assets acquired, estimated useful lives and amortization method follows:

| | Amount | Estimated Useful Life in Years | Amortization Method |
|---|---|---|---|
| Customer list | $ 113,500 | 13 | Accelerated |
| Proprietary technology | 17,500 | 5 | Straight-line |
| Trade names and domains | 4,700 | 6 | Straight-line |
| Total intangible assets acquired | $ 135,700 | | |

The results of FolioDynamix's operations are included in the consolidated statements of operations beginning January 2, 2018. FolioDynamix's revenues for the year ended December 31, 2018 totaled $68,122. FolioDynamix's pre-tax loss for the year ended December 31, 2018 totaled $13,777. The pre-tax loss includes acquired intangible asset amortization of $17,908 for the year ended December 31, 2018.

For the years ended December 31, 2019 and 2018, acquisition related costs for FolioDynamix totaled $1,282 and $1,557, respectively, and are included in general and administration expenses.

***Acquisition of private technology company***

On August 13, 2018, the Company acquired all of the issued and outstanding membership interests of a private technology company that provides market research analytics (the "private technology company acquisition"). In connection with this acquisition, the Company paid estimated net consideration of $6,585, subject to certain closing and post-closing adjustments.

The technology and operations of the private company are included in the Company's Envestnet Data & Analytics segment.

The preliminary estimated fair values of the assets acquired and liabilities assumed at the date of acquisition are not material. As a result the remaining balance was allocated to goodwill in the amount of $6,885. The goodwill is not deductible for income tax purposes.

The results of the private technology company's operations are included in the consolidated statements of operations beginning August 13, 2018 and were not considered material to the Company's results of operations.

For the years ended December 31, 2019 and 2018, acquisition related costs for the private technology company acquisition were not material, and are included in general and administration expenses.

***Acquisition of private artificial intelligence ("AI") company***

On January 2, 2019, pursuant to an agreement and plan of merger dated as of January 2, 2019 between Envestnet and a private AI company, the private AI company merged into Yodlee Inc., a wholly owned subsidiary of the Company (the "private AI company acquisition"). The private AI company provides conversational artificial intelligence tools and applications to financial services firms, improves the way Financial Service Providers ("FSPs") can interact with their customers, and supports these FSPs to better engage, support and assist their consumers leveraging this latest wave of customer-centric capabilities.

The technology and operations of the private company are included in the Company's Envestnet Data & Analytics segment.

The seller of the private AI company is also entitled to an additional unlimited earn-out payment with an estimated fair value of $7,580 as of the acquisition date. The unlimited earn-out payment is based on the private company's revenue and other retention targets for the twelve-month period beginning January 1, 2021.

The consideration transferred in the acquisition was as follows:

| | | |
|---|---|---|
| Cash consideration | $ | 11,173 |
| Purchase consideration liability | | 6,240 |
| Contingent consideration liability | | 7,580 |
| Working capital adjustment | | 70 |
| Total consideration transferred | $ | 25,063 |

In December 2019, the Company determined that revenue targets for this acquisition would not be met. As a result, the Company reduced the contingent consideration liability plus accrued interest associated with this acquisition by $8,126 and recorded this as a reduction to general and administration expenses.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

| | | |
|---|---|---|
| Total tangible assets acquired | $ | 144 |
| Total liabilities assumed | | (688) |
| Identifiable intangible assets | | 4,100 |
| Goodwill | | 21,507 |
| Total net assets acquired | $ | 25,063 |

The goodwill arising from the acquisition represents the expected synergistic benefits of the transaction, primarily related to an increase in future revenues as a result of potential cross selling opportunities. The goodwill is not deductible for income tax purposes.

A summary of estimated intangible assets acquired, estimated useful lives and amortization method follows:

| | Preliminary Estimate | | Estimated Useful Life in Years | Amortization Method |
|---|---|---|---|---|
| Proprietary technology | $ | 4,100 | 4 | Straight-line |

The results of the private AI company's operations are included in the consolidated statements of operations beginning January 2, 2019 and were not considered material to the Company’s results of operations.

For the year ended December 31, 2019, acquisition related costs for the private AI company acquisition were not material, and are included in general and administration expenses. The Company may incur additional acquisition related costs in 2020.

***Acquisition of PortfolioCenter business***

On April 1, 2019, pursuant to an asset purchase agreement, Tamarac, Inc. (“Tamarac”), a wholly owned subsidiary of Envestnet, acquired certain of the assets, primarily consisting of intangible assets, and the assumption of certain of the liabilities of the PortfolioCenter business (“PortfolioCenter”) from Performance Technologies, Inc. (the “PC Seller”), a wholly owned subsidiary of The Charles Schwab Corporation (“PortfolioCenter acquisition”). The PortfolioCenter business provides investment advisors and investment advisory service providers with desktop, hosted and outsourced multicustodial software solutions. These solutions provide data-management and performance-measurement tools, as well as customizable accounting, reporting, and billing functions delivered through the commercial software application products known as PortfolioCenter Desktop, PortfolioCenter Hosted, PortfolioServices and Service Bureau.

Tamarac acquired the PortfolioCenter business to better serve small and mid-size RIA firms. The PortfolioCenter business is included in the Company’s Envestnet Wealth Solutions segment.

In connection with the PortfolioCenter acquisition, Tamarac paid $17,500 in cash. Tamarac funded the PortfolioCenter acquisition with available cash resources. The PC Seller is also entitled to an earn-out payment based on PortfolioCenter's revenue for the twelve-month period beginning April 1, 2020. The discounted amount of the contingent consideration liability is

estimated to be $8,200 and is included as a non-current liability in the consolidated balance sheets.

The preliminary consideration transferred in the acquisition was as follows:

| | Preliminary Estimate | Measurement Period Adjustments | Revised Estimate |
|---|---|---|---|
| Cash consideration | $ 17,500 | $ — | $ 17,500 |
| Contingent consideration liability | 8,300 | (100) | 8,200 |
| Total consideration transferred | $ 25,800 | $ (100) | $ 25,700 |

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

| | Preliminary Estimate | Measurement Period Adjustments | Revised Estimate |
|---|---|---|---|
| Total tangible assets acquired | $ 13 | $ — | $ 13 |
| Total liabilities assumed | (1,600) | — | (1,600) |
| Identifiable intangible assets | 12,400 | (700) | 11,700 |
| Goodwill | 14,987 | 600 | 15,587 |
| Total net assets acquired | $ 25,800 | $ (100) | $ 25,700 |

The goodwill arising from the acquisition represents the expected synergistic benefits of the transaction, primarily related to an increase in future revenues as a result of expanding market opportunities within the mid-size and small RIA market, potential cross selling opportunities, and lower future operating expenses. The goodwill is deductible for income tax purposes.

A summary of estimated intangible assets acquired, estimated useful lives and amortization method follows:

| | Preliminary Estimate | Measurement Period Adjustments | Revised Estimate | Estimated Useful Life in Years | Amortization Method |
|---|---|---|---|---|---|
| Customer list | $ 9,100 | $ (600) | $ 8,500 | 10 | Accelerated |
| Proprietary technology | 3,300 | (100) | 3,200 | 5 | Straight-line |
| Total intangible assets acquired | $ 12,400 | $ (700) | $ 11,700 | | |

The results of PortfolioCenter's operations are included in the consolidated statements of operations beginning April 1, 2019. PortfolioCenter's revenues for the year ended December 31, 2019 totaled $6,705. PortfolioCenter's pre-tax loss for the year ended December 31, 2019 totaled $2,568. The pre-tax loss includes acquired intangible asset amortization of $1,459 for the year ended December 31, 2019.

For the year ended December 31, 2019, acquisition related costs for the PortfolioCenter acquisition were not material, and are included in general and administration expenses. The Company may incur additional acquisition related costs in 2020.

***Acquisition of PIEtech***

On May 1, 2019, the Company acquired all of the outstanding shares of capital stock of PIEtech, Inc., a Virginia corporation ("PIEtech"). PIEtech empowers financial advisors to use financial planning to efficiently motivate their clients to create, implement and maintain financial plans that best meet their lifetime financial goals. The technology and operations of PIEtech, which now operates as Envestnet | MoneyGuide, are included in the Envestnet Wealth Solutions segment.

The acquisition of PIEtech (the "PIEtech acquisition") establishes Envestnet as a leader in financial planning solutions, providing advisors and their clients with access to a full spectrum of financial planning capabilities, and offering a broad range of data-driven, financial plan-informed financial wellness solutions, both domestically and internationally over

time. Integration of PIEtech's MoneyGuide software with the Company's integrated technology platform is expected to reduce friction and enhance productivity for advisors.

In connection with the PIEtech acquisition, the Company paid net cash consideration of $298,714, subject to a working capital adjustment, and issued 3,184,713 shares of Envestnet common stock to the sellers. The Company funded the PIEtech acquisition with available cash resources and borrowings under its revolving credit facility.

In connection with the PIEtech acquisition, the Company established a retention bonus pool consisting of approximately $30,000 of cash and restricted stock units to be granted to employees and management of PIEtech as inducement grants. As a result, the Company adopted the Envestnet, Inc. 2019 Acquisition Equity Incentive Plan (the “2019 Equity Plan”) in order to make inducement grants to certain PIEtech employees who will join Envestnet | MoneyGuide (See “Note 15—Stock-Based Compensation”). Envestnet agreed to grant at future dates, not earlier than the sixty day anniversary of the PIEtech acquisition, up to 301,469 shares of Envestnet common stock in the form of restricted stock units (“RSUs”) and performance stock units (“PSUs”) pursuant to the 2019 Equity Plan and made cash retention payments of approximately $8,800 to certain legacy PIEtech employees who joined Envestnet | MoneyGuide. As of December 31, 2019, the Company has issued approximately 62,400 and 24,900 RSUs and PSUs, respectively, under the 2019 Equity Plan to legacy PIEtech employees. At this time the Company expects to issue approximately 214,000 additional RSUs and PSUs and expects to pay approximately $5,300 in cash bonus payments over the next three years in connection with the PIEtech acquisition.

The Company also granted membership interests in certain of the Company's equity method investments to two legacy PIEtech executives with an estimated grant date fair market value of $8,900. These membership interests will vest on May 1, 2020 and become exercisable in future periods. As of December 31, 2019, the Company has recorded approximately $5,920 as a component of compensation and benefits in the consolidated statements of operations with a corresponding liability in other non-current liabilities in the consolidated balance sheets.

The preliminary consideration transferred in the acquisition was as follows:

| | Preliminary Estimate | Measurement Period Adjustments | Revised Estimate |
|---|---|---|---|
| Cash consideration | $ 299,370 | $ (656) | $ 298,714 |
| Stock consideration | 222,484 | — | 222,484 |
| Less: cash acquired | (6,360) | — | (6,360) |
| Total estimated fair value of consideration transferred, net of cash acquired | $ 515,494 | $ (656) | $ 514,838 |

**Envestnet, Inc.**
**Notes to Consolidated Financial Statements (continued)**
**(in thousands, except share and per share amounts)**

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

| | Preliminary Estimate | Measurement Period Adjustments | Revised Estimate |
|---|---|---|---|
| Cash and cash equivalents | $ 6,360 | $ — | $ 6,360 |
| Accounts receivable | 3,782 | — | 3,782 |
| Prepaid expenses and other current assets | 969 | — | 969 |
| Other non-current assets | 4,274 | — | 4,274 |
| Property and equipment, net | 6,057 | — | 6,057 |
| Operating lease right-of-use assets, net | 1,688 | 324 | 2,012 |
| Identifiable intangible assets | 217,000 | 36,000 | 253,000 |
| Goodwill | 353,085 | (29,134) | 323,951 |
| Total assets acquired | 593,215 | 7,190 | 600,405 |
| Accounts payable and accrued expenses | (2,166) | 505 | (1,661) |
| Operating lease liabilities | (2,012) | — | (2,012) |
| Deferred income taxes | (59,643) | (8,891) | (68,534) |
| Deferred revenue | (7,540) | 540 | (7,000) |
| Total liabilities assumed | (71,361) | (7,846) | (79,207) |
| Total net assets acquired | $ 521,854 | $ (656) | $ 521,198 |

The goodwill arising from the acquisition represents the expected synergistic benefits of the transaction, primarily related to an increase in future revenues as a result of potential new business and cross selling opportunities. The goodwill is not deductible for income tax purposes. In December 2019, the Company finalized its acquisition accounting for the PIEtech acquisition, resulting in adjustments to previously reported allocations of the purchase consideration. The adjustments were a result of changes to the original fair value estimates of certain items acquired. These changes are the result of additional information obtained during 2019 that related to facts and circumstances that existed as of the acquisition date.

A summary of estimated intangible assets acquired, estimated useful lives and amortization method follows:

| | Preliminary Estimate | Measurement Period Adjustments | Revised Estimate | Estimated Useful Life in Years | Amortization Method |
|---|---|---|---|---|---|
| Customer lists | $ 181,000 | $ 41,000 | $ 222,000 | 10-20 | Accelerated |
| Proprietary technologies | 25,000 | (2,000) | 23,000 | 4 | Straight-line |
| Trade names | 11,000 | (3,000) | 8,000 | 7 | Straight-line |
| Total intangible assets acquired | $ 217,000 | $ 36,000 | $ 253,000 | | |

The results of PIEtech's operations are included in the consolidated statements of operations beginning May 1, 2019. PIEtech's revenues for the year ended December 31, 2019 totaled $30,315. PIEtech's pre-tax loss for the year ended December 31, 2019 totaled $12,374. The pre-tax loss includes acquired intangible asset amortization of $17,634 for the year ended December 31, 2019.

For the year ended December 31, 2019, acquisition related costs for the PIEtech acquisition totaled approximately $16,738, and are included in general and administration expenses. Included in this amount is approximately $8,800 in one-time cash retention bonuses plus related tax witholding, which are included in compensation and benefits in the consolidated statements of operations. The Company may incur additional acquisition related costs in 2020.

***Pro forma financial information (unaudited)***

The following pro forma financial information presents the combined results of operations of Envestnet, PortfolioCenter and PIEtech for the years ended December 31, 2019 and 2018. The pro forma financial information presents the results as if the acquisition had occurred as of the beginning of 2018. The results of the private company acquisitions are not included in the pro forma financial information presented below as they were not considered material to the Company's results of operations.

The unaudited pro forma results presented include estimated amortization charges for acquired intangible assets, interest expense, stock-based compensation expense and income tax. The Company's 2018 pro forma information includes the reversal of a valuation allowance on its deferred tax assets, transaction fee payments and retention bonus payments that were incurred in 2019 as a result of these acquisitions and reverses these amounts from the appropriate periods in 2019. All intercompany revenues have been eliminated within this pro forma information.

Pro forma financial information is presented for informational purposes and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place as of the beginning of 2018.

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 |
|---|---|---|
| Revenues | $ 919,291 | $ 869,247 |
| Net loss attributable to Envestnet, Inc. | (16,860) | (1,367) |
| Net loss per share attributable to Envestnet, Inc.: | | |
| Basic | $ (0.32) | $ (0.03) |
| Diluted | $ (0.32) | $ (0.03) |

## 4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Prepaid technology | $ 8,178 | $ 6,766 |
| Non-income tax receivables | 5,555 | 6,240 |
| Advance payroll taxes and benefits | 5,446 | — |
| Prepaid outside information services | 2,209 | 1,515 |
| Prepaid insurance | 1,919 | 943 |
| Other | 8,876 | 8,093 |
| Total prepaid expenses and other current assets | $ 32,183 | $ 23,557 |

**Envestnet, Inc.**
**Notes to Consolidated Financial Statements (continued)**
**(in thousands, except share and per share amounts)**

## 5. Property and Equipment

Property and equipment consisted of the following:

| | Estimated Useful Life | December 31, 2019 | 2018 |
|---|---|---|---|
| Cost: | | | |
| Computer equipment and software | 3 years | $ 72,190 | $ 64,346 |
| Leasehold improvements | Shorter of the lease term or useful life of the asset | 34,645 | 28,191 |
| Office furniture and fixtures | 3-7 years | 10,832 | 9,291 |
| Office equipment and other | 3-5 years | 6,850 | 5,577 |
| Building and building improvements | 7-39 years | 2,647 | — |
| Land | Not applicable | 940 | — |
| | | 128,104 | 107,405 |
| Less: accumulated depreciation and amortization | | (74,348) | (62,414) |
| Total property and equipment, net | | $ 53,756 | $ 44,991 |

During 2019 and 2018, the Company retired property and equipment that was no longer in service for the Envestnet Wealth Solutions segment with an historical cost of $8,264 and $5,984, respectively. During 2019 and 2018, the Company retired property and equipment that was no longer in service for the Envestnet Data & Analytics segment with an historical cost of $4,621 and $5,387, respectively. Gains and losses on asset retirements during 2019 and 2018 were not material.

The following table presents the cost amounts and related accumulated depreciation written off by category:

| | Year Ended December 31, 2019 | | Year Ended December 31, 2018 | |
|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Cost | Accumulated Depreciation |
| Computer equipment and software | $ 12,597 | $ (12,542) | $ 10,733 | $ (10,709) |
| Leasehold improvements | 229 | (135) | 297 | (269) |
| Office furniture and fixtures | 42 | (21) | 32 | (32) |
| Office equipment and other | 17 | (17) | 309 | (288) |
| Total property and equipment retirements | $ 12,885 | $ (12,715) | $ 11,371 | $ (11,298) |

Depreciation and amortization expense was as follows:

| | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| Depreciation and amortization expense | $ 20,777 | $ 15,737 | $ 15,383 |

## 6. Internally Developed Software

Internally developed software consisted of the following:

| | Estimated Useful Life | December 31, 2019 | 2018 |
|---|---|---|---|
| Internally developed software | 5 years | $ 104,703 | $ 70,410 |
| Less: accumulated amortization | | (44,440) | (32,201) |
| Internally developed software, net | | $ 60,263 | $ 38,209 |

Amortization expense was as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Amortization expense | $ 12,042 | $ 8,033 | $ 5,310 |

## 7. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill were as follows:

| | Envestnet Wealth Solutions | Envestnet Data & Analytics | Total |
|---|---|---|---|
| Balance at December 31, 2017 | $ 163,751 | $ 269,204 | $ 432,955 |
| FolioDynamix acquisition | 79,891 | — | 79,891 |
| Private technology company acquisition | — | 6,885 | 6,885 |
| Foreign currency and other | 167 | (796) | (629) |
| Balance at December 31, 2018 | 243,809 | 275,293 | 519,102 |
| Private AI company acquisition | — | 21,507 | 21,507 |
| PortfolioCenter acquisition | 15,587 | — | 15,587 |
| PIEtech acquisition | 323,951 | — | 323,951 |
| Foreign currency and other | (100) | (197) | (297) |
| Balance at December 31, 2019 | $ 583,247 | $ 296,603 | $ 879,850 |

Intangible assets, net consisted of the following:

| | | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| | Estimated Useful Life | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer lists | 7-20 years | $ 591,520 | $ (148,517) | $ 443,003 | $ 361,020 | $ (102,077) | $ 258,943 |
| Proprietary technologies | 4-6 years | 87,714 | (44,165) | 43,549 | 66,746 | (36,151) | 30,595 |
| Trade names | 6-7 years | 33,700 | (14,663) | 19,037 | 27,990 | (12,352) | 15,638 |
| Backlog | N/A | — | — | — | 11,000 | (10,935) | 65 |
| Total intangible assets | | $ 712,934 | $ (207,345) | $ 505,589 | $ 466,756 | $ (161,515) | $ 305,241 |

During 2019 and 2018, the Company retired fully amortized intangible assets for the Envestnet Wealth Solutions segment with a historical cost of $11,520 and $22,177, including proprietary technologies and trade names. During 2019 and 2018, the Company retired fully amortized intangible assets for the Envestnet Data & Analytics segment with a historical cost of $11,100 and $0, including trade names and backlog.

Amortization expense was as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Amortization expense | $ 68,452 | $ 53,856 | $ 42,127 |

Future amortization expense of the intangible assets as of December 31, 2019, is expected to be as follows:

| Years ending December 31: | | |
|---|---|---|
| 2020 | $ | 72,918 |
| 2021 | | 62,895 |
| 2022 | | 59,150 |
| 2023 | | 44,801 |
| 2024 | | 38,631 |
| Thereafter | | 227,194 |
| Total | $ | 505,589 |

## 8. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Accrued compensation and related taxes | $ 53,627 | $ 50,598 |
| Accrued investment manager fees | 48,720 | 50,635 |
| Non-income tax payables | 11,040 | 9,733 |
| Accrued charitable contribution | 5,020 | — |
| Accrued professional services | 3,833 | 4,517 |
| Accrued technology | 3,042 | 4,728 |
| Accrued transaction costs | 2,482 | 4,543 |
| Other accrued expenses | 10,180 | 8,544 |
| Total accrued expenses and other liabilities | $ 137,944 | $ 133,298 |

## 9. Debt

The Company’s outstanding debt obligations as of December 31, 2019 and 2018 were as follows:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Revolving credit facility balance | $ 260,000 | $ — |
| | | |
| Convertible Notes due 2019 | $ — | $ 172,500 |
| Unaccreted discount on Convertible Notes due 2019 | — | (5,890) |
| Unamortized issuance costs on Convertible Notes due 2019 | — | (899) |
| Convertible Notes due 2019 carrying value | $ — | $ 165,711 |
| | | |
| Convertible Notes due 2023 | $ 345,000 | $ 345,000 |
| Unaccreted discount on Convertible Notes due 2023 | (33,491) | (42,641) |
| Unamortized issuance costs on Convertible Notes due 2023 | (5,996) | (7,634) |
| Convertible Notes due 2023 carrying value | $ 305,513 | $ 294,725 |

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Accretion of debt discount | $ 15,040 | $ 11,134 | $ 5,472 |
| Coupon interest | 8,917 | 6,650 | 3,019 |
| Interest on revolving credit facility | 4,065 | 3,994 | 4,153 |
| Amortization of issuance costs | 3,703 | 2,771 | 3,279 |
| Undrawn and other fees | 795 | 654 | 424 |
| Total interest expense | $ 32,520 | $ 25,203 | $ 16,347 |

***Amended Credit Agreement***

In 2014, Envestnet and certain of its subsidiaries entered into a credit agreement with a group of banks (the “Banks”), for which Bank of Montreal is acting as administrative agent. Since 2014, the credit agreement has been amended several times, the latest of which occurred in September 2019 (the “Amended Credit Agreement”).

Pursuant to the Amended Credit Agreement, the Banks have agreed to provide to the Company with a revolving credit facility of $500,000, of which amount may be increased by $150,000 (the “Revolving Credit Facility”). The Amended Credit Agreement also includes a $5,000 sub-facility for the issuances of letters of credit. As of December 31, 2019, there was $260,000 outstanding under the Revolving Credit Facility.

Obligations under the Amended Credit Agreement are guaranteed by substantially all of Envestnet’s U.S. subsidiaries. In accordance with the terms of the Security Agreement, dated November 19, 2015, among the Company, the Debtors party thereto, the Banks and the Administrative Agent, obligations under the Amended Credit Agreement are secured by substantially all of the Company’s domestic assets and the Company’s pledge of 66% of the voting equity and 100% of the non-voting equity of certain of its first-tier foreign subsidiaries. Proceeds under the Amended Credit Agreement may be used to finance capital expenditures, working capital, permitted acquisitions and for general corporate purposes.

The Company will pay interest on borrowings made under the Amended Credit Agreement at rates between 1.50% and 3.25% above LIBOR based on the Company’s total leverage ratio. As of December 31, 2019, this equates to an interest rate of 4.0%. Borrowings under the Amended Credit Agreement are scheduled to mature on September 27, 2024. There is also a commitment fee equal to 0.25% per annum on the daily unused portion of the Revolving Credit Facility.

The Amended Credit Agreement contains customary conditions, representations and warranties, affirmative and negative covenants, mandatory prepayment provisions and events of default. The covenants include certain financial covenants requiring the Company to maintain compliance with a maximum senior leverage ratio, a maximum total leverage ratio, a minimum interest coverage ratio and minimum adjusted EBITDA. The Amended Credit Agreement also contains provisions that require the Company to maintain minimum liquidity levels, limit the ability of Envestnet and its subsidiaries to incur debt, make investments, sell assets, create liens, engage in transactions with affiliates, engage in mergers and acquisitions, pay dividends and other restricted payments, grant negative pledges and change their business activities. The Company was in compliance with these financial covenants and other requirements as of December 31, 2019.

During 2019, in connection with amending the credit agreement, the Company capitalized an additional $2,103 of deferred financing charges to other non-current assets in the consolidated balance sheets and wrote off $299 of pre-existing finance charges to interest expense in the consolidated statements of operations. As of December 31, 2019, the debt issuance costs related to the Amended Credit Agreement are presented in prepaid expenses and other non-current assets in the consolidated balance sheets which have outstanding amounts of $853 and $3,190, respectively.

***Convertible Notes due 2019***

In 2014, the Company issued $172,500 of convertible notes that matured on December 15, 2019 (the "Convertible Notes due 2019"). Proceeds from the offering were $166,967, net of $4,651 of issuance costs. The Convertible Notes due 2019 were general unsecured obligations, subordinated in right of payment to our obligations under our Credit Agreement. The Convertible Notes due 2019 bore interest at a rate of 1.75% per annum. The Convertible Notes due 2019 were convertible into shares of the Company's common stock under certain circumstances prior to maturity at a conversion rate of 15.9022 shares per one thousand principal amount of the Convertible Notes due 2019, which represented a conversion price of $62.88 per share, subject to adjustment under certain conditions.

The Company separately accounted for the liability and equity components of the Convertible Notes due 2019 by allocating the proceeds from issuance of the Convertible Notes due 2019 between the liability component and the embedded conversion option, or equity component. This allocation was done by first estimating an interest rate at the time of issuance for similar notes that do not include the embedded conversion option. The Company allocated $26,618 to the equity component, net of offering costs of $882. The Company recorded a discount on the Convertible Notes due 2019 of $27,500 which was accreted and recorded as additional interest expense over the life of the Convertible Notes due 2019. During 2019, 2018 and 2017, the Company recognized $5,890, $5,690 and $5,472, respectively, in accretion related to the discount. The effective interest rate of the liability component of the Convertible Notes due 2019 is equal to the stated interest rate plus the accretion of original issue discount. The effective interest rate on the liability component of the Convertible Notes due 2019 for the years ended December 31, 2019, 2018 and 2017 was approximately 6%.

Upon maturity, the Company settled the Convertible Notes due 2019 for $184,751, which included $172,500 of principal and $12,251 of additional premium payable to note holders who tendered their conversion notice. The additional $12,251 was recorded as a reduction to equity. The Convertible Notes due 2019 were paid using a combination of cash on hand and through borrowings on the Company's Revolving Credit Facility. No shares of the Company's common stock were issued upon settlement of the Convertible Notes due 2019.

***Convertible Notes due 2023***

In May 2018, the Company issued $345,000 of convertible notes maturing June 1, 2023 (the "Convertible Notes due 2023"). Net proceeds from the offering were $335,018. The Convertible Notes due 2023 bear interest at a rate of 1.75% per annum payable semiannually in arrears on June 1 and December 1 of each year, beginning on December 1, 2018.

In connection with the issuance of the Convertible Notes due 2023, the Company incurred $8,593 of issuance costs in 2018, which are presented net in Convertible Notes due 2023 in the consolidated balance sheets. These costs are being amortized and are recorded as additional interest expense over the life of the Convertible Notes due 2023.

The Convertible Notes due 2023 are general unsecured senior obligations, subordinated in right of payment to our obligations under our Amended Credit Agreement. The Convertible Notes due 2023 rank equally in right of payment with all of the Company's existing and future senior indebtedness and will be senior in right of payment to any of the Company's future subordinated obligations. The Convertible Notes due 2023 will be structurally subordinated to the indebtedness and other liabilities of any of our subsidiaries, other than our wholly owned subsidiary, Envestnet Asset Management, Inc., which will fully and unconditionally guarantee the notes on an unsecured basis, and other than to the extent the Convertible Notes due 2023 are guaranteed in the future by any of our other subsidiaries as described in the indenture and will be effectively subordinated to and future secured indebtedness to the extent of the value of the assets securing such indebtedness. Certain of our subsidiaries guarantee our obligations under our Amended Credit Agreement.

Upon the occurrence of a "fundamental change", as defined in the indenture, the holders may require the Company to repurchase all or a portion of the Convertible Notes due 2023 for cash at 100% of the principal amount of the Convertible Notes due 2023 being purchased, plus any accrued and unpaid interest.

The Convertible Notes due 2023 are convertible into shares of the Company's common stock under certain circumstances prior to maturity at a conversion rate of 14.6381 shares per one thousand principal amount of the Convertible Notes due 2023, which represents a conversion price of $68.31 per share, subject to adjustment under certain conditions. Holders may convert their Convertible Notes due 2023 at their option at any time prior to the close of business on the business day immediately preceding December 15, 2022, only under the following circumstances: (a) during any calendar quarter

commencing after the calendar quarter ending on June 30, 2018 (and only during such calendar quarter), if the last reported sale price of our common stock, for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price of the Convertible Notes due 2023 in effect on each applicable trading day; (b) during the five consecutive business-day period following any five consecutive trading-day period in which the trading price per one thousand principal amount of the Convertible Notes due 2023 for each such trading day was less than 98% of the last reported sale price of our common stock on such date multiplied by the then-current conversion rate; (c) if we call any or all of the Convertible Notes due 2023 for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (d) upon the occurrence of specified corporate events as defined in the indenture.

Upon conversion, the Company may pay cash, shares of the Company's common stock or a combination of cash and stock, as determined by the Company in its discretion. The Company's stated policy is to settle the debt component of the Convertible Notes due 2023 at least partially or wholly in cash. This policy is based both on the Company's intent and the Company's ability to settle these instruments in cash.

The Company has separately accounted for the liability and equity components of the Convertible Notes due 2023 by allocating the proceeds from issuance of the Convertible Notes due 2023 between the liability component and the embedded conversion option, or equity component. This allocation was done by first estimating an interest rate at the time of issuance for similar notes that do not include the embedded conversion option. The Company allocated $46,611 to the equity component, net of offering costs of $1,389. The Company recorded a discount on the Convertible Notes due 2023 of $48,000 which will be accreted and recorded as additional interest expense over the life of the Convertible Notes due 2023. During 2019 and 2018, the Company recognized $9,150 and $5,444, respectively, in accretion related to the discount. The effective interest rate of the liability component of the Convertible Notes due 2023 is equal to the stated interest rate plus the accretion of original issue discount. The effective interest rate on the liability component of the Convertible Notes due 2023 for the years ended December 31, 2019 and 2018 was approximately 6%.

See "Note 18—Net Income (Loss) Per Share" for further discussion of the effect of conversion on net income per common share.

## 10. Leases

The Company has operating leases for corporate offices and certain equipment, some of which may include options to extend the leases for up to 20 years, and some of which may include options to terminate the leases within 90 days. Terms of the Company's operating leases may change from time to time. The Company's leases have remaining lease terms of 3 months to 13 years.

For the year ended December 31, 2019, the total operating lease cost and short-term lease cost were $17,736 and $4,683, respectively. The Company did not have significant sublease income or variable lease cost for the year ended December 31, 2019. As of December 31, 2019, the weighted average remaining lease term was 9.2 years and the weighted average discount rate was 6.0%. Cash paid for amounts included in the measurement of the operating lease liability for the year ended December 31, 2019 was $19,002. The ROU assets obtained in exchange for new operating lease liabilities for the year ended December 31, 2019 was $30,455.

Future minimum lease payments under non-cancellable leases, as of December 31, 2019, were as follows:

| | Operating Leases |
|---|---|
| Years Ending December 31, | |
| 2020 | $ 19,390 |
| 2021 | 18,211 |
| 2022 | 13,820 |
| 2023 | 11,362 |
| 2024 | 10,178 |
| Thereafter | 59,876 |
| Total future minimum lease payments | 132,837 |
| Less imputed interest | (30,656) |
| Total operating lease liabilities | $ 102,181 |

As of December 31, 2019, the Company has several operating lease commitments, primarily for our corporate offices, that have not yet commenced. These operating leases are expected to commence through January 2024 with lease terms of up to 13 years.

For the year ended December 31, 2018, the Company disclosed the following information related to its leases:

The Company rents office space under leases that expire at various dates through 2030. Future minimum lease commitments under these operating leases, as of December 31, 2018, were as follows:

| Years ending December 31, | |
|---|---|
| 2019 | $ 15,997 |
| 2020 | 15,437 |
| 2021 | 14,705 |
| 2022 | 10,816 |
| 2023 | 9,910 |
| Thereafter | 39,449 |
| Total | $ 106,314 |

## 11. Stockholders' Equity

On February 25, 2016, the Company announced that its Board of Directors had authorized a share repurchase program under which the Company may repurchase up to 2,000,000 shares of its common stock. The timing and volume of share repurchases will be determined by the Company's management based on its ongoing assessments of the capital needs of the business, the market price of its common stock and general market conditions. No time limit has been set for the completion of the repurchase program, and the program may be suspended or discontinued at any time. The repurchase program authorizes the Company to purchase its common stock from time to time in the open market (including pursuant to a "Rule 10b5-1 plan"), in block transactions, in privately negotiated transactions, through accelerated stock repurchase programs, through option or other forward transactions or otherwise, all in compliance with applicable laws and other restrictions. For each of the years ended December 31, 2019 and 2018, the Company purchased no shares of the Company's common stock. As of both December 31, 2019 and 2018, a maximum of 1,956,390 shares may yet be purchased under this program.

On December 20, 2018, the Company issued and sold to BlackRock, Inc. ("BlackRock") approximately 2,356,000 common shares at a purchase price of $52.13 per share, and warrants to purchase approximately 470,000 common shares at an exercise price of $65.16 per share, subject to customary anti-dilution adjustments. The warrants are exercisable at BlackRock's option for four years from the date of issuance. The warrants may be exercisable through cash exercise or net issue exercise with cash settlement at the sole discretion of the Company. The gross proceeds received of approximately $122,788 were allocated to the common shares and the warrants and recorded within stockholders' equity. In connection with this transaction, the Company incurred total transaction costs of approximately $4,627 and recorded them as a reduction in equity.

On May 1, 2019, in connection with the PIEtech acquisition, the Company issued 3,184,713 shares of Envestnet common stock with a fair value of $222,484 to the sellers. See “Note 3—Business Acquisitions”.

## 12. Fair Value Measurements

The Company follows ASC 825-10, “Financial Instruments,” which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the Company’s choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheets. The Company has not elected the ASC 825-10 option to report selected financial assets and liabilities at fair value.

Financial assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon a fair value hierarchy established by GAAP, which prioritizes the inputs used to measure fair value into the following levels:

Level I: Inputs based on quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level II: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or inputs that are observable and can be corroborated by observable market data.

Level III: Inputs reflect management’s best estimates and assumptions of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the valuation of the instruments.

The following tables set forth the fair value of the Company’s financial assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets as of December 31, 2019 and 2018, based on the three-tier fair value hierarchy:

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Fair Value | Level I | Level II | Level III |
| Assets: | | | | |
| Money market funds | $ 37,730 | $ 37,730 | $ — | $ — |
| Assets used to fund deferred compensation liability | 8,390 | — | — | 8,390 |
| Total assets | $ 46,120 | $ 37,730 | $ — | $ 8,390 |
| Liabilities: | | | | |
| Contingent consideration liability | $ 9,045 | $ — | $ — | $ 9,045 |
| Deferred compensation liability | 8,208 | 8,208 | — | — |
| Total liabilities | $ 17,253 | $ 8,208 | $ — | $ 9,045 |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Fair Value | Level I | Level II | Level III |
| Assets: | | | | |
| Money market funds | $ 265,554 | $ 265,554 | $ — | $ — |
| Assets used to fund deferred compensation liability | 6,346 | — | — | 6,346 |
| Total assets | $ 271,900 | $ 265,554 | $ — | $ 6,346 |
| Liabilities: | | | | |
| Contingent consideration liability | $ 732 | $ — | $ — | $ 732 |
| Deferred compensation liability | 6,196 | 6,196 | — | — |
| Total liabilities | $ 6,928 | $ 6,196 | $ — | $ 732 |

Level I assets and liabilities include money-market funds not insured by the Federal Deposit Insurance Corporation (“FDIC”) and deferred compensation liability. The Company periodically invests excess cash in money-market funds not insured by the FDIC. The Company believes that the investments in money market funds are on deposit with creditworthy financial institutions and that the funds are highly liquid. These money-market funds are considered Level I and are included in cash and cash equivalents in the consolidated balance sheets. The fair values of the Company’s investments in money-market funds are based on the daily quoted market prices for the net asset value of the various money market funds. The fair market value of the deferred compensation liability is based on the daily quoted market prices for the net asset value of the various funds in which the participants have selected, and is included in other non-current liabilities in the consolidated balance sheets.

Level III assets and liabilities consist of the estimated fair values of contingent consideration as well as the assets to fund the Company's deferred compensation liability. The fair market value of the assets used to fund the Company's deferred compensation liability approximates the cash surrender value of the Company's life insurance premiums and is included in other non-current assets in the consolidated balance sheets.

The fair values of the contingent consideration liabilities related to certain of the Company's acquisitions were estimated using a discounted cash flow method with significant inputs that are not observable in the market and thus represents a Level III fair value measurement as defined in ASC 820, “Fair Value Measurements and Disclosures”. The significant inputs in the Company's Level III fair value measurement not supported by market activity included its assessments of expected future cash flows related to these acquisitions and their ability to meet the target performance objectives during the subsequent periods from the date of acquisition, which management believes are appropriately discounted considering the uncertainties associated with these obligations, and are calculated in accordance with the terms of their respective agreements.

The Company will continue to reassess the fair values of the contingent consideration liabilities at each reporting date until settlement. Changes to these estimated fair values will be recognized in the Company's earnings and included in general and administration expenses in the consolidated statements of operations. During 2019 and 2018, the Wheelhouse Analytics LLC contingent consideration liability was settled in the amounts of $749 and $2,193, respectively. The discounted amount of the private AI company contingent consideration liability was estimated to be $7,580. In December 2019, the Company determined that revenue targets related to the private AI company acquisition would not be met. As a result, the Company reduced the contingent consideration liability plus accrued interest associated with this acquisition by $8,126 and recorded this as a reduction to general and administration expenses.

**Envestnet, Inc.**
**Notes to Consolidated Financial Statements (continued)**
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The table below presents a reconciliation of the Company's contingent consideration liabilities, which were measured at fair value on a recurring basis using significant unobservable inputs (Level III) for the period from December 31, 2018 to December 31, 2019:

| | Fair Value of Contingent Consideration Liabilities |
|---|---|
| Balance at December 31, 2018 | $ 732 |
| Private AI company acquisition | 7,580 |
| PortfolioCenter acquisition | 8,200 |
| Settlement of contingent consideration liability | (749) |
| Fair market value adjustment on contingent consideration liability | (8,126) |
| Accretion on contingent consideration liabilities | 1,408 |
| Balance at December 31, 2019 | $ 9,045 |

The table below presents a reconciliation of assets used to fund deferred compensation liability, which was measured at fair value on a recurring basis using significant unobservable inputs (Level III) for the period from December 31, 2018 to December 31, 2019:

| | Fair Value of Assets Used to Fund Deferred Compensation Liability |
|---|---|
| Balance at December 31, 2018 | $ 6,346 |
| Contributions and fair value adjustments | 2,044 |
| Balance at December 31, 2019 | $ 8,390 |

The value of the assets used to fund the Company's deferred compensation liability, which are included in other non-current assets in the consolidated balance sheets, increased due to funding of the plan and gains on the underlying investment vehicles.

The Company assesses the categorization of assets and liabilities by level at each measurement date, and transfers between levels are recognized on the actual date of the event or when changes in circumstances cause the transfer, in accordance with the Company's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers between Levels I, II and III during the year ended December 31, 2019.

On December 15, 2014, the Company issued $172,500 of Convertible Notes due 2019. As of December 31, 2018, the carrying value of the Convertible Notes due 2019 equaled $165,711, and represented the aggregate principal amount outstanding less the unamortized discount and debt issuance costs. As of December 31, 2018, the estimated fair value of the Convertible Notes due 2019 was $174,101. The Company considered the Convertible Notes due 2019 to be a Level II liability as of December 31, 2018, and used a market approach to calculate the fair value. Upon maturity, the Company settled the Convertible Notes due 2019 for $184,751, which included $172,500 of principal and $12,251 of additional premium payable to note holders who tendered their conversion notice.

On May 25, 2018, the Company issued $345,000 of Convertible Notes due 2023. As of December 31, 2019 and 2018, the carrying value of the Convertible Notes due 2023 equaled $305,513 and $294,725, respectively, and represented the aggregate principal amount outstanding less the unamortized discount and debt issuance costs. As of December 31, 2019 and 2018, the estimated fair value of the Convertible Notes due 2023 was $414,852 and $339,024, respectively. The Company considered the Convertible Notes due 2023 to be a Level II liability as of December 31, 2019 and 2018, and used a market approach to calculate the fair value. The estimated fair value was determined based on the estimated or actual bids and offers of the Convertible Notes due 2023 in an over-the-counter market on December 31, 2019. See "Note 9—Debt".

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As of December 31, 2019 and 2018, there was $260,000 and $0, respectively, outstanding on the revolving credit facility under the Amended Credit Agreement. As of December 31, 2019, the outstanding balance on the revolving credit facility approximated fair value as borrowings under the revolving credit facility bore interest at variable rates and the Company believes its credit risk quality was consistent with when the debt originated. The Company considered the revolving credit facility to be a Level I liability as of December 31, 2019 and 2018. See "Note 9—Debt".

The Company considered the recorded value of our other financial assets and liabilities, which consist primarily of cash and cash equivalents, fees receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at December 31, 2019 based upon the short-term nature of these assets and liabilities.

## 13. Revenue

On January 1, 2018, the Company adopted ASU 2014-09 and all subsequent ASUs that modified Topic 606 ("ASC 606") using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. The Company recognized the cumulative effect of the initial application of ASC 606 as an adjustment of $9,217 to the opening balance of accumulated deficit.

In accordance with ASC 606 requirements, the impact of adoption on the Company's consolidated statements of operations was as follows:

| | Year Ended December 31, 2018 | | |
|---|---|---|---|
| | **As Reported** | **Without Adoption of ASC 606** | **Effect of Change Higher/(Lower)** |
| *Statements of Operations* | | | |
| Revenues: | | | |
| Asset-based | $ 481,233 | $ 495,646 | $ (14,413) |
| Subscription-based | 295,467 | 295,467 | — |
| Total recurring revenues | 776,700 | 791,113 | (14,413) |
| Professional services and other revenues | 35,663 | 35,840 | (177) |
| Total revenues | 812,363 | 826,953 | (14,590) |
| Operating expenses: | | | |
| Cost of revenues | 263,400 | 277,813 | (14,413) |
| Compensation and benefits | 317,188 | 318,887 | (1,699) |
| Total operating expenses | 798,198 | 814,310 | (16,112) |
| Income from operations | 14,165 | 12,643 | 1,522 |
| Net income | 4,010 | 2,488 | 1,522 |
| Net income attributable to Envestnet, Inc. | $ 5,755 | $ 4,233 | $ 1,522 |

The comparative information was not restated and will continue to be reported under the accounting standards in effect for those periods. The Company does not expect the adoption of ASC 606 to have a material impact to the results of operations on an ongoing basis.

The majority of the Company's revenues continue to be recognized when services are provided. The adoption of ASC 606 primarily impacted timing of revenue recognition for initial implementation services, deferral of incremental direct costs in obtaining contracts with customers and gross versus net presentation related to certain third party manager agreements.

***Disaggregation of revenue***

The following table presents the Company’s revenues disaggregated by major source:

| | Year Ended December 31, 2019 | | |
|---|---|---|---|
| | Envestnet Wealth Solutions | Envestnet Data & Analytics | Consolidated |
| Revenues: | | | |
| Asset-based | $ 484,312 | $ — | $ 484,312 |
| Subscription-based | 207,606 | 171,207 | 378,813 |
| Total recurring revenues | 691,918 | 171,207 | 863,125 |
| Professional services and other revenues | 17,540 | 19,462 | 37,002 |
| Total revenues | $ 709,458 | $ 190,669 | $ 900,127 |

| | Year Ended December 31, 2018 | | |
|---|---|---|---|
| | Envestnet Wealth Solutions | Envestnet Data & Analytics | Consolidated |
| Revenues: | | | |
| Asset-based | $ 481,233 | $ — | $ 481,233 |
| Subscription-based | 138,372 | 157,095 | 295,467 |
| Total recurring revenues | 619,605 | 157,095 | 776,700 |
| Professional services and other revenues | 13,000 | 22,663 | 35,663 |
| Total revenues | $ 632,605 | $ 179,758 | $ 812,363 |

| | Year Ended December 31, 2017 | | |
|---|---|---|---|
| | Envestnet Wealth Solutions(1) | Envestnet Data & Analytics(1) | Consolidated(1) |
| Revenues: | | | |
| Asset-based | $ 410,016 | $ — | $ 410,016 |
| Subscription-based | 106,048 | 139,819 | 245,867 |
| Total recurring revenues | 516,064 | 139,819 | 655,883 |
| Professional services and other revenues | 11,841 | 15,955 | 27,796 |
| Total revenues | $ 527,905 | $ 155,774 | $ 683,679 |

(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method.

One customer accounted for more than 10% of the Company’s total revenues:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Fidelity | 15% | 17% | 17% |

Fidelity accounted for 19%, 21% and 22% of the Envestnet Wealth Solutions segment's revenues for the years ended December 31, 2019, 2018 and 2017, respectively.

No single customer revenue amounts for Envestnet Data & Analytics exceeded 10% of the segment revenue total.

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 [(1)] |
| United States | $ 871,456 | $ 778,565 | $ 617,835 |
| International [(2), (3)] | 28,671 | 33,798 | 65,844 |
| Total revenues | $ 900,127 | $ 812,363 | $ 683,679 |

(1) As previously noted, prior period amounts have not been adjusted under the modified retrospective method.
(2) No foreign country accounted for more than 10% of total revenues.
(3) In 2018, upon adoption of ASU 2014-09, gross revenue recognition changed to net revenue recognition for one customer.

***Remaining performance obligations***

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2019:

| Years ending December 31, | |
|---|---|
| 2020 | $ 203,814 |
| 2021 | 131,567 |
| 2022 | 90,416 |
| 2023 | 41,141 |
| 2024 | 22,867 |
| Thereafter | 26,454 |
| Total | $ 516,259 |

Only fixed consideration from significant contracts with customers is included in the amounts presented above.

The Company has applied the practical expedients and exemption and does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less; (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed; and (iii) contracts for which the variable consideration is allocated entirely to a wholly unsatisfied performance obligations or to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation.

***Contract balances***

Total deferred revenue as of December 31, 2019 increased by $9,609, primarily the result of the PIEtech and PortfolioCenter acquisitions and an increase in deferred revenue related to subscription-based services during the year ended December 31, 2019. Total deferred revenue as of December 31, 2018 increased by $1,507, primarily the result of an increase in deferred revenue related to subscription-based services during the year ended December 31, 2018. The majority of the Company's deferred revenue will be recognized over the course of the next twelve months.

The amount of revenue recognized that was included in the opening deferred revenue balance was $23,714 and $18,620 for the years ended December 31, 2019 and 2018, respectively. The majority of this revenue consists of subscription-based services and professional services arrangements. The amount of revenue recognized from performance obligations satisfied in prior periods was not material.

***Deferred sales incentive compensation***

Deferred sales incentive compensation was $9,387 and $7,014 as of December 31, 2019 and 2018, respectively. Amortization expense for the deferred sales incentive compensation was $3,452 and $2,132 for the years ended December 31, 2019 and 2018, respectively. No significant impairment loss for capitalized costs was recorded during the periods.

The Company has applied the practical expedient to recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period would have been one year or less. These costs are included in compensation and benefits in the consolidated statements of operations.

## 14. Cost of Revenues

The following summarizes cost of revenues by revenue category:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Asset-based | $ 243,913 | $ 232,145 | $ 194,894 |
| Subscription-based | 28,904 | 25,192 | 19,818 |
| Professional services and other | 5,994 | 6,063 | 4,325 |
| Total cost of revenues | $ 278,811 | $ 263,400 | $ 219,037 |

## 15. Stock-Based Compensation

On December 31, 2004, the Company adopted a stock incentive plan (the “2004 Plan”). The 2004 Plan provided for the grant of options to employees, consultants, and non-employee directors to purchase common stock, which vest over time and have a ten-year contractual term. To satisfy options granted under the 2004 Plan, the Company made common stock available from authorized but unissued shares or shares held in treasury, if any, by the Company. Stock options granted under the 2004 Plan were non-stock options, as defined in the 2004 Plan agreement. Stock options were granted with an exercise price no less than the fair-market-value price of the common stock at the date of the grant.

The 2004 Plan has a change in control provision whereby if a change in control occurs and the participant’s awards are not equitably adjusted, such awards shall become fully vested and exercisable and all forfeiture restrictions on such awards shall lapse. Based on the terms of the 2004 Plan, the Company’s initial public offering in 2010 did not trigger the change in control provision and did not result in any modifications to the outstanding equity awards under the 2004 Plan.

On June 22, 2010, the Board of Directors approved the 2010 Long-Term Incentive Plan (“2010 Plan”), effective upon the closing of the Company’s initial public offering. The 2010 Plan provides for the grant of options, stock appreciation rights, Full Value Awards (as defined in the 2010 Plan agreement) and cash incentive awards to employees, consultants and non-employee directors to purchase common stock, which vest over time and have a ten-year contractual term. The maximum number of shares of common stock that may be delivered under the 2010 Plan is equal to the sum of 2,700,000 plus the number of shares of common stock that are subject to outstanding awards under the 2004 Plan which are forfeited, expire or are canceled after the effective date of the Company’s initial public offering. As approved by shareholders, the plan has since been amended to increase the available number of shares reserved for delivery to 8,925,000. Stock options and stock appreciation rights are granted with an exercise price no less than the fair-market-value price of the common stock at the date of the grant.

As a result of the merger between Envestnet and Tamarac, the Company adopted the Envestnet, Inc. Management Incentive Plan for Envestnet | Tamarac Management Employees (the “2012 Plan”). The 2012 Plan provides for the grant of restricted common stock, stock options and the purchase of common stock for certain Envestnet | Tamarac employees. The maximum number of shares of stock which may be issued with respect to awards under the 2012 Plan is 1,023,851.

The 2012 Plan provides for the grant of up to 559,551 shares of common stock (“Target Incentive Awards”). The Target Incentive Awards vest based upon Tamarac meeting certain performance conditions and then a subsequent two-year service condition. The Company measured the cost of these awards based on the estimated fair value of the award as of the market closing price on the day before the acquisition closed. The Company is recognizing the estimated expense on a graded-vesting method over a requisite service period of three to five years, which is the estimated vesting period. The Company estimates the expected vesting amount and recognizes compensation expense only for those awards expected to vest. This estimate is reassessed by management each reporting period and may change based upon new facts and circumstances. Changes in the assumptions impact the total amount of expense and are recognized over the vesting period. As of December 31, 2017, all 559,551 shares of restricted stock had vested.

**Envestnet, Inc.**
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**(in thousands, except share and per share amounts)**

As a result of the merger between Envestnet and Yodlee, the Company adopted the Envestnet, Inc. 2015 Acquisition Equity Award Plan (the "2015 Plan"). The 2015 Plan provides for the assumption of all unvested equity awards previously granted pursuant to the Yodlee employees and the conversion of such awards into equity awards of the Company pursuant to the 2015 Plan. No new awards are being made under the 2015 Plan. The maximum number of shares of stock which may be issued with respect to awards under the 2015 Plan is 1,058,807.

As a result of the PIEtech acquisition, described in "Note 3—Business Acquisitions", the Company adopted the 2019 Equity Plan in order to make inducement grants to certain PIEtech employees who will join Envestnet | MoneyGuide. Envestnet agreed to grant at future dates, not earlier than the sixty day anniversary of the PIEtech Acquisition, up to 301,469 shares of Envestnet common stock in the form of RSUs and PSUs pursuant to the 2019 Equity Plan. The RSUs vest over time and the PSUs vest upon the achievement of meeting certain performance conditions as well as a subsequent service condition. The Company is recognizing the estimated expense on a graded-vesting method over a requisite service period of three to five years, which is the estimated vesting period. The Company estimates the expected vesting amount and recognizes compensation expense only for those awards expected to vest. This estimate is reassessed by management each reporting period and may change based upon new facts and circumstances. Changes in assumptions impact the total amount of expense and are recognized over the vesting period.

As of December 31, 2019, the maximum number of options and restricted stock available for future issuance under the Company's plans is 2,248,672.

Employee stock-based compensation expense under the Company's plans was as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Stock-based compensation expense | $ 54,436 | $ 40,245 | $ 31,331 |
| Tax effect on stock-based compensation expense | (13,734) | (10,093) | (11,906) |
| Net effect on income | $ 40,702 | $ 30,152 | $ 19,425 |

The tax effect on stock-based compensation expense above was calculated using a blended statutory rate of 25.2%, 25.1%, and 38.0% for the years ended December 31, 2019, 2018 and 2017, respectively. However, due to the valuation allowance recorded on domestic deferred tax assets, there was no tax effect related to stock-based compensation expense for the years ended December 31, 2018 and 2017, respectively.

***Stock Options***

The following weighted average assumptions were used to value options granted during the periods indicated:

| | December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Grant date fair value of options | $ 21.55 | $ — | $ 14.51 |
| Volatility | 40.0% | —% | 43.8% |
| Risk-free interest rate | 2.5% | —% | 2.1% |
| Dividend yield | — | — | — |
| Expected term (in years) | 6.5 | — | 6.3 |

**Envestnet, Inc.**
**Notes to Consolidated Financial Statements (continued)**
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The following table summarizes option activity under the Company's plans:

| | Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding as of December 31, 2016 | 3,033,194 | $ 16.33 | 4.3 | $ 63,264 |
| Granted | 75,238 | 31.70 | | |
| Exercised | (837,857) | 9.49 | | |
| Forfeited | (16,010) | 37.42 | | |
| Outstanding as of December 31, 2017 | 2,254,565 | 19.23 | 4.3 | 69,939 |
| Granted | — | — | | |
| Exercised | (359,345) | 14.76 | | |
| Forfeited | (7,251) | 27.51 | | |
| Outstanding as of December 31, 2018 | 1,887,969 | 20.05 | 3.4 | 56,046 |
| Granted | 81,807 | 49.02 | | |
| Exercised | (783,216) | 13.52 | | |
| Forfeited | (35,974) | 48.33 | | |
| Outstanding as of December 31, 2019 | 1,150,586 | 25.66 | 3.4 | 50,590 |
| Options exercisable | 1,097,503 | 24.63 | 3.1 | 49,383 |

The aggregate intrinsic values in the table below represent the total pre-tax intrinsic value (the aggregate difference between the fair value of the Company's common stock on December 31, 2019, 2018 and 2017 of $69.63, $49.19 and $49.85, respectively, and the exercise price of in-the-money options) that would have been received by the option holders had all option holders exercised their options as of that date.

Other information is as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Total intrinsic value of options exercised | $ 40,893 | $ 15,667 | $ 29,562 |
| Cash received from exercises of stock options | 10,592 | 5,305 | 7,951 |

Exercise prices of stock options outstanding as of December 31, 2019 range from $9.00 to $55.29. At December 31, 2019, there was $793 of unrecognized compensation expense related to unvested stock options, which the Company expects to recognize over a weighted-average period of 1.9 years.

***Restricted Stock Units and Restricted Stock Awards***

Periodically, the Company grants restricted stock units and awards and performance stock units and awards to employees. Restricted stock units awards vest one-third on the first anniversary of the grant date and quarterly thereafter. Performance-based restricted units and awards vest upon the achievement of certain pre-established business and financial metrics as well as a subsequent service condition. The business and financial metrics governing the vesting of these performance-based restricted stock unit awards provide thresholds that dictate the number of shares to vest upon each evaluation date, which range from 50% to 150% of the original grant number. If these metrics are achieved, as defined in the individual grant terms, these shares would cliff vest three years from the grant date.

The following is a summary of the activity for unvested restricted stock units and awards granted under the Company's plans:

| | RSUs | | PSUs | |
|---|---|---|---|---|
| | Number of Shares | Weighted-Average Grant Date Fair Value per Share | Number of Shares | Weighted-Average Grant Date Fair Value per Share |
| Outstanding as of December 31, 2016 | 1,689,759 | $ 32.64 | 205,000 | $ 31.03 |
| Granted | 959,591 | 32.38 | — | — |
| Vested | (901,181) | 32.79 | (68,332) | 31.03 |
| Forfeited | (118,198) | 30.11 | — | — |
| Outstanding as of December 31, 2017 | 1,629,971 | 32.60 | 136,668 | 31.03 |
| Granted | 940,113 | 55.24 | 55,986 | 61.25 |
| Vested | (1,005,347) | 32.73 | (68,334) | 31.03 |
| Forfeited | (103,269) | 40.37 | — | — |
| Outstanding as of December 31, 2018 | 1,461,468 | 46.59 | 124,320 | 44.64 |
| Granted | 997,971 | 61.91 | 202,168 | 69.68 |
| Vested | (1,029,790) | 45.11 | (68,334) | 31.03 |
| Forfeited | (110,779) | 53.16 | (4,036) | 61.27 |
| Outstanding as of December 31, 2019 | 1,318,870 | 58.88 | 254,118 | 67.96 |

At December 31, 2019, there was $59,860 of unrecognized compensation expense related to unvested restricted stock units and awards, which the Company expects to recognize over a weighted-average period of 1.9 years. At December 31, 2019, there was $9,547 of unrecognized compensation expense related to unvested performance-based restricted stock units and awards, which the Company expects to recognize over a weighted-average period of 2.3 years.

In connection with the Yodlee, Inc. ("Yodlee") merger, on November 19, 2015, the Company issued 1,052,000 shares of Envestnet restricted stock unit awards ("replacement awards") issued in connection with unvested Yodlee employee equity awards. The Yodlee unvested stock options and unvested restricted stock units were canceled and exchanged for the replacement awards. In accordance with ASC 805, these awards are considered to be replacement awards. Exchanges of share options or other share-based payment awards in conjunction with a business combination are modifications of share-based payment awards in accordance with ASC 718. As a result, a portion of the fair-value-based measure of the replacement awards, are included in measuring the consideration transferred in the Yodlee business combination. To determine the portion of the replacement award that is part of consideration transferred to acquire Yodlee, we have measured both the replacement awards granted by Envestnet and the historical Yodlee awards as of November 19, 2015 in accordance with ASC 718. The portion of the fair-value-based measure of the replacement award that is part of the consideration transferred in exchange for the acquisition of Yodlee, equals the portion of the Yodlee award that is attributable to pre-combination service. Envestnet has attributed a portion of the replacement awards to post combination service as these awards require post combination service. The fair value of the rollover consideration was estimated to be $32,836 of which $4,318 was attributable to pre-acquisition services. The remaining fair value of $28,518 is amortizing over the 43 month vesting period subsequent to the acquisition date. As of December 31, 2019, there was no remaining unrecognized expense.

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In connection with the unexpected death of our former CEO, the Company modified certain of his outstanding equity awards. The modifications include the extension of exercise periods for his outstanding stock options and the immediate vesting of his outstanding RSUs. All unvested PSUs were forfeited. As a result of these modifications, the Company recorded additional non-cash compensation expense of $4,286 in 2019.

## 16. Benefit Plan

The Company sponsors a profit sharing and savings plan under Section 401(k) of the Internal Revenue Code, covering substantially all domestic employees. The Company made voluntary employer matching contributions as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Voluntary employer matching contributions | $ 6,044 | $ 4,778 | $ 4,038 |

## 17. Income Taxes

Income (loss) before income tax provision (benefit) was generated in the following jurisdictions:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Domestic | $ (61,047) | $ (18,242) | $ (9,387) |
| Foreign | 12,952 | 9,080 | 7,698 |
| Total | $ (48,095) | $ (9,162) | $ (1,689) |

The components of the income tax provision (benefit) charged to operations are summarized as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Current: | | | |
| Federal | $ 4 | $ 4,564 | $ (1,201) |
| State | 2,803 | 1,044 | 951 |
| Foreign | 5,930 | 4,849 | 6,438 |
| | 8,737 | 10,457 | 6,188 |
| Deferred: | | | |
| Federal | (33,952) | (19,444) | (4,439) |
| State | (5,603) | (3,182) | 146 |
| Foreign | (75) | (1,003) | (304) |
| | (39,630) | (23,629) | (4,597) |
| Total | $ (30,893) | $ (13,172) | $ 1,591 |

Net deferred tax assets (liabilities) consisted of the following:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Deferred revenue | $ 5,148 | $ 5,642 |
| Prepaid expenses and accruals | 9,533 | 3,302 |
| Deferred rent and lease incentives | 273 | 4,255 |
| Right of use asset | (18,507) | — |
| Lease liability | 22,983 | — |
| Net operating loss and tax credit carryforwards | 86,952 | 78,689 |
| Property and equipment and intangible assets | (127,255) | (73,778) |
| Stock-based compensation expense | 8,033 | 7,667 |
| Investment in partnerships | 2,196 | 12 |
| Convertible Notes | (8,471) | (11,918) |
| Other | 2,218 | 1,020 |
| Total deferred tax assets (liabilities), net | (16,897) | 14,891 |
| Less: valuation allowance | (12,584) | (15,531) |
| Net deferred tax liabilities | $ (29,481) | $ (640) |

In December 2017, the Tax Cuts and Jobs Act (“Tax Act”) was enacted into United States law. Beginning in 2018, the Tax Act includes the Global Intangible Low-Taxed Income (“GILTI”) and Base-Erosion Anti-abuse Tax (“BEAT”) provisions. The Company elected to account for GILTI tax in the period in which it is incurred. The GILTI provision requires the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. The Company expects to fully offset any GILTI income with Net Operating Losses (“NOLs”). The Company has reevaluated the entity classification of its Indian entities to a flow-through status. As a result, the Company does not currently expect to be subject to BEAT. Additionally, the two Indian entities also are no longer subject to GILTI.

The deferred tax liability that is not being recorded because of the Company's assertion to permanently reinvest the earnings of its India subsidiaries is $5,207 related to the dividend distribution tax in India, net of an assumed foreign tax deduction for this amount in the U.S.

The valuation allowance for net deferred tax assets as of December 31, 2019 and 2018 was $12,584 and $15,531, respectively. The change in the valuation allowance from 2018 to 2019 was primarily related to the acquisition of PIEtech. In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some or all of the deferred tax assets will be realized.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence is the cumulative loss incurred over the three years ended December 31, 2019. Such objective evidence limits the ability to consider other subjective evidence such as the Company's projections for future growth.

On the basis of this evaluation, as of December 31, 2019, a valuation allowance of $12,584 has been recorded to record only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as the Company's projections for growth.

**Envestnet, Inc.**
**Notes to Consolidated Financial Statements (continued)**
**(in thousands, except share and per share amounts)**

The expected income tax provision (benefit) calculated at the statutory federal rate differs from the actual provision as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Tax provision (benefit), at U.S. federal statutory tax rate | $ (10,012) | $ (1,559) | $ (573) |
| State income tax provision (benefit), net of federal benefit | (5,390) | (1,714) | (1,251) |
| Effect of stock-based compensation excess tax benefit | (11,983) | (7,782) | (11,522) |
| Effect of permanent items | 1,048 | 2,967 | 1,145 |
| Change in valuation allowance | (3,364) | (4,244) | 2,151 |
| Effect of change in federal income tax rate | — | — | 13,792 |
| Effect of change in state and foreign income tax rates | 2,449 | (269) | 537 |
| Uncertain tax positions | 4,478 | (2,062) | 3,668 |
| BEAT liability | — | 3,760 | — |
| Research and development credits | (6,756) | (4,770) | (2,815) |
| Change in permanent reinvestment assertion | — | — | (4,494) |
| State net operating loss adjustment | (1,588) | — | 836 |
| Other | 225 | 2,501 | 117 |
| Income tax provision (benefit) | $ (30,893) | $ (13,172) | $ 1,591 |

At December 31, 2019, the Company had NOL carryforwards, before any uncertain tax position reserves, for federal income tax purposes of approximately $265,000 available to offset future federal taxable income, if any, of which $256,000 expire through 2039 and $9,000 are carried forward indefinitely. In addition, as of December 31, 2019, the Company had NOL carryforwards for state income tax purposes of approximately $208,000 available to reduce future income subject to income taxes. The state NOL carryforwards expire through 2039.

In addition, at December 31, 2019, the Company had AMT credit carryforwards of approximately $727 for Federal purposes. As a result of tax reform, AMT credits are refundable for any taxable year beginning after 2017 and before 2022 in an amount equal to 50% (100% in the case of taxable years beginning in 2021) of the excess of the minimum tax credit for the taxable year over the amount of the credit allowable for the year against regular tax liability. Thus, the minimum tax credit was reclassified from a deferred tax asset to an income tax receivable. The Company also had AMT credits of $19 for California, which are available to reduce future California income taxes, if any, over an indefinite period. In addition, the Company had research and development (“R&D”) credit carryforwards of approximately $20,841 for federal and $10,785 for California and Illinois, as well as foreign tax credits of $1,253 available to offset federal income tax. Federal R&D credits begin to expire in 2022 through 2039. California R&D credits carryover indefinitely.

A reconciliation of the beginning and ending amount of unrecognized tax benefit follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Balance at December 31, 2018 | $ 15,628 | $ 18,312 | $ 16,476 |
| Additions based on tax positions related to the current year | 2,261 | 1,907 | 1,691 |
| Additions based on tax positions related to prior years | 1,050 | (3,976) | 145 |
| Reductions for settlements with taxing authorities related to prior years | — | (615) | — |
| Balance at December 31, 2019 | $ 18,939 | $ 15,628 | $ 18,312 |

At December 31, 2019, the amount of unrecognized tax benefits that would benefit the Company’s effective tax rate, if recognized, was $18,939. At this time, the Company estimates that the liability for unrecognized tax benefits could decrease in the next twelve months by an estimated $6,150 as it is anticipated that reviews by tax authorities will be completed. In addition, the full amount of related penalties and interest of $7,336 could also be released.

The Company recognizes potential interest and penalties related to unrecognized tax benefits in income tax expense. For the years ended December 31, 2019 and 2018, income tax expense included $1,476 and $126, respectively, of potential interest and penalties related to unrecognized tax benefits. The Company had accrued interest and penalties of $7,336 and $5,977 as of December 31, 2019 and 2018, respectively.

The Company files a consolidated federal income tax return and separate tax returns with various states. Additionally, foreign subsidiaries of the Company file tax returns in foreign jurisdictions. The Company was notified by the Internal Revenue Service in December 2017 that the calendar year 2015 and 2016 federal income tax returns have been have been selected for audit by the Internal Revenue Service. The Company’s tax returns for the calendar years ended December 31, 2018, 2017, and 2016 remain open to examination by the Internal Revenue Service in their entirety. With respect to state taxing jurisdictions, the Company’s tax returns for calendar years ended December 31, 2018, 2017, 2016, and 2015 remain open to examination by various state revenue services.

The Company's Indian subsidiaries are currently under examination by the India Tax Authority for the fiscal years ended March 31, 2019, 2018, 2017, 2014, 2013, 2012, 2011, 2010, and 2008. Based on the outcome of examinations of the Company's subsidiaries or the result of the expiration of statutes of limitations it is reasonably possible that the related unrecognized tax benefits could change from those recorded in the consolidated balance sheets. It is possible that one or more of these audits may be finalized within the next twelve months.

## 18. Net Income (Loss) Per Share

Basic net income (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding for the period. For the calculation of diluted net income (loss) per share, the basic weighted average number of shares is increased by the dilutive effect of stock options, common warrants, restricted stock awards, restricted stock units and Convertible Notes using the treasury stock method, if dilutive.

The Company accounts for the effect of its convertible notes (See “Note 9—Debt”) on diluted net income (loss) per share using the treasury stock method since they may be settled in cash, shares or a combination thereof at the Company’s option. As a result, the Convertible Notes due 2019 and Convertible Notes due 2023 have no effect on diluted net income (loss) per share until certain criteria are met, including the Company’s stock price exceeding the conversion price of $62.88 and $68.31 per share, respectively, or if the trading price of the convertible notes meets certain criteria. In the period of conversion, the convertible notes will have no impact on diluted net income (loss) per share if they are settled in cash and will have an impact on dilutive net income (loss) per share if they are settled in shares upon conversion. The Convertible Notes due 2019 were settled in cash upon maturity.

**Envestnet, Inc.**
**Notes to Consolidated Financial Statements (continued)**
**(in thousands, except share and per share amounts)**

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Basic income (loss) per share calculation: | | | |
| Net income (loss) attributable to Envestnet, Inc. | $ (16,782) | $ 5,755 | $ (3,280) |
| | | | |
| Basic number of weighted-average shares outstanding | 50,937,919 | 45,268,002 | 43,732,148 |
| Basic net income (loss) per share | $ (0.33) | $ 0.13 | $ (0.08) |
| | | | |
| Diluted income (loss) per share calculation: | | | |
| Net income (loss) attributable to Envestnet, Inc. | $ (16,782) | $ 5,755 | $ (3,280) |
| | | | |
| Basic number of weighted-average shares outstanding | 50,937,919 | 45,268,002 | 43,732,148 |
| Effect of dilutive shares: | | | |
| Options to purchase common stock | — | 1,304,493 | — |
| Unvested restricted stock units | — | 811,590 | — |
| Convertible Notes | — | — | — |
| Warrants | — | — | — |
| Diluted number of weighted-average shares outstanding | 50,937,919 | 47,384,085 | 43,732,148 |
| Diluted net income (loss) per share | $ (0.33) | $ 0.12 | $ (0.08) |

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

| | December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Options to purchase common stock | 1,150,586 | — | 2,254,565 |
| Unvested restricted stock units and awards | 1,572,988 | — | 1,766,639 |
| Convertible Notes [(1)] | 5,050,505 | 7,793,826 | 2,743,321 |
| Warrants | 470,000 | 470,000 | — |
| Total anti-dilutive securities | 8,244,079 | 8,263,826 | 6,764,525 |

(1) For 2019, this amount does not include 2,743,321 of potential common shares related to the Convertible Notes due 2019 as they were settled in cash at maturity in December 2019.

## 19. Segment Information

Business segments are generally organized around the Company's business services. The Company's business segments are:

- *Envestnet Wealth Solutions* – a leading provider of unified wealth management software and services to empower financial advisors and institutions.

- *Envestnet Data & Analytics* – leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services.

The information in the following tables is derived from the Company’s internal financial reporting used for corporate management purposes. Nonsegment operating expenses include salary and benefits for certain corporate officers, certain types of professional service expenses and insurance, acquisition related transaction costs, restructuring charges and other non-recurring and/or non-operationally related expenses. Intersegment revenues were not material for the year ended December 31, 2019.

**Envestnet, Inc.**
**Notes to Consolidated Financial Statements (continued)**
**(in thousands, except share and per share amounts)**

See “Note 13—Revenue” for detail of revenues by segment.

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Envestnet Wealth Solutions | $ 67,713 | $ 75,491 | $ 75,449 |
| Envestnet Data & Analytics | (25,262) | (10,013) | (19,456) |
| Nonsegment operating expenses | (58,524) | (51,313) | (39,573) |
| Income (loss) from operations | (16,073) | 14,165 | 16,420 |
| Interest expense, net | (29,173) | (22,840) | (16,146) |
| Other expense, net | (2,849) | (487) | (1,963) |
| Consolidated loss before income tax provision (benefit) | (48,095) | (9,162) | (1,689) |
| Income tax provision (benefit) | (30,893) | (13,172) | 1,591 |
| Consolidated net income (loss) | (17,202) | 4,010 | (3,280) |
| Add: Net loss attributable to non-controlling interest | 420 | 1,745 | — |
| Consolidated net income (loss) attributable to Envestnet, Inc. | $ (16,782) | $ 5,755 | $ (3,280) |

A summary of consolidated total assets, consolidated depreciation and amortization and consolidated capital expenditures by segment follows:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Segment assets: | | |
| Envestnet Wealth Solutions | $ 1,297,891 | $ 810,971 |
| Envestnet Data & Analytics | 503,993 | 502,776 |
| Consolidated total assets | $ 1,801,884 | $ 1,313,747 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Segment depreciation and amortization: | | | |
| Envestnet Wealth Solutions | $ 65,746 | $ 45,139 | $ 26,223 |
| Envestnet Data & Analytics | 35,525 | 32,487 | 36,597 |
| Consolidated depreciation and amortization | $ 101,271 | $ 77,626 | $ 62,820 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Segment capital expenditures: | | | |
| Envestnet Wealth Solutions | $ 42,395 | $ 36,406 | $ 22,434 |
| Envestnet Data & Analytics | 11,548 | 8,186 | 5,135 |
| Consolidated capital expenditures | $ 53,943 | $ 44,592 | $ 27,569 |

## 20. Geographical Information

The following table sets forth property and equipment, net by geographic area:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| United States | $ 48,729 | $ 39,412 |
| India | 3,988 | 3,969 |
| Other | 1,039 | 1,610 |
| Total property and equipment, net | $ 53,756 | $ 44,991 |

Internally developed software, net was $60,263 and $38,209 as of December 31, 2019 and 2018, respectively, and is all located within the United States.

See “Note 13—Revenue” for detail of revenues by geographic area.

## 21. Commitments and Contingencies

***Purchase Obligations and Indemnifications***

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

The Company enters into unconditional purchase obligations arrangements for certain of its services that it receives in the normal course of business. As of December 31, 2019, the Company estimated future minimum unconditional purchase obligations of $39,481.

The Company has acquired membership interests in private companies and accounts for such under the equity method basis of accounting. As of December 31, 2019, the Company has committed $1,375 in future funding to certain of these equity method investees.

***Legal Proceedings***

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

On September 17, 2019, the Company and Yodlee filed a motion to dismiss certain of the claims in the complaint filed by FinancialApps, including the copyright infringement, unfair competition and fraud claims. The motion to dismiss is fully briefed, and the parties are awaiting a decision from the Court. On October 30, 2019, the Company and Yodlee filed counterclaims against FinancialApps. Yodlee alleges that FinancialApps fraudulently induced it to enter into contracts with FinancialApps, then breached those contracts. FinancialApps has filed a motion to dismiss Yodlee's counterclaims. The Company believes FinancialApps’s allegations are without merit and intends to defend the action and litigate the counterclaims vigorously.

**Envestnet, Inc.**
**Notes to Consolidated Financial Statements (continued)**
**(in thousands, except share and per share amounts)**

In addition, the Company is involved in legal proceedings arising in the ordinary course of its business. Legal fees and other costs associated with such actions are expensed as incurred. The Company will record a provision for these claims when it is both probable that a liability has been incurred and the amount of the loss, or a range of the potential loss, can be reasonably estimated. These provisions are reviewed regularly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information or events pertaining to a particular case. For litigation matters where a loss may be reasonably possible, but not probable, or is probable but not reasonably estimable, no accrual is established, but if the matter is material, it is subject to disclosures. The Company believes that liabilities associated with any claims, while possible, are not probable, and therefore has not recorded any accrual for any claims as of December 31, 2019. Further, while any possible range of loss cannot be reasonably estimated at this time, the Company does not believe that the outcome of any of these proceedings, individually or in the aggregate, would, if determined adversely to it, have a material adverse effect on its financial condition or business, although an adverse resolution of legal proceedings could have a material adverse effect on the Company's results of operations or cash flow in a particular quarter or year.

***Contingencies***

Certain of the Company's revenues are subject to sales and use taxes in certain jurisdictions where it conducts business in the United States. During 2019 and 2018, the Company estimated a sales and use tax liability of $10,220 and $8,643, respectively, was probable related to revenues in multiple jurisdictions with respect to revenues in the years ended December 31, 2019 and December 31, 2018, and prior years. This amount is included in accrued expenses and other liabilities in the consolidated balance sheets.

For the years ended December 31, 2019 and 2018, the Company also estimated a sales and use tax receivable of $3,346 and $5,246, respectively, related to the estimated recoverability of a portion of the liability from customers. This amount is included in prepaid expenses and other current assets in the consolidated balance sheets.

Additional future information obtained from the applicable jurisdictions may affect the Company's estimate of its sales and use tax liability, but such change in the estimate cannot currently be made.

## 22. Quarterly Financial Data (Unaudited)

Quarterly results for the years ended December 31, 2019 and 2018 were as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | First | Second | Third | Fourth |
| Total revenues | $ 199,666 | $ 224,445 | $ 236,080 | $ 239,936 |
| Income (loss) from operations | (8,737) | (20,257) | (128) | 13,049 |
| Net income (loss) attributable to Envestnet, Inc. | (18,185) | 893 | (3,080) | 3,590 |
| Net income (loss) per share attributable to Envestnet, Inc.: | | | | |
| Basic[(1)] | $ (0.38) | $ 0.02 | $ (0.06) | $ 0.07 |
| Diluted[(1)(2)] | $ (0.38) | $ 0.02 | $ (0.06) | $ 0.07 |

| | 2018 | | | |
|---|---|---|---|---|
| | First | Second | Third | Fourth |
| Total revenues | $ 198,011 | $ 201,116 | $ 203,156 | $ 210,080 |
| Income (loss) from operations | (738) | 5 | 3,395 | 11,503 |
| Net income (loss) attributable to Envestnet, Inc. | 8,104 | (5,526) | 2,954 | 223 |
| Net incomes (loss) per share attributable to Envestnet, Inc.: | | | | |
| Basic[(1)] | $ 0.18 | $ (0.12) | $ 0.06 | $ — |
| Diluted[(1)(2)] | $ 0.17 | $ (0.12) | $ 0.06 | $ — |

(1) Quarterly values may not sum to annual values due to rounding.
(2) Quarterly values may not sum to annual values due to differences in quarterly dilution compared to year to date dilution.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

*a. Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our interim chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2019. 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 ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that 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 this evaluation, our interim chief executive officer and chief financial officer have concluded that, as of December 31, 2019, our disclosure controls and procedures were effective.

*b. Management’s Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States and include policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Our management, including our interim chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2019 using the criteria established in the updated Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2019.

Our independent registered public accounting firm, KPMG LLP, has issued a report concerning the effectiveness of our internal control over financial reporting as of December 31, 2019. See Part II, Item 8, “Report of Independent Registered Public Accounting Firm”.

On April 1, 2019 we acquired certain of the assets and assumed certain of the liabilities of the PortfolioCenter business (“PortfolioCenter”) and on May 1, 2019 we acquired all of the issued and outstanding membership interests of PIEtech, Inc. (“PIEtech”), collectively (the “Acquired Companies”). Since the date of these acquisitions, we have been analyzing and evaluating the procedures and controls of these companies to determine their effectiveness and to make them consistent with our procedures and controls. As permitted by the SEC, management has excluded the Acquired Companies from its assessment of internal control over financial reporting as of December 31, 2019. PortfolioCenter’s revenues for the year ended December 31, 2019 totaled $6,705. As of December 31, 2019, PortfolioCenter's total assets represented $25,955 of consolidated total assets. PIEtech’s revenues for the year ended December 31, 2019 totaled $30,315. As of December 31, 2019, PIEtech's total assets represented $579,832 of consolidated total assets.

*c. Changes in Internal Control Over Financial Reporting*

There were no changes to our internal control over financial reporting during the three months ended December 31, 2019, that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

## Part III

### Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2019 fiscal year, and is hereby incorporated by reference.

Information required by this Item relating to our executive officers and other corporate officers is included under the caption “Information about our Executive Officers” in Part I, Item 1 of this report.

We have adopted a code of ethics that applies to all of our employees, including our principal executive officer, our principal financial officer and our principal accounting officer. This code of ethics is posted on our website. The internet address for our website is www.envestnet.com, and the code of ethics may be found from our main web page by clicking first on “Investor Relations” and then “Corporate Governance,” and then on “Code of Conduct”.

We intend to disclose any amendment to, or waiver from, a provision of this code of ethics by posting such information to our website, at the address and location specified above.

### Item 11. Executive Compensation

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2019 fiscal year, and is hereby incorporated by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2019 fiscal year, and is hereby incorporated by reference. For a description of securities authorized under our equity compensation plans, please refer to our Proxy Statement.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2019 fiscal year, and is hereby incorporated by reference.

### Item 14. Principal Accounting Fees and Services

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2019 fiscal year, and is hereby incorporated by reference.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

| | | Page Number in Form 10-K |
|---|---|---|
| (a)(1) | Consolidated Financial Statements | |
| | Report of Independent Registered Public Accounting Firm | 67 |
| | Consolidated Balance Sheets as of December 31, 2019 and 2018 | 70 |
| | Consolidated Statements of Operations for each of the years ended December 31, 2019, 2018 and 2017 | 71 |
| | Consolidated Statements of Comprehensive Income (Loss) for each of the years ended December 31, 2019, 2018, and 2017 | 72 |
| | Consolidated Statements of Stockholders' Equity for each of the years ended December 31, 2019, 2018 and 2017 | 73 |
| | Consolidated Statements of Cash Flows for each of the years ended December 31, 2019, 2018 and 2017 | 74 |
| | Notes to Consolidated Financial Statements | 76 |
| (a)(2) | Evaluation and Qualifying Accounts | |
| | Financial statements and schedules are omitted for the reason that they are not applicable, are not required, or the information is included in the financial statements or the related notes. | |
| (b) | Exhibits: The Exhibits required by Item 601 of Regulation S-K are listed in the Index to the Exhibits on pages 119 to 121 of this report, which is incorporated herein by reference. | |

### Item 16. Form 10-K Summary

Not applicable.

## INDEX TO EXHIBITS

| Exhibit No. | Description |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Envestnet, Inc. (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on July 1, 2010 and incorporated by reference herein). |
| 3.2 | Amended and Restated Bylaws of Envestnet, Inc. (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on July 1, 2010 and incorporated by reference herein). |
| 4.7 | Indenture, dated as of May 25, 2018, by and between the Company, Envestnet Asset Management, Inc. and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Form 8-K filed with the SEC on May 25, 2018 and incorporated by reference herein). |
| 4.8 | Warrant issued to Blackhawk Investment Holdings, LLC (filed as Exhibit 4.1 to the Company's Form 8-K filed with the SEC on December 20, 2018 and incorporated by reference herein). |
| 4.89 | Registration Rights Agreement, dated December 20, 2018, between the Company and BlackRock, Inc. (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on December 20, 2018 and incorporated by reference herein). |
| 10.1 | Technology and Services Agreement dated as of March 31, 2008, between Registrant and FMR LLC (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).** |
| 10.2 | First Amendment to Technology and Services Agreement dated June 26, 2008 (filed as Exhibit 10.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein). |
| 10.3 | Second Amendment to Technology and Services Agreement dated May 5, 2009 (filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).** |
| 10.4 | Third Amendment to Technology and Services Agreement dated November 16, 2009 (filed as Exhibit 10.4 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).** |
| 10.5 | Services Agreement dated December 28, 2005 between Registrant and Fidelity Brokerage Services LLC (filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).** |
| 10.6 | Services Agreement effective March 24, 2005 between Registrant and National Financial Services LLC (filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).** |
| 10.7 | Services Agreement Amendment dated effective March 2008 (filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on May 6, 2010 and incorporated by reference herein).** |
| 10.10 | 2010 Long-Term Incentive Plan (filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on July 1, 2010 and incorporated by reference herein).* |
| 10.11 | 2004 Stock Incentive Plan (filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1, as amended (File No. 333-165717), filed with the SEC on July 1, 2010 and incorporated by reference herein).* |
| 10.12 | Form of Equity Award, filed as Exhibit 10.12 to the Company's 2010 Form 10-K, (filed with the SEC on March 18, 2011 and incorporated by reference herein).* |
| 10.13 | Fourth Amendment to Technology Services Agreement, dated as of December 31, 2011, between Envestnet, Inc. and FMR LLC (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on January 6, 2012 and incorporated by reference herein). |
| 10.14 | Amendment to Services Agreement effective December 31, 2011, between Envestnet Asset Management, Inc. and Fidelity (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on January 6, 2012 and incorporated by reference herein). |
| 10.15 | Third Amendment to Services Agreement effective December 31, 2011, between Envestnet Asset Management, Inc. and National Financial Services LLC. (filed as Exhibit 10.3 to the Company's Form 8-K filed with the SEC on January 6, 2012 and incorporated by reference herein). |
| 10.16 | Envestnet, Inc. Management Incentive Plan for Envestnet \| Tamarac Management Employees (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8 (filed with the SEC on May 1, 2012 and incorporated by reference herein).* |
| 10.17 | First Amendment to Envestnet, Inc. Management Incentive Plan for Envestnet \| Tamarac Management Employees (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on April 17, 2013 and incorporated by reference herein).* |

| Exhibit No. | Description |
|---|---|
| 10.18 | Second Amendment to Envestnet, Inc. Management Incentive Plan for Envestnet \| Tamarac Management Employees (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on May 13, 2013 and incorporated by reference herein).* |
| 10.19 | Envestnet, Inc. Executive Deferred Compensation Plan (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on February 10, 2015 and incorporated by reference herein).* |
| 10.2 | Envestnet, Inc. Director Deferred Compensation Plan (filed as Exhibit 10.2 to the Company's Form 8-K/A filed with the SEC on February 11, 2015 and incorporated by reference herein).* |
| 10.21 | 2010 Long-Term Incentive Plan, as amended (filed as Exhibit A to the Company's 2015 Annual Meeting Proxy Statement (File No. 1-34835), filed with the SEC on April 13, 2015 and incorporated by reference herein).* |
| 10.22 | Envestnet, Inc. 2015 Acquisition Equity Award Plan (filed as Exhibit 4.3 to the Company's Form S-8 filed with the SEC on November 19, 2015 and incorporated by reference herein).* |
| 10.23 | Employment Agreement, dated as of January 27, 2016 between the Company and Anil Arora (filed as Exhibit 10.8 to the Company's Form 10-Q filed with the SEC on August 13, 2016 and incorporated by reference herein).* |
| 10.24 | Executive Agreement, dated as of May 12, 2016 between Judson Bergman, the Company and Envestnet Asset Management, Inc. (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on May 13, 2016 and incorporated by reference herein).* |
| 10.25 | Executive Agreement, dated as of May 12, 2016 between William Crager, the Company and Envestnet Asset Management, Inc. (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on May13, 2016 and incorporated by reference herein).* |
| 10.26 | Executive Agreement, dated as of May 12, 2016 between Peter D'Arrigo, the Company and Envestnet Asset Management, Inc. (filed as Exhibit 10.3 to the Company's Form 8-K filed with the SEC on May 13, 2016 and incorporated by reference herein.)* |
| 10.27 | Executive Agreement, dated as of August 2, 2016 between Scott Grinis, the Company and Envestnet Asset Management, Inc. (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on August 4, 2016 and incorporated by reference herein.)* |
| 10.28 | Executive Agreement, dated as of August 2, 2016 between Josh Mayer, the Company and Envestnet Asset Management, Inc. (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on August 4, 2016 and incorporated by reference herein.)* |
| 10.29 | Nonqualified Stock Option Grant Certificate and Terms and Conditions for Anil Arora, dated December 12, 2015 (filed as Exhibit 10.9 to the Company's Form 10-Q filed with the SEC on August 13, 2016 and incorporated by reference herein).* |
| 10.3 | Full Value Award Grant Certificate and Terms and Conditions for Anil Arora, dated December 12, 2015 (filed as Exhibit 10.10 to the Company's Form 10-Q filed with the SEC on August 13, 2016 and incorporated by reference herein).* |
| 10.31 | Nonqualified Stock Option Grant Certificate and Terms and Conditions for Judson Bergman, dated May 12, 2016 (filed as Exhibit 10.7 to the Company's Form 8-K filed with the SEC on May 13, 2016 and incorporated by reference herein).* |
| 10.32 | Full Value Award Grant Certificate and Terms and Conditions for Judson Bergman, dated May 12, 2016 (filed as Exhibit 10.4 to the Company's Form 8-K filed with the SEC on May 13, 2016 and incorporated by reference herein).* |
| 10.33 | Full Value Award Grant Certificate and Terms and Conditions for William Crager, dated May 12, 2016 (filed as Exhibit 10.5 to the Company's Form 8-K filed with the SEC on May 13, 2016 and incorporated by reference herein).* |
| 10.34 | Full Value Award Grant Certificate and Terms and Conditions for Peter D'Arrigo, dated May 12, 2016 (filed as Exhibit 10.6 to the Company's Form 8-K filed with the SEC on May 13, 2016 and incorporated by reference herein).* |
| 10.35 | Full Value Award Grant Certificate and Terms and Conditions for Scott Grinis, dated August 2, 2016 (filed as Exhibit 10.4 to the Company's Form 8-K filed with the SEC on August 4, 2016 and incorporated by reference herein).* |
| 10.36 | Full Value Award Grant Certificate and Terms and Conditions for Josh Mayer, dated August 2, 2016 (filed as Exhibit 10.3 to the Company's Form 8-K filed with the SEC on August 4, 2016 and incorporated by reference herein).* |
| 10.37 | Second Amended and Restated Credit Agreement dated July 18, 2017 among Envestnet, Inc., the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Bank of Montreal, as Administrative Agent (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on July 24, 2017 and incorporated by reference herein). |

| Exhibit No. | Description |
|---|---|
| 10.38 | Amended and Restated Security Agreement, dated as of July 18, 2017, among Envestnet, Inc., the Debtors from time to time party thereto and Bank of Montreal, as Administrative Agent (filed as Exhibit 10.2 to the Company’s Form 8-K filed with the SEC on July 24, 2017 and incorporated by reference herein). |
| 10.39 | First Amendment to Second Amended and Restated Credit Agreement, dated as of May 24, 2018, among Envestnet, Inc., the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and Bank of Montreal, as Administrative Agent (filed as Exhibit 10.1 to the Company’s Form 8-K filed with the SEC on May 30, 2018 and incorporated by reference herein). |
| 10.41 | Second Amendment to Second Amended and Restated Credit Agreement, dated as of September 27, 2019, among Envestnet, Inc., the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and Bank of Montreal as Administrative Agent (filed as Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on November 8, 2019 and incorporated by reference herein).*** |
| 21.1 | Subsidiaries of the Company, filed herewith. |
| 23.1 | Consent of Independent Registered Public Accounting Firm, filed herewith. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1(1) | Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2(1) | Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document**** |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document**** |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document**** |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document**** |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document**** |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

(1) The material contained in Exhibit 32.1 and 32.2 is not deemed “filed” with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing, except to the extent that the registrant specifically incorporates it by reference.

* Management contract or compensation plan.

** Certain information redacted pursuant to a grant of confidential treatment by the staff of the Securities and Exchange Commission.

*** Certain information identified in the exhibit has been excluded as permitted by Item 601 of Regulation S-K.

**** Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the cover page; (ii) the Consolidated Balance Sheets as of December 31, 2019 and 2018; (iii) the Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017; (iv) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2019, 2018 and 2017; (v) the Consolidated Statements of Stockholders’ Equity for the years ended December 31, 2019, 2018 and 2017; (vi) the Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017; (vii) Notes to Consolidated Financial Statements tagged as blocks of text.

## SIGNATURES

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

**ENVESTNET, INC.**

| | |
|---|---|
| Date: February 28, 2020 | */s/ William C. Crager* |
| | **William C. Crager** |
| | ***Interim Chief Executive Officer (Principal Executive Officer)*** |
| Date: February 28, 2020 | */s/ Peter H. D'Arrigo* |
| | **Peter H. D'Arrigo** |
| | ***Chief Financial Officer (Principal Financial Officer)*** |

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on February 28, 2020.

| Name | Position |
|---|---|
| */s/ William C. Crager*<br>William C. Crager | Interim Chief Executive Officer (Principal Executive Officer) |
| */s/ Peter H. D'Arrigo*<br>Peter H. D'Arrigo | Chief Financial Officer (Principal Financial Officer) |
| */s/ Matthew J. Majoros*<br>Matthew J. Majoros | Senior Vice President, Financial Reporting (Principal Accounting Officer) |
| */s/ Luis Aguilar*<br>Luis Aguilar | Director |
| */s/ Anil Arora*<br>Anil Arora | Director |
| */s/ Ross Chapin*<br>Ross Chapin | Interim Chairman, Director |
| */s/ Gayle Crowell*<br>Gayle Crowell | Director |
| */s/ James Fox*<br>James Fox | Director |
| */s/ Valerie Mosley*<br>Valerie Mosley | Director |
| */s/ Charles Roame*<br>Charles Roame | Director |
| */s/ Greg Smith*<br>Greg Smith | Director |

**Exhibit 21.1**

Envestnet, Inc.
Subsidiaries of the Registrant

| **Name** | **Jurisdiction of Incorporation** |
|---|---|
| Envestnet Asset Management, Inc. | Delaware |
| Envestnet Asset Management Canada, Inc. | Quebec |
| Envestnet Asset Management India Private Limited | India |
| Envestnet Financial Technologies, Inc. | Delaware |
| Envestnet Holdings, LLC | Delaware |
| Envestnet Portfolio Solutions, Inc. | Delaware |
| Envestnet Retirement Solutions, LLC | Delaware |
| Fiduciary Exchange, LLC | Delaware |
| FolioDynamics Inc. | Delaware |
| Folio Dynamics Holdings Inc. | Delaware |
| FDx Advisors, Inc. | California |
| Klein Decisions, Inc. | North Carolina |
| M3Fn, LLC | Delaware |
| MoneyGuide, Inc. | Delaware |
| NetAssetManagement, Inc. | Delaware |
| Oltis Software LLC | Arizona |
| PMC International, Inc. | Colorado |
| Portfolio Brokerage Services, Inc. | Colorado |
| Portfolio Management Consultants, Inc. | Colorado |
| Prima Capital Holding, Inc. | Colorado |
| QRG Capital Management, Inc. | Delaware |
| Tamarac, Inc. | Washington |
| Yodlee, Inc. | Delaware |
| Yodlee Canada, Inc. | Canada |
| Yodlee Group Australia PTY Ltd. | Australia |
| Yodlee Infotech Private Limited | India |
| Yodlee FinSoft Private Limited | India |

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors

Envestnet, Inc.:

We consent to the incorporation by reference in the registration statement (No 333-235478) on Form S-3ASR, and the registration statements (Nos. 333-169050, 333-181061, 333-204858, and 333-208107) on Form S-8 of Envestnet, Inc. (the Company) of our report dated February 28, 2020, with respect to the consolidated balance sheets of Envestnet, Inc. and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2019, which report appears in the December 31, 2019 annual report on Form 10-K of Envestnet, Inc.

Our report dated February 28, 2020 refers to a change in the Company's method of accounting for revenue transactions with customers due to the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, as amended.

Our report dated February 28, 2020 also refers to a change in the method of accounting for leases due to the adoption of Accounting Standards Update No. 2016-02, *Leases*, as amended.

Our report dated February 28, 2020 contains an explanatory paragraph that states that on April 1, 2019, the Company acquired certain assets and assumed certain liabilities of the PortfolioCenter business and on May 1, 2019 the Company acquired PIEtech, Inc., (collectively the "Acquired Companies"), and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, the Acquired Companies' internal control over financial reporting associated with total assets of $605,787 thousand and total revenues of $37,020 thousand included in the consolidated financial statements of Envestnet, Inc. and subsidiaries as of and for the year ended December 31, 2019. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over the financial reporting of the Acquired Companies.

/s/ KPMG LLP

Chicago, Illinois

February 28, 2020

**Exhibit 31.1**

**CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, William C. Crager, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2019, of Envestnet, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: February 28, 2020

/s/ William C. Crager

William C. Crager
*Interim Chief Executive Officer*
*(Principal Executive Officer)*

**Exhibit 31.2**

**CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Peter H. D’Arrigo, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2019, of Envestnet, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: February 28, 2020

/s/ Peter H. D’Arrigo

Peter H. D’Arrigo

*Chief Financial Officer*

*(Principal Financial Officer)*

**Exhibit 32.1**

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

In connection with the Annual Report of Envestnet, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William C. Crager, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

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

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

By: /s/ William C. Crager
William C. Crager
*Interim Chief Executive Officer*
*(Principal Executive Officer)*

Dated: February 28, 2020

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

**Exhibit 32.2**

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

In connection with the Annual Report of Envestnet, Inc. (the "Company") on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter H. D'Arrigo, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

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

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

By: /s/ Peter H. D'Arrigo

Peter H. D'Arrigo
*Chief Financial Officer*
*(Principal Financial Officer)*

Dated: February 28, 2020

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

ENVESTNET