

# 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, 2021

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
Commission file number 001-34835



### Investnet, Inc.

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**20-1409613**  
(I.R.S Employer Identification No.)

**35 East Wacker Drive, Suite 2400, Chicago, Illinois**  
(Address of principal executive offices)

**60601**  
(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

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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, 2021 as reported on The New York Stock Exchange on that date: \$2.9 billion. For purposes of this calculation, shares of common stock held by (i) persons holding more than 5% of the outstanding shares of stock and (ii) officers and directors of the registrant, as of June 30, 2021, are excluded in that such persons may be deemed to be affiliates. This determination is not necessarily conclusive of affiliate status.

As of February 18, 2022, 54,819,705 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 2021 fiscal year.

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## Forward-Looking Statements

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

This annual report on Form 10-K for the year ended December 31, 2021 (“Annual Report”) contains forward-looking statements regarding future events and our future results within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, in particular, statements about our plans, strategies and prospects under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. These statements are based on our current expectations and projections about future events and are identified by terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “expected,” “intend,” “will,” “may,” or “should” or the negative of those terms or variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business and other characteristics of future events or circumstances are forward-looking statements. Forward-looking statements may include, among others, statements relating to:

- a pandemic or health crisis, including the Coronavirus Disease 2019 (“COVID-19”) pandemic, and its impact on the global economy and capital markets, as well as our products, clients, vendors and employees, and our results of operations, the full extent of which may be unknown;
- 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 renegotiation of fees by our clients;
- changes in the estimates of fair value of reporting units or of long-lived assets;
- the amount of our debt and our ability to service our debt;
- limitations on our ability to access information from third parties or charges for accessing such information;
- the targeting of some of our sales efforts at large financial institutions and large financial technology (“FinTech”) companies which prolongs sales cycles, requires substantial upfront sales costs and results in less predictability in completing some of our sales;
- changes in investing patterns on the assets on which we derive revenue and the freedom of investors to redeem or withdraw investments generally at any time;
- the impact of fluctuations in market conditions and interest rates on the demand for our products and services and the value of assets under management or administration;
- our ability to keep up with rapid technological change, evolving industry standards or changing requirements of clients;
- risks associated with our international operations;
- the competitiveness of our solutions and services as compared to those of others;
- liabilities associated with potential, perceived or actual breaches of fiduciary duties and/or conflicts of interest;
- harm to our reputation;
- our ability to successfully identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies;
- our ability to successfully execute the conversion of clients’ assets from their technology platform to our technology platforms in a timely and accurate manner;
- the failure to protect our intellectual property rights;
- our ability to introduce new solutions and services and enhancements;
- 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;
- regulatory compliance failures;
- failure by our customers to obtain proper permissions or waivers for our use of disclosure of information;
- adverse judicial or regulatory proceedings against us;
- failure of our solutions, services or systems, or those of third parties on which we rely, to work properly;
- potential liability for use of inaccurate information by third parties provided by us;
- the occurrence of a deemed “change of control”;
- the uncertainty of the application and interpretation of certain tax laws;

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

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

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

## Item 1. Business

### General

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

Over 108,000 advisors and more than 6,000 companies, including 18 of the 20 largest U.S. banks, 47 of the 50 largest wealth management and brokerage firms, over 500 of the largest registered investment advisers ("RIAs") and hundreds of FinTech companies, leverage Envestnet technology and services that help drive better outcomes for enterprises, advisors and their clients.

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

Envestnet, a Delaware corporation originally founded in 1999, serves clients from its headquarters based in 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 to enable them to deliver an Intelligent Financial Life to their clients.
- **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, enabling them to deliver an Intelligent Financial Life to their clients. In addition, the firm provides advisors with practice management support so that they can grow their practices and operate more efficiently. At the end of 2021, Envestnet Wealth Solutions' platform assets grew to approximately \$5.7 trillion in more than 17.5 million accounts overseen by more than 108,000 advisors.

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

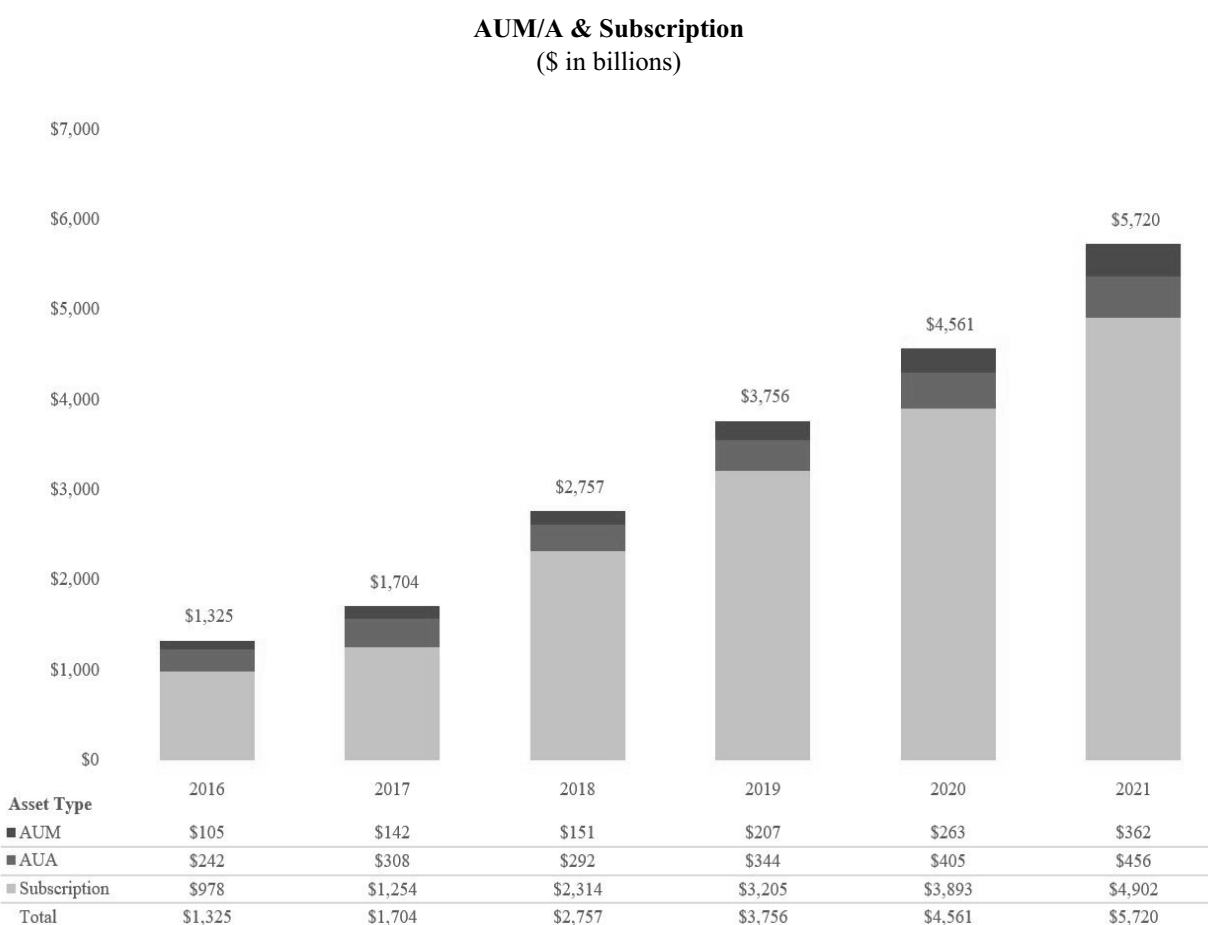
We offer these solutions principally through the following product and service suites:

- **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 22,000 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.

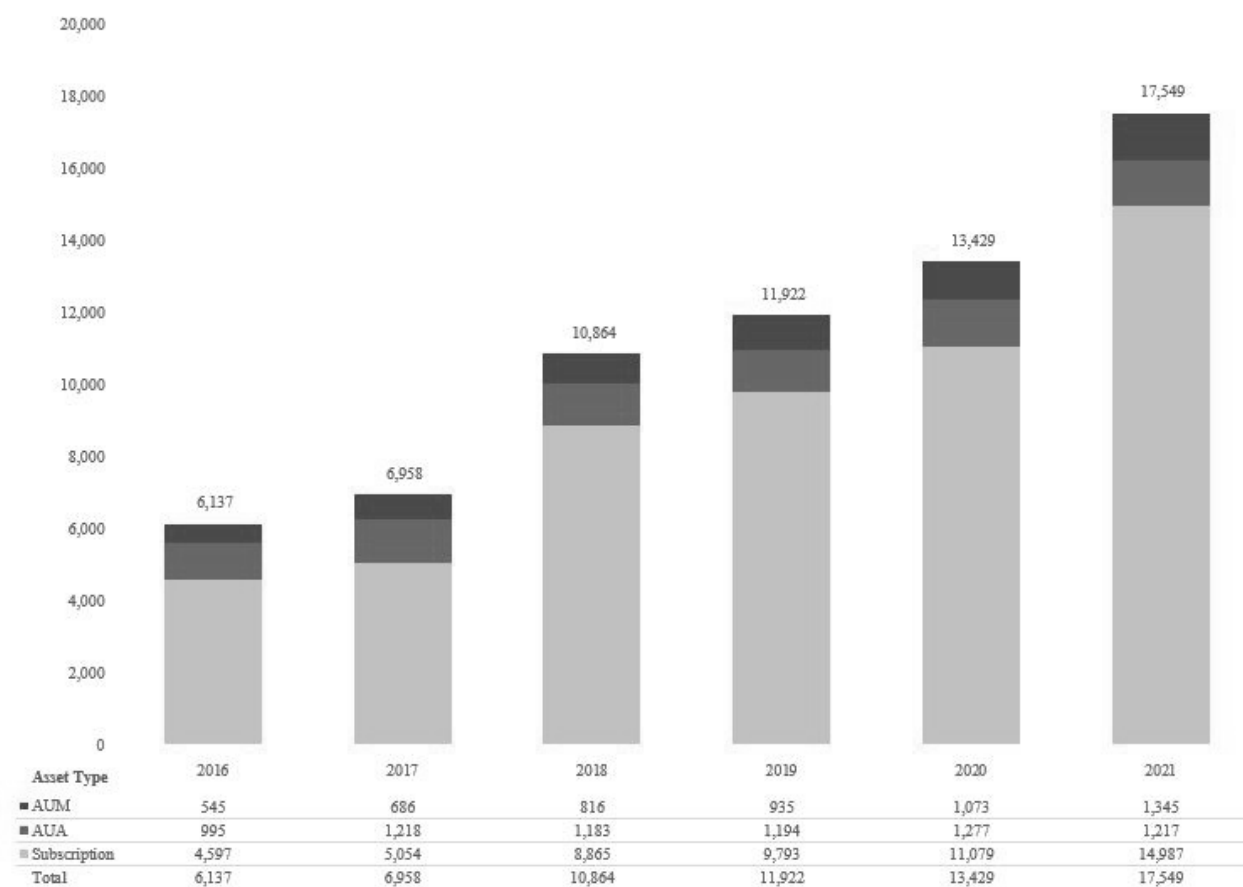
- **Envestnet | MoneyGuide** provides leading goals-based financial planning solutions to the financial services industry. The highly adaptable software helps financial advisors add significant value for their clients using best-in-class technology with enhanced integrations to generate financial plans.
- **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 4,900 vetted third-party managed account products, multi-manager portfolios and fund strategist portfolios, as well as over 950 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 choose to change the way they pay for our solution, whereby they switch from an asset-based pricing model to a subscription-based model.

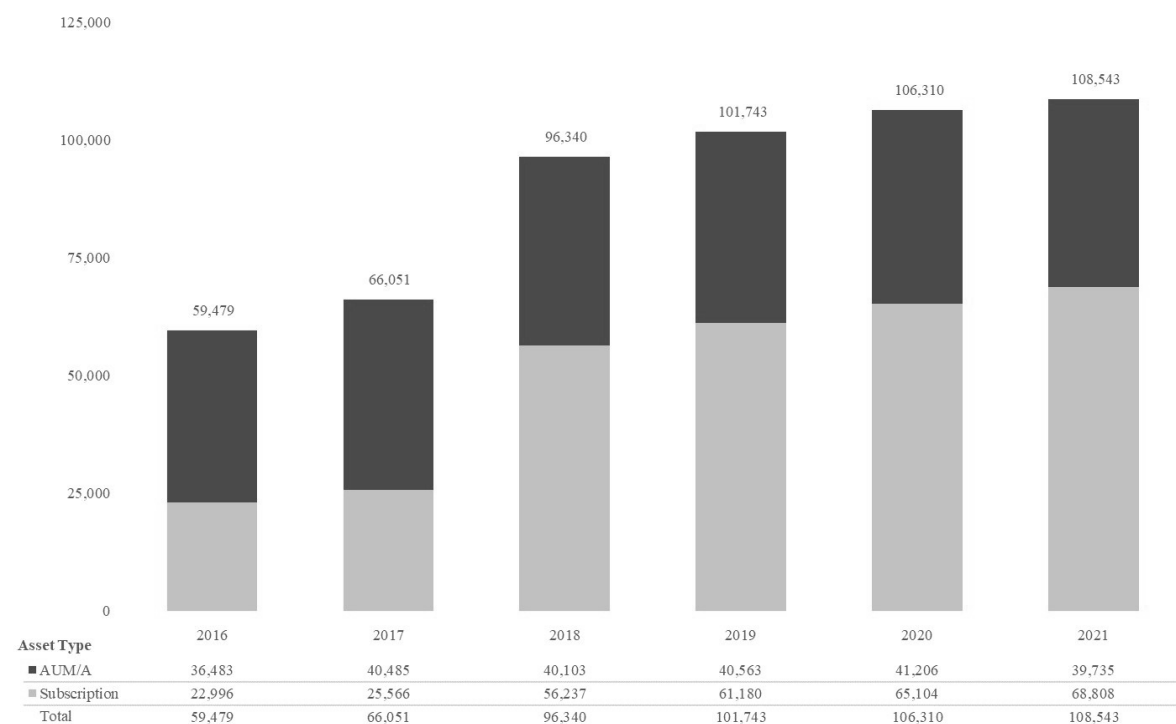
The following charts show growth in assets, number of accounts and advisors supported by Envestnet Wealth Solutions, distinguishing those metrics between assets under management or administration ("AUM/A") and subscription.



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



**AUM/A & Subscription Advisors**



**Investnet Data & Analytics Segment**

Investnet Data & Analytics is a leading data aggregation and data intelligence platform. As an artificial intelligence (“AI”) and data specialist, Investnet 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.

Approximately 1,600 financial institutions, financial technology innovators and financial advisory firms, including 15 of the 20 largest U.S. banks, subscribe to the Investnet Data & Analytics platform to underpin personalized financial apps and services for approximately 32 million paid subscribers.

Investnet 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. Investnet Data & Analytics also enables customers to develop their own applications through its open APIs, which deliver secure data, payments 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 banking, 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, Investnet|Yodlee Expense and Income Analysis FinApp helps consumers track their spending.
- **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 FinTech, wealth management, personal financial management, small business accounting, small business lending and authentication. They use the Investnet|Yodlee 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 aggregation, account verification, and enriched transaction data via our APIs. We play a critical role in transferring innovation from financial technology innovators to financial institutions. For example, YI customers use Investnet|Yodlee applications to provide personalized financial management, planning and advisory services; e-commerce payment solutions; online accounting systems for small businesses; and other services.

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, Investnet|Yodlee solutions provide access to critical data solutions, faster speed to market and enhanced distribution.

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

**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 \$114 trillion as of September 30, 2021, representing a sizeable wealth management opportunity. According to Boston Consulting Group's Global Wealth Report 2021, total net wealth in North America is expected to grow by 4.4% annually between 2020 and 2025 to exceed \$165 trillion. Based on data from Cerulli Associates, investable assets comprised an estimated 53% of overall U.S. household financial assets in 2020, advisor-directed assets totaled \$25.7 trillion in 2020, and advisors had discretion over 58% of managed account assets as of September 30, 2021.

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

The following trends are impacting Envestnet's business and creating a large and growing market opportunity for data, technology, and investment solutions and services like ours:

- **Financial Wellness:** Financial services firms, FinTech companies, and employers are placing increased emphasis on financial wellness. In addition, the COVID-19 pandemic has highlighted the need for advice. That said, according to a survey from the Society of Human Resource Management and Morgan Stanley at Work, only 26% of human resource professionals state that, since the beginning of the pandemic, their employer has offered new benefits or amplified existing benefits to assist employees in managing their financial stress.
- **Sharing of Data:** Ecosystem collaboration, which is characterized by a seamless exchange of data and resources, is enabling financial services firms to augment their overall capabilities. Traditional financial services firms and FinTech firms have complementary strengths, so collaboration leads to benefits for each partner and the end client. The power of an ecosystem is that it brings together a diverse group of constituents—consumers, product manufacturers, technology providers, developers and advisors—to create a network where value can be created and distributed at scale.
- **Ease of Access:** As investors are demanding more integrated solutions across their financial lives combined with a simpler, more personal experience with which they interact with their technology providers, wealth management providers will need to prioritize making interactions easy, fast, comprehensive and safe as a positive client experience helps to retain current clients and attract new clients.
- **Underserved Segments:** Underserved segments present a growth opportunity to wealth management firms. According to estimates from Cerulli Associates, 65% of households in the U.S. have less than \$100,000 in investable assets. Another 21% of households have between \$100,000 and \$500,000 in investable assets. Historically, these segments did not represent attractive target markets to broker-dealers and RIAs. With today's technology, it is possible for wealth management firms to serve these segments, which constitute an estimated market opportunity that exceeds \$8 trillion.

## 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 basis to financial services clients, whereby customers offer solutions based on our platform to their end users. On a business-to-business basis, we deliver an open platform to customers and third-party developers through an open API framework. We believe that a number of characteristics contribute to the success of our business model, including:

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

Our revenues are generated in the following manners:

### *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.

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

### *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 pursuing the following strategies:

- Capture addressable market:
  - **Enterprise clients in wealth management.** We provide enterprise clients with customized, private-labeled technology platforms that enable them to support their affiliated financial advisors with a broad range of investment solutions and services.
  - **Financial advisors that are working alone or as part of financial advisory firms.** Our principal value proposition aimed at financial advisors working alone or as part of financial advisory firms is that our technology platforms allow them to compete effectively with financial advisors employed by large financial institutions.
  - **Financial institutions.** We serve global banks through financial applications. Envestnet Data & Analytics Retail Banking solution 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 which allows customers to manage and meet their financial goals, which in turn leads to increased engagement.
  - **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.
- Modernize the digital engagement marketplace:
  - We have made significant investments in platform development in order to enhance and expand our technology platforms and expect these investments to continue in the future.
  - 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.

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

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

## Technology Platforms

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

Envestnet is committed to our operational and information security capabilities as strategic differentiators. We undergo annual SSAE 16 SOC 2 Type II audits to validate the continued operation of our internal controls for our flagship offerings within the ecosystem; the Unified Managed Platform, Yodlee Platform 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.

Our proprietary ecosystem provides Enterprise clients in wealth management, Financial advisors that are working alone or as part of financial advisory firms, Financial institutions, and FinTech firms along with their respective customers, access to investment solutions and services, enriched financial data, analytics, and workflows that enables the foundational orchestration of an Intelligent Financial Life via one unified experience, with the widest range of front-, middle- and back-office needs. The “open architecture” design of our ecosystem and platforms provide our customers and their customers with flexibility in terms of the investment solutions, services they access, data they leverage, and configurability to meet their unique needs. The multi-tenant platform architecture ensures that this level of flexibility and customization is achieved without requiring us to create unique applications for each client, thereby enabling improved efficacy and efficiency vs other offerings. In addition, though our technology platforms are designed to deliver a breadth of functions, our customers can select from the various investment solutions, services, data, and analytics we offer; without being required to subscribe to or purchase more than what they believe is necessary.

Our data aggregation platform collects a wide variety of end user-permissioned transaction-level data from over 17,000 sources, including banking, investment, loan and credit card information, and puts this data in a common repository. Envestnet Data & Analytics has developed robust proprietary technology and processes and established relationships that allows us to curate these data sources and expand our access to new data sources. Over 70% 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 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 ecosystem usage grows and is exposed to more users, use cases and related data, 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 insights, suggestions, or next best actions within our workflow offerings, as files, or via API access for use in third-party or proprietary customer applications and environments to create competitive advantage for our customers and their customers.

In the years ended December 31, 2021, 2020 and 2019, we incurred technology development costs for all our technology platforms totaling approximately \$80 million, \$72 million and \$60 million, respectively. Of these costs, we capitalized approximately \$65 million, \$55 million and \$34 million, respectively, as internally developed software.

## Sales and Marketing

We are putting forth an extensive effort in partnering Sales and Marketing to deliver a cohesive and holistic message to the wealth management industry. Efforts to increase the use of technology and sales enablement tools allows for more predictive and effective conversations with our advisor client-base as well as prospective customers.

- Our advisor-facing sales teams are both field sales and internal consultants. Depending on the specific business unit, they are organized regionally or by firm segmentation. They help advisors understand and access our investment solutions, create investment proposals, navigate Envestnet’s wealth management platform and facilitate new business. As an example, our Platform Consulting Group and Business Development Directors help 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 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. Our current customers work most closely with our Client Partner teams who specialize in customer account management and expansion. Together, sales, pre-sales and Client Partners are responsible for growing our customer relationships in terms of establishing new customers, deepening our relationships with existing customers (cross-selling additional products and services into the same or additional groups 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 ecosystem awareness and significant demand generation and sales acceleration across our whole business. Our marketing strategy uses data driven integrated efforts across paid, earned and owned media in order to reach our targeted clients and prospects with the right message at the right time.

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

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

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

During 2021, we further enhanced our use of digital, virtual events as a response to limitations of in person contacts as a result of the COVID-19 pandemic.

## Competition

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

Within 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, credit bureaus and data and analytic providers. Based on our industry experience, we do not believe any other single company in the data aggregation and data intelligence space offers a diverse, comprehensive platform with 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., Quantitative Research Group, Inc. ("QRG"), and Envestnet Retirement Solutions, LLC 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 and the Department of Labor (the "DOL"), impose numerous obligations and restrictions on investment advisers and mutual funds, including recordkeeping requirements, limitations on advertising, disclosure and reporting obligations, prohibitions on fraudulent activities and the requirement that conflicts of interest be monitored, mitigated, and disclosed. The fiduciary obligations of investment advisers to their clients require advisers to, among other things, consider the suitability of the investment products and advice they provide, seek "best execution" for their clients' securities transactions, conduct due diligence on third-party products offered to clients, consider the appropriateness of the adviser's fees and provide extensive and ongoing disclosure to clients. The SEC is authorized to institute proceedings and impose fines and sanctions for violations of the Advisers Act and the Investment Company Act and has the power to restrict or prohibit an investment adviser from carrying on its business in the event that it fails to comply with applicable laws and regulations. Although we 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 reviews of Envestnet Data & Analytics' management, acquisition and development activities, support and delivery, IT and disaster preparedness and business recovery planning. The Office of the Comptroller of the Currency (the "OCC") is the agency in charge of these examinations.

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

Our subsidiaries are subject to various federal and state laws and regulations that grant supervisory agencies, including the SEC, DOL 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 and support 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.

### **Human Capital Resources**

#### ***Our Values - Envestnet's five values create the foundation for our organization***

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

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

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

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

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

#### ***Diversity, Equity & Inclusion (“DEI”)***

We are committed to providing an equitable, diverse and inclusive work culture, where everyone is treated fairly, feels a sense of belonging and value, and has the resources and support they need to achieve their full potential. As part of this commitment, in 2021 we formed our DEI Executive Council which is comprised of eight Senior Leadership members and champions Diversity, Equity, and Inclusion initiatives across four pillars – training, workforce diversity, professional development, and community impact.

In 2020, Envestnet Bridges, was created to encourage all employees to participate in conversations regarding diversity and differences, building greater understanding and enhancing our Envestnet community. Envestnet Bridges has hosted monthly conversations on far reaching topics such as Allyship, Understanding Language, and Racism -- Why Your Story Matters.

Our Women's Initiative Network continues to provide women with the tools, training, and networking connections to advance in their careers, and build a platform for them to succeed.

We are committed to DEI globally. In 2021 we launched the Encourage, Engage, Evolve Mentoring Program which matched 18 female leaders in the United States with female leaders in Trivandrum, India. The program promotes the role of women in leadership, builds networking connections, and defines career development.

Also in 2021, Envestnet partnered with the University of Delaware Women's Leadership to launch two successful virtual cohorts. The program emphasizes advancing women in their leadership journey.

Envestnet is the inaugural ambassador for Money Management Institute, an organization with a mission to prepare under-represented talent for the financial tech industry.

Envestnet continues to invest in organizations and programs that enhance our connection to our community and bring to life our commitment to diversity and inclusion.

#### ***Workforce Demographics***

In 2021, we launched “People Manager Dashboards” which provide U.S.-based managers with anonymous information regarding the race/ethnicity and gender demographics of their teams, as well as information regarding open positions, promotions, terminations. This data helps managers pinpoint opportunities to increase diversity when hiring, promoting, and developing employees. Our employee population is primarily located in the United States and India. Our global workforce increased 3% in 2021 from approximately 4,250 full-time employees in 2020 to approximately 4,375 full-time employees in 2021, with 39% and 43%, respectively, based in the United States. No employee is represented in a collective bargaining agreement.

#### ***Learning & Development***

Through our global learning management system, employees have access to over 19,000 learning courses, including management and skills development; and U.S. based employees receive reimbursement for training, certifications, and degrees. During 2020 and 2021, our employees completed over 32,000 courses and over 57,000 courses, respectively. In the third quarter 2021, we launched a new learning platform with significant engagement, with over 10,000 hours of content viewed and over 8,800 courses were completed.

The Envestnet Institute on Campus (“EIOC”) is a program for motivated university students designed to bridge the gap between academic knowledge and the application of this knowledge in the Wealth and Asset Management industries. Many of our employees have graduated from this key Learning and Development program. The curriculum is currently offered at 47 schools, including Historically Black Colleges and Universities such as Howard University. The program includes mentoring, job placement, and financial literacy initiatives. As of June 30, 2021, over 4,700 students have completed the program averaging an approximate 70% completion rate. More than 1,800 women and over 1,600 students of color have completed the program. EIOC continues to support job and internship placements through its résumé database, which contains 2,000 résumés for employers seeking workforce-ready employees for internships and entry-level positions.

The Envestnet Scholarship Program has expanded its partnership with the CFP Board to offer scholarships to undergraduate students from groups traditionally underrepresented in the financial planning profession who are pursuing their Certified Financial Planner™ designation. Women and minorities who are undergraduates can apply for these scholarships. As of June 30, 2021, 53 scholarships totaling over \$280,000 have been granted.

Envestnet's 2021 Intern cohort demographics were our most diverse to date, with approximately 45% self-identifying as black, indigenous, people of color or non-white. Approximately 32% of the interns in 2021 were female.

The Envestnet Summer Internship Program is a full-time, paid internship designed for qualified college students to gain hands-on experience at Envestnet in all office locations. Interns work alongside department experts, participate in Envestnet's Institute On Campus, attend weekly “Lunch and Learns” with leaders of the business, and collaborate with fellow Envestnet interns on a summer project. Top performing interns can interview for full time employment after graduation through Envestnet's Rotational Program.

## Engagement

In 2021, during our annual employee survey, we scored four points above the industry benchmark for employee engagement. In our 2020 employee survey, which primarily focused on the employee experience during the pandemic, 94% of respondents strongly agreed with the statement, “My organization responded to the Coronavirus (COVID-19) outbreak in a way that demonstrates care for its employees’ well-being.”

## In Our Community

The Envestnet Cares program empowers our employees to engage in their local communities with paid time off for volunteer activities, charitable donation matching, and partnerships with several non-profit organizations. U.S. employees receive a match up to \$3,000 annually. In 2020, our regular charitable giving was approximately \$1.2 million. In 2021 we donated \$1 million worldwide. We also made a one-time \$5.0 million charitable contribution in 2020 in memory of our former chief executive officer.

In 2021, our employees received three paid Volunteer Days for use when volunteering for a non-profit organization of their choice during the workweek, or as part of a Company-organized volunteering event. In 2020, our employees volunteered 127 hours and participated in 4 company-sponsored events in 3 cities prior to March 13, 2020. Due to the COVID-19 Pandemic, in-person events were canceled starting in March 2020. Despite canceling in person volunteer events, our employees still volunteered over 2,400 hours in 2021, as employees participated in both virtual events and other volunteer events in their communities.

## Total Rewards

To attract and retain top talent in our highly competitive industry, we offer employees a comprehensive total rewards package. For U.S. based employees, this includes competitive base pay, annual bonus consideration, long-term incentive grants, employer-subsidized health, dental, and vision insurance, employer match for retirement savings, paid time off, group term life and disability insurance, college tuition reimbursement and scholarships, as well as paid parental leave for the birth or adoption of a child, and military leave with pay differential. In 2020, Envestnet added a parental stipend for employees with children under age 6 and in 2021, Envestnet added adoption and surrogacy to further support our employees in balancing work and life.

All U.S. based, full-time employees also receive nine paid holidays, a minimum of three weeks paid time off, two floating holidays, and three paid volunteer days per year. India-based employees receive standard health and welfare benefits, as well as additional family medical coverage, an internet stipend, and free transportation home from late shifts. Envestnet supports our employees’ physical and mental health with a no-cost Wellness Program; and provides legal, financial, and work-life solutions with our Employee Assistance Program.

## Pandemic Response

We care about our colleagues and anyone who enters our workplace. Our continuing focus on the health and well-being of our colleagues has enabled us to preserve business continuity without sacrificing our commitment to keeping our employees and workplace visitors safe during the COVID-19 pandemic.

Our Pandemic Response Team, which includes our CEO, President, and other senior members of management, meet weekly to assess the risks and status for each office location and to ensure business continuity.

All of our employees began working remotely in March 2020. Our Pandemic Response Team has established protocols to ensure the safety of our employees while working remotely and upon return to our office locations. This included mandatory COVID-19 training, advanced cleaning protocols for all offices, modified workspaces, and communication that provides employees with regular updates regarding Envestnet’s response to the impact of the pandemic. Beginning in 2022, employees were welcomed back to the office once their proof of vaccination was received; for the majority of employees, returning to the office continues to be on a voluntary basis.

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

## Information about our Executive Officers

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

Name	Age	Position(s)
William Crager	57	Chief Executive Officer
Stuart DePina	61	President
Peter D'Arrigo	54	Chief Financial Officer
Shelly O'Brien	56	Chief Legal Officer, General Counsel and Corporate Secretary

*William Crager*—Mr. Crager has served as 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 and named Chief Executive Officer in March 2020. 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 Envestnet’s President since March 2020. Prior to that time, he was Chief Executive of Envestnet Data & Analytics and 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.

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

## Securities Exchange Act Reports

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

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

## Item 1A. Risk Factors

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

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

***The COVID-19 pandemic has and may continue to adversely affect our business, including our operations and financial condition.***

The COVID-19 pandemic and measures taken to contain or mitigate the pandemic have had, and may continue to have, significant adverse effects on global economic activity and financial markets, including lowering asset and equity valuations, decreasing liquidity for certain securities and causing significant volatility and disruption in markets. Although certain economic conditions improved throughout fiscal 2021, the pandemic continues to evolve with the spread of new variants and outbreaks, and the impacts of the pandemic may continue to affect aspects of our business and results of operations in the future.

Any deterioration in current economic conditions may result in an ongoing adverse effect on our business, including our results of operations and financial condition, as a result of, among other things: lower revenue from a reduction in our asset-based fees; a decline in new client conversions as a result of extended sales cycles and longer implementation periods as clients work remotely; decreased demand for certain of our products and services; and the negative impact of the pandemic on our clients and key vendors, market participants and other third-parties with whom we do business. Additionally, our business operations may be disrupted if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic. Further, work-from-home and other modified business practices may introduce additional operational risks, including resiliency, cybersecurity, and execution risks, which may result in inefficiencies or delays, and may affect our ability to, or the manner in which we, conduct our business activities. Recently promulgated OSHA rules related to required vaccines or alternative testing protocols for unvaccinated employees may in the future have adverse effects on our current work force, including additional administrative burdens and concerns related to perceived health and safety risks, and may result in an increase in employee complaints as well as difficulty attracting and retaining personnel.

The extent to which COVID-19 may continue to affect our business, results of operations and financial condition, will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the emergence, spread and severity of new variants and additional outbreaks of COVID-19, the availability and efficacy of vaccines and treatments, future actions taken by governmental authorities, central banks and other third parties in response to the pandemic, including vaccine and testing mandates, the timing and extent normal economic and operating conditions resume and the effects on our products, clients, employees and vendors. The ongoing pandemic may also have the effect of heightening many of the other risks described in this section entitled “Risk Factors” and any subsequent filings with the SEC, which could materially and adversely affect our business, results of operations and financial condition. Further, the COVID-19 pandemic may also affect our operating and financial results in a manner that is not presently known to us or that we currently do not consider to present significant risks. If we are not able to respond to and manage the impact of such events effectively, our business, results of operations and financial condition may be materially and adversely affected. For additional discussion of the impacts of the COVID-19 pandemic, which could be materially adverse to our operations and financial results, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations, Recent Developments, Uncertainties Related to COVID-19” section in Item 7 of Part II of this Annual Report.

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

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

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

For the years ended December 31, 2021, 2020 and 2019, revenues associated with our relationship with FMR LLC, an affiliate of FMR Corp., or Fidelity, accounted for approximately 17%, 15% and 15% respectively, of our total revenues and our ten largest clients accounted for approximately 30%, 29% and 31%, 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 majority of our agreements with financial advisors generally provide for termination at any time.

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. The license agreement with Fidelity, which accounted for less than 1% of our revenue in the year ended December 31, 2021, is subject to renewal on an annual basis. If Fidelity or a significant number of our most important clients were to renegotiate or terminate their contracts with us, our results of operations, financial condition or business could be materially adversely affected.

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

Over time, the fair values of long-lived assets change. At December 31, 2021, we had \$925.2 million of goodwill and \$400.4 million of intangible assets, net, collectively representing 59% 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 2021, we completed our annual goodwill impairment analysis. The qualitative analysis performed as of October 31, 2021 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, 2021, we had \$345.0 million of outstanding 1.75% Convertible Notes due 2023 and \$517.5 million of outstanding 0.75% Convertible Notes due 2025 (collectively, the “Convertible Notes”). As of December 31, 2021, we had an additional \$500.0 million available to us to borrow under our revolving credit facility (the “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 features of our outstanding Convertible Notes are triggered, holders of the Convertible Notes will be entitled to convert their Convertible Notes at any time during specified periods at their option. We may elect to satisfy our conversion obligation in cash, in shares of our common stock or in a combination of cash and shares of our common stock. If one or more holders elect to convert their Convertible Notes, unless we satisfy our conversion obligation by delivering solely shares of our common stock (other than cash in lieu of any fractional share), we would be required to settle all or a portion of our conversion obligation through the payment of cash, which could adversely affect our liquidity. Furthermore, even if holders do not elect to convert their Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

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

Following a fundamental change, Convertible Notes holders will have the right to require us to purchase their Convertible Notes for cash. A fundamental change may also constitute an event of default or prepayment under, and result in the acceleration of the maturity of, our then-existing indebtedness. In addition, upon conversion of the Convertible Notes, unless we settle our conversion obligation solely in shares of our common stock (other than cash in lieu of any fractional share), we will be required to make cash payments in respect of the Convertible Notes being surrendered for conversion. We may not have sufficient financial resources, or may not be able to arrange financing, to pay the fundamental change purchase price in cash with respect to the Convertible Notes surrendered by holders for purchase upon a fundamental change or make cash payments upon conversions. In addition, restrictions in our Third Credit Agreement (as described herein) or future credit facilities or other indebtedness, if any, may not allow us to purchase the Convertible Notes upon a fundamental change or make cash payments upon conversions of the Convertible Notes. Our failure to purchase the Convertible Notes upon a fundamental change or make cash payments upon conversions thereof when required would result in an event of default with respect to the Convertible Notes which could, in turn, constitute a default under the terms of our other indebtedness, if any. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and purchase the Convertible Notes or make cash payments upon conversions thereof. For a description of the Company’s Third Credit Agreement entered into on February 4, 2022 amending and restating the Amended Credit Agreement, see Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations, Recent Developments, Credit Agreement Amendment” and Part II, Item 8, “Note 22—Subsequent Events”.

#### **Risks Related to our Operations**

***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, 2021, we receive over 70% 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.

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

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

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

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

***A substantial portion of our revenue is based on fees earned in 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 60%, 54% and 54% of our total revenues for the years ended December 31, 2021, 2020 and 2019, 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 market value of the assets managed by our clients and may also influence financial advisor and investor decisions regarding whether to invest in, or maintain an investment in, a particular investment or strategy. If such market fluctuation led to less investment in the securities markets, our revenues 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.

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

The market for our investment solutions and services is characterized by shifting client demands, evolving market practices, new and evolving regulations, and for some of our investment solutions and services, rapid technological change. Changing client demands, new market rules and practices, or new technologies can render existing investment solutions and services obsolete and unmarketable. As a result, our future success will continue to depend upon our ability to develop new investment solutions and services, and service and technological enhancements that address the future needs of our target markets and respond to technological and market changes. We incurred technology development costs of approximately \$80 million, \$72 million and \$60 million in the years ended December 31, 2021, 2020 and 2019, 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.

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

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

- the burdens of complying with a wide variety of foreign regulations, laws and legal standards, including 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;
- 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, 2021, approximately 2,500 of our approximate 4,375 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 retain our current employee base in India or hire additional new talent or do so cost-effectively. In addition, India has experienced significant inflation, low growth in gross domestic product and shortages of foreign exchange. India also has experienced civil unrest and terrorism and, in the past, has been involved in conflicts with neighboring countries. The occurrence of any of these circumstances could result in disruptions to our India operations, which, if continued for an extended period of time, could have a material adverse effect on our business. If we are unable to effectively manage any of the foregoing risks related to our India operations, our development efforts could be impaired, our growth could be slowed, and our operating results could be negatively impacted.

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

We compete with many different types of companies that vary in size and scope, including custodians, turnkey asset management platforms, data and analytics providers, and other financial technology companies. Representative competitors include Pershing LLC (a subsidiary of BNY Mellon Corporation), AssetMark, Inc., 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 Annual Report. In addition, some of our clients have developed or may develop the in-house capability to provide the technology and/or investment advisory services they have retained us to perform. These clients may also offer internally developed services to their financial advisors, obviating the need to hire us, and they may offer these services to third-party financial advisors or financial institutions, thereby competing directly with us for that business.

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

We may lose clients as a result of the sale or merger of a client, a change in a client’s senior management, competition from other financial advisors and financial institutions and for other reasons. We also face increased competition due to the current trend of industry consolidation. If large financial institutions that are not our clients are able to attract assets from our clients, our ability to grow revenues 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 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 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, 2021, 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.

**Risks Related to our Acquisitions**

***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.

## Risks Related to our Information Technology and Data

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

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

***Our hosting, collection, use and storage of customer information and data require the implementation of effective security controls, and a data security 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.

## Risks Related to Laws and Regulations

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

The financial services industry is among the most extensively regulated industries in the United States. We operate investment advisory, broker-dealer, and mutual fund 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.

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

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

As part of our business, we de-identify and then provide consumer transaction data panels to customers to support data analytics and market research. We collect the underlying transaction data when requested by each applicable consumer. 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. For example, in January 2020, three members of Congress wrote to the Federal Trade Commission (the “FTC”) to request a review of these business practices. In February 2020, we received a civil investigative demand from the FTC for documents and information relating to our data collection, assembly, evaluation, sharing, correction and deletion practices, with which demand we fully complied. In November, 2020, we were informed by the FTC that it had closed the matter with no further action.

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

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

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

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

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

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

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

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



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

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

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

Our charter provides that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any (i) derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine. Although we believe this exclusive forum provision benefits us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, this choice of forum provision may increase costs to bring a claim, discourage claims or limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us or our directors, officers and other employees. The exclusive forum provision in our charter will not preclude or contract the scope of exclusive federal or concurrent jurisdiction for actions brought under the federal securities laws including the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the respective rules and regulations promulgated thereunder.

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

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

***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, 2021 and 2020, the Company estimated that a sales and use tax liability of \$3.2 million and \$6.6 million, respectively, was probable related to current and prior year revenues in a number of taxing jurisdictions. In addition, for the same periods, the Company estimated a sales tax receivable of \$2.6 million and \$2.1 million, 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.

#### **Risks Related to our Common Stock**

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

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

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

***We do not currently intend to pay dividends on our common stock for the foreseeable future and, 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; Raleigh, North Carolina; Berwyn, Pennsylvania; Richmond, Virginia; Seattle, Washington; and Trivandrum, India. We support our Envestnet Data & Analytics segment primarily through offices in San Mateo, California; Raleigh, North Carolina; and Bangalore, India. The majority of our offices are leased. We believe that our office facilities are adequate for our immediate needs and that additional or substitute space is available if needed to accommodate the foreseeable growth of our operations.

## Item 3. Legal Proceedings

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

In addition, the Company's subsidiary, Envestnet Asset Management, Inc. (“EAM”), was named as a defendant in two putative class action lawsuits filed on December 28, 2020 and March 4, 2021, respectively, in the United States District Court for the Northern District of Alabama. The case captions are Drake v. BBVA USA Bancshares, Inc. et al., No. 2:20-CV-02076-ACA (“Drake”) and Ferguson v. BBVA Compass Bancshares, Inc. et al, No. 2:19-CV-01135-MHH (“Ferguson”). The material allegations of both cases were identical. The plaintiff in Ferguson alleged that EAM, acting as investment advisor to BBVA USA Bancshares, Inc.’s Compass SmartInvestor 401(k) Plan (the “SmartInvestor Plan”), along with BBVA and others, breached its fiduciary duties under the Employee Retirement Income Security Act of 1974 in connection with the selection and maintenance of the SmartInvestor Plan’s investment options. The plaintiff sought unspecified damages on behalf of a class of SmartInvestor Plan participants from July 17, 2013 through December 28, 2020. On August 27, 2021, the Court granted EAM’s motion to dismiss the Drake lawsuit. On September 3, 2021, the Court granted EAM’s motion to dismiss the Ferguson lawsuit. For more information regarding the potential impact of regulations and other legal matters, 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 150 as of February 18, 2022.

### Common Stock

As of December 31, 2021, we had 500,000,000 common shares authorized at a par value of \$0.005, of which 54,793,088 shares were outstanding.

### Preferred Stock

As of December 31, 2021, we had 50,000,000 preferred shares authorized at a par value of \$0.005, of which no shares were outstanding.

### (c) Dividends

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

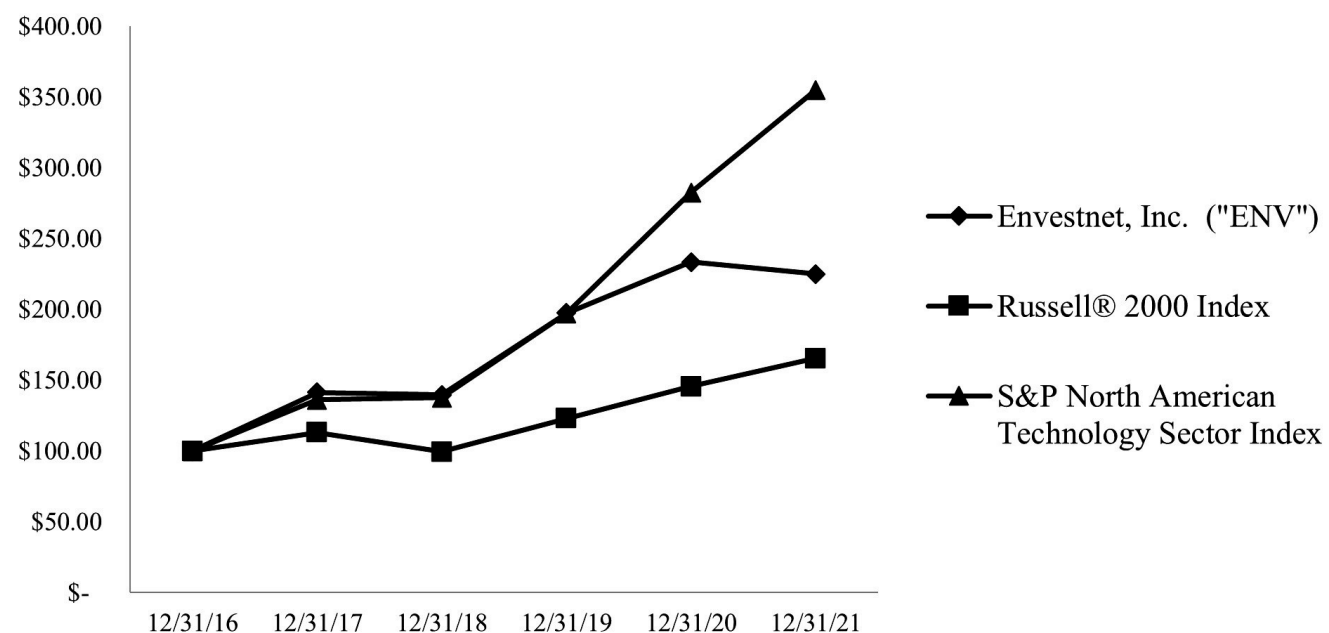
### (d) Securities Authorized for Issuance Under Equity Compensation Plan

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

### (e) Stock Performance Graph

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

## 5 YEAR STOCK PERFORMANCE GRAPH



	12/30/2016	12/31/2017	12/31/2018	12/31/2019	12/30/2020	12/31/2021
Investnet, Inc. ....	\$ 100.00	\$ 141.42	\$ 139.55	\$ 197.53	\$ 233.45	\$ 225.08
Russell® 2000 Index .....	100.00	113.14	99.37	122.94	145.52	165.45
S&P North American Technology Sector Index .....	100.00	136.24	137.75	197.25	282.45	354.99

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, 2021 through October 31, 2021 .....	—	\$ —	—	1,925,902
November 1, 2021 through November 30, 2021 .....	25,000	76.16	25,000	1,900,902
December 1, 2021 through December 31, 2021 .....	—	—	—	1,900,902

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 2.0 million shares of its common stock. The timing and volume of share repurchases will be determined by the Company's management based on its ongoing assessments of the capital needs of the business, the market price of its common stock and general market conditions. No time limit has been set for the completion of the repurchase program, and the program may be suspended or discontinued at any time. The repurchase program authorizes the Company to purchase its common stock from time to time in the open market (including pursuant to a "Rule 10b5-1 plan"), in block transactions, in privately negotiated transactions, through accelerated stock repurchase programs, through option or other forward transactions or otherwise, all in compliance with applicable laws and other restrictions. As of December 31, 2021, 1.9 million shares could still be purchased under this program.

## Item 6. Selected Financial Data

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

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

### Overview

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

Over 108,000 advisors and more than 6,000 companies, including 18 of the 20 largest U.S. banks, 47 of the 50 largest wealth management and brokerage firms, over 500 of the largest RIAs and hundreds of FinTech companies, leverage Investnet technology and services that help drive better outcomes for enterprises, advisors and their clients.

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

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

We also operate five RIAs registered with the SEC. We believe that our business model results in a high degree of recurring and predictable financial results.

### COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a global pandemic. This outbreak continues to cause disruptions to businesses and markets worldwide as the virus spreads and new variants emerge. The extent of the effect on our operational and financial performance will continue to depend on future developments, including the duration, spread and intensity of the pandemic, the emergence of variants and additional outbreaks of COVID-19, the availability and efficacy of vaccines, further governmental, regulatory and private sector responses and the timing and extent normal economic and operating conditions resume, all of which are uncertain and difficult to predict. Although we are unable to estimate the overall financial effect of the pandemic at this time, as the pandemic continues, it could have a material adverse effect on our business, results of operations, financial condition and cash flows. As of December 31, 2021, these consolidated financial statements do not reflect any adjustments as a result of the pandemic.

### Recent Developments

#### Credit Agreement Amendment

On February 4, 2022, we entered into a Third Amended and Restated Credit Agreement (the "Third Credit Agreement") with a group of banks. The Third Credit Agreement amends and restates, in its entirety, our prior Amended and Restated Credit Agreement, dated as of July 18, 2017, as amended (the "Prior Credit Agreement").

The Third Credit Agreement amended certain provisions under the Prior Credit Agreement to, among other things, (i) extend the maturity of loans and the revolving credit commitments, (ii) reduce the interest rate payable on the loans and (iii) increase capacity and flexibility under certain of the negative covenants.

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

The Credit Facility matures on February 4, 2027.

Outstanding loans under the Credit Facility accrue interest, at Envestnet's option, at a rate equal to either (i) a base rate plus an applicable margin ranging from 0.25% to 1.75% per annum or (ii) an adjusted Term SOFR rate plus an applicable margin ranging from 1.25% to 2.75% per annum, based upon the total net leverage ratio, as calculated pursuant to the Third Credit Agreement. The undrawn portion of the commitments under the Credit Facility is subject to a commitment fee at a rate ranging from 0.25% to 0.30% per annum, based upon the total net leverage ratio as calculated pursuant to the Credit Agreement.

The obligations of Envestnet under the Third Credit Agreement are guaranteed by substantially all of Envestnet's domestic subsidiaries and are secured by a first-priority lien on substantially all of the personal property (other than intellectual property) of Envestnet and the guarantors, subject to certain exclusions.

#### **Investment in YieldX**

On October 1, 2021, we acquired a 6.8% ownership interest in YieldX Inc. ("YieldX"), a Delaware corporation, for cash consideration of \$15.0 million. YieldX provides an end-to-end digital platform with smart workflows, artificial intelligence powered analytics and a reimagined user experience for financial professionals and investors in the fixed income markets. We elected the measurement alternative for this investment as it did not have a readily determinable fair value. The investment is measured at cost, less impairment, adjusted by observable price changes.

In connection with this investment, we also entered into a commercial agreement with YieldX to integrate the products and solutions of YieldX into our platform offering. The consideration under the commercial agreement includes a warrant and quarterly cash payments subject to the satisfaction of certain performance targets.

#### **Procurement of Technology Solutions**

On June 21, 2021, we entered into a purchase agreement with a privately held company to acquire the technology solutions being developed by this privately held company for a purchase price of \$18.0 million, including an advance of \$3.0 million. The transaction closed on February 1, 2022 and we paid the remaining \$15.0 million on February 2, 2022. This asset will be integrated into the Envestnet Data & Analytics segment. In addition, the agreement includes an earn-out payment of \$10.0 million based upon the achievement of certain target metrics within five years after the date of our launch of the technology solutions.

#### **Acquisition of Harvest**

On April 7, 2021, we acquired Harvest Savings & Wealth Technologies ("Harvest"), a Delaware corporation (the "Harvest Acquisition"). Harvest provides automated goals-based saving and wealth solutions to banks, credit unions, trust companies and other financial institutions. Harvest has been integrated into the Envestnet Wealth Solutions segment. The acquisition optimizes our API-based financial wellness ecosystem and also helps strengthen our foothold to enable embedded finance, which we see as a key driver of the future of financial services.

In connection with the Harvest Acquisition, we paid estimated consideration of \$32.8 million (of which approximately \$3.0 million is being held in escrow for 18 months after the closing date), net of cash acquired, subject to certain post-closing adjustments. We funded the acquisition with cash on hand.

We recorded estimated goodwill of \$18.5 million, which is not deductible for income tax purposes, and estimated identified intangible assets of \$9.5 million. The tangible assets acquired and liabilities assumed were not material.

#### **Acquisition of Proprietary Technology**

We previously owned approximately 29% of the outstanding units in a privately held company and accounted for it as an equity method investment. On March 11, 2021, we entered into an intellectual property purchase agreement with this privately held company to acquire all of the proprietary technology developed by the privately held company for approximately \$35.5 million. Concurrent with the intellectual property purchase agreement, the Company also entered into a redemption agreement with the same privately held company to redeem the Company's previously held equity interest for approximately \$10 million. The Company accounted for these two arrangements as a single unit of account. As of the acquisition date, the net cost of the proprietary technology acquired, including capitalized transaction costs, was approximately \$24.5 million, which will be amortized over a five-year period on a straight-line basis. The proprietary technology has been integrated into the Envestnet Wealth Solutions segment.

#### **Accelerated Investment Plan**

In February 2021, we announced that we would be accelerating our investment in our ecosystem, to fulfill our strategy of:

- Capturing more of the addressable market;
- Modernizing the digital engagement marketplace; and
- Opening the platform.

These investments totaled approximately \$35.5 million in 2021. We expect to incur an additional \$45 - \$50 million in 2022 as we continue to invest in our ecosystem.

#### **Organizational Realignment**

In the fourth quarter of 2020, as part of an organizational realignment, we entered into separation agreements with several employees. In connection with this realignment, we recognized approximately \$5.2 million and \$5.1 million of severance expense during the twelve months ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, we have accrued approximately \$1.4 million and \$5.1 million in accrued compensation and related taxes associated with these separation agreements, respectively.

#### **Key Metrics**

##### **Envestnet Wealth Solutions Segment**

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

	As of December 31,		
	2021	2020	2019
	(in millions, except accounts and advisors data)		
<b>Platform Assets</b>			
AUM .....	\$ 362,038	\$ 263,043	\$ 207,083
AUA .....	456,316	405,365	343,505
Total AUM/A .....	818,354	668,408	550,588
Subscription .....	4,901,662	3,892,814	3,205,281
Total Platform Assets .....	<u>\$ 5,720,016</u>	<u>\$ 4,561,222</u>	<u>\$ 3,755,869</u>
<b>Platform Accounts</b>			
AUM .....	1,345,274	1,073,122	935,039
AUA .....	1,217,076	1,276,975	1,193,882
Total AUM/A .....	2,562,350	2,350,097	2,128,921
Subscription .....	14,986,531	11,079,048	9,793,175
Total Platform Accounts .....	<u>17,548,881</u>	<u>13,429,145</u>	<u>11,922,096</u>
<b>Advisors</b>			
AUM/A .....	39,735	41,206	40,563
Subscription .....	68,808	65,104	61,180
Total Advisors .....	<u>108,543</u>	<u>106,310</u>	<u>101,743</u>



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 - 2021							
	As of December 31, 2020	Gross Sales	Redemptions	Net Flows	Market Impact	Reclass to Subscription	As of December 31, 2021
(in millions, except account data)							
AUM	\$ 263,043	\$117,066	\$ (52,668)	\$ 64,398	\$ 34,597	\$ —	\$ 362,038
AUA	405,365	116,675	(92,299)	24,376	40,787	(14,212)	456,316
Total AUM/A	\$ 668,408	\$233,741	\$ (144,967)	\$ 88,774	\$ 75,384	\$ (14,212)	\$ 818,354
<i>Fee-Based Accounts</i>	<i>2,350,097</i>			<i>322,138</i>		<i>(109,885)</i>	<i>2,562,350</i>

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

Asset Rollforward - 2020							
	As of December 31, 2019	Gross Sales	Redemptions	Net Flows	Market Impact	Reclass to Subscription	As of December 31, 2020
(in millions, except account data)							
AUM	\$ 207,083	\$ 74,118	\$ (42,958)	\$ 31,160	\$ 24,800	\$ —	\$ 263,043
AUA	343,505	117,138	(84,328)	32,810	40,052	(11,002)	405,365
Total AUM/A	\$ 550,588	\$191,256	\$ (127,286)	\$ 63,970	\$ 64,852	\$ (11,002)	\$ 668,408
<i>Fee-Based Accounts</i>	<i>2,128,921</i>			<i>278,863</i>		<i>(57,687)</i>	<i>2,350,097</i>

The above AUM/A gross sales figures include \$38.6 billion in new client conversions. We onboarded an additional \$119.6 billion in subscription conversions during 2020, bringing total conversions for the year to \$158.2 billion.

Asset and account figures in the “Reclass to Subscription” columns for the years ended December 31, 2021 and 2020 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.

### Investnet Data & Analytics Segment

#### Paid Users

A paid user is defined as a user of an application or service provided to our customer using the Investnet 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 32 million, 35 million and 25 million as of December 31, 2021, 2020 and 2019, respectively. The decrease from 2020 to 2021 is driven by a significant change in a current client's business and digital strategy.

### 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 60%, 54% and 54% of our total revenues for the years ended December 31, 2021, 2020 and 2019, 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 38%, 43% and 42% of our total revenues for the years ended December 31, 2021, 2020 and 2019, 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.

Over 75% of our asset-based recurring revenues from AUM/A are billed to customers at the beginning of each quarter and are based on the market value of their assets on our platforms as of the end of the prior quarter. For example, asset-based recurring revenues recognized during the fourth quarter of 2021 were primarily based on the market value of assets as of September 30, 2021. 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 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 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

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 costs and expenses related to occupancy, 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, proprietary technology and trade names, the values of which are capitalized in connection with our acquisitions.

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

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

As of January 1, 2021, we adopted FASB ASU 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity." The adoption of this standard resulted in a decrease to our interest expense in 2021.

Interest expense includes coupon interest and issuance cost amortization related to our convertible note issuances, as well as interest and amortization of upfront fees and monthly fees related to our Amended Credit Agreement. The issuance costs and upfront fees are amortized over the term of the related agreements. Prior to the adoption of ASU 2020-06, interest expense related to our convertible note issuances also included amortization of the original issue discount. See Part II, Item 8, "Note 10—Debt" for additional details regarding our third-party debt.

### Other income (expense), net

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

## Results of Operations

	Year Ended December 31,				
	2021	2020	% Change	2019	% Change
(in thousands, except for percentages)					
Revenues:					
Asset-based .....	\$ 709,376	\$ 540,947	31 %	\$ 484,312	12 %
Subscription-based .....	453,989	426,507	6 %	378,813	13 %
Total recurring revenues .....	1,163,365	967,454	20 %	863,125	12 %
Professional services and other revenues .....	23,152	30,776	(25)%	37,002	(17)%
Total revenues .....	1,186,517	998,230	19 %	900,127	11 %
Operating expenses:					
Cost of revenues .....	423,723	305,929	39 %	278,811	10 %
Compensation and benefits .....	432,829	398,970	8 %	383,554	4 %
General and administration .....	171,657	160,229	7 %	152,564	5 %
Depreciation and amortization .....	117,767	113,661	4 %	101,271	12 %
Total operating expenses .....	1,145,976	978,789	17 %	916,200	7 %
Income (loss) from operations .....	40,541	19,441	109 %	(16,073)	*
Other income (expense):					
Interest income .....	827	1,112	(26)%	3,347	(67)%
Interest expense .....	(16,931)	(31,504)	(46)%	(32,520)	(3)%
Other income (expense), net .....	(4,076)	2,906	*	(2,849)	*
Total other expense, net .....	(20,180)	(27,486)	(27)%	(32,022)	(14)%
Income (loss) before income tax provision (benefit) .....	20,361	(8,045)	*	(48,095)	(83)%
Income tax provision (benefit) .....	7,667	(5,401)	*	(30,893)	(83)%
Net income (loss) .....	12,694	(2,644)	*	(17,202)	(85)%
Add: Net (income) loss attributable to non-controlling interest .....	602	(466)	*	420	*
Net income (loss) attributable to Envestnet, Inc. ....	\$ 13,296	\$ (3,110)	*	\$ (16,782)	(81)%

\* Not meaningful

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

**Asset-based recurring revenues**

Asset-based recurring revenues increased 31% from \$540.9 million in 2020 to \$709.4 million in 2021. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycles as a result of the upswing in the equity markets relative to the comparable 2020 period. In 2021, revenues were also positively affected by new account growth and positive net flows of AUM/A. The revenue increase was partially offset by existing customers switching from an asset-based pricing model to a subscription-based pricing model.

The number of financial advisors with AUM or AUA on our technology platforms decreased from approximately 41,000 as of December 31, 2020 to approximately 40,000 as of December 31, 2021 and the number of AUM or AUA client accounts increased from approximately 2.4 million as of December 31, 2020 to approximately 2.6 million as of December 31, 2021.

Asset-based recurring revenue increased from 54% of total revenue in 2020 to 60% of total revenue in 2021, primarily due to a higher increase in asset-based recurring revenues as compared to subscription-based recurring revenues.

**Subscription-based recurring revenues**

Subscription-based recurring revenues increased 6% from \$426.5 million in 2020 to \$454.0 million in 2021. This increase was primarily due to an increase of \$18.9 million in the Envestnet Wealth Solutions segment and an increase of \$8.6 million in the Envestnet Data & Analytics segment, which can be attributed to new and existing customer growth. Periodically, existing customers switch from an asset-based pricing model to a subscription-based pricing model.

**Professional services and other revenues**

Professional services and other revenues decreased 25% from \$30.8 million in 2020 to \$23.2 million in 2021. The decrease was due to timing of the completion of customer projects and deployments.

**Cost of revenues**

Cost of revenues increased 39% from \$305.9 million in 2020 to \$423.7 million in 2021. The increase was primarily due to an increase in asset-based cost of revenues of \$115.1 million, which directly correlates with the increase to asset-based recurring revenues during the period. As a percentage of total revenues, cost of revenues increased from 31% to 36% for the years ended December 31, 2020 and 2021, primarily due to shifts in pricing and product mix for asset-based revenues.

**Compensation and benefits**

Compensation and benefits increased 8% from \$399.0 million in 2020 to \$432.8 million in 2021. The increase is comprised of increases in salaries, benefits and related payroll taxes of \$19.8 million, incentive compensation of \$19.3 million, non-cash compensation expense of \$8.4 million and other immaterial increases within compensation and benefit accounts. These increases were partially offset by a decrease in severance expense of \$13.8 million. The decrease in severance expense is primarily related to charges incurred during 2020 in connection with a voluntary early retirement program offered to eligible employees. Employees had until January 31, 2020 to voluntarily accept the program with separation of service no later than March 31, 2020. As a percentage of total revenues, compensation and benefits decreased from 40% in 2020 to 36% in 2021 due to a higher revenue increase compared to a lower compensation and benefits increase.

**General and administration**

General and administration expenses increased 7% from \$160.2 million in 2020 to \$171.7 million in 2021. The increase was primarily due to increases in website and systems development costs of \$11.9 million, marketing expense of \$10.9 million and professional and legal fees of \$6.0 million. These increases were partially offset by decreases in restructuring charges and transaction costs of \$7.9 million, miscellaneous general and administration expense of \$3.3 million, non-income tax expense of \$1.8 million, research and data services of \$1.7 million, travel and entertainment expense of \$1.6 million, and other immaterial decreases within general and administration expense. As a percentage of total revenues, general and administration expenses decreased from 16% in 2020 to 14% in 2021.

**Depreciation and amortization**

Depreciation and amortization expense increased 4% from \$113.7 million in 2020 to \$117.8 million in 2021, primarily due to an increase in internally developed software amortization expense of \$9.9 million, partially offset by a decrease in intangible asset amortization expense of \$5.0 million. As a percentage of total revenues, depreciation and amortization expense decreased from 11% in 2020 to 10% in 2021.

**Interest income**

Interest income decreased from \$1.1 million in 2020 to \$0.8 million in 2021, primarily due to lower effective interest rates earned on our cash and money market funds.

**Interest expense**

Interest expense decreased 46% from \$31.5 million in 2020 to \$16.9 million in 2021, primarily due to the adoption of ASU 2020-06 on January 1, 2021 and no outstanding borrowings on our revolving credit facility during fiscal year 2021.

**Other income (expense), net**

Other income (expense), net decreased from other income of \$2.9 million in 2020 to other expense of \$4.1 million in 2021, primarily due to a one-time gain of \$4.2 million recorded in 2020 related to the remeasurement of a previously held interest in an equity method investee that we acquired the remaining outstanding equity for, a one-time gain of \$2.5 million recorded in 2020 related to a fair value adjustment upon the settlement of a former Chief Executive Officer's stock options, a gain recorded in 2020 on the sale of our interest held in a private company of \$1.6 million and \$0.9 million in additional losses recorded in 2021 related to equity investments. These drivers were partially offset by a one-time gain of \$1.2 million in 2021 related to the settlement of a contingent liability and a one-time gain of \$1.0 million in 2021 related to an insurance reimbursement.

**Income tax provision**

	Year Ended December 31,	
	2021	2020
Income (loss) before income tax provision (benefit) .....	\$ 20,361	\$ (8,045)
Income tax provision (benefit) .....	7,667	(5,401)
Effective tax rate .....	37.7 %	67.1 %

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

Our 2020 effective tax rate differs from the statutory rate primarily due to state income taxes, the excess tax benefit related to stock-based compensation, executive compensation deduction limitations, the generation of R&D tax credits, income related to the Indian partnerships, the impact of the CARES Act related to NOL carryback, the change in the valuation allowance we have placed on a portion of US deferred tax assets and the settlement of ASC 740-10 amounts due to the settlement of the bilateral advance pricing agreement with India and the filing of voluntary disclosure agreement returns.

**Year ended December 31, 2020 compared to year ended December 31, 2019**

For a discussion of the 2020 Results of Operations compared to 2019, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K filed with the SEC on February 26, 2021.

## 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 to enable them to deliver an Intelligent Financial Life to their clients.

*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, certain 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,		
	2021	2020	2019
Envestnet Wealth Solutions	\$ 124,651	\$ 91,501	\$ 67,713
Envestnet Data & Analytics	2,033	(9,943)	(25,262)
Nonsegment operating expenses	(86,143)	(62,117)	(58,524)
Income (loss) from operations	40,541	19,441	(16,073)
Interest income	827	1,112	3,347
Interest expense	(16,931)	(31,504)	(32,520)
Other income (expense), net	(4,076)	2,906	(2,849)
Consolidated income (loss) before income tax benefit	20,361	(8,045)	(48,095)
Income tax expense (benefit)	7,667	(5,401)	(30,893)
Consolidated net income (loss)	12,694	(2,644)	(17,202)
Add: Net (income) loss attributable to non-controlling interest	602	(466)	420
Consolidated net income (loss) attributable to Envestnet, Inc.	\$ 13,296	\$ (3,110)	\$ (16,782)

## Envestnet Wealth Solutions

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

	Year Ended December 31,				
	2021	2020	% Change	2019	% Change
	(in thousands, except for percentages)				
<b>Revenues:</b>					
Asset-based	\$ 709,376	\$ 540,947	31 %	\$ 484,312	12 %
Subscription-based	267,720	248,810	8 %	207,606	20 %
Total recurring revenues	977,096	789,757	24 %	691,918	14 %
Professional services and other revenues	14,070	16,333	(14)%	17,540	(7)%
Total revenues	991,166	806,090	23 %	709,458	14 %
<b>Operating expenses:</b>					
Cost of revenues	399,313	283,497	41 %	255,108	11 %
Compensation and benefits	269,153	257,698	4 %	227,570	13 %
General and administration	107,976	92,680	17 %	93,321	(1)%
Depreciation and amortization	90,073	80,714	12 %	65,746	23 %
Total operating expenses	866,515	714,589	21 %	641,745	11 %
Income from operations	\$ 124,651	\$ 91,501	36 %	\$ 67,713	35 %

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

### Revenues

#### Asset-based recurring revenues

Asset-based recurring revenues increased 31% from \$540.9 million in 2020 to \$709.4 million in 2021. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycles due to the impact of new account growth and positive net flows of AUM/A relative to the comparable 2020 period. In 2021, revenues were also positively affected by new account growth and positive net flows of AUM/A. The revenue increase was partially offset by existing customers switching from an asset-based pricing model to a subscription-based pricing model.

The number of financial advisors with AUM or AUA on our technology platforms decreased from approximately 41,000 as of December 31, 2020 to approximately 40,000 as of December 31, 2021 and the number of AUM or AUA client increased from approximately 2.4 million as of December 31, 2020 to approximately 2.6 million as of December 31, 2021.

As a percentage of total revenues, asset-based recurring revenue increased from 67% of total revenue in 2020 to 72% in 2021, primarily due to a higher increase in asset-based recurring revenues as compared to subscription-based recurring revenues.

#### Subscription-based recurring revenues

Subscription-based recurring revenues increased 8% from \$248.8 million in 2020 to \$267.7 million in 2021, primarily due to new and existing customer growth along with additional revenue from existing customers switching from an asset-based pricing model to a subscription-based pricing model.

#### Professional services and other revenues

Professional services and other revenues decreased 14% from \$16.3 million in 2020 to \$14.1 million in 2021. The decrease was primarily due to timing of the completion of customer projects and deployments.

#### Cost of revenues

Cost of revenues increased 41% from \$283.5 million in 2020 to \$399.3 million in 2021. The increase was primarily due to an increase in asset-based cost of revenues of \$115.1 million directly correlated with the increase in asset-based recurring revenues for the period. As a percentage of segment revenues, cost of revenues increased from 35% in 2020 to 40% in 2021, primarily due to shifts in pricing and product mix for asset-based revenues.

#### Compensation and benefits

Compensation and benefits increased 4% from \$257.7 million in 2020 to \$269.2 million in 2021, primarily due to increases in salaries, benefits and related payroll taxes of \$12.3 million and increases in incentive compensation of \$12.1 million. These increases are partially offset by a decrease in severance expense of \$14.0 million. The decrease in severance expense is primarily related to charges incurred during 2020 in connection with a voluntary early retirement program offered to eligible employees. Employees had until January 31, 2020 to voluntarily accept the program with separation of service no later than March 31, 2020. As a percentage of segment revenues, compensation and benefits decreased from 32% in 2020 to 27% in 2021, primarily due to a higher revenue increase compared to a lower compensation and benefits increase.

#### General and administration

General and administration expenses increased 17% from \$92.7 million in 2020 to \$108.0 million in 2021, primarily due to increases in systems development costs of \$10.0 million, marketing expense of \$8.6 million, and professional and legal fees of \$5.0 million. These increases were partially offset by decreases in miscellaneous general and administration expenses of \$3.0 million, non-income tax expense of \$2.0 million, communications, research and data services of \$1.4 million, travel and entertainment expenses of \$1.3 million and various other immaterial decreases. As a percentage of segment revenues, general and administration expenses remained consistent at 11% in 2020 and 2021.



### Depreciation and amortization

Depreciation and amortization increased 12% from \$80.7 million in 2020 to \$90.1 million in 2021, primarily due to an increase in internally developed software amortization expense of \$7.4 million and an increase in intangible asset amortization expense of \$1.9 million. As a percentage of segment revenues, depreciation and amortization expense decreased from 10% in 2020 to 9% in 2021.

#### Year ended December 31, 2020 compared to year ended December 31, 2019 for the Investnet Wealth Solutions segment

For a discussion of the 2020 Results of Operations compared to 2019 for the Investnet Wealth Solutions segment, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K filed with the SEC on February 26, 2021.

### Investnet Data & Analytics

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

	Year Ended December 31,				
	2021	2020	% Change	2019	% Change
(in thousands, except for percentages)					
<b>Revenues:</b>					
Subscription-based .....	\$ 186,269	\$ 177,697	5 %	\$ 171,207	4 %
Professional services and other revenues .....	9,082	14,443	(37)%	19,462	(26)%
Total revenues .....	195,351	192,140	2 %	190,669	1 %
<b>Operating expenses:</b>					
Cost of revenues .....	24,410	22,432	9 %	23,703	(5)%
Compensation and benefits .....	105,416	110,436	(5)%	118,062	(6)%
General and administration .....	35,798	36,268	(1)%	38,641	(6)%
Depreciation and amortization .....	27,694	32,947	(16)%	35,525	(7)%
Total operating expenses .....	193,318	202,083	(4)%	215,931	(6)%
Income (loss) from operations .....	\$ 2,033	\$ (9,943)	(120)%	\$ (25,262)	(61)%

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

##### Revenues

##### Subscription-based recurring revenues

Subscription-based recurring revenues increased 5% from \$177.7 million in 2020 to \$186.3 million in 2021, primarily due to broad increases in revenue from new and existing customers.

##### Professional services and other revenues

Professional services and other revenues decreased 37% from \$14.4 million in 2020 to \$9.1 million in 2021, primarily due to the timing of the completion of customer projects and deployments.

##### Cost of revenues

Cost of revenues increased 9% from \$22.4 million in 2020 to \$24.4 million in 2021, primarily due to an increase in outside services spend. As a percentage of segment revenues, cost of revenues remained consistent at 12% in 2020 and 2021.

### Compensation and benefits

Compensation and benefits decreased 5% from \$110.4 million in 2020 to \$105.4 million in 2021, primarily due to decreases in salaries, benefits and related payroll taxes of \$3.3 million, non-cash compensation expense of \$2.3 million and miscellaneous employee expenses of \$1.9 million. These decreases were partially offset by increases in incentive compensation of \$1.8 million and contract labor of \$1.1 million. As a percentage of segment revenues, compensation and benefits decreased from 57% in 2020 to 54% in 2021. The decrease in compensation and benefits as a percentage of total revenues is primarily driven by a decrease in overall compensation and benefits costs as a result of lower headcount in the current year, partially offset by an increase in revenues in 2021 compared to 2020.

### General and administration

General and administration expenses decreased 1% from \$36.3 million in 2020 to \$35.8 million in 2021, as decreases in occupancy costs of \$1.9 million, bad debt expenses of \$0.7 million, travel and entertainment expenses of \$0.7 million and various other immaterial decreases within general and administration were primarily offset by increases in marketing expenses of \$2.0 million and website and systems development costs of \$1.7 million. As a percentage of segment revenues, general and administration expenses decreased from 19% in 2020 to 18% in 2021.

### Depreciation and amortization

Depreciation and amortization decreased 16% from \$32.9 million in 2020 to \$27.7 million in 2021, primarily due to a decrease in intangible asset amortization expense of \$6.9 million, partially offset by an increase in internally developed software amortization expense of \$2.5 million. As a percentage of segment revenues, depreciation and amortization expense decreased from 17% in 2020 to 14% in 2021. The decrease in depreciation and amortization as a percentage of segment revenues is primarily driven by a technology intangible asset becoming fully amortized in the fourth quarter of 2020.

#### Year ended December 31, 2020 compared to year ended December 31, 2019 for the Investnet Data & Analytics segment

For a discussion of the 2020 Results of Operations compared to 2019 for the Investnet Data & Analytics segment, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K filed with the SEC on February 26, 2021.

### Nonsegment

The following table presents nonsegment operating expenses:

	Year Ended December 31,				
	2021	2020	% Change	2019	% Change
(in thousands, except for percentages)					
<b>Operating expenses:</b>					
Compensation and benefits .....	\$ 58,260	\$ 30,836	89 %	\$ 37,922	(19)%
General and administration .....	27,883	31,281	(11)%	20,602	52 %
Total operating expenses .....	\$ 86,143	\$ 62,117	39 %	\$ 58,524	6 %

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

##### Compensation and benefits

Compensation and benefits increased 89% from \$30.8 million in 2020 to \$58.3 million in 2021, primarily due to increased headcount that resulted in increases in salaries, benefits and related payroll taxes of \$10.8 million, non-cash compensation expense of \$9.7 million and incentive compensation of \$5.5 million.

## General and administration

General and administration expenses decreased 11% from \$31.3 million in 2020 to \$27.9 million in 2021, primarily due to a decrease in restructuring charges and transaction costs of \$5.7 million, primarily the result of various one-time 2020 corporate initiatives and acquisition related activities, partially offset by an increase in professional and legal fees of \$1.3 million as well as other immaterial increases.

### Year ended December 31, 2020 compared to year ended December 31, 2019 for Nonsegment

For a discussion of the 2020 Results of Operations compared to 2019 for Nonsegment expenses, see Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Form 10-K filed with the SEC on February 26, 2021.

### 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 EBITDA,” “adjusted net income” and “adjusted net income per diluted share”.

“Adjusted revenues” excludes the effect of purchase accounting on the fair value of acquired deferred revenue. Under GAAP, we record at fair value the acquired deferred revenue for contracts in effect at the time the entities were acquired. Consequently, revenue related to acquired entities for periods subsequent to the acquisition does not reflect the full amount of revenue that would have been recorded by these entities had they remained stand-alone entities. Adjusted revenues has limitations as a financial measure, should be considered as supplemental in nature and is not meant as a substitute for revenue prepared in accordance with GAAP.

“Adjusted EBITDA” represents net income (loss) before deferred revenue fair value adjustment, interest income, interest expense, accretion on contingent consideration and purchase liability, income tax provision (benefit), depreciation and amortization, non-cash compensation expense, restructuring charges and transaction costs, severance, fair market value adjustment on contingent consideration liability, fair market value adjustment on investment in private company, litigation and regulatory related expenses, foreign currency, gain on settlement of liability, gain on insurance reimbursement, non-income tax expense adjustment, gain on acquisition of equity method investment, gain on sale of interest in private company, income or loss allocations from equity method investments and (income) loss attributable to non-controlling interest.

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

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

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

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

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

We also present adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per diluted share as supplemental performance measures because we believe that they provide our Board, management and investors with additional information to assess our performance. Adjusted revenues provide comparisons from period to period by excluding the effect of purchase accounting on the fair value of acquired deferred revenue. Adjusted EBITDA provides comparisons from period to period by excluding potential differences caused by variations in the age and book depreciation of fixed assets affecting relative depreciation expense and amortization of internally developed software, amortization of acquired intangible assets, income tax provision (benefit), non-income tax expense, restructuring charges and transaction costs, accretion on contingent consideration and purchase liability, severance, fair market value adjustment on contingent consideration liability, income or loss allocations from equity method investments, litigation and regulatory related expenses, foreign currency, gain on settlement of liability, gain on insurance reimbursement, gain on acquisition of equity method investment, fair market value adjustment to investment in private company, income or loss allocations from equity method investments, 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 EBITDA, adjusted net income and adjusted net income per diluted share are useful to investors in evaluating our operating performance because securities analysts use adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per diluted share as supplemental measures to evaluate the overall performance of companies, and we anticipate that our investors and analyst presentations will include adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per diluted share.

Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per diluted share are not measurements of our financial performance under GAAP and should not be considered as an alternative to revenues, 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 EBITDA, adjusted net income and adjusted net income per diluted share are frequently used by securities analysts and others in their evaluation of companies, these measures have limitations as an analytical tool, and you should not consider them in isolation, or as a substitute for an analysis of our results as reported under GAAP. In particular you should consider:

- Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per diluted share do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per diluted share do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per diluted share do not reflect non-cash components of employee compensation;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements;
- Due to either net losses before income tax expense or the use of federal and state net operating loss carryforwards, we paid net cash of \$7.9 million, \$8.3 million, and \$8.1 million in the years ended December 31, 2021, 2020 and 2019, 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 EBITDA, adjusted net income and adjusted net income per diluted share differently than we do, limiting their usefulness as a comparative measure.

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

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

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Total revenues	\$ 1,186,517	\$ 998,230	\$ 900,127
Deferred revenue fair value adjustment	284	692	9,271
Adjusted revenues	<u>\$ 1,186,801</u>	<u>\$ 998,922</u>	<u>\$ 909,398</u>

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

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Net income (loss)	\$ 12,694	\$ (2,644)	\$ (17,202)
Add (deduct):			
Deferred revenue fair value adjustment	284	692	9,271
Interest income	(827)	(1,112)	(3,347)
Interest expense	16,931	31,504	32,520
Accretion on contingent consideration and purchase liability	730	1,688	1,772
Income tax provision (benefit)	7,667	(5,401)	(30,893)
Depreciation and amortization	117,767	113,661	101,271
Non-cash compensation expense	68,020	57,113	60,444
Restructuring charges and transaction costs	18,490	19,383	26,558
Severance	11,347	25,110	15,367
Fair market value adjustment on contingent consideration liability	(1,067)	(3,105)	(8,126)
Fair market value adjustment on investment in private company	(758)	—	—
Litigation and regulatory related expenses	7,591	7,825	2,879
Foreign currency	(7)	116	(72)
Gain on settlement of liability	(1,206)	—	—
Gain on insurance reimbursement	(968)	—	—
Non-income tax expense adjustment	(1,347)	421	374
Gain on acquisition of equity method investment	—	(4,230)	—
Gain on sale of interest in private company	—	(1,647)	—
Loss allocations from equity method investments	7,093	5,399	2,361
(Income) loss attributable to non-controlling interest	(704)	(1,830)	110
Adjusted EBITDA	<u>\$ 261,730</u>	<u>\$ 242,943</u>	<u>\$ 193,287</u>

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,		
	2021	2020	2019
	(in thousands)		
Net income (loss)	\$ 12,694	\$ (2,644)	\$ (17,202)
Income tax benefit <sup>(1)</sup>	7,667	(5,401)	(30,893)
Loss before income tax benefit	20,361	(8,045)	(48,095)
Add (deduct):			
Deferred revenue fair value adjustment	284	692	9,271
Accretion on contingent consideration and purchase liability	730	1,688	1,772
Non-cash interest expense	5,745	17,480	18,743
Cash interest - Convertible Notes <sup>(2)</sup>	9,919	—	—
Non-cash compensation expense	68,020	57,113	60,444
Restructuring charges and transaction costs	18,490	19,383	26,558
Severance	11,347	25,110	15,367
Amortization of acquired intangibles and fair value adjustment to property and equipment, net	68,587	73,559	70,677
Fair market value adjustment on contingent consideration liability	(1,067)	(3,105)	(8,126)
Fair market value adjustment to investment in private company	(758)	—	—
Litigation and regulatory related expenses	7,591	7,825	2,879
Foreign currency	(7)	116	(72)
Gain on settlement of liability	(1,206)	—	—
Gain on insurance reimbursement	(968)	—	—
Non-income tax expense adjustment	(1,347)	421	374
Gain on acquisition of equity method investment	—	(4,230)	—
Gain on sale of interest in private company	—	(1,647)	—
Loss allocations from equity method investments	7,093	5,399	2,361
(Income) loss attributable to non-controlling interest	(704)	(1,830)	110
Adjusted net income before income tax effect	212,110	189,929	152,263
Income tax effect <sup>(3)</sup>	(54,088)	(48,432)	(38,827)
Adjusted net income	<u>\$ 158,022</u>	<u>\$ 141,497</u>	<u>\$ 113,436</u>
Basic number of weighted-average shares outstanding	54,470,975	53,589,232	50,937,919
Effect of dilutive shares:			
Options to purchase common stock	206,022	416,593	1,015,164
Unvested restricted stock units	633,384	592,033	691,740
Convertible Notes	9,898,549	414,398	33,388
Warrants	73,715	58,459	—
Diluted number of weighted-average shares outstanding	<u>65,282,645</u>	<u>55,070,715</u>	<u>52,678,211</u>
Adjusted net income per share - diluted	<u>\$ 2.42</u>	<u>\$ 2.57</u>	<u>\$ 2.15</u>

(1) For the years ended December 31, 2021, 2020 and 2019, the effective tax rate computed in accordance with GAAP equaled 37.7%, 67.1% and 64.2%, respectively.

(2) Cash interest on the Company's Convertible Notes included only for the for the year ended December 31, 2021 due to the adoption of ASU 2020-06 on January 1, 2021 (See Part II, Item 8, "Note 2—Summary of Significant Accounting Policies").

(3) Estimated normalized effective tax rate of 25.5% has been used to compute adjusted net income for all years presented.

Note on Income Taxes: As of December 31, 2021, we had net operating loss carryforwards of approximately \$195 million and \$233 million for federal and state income tax purposes, respectively, available to reduce future income subject to income taxes. As a result, the amount of actual cash taxes we pay for federal, state and foreign income taxes differs significantly from 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, 2021, 2020 and 2019:

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

	Year Ended December 31, 2020			
	Investnet Wealth Solutions	Investnet Data & Analytics	Nonsegment	Total
	(in thousands)			
Revenues	\$ 806,090	\$ 192,140	\$ —	\$ 998,230
Deferred revenue fair value adjustment	692	—	—	692
Adjusted revenues	<u>\$ 806,782</u>	<u>\$ 192,140</u>	<u>\$ —</u>	<u>\$ 998,922</u>
Income (loss) from operations	\$ 91,501	\$ (9,943)	\$ (62,117)	\$ 19,441
Add:				
Deferred revenue fair value adjustment	692	—	—	692
Accretion on contingent consideration and purchase liability	1,430	258	—	1,688
Depreciation and amortization	80,714	32,947	—	113,661
Non-cash compensation expense	35,797	14,932	8,908	59,637
Restructuring charges and transaction costs	6,878	2,304	10,201	19,383
Severance	18,617	4,628	1,865	25,110
Fair market value adjustment on contingent consideration liability	—	(3,105)	—	(3,105)
Litigation related expense	—	7,825	—	7,825
Other	15	5	—	20
Non-income tax expense adjustment	514	(93)	—	421
Loss attributable to non-controlling interest	(1,830)	—	—	(1,830)
Adjusted EBITDA	<u>\$ 234,328</u>	<u>\$ 49,758</u>	<u>\$ (41,143)</u>	<u>\$ 242,943</u>

	Year Ended December 31, 2019			
	Investnet Wealth Solutions	Investnet Data & Analytics	Nonsegment	Total
	(in thousands)			
Revenues	\$ 709,458	\$ 190,669	\$ —	\$ 900,127
Deferred revenue fair value adjustment	9,271	—	—	9,271
Adjusted revenues	<u>\$ 718,729</u>	<u>\$ 190,669</u>	<u>\$ —</u>	<u>\$ 909,398</u>
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	<u>\$ 188,125</u>	<u>\$ 35,826</u>	<u>\$ (30,664)</u>	<u>\$ 193,287</u>

## Liquidity and Capital Resources

As of December 31, 2021, we had total cash and cash equivalents of \$429.3 million compared to \$384.6 million as of December 31, 2020.

We plan to use existing cash as of December 31, 2021, 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.

### Third Credit Agreement

On February 4, 2022, we entered into the Third Credit Agreement. The Third Credit Agreement amends and restates, in its entirety, the Prior Credit Agreement.

The Third Credit Agreement amended certain provisions under the Prior Credit Agreement to, among other things, (i) extend the maturity of loans and the revolving credit commitments, (ii) reduce the interest payable on the loans, and (iii) increase capacity and flexibility under certain of the negative covenants.

The Third Credit Agreement provides, subject to certain customary conditions, for the Credit Facility, in an aggregate amount of \$500.0 million, with a \$20.0 million sub-facility for the issuance of letters of credit.

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

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

There are no amounts outstanding under the Credit Facility and we have \$500.0 million available to borrow under the Credit Facility, subject to covenant compliance.

### Convertible Notes

In May 2018, we issued \$345.0 million 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.

In August 2020, we issued \$517.5 million of convertible notes that mature on August 15, 2025 (the "Convertible Notes due 2025"). The Convertible Notes due 2025 bear interest at a rate of 0.75% per annum payable semiannually in arrears on February 15 and August 15 of each year.

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

### Issuance and sale of Common Shares to BlackRock

On December 20, 2018, we issued and sold to BlackRock, Inc. ("BlackRock") warrants to purchase approximately 470,000 common shares of our common stock at an exercise price of \$65.16 per share, subject to customary anti-dilution adjustments. The warrants 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. As of December 31, 2021, BlackRock has not exercised any of the warrants.

## Impact of Tax Cuts and Jobs Act

Beginning in 2022, the Tax Cuts and Jobs Act ("TCJA") eliminates the option to deduct R&D expenditures currently and requires taxpayers to amortize them over five years pursuant to IRC Section 174. Although Congress is considering legislation that would defer the amortization requirement to later years, we have no assurance that the provision will be repealed or otherwise modified. If the requirement is not modified, we could expect to pay material cash taxes beginning in 2022.

## Cash Flows

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

	Year Ended December 31,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	\$ 250,577	\$ 169,836
Net cash used in investing activities	(176,138)	(99,996)
Net cash provided by (used in) financing activities	(29,170)	232,950
Effect of exchange rate on changes on cash	(555)	(831)
Net increase in cash, cash equivalents and restricted cash	44,714	301,959

### Operating Activities

Net cash provided by operating activities for the year ended December 31, 2021 was \$250.6 million compared to net cash provided by operating activities of \$169.8 million for the same period in 2020. The increase was primarily due to:

- An increase in pre-tax income period over period of \$28.4 million;
- An increase period over period for noncash addbacks for depreciation and amortization expense of \$4.1 million;
- An increase in the change in operating assets and liabilities of \$55.4 million which is primarily timing related.

These increases were partially offset by additional contingent consideration payments of approximately \$2.4 million.

### Investing Activities

Net cash used in investing activities for the year ended December 31, 2021 was \$176.1 million compared to net cash used in investing activities of \$100.0 million for the same period in 2020. The increase was primarily due to an increase in cash disbursements of \$25.5 million for an acquisition of proprietary technology and the related redemption of our equity interest in a privately held company, \$22.8 million of increased disbursements related to various acquisitions and investments in privately held companies, \$11.6 million of increased purchases of property and equipment, an additional \$10.3 million of internally developed software costs capitalized in 2021 as compared to 2020 and a \$3.0 million advance towards the acquisition of technology solutions being developed for us by an outside company in 2021.

### Financing Activities

Net cash used in financing activities for the year ended December 31, 2021 was \$29.2 million compared to net cash provided by financing activities of \$233.0 million for the same period in 2020. In August 2020, we received net proceeds of approximately \$503.0 million from the issuance of convertible debt. With these proceeds, we paid off the outstanding balance of our revolving credit facility. These transactions contributed to a net cash inflow related to our third party debt agreements of \$243.0 million in 2020. Increased deferred payments related to prior acquisition activity of \$9.3 million, lower proceeds from stock option exercises of \$8.7 million and share repurchases of \$4.0 million in 2021 also contributed to the year-over-year decrease. These decreases were partially offset by \$2.6 million of additional capital contributions made by non-controlling shareholders of one of our subsidiaries.

## Commitments

We enter into unconditional purchase obligations arrangements for certain of our services that we receive in the normal course of business. As of December 31, 2021, the Company estimated future minimum unconditional purchase obligations of approximately \$38.0 million.

As of December 31, 2021, future minimum lease payments under non-cancellable leases were \$149.6 million. These leases expire at various dates prior to 2032.

In connection with certain of our acquisitions, we have entered into contingent consideration arrangements whereby we have agreed to pay additional amounts based upon the achievement of certain performance targets. As of December 31, 2021, these liabilities are valued at \$0.7 million. We also have additional direct purchase obligations of \$6.2 million related to our acquisitions. We granted membership interests in certain of the Company's equity method investments to two legacy PIETech executives, from the PIETech acquisition, with an estimated grant date fair market value of \$8.9 million. These membership interests vested on May 1, 2020 and become exercisable on May 1, 2022, with the option to put the membership interests to the Company.

We have also committed \$3.0 million in future funding to certain of our equity method investees.

We expect to increase our capital expenditures to approximately \$40 million in 2022 compared to approximately \$24 million in 2021. Subsequent to 2022, we expect to spend approximately \$10 - \$11 million per year on capital expenditures.

We have entered into a purchase agreement with a privately held company to acquire the technology solutions being developed by this privately held company for a purchase price of \$18.0 million, including an advance of \$3.0 million. We closed the transaction on February 1, 2022 and paid the remaining \$15.0 million on February 2, 2022. In addition, the agreement includes an earn-out payment of \$10.0 million based upon the achievement of certain target metrics within five years after the date of our launch of the technology solutions.

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

## Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). 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 month or quarter. Accordingly, revenue is allocated to the specific quarter in which services are performed.

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

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



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

Other 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.

#### ***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, 2021 for the fiscal year ended December 31, 2021. 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, 2021, 2020 and 2019.

#### ***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 change in the valuation allowance the Company has placed on a portion of its US deferred tax assets, the generation of R&D tax credits, the executive compensation deduction limitation, income related to the India partnerships and state taxes. Our provision for income taxes varies based on, among other things, changes in the valuation of our deferred tax assets and liabilities, the tax effects of non-cash stock-based compensation or changes in applicable tax laws, regulations and accounting principles or interpretations thereof.

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

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

#### **Recent Accounting Pronouncements**

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

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

##### ***Market risk***

Our exposure to market risk is directly related to asset-based recurring revenues earned based upon a contractual percentage of AUM or AUA. In the years ended December 31, 2021, 2020 and 2019, 60%, 54% and 54% 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 which in turn could lead to a decrease in our earnings. If there are financial market declines for COVID-19 or any other matter, our asset-based revenues may negatively be impacted in future periods.

### **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 monthly revenues into U.S. dollars. For the year ended December 31, 2021, we estimate that a hypothetical 10% change in the value of various foreign currencies to the U.S. dollar would not have a material effect on our consolidated financial position, results of operations or cash flow.

The expenses of our Indian subsidiaries, which primarily consist of expenditures 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, 2021, 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 \$6.8 million to pre-tax earnings and a hypothetical 10% decrease in the value of the Indian Rupee to the U.S. dollar would result in an increase of approximately \$5.5 million to pre-tax earnings.

### **Interest rate risk**

We had no borrowings outstanding under our Prior Credit Agreement as of and for the year ended December 31, 2021. On February 4, 2022, we entered into the Third Credit Agreement which amends and restates, in its entirety, the Prior Credit Agreement. The Third Credit Agreement provides for a Credit Facility of \$500.0 million and a \$20.0 million sub-facility for the issuance of letters of credit. We are subject to market risk from changes in interest rates only if we have borrowings outstanding on our Credit Facility. At our option, outstanding loans under the Credit Facility accrue interest at a rate equal to either (i) a base rate plus an applicable margin ranging from 0.25% to 1.75% per annum or (ii) an adjusted Term SOFR rate plus an applicable margin ranging from 1.25% to 2.75% per annum, based upon our total net leverage ratio, as calculated pursuant to the Third Credit Agreement. As these rates fluctuate, so too will our interest expense on amounts borrowed under the Third Credit Agreement. We currently have no borrowings or amounts outstanding under the Third Credit Agreement.

## **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, 2021 and 2020, 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, 2021, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, 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, 2021 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

#### *Change in Accounting Principle*

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for convertible notes as of January 1, 2021 due to the adoption of Accounting Standards Update No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.

#### *Basis for Opinions*

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

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

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



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

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

*Critical Audit Matter*

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

*Sufficiency of audit evidence over the IT elements of revenue recognition*

As discussed in Notes 2 and 14 to the consolidated financial statements, the Company has recorded \$1.2 billion of revenues for the year ended December 31, 2021. Revenues are derived from asset-based services, subscription or licensing-based services, and professional services and other sources, and sold with varying price structures. The Company recognizes revenues when control of the services is transferred to customers.

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

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over the IT elements of revenue recognition, including the determination of IT systems for which those procedures were to be performed based on the nature of the information processed by the systems. We evaluated the design and tested the operating effectiveness of certain internal controls within the Company's revenue recognition process, including the automated elements of the flow of transactions and certain manual controls over the underlying transaction data processed by the IT systems. We involved IT professionals with specialized skills and knowledge, who assisted in testing certain general IT controls and certain application controls interacting within the Company's revenue recognition process. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed.

/s/ KPMG LLP

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

Denver, Colorado  
February 25, 2022

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

	December 31,	
	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents .....	\$ 429,279	\$ 384,565
Fees receivable, net .....	95,291	80,064
Prepaid expenses and other current assets .....	42,706	40,570
Total current assets .....	567,276	505,199
Property and equipment, net .....	50,215	47,969
Internally developed software, net .....	133,659	96,501
Intangible assets, net .....	400,396	435,041
Goodwill .....	925,154	906,773
Operating lease right-of-use assets, net .....	90,714	105,249
Other non-current assets .....	73,768	47,558
Total assets .....	<u>\$ 2,241,182</u>	<u>\$ 2,144,290</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Accrued expenses and other liabilities .....	\$ 224,416	\$ 158,548
Accounts payable .....	19,092	18,003
Operating lease liabilities .....	10,999	13,649
Contingent consideration .....	743	11,251
Deferred revenue .....	33,473	34,918
Total current liabilities .....	288,723	236,369
Long-term debt .....	848,862	756,503
Non-current operating lease liabilities .....	105,920	112,182
Deferred tax liabilities, net .....	21,021	34,740
Other non-current liabilities .....	17,114	28,678
Total liabilities .....	1,281,640	1,168,472
Commitments and contingencies .....		
Equity:		
Stockholders' equity:		
Preferred stock, par value \$0.005, 50,000,000 shares authorized; no shares issued and outstanding as of December 31, 2021 and December 31, 2020 .....	—	—
Common stock, par value \$0.005, 500,000,000 shares authorized; 68,879,152 and 67,832,706 shares issued as of December 31, 2021 and December 31, 2020, respectively; 54,793,088 and 54,093,535 shares outstanding as of December 31, 2021 and December 31, 2020, respectively .....	344	339
Additional paid-in capital .....	1,131,628	1,166,774
Accumulated deficit .....	(37,988)	(79,912)
Treasury stock at cost, 14,086,064 and 13,739,171 shares as of December 31, 2021 and December 31, 2020, respectively .....	(134,996)	(110,466)
Accumulated other comprehensive loss .....	(1,899)	(398)
Total stockholders' equity .....	957,089	976,337
Non-controlling interest .....	2,453	(519)
Total equity .....	959,542	975,818
Total liabilities and equity .....	<u>\$ 2,241,182</u>	<u>\$ 2,144,290</u>

*See accompanying notes to Consolidated Financial Statements.*

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

	Year Ended December 31,		
	2021	2020	2019
<b>Revenues:</b>			
Asset-based .....	\$ 709,376	\$ 540,947	\$ 484,312
Subscription-based .....	453,989	426,507	378,813
Total recurring revenues .....	1,163,365	967,454	863,125
Professional services and other revenues .....	23,152	30,776	37,002
Total revenues .....	<u>1,186,517</u>	<u>998,230</u>	<u>900,127</u>
<b>Operating expenses:</b>			
Cost of revenues .....	423,723	305,929	278,811
Compensation and benefits .....	432,829	398,970	383,554
General and administration .....	171,657	160,229	152,564
Depreciation and amortization .....	117,767	113,661	101,271
Total operating expenses .....	<u>1,145,976</u>	<u>978,789</u>	<u>916,200</u>
Income (loss) from operations .....	40,541	19,441	(16,073)
<b>Other income (expense):</b>			
Interest income .....	827	1,112	3,347
Interest expense .....	(16,931)	(31,504)	(32,520)
Other income (expense), net .....	(4,076)	2,906	(2,849)
Total other expense, net .....	<u>(20,180)</u>	<u>(27,486)</u>	<u>(32,022)</u>
Income (loss) before income tax provision (benefit) .....	20,361	(8,045)	(48,095)
Income tax provision (benefit) .....	7,667	(5,401)	(30,893)
Net income (loss) .....	12,694	(2,644)	(17,202)
Add: Net (income) loss attributable to non-controlling interest .....	602	(466)	420
Net income (loss) attributable to Envestnet, Inc. ....	<u>\$ 13,296</u>	<u>\$ (3,110)</u>	<u>\$ (16,782)</u>
<b>Net income (loss) per share attributable to Envestnet, Inc.:</b>			
Basic .....	<u>\$ 0.24</u>	<u>\$ (0.06)</u>	<u>\$ (0.33)</u>
Diluted .....	<u>\$ 0.24</u>	<u>\$ (0.06)</u>	<u>\$ (0.33)</u>
<b>Weighted average common shares outstanding:</b>			
Basic .....	<u>54,470,975</u>	<u>53,589,232</u>	<u>50,937,919</u>
Diluted .....	<u>55,384,096</u>	<u>53,589,232</u>	<u>50,937,919</u>

*See accompanying notes to Consolidated Financial Statements.*

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

	Year Ended December 31,		
	2021	2020	2019
Net income (loss) attributable to Envestnet, Inc. ....	\$ 13,296	\$ (3,110)	\$ (16,782)
<b>Other comprehensive income (loss), net of taxes:</b>			
Foreign currency translation gains (losses), net .....	(1,501)	1,351	(755)
Comprehensive income (loss) attributable to Envestnet, Inc. ....	<u>\$ 11,795</u>	<u>\$ (1,759)</u>	<u>\$ (17,537)</u>

*See accompanying notes to Consolidated Financial Statements.*

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

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss		Non-controlling Interest	Total Equity
	Shares	Amount	Shares	Amount		Comprehensive Loss	Deficit		
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
Shares withheld to satisfy tax withholdings	—	—	(361,902)	(23,107)	—	—	—	—	(23,107)
Payment of Convertible Notes due 2019	—	—	—	—	(12,251)	—	—	—	(12,251)
Foreign currency translation loss, net of taxes	—	—	—	—	—	(755)	—	—	(755)
Net income (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
Adoption of ASC 326	—	—	—	—	—	—	(1,138)	—	(1,138)
Exercise of stock options	705,333	4	—	—	10,756	—	—	—	10,760
Issuance of common stock - vesting of restricted stock units	804,982	4	—	—	—	—	—	—	4
Issuance of common stock	1,685	—	—	—	126	—	—	—	126
Stock-based compensation expense	—	—	—	—	56,292	—	—	—	56,292
Shares withheld to satisfy tax withholdings	—	—	(260,171)	(19,501)	—	—	—	—	(19,501)
Transfer of non-controlling units, net of tax	—	—	—	—	666	—	—	(139)	527
Capital contribution - non-controlling interest	—	—	—	—	(66)	—	—	672	606
Issuance of Convertible Notes due 2025, net of offering costs and taxes of \$8,694	—	—	—	—	61,859	—	—	—	61,859
Foreign currency translation gain, net of taxes	—	—	—	—	—	1,351	—	—	1,351
Net income (loss)	—	—	—	—	—	—	(3,110)	466	(2,644)
Balance, December 31, 2020	67,832,706	\$ 339	(13,739,171)	\$ (110,466)	\$ 1,166,774	\$ (398)	\$ (79,912)	\$ (519)	\$ 975,818

-continued-

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

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss		Non-controlling Interest	Total Equity
	Shares	Amount	Shares	Amount		Comprehensive Loss	Deficit		
Balance, December 31, 2020	67,832,706	\$ 339	(13,739,171)	(110,466)	1,166,774	(398)	(79,912)	(519)	975,818
Adoption of ASU 2020-06, net of taxes of \$7,640 (See Note 2)	—	—	—	—	(108,470)	—	28,628	—	(79,842)
Exercise of stock options	76,303	—	—	—	2,090	—	—	—	2,090
Issuance of common stock - vesting of restricted stock units	891,466	5	—	—	—	—	—	—	5
Issuance of common stock	78,677	—	—	—	4,068	—	—	—	4,068
Stock-based compensation expense	—	—	—	—	67,525	—	—	—	67,525
Shares withheld to satisfy tax withholdings	—	—	(291,405)	(20,529)	—	—	—	—	(20,529)
Share repurchases	—	—	(55,488)	(4,001)	—	—	—	—	(4,001)
Capital contribution - non-controlling interest	—	—	—	—	(127)	—	—	3,328	3,201
Foreign currency translation loss, net of taxes	—	—	—	—	—	(1,501)	—	—	(1,501)
Other	—	—	—	—	(232)	—	—	246	14
Net income (loss)	—	—	—	—	—	—	13,296	(602)	12,694
Balance, December 31, 2021	68,879,152	\$ 344	(14,086,064)	\$ (134,996)	\$ 1,131,628	\$ (1,899)	\$ (37,988)	\$ 2,453	\$ 959,542

See accompanying notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2021	2020	2019
<b>OPERATING ACTIVITIES:</b>			
Net income (loss).....	\$ 12,694	\$ (2,644)	\$ (17,202)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	117,767	113,661	101,271
Provision for doubtful accounts.....	1,598	2,817	2,855
Deferred income taxes.....	(320)	(1,884)	(39,630)
Release of uncertain tax positions.....	—	(7,101)	—
Non-cash compensation expense.....	68,020	59,637	60,444
Non-cash interest expense.....	5,799	18,515	19,246
Accretion on contingent consideration and purchase liability.....	730	1,688	1,772
Payments of contingent consideration.....	(2,360)	—	(578)
Fair market value adjustment to contingent consideration liability.....	(1,067)	(3,105)	(8,126)
Fair market value adjustment to investment in private company.....	(758)	—	—
Gain on settlement of liability.....	(1,206)	—	—
Gain on acquisition of equity method investment.....	—	(4,230)	—
Loss allocation from equity method investments.....	7,093	5,399	2,361
Gain on life insurance proceeds.....	—	—	(5,000)
Impairment of right of use assets.....	1,537	2,661	—
Other.....	465	(729)	—
Changes in operating assets and liabilities, net of acquisitions:			
Fees receivable, net.....	(16,731)	(15,055)	1,139
Prepaid expenses and other current assets.....	399	(9,666)	(6,440)
Other non-current assets.....	2,741	(1,963)	(5,234)
Accrued expenses and other liabilities.....	53,265	22,109	(811)
Accounts payable.....	1,290	(187)	(2,863)
Deferred revenue.....	(2,080)	(4,125)	727
Other non-current liabilities.....	1,701	(5,962)	4,795
Net cash provided by operating activities.....	<u>250,577</u>	<u>169,836</u>	<u>108,726</u>
<b>INVESTING ACTIVITIES:</b>			
Purchases of property and equipment.....	(23,731)	(12,088)	(19,847)
Capitalization of internally developed software.....	(65,170)	(54,908)	(34,096)
Investments in private companies.....	(25,926)	(15,640)	(5,250)
Acquisitions of businesses, net of cash acquired.....	(32,794)	(20,257)	(320,915)
Acquisition of proprietary technology.....	(25,517)	—	—
Proceeds from life insurance policy.....	—	—	5,000
Advance for technology solutions.....	(3,000)	—	—
Other.....	—	2,897	(600)
Net cash used in investing activities.....	<u>(176,138)</u>	<u>(99,996)</u>	<u>(375,708)</u>

-continued-

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

	Year Ended December 31,		
	2021	2020	2019
<b>FINANCING ACTIVITIES:</b>			
Proceeds from issuance of Convertible Notes due 2025.....	—	517,500	—
Convertible Notes due 2025 issuance costs.....	—	(14,540)	—
Payment of Convertible Notes due 2019.....	—	—	(184,751)
Proceeds from borrowings on revolving credit facility.....	—	45,000	345,000
Payments on revolving credit facility.....	—	(305,000)	(85,000)
Revolving credit facility issuance costs.....	—	—	(2,103)
Capital contribution - non-controlling interest.....	3,201	606	—
Payments of deferred consideration on prior acquisitions.....	—	(1,879)	—
Payments of contingent consideration.....	(9,276)	—	(171)
Proceeds from exercise of stock options.....	2,090	10,760	10,592
Taxes paid in lieu of shares issued for stock-based compensation.....	(20,529)	(19,501)	(23,107)
Share repurchases.....	(4,001)	—	—
Other.....	(655)	4	5
Net cash provided by (used in) financing activities.....	<u>(29,170)</u>	<u>232,950</u>	<u>60,465</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(555)</b>	<b>(831)</b>	<b>(399)</b>
<b>INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b><u>44,714</u></b>	<b><u>301,959</u></b>	<b><u>(206,916)</u></b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD (See Note 2)</b>	<b><u>384,714</u></b>	<b><u>82,755</u></b>	<b><u>289,671</u></b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD (See Note 2)</b>	<b><u>\$ 429,428</u></b>	<b><u>\$ 384,714</u></b>	<b><u>\$ 82,755</u></b>
Supplemental disclosure of cash flow information - net cash paid during the period for income taxes.....	\$ 7,920	\$ 8,304	\$ 8,119
Supplemental disclosure of cash flow information - cash paid during the period for interest.....	11,132	12,990	13,530
Supplemental disclosure of non-cash operating, investing and financing activities:			
Common stock issued in acquisition of business.....	—	—	222,484
Common stock issued to settle purchase liability.....	4,068	126	772
Contingent consideration issued in acquisition of businesses.....	—	5,239	15,780
Internally developed software costs included in accrued expenses and other liabilities.....	591	—	—
Leasehold improvements funded by lease incentive.....	164	1,806	1,816
Membership interest liabilities included in other non-current liabilities.....	496	3,345	5,920
Purchase liabilities included in accrued expenses and other liabilities.....	2,951	632	—
Purchase liabilities included in other non-current liabilities.....	—	—	5,468
Purchase of fixed assets included in accounts payable and accrued expenses and other liabilities.....	1,328	1,841	1,832
Right of use assets in exchange for lease liabilities.....	4,596	39,370	30,455
Transfer of non-controlling units.....	—	771	—

*See accompanying notes to Consolidated Financial Statements.*

## 1. Organization and Description of Business

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

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 to enable them to deliver an Intelligent Financial Life to their clients.

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

- *Envestnet | Enterprise* provides an end-to-end open architecture wealth management platform, through which advisors can construct portfolios for clients. It begins with aggregated household data which then leads to a financial plan, asset allocation, investment strategy, portfolio management, rebalancing and performance reporting. Advisors have access to over 22,000 investment products. Envestnet | Enterprise also offers data aggregation and reporting, data analytics and digital advice capabilities to customers.
- *Envestnet | Tamarac*<sup>™</sup> 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*<sup>®</sup>, or *Portfolio Management Consultants ("PMC")* provides research and consulting services to assist advisors in creating investment solutions for their clients. These solutions include over 4,900 vetted third-party managed account products, multi-manager portfolios, fund strategist portfolios, as well as over 950 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 five RIAs registered with the U.S. Securities and Exchange Commission ("SEC").

## 2. Summary of Significant Accounting Policies

The Company follows accounting standards established by the Financial Accounting Standards Board ("FASB") 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*<sup>™</sup> ("ASC") and related updates ("ASU").

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

*Foreign Currency*—Accounts for the Envestnet Wealth Solutions segment that are denominated in a non-U.S. currency have been remeasured using the U.S. dollar as the functional currency. Certain accounts within the Envestnet Data & Analytics segment are recorded and measured in foreign currencies. The assets and liabilities for those subsidiaries with a functional currency other than the U.S. dollar are translated at exchange rates in effect at the balance sheet date, and revenues 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 income (expense), net in the consolidated statements of operations.

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

### Revenue Recognition

The Company accounts for its revenue arrangements in accordance with FASB Topic 606 - Revenue from Contracts with Customers ("ASC 606"). The Company derives revenues 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. The majority of the Company's revenues are recognized when services are provided.

*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 month or quarter. Accordingly, revenue is allocated to the specific quarter in which services are performed.

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

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.

Certain subscription-based contracts include fixed and variable consideration. The amount of variable consideration that is included in the transaction price may be subject to constraint and included in the subscription-based recurring revenues only to the extent that is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. The Company utilizes the expected value method to estimate variable consideration based on available historical, current, and forecasted information.

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

Fixed fees are generally recognized on a ratable basis over the quarter beginning when the subscription services are made available to the customer, as the customer simultaneously receives and consumes the benefits of the subscription services. Usage-based revenue is recognized on a monthly basis as the customer receives and consumes the benefit as the Company provides the services. Subscription-based fees are recognized in both the Envestnet Wealth Solutions and Envestnet Data & Analytics segments.

*Professional Services and Other Revenues*—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 are generally 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 Company's 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.

*Remaining Performance Obligations*—Remaining performance obligations represent the transaction price allocated to unsatisfied or partially satisfied performance obligations. The disclosure includes estimates of variable consideration. The Company applies the practical expedients and exemption not to disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less; (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed; and (iii) contracts for which the variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation.

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

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

*Deferred Sales Incentive Compensation*—Sales incentive compensation earned by the Company's sales force is considered an incremental and recoverable cost to acquire a contract with a customer. Sales incentive compensation for initial contracts is deferred and amortized on a straight-line basis over the period of benefit. The Company determined the period of benefit by taking into consideration its customer contracts, life of the technology and other factors. Sales incentive compensation for renewal contracts are deferred and amortized on a straight-line basis over the related contractual renewal period. Deferred sales incentive compensation is included in other non-current assets in the consolidated balance sheets and amortization expense is included in 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, 2021, and 2020, the Company's allowance for doubtful accounts was \$3.9 million and \$2.8 million, respectively.

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



*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,		
	2021	2020	2019
	(in thousands)		
Cash and cash equivalents .....	\$ 429,279	\$ 384,565	\$ 82,505
Restricted cash included in prepaid expenses and other current assets .....	149	—	82
Restricted cash included in other non-current assets .....	—	149	168
<b>Total cash, cash equivalents and restricted cash .....</b>	<b>\$ 429,428</b>	<b>\$ 384,714</b>	<b>\$ 82,755</b>

*Investments*—The Company has investments in private companies that are recorded using the equity method of accounting. The Company uses the equity method of accounting because of its less than 50% ownership and lack of control in these companies. These investments are included in other non-current assets on the consolidated balance sheets. The Company records the portion of its earnings or losses in these privately held companies' net income or loss on a one quarter lag from the actual results of operations as a component of other income (expense), net on the consolidated statements of operations.

The Company reviews all investments on a regular basis to evaluate the carrying amount and economic viability. This evaluation process is based on information that the Company requests directly from these investees and includes, but is not limited to, the review of the investee's cash position, financing needs, earnings/revenue outlook, operational performance, management/ownership changes and competition. As this information is not subject to the same disclosure regulations as U.S. publicly traded companies, the basis for these evaluations is subject to the timing and accuracy of the data received from these investees.

When a review of an investee's operations indicates that there is a decline in its value and it has been determined that this decline is other than temporary, the Company assesses the investment for impairment. Impaired investments are written down to estimated fair value. Fair value is estimated using a variety of valuation methodologies, including comparing the investee with publicly traded companies in similar lines of business, applying valuation multiples to estimated future operating results and analyzing estimated discounted future cash flows. There were no impairments of investments for the years ended December 31, 2021, 2020 and 2019.

For investments where the Company owns equity interests in privately held companies but does not have significant influence and there is no readily determinable fair value, it accounts for the investment under the measurement alternative at cost minus impairment, if any, plus or minus fair value changes when there are observable price changes.

*Property and Equipment*—Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of furniture 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. There were no impairments of property and equipment for the years ended December 31, 2021, 2020 and 2019.

*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 material impairments of internally developed software for internal use for the years ended December 31, 2021, 2020 and 2019.

*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, 2021, 2020 and 2019.

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, 2021, 2020 and 2019.

*Leases*—The Company accounts for its leases in accordance with FASB Topic 842 - Leases ("ASC 842") and has elected the available package of practical expedients as well as elected to apply the short-term lease exemption to all of its classes of underlying assets.

At inception, the Company determines if an arrangement is a lease. Operating leases are included in operating 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.

*Fair Value Measurements*—The Company accounts for its fair value measurements in accordance with FASB Topic 825 - Financial Instruments ("ASC 825"), which provides companies the option to report selected financial assets and liabilities at fair value and also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheets. The Company has not elected the ASC 825-10 option to report selected financial assets and liabilities at fair value.

ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the Company's choice to use fair value on its earnings.

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.

*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 May 2018, the Company issued \$345.0 million of 1.75% Convertible Notes due June 2023. In August 2020, the Company issued \$517.5 million of 0.75% Convertible Notes due August 2025. Collectively the "Convertible Notes" are accounted for in accordance with FASB Topic 470 - Debt ("ASC 470"). The Company has determined that the embedded conversion options in the Convertible Notes are not required to be separately accounted for as a derivative under GAAP. Upon adoption of ASU 2020-06, the Company accounts for the Convertible Notes as a single liability measured at amortized cost. See "Recent Accounting Pronouncements" within this footnote.

*Non-controlling Interest*—In March 2018, the Company initially acquired a 43% fully diluted interest in a private company for cash consideration of \$1.3 million. In connection with the acquisition, the Company was granted the ability to appoint two members to the private company's board of directors. The appointment of 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 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. These changes became effective for the Company's fiscal year beginning January 1, 2021. This standard will be applied prospectively. Adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity." This update simplifies the accounting for certain convertible instruments by reducing the number of accounting models available for convertible debt instruments and revises Topic 815-40, which provides guidance on how an entity must determine whether a contract qualifies for a scope exception from derivative accounting. Under the new guidance, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, or that do not result in substantial premiums accounted for as paid-in capital. The convertible debt instruments will be accounted for as a single liability measured at amortized cost. In addition, the new guidance requires the if-converted method to be applied for all convertible instruments. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2021. Early adoption of the standard is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Adoption of the standard requires using either a modified retrospective or a full retrospective approach.

The Company has early adopted this standard as of January 1, 2021 using the modified retrospective approach. Adoption of this standard resulted in a decrease to accumulated deficit of \$28.6 million (net of \$0.9 million in taxes), a decrease to paid-in capital of \$108.5 million (net of \$6.7 million in taxes) and an increase to Convertible Notes of \$87.5 million. Interest expense recognized in future periods is expected to be reduced as a result of accounting for the convertible debt instrument as a single liability measured at its amortized cost, with an expected decrease of approximately \$22.1 million in 2021 as a result of the adoption.

*Not Yet Adopted Accounting Pronouncements*— In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805)." This update amends Topic 805 to add contract assets and contract liabilities to the list of exceptions to the recognition and measurement principles that apply to business combinations and to require that an entity (acquirer) recognize and measure contract assets and contract liabilities in accordance with ASC 606. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2022. Early adoption of the standard is permitted. The amendment is to be applied prospectively to business combinations occurring on or after the effective date of the amendment. The Company plans to adopt this standard on January 1, 2022. The Company does not expect the adoption of ASU 2021-08 to have a material impact on the Company's consolidated financial statements.



3. Acquisitions

**2019 Acquisitions**

**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 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 \$7.6 million 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:

	(in thousands)
Cash consideration .....	\$ 11,173
Purchase consideration liability .....	6,240
Contingent consideration liability .....	7,580
Working capital adjustment .....	70
Total consideration transferred .....	<u>\$ 25,063</u>

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 \$8.1 million and recorded this as a reduction to general and administration expenses. As the earn-out performance period ended without targets being achieved, the contingent consideration was not be paid.

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

	(in thousands)
Total tangible assets acquired .....	\$ 144
Total liabilities assumed .....	(688)
Identifiable intangible assets .....	4,100
Goodwill .....	21,507
Total net assets acquired .....	<u>\$ 25,063</u>

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:

	Amount	Estimated Useful Life in Years (in thousands)	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 years ended December 31, 2021, 2020, and 2019, acquisition related costs for the private AI company acquisition were not material, and are included in general and administration expenses.

**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 \$17.5 million 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 was estimated to be \$8.2 million at the acquisition date and is included as a current liability in the December 31, 2020 consolidated balance sheet at its accreted balance of \$10.2 million. The earn-out contingent consideration of \$10.5 million, including accreted interest, was paid in 2021.

The consideration transferred in the acquisition was as follows:

	(in thousands)
Cash consideration .....	\$ 17,500
Contingent consideration liability .....	8,200
Total consideration transferred .....	<u>\$ 25,700</u>

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

	(in thousands)
Total tangible assets acquired .....	\$ 13
Total liabilities assumed .....	(1,600)
Identifiable intangible assets .....	11,700
Goodwill .....	15,587
Total net assets acquired .....	<u>\$ 25,700</u>

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.

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

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

	Amount	Estimated Useful Life in Years	Amortization Method
	(in thousands)		
Customer list .....	\$ 8,500	10	Accelerated
Proprietary technology .....	3,200	5	Straight-line
Total intangible assets acquired .....	<u>\$ 11,700</u>		

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 \$6.7 million. PortfolioCenter's pre-tax loss for the year ended December 31, 2019 totaled \$2.6 million. The pre-tax loss includes acquired intangible asset amortization of \$1.5 million for the year ended December 31, 2019.

For the years ended December 31, 2021, 2020, and 2019, acquisition related costs for the PortfolioCenter acquisition were not material, and are included in general and administration expenses.

**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 \$298.7 million, 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 million 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") (See "Note 15—Stock-Based Compensation"). The Company has 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. As of December 31, 2021, there were approximately 26,000 shares available to be issued under the 2019 Equity Plan. As part of the retention bonus pool, the Company also made cash retention payments in 2019 of approximately \$8.8 million to certain legacy PIEtech employees who joined Envestnet | MoneyGuide. At the time of acquisition, the Company expected to pay an additional \$5.3 million in cash bonus payments to legacy PIEtech employees over the next three years, for which \$5.3 million has been paid through December 31, 2021.

The Company also granted membership interests in certain of the Company's equity investments to two legacy PIEtech executives with an estimated grant date fair market value of \$8.9 million. These membership interests vested on May 1, 2020 and become exercisable on May 1, 2022, with the option to put the membership interests to the Company. For the years ended December 31, 2021, 2020, and 2019 the Company recorded approximately \$0.5 million, \$3.3 million and \$5.9 million, respectively, as a component of compensation and benefits in the consolidated statements of operations. As of December 31, 2021, the corresponding liability was recorded in accrued expenses and other current liabilities. As of December 31, 2020, the liability was recorded in other non-current liabilities in the consolidated balance sheets.

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

The consideration transferred in the acquisition was as follows:

	(in thousands)
Cash consideration .....	\$ 298,714
Stock consideration .....	222,484
Less: cash acquired .....	(6,360)
Total consideration transferred, net of cash acquired .....	<u>\$ 514,838</u>

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

	(in thousands)
Cash and cash equivalents .....	\$ 6,360
Accounts receivable .....	3,782
Prepaid expenses and other current assets .....	969
Other non-current assets .....	4,274
Property and equipment, net .....	6,057
Operating lease right-of-use assets, net .....	2,012
Identifiable intangible assets .....	253,000
Goodwill .....	323,951
Total assets acquired .....	<u>600,405</u>
Accounts payable and accrued expenses .....	(1,661)
Operating lease liabilities .....	(2,012)
Deferred income taxes .....	(68,534)
Deferred revenue .....	(7,000)
Total liabilities assumed .....	<u>(79,207)</u>
Total net assets acquired .....	<u>\$ 521,198</u>

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.

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

	Amount	Estimated Useful Life in Years	Amortization Method
	(in thousands)		
Customer lists .....	\$ 222,000	10-20	Accelerated
Proprietary technologies .....	23,000	4	Straight-line
Trade names .....	8,000	7	Straight-line
Total intangible assets acquired .....	<u>\$ 253,000</u>		

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 \$30.3 million. PIEtech's pre-tax loss for the year ended December 31, 2019 totaled \$12.4 million. The pre-tax loss includes acquired intangible asset amortization of \$17.6 million for the year ended December 31, 2019.

For the years ended December 31, 2021 and 2020, acquisition related costs for the PIEtech acquisition were not material. For the year ended December 31, 2019, acquisition related costs totaled approximately \$16.7 million. Included in this 2019 amount is approximately \$8.8 million in one-time cash retention bonuses plus related tax withholdings, which are included in compensation and benefits in the consolidated statements of operations. The remainder is included within general and administration expenses in the consolidated statements of operations.

## **2020 Acquisitions**

### ***Acquisition of Private Technology Company***

On February 18, 2020, the Company, through its wholly owned subsidiary Yodlee, Inc. (“Yodlee”), acquired a private technology company (the “Private Technology Company Acquisition”). The private technology company enables the consent generation and data flow between financial information providers, such as banks and financial institutions, and financial information users, such as financial technology lenders and other financial services agencies, through a network of cloud-based interoperable interfaces or application programming interfaces. The technology and operations of the private technology company have been integrated into the Company's Envestnet Data & Analytics segment.

In connection with the Private Technology Company Acquisition, the Company acquired all of the outstanding shares of the private technology company and paid cash consideration of \$2.3 million, net of cash acquired, subject to certain closing and post-closing adjustments, plus up to an additional \$6.8 million in contingent consideration, based upon achieving certain performance targets. The Company recorded a liability as of the date of acquisition of \$5.2 million, which represented the estimated fair value of contingent consideration on the date of acquisition.

In 2021 and 2020, we determined that certain performance targets for this acquisition would not be met. As a result, we reduced the contingent consideration liability plus accrued interest associated with this acquisition by \$0.7 million and \$3.1 million, respectively, and recorded this as a reduction to general and administration expenses. Future changes to the estimated fair value of the contingent consideration, if any, will be recognized in our earnings. Contingent consideration of \$1.1 million was paid during the year ended December 31, 2021.

The Company recorded estimated goodwill of \$7.0 million, which is not deductible for income tax purposes, and estimated identifiable intangible assets for proprietary technologies of \$1.0 million. The tangible assets acquired and liabilities assumed were not material.

The results of the private technology company's operations are included in the consolidated statements of operations beginning February 18, 2020 and were not considered material to the Company's results of operations.

For the years ended December 31, 2021 and 2020, acquisition related costs for the Private Technology Company Acquisition were not material, and are included in general and administration expenses.

### ***Acquisition of Private Cloud Technology Company***

On March 2, 2020, the Company acquired certain assets of a private cloud technology company (the “Private Cloud Technology Company Acquisition”). The private cloud technology company enables enterprises to design and implement the digital transition from legacy systems and applications to a modern cloud computing platform. The technology and operations of the private cloud technology company have been integrated into the Company's Envestnet Wealth Solutions segment.

In connection with the Private Cloud Technology Company Acquisition, the Company paid estimated consideration of \$12.0 million, net of cash acquired. In connection with the acquisition, the Company recorded estimated goodwill of \$10.9 million, which is deductible for income tax purposes. The tangible assets acquired and liabilities assumed were not material.

The results of the private cloud technology company's operations are included in the consolidated statements of operations beginning March 2, 2020 and were not considered material to the Company's results of operations.

For the years ended December 31, 2021 and 2020, acquisition related costs for the Private Cloud Technology Company Acquisition were not material, and are included in general and administration expenses.

### ***Acquisition of Private Financial Technology Design Company***

On March 3, 2020, the Company acquired the outstanding units of a private financial technology design company that were not owned by the Company and merged the acquired company into a wholly owned subsidiary of the Company (the “Private Financial Technology Design Company Acquisition”). The private financial technology design company designs integrated, intuitive digital technology applications for institutional financial services firms, bank wealth management organizations, independent advisor networks, and broker-dealers. The technology and operations of the private financial technology design company have been integrated into the Envestnet Wealth Solutions segment.

The Company previously owned approximately 45% of the outstanding units in this private financial technology design company, and accounted for it as an equity method investment. Based upon the estimated value of the private financial technology design company of \$11.0 million, the Company paid estimated consideration of \$5.9 million, net of cash acquired, for the remaining outstanding units. As a result of the acquisition, the Company recognized a gain of \$4.2 million in the first quarter of 2020 on the re-measurement to fair value of its previously held interest, which is included in other income (expense), net in the consolidated statements of operations.

In connection with the Private Financial Technology Design Company Acquisition, the Company recorded estimated total goodwill of \$9.2 million, of which approximately \$6.2 million is deductible for income tax purposes, and estimated identifiable intangible assets for proprietary technologies of \$2.0 million. The tangible assets acquired and liabilities assumed were not material.

The results of the private financial technology design company's operations are included in the consolidated statements of operations beginning March 3, 2020 and were not considered material to the Company's results of operations.

For the years ended December 31, 2021 and 2020, acquisition related costs for the Private Financial Technology Design Company Acquisition were not material, and are included in general and administration expenses.

The goodwill arising from these 2020 acquisitions represents the expected synergistic benefits of these transactions, primarily related to an increase in future revenues as a result of potential new business and cross selling opportunities, as well as enhancements to our technologies.

## **2021 Acquisitions**

### ***Acquisition of Proprietary Technology***

The Company previously owned approximately 29% of the outstanding units in a privately held company and accounted for it as an equity method investment. On March 11, 2021, the Company entered into an intellectual property purchase agreement with this privately held company to acquire all of the proprietary technology developed by the privately held company for approximately \$35.5 million. Concurrent with the intellectual property purchase agreement, the Company also entered into a redemption agreement with the same privately held company to redeem the Company's previously held equity interest for approximately \$10.0 million. The Company accounted for these two arrangements as a single unit of account. As of the acquisition date, the net cost of the proprietary technology acquired, including capitalized transaction costs, was approximately \$24.5 million, which will be amortized over a five-year period on a straight-line basis. The proprietary technology has been integrated into the Envestnet Wealth Solutions.

### ***Acquisition of Harvest***

On April 7, 2021, pursuant to an agreement and plan of merger (the “Merger Agreement”), dated as of March 31, 2021, between, among others, Harvest Savings & Wealth Technologies (“Harvest”), a Delaware corporation, and Bounty Merger Sub, Inc, a wholly-owned subsidiary of the Company (“Merger Sub”), the Company completed the merger of Harvest with and into Merger Sub, with Merger Sub continuing as the surviving corporation (the “Harvest Acquisition”) and operating as a wholly-owned subsidiary of Envestnet. Harvest has been integrated into the Envestnet Wealth Solutions segment.

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

Harvest provides automated goals-based saving and wealth solutions tools to customers of banks, credit unions, trust companies, and other financial institutions. The acquisition optimizes the Company's API-based financial wellness ecosystem, and also helps strengthen the Company's foothold to enable embedded finance, which the Company sees as a key driver of the future of financial services.

In connection with the Harvest Acquisition, the Company paid estimated consideration of \$32.8 million (of which approximately \$3.0 million is being held in escrow for 18 months after the closing date), net of cash acquired, subject to certain post-closing adjustments. The Company funded the acquisition with cash on hand.

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

	Preliminary Estimate	Measurement Period Adjustments	Revised Estimate
	(in thousands)		
Tangible assets acquired, net of cash <sup>(1)</sup>	\$ 2,032	\$ 3,278	\$ 5,310
Total liabilities assumed	(596)	54	(542)
Identifiable intangible assets	9,500	—	9,500
Goodwill	21,858	(3,332)	18,526
Total net assets acquired	<u>\$ 32,794</u>	<u>\$ —</u>	<u>\$ 32,794</u>

<sup>(1)</sup> The Company recorded measurement period adjustments of \$3.3 million primarily due to the establishment of deferred tax assets during the year ended December 31, 2021.

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

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

	Preliminary Estimate (in thousands)	Estimated Useful Life in Years	Amortization Method
Proprietary technology	\$ 6,900	6	Straight-line
Customer list	2,600	14	Accelerated
Total intangible assets acquired	<u>\$ 9,500</u>		

The results of Harvest's operations are included in the consolidated statements of operations beginning April 7, 2021 and were not considered material to the Company's results of operations.

For the year ended December 31, 2021, the Company's acquisition related costs were not material, and are included in general and administration expenses. The Company may incur additional acquisition related costs in 2022.

**Pro Forma Financial Information**

The results of the Company's acquisitions since January 1, 2020 were not considered material to the Company's results of operations, therefore, pro forma information is not presented.

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

**4. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consisted of the following:

	December 31,	
	2021	2020
	(in thousands)	
Prepaid technology	\$ 15,415	\$ 13,165
Non-income tax receivables	7,013	6,571
Escrow for acquisition	2,951	—
Prepaid insurance	2,234	1,777
Advance payroll taxes and benefits	1,356	6,429
Income tax prepayments and receivables	1,310	1,684
Other	12,427	10,944
Total prepaid expenses and other current assets	<u>\$ 42,706</u>	<u>\$ 40,570</u>

**5. Property and Equipment, Net**

Property and equipment, net consisted of the following:

	Estimated Useful Life	December 31,	
		2021	2020
		(in thousands)	
<b>Cost:</b>			
Computer equipment and software	3 years	\$ 72,879	\$ 72,443
Leasehold improvements	Shorter of the lease term or useful life of the asset	43,544	37,671
Office furniture and fixtures	3-7 years	12,214	11,249
Office equipment and other	3-5 years	7,973	7,151
Building and building improvements	7-39 years	2,729	2,669
Land	Not applicable	940	940
		140,279	132,123
Less: accumulated depreciation and amortization		(90,064)	(84,154)
Total property and equipment, net		<u>\$ 50,215</u>	<u>\$ 47,969</u>

During 2021 and 2020, the Company retired property and equipment that was no longer in service for the Envestnet Wealth Solutions segment with an historical cost of \$12.7 million and \$8.5 million, respectively. During 2021 and 2020, the Company retired property and equipment that was no longer in service for the Envestnet Data & Analytics segment with an historical cost of \$2.4 million and \$3.8 million, respectively. Gains and losses on asset retirements during 2021 and 2020 were not material.



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

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
(in thousands)				
Computer equipment and software	\$ 10,936	\$ (10,838)	\$ 9,844	\$ (9,606)
Leasehold improvements	197	(178)	1,775	(1,326)
Office furniture and fixtures	1,702	(1,646)	320	(243)
Office equipment and other	2,227	(1,915)	381	(348)
Total property and equipment retirements	<u>\$ 15,062</u>	<u>\$ (14,577)</u>	<u>\$ 12,320</u>	<u>\$ (11,523)</u>

Depreciation and amortization expense was as follows:

	Year Ended December 31,		
	2021	2020	2019
(in thousands)			
Depreciation and amortization expense	<u>\$ 20,577</u>	<u>\$ 21,432</u>	<u>\$ 20,777</u>

#### 6. Internally Developed Software, Net

Internally developed software, net consisted of the following:

	Estimated Useful Life	December 31,	
		2021	2020
(in thousands)			
Internally developed software	5 years	\$ 225,380	\$ 159,619
Less: accumulated amortization		(91,721)	(63,118)
Internally developed software, net		<u>\$ 133,659</u>	<u>\$ 96,501</u>

Amortization expense was as follows:

	Year Ended December 31,		
	2021	2020	2019
(in thousands)			
Amortization expense	<u>\$ 28,603</u>	<u>\$ 18,670</u>	<u>\$ 12,042</u>

#### 7. Goodwill and Intangible Assets, Net

Changes in the carrying amount of goodwill were as follows:

	Envestnet Wealth Solutions	Envestnet Data & Analytics	Total
	(in thousands)		
Balance at December 31, 2019	\$ 583,247	\$ 296,603	\$ 879,850
Private Technology company acquisition	—	7,019	7,019
Private Cloud Technology company acquisition	10,932	—	10,932
Private Financial Technology Design company acquisition	9,241	—	9,241
Foreign currency translation and other	(70)	(199)	(269)
Balance at December 31, 2020	603,350	303,423	906,773
Harvest Acquisition	18,526	—	18,526
Foreign currency translation	—	(145)	(145)
Balance at December 31, 2021	<u>\$ 621,876</u>	<u>\$ 303,278</u>	<u>\$ 925,154</u>

Intangible assets, net consisted of the following:

	December 31, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer lists	\$ 590,080	\$ (241,189)	\$ 348,891	\$ 591,520	\$ (198,555)	\$ 392,965
Proprietary technologies	85,324	(43,004)	42,320	54,914	(26,949)	27,965
Trade names	33,700	(24,515)	9,185	33,700	(19,589)	14,111
Total intangible assets	<u>\$ 709,104</u>	<u>\$ (308,708)</u>	<u>\$ 400,396</u>	<u>\$ 680,134</u>	<u>\$ (245,093)</u>	<u>\$ 435,041</u>

During 2021 and 2020, the Company retired fully amortized intangible assets for the Envestnet Wealth Solutions segment with an historical cost of \$5.0 million and \$0.8 million, respectively, including proprietary technologies and customer lists. During 2021 the Company had no retirements of intangible assets for the Envestnet Data & Analytics segment. In 2020 the Company retired fully amortized proprietary technology intangible assets for the Envestnet Data & Analytics segment with an historical cost of \$35.0 million.

Amortization expense was as follows:

	Year Ended December 31,		
	2021	2020	2019
Amortization expense	<u>\$ 68,587</u>	<u>\$ 73,559</u>	<u>\$ 68,452</u>

Future amortization expense of the Company's intangible assets as of December 31, 2021, is expected to be as follows:  
Years ending December 31:

2022	\$ 66,186
2023	51,791
2024	45,013
2025	41,736
2026	33,894
Thereafter	161,776
Total	<u>\$ 400,396</u>

**8. Investments**

**Equity Method Investments**

The Company owns equity interests in various privately held companies for which it has significant influence and, therefore, recognizes its investment under the equity method. Equity method investments are initially recorded at cost. Under the equity method of accounting, the investment is adjusted for the Company's proportionate share of earnings or losses, dividends, capital contributions and changes in ownership interests.

As of December 31, 2021, the Company's ownership interests in these companies ranged from 4% to 47%. As of December 31, 2020, the Company's ownership interests in these companies ranged from 4% to 44%. As of December 31, 2021 and December 31, 2020, the carrying value of the Company's equity method investments was \$18.6 million and \$15.3 million, respectively, which are included in other non-current assets in the consolidated balance sheets. As of December 31, 2021, the Company has committed \$3.0 million in future funding to certain of these equity method investees.

Summarized combined financial information for these investments is as follows (amounts represent 100% of investee financial information, except Envestnet's proportional share of losses):

<i>Balance Sheets</i>	December 31,	
	2021	2020
	(in thousands)	
Current assets .....	\$ 40,333	\$ 23,469
Non-current assets .....	33,529	21,329
Current liabilities .....	20,018	11,325
Non-current liabilities .....	1,583	1,418

<i>Statements of Operations</i>	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Revenues .....	\$ 65,085	\$ 35,603	\$ 866
Loss from operations .....	(149)	(4,758)	(6,192)
Net loss .....	(134)	(5,062)	(6,193)
Envestnet's proportional share of losses .....	(7,093)	(5,399)	(2,361)

Envestnet's proportional share of losses from the Company's equity method investments are included in other income (expense), net in the consolidated statements of operations.

**Investment in Private Services Company**

On January 8, 2020, the Company acquired a 4.25% membership interest in a private services company for cash consideration of \$11.0 million. The private services company partners with independent network advisory firms to help them grow, become more profitable and run more efficiently. The Company uses the equity method of accounting to record its portion of the private services company's net income or loss on a one quarter lag from the actual results of operations. The Company uses the equity method of accounting because of its less than 50% ownership and lack of control and does not otherwise exercise control over the significant economic decisions of the private services company.

The private services company is and remains a client of the Company and has thus been determined to be a related party. Revenues from the private services company totaled \$16.4 million and \$11.5 million in the twelve months ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the Company had recorded a net receivable of \$3.0 million and \$2.1 million, respectively, from the private services company.

As of December 31, 2021 and 2020, the carrying value of the Company's investment in the private services company exceeded its proportionate share of the net assets of the private services company by approximately \$9.5 million and \$9.9 million, respectively, which represents goodwill and amortizable intangible assets arising from acquisitions. The Company recognizes amortization on the basis difference allocated to intangible assets over a period between six to fifteen years. This amortization is included within Envestnet's proportional share of losses in other income (expense), net in the consolidated statements of operations.

**Other Equity Investments**

The Company owns equity interests in various privately held companies for which it does not have significant influence, there is no readily determinable fair value, and its investment qualifies for recognition under the measurement alternative at cost minus impairment, if any, plus or minus fair value changes when there are observable price changes.

On October 1, 2021, the Company acquired an ownership interest in YieldX Inc. ("YieldX") for cash consideration of \$15.0 million. YieldX provides an end-to-end digital platform with smart workflows, artificial intelligence powered analytics and a reimagined user experience for financial professionals and investors in the fixed income markets. The Company elected the measurement alternative for this investment as it did not have a readily determinable fair value. The investment is measured at cost, less impairment, adjusted by observable price changes.

In connection with this investment, the Company also entered into a commercial agreement with YieldX to integrate the products and solutions of YieldX into the Company's platform offering. The consideration under the commercial agreement includes a warrant and quarterly cash payments subject to the satisfaction of certain performance targets.

As of December 31, 2021 and December 31, 2020, the carrying value of these other equity investments was \$18.7 million and \$0.3 million, respectively, which are included in other non-current assets in the consolidated balance sheets. There have been no impairments recognized for these investments as of December 31, 2021. Fair value adjustments, resulting from observable price changes, of \$0.8 million were recognized during the year ended December 31, 2021.

**9. Accrued Expenses and Other Liabilities**

Accrued expenses and other liabilities consisted of the following:

	December 31,	
	2021	2020
Accrued compensation and related taxes .....	\$ 97,523	\$ 71,039
Accrued investment manager fees .....	95,858	57,894
Accrued technology .....	8,951	4,701
Accrued professional services .....	7,746	9,240
Non-income tax payables .....	4,907	8,398
Other accrued expenses .....	9,431	7,276
Total accrued expenses and other liabilities .....	<u>\$ 224,416</u>	<u>\$ 158,548</u>

In the fourth quarter of 2020, as part of an organizational realignment, the Company entered into separation agreements with several employees. In connection with this realignment, the Company recognized approximately \$5.2 million and \$5.1 million of severance expense during the twelve months ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the Company has accrued approximately \$1.4 million and \$5.1 million in accrued compensation and related taxes associated with these separation agreements, respectively.



10. Debt

The Company's outstanding debt obligations as of December 31, 2021 and 2020 were as follows:

	December 31,	
	2021	2020
	(in thousands)	
Revolving credit facility balance	\$ —	\$ —
Convertible Notes due 2023	\$ 345,000	\$ 345,000
Unaccreted discount on Convertible Notes due 2023	—	(24,058)
Unamortized issuance costs on Convertible Notes due 2023	(2,979)	(4,306)
Convertible Notes due 2023 carrying value	<u>\$ 342,021</u>	<u>\$ 316,636</u>
Convertible Notes due 2025	\$ 517,500	\$ 517,500
Unaccreted discount on Convertible Notes due 2025	—	(65,902)
Unamortized issuance costs on Convertible Notes due 2025	(10,659)	(11,731)
Convertible Notes due 2025 carrying value	<u>\$ 506,841</u>	<u>\$ 439,867</u>

*Amended Credit Agreement*

In 2014, Investnet 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 October 2021.

Pursuant to the Amended Credit Agreement, the Banks have agreed to provide the Company with a revolving credit facility of \$500.0 million, of which amount may be increased by \$150.0 million (the "Revolving Credit Facility"). The Amended Credit Agreement also includes a \$5.0 million sub-facility for the issuances of letters of credit. As of December 31, 2021 and December 31, 2020, there were no amounts outstanding under the Revolving Credit Facility.

Obligations under the Amended Credit Agreement are guaranteed by substantially all of Investnet'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.

In the event the Company has borrowings under the Amended Credit Agreement, it will pay interest on these borrowings at rates between 1.50% and 3.25% above LIBOR based on the Company's total leverage ratio. Any borrowings under the Amended Credit Agreement will 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.

As of December 31, 2021, 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 \$0.9 million and \$1.5 million, respectively.

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 Investnet 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 as of December 31, 2021.

As of December 31, 2021, the Company had all \$500.0 million available to borrow under the revolving credit facility, subject to covenant compliance.

See "Note 22—Subsequent Events" for details on the Company's Third Credit Agreement entered into on February 4, 2022.

*Convertible Notes due 2023*

In May 2018, the Company issued \$345.0 million of convertible notes maturing June 1, 2023 (the "Convertible Notes due 2023"). Net proceeds from the offering were \$335.0 million. 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.

The Convertible Notes due 2023 are general unsecured senior obligations, subordinated in right of payment to the Company's obligations under the Amended Credit Agreement. The Convertible Notes due 2023 rank equally in right of payment with all of the Company's other existing and future senior indebtedness and will be senior in right of payment to any of the Company's future subordinated obligations. The Convertible Notes due 2023 will be structurally subordinated to the indebtedness and other liabilities of any of the Company's subsidiaries, other than its wholly owned subsidiary, Investnet 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.

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

The Company may redeem for cash all or any portion of the notes, at our option, on or after June 5, 2021 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, consecutive or non-consecutive, within a 30 consecutive trading day period ending on, and including, any of the five trading days immediately preceding the date on which the Company provides notice of redemption.

The Convertible Notes due 2023 are convertible into shares of the Company's common stock under certain circumstances prior to maturity at an initial conversion rate of 14.6381 shares per one thousand principal amount of the Convertible Notes due 2023, which represents a conversion price of \$68.31 per share and approximately 5.1 million shares issuable upon conversion, subject to adjustment under certain conditions. The initial conversion rate is subject to adjustment upon a "fundamental change", as defined in the indenture, if the Company calls all or any portion of the notes for optional redemption, or subject to antidilution provisions provided in the indenture. 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. On or after December 15, 2022, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may surrender their notes for conversion at any time, regardless of the foregoing circumstances.

Upon conversion, the Company may pay cash, shares of 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.

Upon issuance, the Company separately accounted for the liability and equity components of the Convertible Notes due 2023 by allocating the proceeds from issuance of the Convertible Notes due 2023 between the liability component and the embedded conversion option, or equity component. This allocation was done by first estimating an interest rate at the time of issuance for similar notes that do not include an embedded conversion option. The Company allocated \$46.6 million to the equity component, presented within additional paid-in capital, net of offering costs of \$1.4 million. The Company recorded a discount on the Convertible Notes due 2023 of \$48.0 million which was accreted and recorded as additional interest expense.

Upon the adoption of ASU 2020-06 on January 1, 2021, the equity component is no longer separated from the host contract and is now accounted for as a single liability measured at amortized cost within Long-term debt in the consolidated balance sheets. Accordingly, as of December 31, 2021, the Convertible Notes due 2023 are presented at their gross proceeds of \$345.0 million less unamortized debt issuance costs of \$3.0 million with no future accretion of the original issue discount necessary. During the twelve months ended December 31, 2020 and 2019, the Company recognized \$9.4 million and \$9.2 million, respectively, in accretion related to the discount.

In connection with the issuance of the Convertible Notes due 2023, the Company incurred \$10.0 million of issuance costs in 2018, of which \$8.6 million was originally allocated to the debt component and presented net in Long-term debt and \$1.4 million was originally allocated to the equity component and presented within additional paid-in capital in the consolidated balance sheets. Upon the adoption of ASU 2020-06, the costs originally allocated to the equity component are reflected within Long-term debt and are being amortized and recorded as additional interest expense over the life of the Convertible Notes due 2023.

#### *Convertible Notes due 2025*

In August 2020, the Company issued \$517.5 million of convertible notes that mature on August 15, 2025 (the "Convertible Notes due 2025"). Net proceeds from the offering were \$503.0 million. The Convertible Notes due 2025 bear interest at a rate of 0.75% per annum payable semiannually in arrears in cash on February 15 and August 15 of each year.

The Convertible Notes due 2025 are general unsecured senior obligations, subordinated in right of payment to the Company's obligations under the Amended Credit Agreement. The Convertible Notes due 2025 rank equally in right of payment with all of the Company's other existing and future senior indebtedness and will be senior in right of payment to any of the Company's future subordinated obligations. The Convertible Notes due 2025 will be structurally subordinated to the indebtedness and other liabilities of any of the Company's subsidiaries, other than its wholly owned subsidiary, Envestnet Asset Management, Inc., which will fully and unconditionally guarantee the notes on an unsecured basis, and other than to the extent the Convertible Notes due 2025 are guaranteed in the future by any of our other subsidiaries as described in the indenture and will be effectively subordinated to and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

Upon the occurrence of a "fundamental change," as defined in the indenture, the holders may require the Company to repurchase all or a portion of the Convertible Notes due 2025 for cash at 100% of the principal amount of the Convertible Notes due 2025 being purchased, plus any accrued and unpaid interest.

The Company may redeem for cash all or any portion of the notes, at our option, on or after August 15, 2023 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, consecutive or non-consecutive, within a 30 consecutive trading day period ending on, and including, any of the five trading days immediately preceding the date on which the Company provides notice of redemption.

The Convertible Notes due 2025 are convertible into shares of the Company's common stock under certain circumstances prior to maturity at an initial conversion rate of 9.3682 shares per one thousand principal amount of the Convertible Notes due 2025, which represents a conversion price of \$106.74 per share and approximately 4.8 million shares issuable upon conversion, subject to adjustment under certain conditions. The initial conversion rate is subject to adjustment upon a "fundamental change", as defined in the indenture, if the Company calls all or any portion of the notes for optional redemption, or subject to antidilution provisions provided in the indenture. Holders may convert their Convertible Notes due 2025 at their option at any time prior to the close of business on the business day immediately preceding February 15, 2025, only under the following circumstances: (a) during any calendar quarter commencing after the calendar quarter ending on September 30, 2020 (and only during such calendar quarter), if the last reported sale price of the Company's common stock, for

at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price of the Notes in effect on each applicable trading day; (b) during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for the notes for each such trading day is less than 98% of the last reported sale price of the Company's common stock on such date multiplied by the then-current conversion rate; (c) if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (d) upon the occurrence of specified corporate events described in the Indenture. On or after February 15, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may surrender their notes for conversion at any time, regardless of the foregoing circumstances.

Upon conversion, the Company may pay cash, shares of 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 2025 at least partially or wholly in cash. This policy is based both on the Company's intent and its ability to settle these instruments in cash.

Upon issuance, the Company separately accounted for the liability and equity components of the Convertible Notes due 2025 by allocating the proceeds from issuance of the Convertible Notes due 2025 between the liability component and the embedded conversion option, or equity component. This allocation was done by first estimating an interest rate at the time of issuance for similar notes that do not include the embedded conversion option. The Company allocated \$61.9 million to the equity component presented within additional paid-in capital, net of offering costs of \$1.9 million and taxes of \$6.7 million. The Company recorded a discount on the Convertible Notes due 2025 of \$70.6 million which was accreted and recorded as additional interest expense.

Upon the adoption of ASU 2020-06 on January 1, 2021, the equity component is no longer separated from the host contract and is now accounted for as a single liability measured at amortized cost within Long-term debt in the consolidated balance sheets. Accordingly, as of December 31, 2021, the Convertible Notes due 2025 are presented at their gross proceeds of \$517.5 million less unamortized debt issuance costs of \$10.7 million with no future accretion of the original issue discount necessary. During the twelve months ended December 31, 2020 the Company recognized \$4.7 million in accretion related to the discount.

In connection with the issuance of the Convertible Notes due 2025, the Company incurred a total of \$14.5 million of issuance costs in 2020, of which \$12.6 million was originally allocated to the debt component and presented net in Long-term debt and \$1.9 million was originally allocated to the equity component and presented within additional paid-in capital in the consolidated balance sheets. Upon the adoption of ASU 2020-06, the costs originally allocated to the equity component are reflected within Long-term debt and are being amortized and recorded as additional interest expense over the life of the Convertible Notes due 2025.

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

**Interest Expense**

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

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Coupon interest .....	\$ 9,919	\$ 7,442	\$ 8,917
Amortization of issuance costs .....	5,745	3,396	3,703
Undrawn and other fees .....	1,267	796	795
Accretion of debt discount .....	—	14,084	15,040
Interest on revolving credit facility .....	—	5,786	4,065
Total interest expense .....	<u>\$ 16,931</u>	<u>\$ 31,504</u>	<u>\$ 32,520</u>

For the years ended December 31, 2021, 2020, and 2019, total interest expense related to the Convertible Notes due 2023 was \$8.0 million, \$17.1 million, and \$16.8 million, respectively, with coupon interest expense of \$6.0 million, \$6.0 million, and \$6.0 million, and amortization of debt discount and issuance costs of \$2.0 million, \$11.1 million, and \$10.8 million, respectively. The effective interest rate of the Convertible Notes due 2023 was approximately 2.4%, 6.0%, and 6.0% for the years ended December 31, 2021, 2020, and 2019, respectively. The effective interest rate of the Convertible Notes due 2023 is equal to the stated interest rate plus the amortization of the debt issuance costs subsequent to adoption of ASU 2020-06. Prior to the adoption of ASU 2020-06, the effective interest rate calculation also included the amortization of the original issue discount.

For the years ended December 31, 2021 and 2020, total interest expense related to the Convertible Notes due 2025 was \$6.8 million and \$6.9 million, respectively, with coupon interest expense of \$3.9 million and \$1.4 million, and amortization of debt discount and issuance costs of \$2.9 million and \$5.5 million, respectively. The effective interest rate of the Convertible Notes due 2025 for the years ended December 31, 2021 and 2020 was approximately 1.3% and 4%, respectively. The effective interest rate of the Convertible Notes due 2025 was equal to the stated interest rate plus the amortization of the debt issuance costs subsequent to adoption of ASU 2020-06. Prior to the adoption of ASU 2020-06, the effective interest rate calculation also included the amortization of the original issue discount.

For the year ended December 31, 2019, total interest expense related to a prior convertible note issuance that was repaid in 2019 was \$9.7 million, with coupon interest expense of \$2.9 million and amortization of debt discount and issuance costs of \$6.8 million.

**11. 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 1 month to 12 years.

The following table illustrates information for the Company's leases as of and for the year ended December 2021 and 2020:

	December 31,	
	2021	2020
	(in thousands)	
Total operating lease cost .....	\$ 18,600	\$ 17,241
Short-term lease cost .....	4,940	5,049
Weighted average remaining lease term (in years) .....	9.8	10.2
Weighted average discount rate .....	5.1%	5.1%
Cash paid for amounts included in the measurement of the operating lease liability .....	18,052	21,467

\* The Company did not have significant sublease income or variable lease cost for the years ended December 31, 2021 and 2020.

Future minimum lease payments under non-cancellable leases, as of December 31, 2021, were as follows:

Years Ending December 31,	Operating Leases
	(in thousands)
2022 .....	\$ 14,781
2023 .....	15,518
2024 .....	14,628
2025 .....	13,728
2026 .....	14,684
Thereafter .....	76,273
Total future minimum lease payments .....	149,612
Less imputed interest .....	(32,693)
Total operating lease liabilities .....	<u>\$ 116,919</u>

As of December 31, 2021, the Company has several operating lease commitments, primarily for our corporate offices, that have not yet commenced. These operating leases are expected to commence before January 2024 with lease terms of up to 11 years.

**12. 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. Throughout 2021, we repurchased 55,488 shares of the Company's common stock for \$4.0 million. The Company made no repurchases in 2020. As of December 31, 2021, a maximum of 1,900,902 shares may yet be purchased under this program.

On December 20, 2018, the Company issued and sold to BlackRock, Inc. ("BlackRock") warrants to purchase approximately 470,000 common shares at an exercise price of \$65.16 per share, subject to customary anti-dilution adjustments. The warrants 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. As of December 31, 2021, BlackRock has not exercised any of the warrants.

In December 2021, the company issued 78,677 shares of the Company's common stock for the settlement of liabilities connected with a prior acquisition.

The Company has issued Convertible Notes due 2023 and Convertible Notes due 2025 that are convertible into shares of the Company's common stock under certain conditions prior to maturity. See "Note 10—Debt".

### 13. Fair Value Measurements

The following tables set forth the fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets as of December 31, 2021 and December 31, 2020, based on the three-tier fair value hierarchy:

	December 31, 2021			
	Fair Value	Level I	Level II	Level III
(in thousands)				
<b>Assets:</b>				
Money market funds .....	\$ 2,684	\$ 2,684	\$ —	\$ —
Assets used to fund deferred compensation liability .....	11,140	—	—	11,140
Total assets .....	<u>\$ 13,824</u>	<u>\$ 2,684</u>	<u>\$ —</u>	<u>\$ 11,140</u>
<b>Liabilities:</b>				
Contingent consideration liability .....	\$ 743	\$ —	\$ —	\$ 743
Deferred compensation liability .....	10,418	10,418	—	—
Total liabilities .....	<u>\$ 11,161</u>	<u>\$ 10,418</u>	<u>\$ —</u>	<u>\$ 743</u>
December 31, 2020				
	Fair Value	Level I	Level II	Level III
(in thousands)				
<b>Assets:</b>				
Money market funds .....	\$ 84,110	\$ 84,110	\$ —	\$ —
Assets used to fund deferred compensation liability .....	9,961	—	—	9,961
Total assets .....	<u>\$ 94,071</u>	<u>\$ 84,110</u>	<u>\$ —</u>	<u>\$ 9,961</u>
<b>Liabilities:</b>				
Contingent consideration liability .....	\$ 12,559	\$ —	\$ —	\$ 12,559
Deferred compensation liability .....	8,720	8,720	—	—
Total liabilities .....	<u>\$ 21,279</u>	<u>\$ 8,720</u>	<u>\$ —</u>	<u>\$ 12,559</u>

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.

### Fair Value of Contingent Consideration Liabilities

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

The Company will continue to reassess the fair values of the contingent consideration liabilities at each reporting date until settlement. Changes to these estimated fair values will be recognized in the Company's earnings and included in general and administration expenses in the consolidated statements of operations. In 2021, the Company determined that certain performance targets related to the private technology company acquisition would not be met. As a result, the Company reduced the contingent consideration liability plus accrued interest associated with this acquisition by \$0.7 million and recorded this as a reduction to general and administration expenses.

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, 2020 to December 31, 2021:

	Fair Value of Contingent Consideration Liabilities
	(in thousands)
Balance at December 31, 2020 .....	\$ 12,559
Payments of contingent consideration liability .....	(11,636)
Fair market value adjustment on contingent consideration liability .....	(667)
Accretion on contingent consideration liabilities .....	487
Balance at December 31, 2021 .....	<u>\$ 743</u>

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, 2020 to December 31, 2021:

	Fair Value of Assets Used to Fund Deferred Compensation Liability
	(in thousands)
Balance at December 31, 2020 .....	\$ 9,961
Contributions .....	215
Fair value adjustments .....	964
Balance at December 31, 2021 .....	<u>\$ 11,140</u>

The fair market value of the assets used to fund the Company's deferred compensation liability is based upon the cash surrender value of the Company's life insurance premiums. The value of the assets used to fund the Company's deferred compensation liability, which are included in other non-current assets in the consolidated balance sheets, increased due to funding of the plan and gains on the underlying investment vehicles. These gains are recognized in the Company's earnings and included in general and administration expenses in the consolidated statements of operations.



The Company assesses the categorization of assets and liabilities by level at each measurement date, and transfers between levels are recognized on the actual date of the event or when changes in circumstances cause the transfer, in accordance with the Company's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers between Levels I, II and III during the year ended December 31, 2021.

***Fair Value of Debt Agreements and Other Financial Assets and Liabilities***

The Company considered the Convertible Notes due 2023 and Convertible Notes due 2025 to be Level II liabilities as of December 31, 2021 and 2020, and used a market approach to calculate their respective fair values. The estimated fair value for each convertible note was determined based on the estimated or actual bids and offers in an over-the-counter market on December 31, 2021 and 2020 (See "Note 10—Debt").

In May 2018, the Company issued \$345.0 million of Convertible Notes due 2023. As of December 31, 2021 and 2020, the carrying value of the Convertible Notes due 2023 equaled \$342.0 million and \$316.6 million, respectively, and represented the aggregate principal amount outstanding less the unamortized discount and debt issuance costs. As of December 31, 2021 and 2020, the estimated fair value of the Convertible Notes due 2023 was \$439.9 million and \$460.8 million, respectively.

In August 2020, the Company issued \$517.5 million of Convertible Notes due 2025. As of December 31, 2021 and 2020, the carrying value of the Convertible Notes due 2025 equaled \$506.8 million and \$439.9 million, and represented the aggregate principal amount outstanding less the unamortized discount and debt issuance costs. As of December 31, 2021 and 2020, the estimated fair value of the Convertible Notes due 2025 was \$526.1 million and \$540.8 million, respectively.

As of December 31, 2021 and 2020, no advances were outstanding on the revolving credit facility under the Amended Credit Agreement. The Company considered the revolving credit facility to be a Level I liability as of December 31, 2021 and 2020 (See "Note 10—Debt").

The Company considered the recorded values of our other financial assets and liabilities, which consist primarily of cash and cash equivalents, fees receivable and accounts payable, to approximate the fair values of the respective assets and liabilities at December 31, 2021 based upon the short-term nature of these assets and liabilities.

**14. Revenues and Cost of Revenues**

***Disaggregation of revenue***

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

	Year Ended December 31, 2021		
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Consolidated
Revenues:	(in thousands)		
Asset-based .....	\$ 709,376	\$ —	\$ 709,376
Subscription-based .....	267,720	186,269	453,989
Total recurring revenues .....	977,096	186,269	1,163,365
Professional services and other revenues .....	14,070	9,082	23,152
Total revenues .....	<u>\$ 991,166</u>	<u>\$ 195,351</u>	<u>\$ 1,186,517</u>

	Year Ended December 31, 2020		
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Consolidated
Revenues:	(in thousands)		
Asset-based .....	\$ 540,947	\$ —	\$ 540,947
Subscription-based .....	248,810	177,697	426,507
Total recurring revenues .....	789,757	177,697	967,454
Professional services and other revenues .....	16,333	14,443	30,776
Total revenues .....	<u>\$ 806,090</u>	<u>\$ 192,140</u>	<u>\$ 998,230</u>

	Year Ended December 31, 2019		
	Envestnet Wealth Solutions	Envestnet Data & Analytics	Consolidated
Revenues:	(in thousands)		
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 .....	<u>\$ 709,458</u>	<u>\$ 190,669</u>	<u>\$ 900,127</u>

One customer accounted for more than 10% of the Company's total revenues, substantially all of which are included within the Envestnet Wealth Solutions segment:

	Year Ended December 31,		
	2021	2020	2019
Fidelity .....	17 %	15 %	15 %

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

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
United States .....	\$ 1,166,251	\$ 977,047	\$ 871,456
International <sup>(1)</sup> .....	20,266	21,183	28,671
Total revenues .....	<u>\$ 1,186,517</u>	<u>\$ 998,230</u>	<u>\$ 900,127</u>

(1) No foreign country accounted for more than 10% of total revenues.

**Remaining performance obligations**

The following table includes estimated revenue expected to be recognized in the future as of December 31, 2021:

Years ending December 31,	(in thousands)
2022	\$ 253,848
2023	161,762
2024	88,269
2025	46,173
2026	19,845
Thereafter	4,433
Total	\$ 574,330

The remaining performance obligations disclosed above are not indicative of revenue for future periods.

**Contract balances**

Total deferred revenue decreased \$2.0 million and \$3.8 million as of December 31, 2021 and December 31, 2020, respectively. The decrease in both years is primarily due to timing differences related to the satisfaction of outstanding performance obligations and the Company's billing cycles during the years then ended. The majority of the Company's deferred revenue as of December 31, 2021 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 \$33.8 million and \$34.3 million for the years ended December 31, 2021 and 2020, respectively. The majority of this revenue consists of subscription-based services and professional services arrangements. The amount of revenue recognized from performance obligations satisfied in prior periods was not material.

**Deferred sales incentive compensation**

Deferred sales incentive compensation was \$11.8 million and \$10.8 million as of December 31, 2021 and 2020, respectively. Amortization expense for the deferred sales incentive compensation was \$4.4 million and \$3.9 million for the years ended December 31, 2021 and 2020, respectively. Deferred sales incentive compensation is included in other non-current assets on the consolidated balance sheets and amortization expense is included in compensation and benefits expenses on the consolidated statements of operations. No significant impairment loss for capitalized costs was recorded during the periods.

**Cost of Revenues**

The following table summarizes cost of revenues by revenue category:

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Asset-based	\$ 393,717	\$ 278,569	\$ 243,913
Subscription-based	29,445	26,934	28,904
Professional services and other	561	426	5,994
Total cost of revenues	\$ 423,723	\$ 305,929	\$ 278,811

**15. Stock-Based Compensation**

On June 22, 2010, the Board of Directors approved the 2010 Long-Term Incentive Plan ("2010 Plan"), effective upon the closing of the Company's initial public offering. The 2010 Plan provides for the grant of options, stock appreciation rights, Full Value Awards (as defined in the 2010 Plan agreement) and cash incentive awards to employees, consultants and non-employee directors to purchase common stock, which vest over time and have a ten-year contractual term. As approved by the Company's shareholders, the 2010 Plan has since been amended whereby the maximum number of shares of common stock that may be delivered under the 2010 Plan is 12,375,000. Stock options and stock appreciation rights are granted with an exercise price no less than the fair-market-value price of the common stock at the date of the grant. As of December 31, 2021, the maximum number of options and restricted stock available for future issuance under the Company's plans is 3,712,313.

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.

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

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Stock-based compensation expense	\$ 67,525	\$ 56,292	\$ 54,436
Tax effect on stock-based compensation expense	(17,219)	(14,354)	(13,734)
Net effect on income	\$ 50,306	\$ 41,938	\$ 40,702

The tax effect on stock-based compensation expense above was calculated using a blended statutory rate of 25.5%, 25.5% and 25.2% for the years ended December 31, 2021, 2020 and 2019, respectively.

**Stock Options**

The following weighted average assumptions were used to value options granted during the periods indicated:

	December 31,		
	2021	2020	2019
Grant date fair value of options	\$ 31.23	\$ —	\$ 21.55
Volatility	42.1 %	— %	40.0 %
Risk-free interest rate	0.4 %	— %	2.5 %
Dividend yield	—	—	—
Expected term (in years)	6.5	0.0	6.5



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

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 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
Exercised	(705,333)	18.83		
Forfeited	(7,213)	48.70		
Outstanding as of December 31, 2020	438,040	36.28	4.1	20,156
Granted	4,781	74.83		
Exercised	(76,303)	27.37		
Forfeited	(1,277)	49.02		
Outstanding as of December 31, 2021	365,241	38.61	3.3	14,878
Options exercisable	321,487	36.80	2.8	13,675

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, 2021, 2020 and 2019 of \$79.34, \$82.29 and \$69.63, 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,		
	2021	2020	2019
	(in thousands)		
Total intrinsic value of options exercised	\$ 3,815	\$ 35,687	\$ 40,893
Cash received from exercises of stock options	2,090	10,760	10,592

Exercise prices of stock options outstanding as of December 31, 2021 range from \$12.45 to \$74.83. At December 31, 2021, there was an immaterial amount of unrecognized compensation expense related to unvested stock options, which the Company expects to recognize over a weighted-average period of 1.6 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 0% to 150% of the original grant number. If these metrics are achieved, as defined in the individual grant terms, these shares would cliff vest three years from the grant date.

The following is a summary of the activity for unvested 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, 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
Granted	970,390	74.61	81,689	83.47
Vested	(804,982)	57.77	—	—
Forfeited	(138,931)	62.14	(33,010)	64.70
Outstanding as of December 31, 2020	1,345,347	70.56	302,797	72.50
Granted	1,195,313	71.03	129,865	70.92
Vested	(828,942)	69.50	(62,524)	61.53
Forfeited	(204,294)	70.71	(10,954)	78.97
Outstanding as of December 31, 2021	1,507,424	71.50	359,184	73.64

At December 31, 2021, there was \$83.8 million of unrecognized compensation expense related to unvested restricted stock units and awards, which the Company expects to recognize over a weighted-average period of 2.0 years. At December 31, 2021, there was \$10.4 million 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 1.9 years.

In connection with the unexpected death of our former CEO in 2019, the Company modified certain of his outstanding equity awards. The modifications included the extension of exercise periods for his outstanding stock options and the immediate vesting of his outstanding RSUs. All unvested PSUs were forfeited. As a result of these modifications, the Company recorded additional non-cash compensation expense of \$4.3 million in 2019. In 2020, the Company recognized a gain of \$2.5 million in other income (expense), net as a result of a fair value adjustment upon settlement of the former CEO's stock options.

#### 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,		
	2021	2020	2019
	(in thousands)		
Voluntary employer matching contributions	\$ 6,873	\$ 6,247	\$ 6,044

17. Income Taxes

Income (loss) before income tax expense (benefit) was generated in the following jurisdictions:

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Domestic .....	\$ 9,730	\$ (17,234)	\$ (61,047)
Foreign .....	10,631	9,189	12,952
Total .....	<u>\$ 20,361</u>	<u>\$ (8,045)</u>	<u>\$ (48,095)</u>

The components of the income tax expense (benefit) charged to operations are summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Current:			
Federal .....	\$ —	\$ (1,086)	\$ 4
State .....	3,488	2,111	2,803
Foreign .....	4,499	(4,542)	5,930
	<u>7,987</u>	<u>(3,517)</u>	<u>8,737</u>
Deferred:			
Federal .....	4,021	(2,659)	(33,952)
State .....	(3,548)	1,158	(5,603)
Foreign .....	(793)	(383)	(75)
	<u>(320)</u>	<u>(1,884)</u>	<u>(39,630)</u>
Total .....	<u>\$ 7,667</u>	<u>\$ (5,401)</u>	<u>\$ (30,893)</u>

Net deferred tax assets (liabilities) consisted of the following:

	December 31,	
	2021	2020
	(in thousands)	
Deferred revenue .....	\$ 6,436	\$ 5,811
Prepaid expenses and accruals .....	8,099	8,737
Right of use asset .....	(22,190)	(25,937)
Lease liability .....	28,994	30,752
Net operating loss and tax credit carryforwards .....	85,698	87,648
Property and equipment and intangible assets .....	(100,314)	(113,041)
Stock-based compensation expense .....	9,652	9,122
Investment in partnerships .....	2,941	1,727
Convertible Notes .....	—	(22,951)
Other .....	(173)	894
Total deferred tax liabilities, net .....	19,143	(17,238)
Less: valuation allowance .....	(40,164)	(17,502)
Net deferred tax liabilities .....	<u>\$ (21,021)</u>	<u>\$ (34,740)</u>

Beginning in 2022, the Tax Cuts and Jobs Act ("TCJA") eliminates the option to deduct research and development ("R&D") expenditures currently and requires taxpayers to amortize them over five years pursuant to IRC Section 174. Although Congress is considering legislation that would defer the amortization requirement to later years, we have no assurance that the provision will be repealed or otherwise modified. If the requirement is not modified, the Company could expect to pay material cash taxes beginning in 2022.

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 \$6.2 million related to the withholding tax in India, net of an assumed foreign tax deduction for this amount in the U.S.

The valuation allowance for deferred tax assets as of December 31, 2021 and 2020 was \$40.2 million and \$17.5 million, respectively. The change in the valuation allowance from 2020 to 2021 was primarily related to the adoption of ASU 2020-06, additional R&D credits generated during 2021, the Harvest acquisition, and additional valuation allowance on state NOLs. In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some or all of the deferred tax assets will be realized.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence is the cumulative pre-tax loss incurred over the three years ended December 31, 2021. 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, 2021, a valuation allowance of \$40.2 million has been recorded to record only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as the Company's projections for growth.

The expected income tax provision (benefit) calculated at the statutory federal rate differs from the actual provision as follows:

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Tax provision (benefit), at U.S. federal statutory tax rate .....	\$ 4,402	\$ (1,787)	\$ (10,012)
State income tax provision (benefit), net of federal benefit .....	856	(2,461)	(5,390)
Effect of stock-based compensation excess tax benefit .....	(364)	(9,349)	(11,983)
Effect of limitation on executive compensation .....	1,678	961	1,940
Effect of permanent items .....	661	(703)	(892)
Effect of India partnerships .....	1,422	2,977	—
Change in valuation allowance .....	5,660	16,210	(3,364)
Effect of change in state and foreign income tax rates .....	(1,184)	1,323	2,449
Uncertain tax positions .....	158	(6,093)	4,478
Research and development credits .....	(5,695)	(5,939)	(6,756)
State net operating loss adjustment .....	—	31	(1,588)
Other .....	73	(571)	225
Income tax provision (benefit) .....	<u>7,667</u>	<u>(5,401)</u>	<u>(30,893)</u>

At December 31, 2021, the Company had NOL carryforwards, before any uncertain tax position reserves, for federal income tax purposes of approximately \$195 million available to offset future federal taxable income, if any, of which \$154 million expire through 2036 and \$41 million are carried forward indefinitely. In addition, as of December 31, 2021, the Company had NOL carryforwards for state income tax purposes of approximately \$233 million available to reduce future income subject to income taxes. The state NOL carryforwards that are subject to expiration expire through 2041. In addition, the Company had R&D credit carryforwards of approximately \$32 million for federal and \$13 million for California and

Illinois, as well as foreign tax credits of \$0.9 million available to offset federal income tax. Federal R&D credits begin to expire in 2022 through 2041. California R&D credits carryover indefinitely.

A reconciliation of the beginning and ending amount of unrecognized tax benefit follows:

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Balance at beginning of year .....	\$ 15,132	\$ 18,939	\$ 15,628
Additions based on tax positions related to the current year .....	1,631	1,420	2,261
Additions (reductions) based on tax positions related to prior years .....	(550)	(2,793)	1,050
Reductions for settlements with taxing authorities related to prior years .....	(394)	(2,434)	—
Reductions for lapses of statute of limitations .....	(1,302)	—	—
Balance at end of year .....	<u>\$ 14,517</u>	<u>\$ 15,132</u>	<u>\$ 18,939</u>

At December 31, 2021, the amount of unrecognized tax benefits that would benefit the Company's effective tax rate, if recognized, was \$14.5 million. At this time, the Company estimates that the liability for unrecognized tax benefits will decrease by an estimated \$3.6 million in the next twelve months as statutes of limitations expire.

The Company recognizes potential interest and penalties related to unrecognized tax benefits in income tax expense. For the years ended December 31, 2021 and 2020, income tax expense (benefit) included \$0.6 million and \$(4.9) million, respectively, of potential interest and penalties related to unrecognized tax benefits. The Company had accrued interest and penalties of \$1.9 million and \$1.4 million as of December 31, 2021 and 2020, 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 ("IRS") in August 2021 that the calendar year 2018 federal income tax return had been selected for audit by the IRS. The Company's tax returns for the 2018-2020 calendar years remain open to examination by the IRS in their entirety. The IRS's audit of the Company's 2015 and 2016 tax returns has been closed. With respect to state taxing jurisdictions, the Company's tax returns for the 2017-2020 calendar years remain open to examination by various state revenue services.

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

## 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, if dilutive.

Prior to January 1, 2021, the Company accounted for the effect of its convertible notes using the treasury stock method since they may be settled in cash, shares or a combination thereof at the Company's option. As a result, the Convertible Notes due 2023 and Convertible Notes due 2025 had no effect on diluted net income per share until the Company's stock price exceeded the conversion price of \$68.31 per share and \$106.74 per share, respectively, and certain other criteria were met, or if the trading price of the convertible notes met certain criteria. Pursuant to the adoption of ASU 2020-06 on January 1, 2021, the Company now accounts for the effect of its convertible notes on diluted net income per share using the if-converted method (See "Note 2—Summary of Significant Accounting Policies" and "Note 10—Debt").

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,		
	2021	2020	2019
	(in thousands, except share and per share amounts)		
Net income (loss) attributable to Envestnet, Inc. (a) .....	\$ 13,296	\$ (3,110)	\$ (16,782)
<b>Weighted-average common shares outstanding:</b>			
Basic (b) .....	54,470,975	53,589,232	50,937,919
Effect of dilutive shares:			
Options to purchase common stock .....	206,022	—	—
Unvested restricted stock units .....	633,384	—	—
Warrants .....	73,715	—	—
Diluted (c) .....	<u>55,384,096</u>	<u>53,589,232</u>	<u>50,937,919</u>
<b>Net income (loss) per share attributable to Envestnet, Inc common stock:</b>			
Basic (a/b) .....	<u>\$ 0.24</u>	<u>\$ (0.06)</u>	<u>\$ (0.33)</u>
Diluted (a/c) .....	<u>\$ 0.24</u>	<u>\$ (0.06)</u>	<u>\$ (0.33)</u>

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

	December 31,		
	2021	2020	2019
	(in thousands)		
Options to purchase common stock .....	—	438,040	1,150,586
Unvested RSU's and PSU's .....	—	1,648,144	1,572,988
Convertible Notes <sup>(1)</sup> .....	9,898,549	9,898,549	5,050,505
Warrants .....	—	470,000	470,000
Total anti-dilutive securities .....	<u>9,898,549</u>	<u>12,454,733</u>	<u>8,244,079</u>

(1) From 2019 to 2020, this amount increased by 4.8 million potential common shares due to the Convertible Notes due 2025 (See "Note 10—Debt").

## 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 to enable them to deliver an intelligent financial life to their clients.
- **Envestnet Data & Analytics** – leading data aggregation and data intelligence 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, 2021 and 2020.

See "Note 14—Revenues and Cost of Revenues" 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,		
	2021	2020	2019
	(in thousands)		
Envestnet Wealth Solutions	\$ 124,651	\$ 91,501	\$ 67,713
Envestnet Data & Analytics	2,033	(9,943)	(25,262)
Nonsegment operating expenses	(86,143)	(62,117)	(58,524)
Income (loss) from operations	40,541	19,441	(16,073)
Interest expense, net of interest income	(16,104)	(30,392)	(29,173)
Other income (expense), net	(4,076)	2,906	(2,849)
Consolidated income (loss) before income tax benefit	20,361	(8,045)	(48,095)
Income tax provision (benefit)	7,667	(5,401)	(30,893)
Consolidated net income (loss)	12,694	(2,644)	(17,202)
Add: Net (income) loss attributable to non-controlling interest	602	(466)	420
Consolidated net income (loss) attributable to Envestnet, Inc.	\$ 13,296	\$ (3,110)	\$ (16,782)

A summary of consolidated total assets, consolidated depreciation and amortization and consolidated capital expenditures by segment follows:

	December 31,	
	2021	2020
	(in thousands)	
Segment assets:		
Envestnet Wealth Solutions	\$ 1,720,779	\$ 1,634,153
Envestnet Data & Analytics	520,403	510,137
Consolidated total assets	\$ 2,241,182	\$ 2,144,290

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Segment depreciation and amortization:			
Envestnet Wealth Solutions	\$ 90,073	\$ 80,714	\$ 65,746
Envestnet Data & Analytics	27,694	32,947	35,525
Consolidated depreciation and amortization	\$ 117,767	\$ 113,661	\$ 101,271

	Year Ended December 31,		
	2021	2020	2019
	(in thousands)		
Segment capital expenditures:			
Envestnet Wealth Solutions	\$ 65,264	\$ 46,891	\$ 42,395
Envestnet Data & Analytics	23,637	20,105	11,548
Consolidated capital expenditures	\$ 88,901	\$ 66,996	\$ 53,943

## 20. Geographical Information

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

	December 31,	
	2021	2020
	(in thousands)	
United States	\$ 180,680	\$ 140,651
India	2,923	2,970
Other	271	849
Total long-lived assets, net	\$ 183,874	\$ 144,470

See “Note 14—Revenues and Cost of Revenues” 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, 2021, the Company estimated future minimum unconditional purchase obligations of approximately \$38 million.

### Procurement of Technology Solutions

On June 21, 2021, we entered into a purchase agreement with a privately held company to acquire the technology solutions being developed by this privately held company for a purchase price of \$18.0 million, including an advance of \$3.0 million. The Company closed the transaction on February 1, 2022 and paid the remaining \$15.0 million on February 2, 2022. This asset will be integrated into the Envestnet Data & Analytics segment. In addition, the agreement includes an earn-out payment of \$10.0 million based upon the achievement of certain target metrics within five years after the date of our launch of the technology solutions.

### Legal Proceedings

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

On September 17, 2019, the Company and Yodlee filed a motion to dismiss certain of the claims in the complaint filed by FinancialApps, including the copyright infringement, unfair competition and fraud claims. On August 25, 2020, the District Court granted in part and denied in part the Company and Yodlee’s motion. Specifically, the Company and Yodlee prevailed on



FinancialApps' counts alleging copyright infringement and violations of the Illinois Deceptive Trade Practices Act. And while the Court was receptive to Envestnet and Yodlee's argument that several of FinancialApps' other counts are based on allegations that amount to copyright infringement—and therefore should fail due to copyright preemption—the Court found that FinancialApps had alleged enough conduct distinct from copyright infringement to survive dismissal at this early stage.

On October 30, 2019, the Company and Yodlee filed counterclaims against FinancialApps. Yodlee alleges that FinancialApps fraudulently induced it to enter into contracts with FinancialApps, then breached those contracts. FinancialApps has filed a motion to dismiss Yodlee's counterclaims. On September 15, 2020, the District Court denied FinancialApps' motion on all counts except for the breach-of-contract claim which was dismissed on a pleading technicality without prejudice. On that count, the Court granted Yodlee leave to amend its counterclaim, cure the technical deficiency, and reassert its claim. Yodlee and Envestnet filed amended counterclaims on September 30, 2020. The amended counterclaims (1) cure that technical deficiency and reassert Yodlee's contract counterclaim; and (2) broaden the defamation counterclaims arising out of various defamatory statements FinancialApps disseminated in the trade press after filing the lawsuit. On January 14, 2021, the Court ordered that (i) FinancialApps's claims against Yodlee—as well as Yodlee's counterclaims against FinancialApps—must be tried before the judge instead of a jury pursuant to a jury waiver provision in the parties' agreement; and (ii) FinancialApps's claims against Envestnet (and Envestnet's counterclaim) must be heard by a jury. The Court has scheduled the Envestnet jury trial to take place before the Yodlee bench trial. Fact discovery closed on April 23, 2021, other than a few outstanding matters, and expert discovery is underway.

The Company believes FinancialApps's allegations are without merit and will continue to defend the claims against it and litigate the counterclaims vigorously.

The Company and Yodlee were also named as defendants in a putative class action lawsuit filed on August 25, 2020, by Plaintiff Deborah Wesch in the United States District Court for the Northern District of California. On October 21, 2020, an amended class action complaint was filed by Plaintiff Wesch and nine additional named plaintiffs. The case caption is Deborah Wesch, et al., v. Yodlee, Inc., et al., Case No. 3:20-cv-05991-SK. Plaintiffs allege that Yodlee unlawfully collected their financial transaction data when plaintiffs linked their bank accounts to a mobile application that uses Yodlee's API, and plaintiffs further allege that Yodlee unlawfully sold the transaction data to third parties. The complaint alleges violations of certain California statutes and common law, including the Unfair Competition Law, and federal statutes, including the Stored Communications Act. Plaintiffs are seeking monetary damages and equitable and injunctive relief on behalf of themselves and a putative nationwide class and California subclass of persons who provided their log-in credentials to a Yodlee-powered app in an allegedly similar manner from 2014 to the present. The Company believes that it is not properly named as a defendant in the lawsuit and it further believes, along with Yodlee, that plaintiffs' claims are without merit. On November 4, 2020, the Company and Yodlee filed separate motions to dismiss all of the claims in the complaint. On February 16, 2021, the district court granted in part and denied in part Yodlee's motion to dismiss the amended complaint and granted the plaintiffs leave to further amend. The Court reserved ruling on the Company's motion to dismiss and granted limited jurisdictional discovery to the plaintiffs. On March 15, 2021, Plaintiffs filed a second amended class action complaint re-alleging, among others, the claims the district court had dismissed. The second amended complaint did not allege any claims against the Company or Yodlee that were not previously alleged in first amended complaint. On May 5, 2021, the Company filed a motion to dismiss all claims asserted against it in the second amended complaint, and Yodlee filed a motion to dismiss most claims asserted against it in the second amended complaint. On July 19, 2021, the Court granted in part Yodlee's motion, resulting in the dismissal of all federal law claims and two of the state-law claims. On August 5, 2021, the Court granted the Company's motion to dismiss, and dismissed the Company from the lawsuit. Discovery continues on the remaining state law claims against Yodlee. On October 8, 2021, Yodlee filed a motion for summary judgment, and is awaiting a schedule for the completion of briefing on this motion. Yodlee will continue to vigorously defend the claims against it.

In addition, the Company is involved in legal proceedings arising in the ordinary course of its business. Legal fees and other costs associated with such actions are expensed as incurred. The Company will record a provision for these claims when it is both probable that a liability has been incurred and the amount of the loss, or a range of the potential loss, can be reasonably estimated. These provisions are reviewed regularly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information or events pertaining to a particular case. For litigation matters where a loss may be reasonably possible, but not probable, or is probable but not reasonably estimable, no accrual is established, but if the matter is material, it is subject to disclosures. The Company believes that liabilities associated with any claims, while possible, are not probable, and therefore has not recorded any accrual for any claims as of December 31, 2021. 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 2021 and 2020, the Company estimated a sales and use tax liability of \$3.2 million and \$6.6 million, respectively, related to revenues in multiple jurisdictions. This amount is included in accrued expenses and other liabilities in the consolidated balance sheets.

For the years ended December 31, 2021 and 2020, the Company also estimated a sales and use tax receivable of \$2.6 million and \$2.1 million, 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. Subsequent Events**

On February 4, 2022, Envestnet and certain of its subsidiaries entered into a Third Amended and Restated Credit Agreement (the "Third Credit Agreement") with a group of banks (the "Banks"), for which Bank of Montreal is acting as administrative agent (the "Administrative Agent").

The Third Credit Agreement amends and restates, in its entirety, the Second Amended and Restated Credit Agreement, dated as of July 18, 2017, as amended, by and among Company, the guarantors party thereto, the lenders party thereto and Bank of Montreal, as administrative agent (the "Prior Credit Agreement"). The Third Credit Agreement amended certain provisions under the Prior Credit Agreement to, among other things, (i) extend the maturity of loans and the revolving credit commitments, (ii) reduce the interest rate payable on the loans and (iii) increase capacity and flexibility under certain of the negative covenants. The Third Credit Agreement provides, subject to certain customary conditions, for a revolving credit facility (the "Credit Facility"), in an aggregate amount of \$500.0 million, with a \$20.0 million sub-facility for letters of credit. The Credit Facility matures on February 4, 2027.

Outstanding loans under the Credit Facility accrue interest, at the Company's option, at a rate equal to either (i) a base rate plus an applicable margin ranging from 0.25% to 1.75% per annum or (ii) an adjusted Term SOFR rate plus an applicable margin ranging from 1.25% to 2.75% per annum, in each case based upon the total net leverage ratio, as calculated pursuant to the Credit Agreement. The undrawn portion of the revolving credit commitments under the Credit Facility is subject to a commitment fee at a rate ranging from 0.25% to 0.30% per annum, based upon the total net leverage ratio, as calculated pursuant to the Third Credit Agreement.

The obligations of Envestnet under the Credit Agreement are guaranteed by substantially all of Company's domestic subsidiaries and are secured by a first-priority lien on substantially all of the personal property (other than intellectual property) of Envestnet and the guarantors, subject to certain exclusions.

The Credit Agreement contains customary conditions, representations and warranties, affirmative and negative covenants and events of default. The covenants include certain financial covenants requiring Company to maintain compliance with (i) a quarterly maximum total net leverage ratio covenant set at 4.00 to 1.00, (ii) a quarterly minimum interest coverage ratio covenant set at 4.00 to 1.00 and (iii) a minimum liquidity covenant set at \$100.0 million, which is tested as of the end of each of (x) the fourth fiscal quarter of 2022 and 2024 and (y) the first fiscal quarter of 2023 and 2025.

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

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

### Item 9A. Controls and Procedures

#### *a. Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2021. 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 chief executive officer and chief financial officer have concluded that, as of December 31, 2021, our disclosure controls and procedures were effective.

#### *b. Management’s Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States and include policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Our management, including our chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2021 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, 2021.

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, 2021. See Part II, Item 8, “Report of Independent Registered Public Accounting Firm”.

#### *c. Changes in Internal Control Over Financial Reporting*

There were no changes to our internal control over financial reporting during the three months ended December 31, 2021, that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

### Item 9B. Other Information

None.

### Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.



**Part III**

**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2021 fiscal year, and is hereby incorporated by reference.

Information required by this Item relating to our executive officers and other corporate officers is included under the caption “Information about our Executive Officers” in Part I, Item 1 of this report.

We have adopted a code of ethics that applies to all of our employees, including our principal executive officer, our principal financial officer and our principal accounting officer. This code of ethics is posted on our website within the “Investor Relations” section. We intend to disclose any amendment to, or waiver from, a provision of this code of ethics by posting such information to our website. Information found on our website is not part of this Annual Report or any other report filed with the SEC.

**Item 11. Executive Compensation**

The information required by this Item will be included in our Proxy Statement, which will be filed within 120 days after the close of the 2021 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 2021 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 2021 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 2021 fiscal year, and is hereby incorporated by reference.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

	<b>Page Number in Form 10-K</b>
(a)(1) Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm (KPMG LLP, Denver, CO, Auditor Firm ID: 185)	63
Consolidated Balance Sheets as of December 31, 2021 and 2020	65
Consolidated Statements of Operations for each of the years ended December 31, 2021, 2020 and 2019	66
Consolidated Statements of Comprehensive Income (Loss) for each of the years ended December 31, 2021, 2020, and 2019	67
Consolidated Statements of Stockholders’ Equity for each of the years ended December 31, 2021, 2020 and 2019	68
Consolidated Statements of Cash Flows for each of the years ended December 31, 2021, 2020 and 2019	70
Notes to Consolidated Financial Statements	72
(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 118 to 121 of this report, which is incorporated herein by reference.	

**Item 16. Form 10-K Summary**

Not applicable.

**INDEX TO EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Fifth Amended and Restated Certificate of Incorporation of Envestnet, Inc. (filed as Exhibit 3.1 to Amendment No. 3 the Company's Registration Statement on Form S-1 (File No. 333-165717) filed with the SEC on July 1, 2010 and incorporated by reference herein).
3.2	Amended and Restated Bylaws of Envestnet, Inc. (filed as Exhibit 3.2 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (File No. 333-165717) filed with the SEC on July 1, 2010 and incorporated by reference herein).
4.1	Indenture, dated as of August 20, 2020, by and among Envestnet, Inc., Envestnet Asset Management, Inc., and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Form 8-K filed with the SEC on August 20, 2020 and incorporated by reference herein).
4.2	Indenture, dated as of May 25, 2018, by and among the Company, Envestnet Asset Management, Inc. and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Form 8-K filed with the SEC on May 25, 2018 and incorporated by reference herein).
4.3	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).
4.4	Registration Rights Agreement, dated as of December 20, 2018, between the Company and BlackRock, Inc. (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on December 20, 2018 and incorporated by reference herein).
4.5	Description of Registrant's Securities (filed as Exhibit 4.5 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).
10.1	Technology and Services Agreement dated as of March 31, 2008, between the Company and FMR LLC (filed as Exhibit 10.1 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-165717) filed with the SEC on May 6, 2010 and incorporated by reference herein).**
10.2	First Amendment to Technology and Services Agreement dated as of June 26, 2008 between the Company and FMR LLC (filed as Exhibit 10.2 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-165717) filed with the SEC on May 6, 2010 and incorporated by reference herein).
10.3	Second Amendment to Technology and Services Agreement dated as of May 5, 2009 between the Company and FMR LLC (filed as Exhibit 10.3 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-165717) filed with the SEC on May 6, 2010 and incorporated by reference herein).**
10.4	Third Amendment to Technology and Services Agreement dated as of November 16, 2009 between the Company and FMR LLC (filed as Exhibit 10.4 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-165717) filed with the SEC on May 6, 2010 and incorporated by reference herein).**
10.5	Services Agreement dated as of December 28, 2005 between Envestnet Asset Management, Inc. and Fidelity Brokerage Services LLC (filed as Exhibit 10.5 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-165717) filed with the SEC on May 6, 2010 and incorporated by reference herein).**
10.6	Services Agreement effective March 24, 2005 between Envestnet Asset Management, Inc. and National Financial Services, LLC (filed as Exhibit 10.6 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-165717) filed with the SEC on May 6, 2010 and incorporated by reference herein).**
10.7	Services Agreement Amendment between Envestnet Asset Management, Inc. and National Financial Services, LLC dated March 2008 (filed as Exhibit 10.7 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-165717) filed with the SEC on May 6, 2010 and incorporated by reference herein).**
10.8	Envestnet, Inc. 2010 Long-Term Incentive Plan, as amended through the Fifth Amendment (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on May 13, 2021 and incorporated by reference herein).*
10.9	Form of Non-Qualified Stock Option Grant Certificate under the Envestnet, Inc. 2010 Long-Term Incentive Plan (filed as Exhibit 10.12 to the Company's Form 10-K for the fiscal year ended December 31, 2010 filed with the SEC on March 18, 2011 and incorporated by reference herein).*
10.10	Form of Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan (for awards prior to February 2020)(filed as Exhibit 10.10 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*
10.11	Form of Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan (for awards beginning February 2020)(filed as Exhibit 10.11 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*

<b>Exhibit No.</b>	<b>Description</b>
10.12	Form of Performance-Based Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan (filed as Exhibit 10.12 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*
10.13	Form of Annual Non-Equity Incentive Compensation Grant Certificate under the Envestnet, Inc. 2010 Long-Term Incentive Plan (filed as Exhibit 10.13 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*
10.14	Fourth Amendment to Technology and Services Agreement, dated as of December 31, 2011, between the Company and FMR LLC (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on January 6, 2012 and incorporated by reference herein).
10.15	Amendment to Services Agreement effective December 31, 2011, between Envestnet Asset Management, Inc. and Fidelity Brokerage Services, LLC (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on January 6, 2012 and incorporated by reference herein).
10.16	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).
10.17	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).*
10.18	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).*
10.19	Executive Agreement, dated as of May 12, 2016 between William Crager, the Company and Envestnet Asset Management, Inc. (filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on May 13, 2016 and incorporated by reference herein).*
10.20	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).*
10.21	Executive Agreement, dated as of August 2, 2016 between Shelly O'Brien, the Company and Envestnet Asset Management, Inc., filed herewith. *,***
10.22	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).*
10.23	Executive Agreement, dated as of June 1, 2019 between Stuart DePina, the Company and Envestnet Financial Technologies, Inc. (filed as Exhibit 10.23 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*
10.24	Severance Agreement and General Release, dated as of October 29, 2020 between Scott Grinis and Envestnet Financial Technologies, Inc. (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on October 30, 2020 and incorporated by reference herein).*
10.25	Form of Amendment to Executive Employment Agreements (filed as Exhibit 10.25 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*
10.26	Envestnet, Inc. 2019 Acquisition Equity Incentive Plan (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8 filed with the SEC on June 29, 2020 and incorporated by reference herein).*
10.27	Form of Restricted Stock Unit Grant Certificate under the Envestnet, Inc. 2019 Acquisition Equity Incentive Plan (filed as Exhibit 10.27 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*
10.28	Form of Performance-Based Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2019 Acquisition Equity Incentive Plan (filed as Exhibit 10.28 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*
10.29	Summary of Non-Employee Director Compensation (filed as Exhibit 10.29 to the Company's Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021 and incorporated by reference herein).*
10.30	Second Amended and Restated Credit Agreement dated as of July 18, 2017 among Envestnet, Inc., the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Bank of Montreal, as Administrative Agent (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on July 24, 2017 and incorporated by reference herein).

Exhibit No.	Description
10.31	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).
10.32	First Amendment to Second Amended and Restated Credit Agreement, dated as of May 24, 2018, among Envestnet, Inc., the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and Bank of Montreal, as Administrative Agent (filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on May 31, 2018 and incorporated by reference herein).
10.33	Second Amendment to Second Amended and Restated Credit Agreement, dated as of September 27, 2019, among Envestnet, Inc., the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and Bank of Montreal as Administrative Agent (filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended September 30, 2019 filed with the SEC on November 8, 2019 and incorporated by reference herein).***
10.34	Third Amendment to Second Amended and Restated Credit Agreement, dated as of October 29, 2021, among Envestnet, Inc., the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and Bank of Montreal as Administrative Agent (filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended September 30, 2021 filed with the SEC on November 9, 2021 and incorporated by reference herein).***
10.35	Third Amended and Restated Credit Agreement, dated as of February 4, 2022, by and among Envestnet, the Guarantors party thereto, the Lenders party thereto and Bank of Montreal as Administrative Agent (filed as Exhibit 10.01 to the Company's Form 8-K filed with the SEC on February 8, 2022 and incorporated by reference herein).***
10.36	Form of Restricted Stock Unit Grant Award Agreement for Non-Employee Directors under the Envestnet, Inc. 2010 Long-Term Incentive Plan (filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended March 31, 2021 filed with the SEC on May 7, 2021 and incorporated by reference herein).*
10.37	Form of Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan (for awards granted in 2021) (filed as Exhibit 10.2 to the Company's Form 10-Q for the period ended March 31, 2021 filed with the SEC on May 7, 2021 and incorporated by reference herein).*
10.38	Form of Performance-Based Restricted Stock Unit Grant Award Agreement under the Envestnet, Inc. 2010 Long-Term Incentive Plan (for awards granted in 2021) (filed as Exhibit 10.3 to the Company's Form 10-Q for the period ended March 31, 2021 filed with the SEC on May 7, 2021 and incorporated by reference herein).*
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 <sup>(1)</sup>	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 <sup>(1)</sup>	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, 2021 and 2020; (iii) the Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019; (iv) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019; (v) the Consolidated Statements of Stockholders' Equity for the years ended December 31, 2021, 2020 and 2019; (vi) the Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019; (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 25, 2022

*/s/ William C. Crager*

**William C. Crager**  
*Chief Executive Officer (Principal Executive Officer)*

Date: February 25, 2022

*/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 25, 2022.

<u>Name</u>	<u>Position</u>
<i>/s/ William C. Crager</i> William C. Crager	Chief Executive Officer (Principal Executive Officer)
<i>/s/ Peter H. D'Arrigo</i> Peter H. D'Arrigo	Chief Financial Officer (Principal Financial Officer)
<i>/s/ Matthew J. Majoros</i> Matthew J. Majoros	Senior Vice President, Financial Reporting (Principal Accounting Officer)
<i>/s/ Luis Aguilar</i> Luis Aguilar	Director
<i>/s/ Ross Chapin</i> Ross Chapin	Director
<i>/s/ Gayle Crowell</i> Gayle Crowell	Director
<i>/s/ James Fox</i> James Fox	Chairperson, Director
<i>/s/ Valerie Mosley</i> Valerie Mosley	Director
<i>/s/ Greg Smith</i> Greg Smith	Director

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