LOGITECH INTERNATIONAL SA
Form 4
November 18, 2013

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Sullivan L Joseph

(Last) (First) (Middle)

C/O LOGITECH, INC., 7600 GATEWAY BLVD.

(Street)

NEWARK, CA 94560

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
LOGITECH INTERNATIONAL SA [LOGI]

3. Date of Earliest Transaction (Month/Day/Year)
11/15/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Sr. VP, Worldwide Operations

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Registered Shares	11/15/2013		F (1)		1,692	D	$ 10.725	112,298	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Sullivan L Joseph C/O LOGITECH, INC. 7600 GATEWAY BLVD. NEWARK, CA 94560			Sr. VP, Worldwide Operations	

Signatures

/s/ Catherine Valentine as attorney in fact for L. Joseph Sullivan	11/18/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) In an exempt disposition to the issuer under rule 16b-3(e), the recipient remitted shares to the issuer in connection with the satisfaction of tax withholding obligations arising out of the vesting of shares with respect to previously reported restricted stock units.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. yle="display:inline;font-size:10pt;">

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Forfeited

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Outstanding as of June 30, 2018

2,077,874

19.62

3.9

73,421

Options exercisable

1,975,716

19.17

3.6

$

70,703

Exercise prices of stock options outstanding as of June 30, 2018 range from $7.15 to $55.29. At June 30, 2018, there was $1,197 of unrecognized stock-based compensation expense related to unvested stock options, which the Company expects to recognize over a weighted-average period of 1.4 years.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share amounts)

Restricted Stock Units and Restricted Stock Awards

Periodically, the Company grants restricted stock unit awards to employees. The following is a summary of the activity for unvested restricted stock units and awards granted under the Company’s plans:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Outstanding as of December 31, 2017	1,766,639	$ 32.48
Granted	925,641	55.21
Vested	(503,668)	34.05
Forfeited	(27,265)	30.79
Outstanding as of March 31, 2018	2,161,347	41.59
Granted	—	—
Vested	(253,279)	31.13
Forfeited	(27,324)	39.78
Outstanding as of June 30, 2018	1,880,744	$ 43.36

At June 30, 2018, there was $73,482 of unrecognized stock-based compensation expense related to unvested restricted stock units and awards, which the Company expects to recognize over a weighted-average period of 2.2 years.

During March 2018, the Company granted 26,000 performance-based restricted stock unit awards to certain employees. These performance-based shares vest upon the achievement of certain business and financial metrics. The business and financial metrics governing the vesting of these stock unit awards provide thresholds which dictate the number of shares to vest upon each evaluation date, which range from 50% to 150%. If these metrics are achieved at 100%, as defined in the individual grant terms, these shares would vest over three annual tranches equally.

16. Income Taxes

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

	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Loss before income tax provision (benefit)	$ (5,425)	$ (1,626)	$ (11,417)	$ (10,463)
Income tax provision (benefit)	566	4,844	(13,428)	9,142
Effective tax rate	(10.4) %	(297.9) %	117.6 %	(87.4) %

For the three months ended June 30, 2018, our effective tax rate differed from the statutory rate primarily due to the valuation allowance the Company has placed on all US deferreds with the exception of indefinite lived intangibles, additional accruals for uncertain tax positions, the impact of clarifying Base Erosion and Anti Abuse tax positions, as well as differences between the foreign tax rates and statutory US tax rate.

For the three months ended June 30, 2017, our effective tax rate differed from the statutory rate primarily due to the valuation allowance the Company had placed on all US deferreds with the exception of indefinite-lived intangibles and unrepatriated foreign earnings and profits, resulting in no benefit being recognized for the tax loss in the US.

For the six months ended June 30, 2018, our effective tax rate differed from the statutory rate primarily due to the release of the Company's valuation allowance as a result of additional deferred tax liabilities recorded with the acquisition of FolioDynamix, additional accruals for uncertain tax positions as well as differences between the foreign tax rates and statutory US tax rate.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share amounts)

For the six months ended June 30, 2017, our effective tax rate differed from the statutory rate primarily due to the valuation allowance the Company had placed on all US deferreds with the exception of indefinite-lived intangibles and unrepatriated foreign earnings and profits, resulting in no benefit being recognized for the tax loss in the US.

In December 2017, the Tax Cuts and Jobs Act ("Tax Act") was enacted into United States law. Beginning in 2018, the Tax Act includes the global intangible low-taxed income ("GILTI") provision and base erosion anti abuse tax ("BEAT"). We elected to account for GILTI tax in the period in which it is incurred. The GILTI provision requires us to include in our U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. We expect to fully offset any GILTI income with Net Operating Losses ("NOLs"). As a result of our domestic valuation allowance, we do not expect a financial statement impact due to the GILTI provision. Additionally the Tax Act requires us to calculate a minimum tax on our foreign earnings and profits; BEAT. As a result of further research and developing guidance we do not require a BEAT provision to be recorded.

In accordance with Staff Accounting Bulletin 118, we recognized provisional tax impacts related to the deemed repatriated foreign earnings in our consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from those provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions we have made, additional regulatory guidance that may be issued, and actions we may take as a result of the Tax Act. During the six months ended June 30, 2018 we did not record any adjustments to our provisional amounts included in our consolidated financial statements for the year ended December 31, 2017. The accounting is expected to be completed when the 2017 U.S. corporate income tax return is filed in October of 2018.

The total gross liability for unrecognized tax benefits, exclusive of interest and penalties, was $18,895 and $18,312 at June 30, 2018 and December 31, 2017, respectively. Of this amount, a portion of the unrecognized tax benefits was recorded as a reduction of deferred tax assets instead of a non-current liability. The portion of the unrecognized tax benefits, exclusive of interest and penalties, recorded as a non-current liability is $4,871 and $4,626 at June 30, 2018 and December 31, 2017, respectively.

At June 30, 2018, the amount of unrecognized tax benefits, including interest and penalties, that would benefit the Company's effective tax rate, if recognized, was $10,827. At this time, the Company estimates that the liability for unrecognized tax benefits will not decrease in the next twelve months as it is not anticipated that reviews by tax authorities will be completed and there will be any expiration of certain statutes of limitations in this time period.

The Company recognizes potential interest and penalties related to unrecognized tax benefits in income tax expense. Income tax expense includes $548 and $890 of potential interest and penalties related to unrecognized tax benefits for the six months ended June 30, 2018 and 2017, respectively. The Company had accrued interest and penalties of $6,566 and $6,018 as of June 30, 2018 and December 31, 2017, respectively.

17.Net Income (Loss) Per Share

Basic 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 income (loss) per share, the basic weighted average number of shares is increased by the dilutive effect of stock options, restricted stock awards, restricted stock units and Convertible Notes due 2019 and 2023 (collectively "Convertible Notes") using the treasury stock method, if dilutive. No items were included in the computation of diluted loss per share in the three months ended June 30, 2018 and 2017 as well as the six months ended June 30, 2017 because the Company incurred a net loss attributable to Envestnet, Inc. in those periods and therefore these items were considered anti-dilutive.

The Company accounts for the effect of the Convertible Notes on diluted earnings per share using the treasury stock method since they may be settled in cash, shares or a combination thereof at the Company's option. As a result, the Convertible Notes have no effect on diluted earnings per share until the Company's stock price exceeds the conversion price of $62.88 and $68.31 per share, respectively, or if the trading price of the Convertible Notes meets certain criteria (See "Note 12 – Debt" in Part II, Item 8 of our 2017 Form 10-K and "Note 12 – Debt" in this Form 10-Q). In the period of conversion, the Convertible Notes will have no impact on diluted earnings if the Convertible Notes are settled in cash and will have an impact on dilutive earnings per share if the Convertible Notes are settled in shares upon conversion.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share amounts)

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Basic income (loss) per share calculation:				
Net income (loss) attributable to Envestnet, Inc.	$ (5,526)	$ (6,470)	$ 2,578	$ (19,605)
Basic number of weighted-average shares outstanding	45,247,331	43,855,479	44,963,735	43,513,074
Basic net income (loss) per share	$ (0.12)	$ (0.15)	$ 0.06	$ (0.45)
Diluted income (loss) per share calculation:				
Net income (loss) attributable to Envestnet, Inc.	$ (5,526)	$ (6,470)	$ 2,578	$ (19,605)
Basic number of weighted-average shares outstanding	45,247,331	43,855,479	44,963,735	43,513,074
Effect of dilutive shares:				
Options to purchase common stock	—	—	1,360,300	—
Unvested restricted stock units	—	—	832,170	—
Diluted number of weighted-average shares outstanding	45,247,331	43,855,479	47,156,205	43,513,074
Diluted net income (loss) per share	$ (0.12)	$ (0.15)	$ 0.05	$ (0.45)

Securities that were anti-dilutive for the three and six months ended June 30, 2018 and 2017 were as follows:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Options to purchase common stock	2,077,874	2,804,420	9,045	2,804,420
Unvested restricted stock awards and units	1,880,744	2,023,898	—	2,023,898

Convertible Notes	7,793,826	2,743,321	7,793,826	2,743,321
Total	11,752,444	7,571,639	7,802,871	7,571,639

18. 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 condensed consolidated balance sheets.

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

Legal Proceedings

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

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share amounts)

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. Legal proceedings accruals are recorded when and if it is determined that a loss is both probable and reasonably estimable. 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 June 30, 2018. 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 Envestnet'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. As of June 30, 2018, the Company estimated a sales and use tax liability of $9,234. This amount is included in accrued expenses and other liabilities on the condensed consolidated balance sheets. The Company also estimated a sales and use tax receivable of $3,413 related to estimated recoverability of amounts due from customers. This amount is included in prepaid expenses and other current assets on the condensed consolidated balance sheets. As a result, a net sales and use tax liability of $5,830 related to multiple jurisdictions with respect to revenues in the three and six months ended June 30, 2018 and prior periods was probable. 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.

Leases

The Company rents office space under leases that expire at various dates through 2030. As of June 30, 2018, the Company's future minimum lease commitments under these operating leases totaled $105,124.

19. Segment Information

Business segments are generally organized around our business services. Our business segments are:

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

- Envestnet | Yodlee – a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services.

The information in the following tables is derived from the Company's internal financial reporting used for corporate management purposes. Nonsegment expenses include salary and benefits for certain corporate employees and officers, certain types of professional fees, insurance, acquisition related transaction costs, restructuring charges, and other non-operationally related expenses. Inter-segment revenues were not material for the three and six months ended June 30, 2018 and 2017.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share amounts)

The following table presents revenue by segment:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenue:				
Envestnet	$ 156,928	$ 129,372	$ 312,916	$ 250,690
Envestnet | Yodlee	44,188	38,045	86,211	74,513
Consolidated revenue	$ 201,116	$ 167,417	$ 399,127	$ 325,203
Fidelity revenue as a percentage of Envestnet segment revenue:	21%	20%	21%	20%

No single customer amounts for Envestnet | Yodlee exceeded 10% of the segment total for any period presented.

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Envestnet	$ 16,359	$ 15,811	$ 32,220	$ 29,322
Envestnet | Yodlee	(3,296)	(5,635)	(7,705)	(13,343)
Total segment income from operations	13,063	10,176	24,515	15,979
Nonsegment operating expenses	(13,058)	(7,433)	(25,248)	(16,590)
Other expense, net	(5,430)	(4,369)	(10,684)	(9,852)
Consolidated loss before income tax provision (benefit)	(5,425)	(1,626)	(11,417)	(10,463)
Income tax provision (benefit)	566	4,844	(13,428)	9,142
Consolidated net income (loss)	(5,991)	(6,470)	2,011	(19,605)
Add: Net loss attributable to non-controlling interest	465	—	567	—
Consolidated net income (loss) attributable to Envestnet, Inc.	$ (5,526)	$ (6,470)	$ 2,578	$ (19,605)

Segment assets consist of cash, accounts receivable, prepaid expenses and other current assets, property, plant and equipment, net, internally developed software, net, goodwill, and other intangibles, net, and other non-current assets. Segment capital expenditures consist of property and equipment and internally developed software expenditures.

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

	June 30, 2018	December 31, 2017
Segment assets:		
Envestnet	$ 650,363	$ 353,048
Envestnet | Yodlee	504,813	509,004
Consolidated total assets	$ 1,155,176	$ 862,052

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Segment depreciation and amortization:				
Envestnet	$ 11,026	$ 6,361	$ 22,499	$ 12,782
Envestnet | Yodlee	8,159	9,104	16,232	18,518
Consolidated depreciation and amortization	$ 19,185	$ 15,465	$ 38,731	$ 31,300

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Segment capital expenditures:				
Envestnet	$ 8,344	$ 7,580	$ 16,536	$ 12,931
Envestnet | Yodlee	2,260	1,154	3,655	1,901
Consolidated capital expenditures	$ 10,604	$ 8,734	$ 20,191	$ 14,832

20. Geographical Information

The following table sets forth property and equipment, net by geographic area:

	June 30, 2018	December 31, 2017
United States	$ 35,812	$ 30,647
India	4,109	4,907
Other	476	355
Total	$ 40,397	$ 35,909

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

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

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

Forward-Looking Statements

This quarterly report on Form 10-Q 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 va such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business and other characteristics of future events or circumstances are forward-looking statements. Forward-looking statements may include, among others, statements relating to:

- difficulty in sustaining rapid revenue growth, which may place significant demands on our administrative, operational and financial resources,
- the concentration of nearly all 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 fee percentages or termination of our services by our clients,
- our ability to identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies,
- the impact of market and economic conditions on revenues,
- our inability to successfully execute the conversion of clients’ assets from their technology platform to our technology platforms in a timely and accurate manner,
- our ability to expand our relationships with existing customers, grow the number of customers and derive revenue from new offerings such as our data analytics solutions and market research services and premium financial applications (“FinApps”),

- compliance failures,
- adverse judicial or regulatory proceedings against us,
- liabilities associated with potential, perceived or actual breaches of fiduciary duties and/or conflicts of interest,
- changes in laws and regulations, including tax laws and regulations,
- general economic conditions, political and regulatory conditions,
- the impact of fluctuations in market condition and interest rates on the demand for our products and services and the value of assets under management or administration,
- the impact of market conditions on our ability to issue debt and equity,
- the impact of fluctuations in interest rates on our cost of borrowing,
- our financial performance,
- the amount of our debt and our ability to service our debt,

- the results of our investments in research and development, our data center and other infrastructure,
- our ability to maintain the security and integrity of our systems and facilities and to maintain the privacy of personal information,
- failure of our systems to work properly,
- our ability to realize operating efficiencies,
- the advantages of our solutions as compared to those of others,
- the failure to protect our intellectual property rights,
- our ability to establish and maintain intellectual property rights,
- our ability to retain and hire necessary employees and appropriately staff our operations, and
- management's response to these 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 quarterly 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 quarterly report or to reflect the occurrence of unanticipated events, except as required by applicable law. If we do update one or more forward looking statements, no inference should be made that we will make additional updates with respect to those or other forward looking statements.

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

These forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this quarterly report are set forth in Part I under "Risk Factors"; accordingly, investors should not place undue reliance upon our forward-looking statements. We undertake no obligation to update any of the forward-looking statements after the date of this report to conform those statements to reflect the occurrence of unanticipated events, except as required by applicable law.

You should read this quarterly report on Form 10-Q and our annual report on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K") completely and with the understanding that our actual future results, levels of activity, performance and achievements may be different from what we expect and that these differences may be material. We qualify all of our forward-looking statements by these cautionary statements.

The following discussion and analysis should also be read along with our condensed consolidated financial statements and the related notes included elsewhere in this quarterly report and the consolidated financial statements and related notes included in our 2017 Form 10-K. 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.

Overview

Envestnet is a leading provider of intelligent systems for wealth management and financial wellness. Envestnet's unified technology enhances advisor productivity and strengthens the wealth management process, delivering unparalleled flexibility, accuracy, performance, and value. Envestnet enables a transparent, independent, objective, and fiduciary standard of care, and empowers enterprises and advisors to more fully understand their clients and deliver better outcomes.

More than 3,500 companies, including 15 of the 20 largest U.S. banks, 43 of the 50 largest wealth management and brokerage firms, over 500 of the largest registered investment advisers ("RIA"), and hundreds of Internet services companies, leverage Envestnet technology and services. Envestnet solutions enhance knowledge of the client, accelerate client on-boarding, improve client digital experiences, and help drive better outcomes for enterprises, advisors, and their clients.

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

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

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

Recent Events

Acquisition of FolioDynamix

On January 2, 2018, Envestnet acquired (the "Acquisition") Folio Dynamics Holdings, Inc., a Delaware corporation ("FolioDynamix") through a merger of FolioDynamix with and into a wholly owned subsidiary of Envestnet. The completion of the Acquisition on January 2, 2018 followed the receipt of all necessary regulatory approvals and third party consents.

In connection with the Acquisition, Envestnet paid estimated consideration of $193,484 for FolioDynamix, subject to certain closing and post-closing adjustments. Envestnet funded the Acquisition price with a combination of cash on the Company's balance sheet, purchase consideration liabilities and borrowings under its revolving credit facility.

FolioDynamix provides financial institutions, RIAs, and other wealth management clients with an end-to-end technology solution paired with a suite of advisory tools including model portfolios, research, and overlay management services.

The acquisition of FolioDynamix added complementary trading tools as well as commission and brokerage support to Envestnet's existing suite of offerings. The Company expects to integrate the technology and operations of FolioDynamix into the Company's wealth management business, enabling the Company to further leverage its operating scale and data analytics capabilities. FolioDynamix is included in the Envestnet segment.

Investment in Private Company

On March 16, 2018, the Company purchased 4,000 units representing approximately 47% of the outstanding membership interests of a private company for cash consideration of $1,333. 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.

Private Offering of Convertible Notes due 2023

In May 2018, we issued $345,000 of Convertible Notes maturing June 1, 2023. Net proceeds from the offering were $335,513. The Convertible Notes due 2023 bear interest at a rate of 1.75 percent per annum payable semiannually in arrears on June 1 and December 1 of each year, beginning on December 1, 2018.

The Convertible Notes due 2023 are general unsecured obligations, subordinated in right of payment to our obligations under our Credit Agreement. The Convertible Notes due 2023 are convertible into shares of the Company's common stock under certain circumstances prior to maturity at a conversion rate of 14.6381 shares per $1 principal amount of the Convertible Notes due 2023, which represents a conversion price of $68.31 per share, subject to adjustment under certain conditions. For more information on the Convertible Notes due 2023, see “Note 12 – Debt” in the notes to these unaudited condensed consolidated financial statements.

Segments

Envestnet is organized around two primary, complementary business segments. Financial information about each business segment is contained in “Note 19 – Segment Information” to the condensed consolidated financial statements. Our business segments are as follows:

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

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- Envestnet | Yodlee – a leading data aggregation and data intelligence platform powering dynamic, cloud-based innovation for digital financial services.

Envestnet Segment

Envestnet empowers financial advisors at broker-dealers, banks, and RIAs with all the tools they require to deliver holistic wealth management to their end clients. In addition, the firm provides advisors with practice management support so that they can grow their practices and operate more efficiently. By June 30, 2018, Envestnet's platform assets grew to approximately $2.7 trillion in 10.2 million accounts overseen by approximately 90 thousand advisors.

Services provided to advisors include: financial planning, risk assessment and selection of investment strategies and solutions, asset allocation models, research and due diligence, 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. Envestnet has access to a wide range of leading third party asset custodians.

We offer these solutions principally through the following product and services 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 18,400 investment products. Envestnet | Enterprise also sells data aggregation and reporting, data analytics, and digital advice capabilities to customers.

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

- 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, due diligence 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, fund strategist portfolios, as well as over

1,700 proprietary products, such as quantitative portfolios and fund strategist portfolios. PMC also offers an overlay service, which includes patented portfolio overlay and tax optimization services.

Key Metrics

Key metrics as of June 30, 2018 include impact of the acquisition of FolioDynamix on January 2, 2018, detailed within the following table.

FolioDynamix	Assets	Accounts	Advisors
AUM	$ 8,736	57,163	
AUA	33,182	79,131	
AUM/A	41,918	136,294	3,838
Subscription	796,545	2,796,878	15,308
Total Platform	$ 838,463	2,933,172	19,146

Additionally, beginning March 31, 2018 and for periods thereafter, subscription metrics include assets, accounts and advisors associated with Envestnet | Tamarac performance reporting, where applicable. Previously, Envestnet | Tamarac's metrics were limited to those associated with its rebalancer solution. Prior period metrics have been conformed to the new definition in the table shown on the next page.

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

	As of June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
	(in millions except accounts and advisors data)				
Platform Assets					
Assets Under Management (AUM)	$ 122,543	$ 131,809	$ 141,518	$ 143,945	$ 148,537
Assets Under Administration (AUA)	271,450	293,963	308,480	353,379	360,850
Total AUM/A	393,993	425,772	449,998	497,324	509,387
Subscription	1,099,775	1,161,893	1,253,528	2,076,382	2,167,084
Total Platform Assets	$ 1,493,768	$ 1,587,665	$ 1,703,526	$ 2,573,706	$ 2,676,471
Platform Accounts					
AUM	614,973	652,060	685,925	724,774	759,926
AUA	1,083,417	1,145,050	1,217,697	1,389,489	1,417,795
Total AUM/A	1,698,390	1,797,110	1,903,622	2,114,263	2,177,721
Subscription	4,846,596	4,944,640	5,054,015	7,985,777	8,042,900
Total Platform Accounts	6,544,986	6,741,750	6,957,637	10,100,040	10,220,621
Advisors					
AUM/A	38,498	40,379	40,485	44,790	44,900
Subscription	24,499	24,501	25,566	43,037	43,700
Total Advisors	62,997	64,880	66,051	87,827	88,600

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

	Asset Rollforward - Three Months Ended June 30, 2018						
	As of 3/31/2018	Gross Sales	Redemptions	Net Flows	Market Impact	Reclass to Subscription	As of 6/30/2018
	(in millions except account data)						
AUM	$ 143,945	$ 13,859	$ (8,138)	$ 5,721	$ 987	$ (2,116)	$ 148,537
AUA	353,379	27,015	(23,186)	3,829	5,022	(1,380)	360,850
Total AUM/A	$ 497,324	$ 40,874	$ (31,324)	$ 9,550	$ 6,009	$ (3,496)	$ 509,387
	2,114,263			65,515		(2,057)	2,177,721

Fee-Based
Accounts

The above AUM/A gross sales figures include $5.1 billion in new client conversions. The Company onboarded an additional $31.0 billion in subscription conversions during the three months ended June 30, 2018, bringing total conversions for the quarter to $36.1 billion.

	Asset Rollforward - Six Months Ended June 30, 2018							
	As of 12/31/2017	FolioDynamix	Gross Sales	Redemptions	Net Flows	Market Impact	Reclass to Subscription	As of 6/30/2018
	(in millions except account data)							
AUM	$ 141,518	$ 8,736	$ 29,634	$ (28,114)	$ 1,520	$ (1,121)	$ (2,116)	$ 148,537
AUA	308,480	33,182	70,888	(51,409)	19,479	1,089	(1,380)	360,850
Total AUM/A	$ 449,998	$ 41,918	$ 100,522	$ (79,523)	$ 20,999	$ (32)	$ (3,496)	$ 509,387
Fee-Based Accounts	1,903,622	136,294			139,862		(2,057)	2,177,721

The AUM/A gross sales figures on the previous page include $28.5 billion in new client conversions. The Company onboarded an additional $41.6 billion in subscription conversions during the six months ended June 30, 2018, bringing total conversions for the quarter to $70.1 billion.

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Envestnet | Yodlee Segment

Envestnet | Yodlee is a leading data aggregation and data analytics platform. As a "big data" specialist, Envestnet | Yodlee gathers, refines and aggregates a massive set of end-user permissioned transaction level data, which it then provides to customers as de-identified data analytics solutions and market research services.

More than 1,100 financial institutions, financial technology innovators and financial advisory firms, including 13 of the 20 largest U.S. banks, subscribe to the Envestnet | Yodlee platform to underpin personalized financial apps and services for over 22 million paid subscribers.

Yodlee 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 application programming interfaces ("APIs"), end-user facing applications powered by our platform and APIs ("FinApps"), and also reports. Customers receive end user-permissioned transaction data elements that we aggregate and cleanse. Envestnet | Yodlee also enables customers to develop their own applications through its open APIs, which deliver secure data, money movement solutions, and other functionality. FinApps can be subscribed to individually or in combinations that include personal financial management, wealth management, card, payments and small-medium business solutions. They are targeted at the retail financial, wealth management, small business, card, lenders, and other financial services sectors. These FinApps help consumers and small businesses simplify and manage their finances, review their financial accounts, track their spending, calculate their net worth, and perform a variety of other activities. For example, Yodlee's Expense FinApp helps consumers track their spending, and a Payroll FinApp from a third party helps small businesses process their payroll. The suite of reports is designed to supplement traditional credit reports by utilizing consumer permissioned aggregated data from over 18,000 sources, including banking, investment, loan, and credit card information.

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

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

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

· Envestnet Analytics provides data analytics, mobile sales solutions, and online education tools to financial advisors, asset managers and enterprises. These tools empower financial services firms to extract key business insights to run their business better and provide timely and focused support to advisors.

Our dashboards deliver segmentation analytics, multi-dimensional benchmarking, and practice pattern analyses that provide mission-critical insights to clients.

Operational Highlights

Asset-based recurring revenues increased 19% from $98,959 in the three months ended June 30, 2017 to $118,111 in the three months ended June 30, 2018. Subscription-based recurring revenue increased 20% from $59,802 in the three months ended June 30, 2017 to $71,779 in the three months ended June 30, 2018. Total revenues, which include professional services and other revenues,

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increased 20% from $167,417 in the three months ended June 30, 2017 to $201,116 in the three months ended June 30, 2018. The increase in total revenues was primarily a result of an increase of $17,346 related to the acquisition of FolioDynamix. The Envestnet segment total revenue excluding Folio increased $10,210 primarily due to the positive effects of new account growth and positive net flows of AUM/A as well as an increase in subscription-based revenues of $3,140. The Envestnet | Yodlee segment total revenue increased by $6,143 primarily due to an increase in subscription-based revenue of $4,425.

Asset-based recurring revenues increased 24% from $193,121 in the six months ended June 30, 2017 to $239,264 in the six months ended June 30, 2018. Subscription-based recurring revenue increased 20% from $117,712 in the six months ended June 30, 2017 to $141,474 in the six months ended June 30, 2018. Total revenues, which include professional services and other revenues, increased 23% from $325,203 in the six months ended June 30, 2017 to $399,127 in the six months ended June 30, 2018. The increase in total revenues was primarily a result of an increase of $34,800 related to the acquisition of FolioDynamix. The Envestnet segment total revenue excluding Folio increased $27,426 primarily due to the positive effects of new account growth and positive net flows of AUM/A as well as an increase in subscription-based revenues of $5,930. The Envestnet | Yodlee segment total revenue increased by $11,698 primarily due to an increase in subscription-based revenue of $8,862.

The net loss attributable to Envestnet, Inc. for the three months ended June 30, 2018 was $5,526, or $0.12 per diluted share, compared to a net loss attributable to Envestnet, Inc. of $6,470 or $0.15 per diluted share for the three months ended June 30, 2017. The net income attributable to Envestnet, Inc. for the six months ended June 30, 2018 was $2,578, or $0.05 per diluted share, compared to a net loss attributable to Envestnet, Inc. of $19,605 or $0.45 per diluted share for the six months ended June 30, 2017.

Adjusted revenues for the three months ended June 30, 2018 was $201,178, an increase of 20% from $167,469 in the prior year period. Adjusted EBITDA for the three months ended June 30, 2018 was $34,759, an increase of 18% from $29,525 in the prior year period. Adjusted net income for the three months ended June 30, 2018 was $19,277, or $0.41 per diluted share, compared to adjusted net income of $13,148, or $0.29 per diluted share in the prior year period.

Adjusted revenues for the six months ended June 30, 2018 was $399,193, an increase of 23% from $325,308 in the prior year period. Adjusted EBITDA for the six months ended June 30, 2018 was $67,512, an increase of 22% from $55,363 in the prior year period. Adjusted net income for the six months ended June 30, 2018 was $36,931, or $0.78 per diluted share, compared to adjusted net income of $24,665, or $0.54 per diluted share in the prior year period.

Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are non-GAAP financial measures. See “Non-GAAP Financial Measures” for a discussion of non-GAAP measures and a reconciliation of such measures to the most directly comparable GAAP measures.

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Results of Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Percent Change	2018	2017	Percent Change
	(in thousands)			(in thousands)		
Revenues:						
Asset-based	$ 118,111	$ 98,959	19 %	$ 239,264	$ 193,121	24 %
Subscription-based	71,779	59,802	20 %	141,474	117,712	20 %
Total recurring revenues	189,890	158,761	20 %	380,738	310,833	22 %
Professional services and other revenues	11,226	8,656	30 %	18,389	14,370	28 %
Total revenues	201,116	167,417	20 %	399,127	325,203	23 %
Operating expenses:						
Cost of revenues	67,627	55,735	21 %	130,561	104,961	24 %
Compensation and benefits	80,210	64,996	23 %	163,750	130,528	25 %
General and administration	34,089	28,478	20 %	66,818	59,025	13 %
Depreciation and amortization	19,185	15,465	24 %	38,731	31,300	24 %
Total operating expenses	201,111	164,674	22 %	399,860	325,814	23 %
Income (loss) from operations	5	2,743	*	(733)	(611)	20 %
Other expense, net	(5,430)	(4,369)	24 %	(10,684)	(9,852)	8 %
Loss before income tax provision (benefit)	(5,425)	(1,626)	*	(11,417)	(10,463)	9 %
Income tax provision (benefit)	566	4,844	(88) %	(13,428)	9,142	*
Net income (loss)	(5,991)	(6,470)	(7) %	2,011	(19,605)	(110) %
Add: Net loss attributable to non-controlling interest	465	—	*	567	—	*
Net income (loss) attributable to Envestnet, Inc.	$ (5,526)	$ (6,470)	(15) %	$ 2,578	$ (19,605)	(113) %

*Not meaningful.

Three months ended June 30, 2018 compared to three months June 30, 2017

Revenues

Total revenues increased 20% from $167,417 in the three months ended June 30, 2017 to $201,116 in the three months ended June 30, 2018. The increase was primarily due to an increase in revenues from asset-based recurring and subscription-based recurring revenues of $19,152 and $11,977, respectively. Asset-based revenue was 59% of total revenue in the three months ended June 30, 2017 and 2018.

Asset-based recurring revenues

Asset-based recurring revenues increased 19% from $98,959 the three months ended June 30, 2017 to $118,111 in three months ended June 30, 2018. The increase was primarily due to the 2018 acquisition of FolioDynamix which comprised $12,639 of the increase as well as an increase in asset values applicable to our quarterly billing cycle in 2018, relative to the corresponding period in 2017. In the second quarter of 2018, revenues were also positively affected by new account growth and positive net flows of AUM/A.

The number of financial advisors with asset-based revenue on our technology platforms increased from 38,498 as of June 30, 2017 to 44,900 as of June 30, 2018 and the number of AUM/A client accounts increased from approximately 1,700,000 as of June 30, 2017 to approximately 2,200,000 as of June 30, 2018.

Subscription-based recurring revenues

Subscription-based recurring revenue increased 20% from $59,802 in the three months ended June 30, 2017 to $71,779 in the three months ended June 30, 2018. This increase was primarily due to the 2018 acquisition of FolioDynamix which comprised $4,412 of the total $7,552 Envestnet segment increase and Envestnet | Yodlee contributing an additional $4,425. The increase in Envestnet

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segment revenue is a result of continuing to add clients and selling additional services to existing clients. The increase in Envestnet | Yodlee revenue is primarily due to broad increases in revenue from existing customers.

Professional services and other revenues

Professional services and other revenues increased 30% from $8,656 in the three months ended June 30, 2017 to $11,226 in the three months ended June 30, 2018, primarily due to timing of new data analytics customer deployments and upgrades of existing data analytics customers, an overall increase in existing customer revenue attributable to the Envestnet segment.

Cost of revenues

Cost of revenues increased 21% from $55,735 in the three months ended June 30, 2017 to $67,627 in the three months ended June 30, 2018, primarily due to a corresponding increase in asset-based recurring revenues, the mix of such revenues, which is partially attributable to FolioDynamix, an increase in cost of revenues associated with subscription-based recurring revenues, as well as an increase in Advisor Summit related costs. As a percentage of total revenues, cost of revenues increased from 33% in the three months ended June 30, 2017 to 34% in the three months ended June 30, 2018.

Compensation and benefits

Compensation and benefits increased 23% from $64,996 in the three months ended June 30, 2017 to $80,210 in the three months ended June 30, 2018, primarily due to an increase in salaries, benefits and related payroll taxes of $8,407, primarily a result of the 2018 FolioDynamix acquisition as well as an increase in headcount to support organic growth. Also contributing to the growth in compensation and benefits were increases in incentive compensation of $3,395, non-cash compensation of $2,531, contract labor costs of $1,134 and severance expense of $711, and various other immaterial cost increases. As a percentage of total revenues, compensation and benefits increased from 39% in the three months ended June 30, 2017 and to 40% in the three months ended June 30, 2018.

General and administration

General and administration expenses increased 20% from $28,478 in the three months ended June 30, 2017 to $34,089 in the three months ended June 30, 2018, primarily due to increases in systems costs of $1,920, restructuring and transaction costs of $1,096, external data and research services of $839, marketing costs of $562, and occupancy costs of $549, partially offset by decreases in foreign currency charges of $461 and non-income tax expense of $387. As a percentage of total revenues, general and administration expenses remained consistent at 17% in the three months ended June 30, 2017 and 2018.

Depreciation and amortization

Depreciation and amortization increased 24% from $15,465 in the three months ended June 30, 2017 to $19,185 in the three months ended June 30, 2018, primarily due to increases in intangible asset amortization of $3,048, mainly attributable to the 2018 acquisition of FolioDynamix, and amortization of internally developed software of $605 driven by continued investment in our platforms. As a percentage of total revenues, depreciation and amortization expense increased from 9% in the three months ended June 30, 2017 to 10% in the three months ended June 30, 2018.

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Income tax provision

	Three Months Ended June 30,	
	2018	2017
Loss before income tax provision	$ (5,425)	$ (1,626)
Income tax provision	566	4,844
Effective tax rate	(10.4) %	(297.9) %

For the three months ended June 30, 2018, our effective tax rate differed from the statutory rate primarily due to the valuation allowance the Company has placed on all US deferreds with the exception of indefinite lived intangibles, the impact of clarifying Base Erosion and Anti Abuse tax positions, additional accruals for uncertain tax positions as well as differences between the foreign tax rates and statutory US tax rate.

For the three months ended June 30, 2017, our effective tax rate differed from the statutory rate primarily due to the valuation allowance the Company had placed on all US deferreds with the exception of indefinite-lived intangibles and unrepatriated foreign earnings and profits, resulting in no benefit being recognized for the tax loss in the US.

Six months ended June 30, 2018 compared to six months June 30, 2017

Revenues

Total revenues increased 23% from $325,203 in the six months ended June 30, 2017 to $399,127 in the six months ended June 30, 2018. The increase was primarily due to an increase in revenues from asset-based recurring and subscription-based recurring revenues of $46,143 and $23,762, respectively. Asset-based revenue was 59% and 60% of total revenue in the six months ended June 30, 2017 and 2018, respectively.

Asset-based recurring revenues

Asset-based recurring revenues increased 24% from $193,121 the six months ended June 30, 2017 to $239,264 in the six months ended June 30, 2018. The increase was primarily due to the 2018 acquisition of FolioDynamix which comprised $25,433 of the increase as well as an increase in asset values applicable to our quarterly billing cycle in 2018, relative to the corresponding period in 2017. In the first two quarters of 2018, revenues were also positively affected by new account growth and positive net flows of AUM/A.

The number of financial advisors with asset-based revenue on our technology platforms increased from 38,498 as of June 30, 2017 to 44,900 as of June 30, 2018 and the number of AUM/A client accounts increased from approximately 1,700,000 as of June 30, 2017 to approximately 2,200,000 as of June 30, 2018.

Subscription-based recurring revenues

Subscription-based recurring revenue increased 20% from $117,712 in the six months ended June 30, 2017 to $141,474 in the six months ended June 30, 2018. This increase was primarily due to the 2018 acquisition of FolioDynamix which comprised $8,970 of the total $14,900 Envestnet segment increase and Envestnet | Yodlee contributing an additional $8,862. The increase in the Envestnet segment revenue is a result of continuing to add clients and selling additional services to existing clients. The increase in Envestnet | Yodlee revenue is primarily due to broad increases in revenue from existing customers.

Professional services and other revenues

Professional services and other revenues increased 28% from $14,370 in the six months ended June 30, 2017 to $18,389 in the six months ended June 30, 2018, primarily due to Envestnet | Yodlee and the timing of new data analytics customer deployments and upgrades of existing data analytics customers as well as an overall increase in existing customer revenue attributable to Envestnet segment.

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Cost of revenues

Cost of revenues increased 24% from $104,961 in the six months ended June 30, 2017 to $130,561 in the six months ended June 30, 2018, primarily due to a corresponding increase in asset-based recurring revenues, the mix of such revenues, which is partially attributable to FolioDynamix, an increase in cost of revenues associated with subscription-based recurring revenues, as well as an increase in Advisor Summit related costs. As a percentage of total revenues, cost of revenues increased from 32% in the six months ended June 30, 2017 to 33% in the six months ended June 30, 2018. This increase is primarily attributable to a lower margin on revenues for FolioDynamix.

Compensation and benefits

Compensation and benefits increased 25% from $130,528 in the six months ended June 30, 2017 to $163,750 in the six months ended June 30, 2018, primarily due to an increase in salaries, benefits and related payroll taxes of $17,713, primarily a result of the 2018 FolioDynamix acquisition as well as an increase in headcount to support organic growth. Also contributing to the growth in compensation and benefits were increases in incentive compensation of $7,050, severance expense of $3,198, non-cash compensation of $3,568, contract labor costs of $2,090 and various other immaterial cost increases. As a percentage of total revenues, compensation and benefits increased from 40% in the six months ended June 30, 2017 to 41% in the six months ended June 30, 2018.

General and administration

General and administration expenses increased 13% from $59,025 in the six months ended June 30, 2017 to $66,818 in the six months ended June 30, 2018, primarily due to increases in systems costs of $3,228, external data and research services of $2,681, occupancy costs of $1,862, professional and legal fees of $1,020, and travel and entertainment expense of $714, partially offset by decreases in non-income tax expense of $1,264 and litigation related expense of $1,033. As a percentage of total revenues, general and administration expenses decreased from 18% in the six months ended June 30, 2017 to 17% in the six months ended June 30, 2018.

Depreciation and amortization

Depreciation and amortization expense increased 24% from $31,300 in the six months ended June 30, 2017 to $38,731 in the six months ended June 30, 2018, primarily due to increases in intangible asset amortization of $6,398, mainly attributable to the 2018 acquisition of FolioDynamix, and amortization of internally developed software of

$1,139 driven by continued investment in our platforms. As a percentage of total revenues, depreciation and amortization expense remained consistent at 10% in the six months ended June 30, 2017 and 2018.

Income tax provision (benefit)

	Six Months Ended June 30,	
	2018	2017
Loss before income tax provision (benefit)	$ (11,417)	$ (10,463)
Income tax provision (benefit)	(13,428)	9,142
Effective tax rate	117.6 %	(87.4) %

For the six months ended June 30, 2018, our effective tax rate differed from the statutory rate primarily due to the release of the Company's valuation allowance as a result of additional deferred tax liabilities recorded with the acquisition of FolioDynamix, additional accruals for uncertain tax positions as well as differences between the foreign tax rates and statutory US tax rate.

For the six months ended June 30, 2017, our effective tax rate differed from the statutory rate primarily due to the valuation allowance the Company had placed on all US deferreds with the exception of indefinite-lived intangibles and unrepatriated foreign earnings and profits, resulting in no benefit being recognized for the tax loss in the US.

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Segments

Business segments are generally organized around our service offerings. Financial information about each of our two business segments is contained in “Note 19 – Segment Information” to the condensed consolidated financial statements. Our business segments are as follows:

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

- Envestnet | Yodlee – a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Envestnet	$ 16,359	$ 15,811	$ 32,220	$ 29,322
Envestnet | Yodlee	(3,296)	(5,635)	(7,705)	(13,343)
Total segment income from operations	13,063	10,176	24,515	15,979
Nonsegment operating expenses	(13,058)	(7,433)	(25,248)	(16,590)
Other expense, net	(5,430)	(4,369)	(10,684)	(9,852)
Consolidated loss before income tax provision (benefit)	(5,425)	(1,626)	(11,417)	(10,463)
Income tax provision (benefit)	566	4,844	(13,428)	9,142
Consolidated net income (loss)	(5,991)	(6,470)	2,011	(19,605)
Add: Net loss attributable to non-controlling interest	465	—	567	—
Consolidated net income (loss) attributable to Envestnet, Inc.	$ (5,526)	$ (6,470)	$ 2,578	$ (19,605)

Envestnet

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

	Three Months Ended June 30, 2018 (in thousands)	2017	Percent Change	Six Months Ended June 30, 2018 (in thousands)	2017	Percent Change
Revenues:						
Asset-based	$ 118,111	$ 98,959	19 %	$ 239,264	$ 193,121	24 %
Subscription-based	33,023	25,471	30 %	65,608	50,708	29 %
Total recurring revenues	151,134	124,430	21 %	304,872	243,829	25 %
Professional services and other revenues	5,794	4,942	17 %	8,044	6,861	17 %
Total revenues	156,928	129,372	21 %	312,916	250,690	25 %
Operating expenses:						
Cost of revenues	62,914	52,402	20 %	121,937	98,473	24 %
Compensation and benefits	48,026	38,742	24 %	99,937	78,220	28 %
General and administration	18,603	16,056	16 %	36,323	31,893	14 %
Depreciation and amortization	11,026	6,361	73 %	22,499	12,782	76 %
Total operating expenses	140,569	113,561	24 %	280,696	221,368	27 %
Income from operations	$ 16,359	$ 15,811	3 %	$ 32,220	$ 29,322	10 %

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Three months ended June 30, 2018 compared to three months June 30, 2017 for the Envestnet segment

Revenues

Total revenues increased 21% from $129,372 in the three months ended June 30, 2017 to $156,928 in the three months ended June 30, 2018. The increase was primarily due to an increase in asset-based revenues of $19,152 and an increase in subscription-based revenues of $7,552. Revenues from asset-based revenues decreased from 76% of total revenues in the three months ended June 30, 2017 to 75% of total revenues in the three months ended June 30, 2018.

Asset-based recurring revenues

Asset-based recurring revenues increased 19% from $98,959 in the three months ended June 30, 2017 to $118,111 in the three months ended June 30, 2018. The increase was primarily due to the 2018 acquisition of FolioDynamix which comprised $12,639 of the increase as well as an increase in asset values applicable to our quarterly billing cycle in 2018, relative to the corresponding period in 2017. In the second quarter of 2018, revenues were also positively affected by new account growth and positive net flows of AUM/A.

The number of financial advisors with asset-based revenue on our technology platforms increased from 38,498 as of June 30, 2017 to 44,900 as of June 30, 2018 and the number of AUM/A client accounts increased from approximately 1,700,000 as of June 30, 2017 to approximately 2,200,000 as of June 30, 2018.

Subscription-based recurring revenues

Subscription-based recurring revenues increased 30% from $25,471 in the three months ended June 30, 2017 to $33,023 in the three months ended June 30, 2018, primarily due to the 2018 acquisition of FolioDynamix which comprised $4,412 of the increase as well as continuing to add clients and selling additional services to existing clients.

Professional services and other revenues

Professional services and other revenues increased 17% from $4,942 in the three months ended June 30, 2017 to $5,794 in the three months ended June 30, 2018, primarily due to an overall increase in existing customer revenue attributable to Envestnet | Enterprise.

Cost of revenues

Cost of revenues increased 20% from $52,402 in the three months ended June 30, 2017 to $62,914 in the three months ended June 30, 2018, primarily due to the corresponding increase in asset-based recurring revenues, and the mix of such revenues, which is partially attributable to FolioDynamix as well as an increase in Advisor Summit related costs. As a percentage of total revenues, cost of revenues decreased from 41% in the three months ended June 30, 2017 to 40% in the three months ended June 30, 2018.

Compensation and benefits

Compensation and benefits increased 24% from $38,742 in the three months ended June 30, 2017 to $48,026 in the three months ended June 30, 2018, primarily due to an increase in salaries, benefits and related payroll taxes of $5,659, primarily a result of the 2018 acquisition of FolioDynamix and an increase in headcount to support organic growth. An increase in incentive compensation of $1,343, contract labor costs of $954, non-cash compensation of $862 and severance of $742 also contributed to the increase in compensation and benefits. As a percentage of total revenues, compensation and benefits increased from 30% in the three months ended June 30, 2017 to 31% in the three months ended June 30, 2018.

General and administration

General and administration expenses increased 16% from $16,056 in the three months ended June 30, 2017 to $18,603 in the three months ended June 30, 2018, primarily due to increases in systems development costs of $1,141 and external data and research services expenses of $1,095, marketing costs of $496 and occupancy costs of $441, partially offset by decreases in restructuring charges and transaction costs of $412 and non-income tax expense of $387. As a percentage of total revenues, general and administration expenses remained consistent at 12% in the three months ended June 30, 2017 and 2018.

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Depreciation and amortization

Depreciation and amortization expense increased 73% from $6,361 in the three months ended June 30, 2017 to $11,026 in the three months ended June 30, 2018. The increase was primarily due to the addition of intangible assets related to the 2018 FolioDynamix acquisition. As a percentage of total revenues, depreciation and amortization expense increased from 5% in the three months ended June 30, 2017 to 7% in the three months ended June 30, 2018. The increase in depreciation and amortization expense as a percentage of total revenues is primarily due to the intangible asset amortization related to the acquisition of FolioDynamix.

Six months ended June 30, 2018 compared to six months June 30, 2017 for the Envestnet segment

Revenues

Total revenues increased 25% from $250,690 in the six months ended June 30, 2017 to $312,916 in the six months ended June 30, 2018. The increase was primarily due to an increase in asset-based revenues of $46,143 and an increase in subscription-based revenues of $14,900. Revenues from asset-based revenues decreased from 77% of total revenues in the six months ended June 30, 2017 to 76% in the six months ended June 30, 2018.

Asset-based recurring revenues

Asset-based recurring revenues increased 24% from $193,121 in the six months ended June 30, 2017 to $239,264 in the six months ended June 30, 2018. The increase was primarily due to the 2018 acquisition of FolioDynamix which comprised $25,433 of the increase as well as an increase in asset values applicable to our quarterly billing cycle in 2018, relative to the corresponding period in 2017. In the first two quarters of 2018, revenues were also positively affected by new account growth and positive net flows of AUM/A.

The number of financial advisors with asset-based revenue on our technology platforms increased from 38,498 as of June 30, 2017 to 44,900 as of June 30, 2018 and the number of AUM/A client accounts increased from approximately 1,700,000 as of June 30, 2017 to approximately 2,200,000 as of June 30, 2018.

Subscription-based recurring revenues

Subscription-based recurring revenues increased 29% from $50,708 in the six months ended June 30, 2017 to $65,608 in the six months ended June 30, 2018, primarily due to the 2018 acquisition of FolioDynamix which comprised $8,970 of the Envestnet segment increase as well as continuing to add clients and selling additional services to existing clients.

Professional services and other revenues

Professional services and other revenues increased 17% from $6,861 in the six months ended June 30, 2017 to $8,044 in the six months ended June 30, primarily due to an overall increase in existing customers.

Cost of revenues

Cost of revenues increased 24% from $98,473 in the six months ended June 30, 2017 to $121,937 in the six months ended June 30, 2018, primarily due to the corresponding increase in asset-based recurring revenues, and the mix of such revenues, which is partially attributable to FolioDynamix, as well as an increase in Advisor Summit related costs. As a percentage of total revenues, cost of revenues remained consistent at 39% in the six months ended June 30, 2017 and 2018.

Compensation and benefits

Compensation and benefits increased 28% from $78,220 in the six months ended June 30, 2017 to $99,937 in the six months ended June 30, 2018, primarily due to an increase in salaries, benefits and related payroll taxes of $12,452, primarily a result of the 2018 acquisition of FolioDynamix and an increase in headcount to support organic growth. An increase in severance of $3,055, incentive compensation of $2,958, contract labor costs of $1,766, and non-cash compensation of $1,242 also contributed to the increase in compensation and benefits. As a percentage of total revenues, compensation and benefits increased from 31% in the six months ended June 30, 2017 to 32% in the six months ended June 30, 2018.

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General and administration

General and administration expenses increased 14% from $31,893 in the six months ended June 30, 2017 to $36,323 in the six months ended June 30, 2018, primarily due to increases in external data and research services expenses of $2,688, systems development costs of $1,919, and occupancy costs of $1,505, partially offset by decreases in non-income tax expense of $1,264. As a percentage of total revenues, general and administration expenses decreased from 13% in the six months ended June 30, 2017 to 12% in the six months ended June 30, 2018.

Depreciation and amortization

Depreciation and amortization expense increased 76% from $12,782 in the six months ended June 30, 2017 to $22,499 in the six months ended June 30, 2018. The increase was primarily due to the addition of intangible assets related to the 2018 FolioDynamix acquisition. As a percentage of total revenues, depreciation and amortization expense increased from 5% in the six months ended June 30, 2017 to 7% in the six months ended June 30, 2018. The increase in depreciation and amortization expense as a percentage of total revenues is primarily due to the intangible asset amortization related to the acquisition of FolioDynamix.

Envestnet | Yodlee

The following table presents loss from operations for the Envestnet | Yodlee segment:

	Three Months Ended June 30,		Percent	Six Months Ended June 30,		Percent
	2018	2017	Change	2018	2017	Change
	(in thousands)			(in thousands)		
Revenues:						
Subscription-based	$ 38,756	$ 34,331	13 %	$ 75,866	$ 67,004	13 %
Professional services and other revenues	5,432	3,714	46 %	10,345	7,509	38 %
Total revenues	44,188	38,045	16 %	86,211	74,513	16 %
Operating expenses:						
Cost of revenues	4,713	3,333	41 %	8,624	6,488	33 %

Compensation and benefits	25,848	23,342	11	%	52,006	46,592	12	%
General and administration	8,764	7,901	11	%	17,054	16,258	5	%
Depreciation and amortization	8,159	9,104	(10)	%	16,232	18,518	(12)	%
Total operating expenses	47,484	43,680	9	%	93,916	87,856	7	%
Loss from operations	$ (3,296)	$ (5,635)	(42)	%	$ (7,705)	$ (13,343)	(42)	%

Three months ended June 30, 2018 compared to three months ended June 30, 2017 for the Envestnet | Yodlee segment

Revenues

Total revenues increased 16% from $38,045 in the three months ended June 30, 2017 to $44,188 in the three months ended June 30, 2018. The increase was primarily due to an increase in revenues from subscription-based recurring revenues of $4,425. Revenues from professional services and other increased by $1,718.

Subscription-based recurring revenues

Subscription-based recurring revenues increased 13% from $34,331 in the three months ended June 30, 2017 to $38,756 in the three months ended June 30, 2018, primarily due to broad increases in revenue from existing customers.

Professional services and other revenues

Professional services and other revenues increased 46% from $3,714 in the three months ended June 30, 2017 to $5,432 in the three months ended June 30, 2018, primarily due to timing of new data analytics customer deployments and upgrades of existing data analytics customers.

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Cost of revenues

Cost of revenues increased 41% from $3,333 in the three months ended June 30, 2017 to $4,713 in the three months ended June 30, 2018, primarily driven by higher professional services and support revenues. Third party consulting and related services increased $612 due to new data analytics customer deployments. We also experienced an increase of $768 in hosting and payment processing services to support our overall revenue growth. As a percentage of total revenues, cost of revenues increased from 9% in the three months ended June 30, 2017 to 11% in the three months ended June 30, 2018. The increase in cost of revenues as a percentage of total revenues is primarily due to a higher increase in expense compared to lower growth in quarterly revenues.

Compensation and benefits

Compensation and benefits increased 11% from $23,342 in the three months ended June 30, 2017 to $25,848 in the three months ended June 30, 2018, primarily due to an increase in salaries, benefits and related payroll taxes of $1,727, as a result of increased headcount to support organic growth, an increase in incentive compensation of $1,012 and non-cash compensation expense of $215. These costs were partially offset by a decrease in short-term variable compensation of $550. As a percentage of total revenues, compensation and benefits decreased from 61% in the three months ended June 30, 2017 to 58% in the three months ended June 30, 2018. The decrease in compensation and benefits as a percentage of total revenues is primarily due to a higher revenue increase compared to lower growth in compensation and benefit expenses.

General and administration

General and administration expenses increased 11% from $7,901 in the three months ended June 30, 2017 to $8,764 in the three months ended June 30, 2018, primarily due to increases in restructuring charges and transaction costs of $403 marketing and promotional expenses of $300, and software purchase and maintenance of $288, partially offset by lower communications and research expenses of $261. As a percentage of total revenues, general and administration expenses decreased from 21% in the three months ended June 30, 2017 to 20% in the three months ended June 30, 2018.

Depreciation and amortization

Depreciation and amortization expense decreased 10% from $9,104 in the three months ended June 30, 2017 to $8,159 in the three months ended June 30, 2018, primarily due to a decrease in intangible asset amortization of $1,026 compared to the same period last year. As a percentage of total revenues, depreciation and amortization expense decreased from 24% in the three months ended June 30, 2017 to 18% in the three months ended June 30, 2018. The decrease in depreciation and amortization as a percentage of total revenues is primarily due to a higher revenue increase and a decrease in amortization expense.

Six months ended June 30, 2018 compared to six months ended June 30, 2017 for the Envestnet | Yodlee segment

Revenues

Total revenues increased 16% from $74,513 in the six months ended June 30, 2017 to $86,211 in the six months ended June 30, 2018. The increase was primarily due to an increase in revenues from subscription-based recurring revenues of $8,862. Revenues from professional services and other increased from 10% of total revenues in the six months ended June 30, 2017 to 12% in the six months ended June 30, 2018.

Subscription-based recurring revenues

Subscription-based recurring revenues increased 13% from $67,004 in the six months ended June 30, 2017 to $75,866 in the six months ended June 30, 2018, primarily due to broad increases in revenue from existing customers.

Professional services and other revenues

Professional services and other revenues increased 38% from $7,509 in the six months ended June 30, 2017 to $10,345 in the six months ended June 30, 2018, primarily due to timing of new data analytics customer deployments and upgrades of existing data analytics customers.

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Cost of revenues

Cost of revenues increased 33% from $6,488 in the six months ended June 30, 2017 to $8,624 in the six months ended June 30, 2018, primarily due to increases in third party consulting and related services of $642 due to new data analytics customer deployments as well as hosting and payment processing services of $1,494 in support of our overall revenue growth. As a percentage of total revenues, cost of revenues increased from 9% in the six months ended June 30, 2017 to 10% in the six months ended June 30, 2018.

Compensation and benefits

Compensation and benefits increased 12% from $46,592 in the six months ended June 30, 2017 to $52,006 in the six months ended June 30, 2018, primarily due to an increase in salaries, benefits and related payroll taxes of $3,137, as a result of increased headcount to support organic growth, an increase in incentive and variable compensation of $2,090, and third party contract, employee training and recruiting costs totaling $277. As a percentage of total revenues, compensation and benefits decreased from 63% in the six months ended June 30, 2017 to 60% in the six months ended June 30, 2018. The decrease in compensation and benefits as a percentage of total revenues is primarily due to a higher revenue increase compared to lower growth in compensation and benefit expenses.

General and administration

General and administration expenses increased 5% from $16,258 in the six months ended June 30, 2017 to $17,054 in the six months ended June 30, 2018, primarily due to increases in restructuring charges and transaction costs of $603, systems development costs of $518, occupancy costs of $358, partially offset by a decrease in non-recurring legal and related expense of $1,033. As a percentage of total revenues, general and administration expenses decreased from 22% in the six months ended June 30, 2017 to 20% in the six months ended June 30, 2017. The decrease in general and administration as a percentage of total revenues is primarily due to a higher revenue increase compared to lower growth in general and administration expenses.

Depreciation and amortization

Depreciation and amortization expense decreased 12% from $18,518 in the six months ended June 30, 2017 to $16,232 in the six months ended June 30, 2018, primarily due to a decrease in intangible asset amortization of $2,254 compared to the same period last year. This decrease was partially offset by increase of $31 in depreciation expense compared to the same period last year. As a percentage of total revenues, depreciation and amortization expense decreased from 25% in the six months ended June 30, 2017 to 19% in the six months ended June 30, 2018. The decrease in depreciation and amortization as a percentage of total revenues is primarily due to a higher revenue increase and a decrease in amortization expense.

Nonsegment

The following table presents nonsegment operating expenses:

	Three Months Ended June 30,		Percent	Six Months Ended June 30,		Percent
	2018	2017	Change	2018	2017	Change
	(in thousands)			(in thousands)		
Operating expenses:						
Compensation and benefits	$ 6,336	$ 2,912	118 %	$ 11,807	$ 5,716	107 %
General and administration	6,722	4,521	49 %	13,441	10,874	24 %
Nonsegment operating expenses	$ 13,058	$ 7,433	76 %	$ 25,248	$ 16,590	52 %

Three months ended June 30, 2018 compared to three months ended June 30, 2017 for Nonsegment

Compensation and benefits

Compensation and benefits increased 118% from $2,912 in the three months ended June 30, 2017 to $6,336 in the three months ended June 30, 2018, primarily due to increases in non-cash compensation of $1,454, incentive compensation of $1,039 and salaries, benefits and related payroll taxes of $1,021.

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General and administration

General and administration expenses increased 49% from $4,521 in the three months ended June 30, 2017 to $6,722 in the three months ended June 30, 2018, primarily due to increases in restructuring charges and transaction costs of $1,105, systems development costs of $490, professional and legal fees of $376.

Six months ended June 30, 2018 compared to six months ended June 30, 2017 for Nonsegment

Compensation and benefits

Compensation and benefits increased 107% from $5,716 in the six months ended June 30, 2017 to $11,807 in the six months ended June 30, 2018, primarily due to increases in non-cash compensation expense of $2,388, salaries, benefits and related payroll taxes of $2,332, and incentive compensation of $1,490.

General and administration

General and administration expenses increased 24% from $10,874 in the six months ended June 30, 2017 to $13,441 in the six months ended June 30, 2018, primarily due to increases in professional and legal fees of $1,088 and systems development costs of $790.

Non-GAAP Financial Measures

In addition to reporting results according to U.S. 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 share”.

“Adjusted revenues” excludes the effect of purchase accounting on the fair value of acquired deferred revenue. Under U.S. 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 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, litigation related expense, foreign currency, non-income tax expense adjustment, loss allocation from equity method investment and loss attributable to non controlling interest.

“Adjusted net income” represents net income (loss) before deferred revenue fair value adjustment, accretion on contingent consideration and purchase liability, non cash interest expense, non cash compensation expense, restructuring charges and transaction costs, severance, amortization of acquired intangibles, litigation related expense, foreign currency, non-income tax expense adjustment, loss allocation from equity method investment and loss attributable to non controlling interest. Reconciling items are presented gross of tax, and a normalized tax rate is applied to the total of all reconciling items to arrive at adjusted net income.

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

Our Board of Directors and our management use adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share:

· 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

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· In communications with our Board of Directors concerning our financial performance.

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

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

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

Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are not measurements of our financial performance under U.S. GAAP and should not be considered as an alternative to revenues, net income, operating income or any other performance measures derived in accordance with U.S. 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 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 U.S. GAAP. In particular you should consider:

·

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

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

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

- Due to either net losses before income tax expense or the use of federal and state net operating loss carryforwards we had net cash paid of $2,225 and $275 for the six months ended June 30, 2018 and 2017, respectively. In the event that we begin to generate taxable income and our existing net operating loss carryforwards for federal and state income taxes have been fully utilized or have expired, income tax payments will be higher; and

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Total revenues	$ 201,116	$ 167,417	$ 399,127	$ 325,203
Deferred revenue fair value adjustment	62	52	66	105
Adjusted revenues	$ 201,178	$ 167,469	$ 399,193	$ 325,308

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Net income (loss)	$ (5,991)	$ (6,470)	$ 2,011	$ (19,605)
Add (deduct):				
Deferred revenue fair value adjustment	62	52	66	105
Interest income	(374)	(29)	(784)	(50)
Interest expense	5,992	3,877	11,228	8,813
Accretion on contingent consideration and purchase liability	95	148	196	304
Income tax provision (benefit)	566	4,844	(13,428)	9,142
Depreciation and amortization	19,185	15,465	38,731	31,300
Non-cash compensation expense	10,476	7,945	18,971	15,403
Restructuring charges and transaction costs	3,345	2,249	5,937	5,627
Severance	1,049	338	3,861	663
Litigation related expense	—	52	—	1,033
Foreign currency	(339)	122	(571)	412
Non-income tax expense adjustment	27	414	(101)	1,163
Loss allocation from equity method investment	151	417	811	702
Loss attributable to non-controlling interest	515	101	584	351
Adjusted EBITDA	$ 34,759	$ 29,525	$ 67,512	$ 55,363

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Explanation of Responses:

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Net income (loss)	$ (5,991)	$ (6,470)	$ 2,011	$ (19,605)
Income tax provision (benefit) (1)	566	4,844	(13,428)	9,142
Loss before income tax provision (benefit)	(5,425)	(1,626)	(11,417)	(10,463)
Add (deduct):				
Deferred revenue fair value adjustment	62	52	66	105
Accretion on contingent consideration and purchase liability	95	148	196	304
Non-cash interest expense	3,032	1,331	4,900	4,853
Non-cash compensation expense	10,476	7,945	18,971	15,403
Restructuring charges and transaction costs	3,345	2,249	5,937	5,627
Severance	1,049	338	3,861	663
Amortization of acquired intangibles	13,419	10,371	27,354	20,956
Litigation related expense	—	52	—	1,033
Foreign currency	(339)	122	(571)	412
Non-income tax expense adjustment	27	414	(101)	1,163
Loss allocation from equity method investment	151	417	811	702
Loss attributable to non-controlling interest	515	101	584	351
Adjusted net income before income tax effect	26,407	21,914	50,591	41,109
Income tax effect (2)	(7,130)	(8,766)	(13,660)	(16,444)
Adjusted net income	$ 19,277	$ 13,148	$ 36,931	$ 24,665
Basic number of weighted-average shares outstanding	45,247,331	43,855,479	44,963,735	43,513,074
Effect of dilutive shares:				
Options to purchase common stock	1,325,947	1,597,746	1,360,300	1,670,493
Unvested restricted stock units	643,319	473,892	832,170	551,227
Diluted number of weighted-average shares outstanding	47,216,597	45,927,117	47,156,205	45,734,794
Adjusted net income per share - diluted	$ 0.41	$ 0.29	$ 0.78	$ 0.54

(1) For the three months ended June 30, 2018 and 2017, the effective tax rate computed in accordance with US GAAP equaled (10.4%) and (297.9%), respectively. For the six months ended June 30, 2018 and 2017, the effective tax rate computed in accordance with US GAAP equaled 117.6% and (87.4%), respectively.

(2) Estimated normalized effective tax rates of 27% and 40% have been used to compute adjusted net income for the three and six months ended June 30, 2018 and 2017, respectively.

Note on Income Taxes: As of December 31, 2017 the Company had net operating loss carryforwards of $249,653 and $143,775 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 the Company pays for federal, state and foreign income taxes differs significantly from the effective income tax rate computed in accordance with U.S. GAAP, and from the normalized rate shown above.

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The following tables set forth the reconciliation of revenues to adjusted revenues and income (loss) from operations to adjusted EBITDA based on our historical results for each segment for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30, 2018			
	Envestnet	Envestnet | Yodlee	Nonsegment	Total
	(in thousands)			
Revenues	$ 156,928	$ 44,188	$ —	$ 201,116
Deferred revenue fair value adjustment	60	2	—	62
Adjusted revenues	$ 156,988	$ 44,190	$ —	$ 201,178
Income (loss) from operations	$ 16,359	$ (3,296)	$ (13,058)	$ 5
Add:				
Deferred revenue fair value adjustment	60	2	—	62
Accretion on contingent consideration and purchase liability	95	—	—	95
Depreciation and amortization	11,026	8,159	—	19,185
Non-cash compensation expense	5,080	2,936	2,460	10,476
Restructuring charges and transaction costs	188	403	2,754	3,345
Non-income tax expense adjustment	27	—	—	27
Severance	1,049	—	—	1,049
Loss attributable to non-controlling interest	515	—	—	515
Adjusted EBITDA	$ 34,399	$ 8,204	$ (7,844)	$ 34,759

	Three Months Ended June 30, 2017			
	Envestnet	Envestnet | Yodlee	Nonsegment	Total
	(in thousands)			
Revenues	$ 129,372	$ 38,045	$ —	$ 167,417
Deferred revenue fair value adjustment	7	45	—	52
Adjusted revenues	$ 129,379	$ 38,090	$ —	$ 167,469
Income (loss) from operations	$ 15,811	$ (5,635)	$ (7,433)	$ 2,743
Add:				
Deferred revenue fair value adjustment	7	45	—	52
Accretion on contingent consideration and purchase liability	148	—	—	148
Depreciation and amortization	6,361	9,104	—	15,465
Non-cash compensation expense	4,218	2,721	1,006	7,945
Restructuring charges and transaction costs	600	—	1,649	2,249
Non-income tax expense adjustment	414	—	—	414

Severance	307	15	16	338
Litigation related expense	—	52	—	52
Other loss	—	—	18	18
Loss attributable to non-controlling interest	101	—	—	101
Adjusted EBITDA	$ 27,967	$ 6,302	$ (4,744)	$ 29,525

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	Six Months Ended June 30, 2018			
	Envestnet	Envestnet | Yodlee	Nonsegment	Total
	(in thousands)			
Revenues	$ 312,916	$ 86,211	$ —	$ 399,127
Deferred revenue fair value adjustment	58	8	—	66
Adjusted revenues	$ 312,974	$ 86,219	$ —	$ 399,193
Income (loss) from operations	$ 32,220	$ (7,705)	$ (25,248)	$ (733)
Add (deduct):				
Deferred revenue fair value adjustment	58	8	—	66
Accretion on contingent consideration and purchase liability	196	—	—	196
Depreciation and amortization	22,499	16,232	—	38,731
Non-cash compensation expense	9,134	5,400	4,437	18,971
Restructuring charges and transaction costs	225	603	5,109	5,937
Non-income tax expense adjustment	(101)	—	—	(101)
Severance	3,478	383	—	3,861
Loss attributable to non-controlling interest	584	—	—	584
Adjusted EBITDA	$ 68,293	$ 14,921	$ (15,702)	$ 67,512

	Six Months Ended June 30, 2017			
	Envestnet	Envestnet | Yodlee	Nonsegment	Total
	(in thousands)			
Revenues	$ 250,690	$ 74,513	$ —	$ 325,203
Deferred revenue fair value adjustment	36	69	—	105
Adjusted revenues	$ 250,726	$ 74,582	$ —	$ 325,308
Income (loss) from operations	$ 29,322	$ (13,343)	$ (16,590)	$ (611)
Add:				
Deferred revenue fair value adjustment	36	69	—	105
Accretion on contingent consideration and purchase liability	304	—	—	304
Depreciation and amortization	12,782	18,518	—	31,300
Non-cash compensation expense	7,892	5,462	2,049	15,403
Restructuring charges and transaction costs	695	—	4,932	5,627
Non-income tax expense adjustment	1,163	—	—	1,163
Severance	423	224	16	663
Litigation related expense	—	1,033	—	1,033
Other loss	—	—	25	25
Loss attributable to non-controlling interest	351	—	—	351
Adjusted EBITDA	$ 52,968	$ 11,963	$ (9,568)	$ 55,363

Liquidity and Capital Resources

As of June 30, 2018, we had total cash and cash equivalents of $134,032 compared to $60,115 as of December 31, 2017. We plan to use existing cash as of June 30, 2018 and cash generated in the ongoing operations of our business 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 to fund our ongoing operations or to fund potential acquisitions or other strategic activities. The Company funded the FolioDynamix acquisition with a combination of cash on the Company’s balance sheet, purchase consideration liabilities and borrowings under its revolving credit facility.

Cash Flows

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

	Six Months Ended June 30,	
	2018	2017
	(in thousands)	
Net cash provided by operating activities	$ 40,954	$ 35,187
Net cash used in investing activities	(208,536)	(14,832)
Net cash provided by (used in) financing activities	240,299	(45,500)
Effect of exchange rate on changes on cash	(572)	283
Net decrease in cash and cash equivalents	72,145	(24,862)
Cash, cash equivalents and restricted cash, end of period	134,260	29,730

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2018 was $40,954 as compared to net cash provided by operating activities of $35,187 for the same period in 2017. The increase was primarily due to net income of $2,011 in the six months ended June 30, 2018 compared to a net loss of $19,605 for the six months ended June 30, 2017, an increase in depreciation and amortization of $7,431, an increase in stock based compensation of $3,568, partially offset by the change in deferred income taxes of $23,617 and a net decrease in the change in operating assets and liabilities of $5,376.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2018 was $208,536 compared to net cash used in investing activities of $14,832 for the same period in 2017. The change was primarily a result of an increase in cash disbursements for acquisitions of $188,345 combined with an increase in capitalization of internally developed software of $4,971.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2018 was $240,299 compared to net cash used in financing activities of $45,500 for the same period in 2017. The change was primarily the result of increases in proceeds from issuance of the Convertible Notes due 2023 of $345,000 and an increase in proceeds from borrowings on the revolving credit facility of $170,000, partially offset by increases in payments on the revolving credit facility of $251,168, and debt issuance costs paid of $9,488.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. "Note 2 – Summary of Significant Accounting Policies" to the consolidated financial statements in our most recent Form 10-K describes the significant accounting policies and methods used in the preparation of the consolidated financial statements and "Note 4 – Revenue" to the condensed consolidated financial statements in this accompanying Form 10-Q describes the updated accounting policies for revenue recognition, fees receivable including unbilled accounts receivable and deferred sales incentive compensation that were updated as a result of adopting ASC 606. Our critical accounting estimates, identified in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our most recent Form 10-K and "Note 4 – Revenue" to the condensed consolidated financial statements in this accompanying Form 10-Q include, but not limited to, the discussion of estimates used for recognition of revenues, the determination of the period of benefit for deferred sales incentive commissions, purchase accounting, impairment of goodwill and acquired intangible assets and income taxes. Such accounting policies and estimates require significant judgments and assumptions to be used in the preparation of the condensed consolidated financial statements, and actual results could differ materially from the amounts reported.

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Commitments and Off-Balance Sheet Arrangements

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 condensed consolidated balance sheets.

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

Legal Proceedings

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. Legal proceedings accruals are recorded when and if it is determined that a loss is both probable and reasonably estimable. 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 June 30, 2018. 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 Envestnet’s results of operations or cash flow in a particular quarter or year.

Leases

The Company rents office space under leases that expire at various dates through 2030. As of June 30, 2018, the Company's future minimum lease commitments under these operating leases totaled $105,124.

Item 3.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 three and six months ended June 30, 2018, 59% and 60%, respectively, of our revenues were derived from revenues based on the market value of AUM or AUA. We expect this percentage to vary over time. A decrease in the aggregate value of AUM or AUA may cause our revenue to decline and our net income to decrease.

Foreign currency risk

The expenses of our India subsidiary, 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 three and six months ended June 30, 2018, 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 $1,184 and $2,363, respectively, 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 $969 and $1,934, respectively, to pre tax earnings.

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 three and six months ended June 30, 2018,

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we estimate that a hypothetical 10% change in the value of various foreign currencies to the U.S. dollar would result in a corresponding increase or decrease of $335 and $1,068, respectively, to pre tax earnings.

Interest rate risk

We are subject to market risk from changes in interest rates. The Company has a revolving credit facility that bears interest at LIBOR plus an applicable margin between 1.50 percent and 3.25 percent. As the LIBOR rates fluctuate, so too will the interest expense on amounts borrowed under the Credit Agreement. Interest charged on the revolving credit facility for the second quarter of 2018 was approximately 4.5%. As of June 30, 2018, there was $0 of revolving credit amounts outstanding under the Credit Agreement. The Company incurred interest expense of $1,561 and $4,174 for the three and six months ended June 30, 2018, respectively, related to the Credit Agreement. A sensitivity analysis performed on the interest expense indicated that a hypothetical 0.25% increase or decrease in our interest rate would increase or decrease interest expense on an annual basis by approximately $448.

Item 4.Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2018. 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 recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on their evaluation of our disclosure controls and procedures as of June 30, 2018, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting during the three months ended June 30, 2018.

PART II — OTHER INFORMATION

Item 1.Legal Proceedings

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. Legal proceedings accruals are recorded when and if it is determined that a loss is both probable and reasonably estimable. For legal proceedings 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 June 30, 2018. 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 Envestnet's results of operations or cash flow in a particular quarter or year.

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Item 1A. Risk Factors

Investment in our securities involves risk. An investor or potential investor should consider the risks summarized under the caption “Risk Factors” in Part I, Item 1A of our 2017 Form 10-K, when making investment decisions regarding our securities. The risk factors that were disclosed in our 2017 Form 10-K have not materially changed since the date our 2017 Form 10-K was filed.

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

(c) Issuer Purchases of Equity Securities

	Total number of shares purchased		Average price paid per share	Total number of shares purchased as part of publically announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
April 1, 2018 through April 30, 2018	5,219	$	53.60	—	1,956,390
May 1, 2018 through May 31, 2018	56,931		55.23	—	1,956,390
June 1, 2018 through June 30, 2018	28,650		57.14	—	1,956,390

On February 25, 2016, the Company announced that its Board of Directors had authorized a share repurchase program under which the Company may repurchase up to 2,000,000 shares of its common stock. The timing and volume of share repurchases will be determined by the Company’s management based on its ongoing assessments of the capital needs of the business, the market price of its common stock and general market conditions. No time limit has been set for the completion of the repurchase program, and the program may be suspended or discontinued at any time. The repurchase program authorizes the Company to purchase its common stock from time to time in the open market (including pursuant to a “Rule 10b5-1 plan”), in block transactions, in privately negotiated transactions, through accelerated stock repurchase programs, through option or other forward transactions or otherwise, all in compliance with applicable laws and other restrictions. As of June 30, 2018, 1,956,390 of shares could still be purchased under this program.

Item 3.Defaults Upon Senior Securities

None.

Item 4.Mine Safety Disclosures

Not applicable.

Item 5.Other Information

None.

Item 6.Exhibits

(a) Exhibits

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

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INDEX TO EXHIBITS

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(1)	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2(1)	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *

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(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.

*Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017; (ii) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2018 and 2017; (iii) the Condensed Consolidated Statement of Comprehensive Income (Loss) for the three and six months ended June 30, 2018 and 2017; (iv) the Condensed Consolidated Statement of Equity for the six months ended June 30, 2018; (v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017; (vi) Notes to Condensed Consolidated Financial Statements tagged as blocks of text.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 8, 2018.

ENVESTNET, INC.

By: /s/ Judson Bergman
Judson Bergman
Chairman and Chief Executive Officer
Principal Executive Officer

By: /s/ Peter H. D'Arrigo
Peter H. D'Arrigo
Chief Financial Officer
Principal Financial Officer

By: /s/ Matthew J. Majoros
Matthew J. Majoros
Senior Vice President, Financial Reporting
Principal Accounting Officer