

ENVESTNET, INC.
Form 10-Q
November 08, 2012
[Table of Contents](#)

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

FORM 10-Q

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

For the quarterly period ended September 30, 2012

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

Commission file number 001-34835

Envestnet, Inc.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	20-1409613 (I.R.S Employer Identification No.)
35 East Wacker Drive, Suite 2400, Chicago, IL (Address of principal executive offices)	60601 (Zip Code)
Registrant's telephone number, including area code: (312) 827-2800	

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

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

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

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

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

As of November 1, 2012, 32,338,021 shares of the common stock with a par value of \$0.005 per share were outstanding.

Table of Contents

TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
<u>Condensed Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011</u>	3
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and 2011</u>	4
<u>Condensed Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2012</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Forward-Looking Statements</u>	25
<u>Overview</u>	25
<u>Results of Operations</u>	30
<u>Liquidity and Capital Resources</u>	35
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	36
<u>Item 4. Controls and Procedures</u>	37
<u>PART II - OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	38
<u>Item 1A. Risk Factors</u>	38
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
<u>Item 3. Defaults Upon Senior Securities</u>	38
<u>Item 4. Mine Safety Disclosures</u>	38
<u>Item 5. Other Information</u>	38
<u>Item 6. Exhibits</u>	38

Table of Contents**Envestnet, Inc.****Condensed Consolidated Balance Sheets****(In thousands, except share information)****(Unaudited)**

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,133	\$ 64,909
Fees receivable	10,692	9,644
Deferred tax assets, net	611	192
Prepaid expenses and other current assets	2,936	4,040
Total current assets	35,372	78,785
Property and equipment, net	12,294	11,091
Internally developed software, net	4,053	3,524
Intangible assets, net	28,910	12,225
Goodwill	66,152	22,223
Deferred tax assets, net	7,187	6,692
Other non-current assets	3,544	3,162
Total assets	\$ 157,512	\$ 137,702
Liabilities and Stockholders' Equity		
Current liabilities:		
Accrued expenses	\$ 18,892	\$ 14,919
Accounts payable	2,519	1,974
Note payable		171
Deferred revenue	5,340	79
Total current liabilities	26,751	17,143
Deferred rent liability	2,038	1,414
Lease incentive liability	4,020	2,933
Other non-current liabilities	752	573
Total liabilities	33,561	22,063
Commitments and contingencies		
Stockholders' equity		
Preferred stock		
Common stock, par value \$0.005, 500,000,000 shares authorized as of September 30, 2012 and December 31, 2011 respectively; 44,049,285 and 43,515,899 shares issued as of September 30, 2012 and December 31, 2011, respectively; 32,334,451 and 31,810,726 shares outstanding as of September 30, 2012 and December 31, 2011, respectively	220	218
Treasury stock at cost, 11,714,834 and 11,705,173 shares as of September 30, 2012 and December 31, 2011, respectively	(10,543)	(10,421)
Additional paid-in capital	171,393	163,584

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Accumulated deficit	(37,119)	(37,742)
Total stockholders' equity	123,951	115,639
Total liabilities and stockholders' equity	\$ 157,512	\$ 137,702

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

Table of Contents**Envestnet, Inc.****Condensed Consolidated Statements of Operations****(In thousands, except share and per share information)****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Assets under management or administration	\$ 33,223	\$ 25,971	\$ 92,498	\$ 74,669
Licensing and professional services	9,060	6,069	20,389	17,967
Total revenues	42,283	32,040	112,887	92,636
Operating expenses:				
Cost of revenues	15,088	11,429	40,163	32,474
Compensation and benefits	15,261	10,160	40,031	30,693
General and administration	7,621	5,675	22,542	15,809
Depreciation and amortization	3,393	1,550	9,016	4,676
Restructuring charges			115	53
Total operating expenses	41,363	28,814	111,867	83,705
Income from operations	920	3,226	1,020	8,931
Other income (expense):				
Interest income	3	19	26	65
Interest expense		(206)	(3)	(621)
Other income				1,100
Loss on investments		(8)		(4)
Total other income (expense)	3	(195)	23	540
Income before income tax provision	923	3,031	1,043	9,471
Income tax provision	372	1,106	420	3,695
Net income	\$ 551	\$ 1,925	\$ 623	\$ 5,776
Net income per share:				
Basic	\$ 0.02	\$ 0.06	\$ 0.02	\$ 0.18
Diluted	\$ 0.02	\$ 0.06	\$ 0.02	\$ 0.18
Weighted average common shares outstanding:				
Basic	32,296,636	31,760,998	32,102,386	31,589,279
Diluted	33,358,706	32,871,269	33,179,044	32,937,601

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See accompanying notes to unaudited Condensed Consolidated Financial Statements.

Table of Contents

Envestnet, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(In thousands, except share information)

(Unaudited)

	Common Stock		Treasury Stock		Additional	Accumulated	Total
	Shares	Amount	Common	Amount	Paid-in	deficit	Stockholders
			Shares		Capital		Equity
Balance, December 31, 2011	43,515,899	\$ 218	(11,705,173)	\$ (10,421)	\$ 163,584	\$ (37,742)	\$ 115,639
Exercise of stock options	280,001	1			1,926		1,927
Issuance of common stock -							
Vesting of restricted stock	21,235						
Issuance of restricted stock	232,150	1			2,758		