

ENVESTNET, INC.  
Form 10-Q  
August 08, 2018  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended June 30, 2018

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

Commission file number 001-34835

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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 60601  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:

(312) 827-2800

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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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of August 1, 2018, 45,384,004 shares of the common stock with a par value of \$0.005 per share were outstanding.



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Envestnet, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share information)

(unaudited)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 134,032	\$ 60,115
Fees receivable, net	64,164	51,522
Prepaid expenses and other current assets	22,721	19,470
Total current assets	220,917	131,107
Property and equipment, net	40,397	35,909
Internally developed software, net	29,257	22,174
Intangible assets, net	313,743	222,731
Goodwill	526,955	432,955
Other non-current assets	23,907	17,176
Total assets	\$ 1,155,176	\$ 862,052
Liabilities and Equity		
Current liabilities:		
Accrued expenses and other liabilities	\$ 109,537	\$ 105,897
Accounts payable	21,133	11,097
Contingent consideration	707	2,115
Deferred revenue	25,739	21,246
Total current liabilities	157,116	140,355
Convertible Notes due 2019	162,299	158,990
Convertible Notes due 2023	289,562	—
Revolving credit facility	—	81,168
Contingent consideration	—	666
Deferred revenue	7,929	12,047
Deferred rent and lease incentive	17,334	15,185
Deferred tax liabilities, net	2,154	969
Other non-current liabilities	16,744	15,102
Total liabilities	653,138	424,482
Commitments and contingencies		
Redeemable units in ERS	900	900

## Equity:

## Stockholders' equity:

Preferred stock, par value \$0.005, 50,000,000 shares authorized	—	—
Common stock, par value \$0.005, 500,000,000 shares authorized; 58,382,026 and 57,450,056 shares issued as of June 30, 2018 and December 31, 2017, respectively; 45,375,594 and 44,700,641 shares outstanding as of June 30, 2018 and December 31, 2017, respectively	291	287
Additional paid-in capital	624,378	556,257
Accumulated deficit	(62,059)	(73,854)
Treasury stock at cost, 13,006,432 and 12,749,415 shares as of June 30, 2018 and December 31, 2017, respectively	(61,437)	(47,042)
Accumulated other comprehensive income (loss)	(739)	624
Total stockholders' equity	500,434	436,272
Non-controlling interest	704	398
Total equity	501,138	436,670
Total liabilities and equity	\$ 1,155,176	\$ 862,052

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Condensed Consolidated Statements of Operations

(in thousands, except share and per share information)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,	2017	June 30,	2017
	2018		2018	
Revenues:				
Asset-based	\$ 118,111	\$ 98,959	\$ 239,264	\$ 193,121
Subscription-based	71,779	59,802	141,474	117,712
Total recurring revenues	189,890	158,761	380,738	310,833
Professional services and other revenues	11,226	8,656	18,389	14,370
Total revenues	201,116	167,417	399,127	325,203
Operating expenses:				
Cost of revenues	67,627	55,735	130,561	104,961
Compensation and benefits	80,210	64,996	163,750	130,528
General and administration	34,089	28,478	66,818	59,025
Depreciation and amortization	19,185	15,465	38,731	31,300
Total operating expenses	201,111	164,674	399,860	325,814
Income (loss) from operations	5	2,743	(733)	(611)
Other expense, net	(5,430)	(4,369)	(10,684)	(9,852)
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
Net income (loss)	(5,991)	(6,470)	2,011	(19,605)
Add: Net loss attributable to non-controlling interest	465	—	567	—
Net income (loss) attributable to Envestnet, Inc.	\$ (5,526)	\$ (6,470)	\$ 2,578	\$ (19,605)
Net income (loss) per share attributable to Envestnet, Inc.:				
Basic	\$ (0.12)	\$ (0.15)	\$ 0.06	\$ (0.45)
Diluted	\$ (0.12)	\$ (0.15)	\$ 0.05	\$ (0.45)
Weighted average common shares outstanding:				
Basic	45,247,331	43,855,479	44,963,735	43,513,074
Diluted	45,247,331	43,855,479	47,156,205	43,513,074

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss) attributable to Envestnet, Inc.	\$ (5,526)	\$ (6,470)	\$ 2,578	\$ (19,605)
Other comprehensive income (loss), net of taxes:				
Foreign currency translation gain (loss)	(1,036)	76	(1,363)	809
Comprehensive income (loss) attributable to Envestnet, Inc.	\$ (6,562)	\$ (6,394)	\$ 1,215	\$ (18,796)

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

## Condensed Consolidated Statement of Equity

(in thousands, except share information)

(unaudited)

	Common Stock		Treasury Stock Common		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non- controlling Interests
	Shares	Amount	Shares	Amount				
Balance, December 31, 2017	57,450,056	\$ 287	(12,749,415)	\$ (47,042)	\$ 556,257	\$ 624	\$ (73,854)	\$ 398
Adoption of ASC 606 (See Note 4)	—	—	—	—	—	—	9,217	—
Exercise of stock options	175,023	1	—	—	2,539	—	—	—
Issuance of common stock - vesting of restricted stock units	756,947	3	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	18,971	—	—	—
Purchase of treasury stock for stock-based tax withholdings	—	—	(257,017)	(14,395)	—	—	—	—
Issuance of non-controlling units in private company	—	—	—	—	—	—	—	873
Issuance of Convertible Notes due 2023, net of offering costs	—	—	—	—	46,611	—	—	—
	—	—	—	—	—	(1,363)	—	—

Foreign currency translation loss									
Net income (loss)	—	—	—	—	—	—	2,578	(56)	
Balance, June 30, 2018	58,382,026	\$ 291	(13,006,432)	\$ (61,437)	\$ 624,378	\$ (739)	\$ (62,059)	\$ 704	

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Six Months Ended	
	June 30,	
	2018	2017
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 2,011	\$ (19,605)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	38,731	31,300
Deferred rent and lease incentive amortization	1,069	583
Provision for doubtful accounts	924	341
Deferred income taxes	(17,093)	6,524
Stock-based compensation expense	18,971	15,403
Non-cash interest expense	5,630	4,853
Accretion on contingent consideration and purchase liability	196	304
Payments of contingent consideration	—	(357)
Loss allocation from equity method investment	811	702
Loss on disposal of fixed assets	10	69
Changes in operating assets and liabilities, net of acquisitions:		
Fees receivable, net	(8,204)	(5,639)
Prepaid expenses and other current assets	(3,426)	(2,681)
Other non-current assets	(2,450)	(514)
Accrued expenses and other liabilities	(5,448)	(752)
Accounts payable	4,166	(184)
Deferred revenue	3,478	1,818
Other non-current liabilities	1,578	3,022
Net cash provided by operating activities	40,954	35,187
<b>INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(9,569)	(9,181)
Capitalization of internally developed software	(10,622)	(5,651)
Acquisition of businesses	(188,345)	—
Net cash used in investing activities	(208,536)	(14,832)
<b>FINANCING ACTIVITIES:</b>		
Proceeds from issuance of Convertible Notes due 2023	345,000	—
Convertible Notes due 2023 issuance costs	(9,488)	—
Proceeds from borrowings on revolving credit facility	195,000	25,000
Payments on revolving credit facility	(276,168)	(25,000)
Payments of contingent consideration	(2,193)	(1,929)

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Payments of definite consideration	—	(445)
Payments of purchase consideration liabilities	—	(235)
Payment of Term Notes	—	(35,862)
Proceeds from exercise of stock options	2,540	2,617
Purchase of treasury stock for stock-based tax withholdings	(14,395)	(9,650)
Issuance of restricted stock units	3	4
Net cash provided by (used in) financing activities	240,299	(45,500)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(572)	283
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	72,145	(24,862)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	62,115	54,592
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD (See Note 2)	\$ 134,260	\$ 29,730
Supplemental disclosure of cash flow information - net cash paid during the period for income taxes	\$ 2,225	\$ 275
Supplemental disclosure of cash flow information - cash paid during the period for interest	4,271	3,960
Supplemental disclosure of non-cash operating, investing and financing activities:		
Leasehold improvements funded by lease incentive	1,080	281
Purchase liabilities included in accrued expenses and other liabilities	1,422	818
Purchase of fixed assets included in accounts payable and accrued expenses and other liabilities	1,188	260

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Investnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

1. Organization and Description of Business

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

The Company offers these solutions principally through the following product and services suites:

- Investnet | 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. Investnet | Enterprise also sells data aggregation and reporting, data analytics, and digital advice capabilities to customers.
- Investnet | Tamarac™ provides leading trading, rebalancing, portfolio accounting, performance reporting and client relationship management software, principally to high end registered investment advisers (“RIAs”).
- Investnet | 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.
- Investnet | 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.
- Investnet | Yodlee™ is a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services.

Investnet operates four RIAs and a registered broker-dealer. The RIAs are registered with the Securities and Exchange Commission (“SEC”). The broker-dealer is registered with the SEC, all 50 states and the District of Columbia and is a member of the Financial Industry Regulatory Authority.

## 2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company as of June 30, 2018 and for the three and six months ended June 30, 2018 and 2017 have not been audited by an independent registered public accounting firm. These unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2017 and reflect all normal recurring adjustments which are, in the opinion of management, necessary to present fairly the Company's financial position as of June 30, 2018 and the results of operations, equity, comprehensive income (loss) and cash flows for the periods presented herein. The unaudited condensed consolidated financial statements include the accounts of Envestnet and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Accounts for the Envestnet segment that are denominated in a non-U.S. currency have been re-measured using the U.S. dollar as the functional currency. Certain accounts within the Envestnet | Yodlee segment are recorded and measured in foreign currencies. The assets and liabilities for those subsidiaries with a foreign currency functional currency are translated at exchange rates in effect at the balance sheet date, and revenues and expenses are translated at average exchange rates. Differences arising from these foreign currency translations are recorded in the unaudited condensed consolidated balance sheets as accumulated other comprehensive income (loss) within stockholders' equity. The results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the operating results to be expected for other interim periods or for the full fiscal year.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share amounts)

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 28, 2018.

The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and assumptions related to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these unaudited condensed consolidated financial statements in conformity with GAAP. Areas requiring the use of management estimates relate to estimating uncollectible receivables, revenue recognition, the determination of the period of benefit for deferred sales incentive commissions, valuations and assumptions used for impairment testing of goodwill, intangible and other long-lived assets, fair value of restricted stock and stock options issued, fair value of contingent consideration, realization of deferred tax assets, uncertain tax positions, sales tax liabilities, fair value of the liability portion of the convertible debt and assumptions used to allocate purchase prices in business combinations. Actual results could differ materially from these estimates under different assumptions or conditions.

The following table reconciles cash, cash equivalents and restricted cash from the condensed consolidated balance sheets to amounts reported within the condensed consolidated statements of cash flows:

	June 30,	
	2018	2017
Cash and cash equivalents	\$ 134,032	\$ 27,730
Restricted cash included in prepaid expenses and other current assets	228	2,000
Total cash, cash equivalents and restricted cash	\$ 134,260	\$ 29,730

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which amends the existing accounting standards for revenue recognition. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2017. These changes became effective for the Company's fiscal year beginning January 1, 2018 and have been reflected in these condensed consolidated financial statements (See "Note 4 – Revenue").



In February 2016, the FASB issued ASU 2016-02, “Leases.” This update amends the requirements for assets and liabilities recognized for all leases longer than twelve months. Lessees will be required to recognize a lease liability measured on a discounted basis, which is the lessee’s obligation to make lease payments arising from the lease, and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. This standard will be effective for financial statements issued by public companies for the annual and interim periods beginning after December 15, 2018 and will be applied using a modified retrospective approach with optional practical expedients. Early adoption of the standard is permitted. The Company will adopt the new standard on its effective date of January 1, 2019 and expects to elect certain available transitional practical expedients. Based on current analysis, the adoption of the standard may have a material impact on our consolidated balance sheets and related disclosures while not significantly impacting financial results. We continue to evaluate the accounting, transition, and disclosure requirements of this standard.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments,” which clarifies eight specific cash flow issues in an effort to reduce diversity in practice in how certain transactions are classified within the statement of cash flows. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2017. These changes became effective for the Company’s fiscal year beginning January 1, 2018 and have been reflected in these condensed consolidated financial statements. Retrospective adoption of ASU 2016-15 did not have a material impact on the Company’s presentation of the condensed consolidated statements of cash flows.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230) – Restricted Cash,” which amends ASC 230 to provide clarifying guidance on the classification and presentation of restricted cash in the statement of cash flows. Additional disclosure is required to reconcile between the statement of financial position and the statement of cash flows when the

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share amounts)

statement of financial position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2017. These changes became effective for the Company's fiscal year beginning January 1, 2018 and included \$228 and \$2,000 of restricted cash in the total of cash, cash equivalents and restricted cash in the condensed consolidated statements of cash flows for the six months ended June 30, 2018 and 2017, respectively. A reconciliation of restricted cash for each period is included within this footnote.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations: Clarifying the Definition of a Business (Topic 805)," which provides a new framework for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2017. These changes became effective for the Company's fiscal year beginning January 1, 2018 and did not have a material impact to these condensed consolidated financial statements. This standard will be applied to all future business acquisition and disposal transactions.

In May 2017, the FASB issued ASU 2017-09, "Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting." This update clarifies which changes to the terms and conditions of a share-based payment award require an entity to apply modification accounting. Specifically, an entity would not apply modification account if the fair value, vesting conditions, and classification as an equity or liability instrument are the same before and after the modification. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2017. These changes became effective for the Company's fiscal year beginning January 1, 2018. This standard will be applied to all future modifications of share-based payment awards.

In June 2018, the FASB issued ASU 2018-07, "Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting." This update clarifies the accounting for share-based payment transactions for acquiring goods and services from nonemployees. Specifically, the update aligns the accounting for payments to nonemployees to match the accounting for payments to employees, no longer accounting for these transactions differently. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2018. Early adoption of the standard is permitted. The Company is currently evaluating the potential impact of this guidance on our consolidated financial statements.

3. Business Acquisitions

## FolioDynamix

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

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

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

The Company funded the transaction with a combination of cash on the Company’s balance sheet, purchase consideration liabilities and borrowings under its revolving credit facility.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share amounts)

The estimated consideration transferred in the acquisition was as follows:

	Preliminary	Measurement	Revised
	Estimate	Period	Estimate
		Adjustments	
Cash consideration	\$ 187,580	\$ 12,297	\$ 199,877
Purchase consideration liability	12,297	(12,297)	—
Working capital and other adjustments	(3,893)	(2,500)	(6,393)
Total	\$ 195,984	\$ (2,500)	\$ 193,484

The estimated fair values of working capital balances, property and equipment, deferred revenue, deferred income taxes, unrecognized tax benefits, identifiable intangible assets and goodwill are provisional and are based on the information that was available as of the acquisition date. The estimated fair values of these provisional items are based on certain valuation and other studies and are in progress and not yet at the point where there is sufficient information for a definitive measurement. The Company believes the preliminary information provides a reasonable basis for estimating the fair values of these amounts, but is waiting for additional information necessary to finalize those fair values. Therefore, provisional measurements of fair values reflected are subject to change and such changes could be significant. The Company expects to finalize the valuation of tangible assets and liabilities, identifiable intangible assets and goodwill, and complete the acquisition accounting as soon as practicable but no later than January 2, 2019.

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

	Preliminary	Measurement	Revised
	Estimate	Period	Estimate
		Adjustments	
Cash and cash equivalents	\$ 4,876	\$ —	\$ 4,876
Accounts receivable	4,962	—	4,962
Prepaid expenses and other current assets	1,600	—	1,600
Property and equipment, net	927	—	927
Other non-current assets	441	—	441
Identifiable intangible assets	117,700	—	117,700
Goodwill	97,248	(2,624)	94,624
Total assets acquired	227,754	(2,624)	225,130
Accounts payable	(5,358)	—	(5,358)
Accrued expenses	(7,173)	—	(7,173)
Deferred tax liability	(18,245)	—	(18,245)
Deferred revenue	(930)	124	(806)

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Other non-current liabilities	(64)	—	(64)
Total liabilities assumed	(31,770)	124	(31,646)
Total net assets acquired	\$ 195,984	\$ (2,500)	\$ 193,484

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

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share amounts)

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

Measurement