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This Fintech Wants a Private-Equity Buyer. It's Lifting the Stock.

By Luisa Beltran (Follow)   Feb. 23, 2022 3:54 pm ET

Envestnet provides technology and automation software for financial advisors and companies such as banks.
Pattanaphong Khuankaew/Dreamstime

Envestnet , long expected to go up for sale after the death of its co-founder and CEO more than two years ago, is on the market, five people familiar with the situation told *Barron's*.

Envestnet (ticker: ENV) has tapped Piper Sandler to run a sales process, the people said. The Chicago fintech is trying to sell all of the company in an auction geared to private-equity firms, the people said. Piper Sandler didn't respond to messages seeking comment.

Bloomberg on Tuesday reported that at least one private-equity firm has approached Envestnet about acquiring it.

"As a matter of corporate policy, we do not comment on rumor or speculation in the market," an Envestnet spokeswoman said in an emailed response to questions Wednesday.

Envestnet has a near $4 billion market capitalization. In afternoon trading Wednesday, Envestnet's stock changed hands at $71.78, up 1.1%.

Founded in 1999, Envestnet provides technology and automation software for nearly 108,000 financial advisors and more than 6,000 companies, including banks, wealth managers, and brokerage firms. The company went public in 2010 at $9 a share.

Envestnet is expected to report its fourth-quarter and full-year 2021 earnings on Thursday. Wall Street analysts expect Envestnet to report about $312 million in fourth-quarter revenue.

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Envestnet has been the subject of takeover speculation since Jud Bergman, the company's co-founder and CEO, died in a car crash in October 2019. The fintech then tapped Bill Crager, co-founder and president, to be its CEO. In February 2020, *Barron's* reported that Envestnet had hired Goldman Sachs to handle strategic options for Yodlee, its data aggregation business, after receiving interest from private-equity companies.

Shares of Envestnet shares were down nearly 17% year to date as of Monday, but the losse had narrowed to about 10% on Wednesday.

Envestnet isn't trying to offload Yodlee this time around, because it would likely not receive a great valuation, bankers said.

Fintech stocks have come under pressure this year and are trading at mid-to-high teens multiples of earnings before interest, taxes, depreciation, and amortization, or Ebitda, according to Peter Heckmann, senior analyst at D.A. Davidson.

Orion Advisor Solutions, the asset-management platform backed by Genstar Capital and TA Associates, is one of the companies most like Envestnet. Other comparables include SS&C Technologies (SSNC), which sells software to the financial services industry, investment research provider Morningstar (MORN), and AssetMark Financial Holdings (AMK), which offers wealth management and technology to financial advisors.

Private-equity firms like Genstar, TA, GTCR, Thomas H. Lee, and Warburg Pincus have all invested in the wealth technology space.

If it does choose to sell, Envestnet could go for 24 to 26 times forward Ebitda,

This means that Envestnet, which has 2023 Ebitda of $309 million, could go for between $6.8 billion to $8 billion, including $425 million of net debt, he said.

"Envestnet is just as good of a company as RealPage," said Heckmann, who has an $86 price target for the stock. "There is real value in being a leading player in a niche market. Envestnet is clearly the leader in the back office technology for financial advisors space," he said.

He noted, though, that Envestnet's exposure to the broad market—about 60% of its revenue is based on the value of advisor portfolios—means that its revenue and cash flow is less predictable than RealPage's.

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