



TABLE OF CONTENTS

	<u>Page</u>
<b><u>PART I</u></b>	
<a href="#">Item 1. Business</a>	5
<a href="#">Item 1A. Risk Factors</a>	12
<a href="#">Item 1B. Unresolved Staff Comments</a>	47
<a href="#">Item 2. Properties</a>	47
<a href="#">Item 3. Legal Proceedings</a>	47
<a href="#">Item 4. Mine Safety Disclosures</a>	47
<b><u>PART II</u></b>	
<a href="#">Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	48
<a href="#">Item 6. [Reserved]</a>	49
<a href="#">Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	50
<a href="#">Item 7A. Quantitative and Qualitative Disclosures About Market Risk</a>	63
<a href="#">Item 8. Financial Statements and Supplementary Data</a>	F-1
<a href="#">Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	65
<a href="#">Item 9A. Controls and Procedures</a>	65
<a href="#">Item 9B. Other Information</a>	65
<a href="#">Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</a>	66
<b><u>PART III</u></b>	
<a href="#">Item 10. Directors, Executive Officers and Corporate Governance</a>	66
<a href="#">Item 11. Executive Compensation</a>	66
<a href="#">Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	66
<a href="#">Item 13. Certain Relationships and Related Transactions, and Director Independence</a>	66
<a href="#">Item 14. Principal Accounting Fees and Services</a>	66
<b><u>PART IV</u></b>	
<a href="#">Item 15. Exhibits and Financial Statement Schedules</a>	67
<a href="#">Item 16. Form 10-K Summary</a>	67

## CAUTIONARY STATEMENT

This Annual Report on Form 10-K contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, including statements regarding our future results of operations, financial condition, business strategy, plans and objectives of management for future operations, our market opportunity and the potential growth of that market, our liquidity and capital needs and other similar matters, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would,” or the negative of these words or other similar terms or expressions. These forward-looking statements are based on management’s current expectations and assumptions about future events, which are inherently subject to uncertainties, risks, and changes in circumstances that are difficult to predict. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements concerning the following:

- our future financial performance, including our revenues, costs of revenues, gross profit or gross profit margin and operating expenses;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs;
- anticipated trends and growth rates in our business and in the markets in which we operate;
- our ability to maintain the security and availability of the products and services that comprise our solution;
- our ability to increase the number of clients using our solution;
- our ability to sell additional products and services to and retain our existing clients;
- our ability to successfully expand in our existing markets and into new markets;
- our ability to effectively manage our growth and future expenses;
- our market opportunity and the potential growth of that market, our liquidity and capital needs and other similar matters;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to comply with modified or new laws and regulations applying to our business;
- the attraction and retention of qualified employees and key personnel;
- our anticipated investments in sales and marketing and research and development;
- our ability to successfully defend litigation brought against us;
- the increased expenses associated with being a public company;
- the impact of global events, such as the COVID-19 pandemic and Russia’s invasion of Ukraine, and any associated economic downturn, on our business and industry; and
- our ability to compete effectively with existing competitors and new market entrants.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in 1A. Risk Factors and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect

## [Table of Contents](#)

new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Annual Report on Form 10-K. And while we believe such information provides a reasonable basis for such statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

### **CERTAIN DEFINITIONS**

As used in this Annual Report on Form 10-K, unless the context otherwise requires:

- “Award Units” refers to Management Incentive Award Units issued under Enfusion Ltd. LLC’s Change in Control Bonus Plan.
- “Blocker Companies” refer to certain entities that are taxable as corporations for U.S. federal income tax purposes in which the Pre-IPO Shareholders hold interests.
- “Change in Control Bonus Plan” refers to Enfusion Ltd. LLC’s former Change in Control Bonus Plan for certain members of management that provided for the payment of a cash bonus based on a specified number of Award Units in the event of a change in control transaction, as defined in Enfusion Ltd. LLC’s operating agreement. In October 2021, Enfusion Ltd. LLC’s board of managers elected to terminate such plan (and all Award Units issued thereunder) upon effectiveness of the registration statement for our IPO.
- “Common Units” refers to the new class of units of Enfusion Ltd. LLC created by the reclassification of the LLC interests of Enfusion Ltd. LLC as part of the Reorganization Transactions.
- “Enfusion,” the “Company,” “we,” “us” and “our” and similar references refer: (1) following the consummation of the Reorganization Transactions, including our initial public offering, or IPO, to Enfusion, Inc., and, unless otherwise stated, all of its direct and indirect subsidiaries, including Enfusion Ltd. LLC and (2) prior to the completion of the Reorganization Transactions, including our IPO, to Enfusion Ltd. LLC and, unless otherwise stated, all of its direct and indirect subsidiaries.
- “IPO” refers to the Company’s initial public offering, completed on October 25, 2021.
- “Pre-IPO Owners” refer to the equity holders who were the owners of Enfusion Ltd. LLC immediately prior to the Reorganization Transactions.
- “Pre-IPO Shareholders” refer to Pre-IPO Owners that received shares of Class A common stock of Enfusion, Inc. as part of the Reorganization Transactions.
- “Pre-IPO Common Unitholders” refer to Pre-IPO Owners that held Common Units following the Reorganization Transactions.
- “Prospectus” refers to the Company’s final prospectus for its IPO, dated as of October 20, 2021 and filed with the SEC pursuant to Rule 424(b)(4) on October 22, 2021.
- “Reorganization Transactions” refer to our IPO and certain organizational transactions that were affected in connection with our IPO, and the application of the net proceeds therefrom. See “Initial Public Offering and Reorganization Transactions” in Note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a description of the transactions.
- “SEC” refers to the U.S. Securities & Exchange Commission.

## PART I

### Item 1. Business

#### Overview

Enfusion is a global, high-growth, software-as-a-service, or SaaS, provider focused on transforming the investment management industry. The products and services that comprise our solution are designed to eliminate technology and information barriers, empowering investment managers to confidently make and execute better-informed investment decisions in real time. We simplify investment and operational workflows by unifying mission-critical systems and coalescing data into a single dataset resulting in a single source of truth. This allows stakeholders throughout the entire client organization to interact more effectively with one another across the investment management lifecycle.

We believe, by means of our purposefully-designed, interconnected systems underpinned by one dataset, we are the only solution that allows clients to see and interact with all parts of the investment management lifecycle, ranging from portfolio construction, trading, risk management, accounting and operations through to investor reporting, seamlessly in real time, in one screen, in one solution. As a result, our solution enables clients to better align teams, optimizing their investment decision-making, operations and technology footprint and lowering operating costs. By harnessing the efficiencies, agility and scale inherent to our cloud-native, multi-tenant software that is integrated with a suite of technology-powered, managed services, we believe we have created the industry's most compelling investment management solution, capable of shaping and addressing the evolving demands of the global investment management landscape.

Existing solutions in the investment management technology industry include a patchwork of “task-specific” point solutions from disparate vendors, technology stitched together through acquisitions, internally-developed technology, as well as cost-prohibitive solutions accessible only to the largest investment managers. Where available solutions are cloud-enabled, many were originally designed for on-premises installations and subsequently individually migrated to the cloud via discrete code streams, retaining single-tenant infrastructure limitations that require changes to be made for each client individually instead of delivering changes to all clients simultaneously and leading to laborious and costly maintenance and difficult security requirements. As a result, many investment managers spend considerable time and resources managing legacy, stitched together, or disparate systems, fragmented data, complex communication networks and cumbersome workflows. Designed for the cloud from inception, Enfusion provides a flexible and simplified end-to-end alternative that allows investment managers to focus their time and resources on investment performance. This enables us to build long-term partnerships with our clients, offering a solution that is not only tailored to meet their business needs today, but also has the depth and breadth of capability to support them as they grow or enter new markets or asset classes.

Our cloud-native, multi-tenant solution provides:

- Seamless unification and simplification of workflows provided through one cohesive solution;
- A robust, real-time view of a client's business that can be displayed through countless reports and utilized across client personnel that depend on one another, but have different roles throughout the organization;
- Inherent scalability and extensive integrations via client, third party and proprietary interfaces and APIs;
- Weekly, functional enhancements provided to all clients, eliminating complicated upgrade and version control issues and providing the agility to meet rapidly evolving industry needs;
- Reduced operational risk through granular, user-defined access controls and governance capabilities; and
- Anywhere access across the desktop, the web and mobile devices.

Enfusion's comprehensive solution cohesively addresses the core components of the investment lifecycle. Our portfolio management system gives clients the ability to construct and analyze portfolios and performance metrics with granularity, enabling better-informed investment decision-making. Once trade decisions are made, clients use our combined order and execution management systems to obtain market insights, run compliance checks and send electronic trade orders directly to executing brokers and exchanges. When orders are executed, execution data flows back to our solution and instantly feeds our systems, including our accounting system, enabling clients to produce a full set of financial statements in real time. The data also feeds our extensive reporting and analytics capabilities, allowing stakeholders across client organizations, including executive management, investment teams, operational support, compliance and investor relations, to obtain differentiating insights into their investment activities and better analyze investment performance. The purposefully-designed interconnectedness of our systems removes the need for manual data processing and validating across workflows. Coupled with market data and aggregated transactional and derived data provided to or received from a full suite of a client's supporting parties, our solution creates a single dataset and source of truth that gives our clients a real-time, comprehensive and consistent view of their data across the investment lifecycle. Altogether, our full lifecycle, single-dataset investment management solution provides investment managers with a tailored suite of tools and investment content to make better-informed decisions, faster and with greater confidence, in one screen and one solution.

In addition to facilitating the full investment lifecycle, our robust and agile solution allows us to serve a diverse client base that ranges in investment strategies, size and geography. Our clients include alternative investment managers such as hedge funds of all types, private equity funds, family offices and corporate investment arms, as well as institutional investment managers such as traditional asset managers and mutual funds:

- ***Alternative Investment Managers*** – We enable alternative investment management clients to achieve scale efficiently, instill investor confidence, easily expand into new strategies, asset classes or geographies and significantly increase their speed to market. Clients can interact with the entire investment management lifecycle on one solution, unified by one dataset and are not burdened by costly hardware requirements or disruptive software upgrades. We generally deliver weekly upgrades through our cloud-native, multi-tenant solution, allowing us to continuously innovate and quickly adapt to meet ever-evolving client needs.
- ***Institutional Investment Managers*** – We deliver an intelligent solution that can replace or supplement institutional investment management clients' legacy systems and can be utilized as a unifying hub across other existing systems, improving our clients' operational inefficiencies and providing access to more relevant and simplified workflows and technologies. This intelligent solution gives large, less-agile clients the ability to replace their existing systems at their own pace, as they become better positioned to reduce their costly and inefficient legacy technology dependencies.

### **The Enfusion Solution**

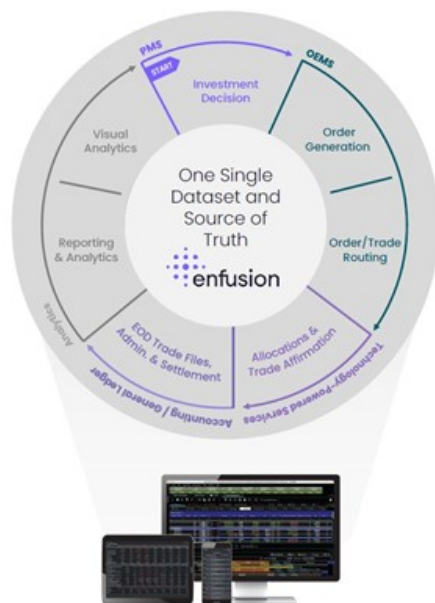
Our cloud-native, purposefully-designed, end-to-end solution gives our clients the ability to easily access and analyze investment information in real time, perform complex calculations quickly and interact with markets electronically adding up to better, more informed investment decisions and actions. Our solution is highly configurable to different work streams, client segments and asset classes. Rather than relying on large, specialized workforces necessary for local or tenant-by-tenant deployments, modifications to our solution are made remotely within one code-base and without client intervention or interaction. Software enhancements developed for individual, sponsoring clients are made available to all clients at the same time. This process, where our community of clients continuously contributes to the ever-evolving nature of our solution, strengthens the value of the solution to all of our clients. Further, Enfusion's open and flexible architecture easily integrates into clients' existing technology stacks via APIs and other connectivity and is adaptable to our clients' existing internal and third-party systems. With a limited footprint, wide-ranging use-cases and 'anywhere' access across multiple mediums, our solution increasingly serves as the operational epicenter for our clients.

Our solution, comprised of mission critical systems integrated with a suite of technology-powered, managed services, serves the full investment lifecycle, driving better insights into and control over the business activities of the investment manager and investment operations. We recognize that, despite increasing market pressures to the contrary, some clients may not be in a position to replace all of their systems at once. Therefore, we have designed our solution to allow our clients to use some or all of our solution to manage their investment lifecycle workflow and also to augment or

## [Table of Contents](#)

integrate into their existing workflows or systems, giving them the flexibility to expand their usage and use the ability to solve their unique needs through time.

Our solution is utilized by a variety of users including portfolio managers, traders, compliance officers, operational support staff and executive management, all of whom benefit from role-based functionality underpinned by a single dataset. This single dataset enables each of these users to generate valuable insights while operating on the same real-time information governed by appropriate access controls. The end-to-end functionality our solution provides is detailed below:



- **Portfolio Management System, or PMS:** Able to comprehensively construct and re-balance investment portfolios, this system generates a real-time investment book of record, or IBOR, for CIOs and portfolio managers, features a full suite of valuation and risk tools and allows users to analyze aggregated or decomposed portfolio data by any number of customizable dimensions.
- **Order and Execution Management System, or OEMS:** Intertwined with our PMS, this module offers portfolio managers, traders, compliance teams and analysts the ability to electronically communicate trade orders for a variety of asset classes and with a choice of hundreds of executing counterparties globally, manage trade orders and systemically enforce trading regulations and internal guidelines.
- **Accounting/General Ledger System:** Underpinning our PMS and OEMS systems, our accounting system features a proper double-entry ledger that automates the posting of general ledger journal entries for all cash and securities transactions directly from our PMS—providing CFOs, COOs, accountants and operations teams a complete, real-time accounting book of record, or ABOR.
- **Enfusion Analytics System:** Connected in real time with our PMS and OEMS, Enfusion Analytics system enables CIOs, portfolio managers, traders and analysts to utilize the solution's comprehensive client data insights to analyze portfolios through time horizons and automate customized visualized reports for both

internal and external stakeholders. This module also acts as a centralized data warehouse that may be accessed or utilized by both individual and systematic users.

- **Technology-Powered, Managed Services:** We offer access to technology-powered, managed services designed to maximize the power of the Enfusion solution. By using expert teams empowered by technology to address time-consuming front-, middle- and back-office administrative tasks related to the investment lifecycle such as performing various fund and position level reconciliations, processing corporate actions, proactive trade break resolutions, and back up accounting against fund administrators, our clients are able to focus on their highest-value business activities and recognize the full benefit of our solution.

### **Our Market Opportunity**

Investment managers spend significant time and resources supporting their business processes, which is intensifying as their industry continues to become more complex and subject to unprecedented pace of change. It is critical that investment managers have the tools to confidently make and execute upon better-informed investment decisions in real time and, in turn, remain competitive. Accordingly, the demand for a comprehensive investment lifecycle, cloud-native solution that simplifies workflows by unifying mission-critical systems and coalescing data into a single dataset will continue to increase.

The Enfusion solution, comprised of mission-critical systems integrated with a suite of technology-powered, managed services, is designed to eliminate the inherent constraints and maintenance demands tied to managing legacy and disparate technology as well as aggregating and validating data across workflows, allowing our clients to focus on innovation and investment returns. Our flexible architecture, built on a single codebase, gives us the ability to provide weekly software upgrades with improvements and new capabilities and, in turn, allows us to match the unprecedented pace of change and continuously evolve to meet our clients' needs.

We believe there is a significant opportunity for us to replace competing legacy products as well as in-house proprietary technology. Our solution provides clients with flexibility to augment their existing systems, replace all legacy systems at once, or to take a more gradual approach, initially utilizing one system or limited parts of our solution and then gradually expanding utilization. Our solution is built for plug-and-play integration, with flexible APIs and other forms of connectivity that make it easy for clients to connect with other solutions or supporting parties.

### **Our Clients and Client Service**

Enfusion has a diverse, global client base of 819 clients as of December 31, 2022, ranging from alternative investment managers such as hedge funds of all types, family offices and corporate investment arms, to institutional investment managers such as traditional investment managers, and mutual funds. Our client base spans our geographic reach; as of December 31, 2022, 57% of clients are from the Americas, 28% are from APAC, and 15% are from EMEA.

Our client-centric approach is embedded in the operating ethos across Enfusion. Our most important goal is to hold a high standard that couples both excellent ongoing innovation and excellent client experience. We believe our client-centric approach differentiates Enfusion and is made possible by our solution's nimble, single-codebase architecture that is delivered in a one-to-many manner. In practice, our structure allows us to dedicate resources to our clients holistically, driving a superior client experience from the point of identifying a sales opportunity to product and services implementation and continuing throughout the client relationship. By providing dedicated continuity in the servicing team assigned to each client, we are able to ensure that our clients are continuously interfacing with familiar Enfusion employees that understand their business, workflows, daily needs and product use leading to increased efficiency and improved client experience. We also provide dedicated support teams and 24-hour, follow-the-sun support, six days a week, to all of our clients and with no additional charge.

### **Our Revenue Model**

We derive the vast majority of our total revenues (98.9%, 98.8% and 98.0% for the years ended December 31, 2022, 2021, and 2020, respectively) from our recurring subscription-based revenues. Client subscription fees are



comprised of various components such as user fees, connectivity fees, market data fees and technology-powered, managed services fees, all of which take into account client size, complexity, and growth. The weekly enhancements and upgrades that we deliver and the dedicated client service are included in the price of the contract.

Historically, our subscription contracts have typically had a term of one year and a 30-day cancellation clause, though our more recent contracts have typically been for multi-year terms and do not allow cancellation for convenience. Invoicing typically occurs in monthly installments at the end of each month during the subscription period.

### **Our Growth Strategy**

We continue to advance our position as a leading technology partner to the investment management industry. The key components of our growth strategy include:

- ***Continue Broadening Our Client Base:*** There are significant opportunities to expand our client base across the various client segments we serve today. We believe we are the leading cloud-native, SaaS provider to the global hedge fund sector and expect that as the alternative investment sector grows, we will continue to extend our position. In addition, we continue to extend this growth through increasing adoption by larger institutional asset management clients due to increasing acceptance of cloud technology and the robust capabilities of our solution that better meet their evolving needs and address their existing pain points. The proportion of new client signings from established investment managers replacing competitor or internal systems was 64% for the year ended December 31, 2022, as compared to 58% and 41% for the years ended December 31, 2021 and December 31, 2020, respectively, demonstrating increased new client activity from established firms versus newly launched funds. Taking advantage of the unique position that allows us to sell our products and services through shorter sales cycles and on faster client implementation timelines, we continue to expand our sales efforts to aggressively capitalize on opportunities in this client segment. Our success in signing new clients is also supported by referrals from our existing clients, client stakeholders when they transition to other or launch new organizations, industry channel partners and our global, strategic partners and alliances.
- ***Expanding Relationships with Existing Clients:*** We believe there is a significant opportunity to further expand our relationships with existing clients as they continue to evolve and grow in size and expand into new markets and strategies or as we provide new functionality or release new systems, features, or services. We also believe we have a significant opportunity to expand our relationship with existing clients that were not in a position to replace all of their systems at once when they first engaged with us. For those clients that elect to initially utilize some portion of our solution or only use our solution for a particular strategy or fund, we find that once they experience the advantages of our end-to-end solution, many seek opportunities to expand the breadth of their relationship with us to further help improve their investment management workflows and technology infrastructure.
- ***Ongoing Pace of Innovation:*** To retain and expand our client base, we continuously evaluate opportunities to advance our solution through increased breadth and depth of functionality to enrich overall experience and better enable our clients to achieve their investment goals and solve for a broad array of business, operational and technology challenges. We invest heavily in innovation and, on a weekly basis, deliver enhancements and added functionality based on our ongoing dialogues with our clients and consistent with our commitment to grow and evolve with our clients.
- ***Geographic Expansion:*** We believe there are attractive, untapped opportunities across various geographies within which we can expand our business. For the years ended December 31, 2022 and 2021, approximately 63% and 65% of our total revenues were generated in the Americas and 37% and 35% were generated outside of the Americas, respectively. We are globally situated in ten offices in Chicago, New York, São Paulo, London, Dublin, Hong Kong, Singapore, Sydney, Mumbai and Bengaluru. We continue to invest in expanding our presence and capitalize on opportunities in markets such as Europe, Latin America and Asia-Pacific, where we opened an Australian office in 2021. In 2022, we signed 174 clients across the world, representing an 12% increase in total clients from 2021.

## [Table of Contents](#)

- ***Selectively Pursue Acquisitions:*** We may selectively pursue strategic acquisitions of complementary businesses and technologies that improve and accelerate our ability to deliver world-class investment management products and services and excellent client experience.

### **Our Go-To Market Strategy**

We sell subscriptions to our cloud-native solution through the demand generated globally by our marketing efforts, using our direct sales force and by leveraging client referrals, industry channel partners and strategic alliances.

Our industry-experienced sales team includes sales development representatives, field sales representatives organized by market segment and region and solution engineers. The team is responsible for managing and developing outbound leads, driving new business and providing product demonstrations. Once a lead is identified, the team frames the unique pain points, goals and needs of the prospective client and works with the solution engineers to map a tailored end-to-end solution molded around their workflows.

Our partnerships are an important aspect of our sales and marketing strategy. We leverage a broad network of global relationships across trading systems, fund administrators, technology providers, investment systems consultants and prime brokers to further expand our reach. Through these relationships, we often receive significant prospect referrals. Our channel partners suggest our solution to their clients because they often benefit operationally from working with clients that have unified data, superior access to information, improved workflows and a stringent control environment. Additionally, our simplified implementation process significantly increases our clients' speed to market, which is beneficial to our partners whose services are largely dependent on our clients being active in the market.

Our go-to market strategy is supported by a marketing team that oversees all aspects of the Enfusion global demand generation engine including digital marketing, social media, public relations, segment marketing, graphic design, conferences and events. Our marketing efforts focus on generating and facilitating quality inbound leads, optimizing the lead generation strategy, leveraging the power of client references and testimonials, building an institutionalized and recognizable brand and promoting direct sales. We leverage online and offline marketing channels by participating in conferences, industry events and using digital marketing and social media to educate the community on who we are and the solution we provide.

### **Intellectual Property**

We rely on a combination of trade secret, copyright and trademark laws; a variety of contractual arrangements, such as license agreements, intellectual property assignment agreements, confidentiality and non-disclosure agreements; and confidentiality procedures and technical measures to protect our rights and the intellectual property used in our business. We do not currently have any patents.

We have an ongoing trademark and service mark registration program pursuant to which we register our brand names and product names, taglines and logos in the United States and other countries to the extent we determine appropriate and cost-effective. We also have common law rights in some trademarks and numerous pending trademark applications in various jurisdictions. In addition, we have registered domain names for websites that we use in our business, such as <https://www.enfusion.com/> and other variations.

We intend to pursue additional intellectual property protection to the extent we believe it would be beneficial and cost-effective. Despite our efforts to protect our intellectual property rights, they may not be respected in the future or may be invalidated, circumvented, or challenged.

See 1.A. Risk Factors, including the section titled "Risks Related to Our Intellectual Property," for a description of the risks related to our intellectual property.

## **Our Competition**

The market for investment management software and services is highly competitive and we compete with new and established providers that offer products ranging from point solutions to multi-product suites. We compete on the basis of a number of factors, including:

- flexibility of solution;
- quality of professional services;
- depth of product functionality and asset coverage;
- speed of implementations and client support;
- innovation and responsiveness to client needs;
- return on investment and total cost of ownership;
- security and reliability;
- integration and interoperability with third-party systems; and
- ability to support regulatory requirements and compliance.

We believe that we compete favorably with respect to these factors. However, many of our competitors have greater financial, technical and other resources, greater brand recognition, larger sales forces and marketing budgets and broader distribution networks. They may be able to leverage these resources to gain business in a manner that discourages customers from purchasing and implementing our solution. Furthermore, we expect that our industry will continue to attract new market entrants, including smaller emerging companies, which could introduce new offerings. We may also expand into new markets and encounter additional competitors in such markets.

Incumbents such as Blackrock's Aladdin, Broadridge, State Street Alpha, SS&C, SimCorp, Bloomberg AIM, LayerOne and Coremont may provide end-to-end systems, but many of them are single-tenant and cloud-migrated rather than cloud-native or built for the cloud, or are faced with other deployment challenges. As a result, they are not sufficiently nimble to allow for scale and often require physical provisioning, rely on large teams of specialized personnel that through time are difficult to hire, face latency issues and continue to increase the investment manager's overall costly and inefficient legacy technology dependencies. Their single tenant and cloud-migrated structures restrict their agility and inhibit their ability to provide frequent or simultaneous upgrades to all of their clients. New entrants in the space often provide single point solutions such as trading, fund administration or portfolio analytics that are intended to be coupled with other offerings.

We believe our multi-tenant cloud-native solution, comprised of mission critical systems integrated with a suite of services, is highly differentiating. Our cloud-native, single codebase architecture allows us to serve the full investment lifecycle in a way that unifies workflows creating one dataset that accurately reflects the activities across all systems and multiple departments within a client organization in real time. Additionally, our single codebase architecture allows us to deliver faster implementation and continuously add functionality. As a result, we believe Enfusion is able to continue to innovate faster, delivering a better, more nimble solution that investment managers require in light of the global challenges they face.

## **Human Resources and Culture**

As of December 31, 2022, we had 1,006 employees across the Company. Of these employees, 311 are based in the Americas and 695 are based internationally, of which 525 are based in India. We consider our current relationship with

## [Table of Contents](#)

our employees to be strong. None of our employees are represented by a labor union or are a party to a collective bargaining agreement.

We believe our culture of innovation and “client first” focus fosters creativity and exploration and provides a rewarding career for our employees. Our culture is represented by a set of guiding ideas and values:

- *Grow your career:* Our people are the foundation of our company. We invest in the development of our employees’ careers based on their unique talents and interests.
- *Have a global outlook:* We have nine offices, covering the Americas, India, Asia and Europe. Work with people all over the world and gain a global perspective.
- *Make an impact:* Our people are hands-on with our business and recognized for their results. They influence decisions, interact with clients and contribute ideas.
- *Challenge yourself:* Collaborate as part of our entrepreneurial team. We are self-starters who take on challenges to propel Enfusion’s mission forward.
- *Innovation culture:* We believe a good idea can come from anybody at any level. Bring your thinking and we’ll give you the space to succeed.
- *Learn from leaders:* Our people are leaders in the Fintech industry. Learn from passionate pioneers, while adding your own contribution.

### **Additional Information**

Enfusion, Inc. was incorporated in Delaware on June 11, 2021. Our principal executive offices are located at 125 South Clark Street, Suite 750, Chicago, IL 60603, and our telephone number is (312) 253-9800.

Our website address is <https://www.enfusion.com/>. In addition to the information about us and our subsidiaries contained in this Annual Report on Form 10-K, information about us can be found on our website. Our website and information included in or linked to our website are not part of this Annual Report on Form 10-K.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports (including exhibits) filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge through our website at <https://ir.enfusion.com/> as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Additionally, the SEC maintains an internet site that contains reports, proxy and information statements and other information. The address of the SEC’s website is [www.sec.gov](http://www.sec.gov).

### **Item 1A. Risk Factors**

A description of the risks and uncertainties associated with our business and ownership of our Class A common stock is set forth below. You should carefully consider the material and other risks and uncertainties described below, as well as the other information in this Annual Report on Form 10-K, including our consolidated financial statements and related notes and Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations. The risks described below are not the only risks that we face. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations, and prospects. As a result, the market price of our Class A common stock could decline, and you may lose all or part of your investment in our Class A common stock.

### **Risk Factor Summary**

The following is a summary of the principal risks that could materially adversely affect our business, results of operations, and financial condition. Additional discussion of the risks included in this summary, and other risks that we face, can be found below and should be read together with other information in this Annual Report on Form 10-K and other filings we make with the SEC. This summary should not be relied upon as an exhaustive summary of the material risks facing our business.

- We have expanded our operations rapidly in recent years, which may make it difficult to predict our future operating results, and we may not achieve our expected operating results in the future.
- If we are unable to attract new clients or continue to expand existing clients' use and expanded adoption of our solution, our revenue growth will be adversely affected.
- If the adoption and acceptance of cloud-based financial solutions slows or shifts in a way we do not anticipate or are unable to support or if we do not accurately anticipate, prepare for and promptly respond to rapidly evolving client needs, our sales will suffer and the results of our operations will be adversely affected.
- We may be unable to maintain our revenue growth rate in the future.
- Failure to effectively manage or support our operations in connection with our growth will harm our business.
- A breach of our security measures or those we rely on could result in unauthorized access to or use of client or their clients' data, which may materially and adversely impact our reputation, business and results of operations.
- Actual or perceived errors or failures in our solution or the implementation or support of our solution may affect our reputation, cause us to lose clients and reduce sales which may harm our business and results of operations and subject us to liability for breach of contract claims.
- We have experienced rapid growth, and if we fail to effectively manage our growth, we may be unable to execute our business plan, maintain high levels of service and client satisfaction or adequately address competitive challenges, any of which may materially and adversely affect our business and results of operations.
- Events affecting the investment management industry could materially and adversely affect us and cause our stock price to decline significantly.
- Our obligations to issue Class A common stock to former holders of Award Units under our former Change in Control Bonus Plan could expose us to a variety of risks that could adversely impact the market price of our Class A common stock.
- Our international operations may fail and we may fail to successfully expand internationally. In addition, sales to clients outside the United States or with international operations expose us to risks inherent to international businesses, which may include adverse impacts arising out of international regulatory changes.
- If we are unable to retain our personnel and hire and integrate additional skilled personnel, we may be unable to achieve our goals and our business will suffer.

- Our revenue recognition and other factors may create volatility in our financial results in any given period and make them difficult to predict.
- If we are unable to protect our intellectual property, including trade secrets, or if we fail to enforce our intellectual property rights, our business could be adversely affected.
- Although we are not subject to direct regulation, the regulatory environment in which our clients operate is subject to continual change, and regulatory developments could adversely affect our business.
- Our failure to comply with various data privacy, security, or management regulations could impose additional costs and liabilities on us, limit our use, storage, or processing of information and adversely affect our business.
- An active, liquid trading market for our Class A common stock may not develop or be sustained, which may make it difficult for you to sell the Class A common stock you purchase.
- Enfusion, Inc. is a holding company and its only material asset after completion of the IPO is its direct and/or indirect interest in Enfusion Ltd. LLC, and it is accordingly dependent upon distributions from Enfusion Ltd. LLC to pay taxes, make payments under the Tax Receivable Agreement and pay dividends.

#### **Risks Related to Our Business and Our Industry**

***We have expanded our operations rapidly in recent years, which may make it difficult to predict our future operating results, and we may not achieve our expected operating results in the future.***

We have experienced rapid growth and increased demand for our services in recent years. As a result of our limited operating history at our current scale, our ability to forecast our future operating results, including revenues, cash flows, and profitability, is limited and subject to a number of uncertainties. We have encountered and will encounter risks and uncertainties frequently experienced by growing companies in the technology industry, such as the risks and uncertainties described in this section. If our assumptions regarding these risks and uncertainties are incorrect or change due to changes in our markets, or if we do not address these risks successfully, our operating and financial results may differ materially from our expectations and our business may suffer.

***If we are unable to attract new clients or continue to expand existing clients' use and expanded adoption of our solution, our revenue growth will be adversely affected.***

To increase our revenues, we will need to continue to attract new clients and succeed in having our current clients expand the use of our solution across their organizations and add additional components to their existing contracts. For example, our revenue growth strategy includes increased penetration of markets outside the United States and expansion into new client segments, as well as selling incremental applications of our solution to existing clients, and failure in either respect would adversely affect our revenue growth. In addition, for us to maintain or improve our results of operations, it is important that our clients renew their subscriptions with us on the same or more favorable terms to us when their existing term expires. Our revenue growth rates may decline or fluctuate as a result of a number of factors, including client spending levels, client dissatisfaction with our solution, decreases in the number of users at our clients, changes in the type and size of our clients, pricing changes, competitive conditions, the loss of our clients to competitors and general economic conditions. Therefore, we cannot assure you that our current clients will renew or expand their use of our solution and furthermore, it is possible that our clients may terminate their service mid-term. In addition, a significant number of our new clients are referred to us by existing clients. If we are unable to sign new clients, retain or attract new business from current clients, or maintain and expand our referral network, our business and results of operations may be materially and adversely affected.

***If the adoption and acceptance of cloud-based financial solution slows or shifts in a way we do not anticipate or are unable to support or if we do not accurately anticipate, prepare for and promptly respond to rapidly evolving client needs, our sales will suffer and the results of our operations will be adversely affected.***

Use of, and reliance on, cloud-based investment management technology is still at an early stage and we do not know whether financial institutions will continue to adopt cloud-based investment management technology such as the Enfusion solution in the future, or whether the market will change in ways we do not anticipate and cannot support. Many financial institutions have invested substantial personnel and financial resources in legacy software, and these institutions may be reluctant, unwilling, or unable to convert from their existing legacy or disparate systems to our end-to-end solution. Furthermore, these financial institutions may be reluctant, unwilling, or unable to use cloud-based investment management technology due to various concerns such as data security and the reliability of the delivery model. These concerns or other considerations may cause financial institutions to choose not to adopt cloud-based investment management technology such as ours or to adopt them more slowly than we anticipate, either of which would adversely affect us. Our future success also depends on our ability to sell additional applications and functionality to our current and prospective clients. As we create new applications and enhance our existing solution, these applications and enhancements may not be attractive to clients. In addition, promoting and selling new and enhanced functionality may require increasingly costly sales and marketing efforts, and if clients choose not to adopt this functionality, our business and results of operations could suffer. If financial institutions are unwilling or unable to transition from their legacy systems, or if the demand for our solution does not meet our expectations, our results of operations and financial condition will be adversely affected.

***We may be unable to maintain our revenue growth rate in the future.***

We have grown rapidly over the last several years, and therefore, our recent revenue growth rate and financial performance may not be indicative of our future performance. Our total revenues increased from \$59.0 million in 2019 to \$150.3 million in 2022. We may not be able to sustain revenue growth consistent with our recent history, if at all. Furthermore, to the extent we grow in future periods, maintaining consistent rates of revenue growth may be difficult. Our revenue growth may also slow or even reverse in future periods due to a number of factors, which may include slowing demand for our solution, increasing competition, decreasing growth of our overall market, the impact of the COVID-19 pandemic or similar market or global adverse events beyond our control, our inability to attract and retain a sufficient number of financial institution clients, concerns over data security and any reputational harm we encounter due to our perceived or actual failure to perform, our failure, for any reason, to capitalize on growth opportunities, or general economic conditions. If we are unable to maintain consistent revenue growth, the price of our Class A common stock could be volatile and it may be difficult for us to maintain profitability.

***Failure to effectively manage or support our operations in connection with our growth will harm our business.***

We have expanded our operations rapidly in recent years and expect to continue to do so, including the number of employees and the locations and geographic scope of our operations. This expansion has placed, and may continue to place, a strain on our operational and financial resources and our personnel. We will also need to identify, add, train and retain additional qualified personnel across our operations. A failure to correctly anticipate our current and future hiring needs and any resulting shortage in qualified employees and personnel could negatively impact our ability to grow our business. To manage our anticipated future operational expansion effectively, we must continue to maintain and expect to enhance our IT infrastructure, financial and accounting systems and controls, and manage expanded operations and employees in geographically distributed locations. Our growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of new applications and solution. If we increase the size of our organization without experiencing an increase in sales of our solution, we will experience reductions in our gross and operating margins and net income. We may also deem it advisable in the near-term or later to terminate certain of our existing leases in favor of larger office spaces in order to accommodate our growing workforce, which may cause us to incur related charges such as breakage fees or penalties. If we are unable to effectively manage our expanding operations and have sufficient employees to support our expanding operations or manage the increase in remote employees, our expenses may increase more than expected and the level of service we provide to our clients may suffer, our revenues could decline or grow more slowly than expected, and we may be unable to implement our business strategy.

***We may experience quarterly fluctuations in our operating results due to a number of factors, which may make our future results difficult to predict and could cause our operating results to fall below expectations or our guidance.***

Our quarterly operating results have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Our past results may not be indicative of our future performance. In addition to the other risks described in this report, factors that may affect our quarterly operating results include the following:

- the addition or loss of clients, including through acquisitions, consolidations or failures;
- the frequency of the use of our solution in a period and the amount of any associated revenues and expenses;
- budgeting cycles of our clients and changes in spending on cloud-based investment management solution by our current or prospective clients;
- changes in the competitive dynamics of our industry, including consolidation among competitors, changes to pricing, or the introduction of new products and services that limit demand for our cloud-based investment management solutions or cause clients to delay purchasing decisions;
- the amount and timing of cash collections from our clients;
- long or delayed implementation times for new clients, including larger clients, or other changes in the levels of client support we provide;
- the timing of client payments and payment defaults by clients;
- the amount and timing of our operating costs and capital expenditures;
- changes in tax rules or the impact of new accounting pronouncements;
- general economic conditions that may adversely affect our clients' ability or willingness to purchase solutions, delay a prospective client's purchasing decision, reduce our revenues from clients, or affect renewal rates;
- unexpected expenses such as those related to litigation or other disputes;
- the amount and timing of costs associated with recruiting, hiring, training, integrating, and retaining new and existing employees; and
- the timing of our entry into new markets and client segments.

Moreover, our stock price might be based on expectations of investors or securities analysts of future performance that are inconsistent with our actual growth opportunities or that we might fail to meet and, if our revenues or operating results fall below expectations, the price of our Class A common stock could decline substantially.

***We may not accurately predict the long-term client retention rate or adoption of our solution, or any resulting impact on our revenues or operating results.***

Our clients have no obligation to continue to renew their subscriptions for our solution after the expiration of the initial or current subscription term, and our clients, if they choose to renew at all, may renew for fewer users or on less favorable pricing terms. Historically, our platform subscription contracts have typically had a one-year term and were cancellable with 30 days' notice, though our more recent contracts have typically been for multi-year terms without cancellation for convenience. Our client retention rates may decrease as a result of a number of factors, including our



clients' satisfaction with our pricing or our solution or their ability to continue their operations or spending levels. If our clients terminate their agreements or do not renew their subscriptions for our solution on similar or more favorable pricing terms, our revenues may decline and our business could suffer.

Additionally, as the market for our solution develops, we may be unable to attract new clients based on the same subscription model we have used historically. Moreover, large or influential financial institution clients may demand more favorable pricing or other contract terms from us. As a result, we may in the future be required to change our pricing model, reduce our prices, or accept other unfavorable contract terms, any of which could adversely affect our risks, revenues, gross profit margin, profitability, financial position, and/or cash flow.

***A breach of our security measures or those we rely on could result in unauthorized access to or use of client or their clients' data, which may materially and adversely impact our reputation, business and results of operations.***

Certain elements of our solution, particularly our partnership accounting applications, process and store personally identifiable information, or PII, such as banking and personal information of our clients' clients, and we may also have access to PII during various stages of the implementation process or during the course of providing client support. Furthermore, as we develop additional functionality, we may gain greater access to PII. We maintain policies, procedures, and technological safeguards designed to protect the confidentiality, integrity, and availability of this information and our information technology systems. However, we cannot entirely eliminate the risk of improper or unauthorized access to or disclosure of PII or other security events that impact the integrity or availability of PII or our systems and operations, or the related costs we may incur to mitigate the consequences from such events. Further, the Enfusion solution is a flexible and complex software solution and there is a risk that configurations of, or defects in, the solution or errors in implementation could create vulnerabilities to security breaches. There may be unlawful attempts to disrupt or gain access to our information technology systems or the PII or other data of our clients or their clients that may disrupt our or our clients' operations. In addition, because we leverage third-party providers, including cloud, software, co-locate data center, and other critical technology vendors to deliver our solution to our clients and their clients, we rely heavily on the data security technology practices and policies adopted by these third-party providers. A vulnerability in a third-party provider's software or systems, a failure of our third-party providers' safeguards, policies or procedures, or a breach of a third-party provider's software or systems could result in the compromise of the confidentiality, integrity, or availability of our systems or the data housed in our solution.

Cyberattacks and other malicious internet-based activity continue to increase and evolve, and cloud-based providers of products and services have been and are expected to continue to be targeted. In addition to traditional computer "hackers," malicious code (such as viruses and worms), phishing, employee theft or misuse and denial-of-service attacks, sophisticated criminal networks as well as nation-state and nation-state supported actors now engage in attacks, including advanced persistent threat intrusions. Current or future criminal capabilities, discovery of existing or new vulnerabilities, and attempts to exploit those vulnerabilities or other developments, may compromise or breach our systems or solution. In the event our or our third-party providers' protection efforts are unsuccessful and our systems or solution are compromised, we could suffer substantial harm. A security breach could result in operational disruptions, loss, compromise or corruption of client or client data or data we rely on to provide our solution. In addition, a security breach may adversely impact our clients' ability to use our systems to perform their day-to-day functions. Also, our reputation could suffer irreparable harm, causing our current and prospective clients to decline to use our solution in the future. Further, we could be forced to expend significant financial and operational resources in response to a security breach, including repairing system damage, increasing security protection costs by deploying additional personnel and protection technologies, and defending against and resolving legal and regulatory claims, all of which could divert resources and the attention of our management and key personnel away from our business operations.

Federal, state and international regulations may require us or our clients to notify individuals of data security incidents involving certain types of personal data or information technology systems. Security compromises experienced by others in our industry, our clients, or us may lead to public disclosures and widespread negative publicity. Any security compromise in our industry, whether actual or perceived, could erode client confidence in the effectiveness of our security measures, negatively impact our ability to attract new clients, cause existing clients to terminate our agreements or elect not to renew or expand their use of our solution, or subject us to third-party lawsuits, regulatory fines, or other actions or liabilities, which could materially and adversely affect our business and results of operations.

In addition, some of our clients contractually require notification of data security compromises and include representations and warranties in their contracts with us that our solution complies with certain legal and technical standards related to data security and privacy and meets certain service levels. In certain of our contracts, a data security compromise or operational disruption impacting us or one of our critical vendors, or system unavailability or damage due to other circumstances, may constitute a material breach and give rise to a client's right to terminate their contract with us. In these circumstances, it may be difficult or impossible to cure such a breach in order to prevent clients from potentially terminating their contracts with us. Furthermore, although our client contracts typically include limitations on our potential liability, there can be no assurance that such limitations of liability would be adequate. We also cannot be sure that our existing liability insurance coverage and coverage for professional liability and errors or omissions will be available on acceptable terms or will be available in sufficient amounts to cover one or more claims and on the timing in which we need it, or that our insurers will not deny or attempt to deny coverage as to any future claim. The successful assertion of one or more claims against us, the inadequacy or denial of coverage under our insurance policies, litigation to pursue claims under our policies, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or coinsurance requirements, could materially and adversely affect our business and results of operations.

***We may be unable to adequately protect our information systems from cyberattacks, which could result in the disclosure of confidential or proprietary information, including personal data, damage our reputation, and subject us to significant financial and legal exposure.***

We rely on information technology systems that we or our third-party providers operate to process, transmit and store electronic information in our day-to-day operations. A successful cyberattack could result in the theft or destruction of intellectual property, data, personal information and/or other misappropriation of assets, or otherwise compromise our confidential or proprietary information and disrupt our operations. Cyberattacks are increasing in their frequency, sophistication and intensity, and have become increasingly difficult to detect. We may not be able to anticipate all types of security threats, and we may not be able to implement preventive measures effective against all such security threats. The techniques used by cyber criminals change frequently, may not be recognized until launched, and can originate from a wide variety of sources, including outside groups such as external service providers, organized crime affiliates, terrorist organizations or hostile foreign governments or agencies. Cyberattacks could include industrial espionage, wire fraud and other forms of cyber fraud, the deployment of harmful malware, including ransomware, denial-of-service, social engineering fraud or other means to threaten data security, confidentiality, integrity and availability. A successful cyberattack could cause serious negative consequences for us, including, without limitation, the disruption of operations, the misappropriation of confidential business information, including financial information, trade secrets, financial loss and the disclosure of corporate strategic plans. Although we devote resources to protect our information systems, we realize that cyberattacks are a threat, and there can be no assurance that our efforts will prevent information security breaches that would result in business, legal, financial, or reputational harm to us, or would have a material adverse effect on our results of operations and financial condition. If we were to experience an attempted or successful cybersecurity attack of our information systems or data, the costs associated with the investigation, remediation and potential notification of the attack to counterparties, data subjects, regulators or others, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants, could be material. In addition, following any such attack, our remediation efforts may not be successful. Any failure to prevent or mitigate security breaches or improper access to, use of, or our data and/or the personal information we handle could result in significant liability under state, federal and foreign laws and may cause a material adverse impact to our reputation and potentially disrupt our business.

***Breaches of our security systems, including unauthorized or improper employee access to client portfolios or other material non-public information, could expose us to losses.***

We maintain a system of controls over the physical security of our facilities. We also manage and store various proprietary information and sensitive or confidential data relating to our operations. In addition, we have access to large amounts of data relating to our clients and their investment portfolios, including their trading activity and related strategies. Unauthorized persons or employees may gain access to our facilities or network systems to steal our or our clients' sensitive, confidential, or other proprietary information, compromise confidential client or company information, create system disruptions, or cause shutdowns. These persons may then use such information for illicit gain, including by trading

securities based on such information. These parties may also be able to develop and deploy viruses, worms, and other malicious software programs that disrupt our operations and create security vulnerabilities. Breaches of our physical security and attacks on our network systems, or breaches or attacks on our clients, suppliers, or service partners who have confidential or sensitive information regarding us and our clients and suppliers, could result in significant losses and damage our reputation with clients and suppliers and may expose us to litigation if the confidential information of our clients, suppliers, or employees is compromised. Furthermore, employees with authorized access may abuse and inappropriately utilize their access for unauthorized purposes. The foregoing could have a material adverse effect on our business, results of operations, or financial condition.

***Global or regional economic and market conditions may negatively impact our business, financial condition, and results of operations.***

Our overall performance depends in part on economic and market conditions, which may remain challenging or uncertain for the foreseeable future. Financial developments seemingly unrelated to us or our industry may adversely affect us. Domestic and international economies have been impacted by changes in interest rates, threatened sovereign defaults and ratings downgrades, falling demand for a variety of goods and services, restricted credit, threats to major multinational companies, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies and overall uncertainty. These conditions affect the rate of technology spending and could adversely affect our clients' ability or willingness to purchase our cloud-based investment management solution, delay prospective clients' purchasing decisions, reduce the value or duration of their subscriptions, or affect renewal rates, any of which could adversely affect our operating results. We cannot predict the timing, strength, or duration of the economic recovery or any subsequent economic slowdown in the U.S., the market generally or in our industry.

***The markets in which we participate are intensely competitive, and pricing pressure, new technologies, or other competitive dynamics could adversely affect our business and operating results.***

We currently compete with providers of technology and services in the financial services industry. Certain of our competitors have significantly more financial, technical, marketing, and other resources than we have, may devote greater resources to the promotion, sale and support of their systems than we can, have more extensive client bases and broader client relationships than we have, and have longer operating histories and greater name recognition than we have. In addition, many of our competitors expend a greater amount of funds on research and development.

We may also face competition from other companies within our markets, which may include large established businesses that decide to develop, market, or resell cloud-based investment management solution, acquire one of our competitors, or form a strategic alliance with one of our competitors. In addition, new companies entering our markets or established companies creating or marketing new products may choose to offer cloud-based investment management applications at little or no additional cost to the client by bundling them with their existing applications, including adjacent banking technologies and core processing software. New entrants to the market might also include non-banking providers of payment solutions and other technologies. Competition from these new entrants may make our business more difficult and adversely affect our results.

If we are unable to compete in this environment, sales and renewals of our cloud-based investment management solution could decline and adversely affect our business, operating results, and financial condition. With the introduction of new technologies and potential new entrants into the cloud-based investment management solutions market, we expect competition to intensify in the future, which could harm our ability to increase sales and maintain profitability.

We believe that our industry could experience consolidation, which could lead to increased competition and result in pricing pressure or loss of market share, either of which could have a material adverse effect on our business, limit our growth prospects, or reduce our revenues.

***We depend on third-party co-locate facilities, data centers operated by third parties, and third-party Internet service providers, and any disruption in the operation of such facilities or access to the Internet, could adversely affect our business.***

We currently serve our clients from two third-party co-locate data center hosting facilities located in Chicago, Illinois and Secaucus, New Jersey and therefore cannot guarantee that our clients' access to our solution will be uninterrupted, error-free, or secure. We may experience service and application disruptions, outages, and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in client usage, and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. We do not control the operation of these data center facilities, and such facilities are vulnerable to damage or interruption from human error, intentional bad acts, power loss, hardware failures, telecommunications failures, fires, wars, terrorist attacks, floods, earthquakes, hurricanes, tornadoes, or similar catastrophic events. Both we and our service providers also could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism, and other misconduct. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or terminate our hosting arrangement, or other unanticipated problems could result in lengthy interruptions in the delivery of our solution, cause system interruptions, prevent our clients' account holders from accessing their accounts online, reputational harm and loss of critical data, prevent us from supporting our solution, or cause us to incur additional expense in arranging for new facilities and support.

In addition to third-party co-locate data centers where we host the data, we also depend on third-party data centers that host data on our behalf, and any disruption in the operation of these facilities could impair the delivery of our solution and adversely affect our business. We currently deploy portions of our solution and serve our clients using third-party data center services. While we typically control and have access to the servers we operate in co-location facilities and the components of our custom-built infrastructure that are located in those co-location facilities, we control neither the operation of these facilities nor our third-party service providers. In the event of significant physical damage to one of these facilities, it may take a significant period of time to achieve full resumption of our services, and our disaster recovery planning may not account for all eventualities. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the third-party data centers that we use.

We also depend on third-party Internet service providers and continuous and uninterrupted access to the Internet through third-party bandwidth providers to operate our business. If we lose the services of one or more of our Internet service or bandwidth providers for any reason or if their services are disrupted, for example due to viruses or denial of service or other attacks on their systems, or due to human error, intentional bad acts, power loss, hardware failures, telecommunications failures, fires, wars, terrorist attacks, floods, earthquakes, hurricanes, tornadoes, or similar catastrophic events, we could experience disruption in our ability to offer our solution and adverse perception of our solution's reliability, termination of our agreements or we could be required to retain the services of replacement providers, which could increase our operating costs and harm our business and reputation.

***Actual or perceived errors or failures in our solution or the implementation or support of our solution may affect our reputation, cause us to lose clients and reduce sales which may harm our business and results of operations and subject us to liability for breach of contract claims.***

Because we offer a complex solution and our clients have complex requirements, undetected errors or failures may exist or occur, especially when a client is being onboarded or systems are first introduced or when new versions are released, implemented, or integrated into other systems. Our solution is often installed and used in large-scale computing environments with different operating systems, system management software and equipment and networking configurations, which may cause errors or failures in our solution or may expose undetected errors, failures, defects, bugs, or other performance problems in our solution. Despite testing by us, we may not identify all errors, failures, defects, bugs, or other performance problems in new systems or releases until after commencement of commercial sales or installation. In the past, we have discovered errors, failures, defects, bugs and other performance problems in some of our solution after their introduction. We may not be able to fix errors, failures, defects, bugs and other performance problems without incurring significant costs or an adverse impact to our business and the business of our clients.

We believe that our reputation and name recognition are critical factors in our ability to compete and generate additional sales. Promotion and enhancement of our name will depend largely on our success in continuing to provide effective systems and services. The occurrence or perception of the occurrence of errors in our solution or the detection of bugs by our clients may damage our reputation in the market and our relationships with our existing clients, and as a result, we may be unable to attract or retain clients. Any of these events may result in the loss of, or delay in, market acceptance of our systems and services, which could seriously harm our sales, results of operations and financial condition.

The license and support of our software, including the storing and processing of sensitive or confidential client information, creates the risk of significant liability claims against us. Our SaaS arrangements with our clients contain provisions designed to limit our exposure to potential liability claims. It is possible, however, that the limitation of liability provisions contained in such agreements may not be enforced as a result of international, federal, state and local laws or ordinances or unfavorable judicial decisions. Breach of warranty or damage liability, or injunctive relief resulting from such claims, could harm our results of operations and financial condition. Furthermore, we may be required to indemnify certain of our clients for losses incurred as a result of such errors.

***We have experienced rapid growth, and if we fail to effectively manage our growth, we may be unable to execute our business plan, maintain high levels of service and client satisfaction or adequately address competitive challenges, any of which may materially and adversely affect our business and results of operations.***

Our business has recently grown rapidly, which has resulted in a large increase in our employee headcount, expansion of our infrastructure, enhancement of our internal systems and other significant changes and additional complexities. Our total number of employees increased from 482 as of December 31, 2020, to 892 as of December 31, 2021 and to 1,006 as of December 31, 2022. Managing and sustaining a growing workforce and client base geographically-dispersed in the United States and internationally will require substantial management effort, infrastructure and operational capabilities. To support our growth, we must continue to improve our management resources and our operational and financial controls and systems, and these improvements may increase our expenses more than anticipated and result in a more complex business. We will also have to expand and enhance the capabilities of our sales, relationship management, implementation, client service, research and development and other personnel to support our growth and continue to achieve high levels of client service and satisfaction. Our success will depend on our ability to plan for and manage this growth effectively. If we fail to anticipate and manage our growth or are unable to continue to provide high levels of client service, our reputation, as well as our business and results of operations, could be materially and adversely affected.

***Defects, errors, or vulnerabilities in our solution, including failures in connection with client market orders, could harm our reputation, result in significant costs to us, impair our ability to sell our solution and subject us to substantial liability.***

Our cloud-based investment management solution is inherently complex and may contain errors, failures, defects, bugs, or other performance problems, particularly when first introduced or as new versions are released. Despite extensive testing, from time-to-time we have discovered errors, failures, defects, bugs, or other performance problems in our systems. In addition, due to changes in regulatory requirements relating to our clients, we may discover deficiencies in our software processes related to those requirements. Material performance problems or defects in our systems might arise in the future.

Any such errors, failures, defects, bugs, or other performance problems, or disruptions in service to provide bug fixes or upgrades, whether in connection with day-to-day operations or otherwise, could be costly for us to remedy, damage our clients' businesses and harm our reputation. In addition, if we have any such errors, failures, defects, bugs, or other performance problems, our clients could seek to terminate their agreements, elect not to renew their subscriptions, delay or withhold payment or make claims against us. Any of these actions could result in lost business, increased insurance costs, difficulty in collecting our accounts receivable, costly litigation and adverse publicity. Such errors, defects, or other problems could also result in reduced sales or a loss of, or delay in, the market acceptance of our solution.

Moreover, software development is time-consuming, expensive, complex and requires regular maintenance. Unforeseen difficulties can arise including failures in connection with client market orders and failures in delivering software development in a timely manner. If we do not complete our periodic maintenance according to schedule or if clients are otherwise dissatisfied with the frequency and/or duration of our maintenance services, clients could elect not to

renew, or delay or withhold payment to us or cause us to issue credits, make refunds, or pay penalties. We might also encounter technical obstacles, and it is possible that we discover problems that prevent our solution from operating properly. If our solution does not function reliably or fails to achieve client expectations in terms of performance, clients could seek to cancel their agreements with us and assert liability claims against us, which could damage our reputation, impair our ability to attract or maintain clients and harm our results of operations.

***If we fail to effectively anticipate and respond to changes in the industry in which we operate, our ability to attract and retain clients could be impaired and our competitive position could be harmed.***

The financial services industry is subject to rapid change and the introduction of new technologies to meet the needs of this industry will continue to have a significant effect on competitive conditions in our market. If we are unable to successfully expand our product offerings beyond our current solution, our clients could migrate to competitors who may offer a broader or more attractive range of products and services. Unexpected delays in releasing new or enhanced versions of our solution, or errors following their release, could result in loss of sales, delay in market acceptance, or client claims against us, any of which could adversely affect our business. The success of any new system depends on several factors, including timely completion, adequate quality testing and market acceptance. We may not be able to enhance aspects of our solution successfully or introduce and gain market acceptance of new applications or improvements in a timely manner, or at all. Additionally, we must continually modify and enhance our solution to keep pace with changes in software applications, database technology, and evolving technical standards and interfaces.

Uncertainties related to our ability to introduce and improve functionality, announcements or introductions of a new or updated solution, or modifications by our competitors could adversely affect our business and results of operations.

***Events affecting the investment management industry could materially and adversely affect us and cause our stock price to decline significantly.***

Our revenues are diversified across our client base. During the year ended December 31, 2022, no client represented more than 4% of our total revenues, and our top 10 clients represented approximately 15% of our total revenues. However, our clients are concentrated within the investment management sector, and any events that have an adverse impact on that sector could materially and adversely affect us. Furthermore, our clients operate in the volatile global financial markets and are influenced by a number of factors outside of their control, including rising interest rates, inflation, the availability of credit, issues with sovereign and large institutional obligors, changes in laws and regulations, terrorism and political unrest or uncertainty, among others. As a result, any of our clients may go out of business unexpectedly. In addition, these clients may decide to no longer use our products and services for other reasons which may be out of our control. The loss of or events affecting any one or more of these clients could materially and adversely affect us and cause our stock price to decline significantly.

***We and our clients leverage third-party software, content, connectivity and services for use with our solution. Performance issues, errors and defects, or failure to successfully integrate or license necessary third-party software, content, connectivity, or services, could cause delays, errors, or failures of our solution, cause reputational harm, increases in our expenses and reductions in our sales, each of which could materially and adversely affect our business and results of operations.***

We and our clients use software and content licensed from, and services provided by, a variety of third parties in connection with the operation of our solution. Any errors, failures, defects, bugs, or other performance problems in third-party software, content, or services could result in errors or a failure of our solution, which could adversely affect our business and results of operations. In the future, we might need to license other software, content, or services to enhance our solution and meet evolving client demands and requirements. Any limitations in our ability to use third-party software, content or services could significantly increase our expenses and otherwise result in delays, a reduction in functionality or errors or failures of our solution until equivalent technology or content is either developed by us or, if available, identified, obtained through purchase or license and integrated into our solution. In addition, third-party licenses may expose us to increased risks, including risks associated with the integration of new technology, the diversion of resources from the development of our own proprietary technology, and our inability to generate revenues from new technology sufficient to

offset associated acquisition and maintenance costs, all of which may increase our expenses and materially and adversely affect our business and results of operations.

***Our international operations may fail and we may fail to successfully expand internationally. In addition, sales to clients outside the United States or with international operations expose us to risks inherent to international businesses, which may include adverse impacts arising out of international regulatory changes.***

Our international revenues represented approximately 38%, 34% and 32% of our total revenues for the fiscal years ended December 31, 2022, 2021 and 2020, respectively. A key element of our growth strategy is to further expand our international operations and worldwide client base. We have begun expending significant resources to build out our sales and professional services organizations outside of the United States, and we may not realize a suitable return on this investment in the near future, if at all. We have limited operating experience in international markets, and we cannot assure you that our international expansion efforts will be successful. Our experience in the United States may not be relevant to our ability to expand in any international market.

Operating in international markets requires significant resources and management attention and subjects us to regulatory, economic and political risks that are different from those in the United States. Export control regulations in the United States may increasingly be implicated in our operations as we expand internationally. These regulations may limit the export of our solution and provision of our solution outside of the United States, or may require export authorizations, including by license, a license exception or other appropriate government authorizations, including annual or semi-annual reporting and the filing of an encryption registration. Changes in export or import laws, or corresponding sanctions, may delay the introduction and sale of our solution in international markets, or, in some cases, prevent the export or import of our solution to certain countries, regions, governments, persons or entities altogether, which could adversely affect our business, financial condition and results of operations.

We are also subject to various domestic and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act, or the FCPA, and the U.K. Bribery Act, as well as other similar anti-bribery and anti-kickback laws and regulations. These laws and regulations generally prohibit companies and their employees and intermediaries from authorizing, offering or providing improper payments or benefits to officials and other recipients for improper purposes. Although we take precautions to prevent violations of these laws, our exposure for violating these laws increases as our international presence expands and as we increase sales and operations in foreign jurisdictions.

In addition, we face risks in doing business internationally that could adversely affect our business, including:

- unanticipated costs;
- the need to localize and adapt our solution for specific countries;
- complying with varying and sometimes conflicting data privacy laws and regulations;
- difficulties in staffing and managing foreign operations, including employment laws and regulations;
- unstable regional, economic or political conditions, including trade sanctions, political unrest, terrorism, war, health and safety epidemics (such as the COVID-19 pandemic) or the threat of any of these events;
- different pricing environments, longer sales cycles and collections issues;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- laws and business practices favoring local competitors;

## [Table of Contents](#)

- operational and compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax and anti-bribery laws and regulations and difficulties understanding and ensuring compliance with those laws by both our employees and our service partners, over whom we exert no control;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds; and
- differing and potentially adverse tax consequences.

The occurrence or impact of any or all of the events described above could materially and adversely affect our international operations, which could in turn materially and adversely affect our business, financial condition and results of operations.

***Our ability to sell our solution is dependent on the quality of our personnel and technical support services, and the failure of us to attract and retain quality personnel or provide high-quality managed services or technical support could damage our reputation and adversely affect our ability to sell our solution to new clients and retain existing clients or renew agreements with our existing clients.***

Our revenues and profitability depend on the reliability and performance of our services and support. If our services or support are unavailable, or clients are dissatisfied with our performance, we could lose clients, our revenues and profitability would decrease, and our business operations or financial position could be harmed. In addition, the software and workflow processes that underlie our ability to deliver our solution have been developed primarily by our own employees and consultants. Malfunctions in the software we use or human error could result in our inability to provide our solution or underlying systems or cause unforeseen technical problems. If we incur significant financial commitments to our clients in connection with our failure to meet service level commitment obligations, we may incur significant liability and our liability insurance and revenue reserves may not be adequate. In addition, any loss of services, equipment damage or inability to meet our service level commitment obligations could reduce the confidence of our clients and could consequently impair our ability to obtain and retain clients, which would adversely affect both our ability to generate revenues and our operating results or entitle the client to a related fee credit.

If we do not effectively assist our clients in implementing our solution, succeed in helping our clients quickly resolve post-implementation issues, and provide effective ongoing support, our ability to retain or sell additional systems and services to existing clients would be adversely affected and our reputation with potential clients could be damaged. Since we believe that the implementation experience is vital to retaining clients or encouraging referrals, our ability to provide predictable delivery results and product expertise is critical to our ability to retain or renew agreements with our existing clients or receive referrals for new clients.

Once our solution is implemented and integrated with our clients' existing IT investments and data, our clients may depend on our technical support services and/or the support of service partners to resolve any issues relating to our solution. High-quality support is critical for the continued successful marketing and sale of our solution and the retention and renewal of contracts. In addition, as we continue to expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training and documentation in languages other than English. Many enterprise clients require higher levels of support than smaller clients. If we fail to meet the requirements of our larger clients, it may be more difficult to sell additional systems and services to these clients, a key group for the growth of our revenues and profitability. In addition, as we further expand our SaaS solution, our services and support organization will face new challenges, including hiring, training and integrating a large number of new services or support personnel with experience in delivering high-quality support for our solution. Alleviating any of these problems could require significant expenditures which could adversely affect our results of operations and growth prospects. Our failure to maintain high-quality implementation and support services could have a material adverse effect on our business, results of operations, financial condition, and growth prospects.



***If we fail to identify, attract and retain additional qualified personnel with experience in designing, developing, and managing cloud-based software, as well as personnel who can successfully implement, support, or provide our solution, we may be unable to grow our business as expected.***

To execute our business strategy and continue to grow our solution, we must identify, attract and retain highly qualified personnel. We compete with many other companies for a limited number of software developers with specialized experience in designing, developing, and managing cloud-based and/or financial software, as well as for skilled developers, engineers and information technology and operations professionals who can successfully implement and deliver our solution. Many of the companies with which we compete for experienced personnel have greater resources than we have. As we continue to focus on growing our solution, we may experience difficulty in finding, hiring and retaining highly skilled employees with appropriate qualifications which may, among other things, impede our ability to grow our solution. If we are not successful in finding, attracting, and retaining the professionals we need, we may be unable to execute our business strategy which could have a material adverse effect on our results of operations, financial condition and growth prospects.

***If we are unable to retain our personnel and hire and integrate additional skilled personnel, we may be unable to achieve our goals and our business will suffer.***

Our future success depends upon our ability to continue to attract, train, integrate and retain highly skilled employees, particularly those on our management team, including Oleg Movchan, our Chief Executive Officer, and our sales and marketing personnel, SaaS operations personnel, services personnel and software engineers. Additionally, our stakeholders increasingly expect us to have a culture that embraces diversity and inclusion in the workplace. Our inability to attract and retain diverse and qualified personnel, or delays in hiring required personnel, may seriously harm our business, results of operations and financial condition. If U.S. immigration policy related to skilled foreign workers were materially adjusted, such a change could hamper our efforts to hire highly skilled foreign employees, including highly specialized engineers, which would adversely impact our business.

Our executive officers and other key employees are generally employed on an at-will basis, which means that these personnel could terminate their relationship with us at any time. The loss of any member of our senior management team could significantly delay or prevent us from achieving our business and/or development objectives and could materially harm our business.

We face competition for qualified individuals from numerous software and other technology companies. Further, significant amounts of time and resources are required to train technical, sales, services and other personnel. We may incur significant costs to attract, train and retain such personnel, and we may lose new employees to our competitors or other technology companies before we realize the benefit of our investment after recruiting and training them.

Also, to the extent that we hire personnel from competitors, we may be subject to allegations that such personnel have been improperly solicited or have divulged proprietary or other confidential information. In addition, we have a limited number of salespeople and the loss of several salespeople within a short period of time could have a negative impact on our sales efforts. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing technical, operational, and managerial requirements, or we may be required to pay increased compensation in order to do so.

Our ability to expand geographically depends, in large part, on our ability to attract, retain and integrate managers to lead the local business and employees with the appropriate skills. Similarly, our profitability depends on our ability to effectively utilize personnel with the right mix of skills and experience to perform services for our clients, including our ability to transition employees to new assignments on a timely basis. If we are unable to effectively deploy our employees globally on a timely basis to fulfill the needs of our clients, our reputation could suffer and our ability to retain existing clients or attract new clients may be harmed.

Because of the technical nature of our solution and the dynamic market in which we compete, any failure to attract, integrate and retain qualified sales, services and product development personnel, as well as our contract workers,

## [Table of Contents](#)

could harm our ability to generate sales or successfully develop new systems and services and enhancements of our existing solution.

***We depend on our senior management team and other key personnel, and we could be subject to substantial risk of loss if any of them terminate their relationship with us.***

We depend on the efforts, relationships and reputations of our senior management team and other key personnel, in order to successfully manage our business. We believe that success in our business will continue to be based upon the strength of our intellectual capital. The loss of the services of any member of our senior management team or of other key personnel could have a material adverse effect on our results of operations, financial condition or business.

***If we fail to expand our sales and marketing efforts and if we are unable to successfully develop of our sales team, including if we fail to expand of our strategic partner relationships, sales of our solution will suffer, which may adversely affect the results of our operations.***

Increasing our client base and achieving broader market acceptance of our cloud-based investment management solution will depend on our ability to expand our sales and marketing organizations and their abilities to obtain new clients and sell additional systems and services to existing clients. We believe there is significant competition for direct sales professionals with the skills and knowledge that we require, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future. Our ability to achieve significant future revenue growth will depend on our success in recruiting, training and retaining a sufficient number of direct sales professionals. New hires require significant training and time before they become fully productive and may not become as productive as quickly as we anticipate, if at all. As a result, the cost of hiring and carrying new representatives cannot be offset by the revenues they produce for a significant period of time. Our growth prospects will be harmed if our efforts to expand, train and retain our direct sales team do not generate a corresponding significant increase in revenues. Additionally, if we fail to sufficiently invest in our marketing programs or they are unsuccessful in creating market awareness of our company and solution, our business may be harmed and our sales opportunities limited.

In addition to our direct sales team, we also extend our sales distribution through informal relationships with referral partners. While we are not substantially dependent upon referrals from any partner, our ability to achieve significant revenue growth in the future will depend upon continued referrals from our partners and growth of the informal network of our referral partners. We cannot be certain that these partners will prioritize or provide adequate resources for promoting our solution or that we will be successful in maintaining, expanding or developing our relationships with referral partners. If we are unable to devote sufficient time and resources to establish and educate the members of our informal referral network regarding the benefits of our solution, or if we are unable to maintain successful relationships with them, we may lose sales opportunities and our revenues could suffer.

***If we fail to effectively train our clients for use of our solution and fail to provide high-quality client support, our business and reputation would suffer.***

Effective client training on the Enfusion solution and high-quality, ongoing client support are critical to the successful marketing, sale and adoption of our solution and for the retention and renewal of existing client contracts. As we grow our client base, we will need to further invest in and expand our client support and training organization, which could strain our team and infrastructure and reduce profit margins. If we do not help our clients adopt our solution, quickly resolve any post-implementation matters, and provide effective ongoing client support and training, our ability to expand sales to existing and future clients and our reputation would be adversely affected.

***If we are unable to effectively integrate our solution with other systems used by our clients, or if there are performance issues with such third-party systems, our solution will not operate effectively and our business and reputation will be adversely affected.***

The Enfusion solution integrates with other third-party systems used by our clients. We do not have formal arrangements with many of these third-party providers regarding the delivery and receipt of client data. If we are unable to effectively integrate with third-party systems, our clients' operations may be disrupted, which may result in disputes

with clients, negatively impact client satisfaction and harm our business. If the software of such third-party providers has performance or other problems, such issues may reflect poorly on us and the adoption and renewal of our solution, and our business and reputation may be harmed.

***Our sales cycle and related client implementation, especially with regard to large financial institutions and other institutional or complex client profiles, can be lengthy and variable, depend upon factors outside our control, and could cause us to expend significant time and resources.***

The timing of our sales is difficult to predict. Our sales efforts involve educating prospective clients about the use, technical capabilities and benefits of our products and services. Prospective clients may undertake a prolonged product-evaluation process. We may face significant costs, long sales cycles and inherent unpredictability in completing client sales. A prospective client's decision to purchase our solution may be an enterprise-wide decision and, if so, may require us to educate a significant number of people within the prospective client's organization regarding the use and benefits of our solution. In addition, prospective clients may require customized features and functions unique to their business process and may require acceptance testing related to those unique features. As a result of these factors, we may be required to devote greater sales support and services resources to a number of individual prospective clients, increasing costs and time required to complete sales and diverting our sales and services resources to a smaller number of clients, while delaying revenues from other potential new clients until the sales cycle has been completed and the criteria for revenue recognition have been met.

***Natural or man-made disasters outside of our control and other similar events, including the COVID-19 pandemic, may significantly disrupt our business, and negatively impact our business, financial condition and results of operations.***

Our operating facilities and infrastructure, including our co-located data centers, may be harmed or rendered inoperable by natural or man-made disasters, including hurricanes, tornadoes, wildfires, floods, earthquakes, nuclear disasters, acts of terrorism or other criminal activities, infectious disease outbreaks or pandemic events, including the COVID-19 pandemic, power outages and other infrastructure failures, which may render it difficult or impossible for us to operate our business for some period of time. Our facilities would likely be costly to repair or replace, and any such efforts would likely require substantial time. Any disruptions in our operations could adversely affect our business and results of operations and harm our reputation. Moreover, although we have disaster recovery plans, they may prove inadequate. We may not carry sufficient business insurance to compensate for losses that may occur. Any such losses or damages could have a material adverse effect on our business and results of operations. In addition, the facilities of our third-party providers may be harmed or rendered inoperable by such natural or man-made disasters, which may cause disruptions, difficulties or otherwise materially and adversely affect our business. To the extent any such disasters or other similar events adversely affect our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as our ability to maintain profitability in the future, our ability to attract new clients or continue to broaden our existing clients' use of our solution and the impact of any decrease in technology spend by clients and potential clients in the financial services industry where we derive all of our revenues.

***Interruptions in the availability of server systems or network or communications with Internet, third-party hosting facilities or cloud-based services, interruptions in the third-party connections utilized by our clients, or failure to maintain the security, confidentiality, accessibility, or integrity of data stored on such systems, could harm our business or impair the delivery of our solution.***

A significant portion of our software development personnel, source code and computer equipment is located at operating facilities within the United States. Certain of our internal operating systems depend on data maintained on servers running third-party enterprise resource planning, account relationship management and other business operations systems. We further rely upon a variety of Internet service providers, third-party hosting facilities and cloud computing platform providers, as well as local service providers to support project teams and users in most regions and countries throughout the world, particularly with respect to our cloud service solution. Failure to maintain the security, confidentiality, accessibility, or integrity of data stored on such systems could damage our reputation in the market and our relationships with our accounts, cause us to lose revenues or market share, increase our service costs, cause us to incur substantial costs, cause us to lose accounts, subject us to liability for damages and divert our resources from other tasks, any one of which

could adversely affect our business, financial condition, results of operations and prospects. Any damage to, or failure of, such systems, or communications to and between such systems, could result in interruptions in our operations, managed services and software development activities. Such interruptions may reduce our revenues, delay billing, cause us to issue credits or pay penalties, cause accounts to terminate their subscriptions or adversely affect our attrition rates and our ability to attract new accounts. Our business would also be harmed if our accounts and potential accounts believe our products or services are unreliable. In light of our status as a critical system for our clients, service disruptions could impact their ability to operate, and in some cases, may inhibit their ability to trade.

***Failure of any of our established systems to satisfy client demands or to maintain market acceptance would harm our business, results of operations, financial condition and growth prospects.***

We derive a significant majority of our revenues and cash flows from our established solution and expect to continue to derive a substantial portion of our revenues from this source. As such, continued market acceptance of our solution and underlying systems is critical to our growth and success. Demand for our solution is affected by a number of factors, some of which are beyond our control, including the successful implementation of our solution, the timing of development and release of new enhancements and upgrades by us and our competitors, technological advances which reduce the appeal of our solution, changes in regulations that our clients must comply with in the jurisdictions in which they operate and the growth or contraction in the worldwide market for technological solutions for the investment management industry. If we are unable to continue to meet client demands, to achieve and maintain a technological advantage over competitors, or to maintain market acceptance of our solution, our business, results of operations, financial condition and growth prospects would be adversely affected.

***We may have to invest more resources in research and development than anticipated and our research and development efforts or spend may prove fruitless or be unsuccessful, which could increase our operating expenses and negatively affect our results of operations.***

We devote substantial resources to research and development. New competitors, technological advances in the software industry or by competitors, our acquisitions, our entry into new markets or client segments, or other competitive factors may require us to invest significantly greater resources than we anticipate. If we are required to invest significantly greater resources than anticipated without a corresponding increase in revenues, our results of operations could decline. Additionally, our periodic research and development expenses may be independent of our level of revenues, which could negatively impact our financial results.

Further, technology for which we spend a significant amount of time and resources on in our research and development may prove to be less marketable than we expect, if at all. There can be no guarantee that our research and development investments will result in products or enhancements that create additional revenues.

***If we are unable to develop, introduce and market new and enhanced versions of our solution or are unable to anticipate or respond to evolving technological requirements, we may be put at a competitive disadvantage and our operating results could be adversely affected.***

Our ability to increase revenues will depend, in large part, on our ability to further penetrate our existing markets and to attract new clients, as well as our ability to increase sales from existing clients who do not utilize the full Enfusion solution. The success of any enhancement or new systems or service depends on several factors, including the timely completion, introduction and market acceptance of an enhanced or new system, adaptation to new industry standards and technological changes, the ability to maintain and to develop relationships with third parties, and the ability to attract, retain and effectively train sales and marketing personnel. Any new systems we develop or acquire may not be introduced in a timely or cost-effective manner and may not achieve the market acceptance necessary to generate significant revenues. Any new industry standards or practices that emerge, or any introduction by competitors of new solutions embodying new services or technologies, may cause our solution to become obsolete. Any new markets in which we attempt to sell our solution, including new countries or regions, may not be receptive or implementation may be delayed due to the COVID-19 pandemic or other similar factors beyond our control. Additionally, any expansion into new markets will require commensurate ongoing expansion of our monitoring of local laws and regulations, which increases our costs as well as the risk of our solution not incorporating in a timely fashion or at all due to a failure of our solution to comply with such

local laws or regulations. Our ability to further penetrate our existing markets depends on the quality of our solution and our ability to design our solution to meet changing consumer demands and industry standards, as well as our ability to assure that our clients will be satisfied with our existing and new systems. If we are unable to sell our solution into new markets or to further penetrate existing markets, or to increase sales from existing clients by expanding their relationship with us, our revenues will not grow as expected, which would have a material adverse effect on our business, financial condition and results of operations.

***Our corporate culture has contributed to our success, and if we cannot maintain it as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be adversely affected.***

We believe our corporate culture is one of our fundamental strengths, as we believe it enables us to attract and retain top talent and deliver superior results for our clients. As we grow, we may find it difficult to preserve our corporate culture, which could reduce our ability to innovate and operate effectively. In turn, the failure to preserve our culture could negatively affect our ability to attract, recruit, integrate and retain employees, continue to perform at current levels, and effectively execute our business strategy. Furthermore, our growth may require us to develop a more hierarchical structure, which may impact our ability to operate swiftly and efficiently.

***Increases in labor costs, including salaries or wages, and an overall tightening of the labor market, could adversely affect our business, results of operations or financial condition.***

The labor costs associated with our business are subject to several external factors, including unemployment levels and the quality and the size of the labor market, prevailing salaries or wage rates, minimum wage laws, and other forms of remuneration and benefits offered to prospective employees by competitor employers, potential collective bargaining arrangements, health insurance costs and other insurance costs and changes in employment and labor legislation or other workplace regulation. From time to time, the labor market may become increasingly competitive. If we are unable to mitigate salary or wage rate increases driven by the increasingly competitive labor market through automation and other labor savings initiatives, our labor costs may increase, which could have an adverse effect on our business, results of operations or financial condition.

In the event we must offer increased salary, wages or other competitive benefits and incentives to attract qualified personnel, we may need to increase not only the salaries or wages of our employees, but we may need to offer such employees other competitive benefits and incentives. Further, should we fail to increase our salaries or wages competitively in response to increasing competition, the quality of our workforce could decline, causing certain aspects of our business to suffer. Increases in labor costs could force us to increase our prices, which could adversely impact sales. We have observed an overall tightening and increasingly competitive labor market and have recently experienced and expect to continue to experience some labor cost pressures. If we are unable to hire and retain capable employees, manage labor cost pressures, or if mitigating measures we take in response to increased labor costs, have unintended negative effects, including on client service or retention, our business would be adversely affected. If competitive pressures or other factors prevent us from offsetting increased labor costs, our profitability may decline and could have an adverse effect on our business, results of operations or financial condition.

***We may acquire or invest in companies, or pursue business partnerships, which may divert our management's attention or result in dilution to our stockholders, and we may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions, investments or partnerships.***

From time to time, we consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, solutions and other assets. We also may enter into relationships with other businesses to expand our solution, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing, or investments in other companies. Negotiating these transactions can be time-consuming, difficult and expensive, and our ability to close these transactions may be subject to approvals that are beyond our control. In addition, we do not have any experience in acquiring other businesses. If an acquired business fails to meet our expectations, our operating results, business and financial position may suffer. We may not be able to find and identify desirable acquisition targets, we may incorrectly estimate the value of an acquisition target, and we may not be successful in entering into an agreement

## [Table of Contents](#)

with any particular target. If we are successful in acquiring additional businesses, we may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- our inability to integrate or benefit from acquired technologies or services;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty integrating the technology, accounting systems, operations, control environments and personnel of the acquired business and integrating the acquired business or its employees into our culture;
- difficulties and additional expenses associated with supporting legacy solutions and infrastructure of the acquired business;
- diversion of management's attention and other resources;
- additional costs for the support or professional services model of the acquired company;
- adverse effects to our existing business relationships with service partners and clients;
- the issuance of additional equity securities that could dilute the ownership interests of our stockholders;
- incurrence of debt on terms unfavorable to us or that we are unable to repay;
- incurrence of substantial liabilities;
- difficulties retaining key employees of the acquired business; and
- adverse tax consequences, substantial depreciation or deferred compensation charges.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

### **Financial and Accounting Related Risks**

***Our revenue recognition and other factors may create volatility in our financial results in any given period and make them difficult to predict.***

Historically, our platform subscription contracts have typically had a one-year term and were cancellable with 30 days' notice, though our more recent contracts have typically been for multi-year terms without cancellation for convenience.

Quarterly and annual results are subject to volatility due to the timing of renewals between periods, timing of new sales contracts, changes in contract term and length, and conversion of existing subscription users to other commercial offerings.

Regardless of the term of these contracts, revenues are generally billed one month in arrears based on utilization of the different attributes of platform. While utilization may be predictable for certain aspects such as user fees, connectivity fees, market data fees, and technology-powered, managed services fees, other aspects such as OEMS are based on actual utilization of connections, which can be canceled or reduced month to month.

We derive substantially all of our revenues from clients in the financial services industry and any downturn or consolidation in the financial services industry, regulatory changes concerning financial technology providers, or unfavorable economic conditions affecting regions in which a significant portion of our clients are concentrated or segments of potential clients on which we focus, could harm our business.

All of our revenues are derived from participants in the financial services industry. These participants have experienced significant pressure in recent years due to economic uncertainty, liquidity concerns and increased regulation. In recent years, many financial institutions have failed, merged or been acquired and failures and consolidations are likely to continue. Further, if our clients merge with or are acquired by other entities such as financial institutions that have in-house developed virtual investment management solutions or that are not our clients or use fewer of our systems, our clients may discontinue, reduce or change the terms of their use of our solution. It is also possible that the larger financial institutions that result from mergers or consolidations could have greater leverage in negotiating terms with us or could decide to replace some or all of our solution. In addition, any downturn in the financial services industry may cause our clients to reduce their spending on cloud-based investment management solutions or to seek to terminate or renegotiate their contracts with us. Any of these developments could have an adverse effect on our business, results of operations and financial condition.

***Our obligations to issue Class A common stock to former holders of Award Units under our former Change in Control Bonus Plan could expose us to a variety of risks that could adversely impact the market price of our Class A common stock.***

We previously adopted a Change in Control Bonus Plan, which provided for the payment of cash amounts to certain eligible employees upon the occurrence of a change in control of our company. The aggregate amount of payment that could have been made to all participants under the Change in Control Bonus Plan may have been as much as 18% of the gross consideration received by our equity holders in a change in control transaction. In connection with our IPO, we terminated the Change in Control Bonus Plan (and all Award Units issued thereunder). In connection therewith, the holders of Award Units that were vested at effectiveness of (or would vest within one year of effectiveness of) our IPO registration statement became entitled to receive shares of Class A common stock that would be issued, in one or more tranches, between October 20, 2022 and October 20, 2023. In addition, in exchange for termination of an agreement pursuant to which we were obligated to pay a percentage of our annual net profits to a non-executive employee, we will issue shares of Class A common stock to such employee between October 20, 2022 and October 20, 2023. In satisfaction of the above obligations, as of December 31, 2022, we remained obligated to issue 17,225,377 shares of Class A common stock, in one or more tranches, to former holders of Award Units and the non-executive employee, in each case prior to October 20, 2023.

The issuance of Class A shares in satisfaction of the obligations described above will result in significant dilution to holders of our capital stock. As of December 31, 2022, the issuance of 17,225,377 shares of Class A common stock would increase the aggregate number of shares of our Class A common stock and Class B common stock outstanding by approximately 15.1%. Furthermore, the related tax withholding obligations incurred in connection with the issuances described above may be satisfied through methods that may include our withholding from the issuance a number of shares with a value equivalent to the withholding amount due and using our available capital resources to pay the related tax burden, which could have a material impact on our liquidity and capital resources. Any issuance of Class A common stock described above, or use of capital resources to pay the related tax burden described above, or the fact that any such issuance or use of capital resources may be impending, may adversely impact the market price of our Class A common stock.

***Our ability to raise capital in a timely manner if needed in the future may be limited, or such capital may be unavailable on acceptable terms, if at all. Our failure to raise capital if needed could adversely affect our business and results of operations, and any debt or equity issued to raise additional capital may reduce the value of our Class A common stock.***

We have funded our operations since inception primarily through receipts generated from customers. We cannot be certain if our operations will continue to generate sufficient cash to fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business and may require additional funds. Additional financing may not be available on favorable terms, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could adversely affect our business and results of operations.

Under our credit facility, our existing lenders have rights senior to the holders of Class A common stock to make claims on our assets, the terms of credit facility restrict our operations, and we may be unable to service or repay this debt. In addition, if we incur additional debt, the lenders would also have rights senior to holders of Class A common stock to make claims on our assets, the terms of any debt could further restrict our operations and we may be unable to service or repay such additional debt. Furthermore, if we issue additional equity securities, stockholders may experience dilution, and the new equity securities could have rights senior to those of our Class A common stock. Because our decision to issue securities in a future offering will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the impact any future incurrence of debt or issuance of equity securities will have on us. Any future incurrence of debt or issuance of equity securities could adversely affect the value of our Class A common stock.

***The phase-out of the London Interbank Offered Rate, or LIBOR, or the replacement of LIBOR with a different reference rate, may adversely affect interest rates.***

Borrowings under our credit facility bear interest at a rate determined using LIBOR as the reference rate. On July 27, 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced that it would phase out LIBOR by the end of 2021. On March 5, 2021, ICE Benchmark Administration Limited, the authorized administrator of LIBOR, announced its intention to cease the publication of the one week and two month USD LIBOR after December 31, 2021 and the overnight and twelve month after June 30, 2023. The Alternative Reference Rates Committee has proposed the Secured Overnight Financing Rate, or SOFR, as its recommended alternative to LIBOR, and the Federal Reserve Bank of New York began publishing SOFR rates in April 2018. SOFR is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. We are evaluating the potential impact of the eventual replacement of the LIBOR benchmark interest rate, including the possibility of SOFR as the dominant replacement. Introduction of an alternative rate also may introduce additional basis risk for market participants as an alternative index is utilized along with LIBOR. There can be no guarantee that SOFR will become widely used and that alternatives may or may not be developed with additional complications. This could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. We cannot predict the effect of the potential changes to LIBOR or the establishment and use of alternative rates or benchmarks, such as SOFR. Furthermore, we may need to renegotiate our credit facility or incur other indebtedness, and changes in the method of calculating LIBOR, or the use of an alternative rate or benchmark, may negatively impact the terms of such indebtedness.

***Amendments to existing tax laws, rules, or regulations or enactment of new unfavorable tax laws, rules, or regulations could have an adverse effect on our business and operating results.***

The Tax Cuts and Jobs Act made a number of significant changes to the U.S. federal income tax rules, including reducing the generally applicable corporate tax rate from 35% to 21%, imposing additional limitations on the deductibility of interest, placing limits on the utilization of net operating losses and making substantial changes to the international tax rules. In addition, the U.S. Treasury Department has proposed significant changes to the current U.S. federal income tax rules applicable to domestic corporations, including an increase in the generally applicable corporate tax rate from 21% to 28% and certain increases in tax rates applicable to foreign earnings. If any or all of these (or similar) proposals are ultimately enacted into law, in whole or in part, they could have a negative impact on our effective tax rate. It cannot be predicted whether or when tax laws, regulations and rulings may be enacted, issued, or amended that could materially and adversely impact our financial position, results of operations, or cash flows.

***Our estimates of certain operational metrics are subject to inherent challenges in measurement.***

We make certain estimates with regard to certain operational metrics which we track using internal systems that are not independently verified by any third party. While the metrics presented in this report are based on what we believe to be reasonable assumptions and estimates, our internal systems have a number of limitations, and our methodologies for tracking these metrics may change over time. If investors do not perceive our estimates of our operational metrics to be accurate, or if we discover material inaccuracies with respect to these figures, our reputation may be significantly harmed, and our results of operations and financial condition could be adversely affected.



***We are subject to certain restrictive covenants under agreements relating to our credit facility. In addition, substantially all of our assets, including our intellectual property, are pledged as collateral to secure such credit facility.***

Our credit facility contains a number of restrictive covenants which, among other things, require us to maintain specified financial ratios and impose certain limitations on us with respect to investments, asset sales, additional indebtedness, dividends, distributions, guarantees, liens and encumbrances. Our ability to meet these financial ratios can be affected by operating performance or other events beyond our control, and we cannot assure you that we will meet those ratios. Certain events of default under our credit facility could allow the lenders to declare all amounts outstanding to be immediately due and payable and, therefore, could have a material adverse effect on our business.

We have pledged substantially all of our assets, including our intellectual property, in support of the credit facility. If we were unable to repay the amounts due under our credit facility or fail to cure any breach of the covenants contained thereunder, our lenders could proceed against the collateral granted to them to secure such indebtedness.

### **Risks Related to Our Intellectual Property**

***If we are unable to protect our intellectual property, including trade secrets, or if we fail to enforce our intellectual property rights, our business could be adversely affected.***

Our success depends upon our ability to protect our intellectual property, which may require us to incur significant costs. We have developed much of our intellectual property internally, and we rely on a combination of confidentiality obligations in contracts, copyrights, trademarks, service marks, trade secret laws and other contractual restrictions to establish and protect our intellectual property and other proprietary rights. In particular, we enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have business relationships in which they will have access to our confidential information. We also rely upon licenses to intellectual property from third parties. No assurance can be given that these agreements or other steps we take to protect our intellectual property or the third-party intellectual property used in our solution will be effective in controlling access to and distribution of our solution and our confidential and proprietary information. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized uses of our intellectual property.

Despite our precautions, it may be possible for third parties to copy our solution and use information that we regard as proprietary to create solutions and services that compete with ours. Third parties may also independently develop technologies that are substantially equivalent to our solution. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our solution may be unenforceable under the laws of certain jurisdictions.

In some cases, litigation may be necessary to enforce our intellectual property rights or to protect our trade secrets. Litigation could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights and exposing us to significant damages or injunctions. Our inability to protect our intellectual property against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay sales or the implementation of our solution, impair the functionality of our solution, delay introductions of new systems, result in our substituting less-advanced or more-costly technologies into our solution or harm our reputation. In addition, we may be required to license additional intellectual property from third parties to develop and market new systems, and we cannot assure you that we could license that intellectual property on commercially reasonable terms or at all.

Despite our efforts to protect our proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer, or otherwise obtain and use them. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, the contractual provisions that we enter into may not prevent unauthorized use or disclosure of our proprietary technology or intellectual property rights and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or intellectual property rights. Moreover, policing unauthorized use of our technologies, trade secrets and intellectual property is difficult, expensive and time-consuming, particularly in foreign

countries where the laws may not be as protective of intellectual property rights as those in the United States and where mechanisms for enforcement of intellectual property rights may be weak. We may be unable to determine the extent of any unauthorized use or infringement of our solution, technologies or intellectual property rights. If we are unable to protect our intellectual property, our business could be adversely affected.

***Claims or assertions by third parties of infringement or other violations by us of their intellectual property rights could result in significant costs and substantially harm our business and results of operations.***

Vigorous protection and pursuit of intellectual property rights has resulted in protracted and expensive litigation for many companies in the technology industry. Although claims of this kind have not materially affected our business to date, there can be no assurance such claims will not arise in the future. Any claims or proceedings against us, regardless of whether meritorious, could be time consuming, result in costly litigation, require significant amounts of management time, result in the diversion of significant operational resources, or require us to enter into royalty or licensing agreements, any of which could harm our business, financial condition and results of operations.

Intellectual property lawsuits are subject to inherent uncertainties due to the complexity of the technical issues involved, and we cannot be certain that we will be successful in defending ourselves against intellectual property claims. In addition, we may not be able to effectively use our intellectual property portfolio to assert defenses or counterclaims in response to copyright, patent and trademark infringement claims or litigation, as well as claims for trade secret misappropriation and unfair competition, brought against us by third parties.

Many potential litigants have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. Furthermore, a successful claimant could secure a judgment that requires us to pay substantial damages or prevents us from distributing certain systems or performing certain services. We might also be required to seek a license and pay royalties for the use of such intellectual property, which may not be available on commercially acceptable terms or at all. Alternatively, we may be required to develop non-infringing technology, which could require significant effort and expense and may ultimately not be successful.

***If our solution infringes on the intellectual property rights of others, we may be required to obtain costly licenses, enter into unfavorable royalty agreements, be forced to terminate some clients' agreements, or indemnify our clients for any or some damages they suffer.***

We generally indemnify our clients with respect to infringement by our products of the proprietary rights of third parties. Third parties may assert infringement claims against our clients. These claims may require us to initiate or defend protracted and costly litigation on behalf of our clients, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our clients or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our clients may stop using our products.

***We use "open source" software in our solution, which may restrict how we use or distribute our solution, require that we release the source code of certain software subject to open source licenses, or subject us to litigation or other actions that could adversely affect our business.***

We currently use in our solution, and may use in the future, software that is licensed under "open source," "free" or other similar licenses where the licensed software is made available to the general public on an "as-is" basis under the terms of a specific non-negotiable license. Some open source software licenses require that software subject to the license be made available to the public and that any modifications or derivative works based on the open source code be licensed in source code form under the same open source licenses. Although we monitor our use of open source software, we cannot assure you that all open source software is reviewed prior to use in our solution, that our programmers have not incorporated open source software into our solution, or that they will not do so in the future. In addition, some of our products may incorporate third-party software under commercial licenses. We cannot be certain whether such third-party software incorporates open source software without our knowledge. In the past, companies that incorporate open source software into their products have faced claims alleging noncompliance with open source license terms or infringement or misappropriation of proprietary software. Therefore, we could be subject to suits by parties claiming noncompliance with

open source licensing terms or infringement or misappropriation of proprietary software. Because few courts have interpreted open source licenses, the manner in which these licenses may be interpreted and enforced is subject to some uncertainty. There is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market or provide our solution. As a result of using open source software subject to such licenses, we could be required to release our proprietary source code, pay damages, re-engineer our products, limit or discontinue sales, or take other remedial action, any of which could adversely affect our business.

### **Risks Related to Legal and Regulatory Matters**

***Although we are not subject to direct regulation, the regulatory environment in which our clients operate is subject to continual change and regulatory developments designed to increase oversight could adversely affect our business.***

Although we are not currently subject to direct regulation, the legislative and regulatory environment in which our clients operate undergoes continuous change, subjecting industry participants to additional, more costly and potentially more punitive regulation. New laws or regulations, or changes in the enforcement of existing laws or regulations, applicable to our clients or directly applicable to us could adversely affect our business subjecting us to additional costs. Any or all of the regulators who oversee our clients could adopt new rules or rule amendments that could substantially impact how we operate and may necessitate significant expenditures in order to adapt and comply. Our ability to support our clients in an uncertain and ever-changing regulatory environment will depend on our ability to constantly monitor and promptly react to legislative and regulatory changes, which inevitably result in intangible costs and resource drains. The compliance burden resulting from regulatory changes and uncertainty is likely to increase, particularly as regulators grow more technologically advanced and more reliant on data analytics. As a result, we may be forced to divert resources and expenditures to information technology in order to analyze data and risk in the same manner as regulators to be able to assist our clients in providing regulators with the data output they may expect going forward.

There also have been a number of highly publicized regulatory inquiries that have focused on the investment management industry. These inquiries have resulted in increased scrutiny of the industry and new rules and regulations for mutual funds and investment managers. This regulatory scrutiny may limit our ability to engage in certain activities that might be beneficial to our stockholders. Further, adverse results of regulatory investigations of mutual fund, investment advisory and financial services firms could tarnish the reputation of the financial services industry generally and mutual funds and investment advisers more specifically, causing investors to avoid further fund investments or redeem their account balances. Further, due to acts of serious fraud in the investment management industry and perceived lapses in regulatory oversight, U.S. and non-U.S. governmental and regulatory authorities may continue to increase regulatory oversight of our clients' businesses.

This evolving, complex and often unpredictable regulatory environment could result in our failure to provide a compliant solution, which could result in clients not purchasing our solution or terminating their agreements with us or the imposition of fines or other liabilities for which we may be responsible. In addition, federal, state, local and/or foreign agencies may attempt to further regulate our activities in the future. If enacted or deemed applicable to us, such laws, rules, or regulations could be imposed on our activities or our business thereby rendering our business or operations more costly, burdensome, less efficient, or impossible, any of which could have a material adverse effect on our business, financial condition and operating results.

***Any future litigation against us could damage our reputation and be costly and time-consuming to defend.***

We may become subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our clients in connection with commercial disputes or employment claims made by current or former employees. Litigation might result in reputational damage and substantial costs and may divert management's attention and resources, which might adversely impact our business, overall financial condition and results of operations. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. Moreover, any negative impact to our reputation will not be adequately covered by any insurance recovery. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby reducing our results of operations and leading analysts or potential investors to reduce their expectations of our performance, which could reduce the value of our Class A common

stock. While we currently are not aware of any material pending or threatened litigation against us, we can make no assurances the same will continue to be true in the future.

***Our failure to comply with laws and regulations related to the Internet or future government regulation of the Internet, could increase costs and impose constraints on the way we conduct our business.***

We and our clients are subject to laws and regulations applicable to doing business over the Internet. It is often not clear how existing laws governing issues such as property ownership, sales and other taxes apply to the Internet, as these laws have in some cases failed to keep pace with technological change. Laws governing the Internet could also impact our business or the business of our clients. For instance, existing and future regulations on taxing Internet use, pricing, characterizing the types and quality of services and products, or restricting the exchange of information over the Internet or mobile devices could result in reduced growth of our business, a general decline in the use of the Internet by financial services providers, or their end users, or diminished viability of our solution and could significantly restrict our clients' ability to use our solution. Changing laws and regulations, industry standards and industry self-regulation regarding the collection, use and disclosure of certain data may have similar effects on our and our clients' businesses. Any such constraint on the growth in Internet could decrease its acceptance as a medium of communication and commerce or result in increased adoption of new modes of communication and commerce that may not be supported by our solution. Any such adverse legal or regulatory developments could substantially harm our operating results and our business.

***Our failure to comply with the FCPA and similar anti-bribery and anti-corruption laws associated with our activities outside the United States could subject us to penalties and other adverse consequences.***

A portion of our revenues are derived from jurisdictions outside of the United States. We are subject to the FCPA, which generally prohibits U.S. companies and their intermediaries from making payments to foreign officials for the purpose of directing, obtaining, or keeping business and requires companies to maintain reasonable books and records and a system of internal accounting controls. The FCPA applies to companies and individuals alike, including company directors, officers, employees and agents. Under the FCPA, U.S. companies may be held liable for corrupt actions taken by employees, strategic, or local partners or other representatives. In addition, the government may seek to rely on a theory of successor liability and hold us responsible for FCPA violations committed by companies or associated with assets that we acquire.

In certain foreign jurisdictions where we currently operate or plan to expand our operations, particularly countries with developing economies, it may be a local custom for businesses to engage in practices that are prohibited by the FCPA or other similar laws and regulations. There can be no assurance that our colleagues, partners and agents, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of the FCPA or our policies for which we may be ultimately held responsible. If we or our intermediaries fail to comply with the requirements of the FCPA or similar anti-bribery and anti-corruption legislation such as the United Kingdom Bribery Act and the China Unfair Competition law, governmental authorities in the United States and elsewhere could seek to impose civil and/or criminal fines and penalties, which could harm our business, financial conditions and results of operations. We may also face collateral consequences such as debarment and the loss of our export privileges.

***Our failure to comply with various data privacy, security, or management regulations could impose additional costs and liabilities on us, limit our use, storage, or processing of information and adversely affect our business.***

We operate in a regulatory environment in which requirements applicable to privacy, data protection and data security are continually evolving. We cannot assure you that relevant governmental authorities will not interpret or implement the laws or regulations in ways that negatively affect the cloud service industry, our clients and us. Regulatory investigations, restrictions, penalties and sanctions, whether targeted at us or not, may negatively affect the market environment in which we operate, our existing or potential clients and our products and services, which may in turn have a material adverse effect on our business, results of operations and financial condition. It is also possible that we may become subject to additional or new laws and regulations regarding privacy, data protection and data security in connection with the data we have access to and the data products and services we provide to our clients. Moreover, we may become subject to regulatory requirements as a result of utilization of our products and services by residents of certain jurisdictions, such as the General Data Protection Regulation of the European Union, or the GDPR. Complying with additional or new

regulatory requirements could force us to incur substantial costs or require us to change our business practices. Moreover, if a high profile security breach occurs with respect to our competitors, people may lose trust in the security of cloud service providers generally, including us, which could damage the reputation of the industry, result in heightened regulation and strengthened regulatory enforcement and adversely affect our business and results of operations.

We expect that we will continue to face uncertainty as to whether our efforts to comply with evolving obligations under global data protection, privacy and security laws will be sufficient. Any failure or perceived failure by us to comply with applicable laws and regulations could result in reputational damage or proceedings or actions against us by governmental authorities, individuals or others. These proceedings or actions could subject us to significant civil or criminal penalties and negative publicity, require us to change our business practices, increase our costs and materially harm our business, prospects, financial condition and results of operations. In addition, our current and future relationships with clients, vendors and other third parties could be negatively affected by any proceedings or actions against us or current or future data protection obligations imposed on them under applicable law, including the GDPR. Furthermore, a data breach affecting personal information could result in significant legal and financial exposure and reputational damage that could potentially have an adverse effect on our business.

***Our failure to comply with the GDPR or other data privacy regimes could subject us to fines and reputational harm.***

Global privacy, data protection and security legislation, enforcement and policy activity are rapidly expanding and creating a complex data privacy compliance environment and the potential for high profile negative publicity in the event of any data breach. We are subject to many privacy and data protection laws and regulations in the United States and around the world, some of which place restrictions on our ability to process personal data across our business. For example, the GDPR imposes stringent requirements relating to, among other things, consent to process personal data of individuals, the information provided to individuals regarding the processing of their personal data, the security and confidentiality of personal data and notifications in the event of data breaches and use of third-party processors. The GDPR imposes substantial fines for breaches of data protection requirements, which can be up to four percent of the worldwide revenues or 20 million Euros, whichever is greater. While we will continue to undertake efforts to conform to current regulatory obligations and evolving best practices, we may be unsuccessful complying fully with all applicable European requirements, particularly with respect to ensuring that all transfers of personal data from the European Economic Area comply with legal requirement that continue to evolve. We may also experience hesitancy, reluctance, or refusal by European or multi-national clients to continue to use some of our services due to the potential risk exposure of personal data transfers and the current data protection obligations imposed on them by certain data protection authorities. Such clients may also view any alternative approaches to the transfer of any personal data as being too costly, too burdensome, or otherwise objectionable, and therefore may decide not to do business with us if the transfer of personal data is a necessary requirement. In addition, further to the United Kingdom's exit from the European Union on January 31, 2020, the GDPR ceased to apply in the United Kingdom at the end of the transition period on December 31, 2020. However, as of January 1, 2021, the United Kingdom's European Union (Withdrawal) Act 2018 incorporated the GDPR (as it existed on December 31, 2020 but subject to certain United Kingdom specific amendments) into United Kingdom law, or the UK GDPR. The UK GDPR and the UK Data Protection Act 2018 set out the United Kingdom's data protection regime, which is independent from but aligned to the European Union's data protection regime.

In the United States, many state legislatures have adopted legislation that regulates how businesses operate online, including measures relating to privacy, data security and data breaches. Laws in all 50 states require businesses to provide notice to customers whose personally identifiable information has been disclosed as a result of a data breach. The laws are not consistent, and compliance in the event of a widespread data breach is costly. States are also constantly amending existing laws, requiring attention to frequently changing regulatory requirements. Further, California recently enacted the California Consumer Privacy Act, or the CCPA, which became effective on January 1, 2020 and the California Privacy Rights Act, or the CPRA, which will become effective on January 1, 2023. The CCPA and CPRA give California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used. The CCPA and CPRA provide for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA and CPRA may increase our compliance costs and potential liability.

## [Table of Contents](#)

In addition, on March 2, 2021, Virginia enacted the Consumer Data Protection Act, or the CDPA. The CDPA will become effective January 1, 2023. The CDPA will regulate how businesses (which the CDPA refers to as “controllers”) collect and share personal information. While the CDPA incorporates many similar concepts of the CCPA and CPRA, there are also several key differences in the scope, application and enforcement of the law that will change the operational practices of controllers. The new law will impact how controllers collect and process personal sensitive data, conduct data protection assessments, transfer personal data to affiliates and respond to consumer rights requests.

The enactment of the CCPA, CPRA and CDPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, which could increase our potential liability and adversely affect our business.

Although we take reasonable efforts to comply with all applicable laws and regulations and have invested and continue to invest human and technology resources into data privacy compliance efforts, there can be no assurance that we will not be subject to regulatory action, including fines, in the event of an incident or other claim. We or our third-party service providers could be adversely affected if legislation or regulations are expanded to require changes in our or our third-party service providers’ business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our or our third-party service providers’ business, results of operations, or financial condition.

Though our term licensing model does not significantly collect and transfer personal information from our clients to us, our increased focus on SaaS solutions and the current data protection landscape may subject us to greater risk of potential inquiries and/or enforcement actions. For example, we may find it necessary to establish alternative systems to maintain personal data originating from the European Union in the European Economic Area, which may involve substantial expense and may cause us to divert resources from other aspects of our business, all of which may adversely affect our results from operations. Further, any inability to adequately address privacy concerns in connection with our solution, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, and adversely affect our ability to offer SaaS solutions.

Anticipated further evolution of regulations on this topic may substantially increase the penalties to which we could be subject in the event of any non-compliance. We may incur substantial expense in complying with the new obligations to be imposed by new regulations and we may be required to make significant changes to our solution and expanding business operations, all of which may adversely affect our results of operations.

***Uncertainty in the marketplace regarding the use, processing and storage of personal information, or legislation concerning such use, processing, or storage could reduce demand for our services and result in increased expenses.***

Concern among consumers and legislators regarding the use of personal information gathered from Internet users could create uncertainty in the marketplace. This could reduce demand for our solution, increase the cost of doing business as a result of litigation costs or increased service delivery costs, or otherwise harm our business.

***Our business is subject to new, complex and evolving U.S. and foreign laws and regulations regarding privacy and data protection.***

Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy and data protection. The regulatory environment surrounding data privacy and protection is constantly evolving and can be subject to significant change. New laws and regulations governing data privacy and the unauthorized disclosure of confidential information, including the GDPR in jurisdictions in which we operate, such as the European Union, the United Kingdom, Brazil, Hong Kong, India and Singapore, and recent state legislation in the United States, pose increasingly complex compliance challenges and potentially elevate our costs. Any failure, or perceived failure, by us to comply with applicable data protection laws could result in proceedings or actions against us by governmental entities or others, subject us to significant fines, penalties, judgments and negative publicity, require us to change our business practices, increase the costs and complexity of compliance and adversely affect our business. As noted above, we are also subject to the possibility of cyber incidents or attacks, which themselves may result in a violation of these laws. Additionally, if we acquire a company that has violated or is not in compliance with applicable data protection laws, we may incur significant liabilities and penalties as a result.

***Failure to comply with governmental laws and regulations could harm our business, materially and adversely affect us and cause our stock price to decline significantly.***

Our business is subject to regulation by various federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, product safety, environmental laws, consumer protection laws, anti-bribery laws, import/export controls, federal securities laws and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, revocation of required licenses, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, we could be materially and adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in legal and professional costs and expenses.

We are not a registered broker-dealer and therefore we do not execute trades. We provide passive communication technology to institutional investors, such as money managers and hedge funds, that enables such investors to communicate with executing brokers, prime brokers and clearing firms. As such, we must ensure that our technology activities and our compensation structure therefore would not result in our acting as an unregistered broker-dealer or investment adviser that could subject us to, among other things, regulatory enforcement actions, monetary fines, restrictions on the conduct of our technology business and rescission/damages claims by clients who use our technology. Our failure to comply with any laws or regulations, or the costs associated with defending any action alleging our noncompliance with any laws or regulations, could materially and adversely affect us and cause our stock price to decline significantly.

**Risks Related to our Class A Common Stock**

***The market price and trading volume of our Class A common stock may be volatile, which could result in rapid and substantial losses for our stockholders.***

The market price of our Class A common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our Class A common stock may fluctuate and cause significant price variations to occur. If the market price of our Class A common stock declines significantly, stockholders' may be unable to resell their shares at or above their purchase price, if at all. The market price of our Class A common stock may fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our Class A common stock include:

- variations in our quarterly or annual operating results;
- our ability to attract new clients, particularly larger clients, in both domestic and international markets and our ability to increase sales to and renew agreements with our existing clients, particularly larger clients, at comparable prices;
- the timing of our clients' buying decisions and reductions in our clients' budgets for IT purchases and delays in their purchasing cycles, particularly in light of recent adverse global economic conditions;
- changes in our earnings estimates (if provided) or differences between our actual financial and operating results and those expected by investors and analysts;
- the contents of published research reports about us or our industry or the failure of securities analysts to cover our Class A common stock;
- additions to, or departures of, key management personnel;
- any increased indebtedness we may incur in the future;

## [Table of Contents](#)

- announcements and public filings by us or others and developments affecting us;
- our obligations to issue Class A common stock to former holders of Award Units under our former Change in Control Bonus Plan;
- actions by institutional stockholders;
- litigation and governmental investigations;
- operating and stock performance of other companies that investors deem comparable to us (and changes in their market valuations) and overall performance of the equity markets;
- speculation or reports by the press or investment community with respect to us or our industry in general;
- increases in market interest rates that may lead purchasers of our shares to demand a higher yield;
- announcements by us or our competitors of significant contracts, acquisitions, dispositions, strategic relationships, joint ventures or capital commitments;
- announcements or actions taken by significant stockholders;
- sales of substantial amounts of our Class A common stock by significant stockholders or our insiders, or the expectation that such sales might occur;
- volatility or economic downturns in the markets in which we, our clients and our partners are located caused by pandemics, including the COVID-19 pandemic and related policies and restrictions undertaken to contain the spread of such pandemics or potential pandemics; and
- general market, political and economic conditions, in the investment management industry in particular, including any such conditions and local conditions in the markets in which any of our clients are located.

These broad market and industry factors may decrease the market price of our Class A common stock, regardless of our actual operating performance. The stock market in general has from time to time experienced extreme price and volume fluctuations. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

***An active, liquid trading market for our Class A common stock may not develop or be sustained, which may make it difficult for you to sell the Class A common stock you purchase.***

We cannot assure you that the price of our Class A common stock will equal or exceed the price at which our securities have traded at any point from and after our IPO. We cannot predict the extent to which investor interest in us will lead to the development of a trading market or how active and liquid that market may become. If an active and liquid trading market for our Class A common stock may not develop or continue, you may have difficulty selling any of our Class A common stock at a price above the price you purchase it or at all. If an active and liquid trading market for our Class A common stock does not develop or continue, or, if not further developed, it may not be sustained and our ability to raise capital to fund our operations by selling shares and our ability to acquire other companies or technologies by using our shares as consideration will suffer.

***Future sales of shares by existing stockholders could cause our stock price to decline.***

If our existing stockholders, including employees who obtain equity, sell, or indicate an intention to sell, substantial amounts of our Class A common stock in the public market, the trading price of our Class A common stock



could decline. As of December 31, 2022, we had outstanding 70,859,711 shares of Class A common stock and 43,198,767 shares of Class B common stock. In addition, as of December 31, 2022, we will issue 17,225,377 shares of Class A common stock to former holders of Award Units and a non-executive employee, in each case between December 31, 2022 and October 20, 2023, and as further described under the risk factor entitled “Our obligations to issue Class A common stock to former holders of Award Units under our former Change in Control Bonus Plan could expose us to a variety of risks and will cause us to recognize significant stock-based compensation expense that will substantially impact our net income in the near term.”. Sales of a substantial number of such shares or the perception that such sales may occur could cause our market price to fall or make it more difficult for you to sell your Class A common stock at a time and price that you deem appropriate.

***Future offerings of debt or equity securities by us may materially and adversely affect the market price of our Class A common stock.***

In the future, we may attempt to obtain financing or to further increase our capital resources by issuing additional shares of our Class A common stock or offering debt or other equity securities, including senior or subordinated notes, debt securities convertible into equity, or shares of preferred stock. In addition, we may seek to expand operations in the future to other markets which we would expect to finance through a combination of additional issuances of equity, corporate indebtedness and/or cash from operations.

Issuing additional shares of our Class A common stock or other equity securities or securities convertible into equity may dilute the economic and voting rights of our existing stockholders or reduce the market price of our Class A common stock or both. Upon liquidation, holders of such debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our Class A common stock. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our Class A common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing or nature of our future offerings. Thus, holders of our Class A common stock bear the risk that our future offerings may reduce the market price of our Class A common stock and dilute their stockholdings in us.

***The future issuance of additional Class A common stock in connection with our incentive plans or otherwise will dilute all other stockholdings.***

We may issue additional shares of Class A common stock that are authorized under our amended and restated certificate of incorporation but not currently issued or reserved for issuance under our equity incentive plans. Subject to applicable law and stock exchange rules, we may issue these shares of Class A common stock without any action or approval by our stockholders, subject to certain exceptions. Any Class A common stock issued in connection with our incentive plans, the exercise of outstanding stock options or otherwise would dilute the percentage ownership held by our Class A common stockholders.

***Insiders have substantial control over us, which could limit your ability to influence the outcome of key transactions, including a change of control.***

As of December 31, 2022, our directors, executive officers and each of our stockholders who own greater than 5% of our outstanding common stock and their affiliates, in the aggregate, beneficially owned approximately 73.1% of the combined voting power of our common stock through their ownership of both Class A common stock and Class B common stock. As a result, these stockholders are able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their Class A common stock as part of a sale of our company and might ultimately adversely affect the market price of our Class A common stock.

## **Risks Related to our Organizational Structure**

***Enfusion, Inc. is a holding company and its only material asset is its direct and/or indirect interest in Enfusion Ltd. LLC, and it is accordingly dependent upon distributions from Enfusion Ltd. LLC to pay taxes, make payments under the Tax Receivable Agreement and pay dividends.***

Enfusion, Inc. is a holding company and after the completion of the IPO has no material assets other than its direct and/or indirect ownership of Common Units. Enfusion, Inc. has no independent means of generating revenues. Enfusion, Inc. intends to cause Enfusion Ltd. LLC to make distributions to holders of its Common Units, including directly and/or indirectly Enfusion, Inc. and our Pre-IPO Common Unitholders, in an amount sufficient to cover all applicable taxes at assumed tax rates, payments under the Tax Receivable Agreement and dividends, if any, declared by it. Deterioration in the financial condition, earnings, or cash flow of Enfusion Ltd. LLC and its subsidiaries for any reason could limit or impair their ability to pay such distributions. Additionally, to the extent that Enfusion, Inc. needs funds, and Enfusion Ltd. LLC is restricted from making such distributions under applicable law or regulation or under the terms of our financing arrangements, or is otherwise unable to provide such funds, such restriction could materially adversely affect our liquidity and financial condition.

We anticipate that Enfusion Ltd. LLC will continue to be treated as a partnership for U.S. federal income tax purposes and, as such, generally will not be subject to any entity-level U.S. federal income tax. Instead, taxable income will be allocated to holders of Common Units, including us. Accordingly, we will be required to pay income taxes on our direct and/or indirect allocable share of any net taxable income of Enfusion Ltd. LLC. Legislation that is effective for taxable years beginning after December 31, 2017 may impute liability for adjustments to a partnership's tax return to the partnership itself in certain circumstances, absent an election to the contrary. Enfusion Ltd. LLC may be subject to material liabilities pursuant to this legislation and related guidance if, for example, its calculations of taxable income are incorrect. In addition, the income taxes on our direct and/or indirect allocable share of Enfusion Ltd. LLC's net taxable income will increase over time as our Pre-IPO Common Unitholders exchange their Common Units for shares of our Class A common stock. Such increase in our tax expenses may have a material adverse effect on our business, results of operations and financial condition.

Under the terms of the amended and restated limited partnership agreement, Enfusion Ltd. LLC is obligated to make tax distributions to holders of Common Units, including (directly and/or indirectly) us, at certain assumed tax rates. These tax distributions may in certain periods exceed our tax liabilities and obligations to make payments under the Tax Receivable Agreement. Our board of directors, in its sole discretion, will make any determination from time to time with respect to the use of any such excess cash so accumulated, which may include, among other uses, funding repurchases of Class A common stock; acquiring additional newly issued Common Units from Enfusion Ltd. LLC at a per unit price determined by reference to the market value of the Class A common stock; paying dividends, which may include special dividends, on our Class A common stock; or any combination of the foregoing. We will have no obligation to distribute such cash (or other available cash other than any declared dividend) to our stockholders. To the extent that we do not distribute such excess cash as dividends on our Class A common stock or otherwise undertake ameliorative actions between Common Units and shares of Class A common stock and instead, for example, hold such cash balances, our Pre-IPO Common Unitholders may benefit from any value attributable to such cash balances as a result of their ownership of Class A common stock following a redemption or exchange of their Common Units, notwithstanding that such Pre-IPO Common Unitholders may previously have participated as holders of Common Units in distributions by Enfusion Ltd. LLC that resulted in such excess cash balances at Enfusion, Inc. See "Certain Relationships and Related Party Transactions—Seventh Amended and Restated Operating Agreement of Enfusion Ltd. LLC" of the definitive Proxy Statement for our 2022 Annual Meeting of Stockholders, which was filed with the SEC on April 29, 2022.

Payments of dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our business, operating results and financial condition, current and anticipated cash needs, plans for expansion and any legal or contractual limitations on our ability to pay dividends. Our existing credit facilities include, and any financing arrangement that we enter into in the future may include, restrictive covenants that limit our ability to pay dividends. In addition, Enfusion Ltd. LLC is generally prohibited under Delaware law from making a distribution to a limited partner to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of

Enfusion Ltd. LLC (with certain exceptions) exceed the fair value of its assets. Subsidiaries of Enfusion Ltd. LLC are generally subject to similar legal limitations on their ability to make distributions to Enfusion Ltd. LLC.

***Enfusion, Inc. will be required to pay certain of our Pre-IPO Owners for most of the benefits relating to tax depreciation or amortization deductions that we may claim as a result of Enfusion, Inc.'s acquisition of existing tax basis in the IPO, increases in existing tax basis and anticipated tax basis adjustments we receive in connection with sales or exchanges (or deemed exchanges) of Common Units or distributions (or deemed distributions) with respect to Common Units after the IPO and our utilization of certain tax attributes of the Blocker Companies.***

Prior to the completion of the IPO, we entered into a Tax Receivable Agreement with certain of our Pre-IPO Owners that provides for the payment by Enfusion, Inc. to such Pre-IPO Owners of 85% of the benefits, if any, that Enfusion, Inc. actually realizes, or is deemed to realize (calculated using certain assumptions), as a result of (i) existing tax basis acquired in the IPO, (ii) increases in existing tax basis and adjustments to the tax basis of the tangible and intangible assets of Enfusion Ltd. LLC as a result of sales or exchanges (or deemed exchanges) of Common Units for shares of Class A common stock or distributions (or deemed distributions) with respect to Common Units after the IPO, (iii) Enfusion, Inc.'s utilization of certain attributes of the Blocker Companies, and (iv) certain other tax benefits related to entering into the Tax Receivable Agreement, including tax benefits attributable to payments under the Tax Receivable Agreement. The existing tax basis, increases in existing tax basis and the tax basis adjustments generated over time may increase (for tax purposes) the depreciation and amortization deductions available to Enfusion, Inc. and, therefore, may reduce the amount of U.S. federal, state and local tax that Enfusion, Inc. would otherwise be required to pay in the future, although the IRS may challenge all or part of the validity of that tax basis, and a court could sustain such a challenge. The existing tax basis acquired in the IPO and the increase in existing tax basis and the anticipated tax basis adjustments upon purchases or exchanges (or deemed exchanges) of Common Units for shares of Class A common stock or distributions (or deemed distributions) with respect to Common Units may also decrease gains (or increase losses) on future dispositions of certain assets to the extent tax basis is allocated to those assets. Actual tax benefits realized by Enfusion, Inc. may differ from tax benefits calculated under the Tax Receivable Agreement as a result of the use of certain assumptions in the Tax Receivable Agreement, including the use of an assumed weighted-average state and local income tax rate to calculate tax benefits.

The payment obligation under the Tax Receivable Agreement is an obligation of Enfusion, Inc. and not of Enfusion Ltd. LLC. While the amount of existing tax basis and anticipated tax basis adjustments and utilization of tax attributes, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, we expect the payments that Enfusion, Inc. may make under the Tax Receivable Agreement will be substantial. The actual amounts payable will depend upon, among other things, the timing of purchases or exchanges, the price of shares of our Class A common stock at the time of such purchases or exchanges, the extent to which such purchases or exchanges are taxable, the tax rate and the amount and timing of our taxable income. The amount of existing tax basis and basis adjustments acquired in the IPO was approximately \$229.3 million. If all of the Pre-IPO Common Unitholders had exchanged or sold to us all of their outstanding Common Units as of December 31, 2022, we would have recognized a deferred tax asset of approximately \$149.1 million and a liability under the Tax Receivable Agreement of approximately \$126.7 million, assuming: (i) all exchanges or purchases occurred on the same day, (ii) a price of \$9.67 per share, which was the price per share of Class A common stock as of December 31, 2022, (iii) a constant corporate tax rate of 29.92%, (iv) that we would have sufficient taxable income to fully utilize the tax benefits, and (v) no material changes in tax law. The payments under the Tax Receivable Agreement are not conditioned upon continued ownership of us by the Pre-IPO Owners.

***In certain cases, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual benefits Enfusion Ltd. LLC realizes in respect of the tax attributes subject to the Tax Receivable Agreement.***

Enfusion, Inc.'s payment obligations under the Tax Receivable Agreement will be accelerated in the event of certain changes of control, upon a breach by Enfusion, Inc. of a material obligation under the Tax Receivable Agreement or if Enfusion, Inc. elects to terminate the Tax Receivable Agreement early. The accelerated payments required in such circumstances will be calculated by reference to the present value (at a discount rate equal to the lesser of (i) 6.5% per annum and (ii) one-year LIBOR (or its successor rate) plus 100 basis points) of all future payments that holders of Common Units or other recipients would have been entitled to receive under the Tax Receivable Agreement, and such accelerated

payments and any other future payments under the Tax Receivable Agreement will utilize certain valuation assumptions, including that Enfusion, Inc. will have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the Tax Receivable Agreement and sufficient taxable income to fully utilize any remaining net operating losses subject to the Tax Receivable Agreement on a straight line basis over the shorter of the statutory expiration period for such net operating losses or the five-year period after the early termination or change of control. In addition, recipients of payments under the Tax Receivable Agreement will not reimburse us for any payments previously made under the Tax Receivable Agreement if the tax attributes or Enfusion, Inc.'s utilization of tax attributes underlying the relevant Tax Receivable Agreement payment are successfully challenged by the IRS (although any such detriment would be taken into account as an offset against future payments due to the relevant recipient under the Tax Receivable Agreement). Enfusion, Inc.'s ability to achieve benefits from any existing tax basis, tax basis adjustments, or other tax attributes, and the payments to be made under the Tax Receivable Agreement, will depend upon a number of factors, including the timing and amount of our future income. As a result, even in the absence of a change of control or an election to terminate the Tax Receivable Agreement early, payments under the Tax Receivable Agreement could be in excess of 85% of Enfusion, Inc.'s actual cash tax benefits.

Accordingly, it is possible that the actual cash tax benefits realized by Enfusion, Inc. may be significantly less than the corresponding Tax Receivable Agreement payments. It is also possible that payments under the Tax Receivable Agreement may be made years in advance of the actual realization, if any, of the anticipated future tax benefits. There may be a material negative effect on our liquidity if the payments under the Tax Receivable Agreement exceed the actual cash tax benefits that Enfusion, Inc. realizes in respect of the tax attributes subject to the Tax Receivable Agreement and/or if distributions to Enfusion, Inc. by Enfusion Ltd. LLC are not sufficient to permit Enfusion, Inc. to make payments under the Tax Receivable Agreement after it has paid taxes and other expenses. We estimate that if Enfusion, Inc. had exercised its termination right as of December 31, 2022, the aggregate amount of the early termination payments required under the Tax Receivable Agreement would have been approximately \$64.9 million. The foregoing number is merely an estimate and the actual payments could differ materially. We may need to incur additional indebtedness to finance payments under the Tax Receivable Agreement to the extent our cash resources are insufficient to meet our obligations under the Tax Receivable Agreement as a result of timing discrepancies or otherwise, and these obligations could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations, or other changes of control.

***The acceleration of payments under the Tax Receivable Agreement in the case of certain changes of control may impair our ability to consummate change of control transactions or negatively impact the value received by owners of our Class A common stock.***

In the case of certain changes of control, payments under the Tax Receivable Agreement will be accelerated and may significantly exceed the actual benefits Enfusion, Inc. realizes in respect of the tax attributes subject to the Tax Receivable Agreement. We expect that the payments that we may make under the Tax Receivable Agreement in the event of a change of control will be substantial. As a result, our accelerated payment obligations and/or the assumptions adopted under the Tax Receivable Agreement in the case of a change of control may impair our ability to consummate change of control transactions or negatively impact the value received by owners of our Class A common stock in a change of control transaction.

#### **General Risk Factors**

***As an “emerging growth company” under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements, which could make our Class A common stock less attractive to investors.***

As an “emerging growth company” under the JOBS Act, we are relying on permitted exemptions from certain disclosure requirements. In addition, for so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;

## [Table of Contents](#)

- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis); and
- submit certain executive compensation matters to stockholder advisory votes, such as "say on pay" and "say on frequency."

Because of these exemptions and the other reduced disclosure obligations for emerging growth companies set forth elsewhere in this report, our stock may appear less attractive to investors and could cause our stock price to decline.

Although we intend to rely on certain of the exemptions provided in the JOBS Act, the exact implications of the JOBS Act for us are still subject to interpretations and guidance by the SEC and other regulatory agencies. Also, as our business grows, we may no longer satisfy the conditions of an emerging growth company. We will remain an "emerging growth company" until the earliest of (i) the last day of the fiscal year during which we have total annual gross revenues of \$1.07 billion or more; (ii) the last day of the fiscal year following the fifth anniversary of our initial public offering; (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt; and (iv) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act. We will be deemed a large accelerated filer on the first day of the fiscal year after the market value of our common equity held by non-affiliates exceeds \$700 million, measured on June 30. If investors find our Class A common stock less attractive as a result of our reliance on certain of the JOBS Act exemptions, there may be a less active trading market for our Class A common stock, and our stock price may be more volatile.

In addition, section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have chosen to "opt in" such extended transition period, and as a result, we will not initially have to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

***As a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our Class A common stock.***

We are required, pursuant to Section 404(a) of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting on an annual basis. This assessment must include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the SEC following the date we are no longer an "emerging growth company," as defined in the JOBS Act. We are and will be required to disclose significant changes made in our internal control procedures on a quarterly basis.

Our compliance with Section 404(a) has and will require that we incur substantial expenses, including legal, compliance, accounting and informational technology expenses, and expend significant management efforts. We currently do not have an internal audit group, and we may need to hire additional accounting and financial staff to maintain the system and process documentation necessary to perform the evaluation needed to comply with Section 404(a).

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition and operating results. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our Class A common

stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

***We incur increased costs and administrative burdens in connection with operating as a public company, and our management is required to devote substantial time to new compliance initiatives and corporate governance practices. We may fail to comply with the rules that apply to public companies, including Section 404 of the Sarbanes-Oxley Act, which could result in sanctions or other penalties that would harm our business.***

As a public company, and particularly after we are no longer an “emerging growth company,” we have and will incur significant legal, accounting and other expenses, including costs resulting from public company reporting obligations under the Securities Act, or the Securities Exchange Act of 1934, as amended, or the Exchange Act, and regulations regarding corporate governance practices. The expenses incurred by public companies generally for reporting and corporate governance purposes are greater than those for private companies. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the rules of the SEC, the listing requirements of the New York Stock Exchange, and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. These requirements have and will increase our legal and financial compliance costs and make some activities more time-consuming and costly. We are currently evaluating these rules and regulations and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We cannot predict or estimate the amount of additional costs we will continue to incur as a public company or the timing of such costs. Any changes we make to comply with these obligations may not be sufficient to allow us to satisfy our obligations as a public company on a timely basis, or at all. These reporting requirements, rules and regulations, coupled with the increase in potential litigation exposure associated with being a public company, could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or board committees or to serve as executive officers, or to obtain certain types of insurance, including directors’ and officers’ insurance, on acceptable terms. In addition, as a public company we are and will be required to file accurate and timely quarterly and annual reports with the SEC under the Securities Act or the Exchange Act. Any failure to report our financial results on an accurate and timely basis could result in sanctions, lawsuits, delisting of our shares from the New York Stock Exchange or other adverse consequences that would materially harm our business and reputation.

Pursuant to Sarbanes-Oxley Act Section 404(a), we are required to furnish a report by our management on our internal control over financial reporting. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm, as required by Sarbanes-Oxley Act Section 404(b). In anticipation of being subject to Sarbanes-Oxley Act Section 404(b), we will be engaged in a process of further documenting and evaluating our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants, adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Furthermore, we have hired and may continue to hire additional accounting, finance and other personnel in connection with our becoming subject to the requirements of Section 404(b), and our management and other personnel will need to devote a substantial amount of time towards maintaining compliance with these requirements. Despite our efforts, there is a risk that an independent assessment of the effectiveness of our internal controls by our independent registered public accounting firm could detect problems that our management’s assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation, which could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

*Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers or employees.*

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf under Delaware law, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the Delaware General Corporation Law, or DGCL, our amended and restated certificate of incorporation or bylaws, (4) any other action asserting a claim that is governed by the internal affairs doctrine, or (5) any other action asserting an "internal corporate claim," as defined in Section 115 of the DGCL, shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) in all cases subject to the court having jurisdiction over indispensable parties named as defendants. These exclusive forum provisions do not apply to claims under the Securities Act or the Exchange Act.

To the extent that any such claims may be based upon federal law claims, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. However, our amended and restated bylaws contain a federal forum provision which provides that unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision; provided, however, that stockholders cannot and will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. This exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find the exclusive forum provision in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 2. Properties**

We are headquartered in Chicago, Illinois, pursuant to an operating lease that expires in 2025. We lease additional offices in New York City and, internationally, in London, Dublin, Hong Kong, Mumbai, São Paulo, Singapore, Sydney, and Bengaluru. We believe these facilities are generally suitable to meet our current needs. We intend to expand our facilities or add new facilities as we add employees and enter new geographic markets, and we believe that suitable additional or alternative space will be available as needed to accommodate any such growth.

#### **Item 3. Legal Proceedings**

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, legal proceedings can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

#### **Item 4. Mine Safety Disclosures**

Not applicable.

## **PART II**

### **Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

#### ***Market Information for Common Stock***

Our Class A common stock has been listed on the New York Stock Exchange under the symbol “ENFN” since October 21, 2021. Prior to that date, there was no public trading market for our Class A common stock.

Our Class B common stock is neither listed nor traded.

#### ***Holders of Record***

As of March 8, 2023, there were 3 holders of record of our Class A common stock. The actual number of stockholders is greater than this number and includes an indeterminate number of stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

As of March 8, 2023, there were 5 holders of record of our Class B common stock.

#### ***Dividend Policy***

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and future earnings and do not anticipate declaring or paying any cash dividends in the foreseeable future. Any future determination regarding the declaration and payment of dividends will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant.

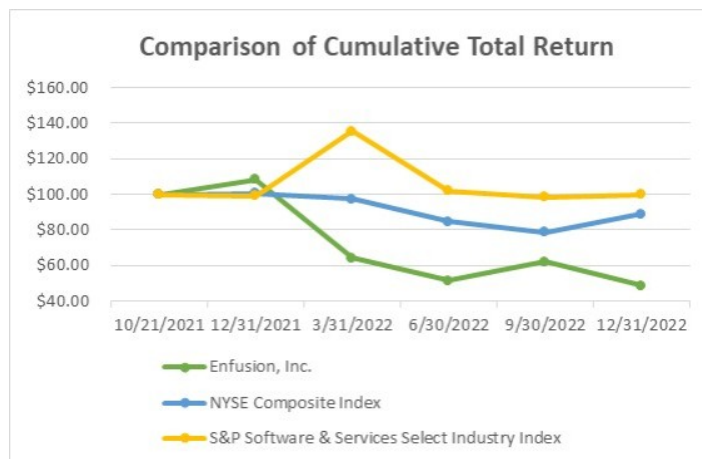
#### ***Performance Graph***

This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of ours under the Securities Act or the Exchange Act.

The following graph compares the cumulative total return to stockholders on our Class A common stock with the cumulative total returns of the NYSE Composite Index and the S&P Software & Services Select Industry Index. An investment of \$100 is assumed to have been made in our Class A common stock and in each index on October 21, 2021, the date our Class A common stock began trading on the New York Stock Exchange, and its relative performance is tracked through December 31, 2022. Data for the NYSE Composite Index and the S&P Software & Services Select Industry Index assume reinvestment of dividends.

The returns shown are based on historical results and are not intended to suggest future performance.





#### ***Recent Sales of Unregistered Securities***

None.

#### ***Use of Proceeds from IPO***

On October 20, 2021, the SEC declared effective our registration statement on Form S-1 (File No. 333-259635), as amended, filed in connection with our IPO, or the Registration Statement, in which we issued and sold 21,562,500 shares of our Class A common stock at the public offering price of \$17.00 per share, which included the full exercise of the underwriters' option to purchase an additional 2,812,500 shares. Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC acted as representatives of the underwriters of the offering. The IPO closed on October 25, 2021 when all of the shares offered were sold. We received net proceeds of approximately \$259.7 million, after deducting the underwriting discount of \$18.6 million and offering expenses of \$8.0 million. No payments for such expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates.

There has been no material change in the use of proceeds from our IPO as described in the Prospectus. We used net proceeds from the IPO to (i) repay outstanding indebtedness under our credit facility, totaling approximately \$98.8 million in aggregate principal amount, (ii) to satisfy approximately \$15.1 million of tax withholding obligations for federal payroll taxes arising with respect to obligations to issue Class A common stock to former holders of Award Units under our former Change in Control Bonus Plan, (iii) retain approximately \$65.0 million for general corporate purposes and to bear all of the expenses of the IPO, and (iv) purchase 5,526,607 Common Units from our Pre-IPO Common Unitholders for an aggregate purchase price of \$87.8 million.

#### ***Issuer Purchases of Equity Securities***

None.

#### **Item 6. [Reserved]**

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

*This discussion and analysis reflect historical results of operations and financial position. The following discussion and analysis is intended to highlight and supplement data and information presented elsewhere in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes and other financial information. To the extent that this discussion describes prior performance, the descriptions relate only to the periods listed, which may not be indicative of our future financial outcomes. In addition to the historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause results to differ materially from management's expectations. Factors that could cause or contribute to such differences are discussed in the section titled "Cautionary Statement" and Item 1A. Risk Factors. We assume no obligation to update any of these forward-looking statements. All subsequent written or oral forward-looking statements attributable to us or persons acting on Enfusion's behalf are qualified in their entirety by this paragraph.*

### **Overview**

Enfusion is a global, high-growth, software-as-a-service provider focused on transforming the investment management industry. Our solution is designed to eliminate technology and information barriers, empowering investment managers to confidently make and execute better-informed investment decisions in real time. We simplify investment and operational workflows by unifying mission critical systems and coalescing data into a single dataset resulting in a single source of truth. This allows stakeholders throughout the entire client organization to interact more effectively with one another across the investment management lifecycle.

We believe, by means of our purposefully designed interconnected systems underpinned by one dataset, we are the only solution that allows clients to see and interact with all parts of the investment management lifecycle ranging from portfolio construction, trading, risk management, accounting and operations through to investor reporting seamlessly in real time, in one screen, in one solution. As a result, our solution enables clients to better align teams, optimizing their investment decision-making operations and technology footprint and lowering operating costs. By harnessing the efficiencies, agility and scale inherent to our cloud-native, multi-tenant software that is integrated with a suite of technology-powered, managed services, we believe we have created the industry's most compelling investment management solution, capable of shaping and addressing the evolving demands of the global investment management landscape.

### **Our Business Model**

By virtue of our flexible and open architecture solution, we offer clients the ability to either replace their investment management systems using the end-to-end Enfusion solution integrated with technology-powered, managed services or supplement their legacy systems with select Enfusion systems such as portfolio management or accounting and over time, expand into using our full solution offering.

Additionally, our solution's nimble, single-codebase architecture allows us to dedicate resources to our clients holistically, driving a superior client experience that is critical to our business model. When our clients subscribe to the Enfusion solution, we assign each client a dedicated service team that works with them from the moment of onboarding and throughout their contract lifetime. The continuity in the servicing team assigned to each client ensures that our clients are continuously interfacing with dedicated Enfusion employees that understand their needs, workflows and product use. It also fosters a partnership built on ongoing communication and feedback, which continuously informs the weekly upgrades and functional enhancements that we deliver to each of our clients. As we continue to scale and add clients, we benefit from an evolving solution that mirrors the needs and demands of our clients and the market, leading to a compelling competitive advantage and in turn increased client retention and revenues from expanded and new business.

Our total revenues were approximately 98.9%, 98.8% and 98.0% recurring subscription-based during the years ended December 31, 2022, 2021, and 2020, respectively. Generally, we charge our clients fees comprised of various components such as user fees, connectivity fees, market data fees and technology-powered, managed service fees, all of which take into account client complexity and that is subject to contract minimums. The weekly enhancements and upgrades that we deliver and the dedicated client service are included in the price of the contract.

## [Table of Contents](#)

To support our growth and capitalize on our market opportunity, we continue to invest across all aspects of our business. In research and development, we are focused on developing additional system functionality that will open revenue opportunities across alternative and institutional investment managers. We have also further institutionalized and increased spend in our sales and marketing efforts, both in the United States and internationally.

We operate as a single operating and reportable segment, which reflects the way our chief operating decision maker, or CODM, reviews and assesses the performance of our business. Our total revenues were \$150.3 million, \$111.7 million, and \$79.6 million for the years ended December 31, 2022, 2021 and 2020, respectively. Platform subscriptions and managed services revenues were \$148.7 for the year ended December 31, 2022, or approximately 98.9% of total revenues, up approximately 34.7% from \$110.4 million for the year ended December 31, 2021, or approximately 98.8% of total revenues, up approximately 41.5% from \$78.0 million for the year ended December 31, 2020, or approximately 98.0% of total revenues. We had net income (loss) of \$(13.3) million, \$(282.2) million and \$4.1 million in the years ended December 31, 2022, 2021 and 2020, respectively.

### **Key Factors Affecting Our Operating Results**

#### ***Breadth of Our Client Bases***

Our future revenue growth depends, in part, on our ability to expand our reach to new clients. There are significant opportunities to expand our client base across the various client segments we serve today. We believe we are the leading cloud-native, SaaS provider to the global emerging fund and hedge fund sector and expect that as the alternative investment sector grows, we will continue to extend our position. We expect that our efforts in signing new clients in this sector benefit from referrals from our existing clients, client stakeholders when they transit to other or launch new organizations, industry channel partners and strategic partners. In addition, we continue to extend this growth through increasing adoption by larger institutional asset management clients due to increasing acceptance of cloud technology and the robust capabilities of our solution that better meet their evolving needs and address their existing pain points. Taking advantage of the unique position that allows us to sell our products and services through shorter sales cycles and on faster client implementation timelines, we expect to continue to expand and invest our sales efforts to capitalize on opportunities in this client segment.

#### ***Expansion of Usage with Existing Clients***

We believe there is a significant opportunity to further expand our relationships with existing clients as they continue to evolve and grow in size and expand into new markets and strategies or as we provide new functionality or release new systems or services. We also believe we have a significant opportunity to expand our relationship with existing clients that were not in a position to replace all of their systems at once when they first engaged with us. For those clients that elect to initially utilize some portion of our solution or only use our solution for a particular strategy or fund, we find that once they experience the advantages of our end-to-end solution, many seek opportunities to expand the breadth of their relationship with us to further help improve their investment management workflows and technology infrastructure. We expect our revenues from existing clients to continue to increase as they broaden their use of our solution and expand utilization into other investment groups within the firm.

#### ***Existing Client Retention and Renewals***

The growth of our revenues base from expanding relationships with our existing clients is driven by our ability to retain these clients. Our client retention also strengthens the stability and predictability of our revenue model, facilitating better management of business. Our Net Dollar Retention Rate, which is described below in the section titled “Key Metrics and Financial Measures” was 115.4%, 115.0% and 119.6% for the years ended December 31, 2022, 2021 and 2020, respectively. We believe that our delivery of excellent ongoing innovation together with superior client experience is critical to our client retention and we expect to continue to invest in both areas.

### ***Geographic Expansion***

Our future growth depends, in part, on our ability to grow our client base through geographic expansion and build on the success internationally. For the year ended December 31, 2022, we generated approximately 63.3% of our total revenues in the Americas and approximately 36.7% of our total revenues outside of the Americas. For the year ended December 31, 2021, we generated approximately 65.3% of our total revenues in the Americas and approximately 34.7% of our total revenues outside of the Americas. For the year ended December 31, 2020, we generated approximately 67.9% of our total revenues in the Americas and approximately 32.1% of our total revenues outside of the Americas. We are globally situated in ten offices in Chicago, New York, São Paulo, London, Dublin, Hong Kong, Singapore, Sydney, Mumbai and Bengaluru. We continue to invest in expanding our presence and capitalize on opportunities in markets such as Latin America and Asia Pacific. We continue to make investments in our sales and marketing efforts in regions outside of the Americas to capture the sizeable revenue opportunity.

### ***Leading in Ongoing Innovation & Pursuing Growth Investments***

We continuously evaluate opportunities to advance our solution through increased breadth and depth of functionality to better enable our clients to achieve their investment goals and solve for a broader array of business, operational and technology challenges. Our ability to lead and compete with a differentiated solution is dependent upon our pace of innovation. We remain committed to investing in ongoing innovation which may require increased spend in technology and development.

### ***Costs of Being a Public Company***

As a newly public company, we will continue to refine and implement procedures and processes to address the standards and requirements applicable to public companies. Specifically, accounting, legal, investor relations, insurance and personnel-related expenses will continue to increase as we establish more comprehensive compliance and governance functions, establish internal controls over financial reporting in accordance with the Sarbanes-Oxley Act and prepare and distribute periodic reports in accordance with SEC rules. Our financial statements reflect the impact of these expenses.

### ***Impact of the COVID-19 Pandemic***

While the COVID-19 pandemic has significantly affected the global economy, it has not significantly affected our financial results for the year ended December 31, 2022. While the COVID-19 pandemic initially had a temporary impact on the level of client dialogue, it also reinforced our value proposition and amplified the need for our clients to be able to operate systems remotely.

Although the severity of the COVID-19 pandemic has significantly subsided, it remains a consideration as we manage our business and we may be adversely impacted by any changes in the nature and scope of the pandemic. The extent of any such impact on our operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic and global governmental, regulatory and private sector responses, all of which are uncertain and difficult to predict.

### ***Effects of the Reorganization Transactions on our Corporate Structure***

We were incorporated as Enfusion, Inc. on June 11, 2021 and formed for the purpose of the IPO. Following the completion of the Reorganization Transactions (as defined above), we became a holding company and our sole material asset is an indirect ownership interest in Enfusion Ltd. LLC, or the LLC. Through our ability to control the managing member of the LLC, we control all of the business and affairs of the LLC. All of our business is conducted through the LLC and its subsidiaries and the financial results of the LLC are included in the consolidated financial statements of Enfusion, Inc.

The historical results of operations discussed in these sections are those of the LLC prior to the completion of the Reorganization Transactions, including the IPO, and do not reflect certain items that we expect will affect our results of

operations and financial condition after giving effect to the Reorganization Transactions and the use of proceeds from the IPO.

The LLC has been treated as a pass-through entity for U.S. federal and state income tax purposes and accordingly has not been subject to U.S. federal or state income tax. The LLC will continue to be treated as a pass-through entity for U.S. federal and state income tax purposes. As a result of our ownership of Common Units in the LLC, we are subject to U.S., federal, state and local income taxes with respect to our allocable share of any taxable income of the LLC and will be taxed at the prevailing corporate tax rates. In addition to tax expenses, we also will incur expenses related to our operations and we will be required to make payments under the Tax Receivable Agreement. Due to the uncertainty of various factors, we cannot estimate the likely tax benefits we will realize as a result of LLC Common Unit exchanges and the resulting amounts we are likely to pay out to LLC Common Unit holders pursuant to the Tax Receivable Agreement; however, we estimate that such payments may be substantial. We intend to cause the LLC to make distributions in an amount sufficient to allow us to pay our tax obligations and operating expenses, including distributions to fund any ordinary course payments due under the Tax Receivable Agreement.

## **Components of Our Results of Operations**

### ***Revenues***

#### *Platform subscriptions*

Platform subscriptions revenues consists primarily of user fees to provide our clients access to our cloud-based solution. Fees consider various components such as number of users, connectivity, trading volume, data usage and product coverage. Platform subscription clients do not have the right to take possession of the platform's software and do not have any general return right. Platform subscription revenues are recognized ratably over the period of contractually enforceable rights and obligations, beginning on the date that the client gains access to the platform. Prior to the first quarter of 2021, our platform subscription contracts typically had a one-year term and were cancellable with 30 days' notice. Beginning in the first quarter of 2021, many of our contracts have a multi-year term and do not allow termination for convenience. Installment payments are invoiced at the end of each calendar month during the subscription term. There is no financing available.

#### *Managed services*

Managed services revenues primarily consists of client-selected middle- and back-office, technology-powered services. We recognize revenues monthly as the managed services are performed with invoicing occurring at the end of the month. Generally, invoices have a 30-day payment period in accordance with the associated contract. There is no financing available.

## [Table of Contents](#)

### *Other*

Other revenues consist of non-subscription-based revenues, such as data conversion services. We recognize revenues as these services are performed with invoicing occurring at the end of each month.

### ***Cost of Revenues***

Cost of revenues consists primarily of personnel-related costs associated with the delivery of our software and services, including base salaries, bonuses, employee benefits and related costs. Additionally, cost of revenues includes amortization of capitalized software development costs, allocated overhead and certain direct data and hosting costs, and stock-based compensation. Our cost of revenues has fixed and variable components and depends on the type of revenues earned in each period. We expect our cost of revenues to increase in absolute dollars as we continue to hire personnel to provide hosting services and technical support to our growing client base. We anticipate additional expenses as a result of stock-based compensation expenses related to equity awards to be issued under our equity plans.

### ***Operating Expenses***

We present stock-based compensation expense within Cost of revenues, General and administrative, Sales and marketing and Technology and development based on the individual employees' department. We anticipate additional operating expenses as a result of stock-based compensation expenses related to equity awards to be issued under our equity plans.

#### *General and administrative*

General and administrative expenses primarily consist of personnel costs and related expenses for executive, finance, legal, human resources, and recruiting and administrative personnel. These personnel costs and related expenses include salaries, benefits and bonuses, fees for external legal and other consulting services, and stock-based compensation expense. General and administrative expenses also include expenses for our information technology systems. We expect certain expenses to increase as we continue to operate as a publicly traded company and expand our client base and geographic footprint.

#### *Sales and marketing*

Sales and marketing expenses consist primarily of personnel and related costs associated with our sales and marketing staff, including base salaries, employee benefits, bonuses and commissions, and stock-based compensation expense.

#### *Technology and development*

Technology and development expenses consist primarily of research and development activities, non-capitalizable costs of developing content, and stock-based compensation. These costs include employee-related costs, consulting services, and expenses related to the product design, development, testing and enhancements of our subscription services. We expect that our technology and development expenses will increase as we continue to enhance our platform functionality and develop new content and features.

### ***Non-Controlling Interests***

Non-controlling interests represent the portion of profit or loss, net assets and comprehensive loss of Enfusion Ltd. LLC that is not allocable to the Company based on our percentage of ownership of this entity. Income or loss attributed

to the non-controlling interests is based on the Common Units outstanding during the period and is presented on the consolidated statements of operations and consolidated statements of comprehensive (loss) income.

### **Key Metrics and Financial Measures**

In connection with the management of our business, we identify, measure and assess a variety of key metrics and use certain financial measures. The key metrics and financial measures we use in managing our business are set forth below.

#### ***Annual Recurring Revenue***

We calculate Annual Recurring Revenue, or ARR, by annualizing platform subscriptions and managed services revenues recognized in the last month of the measurement period. We believe ARR provides important information about our future revenue potential, our ability to acquire new clients and our ability to maintain and expand our relationship with existing clients. ARR was \$164.7 million, \$127.1 million, and \$93.4 million as of December 31, 2022, 2021 and, 2020, respectively. ARR is included in a set of metrics we calculate monthly to review with management as well as periodically with our board of directors.

#### ***Net Dollar Retention Rate***

We calculate Net Dollar Retention Rate as of a period end by starting with the ARR for all clients as of twelve months prior to such period end or Prior Period ARR. We then calculate the ARR from those same clients as of the current period end, or Current Period ARR. Current Period ARR includes expansion within existing clients inclusive of contraction and voluntary attrition, but excluding involuntary cancellations. We define involuntary cancellations as accounts that were canceled due to the client no longer being in business. We identify involuntary cancellations based on representations made by the client at the time of cancellation. Our Net Dollar Retention Rate is equal to the Current Period ARR divided by the Prior Period ARR.

Our Net Dollar Retention Rate was 115.4%, 115.0%, and 119.6% as of December 31, 2022, 2021 and 2020, respectively. We believe Net Dollar Retention Rate is an important metric because, in addition to providing a measure of retention, it indicates our ability to grow revenues within existing client accounts.

#### ***Revenue Churn Rate and Adjusted Revenue Churn Rate***

We calculate our Revenue Churn Rate by measuring the revenue contribution associated with clients that cancel all of their product and service agreements with us over the measurement year. This canceled revenue contribution for each such client is calculated as the revenues recognized for such clients over the trailing 12 months prior to the month in which the client canceled its product and service agreements. We then divide this canceled revenue contribution by the ARR calculated for the prior period to calculate our Revenue Churn Rate. Our Revenue Churn Rate for the years ended December 31, 2022, 2021 and 2020 was 4.5%, 3.7%, and 5.2%, respectively.

We also calculate an Adjusted Revenue Churn Rate which excludes all involuntary cancellations as described above. Our Adjusted Revenue Churn Rate for the years ended December 31, 2022, 2021 and 2020 was 1.0%, 0.6%, and 0.9%, respectively. We believe our Revenue Churn Rate and Adjusted Revenue Churn Rate are important metrics because they indicate our ability to retain our existing client base.

[Table of Contents](#)

## Results of Operations

The results of operations presented below should be reviewed in conjunction with the consolidated financial statements and notes included elsewhere in this Annual Report on Form 10-K. The following table sets forth our consolidated results of operations for the periods shown:

(in thousands)	Year Ended December 31,	
	2022	2021
<b>REVENUES:</b>		
Platform subscriptions	\$ 138,868	\$ 103,259
Managed services	9,821	7,119
Other	1,660	1,322
Total revenues	150,349	111,700
<b>COST OF REVENUES:</b>		
Platform subscriptions	40,017	27,195
Managed services	6,692	4,425
Other	391	225
Total cost of revenues	47,100	31,845
<b>Gross profit</b>	103,249	79,855
<b>OPERATING EXPENSES:</b>		
General and administrative	68,764	150,614
Sales and marketing	29,286	51,725
Technology and development	17,163	153,400
Total operating expenses	115,213	355,739
<b>Income from operations</b>	(11,964)	(275,884)
<b>NON-OPERATING EXPENSE:</b>		
Interest expense	413	(4,594)
Other (expense) income	(638)	(1,185)
<b>Total non-operating expense</b>	(225)	(5,779)
<b>Income before income taxes</b>	(12,189)	(281,663)
Income taxes	1,074	579
<b>Net income</b>	(13,263)	(282,242)
Net income attributable to non-controlling interests	(5,609)	(123,925)
<b>Net income attributable to Enfusion, Inc.</b>	<u>\$ (7,654)</u>	<u>\$ (158,317)</u>

### Revenues

(in thousands)	Year Ended December 31,			
	2022	2021	Increase (Decrease)	
			Amount	Percent
Platform subscriptions	\$ 138,868	\$ 103,259	\$ 35,609	34.5 %
Managed services	9,821	7,119	2,702	38.0 %
Other	1,660	1,322	338	25.6 %
Total revenues	<u>\$ 150,349</u>	<u>\$ 111,700</u>	<u>\$ 38,649</u>	34.6 %

Total revenue was \$150.3 million for the year ended December 31, 2022, compared to \$111.7 million for the year ended December 31, 2021, representing an increase of \$38.6 million or 34.6%.



[Table of Contents](#)

*Platform subscriptions*

Platform subscriptions revenue increased from \$103.3 million for the year ended December 31, 2021 to \$138.9 million for the year ended December 31, 2022, representing an increase of \$35.6 million. The increase was primarily due to increased revenue related to existing clients; \$14.8 million of this increase relates to sales of new services and additional users within existing contracts, and \$17.6 million reflects the full period impact of new customer contracts signed in prior periods, partially offset by client churn. In addition, the increase was driven by revenues from new clients of approximately \$9.5 million.

*Managed services*

Managed services revenue increased from \$7.1 million for the year ended December 31, 2021 to \$9.8 million for the year ended December 31, 2022, representing an increase of \$2.7 million. The increase was driven by revenue from new clients of approximately \$1.6 million and increases in revenue from existing clients of approximately \$2.7 million, partially offset by client churn.

*Other*

Other revenues increased from \$1.3 million for the year ended December 31, 2021 to \$1.7 million for the year ended December 31, 2022, representing an increase of approximately \$340 thousand. The increase was due primarily to a higher volume of data conversion projects.

***Cost of Revenues, Gross Profit and Gross Profit Margin***

(in thousands)	Year Ended December 31,			
	2022	2021	Increase (Decrease)	
			Amount	Percent
<b>Cost of revenues:</b>				
Platform subscriptions	\$ 40,017	\$ 27,195	\$ 12,822	47.1 %
Managed services	6,692	4,425	2,267	51.2 %
Other	391	225	166	73.8 %
Total cost of revenues	<u>\$ 47,100</u>	<u>\$ 31,845</u>	<u>\$ 15,255</u>	<u>47.9 %</u>
<b>Gross profit</b>	<b>\$ 103,249</b>	<b>\$ 79,855</b>	<b>\$ 23,394</b>	<b>29.3 %</b>
<b>Gross profit margin</b>	<b>68.7 %</b>	<b>71.5 %</b>		

***Cost of Revenues***

Cost of revenues increased by \$15.3 million from \$31.8 million for the year ended December 31, 2021 to \$47.1 million for the year ended December 31, 2022, or an increase of 47.9%. The increase was primarily driven by an increase in payroll and payroll-related costs (including bonuses) of \$9.7 million, largely resulting from headcount additions to support our continued growth. In addition, hosting costs and data fees increased by approximately \$2.4 million over the comparative period, reflective of an increased client base and increased usage. Stock-based compensation expense of approximately \$1.4 million also contributed to the increase.

Gross profit increased by \$23.4 million from \$79.9 million for the year ended December 31, 2021 to \$103.3 million for the year ended December 31, 2022. Gross profit margin as a percentage of revenue decreased by 280 basis points over the same period. The decrease in gross profit margin as a percentage of revenues was primarily attributable to increased personnel costs for client services, including onboarding for new clients.

## Operating Expenses

(in thousands)	Year Ended December 31,			
	2022	2021	Increase (Decrease)	
			Amount	Percent
General and administrative	\$ 68,764	\$ 150,614	\$ (81,850)	(54.3)%
Sales and marketing	29,286	51,725	(22,439)	(43.4)%
Technology and development	17,163	153,400	(136,237)	(88.8)%
Total operating expenses	<u>\$ 115,213</u>	<u>\$ 355,739</u>	<u>\$ (240,526)</u>	<u>(67.6)%</u>

### General and administrative

General and administrative expenses decreased by approximately \$81.9 million from \$150.6 million for the year ended December 31, 2021 to \$68.8 million for the year ended December 31, 2022. The decrease in general and administrative expenses was primarily attributable to a decrease in stock-based compensation expense of \$98.7 million from the prior period. This decrease was partially offset by increases over the comparative period in corporate personnel costs of approximately \$6 million, which includes additional headcount and the full year effect of significant headcount increases in the latter half of 2021. Further, the prior year includes approximately \$1.6 million of tax withholding obligations related to stock-based compensation arrangements; such payments were significantly lower in the current year.

In addition, professional fees for consulting, legal, and tax services increased by approximately \$4.7 million over the comparative period. These fees were primarily incurred to support our growth and the increased administrative complexity related to our new public company status; the majority of these fees were incurred in the first half of the year. Insurance costs also increased by approximately \$3.3 million over the comparative period.

### Sales and marketing

Sales and marketing expenses decreased by \$22.4 million from \$51.7 million for the year ended December 31, 2021 to \$29.3 million for the year ended December 31, 2022. The decrease was primarily attributable to a decrease in stock-based compensation expense of \$30.4 million over the comparative period. The decrease was partially offset by increases in personnel costs of approximately \$6 million related to growth of our professional sales organization, which includes additional headcount and the full year effect of headcount increases in the latter half of 2021. Commission expenses and marketing spend also increased over the prior year. Further, the prior year includes approximately \$600 thousand of tax withholding obligations related to stock-based compensation arrangements; such payments were significantly lower in the current year.

### Technology and development

Technology and development expense decreased by \$136.2 million from \$153.4 million for the year ended December 31, 2021 to \$17.2 million for the year ended December 31, 2022. The decrease was primarily attributable to a decrease in stock-based compensation expense of \$136.7 million over the comparative period. The decrease was partially offset by increases in personnel costs of approximately \$3 million to support growth of our product development groups, which includes additional headcount and the full year effect of significant headcount increases in the prior year. Further, the prior year includes approximately \$2.4 million of tax withholding obligations related to stock-based compensation arrangements; such payments were significantly lower in the current year.

### Non-Operating Income (Expense)

(in thousands)	Year Ended December 31,			
	2022	2021	Increase (Decrease)	
			Amount	Percent
Interest expense	\$ 413	\$ (4,594)	\$ (5,007)	(109.0)%
Other (expense) income	(638)	(1,185)	(547)	(46.2)
Total non-operating expense	<u>\$ (225)</u>	<u>\$ (5,779)</u>	<u>\$ (5,554)</u>	<u>(96.1)%</u>

The overall decrease of \$5.6 million in non-operating expense from the year ended December 31, 2021 to December 31, 2022 was driven primarily by a decrease of approximately \$4.3 million in interest expense. In addition, the prior year included a loss on debt extinguishment of \$1.2 million related to the payment of the term loan in connection with the IPO, included in Other (income) expense. The decrease in non-operating expense was partially offset by approximately \$440 thousand of interest income related to our money market accounts (see Note 3 to our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K).

### Liquidity and Capital Resources

To date, we have funded our capital needs through collections from our clients and issuances of debt. As of December 31, 2022, we had cash and cash equivalents of \$62.5 million and \$5.0 million in available borrowing capacity under our Revolving Debt (as defined below). On October 25, 2021, we completed our IPO, which resulted in the issuance and sale of 21,562,500 shares of our Class A common stock at the IPO price of \$17.00, generating net proceeds of approximately \$260.5 million (on a cash basis) after deducting underwriting discounts and other offering costs, of which we used \$98.8 million to repay the outstanding indebtedness under our term loan, \$87.8 million to purchase Common Units from our Pre-IPO Common Unitholders, and \$10.6 million for the payment of withholding taxes on stock-based compensation, resulting in approximately \$65.0 million being retained by us for general corporate purposes and to bear all of the expenses of the IPO. We believe that our current sources of liquidity, cash flows from operations and existing available cash, together with our other available external financing sources, will be adequate to fund our operating and capital needs for at least the next 12 months.

Our future capital requirements will depend on many factors, including those set forth under Item 1A. Risk Factors. We expect that our future uses of cash will also include paying income taxes and obligations under our Tax Receivable Agreement. Further, between December 31, 2022 and October 20, 2023, we will issue an aggregate of approximately 17.2 million shares of Class A common stock, in one or more tranches, to former holders of Award Units and a non-executive employee, as further described under Item 1A. Risk Factors. Their related individual tax withholding obligations may be satisfied through methods that may include our withholding a certain number of the shares with a value that would satisfy the withholding amount due and using our available capital resources to pay the related tax burden, which could have a material impact on our liquidity and capital resources.

### Cash Flow Information

The following table presents a summary of our consolidated cash flows from operating, investing and financing activities for the periods indicated.

(in thousands)	Year Ended December 31,			
	2022	2021	Increase (Decrease)	
			Amount	Percent
Net cash provided by (used in) operating activities	\$ 14,156	\$ (318)	\$ 14,474	4,551.6 %
Net cash used in investing activities	(7,931)	(8,014)	83	1.0 %
Net cash (used in) provided by financing activities	(7,959)	58,849	(66,808)	113.5 %
Effect of exchange rate changes on cash	(86)	(90)	4	4.4 %
Net (decrease) increase in cash	<u>\$ (1,820)</u>	<u>\$ 50,427</u>	<u>\$ (52,247)</u>	<u>103.6 %</u>

## [Table of Contents](#)

### Operating activities

We generated \$14.2 million in cash flows from operating activities during the year ended December 31, 2022, resulting from our net loss of \$13.3 million, adjusted by non-cash items of \$33 million, and offset by \$5.5 million of cash used in working capital activities. Cash used by working capital accounts was primarily due to increases in accounts receivable, consistent with our revenue growth.

We used \$318 thousand in cash flows from operating activities during the year ended December 31, 2021, resulting from our net loss of \$282.2 million, adjusted by non-cash charges of \$296.7 million (of which \$289.8 million is related to stock-based compensation expense), and offset by \$14.7 million of cash used in working capital activities.

### Investing activities

Net cash used in investing activities for the years ended December 31, 2022 and 2021 was \$7.9 million and \$8.0 million, respectively, which was comprised of cash outflows for property and equipment purchases.

### Financing activities

We used \$7.9 million in cash flows from financing activities during the year ended December 31, 2022, resulting from payment of withholding taxes on stock-based compensation.

We generated \$58.8 million in cash flows from financing activities during the year ended December 31, 2021, resulting from net proceeds from the issuance of our Class A common stock in connection with the IPO of \$260.5 million (on a cash basis), offset by the purchase of common units from our Pre-IPO common unit holders of \$87.8 million, the repayment of our Term Loan of \$100.0 million, payment of withholding taxes on stock-based compensation of \$10.6 million, and the payment of \$3.3 million in tax distributions to certain members prior to the IPO.

### ***Indebtedness***

On August 2, 2019, we entered into a credit agreement, or the Credit Agreement, with Silicon Valley Bank, or SVB, that provided for a \$30.0 million term loan, or the Term Loan, and a \$2.0 million revolving debt facility, or the Revolving Debt. Net proceeds of \$24 million were distributed to certain members of Enfusion Ltd. LLC. On April 13, 2020, we drew \$1.8 million of the Revolving Debt to expand our liquidity amid the uncertainty of the COVID-19 pandemic. We repaid the \$1.8 million of Revolving Debt principal (plus de minimis interest) on September 24, 2020. On August 9, 2020, the Credit Agreement was amended and restated to increase the commitment amount of the Revolving Debt from \$2.0 million to \$5.0 million. On December 17, 2020, the Term Loan agreement was amended and restated to increase the outstanding principal balance to \$100.0 million. Net proceeds of \$71.1 million from the Term Loan were distributed to certain Members of Enfusion Ltd. LLC.

On October 19, 2021, we amended and restated the Credit Agreement. This amendment and restatement did not change the terms of the Credit Agreement other than joining Enfusion, Inc. as a co-borrower and providing transition and replacement rates for the LIBOR rate. On October 25, 2021, we repaid the outstanding indebtedness under the Term Loan, totaling approximately \$98.8 million in aggregate principal amount. The Credit Agreement continues to provide for the Revolving Debt in the amount of \$5.0 million.

Prior to its repayment, borrowings under the Term Loan bore interest with a fixed component of 4.25% as well as a variable component based on LIBOR. The LIBOR rate for the Term Loan was subject to a minimum of 1%. The selected one-month LIBOR rate for the Term Loan on December 31, 2020 was below the 1% minimum. Thus, the interest rate for the Term Loan as of December 31, 2020 was 5.25%. In addition, we were required to pay \$1.25 million each quarter of principal repayment commencing on September 30, 2021.

The Credit Agreement contains certain covenants with which we must comply, including a fixed charge ratio covenant and a leverage ratio covenant. We were in compliance with all loan covenants and requirements for the years ended December 31, 2022 and December 31, 2021, respectively.

### ***Contractual Obligations and Commitments and Off-Balance Sheet Arrangements***

As of December 31, 2022, we have operating lease agreements and have service agreements for the use of data processing facilities, which are also leases under ASC 842 - *Accounting for Leases*. Refer to Note 6 – Leases.

As of December 31, 2022, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that may be material to investors.

### ***Tax Receivable Agreement***

The payment obligation under the Tax Receivable Agreement is an obligation of Enfusion, Inc. and not of Enfusion Ltd. LLC. We expect that as a result of the size of the existing tax basis and basis adjustments acquired in the IPO, the increase in existing tax basis and the anticipated tax basis adjustment of the tangible and intangible assets of Enfusion Ltd. LLC upon the purchase or exchange (or deemed exchange) of Common Units for shares of Class A common stock or distributions (or deemed distributions) with respect to Common Units and our possible utilization of certain tax attributes, the payments that we may make under the Tax Receivable Agreement will be substantial. If all of the Pre-IPO Common Unitholders had exchanged or sold to us all of their outstanding Common Units as of December 31, 2022, we would have recognized a deferred tax asset of approximately \$149.1 million and a liability under the Tax Receivable Agreement of approximately \$126.7 million, assuming: (i) all exchanges or purchases occurred on the same day, (ii) a price of \$9.67 per share, which was the price per share of Class A common stock as of December 31, 2022, (iii) a constant corporate tax rate of 29.92%, (iv) that we would have sufficient taxable income to fully utilize the tax benefits, and (v) no material changes in tax law.

There may be a material negative effect on our liquidity if, as a result of timing discrepancies or otherwise, the payments under the Tax Receivable Agreement exceed the actual cash tax benefits that Enfusion, Inc. realizes in respect of the tax attributes subject to the Tax Receivable Agreement and/or if distributions directly and/or indirectly to Enfusion, Inc. by Enfusion Ltd. LLC are not sufficient to permit Enfusion, Inc. to make payments under the Tax Receivable Agreement after it has paid taxes and other expenses. Late payments under the Tax Receivable Agreement generally will accrue interest at an uncapped rate equal to one-year LIBOR (or its successor rate) plus 100 basis points. The payments under the Tax Receivable Agreement are not conditioned upon continued ownership of us by the pre-IPO owners.

### ***Dividend policy***

Assuming Enfusion Ltd. LLC makes distributions to its members in any given year, the determination to pay dividends, if any, to our Class A common stockholders out of the portion, if any, of such distributions remaining after our payment of taxes, Tax Receivable Agreement payments and expenses will be made at the sole discretion of our board of directors. Our board of directors may change our dividend policy at any time.

### **Critical Accounting Policies and Estimates**

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the consolidated financial statement and amounts of revenues and expenses reported during the period. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances.

### ***Revenue Recognition***

Revenue recognition requires judgment and the use of estimates. We derive revenues primarily from fees for platform subscriptions to our cloud-native solution and managed service fees which include fees related to client-selected middle and back-office services on our clients' behalf using our platform. Historically, most of our contracts had a one-year term and were cancellable with 30 days' notice, though our most recent contracts have typically been for multi-year

terms without cancellation for convenience. Revenues are recognized when control of these services is transferred to our clients in an amount that reflects the consideration we expect to be entitled to in exchange for these services.

Our service contracts with clients can include multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. We have determined that implementation services are not distinct from the ongoing platform subscription services due to the highly specialized knowledge required to execute on our solution. Such services are recognized with the platform subscription services revenue over time.

### ***Stock-based Compensation***

In connection with the IPO, we adopted the 2021 Stock Option and Incentive Plan, or 2021 Plan. The 2021 Plan allows our compensation committee to make incentive awards to our officers, employees, directors and service providers. We also adopted the 2021 Employee Stock Purchase Plan, or 2021 ESPP. The Company measures stock compensation expense for its share-based payment awards at fair value on the grant date. The fair value of share-based payment awards is determined using the fair market value of the underlying Class A common stock on the date of grant.

For RSUs for which vesting is subject to the achievement of a market capitalization hurdle, the Company determines the fair value of these RSUs using a Monte Carlo simulation. The Monte Carlo simulations used to estimate the fair value include subjective assumptions, including the fair value of the underlying common stock, expected volatility of the price of the Company's common stock, risk-free interest rate, expected dividend yield of common stock, and the Company's cost of equity capital.

We record forfeitures as they occur. The cost of services received from employees and non-employees in exchange for awards of equity instruments is recognized in the consolidated statement of operations based on the estimated fair value of those awards on the grant date or reporting date, if required to be remeasured, and amortized on a straight-line basis over the requisite service period.

### ***Income Taxes***

The Company accounts for income taxes under the asset and liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and deferred tax liabilities is recognized in income in the period that includes the enactment date.

We recognize deferred tax assets to the extent that it is believed that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carryback potential if permitted under the tax law, and results of recent operations. A valuation allowance is provided if it is determined that it is more likely than not that the deferred tax asset will not be realized.

The Company evaluates and accounts for uncertain tax positions using a two-step approach. Recognition (step one) occurs when the Company concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustainable upon examination. Measurement (step two) determines the amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Derecognition of a tax position that was previously recognized would occur when the Company subsequently determines that a tax position no longer meets the more likely-than-not threshold of being sustained. The Company records interest (and penalties where applicable), net of any applicable related income tax benefit, on potential income tax contingencies as a component of Income tax expense in the Consolidated Statements of Operations.

### ***Tax Receivable Agreement***

In connection with the Reorganizational Transactions and IPO, the Company entered into a Tax Receivable Agreement, or the TRA, with certain of our Pre-IPO Owners that provides for the payment by Enfusion, Inc. to such Pre-IPO Owners of 85% of the benefits, if any, that Enfusion, Inc. actually realizes, or is deemed to realize (calculated using certain assumptions), as a result of: (i) existing tax basis acquired in the IPO; (ii) increases in existing tax basis and adjustments to the tax basis of the tangible and intangible assets of Enfusion Ltd. LLC as a result of sales or exchanges (or deemed exchanges) of Common Units for shares of Class A common stock or distributions (or deemed distributions) with respect to Common Units; (iii) Enfusion, Inc.'s utilization of certain tax attributes of the Blocker Companies; and (iv) certain other tax benefits related to entering into the Tax Receivable Agreement, including tax benefits attributable to payments under the Tax Receivable Agreement. The existing tax basis, increases in existing tax basis and the tax basis adjustments generated over time may increase (for tax purposes) the depreciation and amortization deductions available to Enfusion, Inc. and, therefore, may reduce the amount of U.S. federal, state and local tax that Enfusion, Inc. would otherwise be required to pay in the future, although the IRS may challenge all or part of the validity of that tax basis, and a court could sustain such a challenge.

The Company accounts for amounts payable under the TRA in accordance with ASC 450, *Contingencies*. The amounts payable under the TRA will vary depending upon a number of factors, including the amount, character, and timing of the taxable income of the Company in the future. Actual tax benefits realized by the Company may differ from tax benefits calculated under the TRA as a result of the use of certain assumptions in the agreement. Any such changes in these factors or changes in the Company's determination of the need for a valuation allowance related to the tax benefits acquired under the TRA could adjust the Tax receivable agreement liabilities recognized on the Consolidated Balance Sheets. Subsequent changes in the fair value of the Tax receivable agreement liabilities between reporting periods, as well as any interest accrued on the TRA between the Company's annual tax filing date and the TRA payment date, are recognized in the Consolidated Statements of Income.

### **Recent Accounting Pronouncements**

See Note 3 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

### **Emerging Growth Company Status**

We are an "emerging growth company," as defined in the JOBS Act, and, for so long as we continue to be an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

In addition, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period to enable us to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we: (i) are no longer an emerging growth company; or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

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

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations foreign currency exchange rates.

***Foreign Currency Exchange Rate Risk***

Our reporting currency is the U.S. dollar and the functional currency of each of our subsidiaries is the local currency. Gains or losses due to transactions in foreign currencies are included in “Other Income (Expense)” in our consolidated statements of operations. We have not engaged in the hedging of foreign currency transactions to date, although we may choose to do so in the future. As of December 31, 2022 and December 31, 2021, we do not believe that a 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on operating results.



[Table of Contents](#)

**Item 8. Financial Statements and Supplementary Data**

**ENFUSION, INC.**  
**Index to Consolidated Financial Statements**

	<u>Page</u>
<b>Audited Consolidated Financial Statements of Enfusion, Inc.</b>	
<a href="#">Report of Independent Registered Public Accounting Firm</a> (PCAOB ID: 42)	F-2
<a href="#">Consolidated Balance Sheets as of December 31, 2022 and December 31, 2021</a>	F-3
<a href="#">Consolidated Statements of Operations for the Years Ended December 31, 2022, 2021 and 2020</a>	F-4
<a href="#">Consolidated Statements of Comprehensive (Loss) Income for the Years Ended December 31, 2022, 2021 and 2020</a>	F-5
<a href="#">Consolidated Statements of Preferred Units, Stockholders' Equity and Members' Deficit for the Years Ended December 31, 2022, 2021 and 2020</a>	F-6
<a href="#">Consolidated Statements of Cash Flows for the Years Ended December 31, 2022, 2021 and 2020</a>	F-7
<a href="#">Notes to Consolidated Financial Statements</a>	F-8

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Enfusion, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Enfusion, Inc. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive (loss) income, preferred units, stockholders' equity and members' deficit and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

### **Adoption of Accounting Standards Update**

As described in Note 3 to the consolidated financial statements, effective January 1, 2022, the Company changed its method for accounting for leases as a result of the modified retrospective adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842).

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2020.

Chicago, Illinois  
March 10, 2023

**ENFUSION, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(dollars in thousands, except par values)

	December 31,	
	2022	2021
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 62,545	\$ 64,365
Accounts receivable, net	25,855	18,223
Prepaid expenses	6,105	6,030
Other current assets	2,303	1,060
<b>Total current assets</b>	<b>96,808</b>	<b>89,678</b>
Property and equipment, net	15,759	13,051
Right-of-use assets, net	6,732	—
Other assets	4,484	3,356
<b>Total assets</b>	<b>\$ 123,783</b>	<b>\$ 106,085</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,685	\$ 2,528
Accrued expenses and other current liabilities	11,665	5,578
Current portion of lease liabilities	4,030	—
<b>Total current liabilities</b>	<b>17,380</b>	<b>8,106</b>
Lease liabilities, net of current portion	2,959	—
Other liabilities	—	538
<b>Total liabilities</b>	<b>20,339</b>	<b>8,644</b>
Stockholders' Equity:		
Class A common stock, \$0.001 par value; 1,000,000,000 shares authorized, 70,859,711 and 65,583,289 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	71	66
Class B common stock, \$0.001 par value; 150,000,000 shares authorized, 43,198,767 and 47,470,972 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	43	47
Additional paid-in capital	244,260	226,717
Accumulated deficit	(178,863)	(171,209)
Accumulated other comprehensive loss	(504)	(325)
<b>Total stockholders' equity attributable to Enfusion, Inc.</b>	<b>65,007</b>	<b>55,296</b>
<b>Non-controlling interests</b>	<b>38,437</b>	<b>42,145</b>
<b>Total stockholders' equity</b>	<b>103,444</b>	<b>97,441</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 123,783</b>	<b>\$ 106,085</b>

See Notes to Consolidated Financial Statements.

**ENFUSION, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(dollars in thousands, except per share amounts)

	Years Ended December 31		
	2022	2021	2020
<b>REVENUES:</b>			
Platform subscriptions	\$ 138,868	\$ 103,259	\$ 73,550
Managed services	9,821	7,119	4,436
Other	1,660	1,322	1,579
Total revenues	150,349	111,700	79,565
<b>COST OF REVENUES:</b>			
Platform subscriptions	40,017	27,195	18,015
Managed services	6,692	4,425	2,512
Other	391	225	831
Total cost of revenues	47,100	31,845	21,358
<b>Gross profit</b>	103,249	79,855	58,207
<b>OPERATING EXPENSES:</b>			
General and administrative	68,764	150,614	35,888
Sales and marketing	29,286	51,725	9,927
Technology and development	17,163	153,400	6,318
Total operating expenses	115,213	355,739	52,133
<b>Income (loss) from operations</b>	(11,964)	(275,884)	6,074
<b>NON-OPERATING (EXPENSE) INCOME:</b>			
Interest income (expense), net	413	(4,594)	(1,662)
Other (expense) income	(638)	(1,185)	82
<b>Total non-operating expense</b>	(225)	(5,779)	(1,580)
<b>Income (loss) before income taxes</b>	(12,189)	(281,663)	4,494
Income taxes	1,074	579	433
<b>Net income (loss)</b>	\$ (13,263)	\$ (282,242)	\$ 4,061
Net income (loss) attributable to non-controlling interests	(5,609)	(123,925)	—
<b>Net income (loss) attributable to Enfusion, Inc.</b>	\$ (7,654)	\$ (158,317)	\$ 4,061
<b>Loss per Class A common share attributable to Enfusion, Inc.:</b>			
Basic and diluted	\$ (0.10)	\$ (2.26)	
<b>Weighted Average number of Class A common shares outstanding:</b>			
Basic and diluted	85,393	83,045	

See Notes to Consolidated Financial Statements.

**ENFUSION, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
**(dollars in thousands)**

	Years Ended December 31,		
	2022	2021	2020
Net income (loss)	\$ (13,263)	\$ (282,242)	\$ 4,061
Other comprehensive income (loss), net of income tax:			
Foreign currency translation (loss)	(327)	(90)	(116)
Total other comprehensive income (loss)	(13,590)	(282,332)	3,945
Comprehensive income (loss) attributable to non-controlling interests	(5,757)	(123,902)	—
<b>Total comprehensive income (loss) attributable to Enfusion, Inc.</b>	<b>\$ (7,833)</b>	<b>\$ (158,430)</b>	<b>\$ 3,945</b>

See Notes to Consolidated Financial Statements.

**ENFUSION, INC.**  
**Consolidated Statements of Preferred Units, Stockholders' Equity and Members' Deficit**  
(dollars in thousands)

	Preferred Units		Members' Deficit		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Stockholders' Equity
	Units	Amount	Units	Amount	Shares	Amount	Shares	Amount					
<b>January 1, 2020</b>	<b>45,810</b>	<b>\$ 105,073</b>	<b>54,496</b>	<b>\$ (117,783)</b>	—	\$ —	—	\$ —	\$ —	\$ —	\$ (96)	—	\$ (117,879)
Net income	—	1,860	—	2,201	—	—	—	—	—	—	—	—	2,201
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	(116)	—	(116)
Issuance of Class D Units, net of issuance costs	7,964	93,261	—	—	—	—	—	—	—	—	—	—	—
Issuance of Class D Units in a non-cash exchange, net of issuance costs	4,814	56,376	—	—	—	—	—	—	—	—	—	—	—
Redemption of Class A Units	—	—	(6,528)	(76,634)	—	—	—	—	—	—	—	—	(76,634)
Repurchase of Class C-1 Units in a non-cash exchange	(3,916)	(45,975)	—	—	—	—	—	—	—	—	—	—	—
Repurchase of Class C-2 Units in a non-cash exchange	(0,898)	(10,538)	—	—	—	—	—	—	—	—	—	—	—
Distributions - loan proceeds	—	(32,454)	—	(38,607)	—	—	—	—	—	—	—	—	(38,607)
Distributions to members	—	(2,088)	—	(2,524)	—	—	—	—	—	—	—	—	(2,524)
<b>December 31, 2020</b>	<b>53,774</b>	<b>\$ 165,515</b>	<b>47,968</b>	<b>\$ (233,347)</b>	—	\$ —	—	\$ —	\$ —	\$ —	\$ (212)	—	\$ (233,559)
<b>Activity prior to the Reorganization Transactions:</b>													
Net income	—	6,814	—	6,078	—	—	—	—	—	—	—	—	6,078
Foreign currency translation	—	—	—	—	—	—	—	—	—	—	(145)	—	(145)
Distributions to members	—	(1,807)	—	(1,476)	—	—	—	—	—	—	—	—	(1,476)
	<b>53,774</b>	<b>\$ 170,522</b>	<b>47,968</b>	<b>\$ (228,745)</b>	—	\$ —	—	\$ —	\$ —	\$ —	\$ (357)	—	\$ (229,102)
<b>Activity subsequent to the Reorganization Transactions:</b>													
Effect of the Reorganization Transactions	(53,774)	(170,522)	(47,968)	228,745	48,744,182	49	52,997,579	53	(27,941)	—	—	(30,384)	170,522
Issuance of Class A common stock in the IPO, net of issuance costs	—	—	—	—	16,839,107	17	—	—	143,628	—	—	116,065	259,710
Purchase of common units from Pre-IPO common unit holders and retirement of Class B common shares	—	—	—	—	—	—	(5,526,607)	(6)	(50,956)	—	—	(36,884)	(87,846)
Net loss	—	—	—	—	—	—	—	—	—	(171,209)	—	(123,925)	(295,134)
Stock-based compensation, net of taxes paid	—	—	—	—	—	—	—	—	161,986	—	—	117,250	279,236
Foreign currency translation	—	—	—	—	—	—	—	—	—	—	32	23	55
<b>December 31, 2021</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>65,583,289</b>	<b>\$ 66</b>	<b>47,470,972</b>	<b>\$ 47</b>	<b>\$ 226,717</b>	<b>\$ (171,209)</b>	<b>\$ (325)</b>	<b>\$ 42,145</b>	<b>\$ 97,441</b>
Net loss	—	—	—	—	—	—	—	—	—	(7,654)	—	(5,609)	(13,263)
Stock-based compensation	—	—	—	—	—	—	—	—	15,043	—	—	10,550	25,593
Share exchanges	—	—	—	—	4,272,205	4	(4,272,205)	(4)	5,310	—	—	(5,310)	—
Issuance of IPO vested Class A common stock and vested RSUs	—	—	—	—	1,593,602	2	—	—	(2)	—	—	—	—
Tax withholdings related to net share settlements of stock-based compensation awards	—	—	—	—	(589,385)	(1)	—	—	(4,767)	—	—	(3,191)	(7,959)
Foreign currency translation	—	—	—	—	—	—	—	—	—	—	(179)	(148)	(327)
Other	—	—	—	—	—	—	—	—	1,959	—	—	—	1,959
<b>December 31, 2022</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>70,859,711</b>	<b>\$ 71</b>	<b>43,198,767</b>	<b>\$ 43</b>	<b>\$ 244,260</b>	<b>\$ (178,863)</b>	<b>\$ (504)</b>	<b>\$ 38,437</b>	<b>\$ 103,444</b>

See Notes to Consolidated Financial Statements.

**ENFUSION, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in thousands)

	Years Ended December 31,		
	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net (loss) income	\$ (13,263)	\$ (282,242)	\$ 4,061
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Non-cash operating lease expense	257	—	—
Depreciation and amortization	6,344	3,975	2,291
Provision for bad debts	1,399	1,450	1,010
Amortization of debt-related costs	26	222	60
Stock-based compensation expense	24,993	289,803	—
Loss on extinguishment of debt	—	1,215	—
Net foreign currency losses	—	—	1
Change in operating assets and liabilities:			
Accounts receivable	(9,031)	(7,493)	(4,216)
Prepaid expenses and other current assets	(1,767)	(6,477)	(1,776)
Accounts payable	(843)	2,044	41
Accrued expenses and other liabilities	6,041	(2,815)	193
<b>Net cash provided by (used in) operating activities</b>	<b>14,156</b>	<b>(318)</b>	<b>1,665</b>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(7,931)	(8,014)	(5,068)
<b>Net cash used in investing activities</b>	<b>(7,931)</b>	<b>(8,014)</b>	<b>(5,068)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from term loan	—	—	71,211
Issuance of Class D Units, net of issuance costs	—	—	93,261
Proceeds from draw on revolving debt facility	—	—	1,800
Redemption of Class A Units	—	—	(76,634)
Distribution of loan proceeds to Members	—	—	(71,061)
Repayment of term loan	—	(100,000)	(300)
Repayment of draw on revolving debt facility	—	—	(1,800)
Payment of Member distributions	—	(3,283)	(4,612)
Payment of equity issuance costs on non-cash issuance of Class D Units	—	—	(137)
Payment of debt issuance and debt facility costs	—	—	(169)
Issuance of Class A common stock in the IPO, net of issuance costs	—	260,545	—
Purchases of common units from Pre-IPO common unit holders	—	(87,846)	—
Payment of withholding taxes on stock-based compensation	(7,959)	(10,567)	—
<b>Net cash (used in) provided by financing activities</b>	<b>(7,959)</b>	<b>58,849</b>	<b>11,559</b>
Effect of exchange rate changes on cash	(86)	(90)	(116)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,820)</b>	<b>50,427</b>	<b>8,040</b>
Cash and cash equivalents, beginning of period	64,365	13,938	5,898
Cash and cash equivalents, end of period	<u>\$ 62,545</u>	<u>\$ 64,365</u>	<u>\$ 13,938</u>
<b>Supplemental disclosure of cash flow information:</b>			
Interest paid in cash	\$ —	\$ 4,813	\$ 1,492
Income taxes paid in cash	\$ 1,582	\$ 407	\$ 261
<b>Supplemental disclosure of non-cash investing activities:</b>			
Capitalized stock-based compensation expense	\$ 600	\$ —	\$ —
<b>Supplemental disclosure of non-cash financing activities:</b>			
Issuance of Class D Units in a non-cash exchange for Class C-1 and C-2 Units	\$ —	\$ —	\$ 56,376
Effect of the Reorganization Transactions	\$ —	\$ 58,223	\$ —
IPO costs included in Accrued expenses and other liabilities	\$ —	\$ 835	\$ —
Other	\$ 1,959	—	—

See Notes to Consolidated Financial Statements.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

**Note 1 Organization and Description of Business**

Enfusion is a leading provider of cloud-based order and execution management, portfolio management and risk systems. Enfusion's clients include large global hedge fund managers, institutional asset managers, family offices and other institutional investors. Enfusion provides its clients with innovative real-time performance, risk calculations, and accounting capabilities for some of the most sophisticated financial products. The Company is headquartered in Chicago, Illinois and has offices in Chicago, New York, London, Dublin, Hong Kong, Singapore, São Paulo, Mumbai, Bengaluru, and Sydney.

Enfusion, Inc. was incorporated in Delaware on June 11, 2021 for the purpose of facilitating an initial public offering, which was completed on October 25, 2021, and other related transactions in order to carry on the business of Enfusion Ltd. LLC. Enfusion, Inc. is a holding company and, through its control over the managing member of Enfusion Ltd. LLC, operates and controls Enfusion Ltd. LLC. Enfusion, Inc.'s principal asset consists of Common Units.

Enfusion, Inc. has three wholly-owned subsidiaries: Enfusion US 1, Inc., Enfusion US 2, Inc. and Enfusion US 3, Inc.; as well as a controlling financial interest in Enfusion Ltd. LLC and its majority-owned subsidiary, Enfusion Softech India Private Limited, as well as the wholly-owned subsidiaries of Enfusion Ltd. LLC: Enfusion Systems UK Ltd, Enfusion HK Limited, Enfusion Software Limited, Enfusion (Singapore) Pte. Ltd., Enfusion do Brasil Tecnologia da Informacao Ltda, Enfusion (Australia) Pty. Ltd. and Enfusion (Shanghai) Co., Ltd. Enfusion, Inc., through its control over the managing member of Enfusion Ltd. LLC, manages and operates Enfusion Ltd. LLC's business and controls its strategic decisions and day-to-day operations. As such, Enfusion, Inc. consolidates the financial results of Enfusion Ltd. LLC, and a portion of Enfusion, Inc.'s net income is allocated to non-controlling interests to reflect the entitlement to a portion of Enfusion Ltd. LLC's net income by the other common unit holders of Enfusion, Ltd. LLC. As of December 31, 2022, Enfusion, Inc. owned approximately 62% of Enfusion Ltd. LLC.

**Note 2 Basis of Presentation**

Principles of Consolidation

These statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany balances and transactions are eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates on historical experience and various other assumptions believed to be reasonable. These estimates and assumptions include, but are not limited to, judgments affecting the measurement of the payable to related parties pursuant to the Tax Receivable Agreement, amortization periods, certain assumptions used in the valuation of stock-based compensation, assessment of the allowance for doubtful accounts, and accounting for income taxes and assessment of valuation allowances. Actual results could differ from those estimates.

The Company's results can also be affected by economic, political, legislative, regulatory and legal actions, including but not limited to health epidemics and pandemics and the resulting economic impact. Economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, and government fiscal policies can have a significant effect on operations. While the Company maintains reserves for anticipated liabilities and carries various levels of insurance, the Company could be affected by civil, criminal, regulatory or administrative actions, claims or proceedings.



**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

Segments

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker (“CODM”) in deciding how to allocate resources to an individual segment and in assessing performance. The Company’s Chief Executive Officer is the CODM. While the Company operates in multiple countries, the Company’s business operates as one operating segment because most of the Company’s service offerings are delivered and supported on a global basis, the Company’s service offerings are deployed in a nearly identical way, and the Company’s CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance.

**Note 3 Summary of Significant Accounting Policies**

The significant accounting policies of the Company and its subsidiaries are summarized below.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an initial maturity date of three months or less to be cash equivalents. Funds held as investments in money market funds are included within cash and cash equivalents. As of December 31, 2022 and 2021, respectively, the Company had approximately \$50 million and \$0 invested in money market accounts.

Accounts Receivable

Accounts receivable includes billed and unbilled receivables, net of allowance for doubtful accounts. Billed accounts receivable are initially recorded upon the invoicing to clients with payment due within 30 days. Unbilled accounts receivable represent revenue recognized on contracts for which the timing of invoicing to clients differs from the timing of revenue recognition. As of December 31, 2022 and 2021, unbilled accounts receivable was \$2 million and \$1.3 million, respectively. The unbilled accounts receivable balance is due within one year.

The Company maintains an allowance for doubtful accounts at an amount estimated to be sufficient to provide adequate protection against losses resulting from extending credit to its clients. The Company regularly determines the adequacy of the allowance based on its assessment of the collectability of the accounts receivable by considering the age of each outstanding invoice, the collection history of each client, and an evaluation of current expected risk of credit loss of any clients with known financial difficulties. The Company assesses collectability by reviewing accounts receivable on an aggregated basis where similar characteristics exist and on an individual basis for specific clients with historical collectability issues or known financial difficulties. Increases to the allowance are recognized as a charge to doubtful accounts included in General and administrative expenses in the consolidated statement of operations. Accounts receivable deemed uncollectible are charged against the allowance for doubtful accounts when identified.

The Company's allowances are as follows (in thousands):

Balance at December 31, 2020	\$ 598
Charges to the provision	1,450
Accounts written off, net of recoveries	(1,257)
Balance at December 31, 2021	791
Charges to the provision	1,158
Accounts written off, net of recoveries	(724)
Balance at December 31, 2022	\$ 1,225

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

Property and Equipment, Net

Property and equipment is stated at historical cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the individual assets, except for leasehold improvements, which are depreciated over the shorter of the estimated useful life of the asset or the underlying lease term. Also included in property and equipment are capitalized costs of software developed for internal use. The useful lives of property and equipment are as follows:

Property and Equipment Asset Type	Estimated Useful Lives
Software development costs	3 years
Computers and equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of estimated economic useful life or remaining lease term

Maintenance and repairs are expensed as incurred. Upon retirement or disposition, the cost and related accumulated depreciation or amortization is removed from the accounts and any gain or loss is included in operating income.

Software Development Costs

Capitalized software costs consist of costs to purchase software to be used within the Company and costs to develop software internally. Capitalization of purchased or internally developed software occurs during the application development stage and consists of costs associated with design, coding and testing.

Amortization of software development costs is calculated using the straight-line method over the estimated useful lives of the software, which is generally three years. Capitalized software development costs are recorded within property and equipment, net of accumulated amortization, within the consolidated balance sheets. Amortization expense is included in Cost of revenues – platform subscription services in the consolidated statements of operations.

Impairment of Long-Lived Assets

The Company evaluates the carrying value of long-lived assets in accordance with the accounting standard for impairment or disposal of long-lived assets, which requires recognition of impairment of long-lived assets in the event that circumstances indicate impairment may have occurred and when the net carrying value of such assets exceeds the future undiscounted cash flows attributed to such assets. The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. No impairment of long-lived assets occurred during the years ended December 31, 2022, 2021 and 2020.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. Accounting standards establish a hierarchical framework, which prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on the best information available. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

*Level 1* Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

*Level 2* Inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

*Level 3* Inputs are unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company has investments in money market accounts, which are included in cash and cash equivalents on the condensed consolidated balance sheets. Fair value inputs for these investments are considered Level 1 measurements within the Fair Value Hierarchy, as money market account fair values are known and observable through daily published floating net asset values. The carrying amount of the Company's other financial instruments, including accounts receivable and accounts payable, approximate fair value due to their short-term nature.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification 606 ("ASC 606"), Revenue from Contracts with Customers. The Company derives its revenues primarily from fees for platform subscription and managed services provided to clients. Revenues are recognized when control of these services are transferred to the Company's clients in an amount that reflects the consideration the Company expects to be entitled to in exchange for these services. Revenues are recognized net of taxes that will be remitted to governmental agencies applicable to service contracts. Historically, platform subscription contracts have typically had a one-year term and were cancellable with 30 days' notice. Beginning in the first quarter of 2021, our default platform subscription contract has had a multi-year term and does not allow termination for convenience, though each contract has and can be negotiated with varying term lengths, with or without a termination for convenience clause. Clients are invoiced each month for the services provided in accordance with the stated terms of their service contracts. Fees for partial term service contracts are prorated, as applicable. Payment of fees are due from clients within 30 days of the invoice date. The Company does not provide financing to clients. The Company determines revenue recognition through the following five-step framework:

- Identification of the contract, or contracts, with a client;
- Identification of the performance obligation in the contract;
- Determination of transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, performance obligations are satisfied.

*Platform subscription revenues*

Platform subscription revenues consist primarily of fees for providing clients with access to the Company's cloud-based platform. Platform subscription clients do not have the right to take possession of the platform's software, and do not have any general return rights. Platform subscription revenues are recognized ratably over the period of contractually enforceable rights and obligations, beginning on the date that the client gains access to the platform. Installment payments are invoiced at the end of each calendar month during the subscription term.

*Managed services revenues*

Managed services revenues primarily consist of client-selected middle and back-office services provided on our clients' behalf using the Company's platform. Revenue is recognized monthly as the managed services are performed, with invoicing occurring at the end of the calendar month.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

*Other revenues*

Other revenues consist of non-subscription-based revenues, such as data conversion and services that integrate a client's historical data into our solution. The Company recognizes revenues as these services are performed with invoicing occurring at the end of each month.

*Service contracts with multiple performance obligations*

Our service contracts with clients can include multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The Company has determined that implementation services are not distinct from the ongoing platform subscription services due to the highly specialized knowledge required to execute on our solution. Such services are recognized with the platform subscription services revenue over time.

*Remaining performance obligations*

For the Company's contracts that exceed one year and do not include a termination for convenience clause, the amount of the transaction price allocated to remaining performance obligations as of December 31, 2022 and December 31, 2021 was \$31.1 million and \$23.4 million, respectively. The Company expects to recognize this amount over the next one to five years.

*Disaggregation of revenue*

The Company's total revenues by geographic region, based on the client's physical location is presented in the following table:

Geographic Region	Year Ended December 31,					
	2022		2021		2020	
	Amount	Percent	Amount	Percent	Amount	Percent
Americas*	\$ 95,122	63.3 %	\$ 72,994	65.3 %	\$ 54,057	67.9 %
Europe, Middle East and Africa (EMEA)	20,051	13.3 %	13,491	12.1 %	8,748	11.0 %
Asia Pacific (APAC)	35,176	23.4 %	25,215	22.6 %	16,760	21.1 %
Total revenues	\$ 150,349	100.0 %	\$ 111,700	100.0 %	\$ 79,565	100.0 %

\* Includes revenues in the United States (country of domicile) of \$92.8 million, \$71.9 million and \$53.0 million for the years ended December 31, 2022, 2021 and 2020, respectively.

*Deferred commissions*

The Company pays sales commissions for initial contracts and expansions of existing contracts with customers. These commissions earned by certain of our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions paid where the amortization period is one year or less are expensed as incurred. All other sales commissions are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be three years. We determined the period of benefit by taking into consideration our standard contract terms and conditions, rate of technological change, and other factors. Amortization expense is included in sales and marketing expense in the accompanying consolidated statements of operations.

The balance of deferred commissions as of December 31, 2022 and December 31, 2021 was \$2.8 million and \$1.7 million, respectively, and is included in Other assets and Other current assets on the Consolidated Balance Sheets. The amount of amortization expense recognized during the years ended December 31, 2022 and 2021 was \$845 thousand and \$228 thousand, respectively.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

*Cost of revenues*

Cost of revenues consists primarily of personnel-related costs associated with the delivery of the Company's software and services, including base salaries, bonuses, employee benefits and related costs. Additionally, cost of revenues includes amortization of capitalized software development costs, allocated overhead and certain direct data and hosting costs.

Technology and Development

Technology and development expenses consist primarily of employee-related expenses for the Company's software development. Additional expenses include costs related to the development, maintenance, quality assurance and testing of new technologies, and ongoing refinement of the Company's existing solutions. Technology and development expenses, other than internal-use software costs qualifying for capitalization, including costs associated with preliminary project stage activities, training, maintenance, and all other post-implementation stage activities are expensed as incurred.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs incurred were approximately \$1.5 million, \$1.2 million and \$1.3 million during the years ended December 31, 2022, 2021 and 2020, respectively.

Equity-Based Compensation

Prior to the IPO, the Company had a Change in Control Bonus Plan (the "Pre-IPO Plan") for certain members of the Company's management ("Plan Participants") that provided for the payment of a cash bonus based on a specified number of Management Incentive Award Units ("Award Units") in the event of a change in control ("CiC") transaction (i.e., a liquidity event), as defined by the Company's Operating Agreement. As of December 31, 2020, the Company did not record a liability for payments under the Pre-IPO Plan as the timing of any future CiC transaction or amount of Award Units to be paid to Plan Participants was not probable or estimable.

In October 2021, the Company's board of managers elected to terminate the Change in Control Bonus Plan (and all Award Units issued thereunder) upon effectiveness of the registration statement for the IPO. In connection with the IPO, we adopted the 2021 Stock Option and Incentive Plan, or 2021 Plan. The 2021 Plan allows our compensation committee to make incentive awards to our officers, employees, directors and service providers. We also adopted the 2021 Employee Stock Purchase Plan, or 2021 ESPP. The Company measures stock compensation expense for its share-based payment awards at fair value on the grant date. The fair value of share-based payment awards is determined using the fair market value of the underlying Class A common stock on the date of grant. The Company applied a discount for lack of marketability, estimated using the Finnerby Model, to the fair value of awards with post-vesting restrictions, which includes the vested shares of Class A common stock and the contingently issuable shares (the "Contingently Issuable Shares") of Class A common stock issued on the IPO effectiveness date.

For RSUs for which vesting is subject to the achievement of a market capitalization hurdle, the Company determines the fair value of these RSUs using a Monte Carlo simulation. The Monte Carlo simulations used to estimate the fair value include subjective assumptions, including the fair value of the underlying common stock, expected volatility of the price of the Company's common stock, risk-free interest rate, expected dividend yield of common stock, and the Company's cost of equity capital.

We record forfeitures as they occur. The cost of services received from employees and non-employees in exchange for awards of equity instruments is recognized in the consolidated statement of operations based on the estimated fair value of those awards on the grant date or reporting date, if required to be remeasured, and amortized on a straight-line basis over the requisite service period.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

Loss per share

Loss per share is computed by dividing net loss attributable to the Company by the number of weighted average shares of Class A common stock outstanding during the period. Diluted loss per share is computed by dividing net loss attributable to the Company by the number of weighted-average shares of Class A common stock outstanding during the period after adjusting for the impact of securities that would have a dilutive effect on loss per share. See Note 11, *Loss Per Class A Common Share* for further discussion.

All earnings (loss) for the period prior to the IPO were entirely allocable to Enfusion LLC, Ltd. and its historic non-controlling interest. Due to the impact of the Reorganization Transactions, the Company's capital structure for the pre- and post-IPO periods is not comparable. As a result, the presentation of earnings (loss) per share for the periods prior to the IPO and Organizational Transactions is not meaningful and only loss per share for the period subsequent to the IPO and Organizational Transactions is presented herein.

Non-controlling interest

Non-controlling interests represent the portion of profit or loss, net assets and comprehensive income of our consolidated subsidiaries that is not allocable to the Company based on our percentage of ownership of such entities. As noted above, on October 25, 2021, Enfusion US 1, Inc., a newly-formed wholly owned subsidiary of Enfusion, Inc., became the sole managing member of Enfusion Ltd. LLC in connection with the Reorganization Transactions. As of December 31, 2022, we hold approximately 62% of the outstanding LLC Units of Enfusion Ltd. LLC, and approximately 38% of the outstanding LLC Units of Enfusion Ltd. LLC are held by Pre-IPO Common Unitholders. Therefore, we report non-controlling interests based on LLC Units of Enfusion Ltd. LLC held by the Pre-IPO Common Unitholders. on our consolidated balance sheet as of December 31, 2022. Income or loss attributed to the non-controlling interest in Enfusion Ltd. LLC is based on the LLC Units outstanding during the period for which the income or loss is generated and is presented on the consolidated statements of operations and consolidated statements of comprehensive income (loss).

Income Taxes

The Company accounts for income taxes under the asset and liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and deferred tax liabilities is recognized in income in the period that includes the enactment date.

We recognize deferred tax assets to the extent that it is believed that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carryback potential if permitted under the tax law, and results of recent operations. A valuation allowance is provided if it is determined that it is more likely than not that the deferred tax asset will not be realized.

The Company evaluates and accounts for uncertain tax positions using a two-step approach. Recognition (step one) occurs when the Company concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustainable upon examination. Measurement (step two) determines the amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Derecognition of a tax position that was previously recognized would occur when the Company subsequently determines that a tax position no longer meets the more likely-than-not threshold of being sustained. The Company records interest (and penalties where applicable), net of any applicable related income tax benefit, on potential income tax contingencies as a component of Income tax expense in the Consolidated Statements of Operations.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

Tax Receivable Agreement (TRA)

The Company accounts for amounts payable under the TRA in accordance with ASC 450, *Contingencies*. The amounts payable under the TRA will vary depending upon a number of factors, including the amount, character, and timing of the taxable income of the Company in the future. Actual tax benefits realized by the Company may differ from tax benefits calculated under the TRA as a result of the use of certain assumptions in the agreement. Any such changes in these factors or changes in the Company's determination of the need for a valuation allowance related to the tax benefits acquired under the TRA could adjust the Tax receivable agreement liabilities recognized on the Consolidated Balance Sheets. Subsequent changes in the fair value of the Tax receivable agreement liabilities between reporting periods, as well as any interest accrued on the TRA between the Company's annual tax filing date and the TRA payment date, are recognized in the Consolidated Statements of Operations. As of December 31, 2022 and 2021, the Company has not recorded a liability under the TRA.

Concentration of Risk

*Deposits with Financial Institutions*

The Company has concentrated its credit risk for cash by maintaining deposits in several financial institutions, which may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

*Accounts Receivable*

As of December 31, 2022 and 2021, no individual client represented more than 10% of accounts receivable. For the years ended December 31, 2022, 2021 and 2020, no individual client represented more than 10% of the Company's total revenues.

Translation of Foreign Currencies

Foreign currency assets and liabilities of the Company's international subsidiaries are translated using the exchange rates in effect at the balance sheet date. Results from operations are translated using the average exchange rates prevailing throughout the year. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as part of the foreign currency translation adjustment in accumulated other comprehensive loss in the consolidated balance sheets.

Foreign currency intercompany balances that remain unsettled at the end of each period are translated using the exchange rates in effect at the balance sheet date. The effects of exchange rate fluctuations on translating foreign currency intercompany assets and liabilities into U.S. dollars are recorded as other (expense) income in the Consolidated Statements of Operations.

Recently Adopted Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes the guidance in former ASC 840, Leases, to increase transparency and comparability among organizations by requiring recognition of right-of-use assets and lease liabilities on the balance sheet (with the exception of short-term leases) and disclosure of key information about leasing arrangements (with the exception of short-term leases). In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, to clarify how to apply certain aspects of the new Leases (Topic 842) standard. ASU 2016-02, as subsequently amended for various technical issues, was effective for private companies and emerging growth companies in fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, and early adoption is permitted. The Company elected the optional transition

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

method and adopted the new guidance on January 1, 2022 (“the adoption date”), on a modified retrospective basis, with no restatement of prior period amounts. As allowed under the new accounting standard, the Company elected to apply practical expedients to carry forward the original lease determinations, lease classifications and accounting of initial direct costs for all arrangements at the time of adoption. The Company also elected not to separate lease components from non-lease components and to exclude short-term leases from its Consolidated Balance Sheet. The Company’s adoption of the new standard resulted in the recognition of right-of-use assets of \$9.1 million and liabilities of \$9.5 million as of the adoption date, with no cumulative effect adjustment to equity as of the adoption date. Adoption of the new standard did not have a material impact on the Company’s Consolidated Statements of Income or Cash Flows. See Note 6 - Leases for additional information.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes* (Topic 740): *Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for private entities and emerging growth companies in fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, with early adoption permitted, including adoption in an interim period.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13, as subsequently amended for various technical issues is effective for annual reporting periods beginning after December 15, 2022, for private entities and emerging growth companies. The Company is evaluating the impact of this standard on its consolidated financial statements.

**Note 4 Property and Equipment, Net**

Property and equipment, net consists of the following (in thousands):

	December 31,	
	2022	2021
Computer equipment	\$ 17,496	\$ 14,163
Software development costs	9,406	4,866
Leasehold improvements	1,831	1,947
Furniture and fixtures	433	540
Total property and equipment, cost	29,166	21,516
Less accumulated depreciation and amortization	(13,407)	(8,465)
Total property and equipment, net	<u>\$ 15,759</u>	<u>\$ 13,051</u>

As of December 31, 2022 and 2021, property and equipment, net located in the United States was \$13.7 million and \$10.4 million, respectively. The remainder was located in our various international locations. Included in property and equipment are the capitalized costs of software developed and maintained for internal use. Software development costs capitalized during the years ended December 31, 2022 and 2021 were \$4.5 million and \$2.0 million, respectively.

Depreciation and amortization expense related to property and equipment, excluding software development costs, was \$3.3 million, \$2.4 million and \$1.5 million for the years ended December 31, 2022, 2021 and 2020, respectively. Amortization expense related to software development costs was \$2.2 million, \$1.3 million and \$759 thousand for the years ended December 31, 2022, 2021 and 2020, respectively.



**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

Estimated future amortization of capitalized software development costs are as follows (in thousands):

Year ending December 31,	Amount
2023	\$ 2,376
2024	1,807
2025	648
Total	<u>\$ 4,831</u>

**Note 5 Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following (in thousands):

	December 31,	
	2022	2021
Accrued compensation	\$ 10,268	\$ 3,180
Accrued expenses and other	1,112	1,182
Accrued taxes	285	1,216
Total accrued expenses and other current liabilities	<u>\$ 11,665</u>	<u>\$ 5,578</u>

The Company's accrued expenses and other current liabilities consist primarily of employee incentive compensation plans. The Company accrues over the course of the year the annual discretionary bonuses earned by employees during the year but paid in the following year. Accrued compensation includes bonuses due to employees of \$7.8 million and \$0 as of December 31, 2022 and 2021, respectively.

**Note 6 Leases**

The Company adopted ASU No. 2016-02 "Leases (Topic 842)" on January 1, 2022, resulting in the recognition of right-of-use assets of \$9.1 million and lease liabilities of \$9.5 million. The Company enters into leases for office space and data centers. A number of the leases include one or more options to renew the lease terms or not terminate the lease. The exercise of these options is at the Company's discretion and is therefore recognized on the balance sheet when it is reasonably certain the Company will exercise such options. As the Company's leases typically do not contain a readily determinable implicit rate, the Company determines the present value of the lease liability using its incremental borrowing rate at the lease commencement date.

All of the Company's leases are considered operating leases. The Company had no finance leases as of and for the year ended December 31, 2022.

As of December 31, 2022, the Company's right-of use assets and liabilities for operating leases were as follows:

Right-of-use asset, net	\$ 6,732
Current portion of lease liabilities	\$ 4,030
Lease liabilities, net of current portion	2,959
	<u>\$ 6,989</u>

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

Lease commitments as of December 31, 2022 were as follows:

<b>Year Ending December 31,</b>	<b>Amount</b>
2023	\$ 4,244
2024	2,176
2025	882
Total lease commitments	\$ 7,302
Less: Interest	(313)
Present value of lease liabilities	<u>\$ 6,989</u>

The components of the Company's operating lease cost for the twelve months ended December 31, 2022 were as follows:

Operating lease cost	5,053
Variable lease cost	828
Total lease cost	<u>\$ 5,881</u>

Variable lease costs are comprised of costs, such as the Company's proportionate share of actual costs for utilities, common area maintenance, property taxes and insurance, that are not included in the lease liability and are recognized in the period in which they are incurred.

As of December 31, 2022, the weighted-average remaining lease term for operating leases was 1.84 years and the weighted-average discount rate for operating leases was 4.43%.

The Company had entered into operating leases for international office spaces and data centers that were yet to commence as of December 31, 2022.

**Supplemental Cash Flow Information**

Cash paid for amounts included in the measurement of lease liabilities	5,111
Right-of-use assets obtained in exchange for lease liabilities	9,514

Future aggregate minimum rental payments under the noncancelable operating leases and service agreements as of December 31, 2021, prior to the Company's adoption of the new lease standard, were as follows:

<b>Years Ending December 31,</b>	<b>Operating Leases</b>	<b>Service Agreements</b>	<b>Total</b>
2022	\$ 4,384	\$ 470	\$ 4,854
2023	3,291	19	3,310
2024	2,385	—	2,385
2025	901	—	901
Total	<u>\$ 10,961</u>	<u>\$ 489</u>	<u>\$ 11,450</u>

Under Accounting Standards Codification 840, the previous lease standard, total expense for lease arrangements was \$3.9 million and \$3.7 million for the years ended December 31, 2021 and 2020, respectively, and is included in Cost of revenues and Operating expenses. Total expense related to the service agreements was \$1.1 million and \$841 thousand for the years ended December 31, 2021 and 2020, respectively, and is included in Cost of revenues.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

**Note 7 Commitments and Contingencies**

The Company records accruals for contingencies when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated. A description of a contingent payment arrangement under the Company's Tax Receivable Agreement is included in Note 13 – Related Party Transactions. No accruals for contingencies were recorded as of December 31, 2022 and December 31, 2021, respectively.

**Note 8 Preferred Units, Stockholders' Equity and Members' Deficit**

Prior to the Reorganization Transactions, Enfusion Ltd. LLC was organized as a limited liability company owned by its members, each of whose membership interests consisted of an equal number of: (i) "Economic Units", which represented a Member's economic interest in Enfusion Ltd. LLC; and (ii) "Participation Units", which represented a Member's right to participate (vote) in the affairs of Enfusion Ltd. LLC.

As a limited liability company, Enfusion Ltd. LLC issued more than one class of Units. The Class A Units were considered to be Members' Equity, whereas all of the other Unit classes were considered to be Preferred Units because of provisions in the Company's former Operating Agreement that conferred certain rights and privileges to the members owning these Units, such as voting rights, redemption rights and liquidation preferences.

Holders of the Class C-1, C-2 and D Preferred Units had the option to require the Company to redeem their Units. In accordance with the guidance in ASC 480, *Distinguishing Liabilities from Equity*, outstanding Class C-1, C-2 and D Preferred Units were classified outside of permanent equity and within temporary equity due to their optional redemption features and liquidation preferences.

In connection with the Reorganization Transactions, the Amended and Restated Operating Agreement of Enfusion Ltd. LLC (the "LLC Operating Agreement") was amended and restated to, among other things, modify its capital structure by reclassifying each of the outstanding Class A Units and C-1, C-2 and D Preferred Units into a new class of LLC interests (or "Common Units") through a stock split on a 1,000,000 to 1 basis. The number of Common Units outstanding following the Reorganization Transaction reflect the 1,000,000 to 1 stock split. Pursuant to the adoption of the LLC Operating Agreement, Enfusion US 1, Inc., a newly-formed wholly owned subsidiary of Enfusion, Inc., was appointed the sole managing member of Enfusion Ltd. LLC.

**Amendment and Restatement of Certificate of Incorporation**

The certificate of incorporation of Enfusion, Inc. provides for 1,000,000,000 authorized shares of Class A common stock, 150,000,000 authorized shares of Class B common stock and 100,000,000 shares of preferred stock.

Each share of our Class A common stock is entitled to one vote per share and is not convertible into any other shares of our capital stock. Holders of shares of our Class A common stock are entitled to receive dividends when, as and if declared by our board of directors. Upon our liquidation, dissolution or winding up and after payment in full of all amounts required to be paid to creditors, and subject to the rights of the holders of one or more outstanding series of preferred stock, as applicable, having liquidation preferences, the holders of shares of our Class A common stock will be entitled to receive pro rata our remaining assets available for distribution. Each share of our Class B common stock is entitled to one vote per share and is not convertible or exchangeable for a share of Class A common stock or any other security. Holders of our Class B common stock do not have any right to receive dividends or to receive a distribution upon a liquidation, dissolution or winding up of Enfusion, Inc.

**Preferred Stock**

Our board of directors have the authority, without further action by our stockholders, to issue up to 100,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting, or the designation of, such series, any or all of which may be greater than the rights of Class A common stock. As of December 31, 2022 and 2021, the Company has not issued any shares of preferred stock nor has our board of directors established the rights and privileges related to any series of preferred stock.

**Note 9 Management Incentive Plan and Stock-Based Compensation**

Prior to the IPO, Enfusion Ltd. LLC had a Change in Control Bonus Plan (the “Pre-IPO Plan”) for certain members of management (“Plan Participants”) that provided for the payment of a cash bonus based on a specified number of Management Incentive Award Units (“Award Units”) in the event of a change in control (“CiC”) transaction (i.e., a liquidity event), as defined by the LLC Operating Agreement.

In anticipation of the Company’s IPO, in October 2021 the Company’s board of managers elected to terminate the Pre-IPO Plan (and all Award Units issued thereunder) upon effectiveness of the registration statement for the IPO (the “IPO effectiveness date”). Holders of Award Units that were still employed as of the IPO date were granted one or more of the following:

- The vested shares of Class A common stock as of IPO effectiveness date (“IPO vested Class A common stock”) that will be issued to Plan Participants prior to the second anniversary of the IPO. No future service is required to receive the IPO vested Class A common stock. Because there is no ongoing service requirement associated with these awards, the Company recognized stock compensation expense for these awards on the IPO effectiveness date. The amount of stock compensation expense recognized for these awards was \$237.3 million in 2021, which is equal to the fair value of the shares of the IPO vested Class A common stock, after applying a discount for lack of marketability due to the post-vesting restriction.
- Shares of Class A common stock that vested within one year of the IPO date are referred to as Contingently Issuable Shares due to continued employment requirements. Of these shares, 7.5% was distributed in 2022. The remaining 92.5% of these shares will be issued prior to second anniversaries of the IPO effectiveness date. Stock compensation expense associated with these awards is recognized by the Company on a straight-line basis over the requisite service period for the entire award, beginning on the IPO effectiveness date. The amount of stock compensation expense recognized for these awards was \$10.2 million in 2022 and \$16.7 million in 2021, respectively, which is equal to the fair value of the shares of the IPO vested Class A common stock, after applying a discount for lack of marketability due to the post-vesting restriction.
- Restricted stock units (“RSUs”) granted to executive and non-executive employees that will vest ratably over a period of up to four years subject to the Plan Participant’s continued employment. Stock compensation expense associated with these awards is recognized by the Company on a straight-line basis over the requisite service period for the entire award, beginning on the IPO effectiveness date. The amount of stock compensation expense recognized for these awards was \$13.2 million in 2022 and \$4.5 million in 2021, respectively.
- RSUs that will vest ratably over a period of up to four years that are subject to a market condition and the Plan Participant’s continued employment. The market condition is the achievement of certain market capitalization targets by the Company at specified measurement dates (“market capitalization hurdle”). The Company determined the fair value of these RSUs using a Monte Carlo simulation. The Company recognizes stock compensation expense on a straight-line basis over the implied service period for each tranche of the award, as if the award were in-substance multiple awards.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

In addition to the shares of Class A common stock and RSUs granted to employees that were Plan Participants in the Pre-IPO Plan, the Company agreed to issue 2,047,064 shares of Class A common stock to an employee in exchange for termination of a profit sharing agreement. These shares will be issued to the employee between the first and second anniversaries of the IPO effectiveness date. The fair value of these shares, after applying a discount for lack of marketability due to the post-vesting restriction, is \$31.2 million. This amount was recognized as compensation expense on the IPO effectiveness date in 2021.

For the vested shares of Class A common stock and the Contingently Issuable Shares of Class A common stock issued on the IPO effectiveness date, the Company applied a discount for lack of marketability, estimated using the Finnerty Model, to the fair value of awards with post-vesting restrictions.

*2021 Stock Option and Incentive Plan*

In conjunction with the IPO, the Company established the 2021 Stock Option and Incentive Plan (the “2021 Plan”), which became effective upon the date immediately preceding the IPO effectiveness date. The Company has initially reserved 26,400,000 shares of Class A common stock for the issuance of awards under the 2021 Plan, inclusive of awards granted to Plan Participants of the Pre-IPO Plan. The 2021 Plan provides that the number of shares of Class A common stock reserved and available for issuance under the 2021 Plan will automatically increase on January 1, 2022 and each January 1 thereafter, by 3% of the outstanding number of shares of our Class A and Class B common stock on the immediately preceding December 31, or such lesser number of shares as determined by our compensation committee, or the Annual Increase. The 2021 Plan provides for potential grants of the following awards: (i) stock options, (ii) RSUs, (iii) unrestricted shares, and (iv) stock appreciation rights. Awards granted to date under the 2021 Plan are in the form of RSUs that vest in equal annual installments over four years, subject to the employee’s continued employment. The Company recognizes stock compensation expense for these RSUs on a straight-line basis over the requisite service period for the entire award. The amount of stock compensation expense recognized for these awards was \$1.5 million in 2022 and \$100 thousand in 2021, respectively.

The Company measures stock compensation expense for its share-based payment awards at fair value on the grant date. For RSUs which vesting is not subject to the achievement of a market capitalization hurdle or achievement of a specified share price, the fair value of share-based payment awards is determined using the fair market value of the underlying Class A common stock on the date of grant.

The expected term of the Company’s stock options was determined utilizing the simplified method, due to lack of historical exercise data. The expected volatility was determined using a weighted-average of the historical volatility measures of a group of guideline companies and the Company’s own historical volatility.

During the year ended December 31, 2022, there were 84,000 stock options granted under the 2021 Plan, at a weighted average exercise price of \$9.86 per option. During the year ended December 31, 2022, 40,000 stock options were forfeited. As of December 31, 2022, there was approximately \$227 thousand of unrecognized equity-based compensation expense related to the remaining stock options issued during 2022, which is expected to be recognized over a weighted-average period of approximately 2.5 years. The total expense for stock options was immaterial for the year ended December 31, 2022. The assumptions used for the options granted under the Plan during the year ended December 31, 2022 were as follows:

Expected volatility	64.54%
Expected term of award	6.5 years
Risk-free rate	3.39%
Dividend yield	0.00%

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

*Performance-based RSUs*

For RSUs for which vesting is subject to the achievement of a market capitalization hurdle or specified price of the Company's shares, the Company determines the fair value of these RSUs using a Monte Carlo simulation. The Monte Carlo simulations used to estimate the fair value include subjective assumptions, including the fair value of the underlying common stock, expected volatility of the price of the Company's common stock, risk-free interest rate, expected dividend yield of common stock, and the Company's cost of equity capital.

The assumptions used in the Monte Carlo simulations for the RSUs granted on the IPO effectiveness date were as follows:

Fair value of common stock (per share)	17.00
Expected volatility	48.20%
Risk-free rate	1.65%
Dividend yield	0.00%
Cost of equity capital	11.20%

In the fourth quarter of 2022, 250,000 RSUs were granted. Based on the award agreement, the RSUs will vest following the achievement of specified prices of the Company's Class A shares. For these RSUs, the assumptions used in the Monte Carlo simulations were as follows:

Fair value of common stock (per share)	8.92
Expected volatility	53.40%
Risk-free rate	3.98%
Dividend yield	0.00%
Cost of equity capital	13.50%

The following summarizes the Company's share-based payment award activity for all IPO Vested Class A Common Stock, RSUs and stock options for the year ended December 31, 2022:

	IPO Vested Class A Common Stock and RSUs		Options		Weighted Average Remaining Contractual Term (in years)
	Number of Units	Weighted- Average Grant-Date Fair Value	Number of Options	Weighted Average Exercise Price	
<b>Outstanding as of January 1, 2021</b>	-	-			
Granted during the period	22,213,282	\$ 15.53			
Forfeited during the period	(35,139)	16.85			
Vested and issued during the period (b)	(621,510)	15.27			
<b>Outstanding as of December 31, 2021</b>	21,556,633	15.57	-	-	
Granted during the period (a)	1,428,798	10.08	84,000	9.86	
Forfeited during the period (c)	(1,167,377)	16.34	(40,000)	9.86	
Vested and issued during the period (b)	(1,593,602)	15.48	-	-	
<b>Outstanding as of December 31, 2022</b>	20,224,452	\$ 15.15	44,000	9.86	9.46
<b>Vested as of December 31, 2022</b>	17,225,377		-	-	
<b>Unvested as of December 31, 2022</b>	2,999,075		44,000	9.86	

(a) Includes 250,000 performance-based RSUs.

(b) Includes shares issued and net settled to satisfy tax withholding obligations.

(c) Includes forfeitures upon CEO transition.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

The Company recognized total stock compensation expense, including RSUs and stock options, for the years ended December 31, 2022 and 2021 of approximately \$25 million and \$289.8 million, respectively, in the consolidated Statements of Operations. In addition, the Company capitalized \$600 thousand of stock compensation to capitalized software development costs for the year ended December 31, 2022. In connection with obligations to issue Class A common stock to former holders of Award Units under the Pre-IPO Plan and holders of vested RSUs, the Company paid approximately \$8.6 million and \$15.1 million of tax withholding obligations for federal payroll taxes in the years ended December 31, 2022 and 2021, respectively. Of those amounts, approximately \$8 million and \$10.6 million related to employee payroll tax withholdings and have accordingly been recorded as a reduction to Additional Paid-In Capital in the respective years.

The Company's stock compensation expense was recognized in the following captions within the consolidated statements of operations:

(in thousands)

	Year Ended	
	December 31, 2022	December 31, 2021
Cost of revenues	\$ 1,421	\$ 377
General and administrative	14,130	112,829
Sales and marketing	5,875	36,312
Technology and development	3,567	140,285
Total stock compensation expense	<u>\$ 24,993</u>	<u>\$ 289,803</u>

Total unrecognized stock compensation expense related to unvested RSUs and stock options was \$23.1 million as of December 31, 2022, which is expected to be recognized over a weighted-average period of 2 years.

In connection with the IPO, we also adopted the 2021 Employee Stock Purchase Plan ("2021 ESPP"). The 2021 ESPP initially reserves and authorizes the issuance of up to a total of 150,000 shares of Class A common stock to participating employees. The 2021 ESPP provides that the number of shares reserved and available for issuance will automatically increase on January 1, 2022 and each January 1 thereafter through January 1, 2031, by the lesser of (i) 1% of the outstanding number of shares of our Class A common stock and Class B common stock on the immediately preceding December 31 or (ii) such lesser number of shares of Class A common stock as determined by the administrator of the 2021 ESPP.

Under the 2021 ESPP, eligible employees may be granted options to purchase shares of Class A common stock at the lower of 85% of the fair market value of the stock at the time of grant or 85% of the fair market value at the time of exercise. As of December 31, 2022 and 2021, no options were granted to employees under the 2021 ESPP.

#### **Note 10 Employee Benefit Plans**

The Company sponsors a 401(k) Plan that covers substantially all full-time United States employees who meet eligibility requirements. The Company makes matching contributions equal to 50% of the wages that are deferred by employees, and the matching contribution is capped at 3% of wages. The Company made contributions of \$584 thousand, \$452 thousand, and \$345 thousand for the years ended December 31, 2022, 2021 and 2020, respectively. The Company also sponsors various other benefit plans for its employees of certain international subsidiaries. The Company's contributions to these plans are immaterial for the periods presented.

#### **Note 11 Loss Per Class A Common Share**

Basic loss per share is computed by dividing net loss attributable to Enfusion, Inc. by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted loss per share is computed giving effect to all potentially dilutive shares. Diluted loss per share for all periods presented is the same as basic loss per share as the inclusion of potentially issuable shares would be antidilutive.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

Prior to the IPO, the Enfusion, LLC membership structure included Common Units and multiple classes of Preferred Units. The Company analyzed the calculation of earnings per unit for periods prior to the IPO using the two-class method and determined that it resulted in values that would not be meaningful to the users of these Consolidated Financial Statements. Therefore, earnings per share information has not been presented for periods prior to the IPO on October 20, 2021. The basic and diluted earnings per share represent only year ended December 31, 2022, and the period from October 21, 2021 to December 31, 2021.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per share of Class A common stock is as follows:

(in thousands, except per share amounts)	Year Ended	
	December 31, 2022	December 31, 2021
Net loss	\$ (13,263)	\$ (282,242)
Less: Net income attributable to Enfusion, Inc. prior to the IPO	-	(12,892)
Less: Net loss attributable to non-controlling interests	5,609	123,925
Net loss attributable to Enfusion, Inc.	\$ (7,654)	\$ (171,209)
<i>Numerator:</i>		
Net loss attributable to Enfusion, Inc.	\$ (7,654)	\$ (171,209)
Adjustment to loss attributable to common stockholders	(954)	(16,580)
Numerator for Basic and Diluted Earnings per Share	\$ (8,608)	\$ (187,789)
<i>Denominator:</i>		
Weighted-average shares of Class A common stock outstanding	67,057	65,583
Vested shares of Class A common stock and RSUs	18,336	17,462
Weighted-average shares of Class A common stock outstanding--basic and diluted	85,393	83,045
<b>Net loss per share of Class A common stock--Basic and diluted</b>	<b>\$ (0.10)</b>	<b>\$ (2.26)</b>

The following number of potentially dilutive shares were excluded from the calculation of diluted loss per share because the effect of including such potentially dilutive shares would have been antidilutive:

(in thousands)	Year Ended	
	December 31, 2022	December 31, 2021
Class B common stock	43,199	47,471
Contingently issuable shares of Class A common stock	-	1,726
Restricted stock units	2,999	2,905
Stock options	44	-
	<u>46,242</u>	<u>52,102</u>

Shares of Class B common stock do not share in earnings and are not participating securities. Accordingly, separate presentation of loss per share of Class B common stock under the two-class method has not been presented. Shares of Class B common stock are, however, considered potentially dilutive shares of Class A common stock. After evaluating the potential dilutive effect under both the treasury stock method and if-converted method, shares of Class B common stock were determined to be anti-dilutive and have therefore been excluded from the computation of diluted earnings per share of Class A common stock.

**Note 12 Income Taxes**

The Company is taxed as a corporation for income tax purposes and is subject to federal, state, and local taxes on the income allocated to it from Enfusion Ltd. LLC based upon the Company's economic interest in Enfusion Ltd. LLC. The Company is the sole managing member of Enfusion Ltd. LLC and, as a result, consolidates the financial results of Enfusion Ltd. LLC.



**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

Enfusion Ltd. LLC, is a limited liability company taxed as a partnership for income tax purposes. Enfusion Ltd. LLC does not pay any federal income taxes, as income or loss is included in the tax returns of the individual members. Additionally, certain wholly-owned entities taxed as corporations are subject to federal, state, and foreign income taxes in the jurisdictions in which they operate, and accruals for such taxes are included in the Consolidated Financial Statements. For periods prior to the IPO, the Company's taxes represent those of Enfusion Ltd. LLC.

The components of income (loss) before income taxes were as follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
U.S.	\$ (16,201)	\$ (279,990)	\$ 3,130
Foreign	4,012	(1,673)	1,364
Total	<u>\$ (12,189)</u>	<u>\$ (281,663)</u>	<u>\$ 4,494</u>

The income before income taxes above includes the pre- and post-IPO periods for the year ended December 31, 2021.

Prior to the IPO, the Company, through its subsidiary, Enfusion Ltd. LLC, was structured as a partnership and therefore, was primarily subject to foreign income taxes and generally not subject to U.S. income taxes. As a result of the Reorganization Transactions, the Company is now taxed as a corporation and subject to U.S. federal, state, local and foreign taxes. Significant components of income tax expense (benefit) were as follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current			
U.S. Federal	\$ -	\$ -	\$ -
State & Local	-	-	-
Foreign	1,347	228	433
Total Current Income Tax Expense	<u>1,347</u>	<u>228</u>	<u>433</u>
Deferred			
U.S. Federal	-	-	-
State & Local	-	-	-
Foreign	(273)	351	-
Total Deferred Income Tax (Benefit) Expense	<u>(273)</u>	<u>351</u>	<u>-</u>
Total	<u>\$ 1,074</u>	<u>\$ 579</u>	<u>\$ 433</u>

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

A reconciliation of income taxes computed at the U.S. federal statutory income tax rate of 21% to our income tax (expense) benefit was as follows:

	2022	2021	2020
At U.S. Federal statutory tax rate	21.00 %	21.00 %	21.00 %
State Tax, Net of Federal Benefit	3.14 %	4.28 %	- %
Noncontrolling Interest	(8.85)%	(9.20) %	- %
Foreign Branch Taxes	(8.24)%	(0.28) %	9.64 %
Equity Based Compensation	(10.63)%	(2.49) %	- %
Foreign Rate Differential	0.48%	0.04 %	(1.14)%
Valuation Allowance	50.56 %	(14.51) %	- %
Change in Tax Rates	(59.22) %	- %	- %
Pass-through Loss (Income)	- %	0.91 %	(19.86)%
Return to Provision	4.03 %	0.08 %	- %
Other	(1.08) %	(0.04) %	- %
Total	<u>(8.81)%</u>	<u>(0.21) %</u>	<u>9.64 %</u>

The Company's effective tax rate for the years ended December 31, 2022, 2021, and 2020 was (8.81)%, (0.21)%, and 9.64%, respectively. The most significant items impacting the effective tax rate are explained below.

*Pass-through Loss (Income)*

Prior to the Reorganization Transactions, Enfusion Ltd. LLC was the reporting entity, which is treated as a flow-through entity for U.S. tax purposes. The income or losses generated are generally not taxed at the Enfusion Ltd. LLC level and instead flow through to its various members. The U.S. federal tax impact of the pre-tax book income attributable to Enfusion Ltd. LLC prior to the completion of the IPO was \$2.6 million, and \$0.9 million for the years ended December 31, 2021 and 2020.

*Noncontrolling Interest*

The Company's sole material asset is a financial interest in Enfusion Ltd. LLC. While the Company consolidates Enfusion Ltd. LLC for financial reporting purposes, the Company will only be taxed on (benefit from) its share of earnings (losses) of Enfusion Ltd. LLC not attributed to the noncontrolling interest holders. Since noncontrolling interest holders will continue to bear (benefit from) their share of income tax expense (benefit) on its allocable earnings (losses) of Enfusion Ltd. LLC, that share of income tax expense (benefit) is not reported by the Company in its consolidated financial statements. The U.S. federal tax benefit not attributable to the Company for the years ended December 31, 2022 and 2021 was \$1.1 million and \$25.9 million, respectively.

*Equity-Based Compensation*

As a result of the Reorganization Transactions, a significant portion of the Company's certain equity-based compensation expenses will be allocated to the noncontrolling interest holders and therefore will not be deductible to the Company. The remaining portion of these expenses will be subject to the tax deduction limits as established by the U.S. tax law in respect of the executive compensation. The U.S. federal tax impact of the non-deductible equity-based compensation for the years ended December 31, 2022 and 2021 was \$1.3 million and \$2.5 million, respectively.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

*Valuation Allowance*

The Company's net deferred tax benefit (expense) for the years ended December 31, 2022 and 2021 of \$(6.2) million and \$40.8 million was fully offset by the valuation allowance recorded (released) in the consolidated statement of operations for each respective year.

*Foreign Branch Taxes*

The Company has foreign operations that are treated as branches for U.S. tax purposes and are also subject to income taxes in those foreign jurisdictions. For the years ending December 31, 2022, 2021 and 2020 the Company recorded \$1.0 million, \$0.6 million, and \$0.4 million in foreign income taxes related to the pre-tax income of its branches.

*Return to Provision*

For the years ended December 31, 2022 and 2021 the Company recorded a tax benefit of \$0.5 million and \$0.2 million, respectively in relation to its filed or expected to be filed U.S. and foreign income tax returns. These true-up adjustments are attributable to actual results in the Company's tax filings as compared to the estimates included in our previously issued Consolidated Financial Statements.

*Change in Tax Rates*

As of December 31, 2022, the Company reduced its deferred tax assets by \$7.2 million to reflect a decrease in the estimated U.S. state tax rate caused by a change in the overall mix of our U.S. earnings by state.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

The components of deferred tax assets and liabilities are as follows (in thousands):

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Deferred Tax Assets		
Investment in Enfusion Ltd. LLC	\$ 86,117	\$ 80,124
Equity Based Compensation	37,912	38,362
Net Operating Losses	9,358	5,475
Other	794	565
Total Deferred Tax Assets	134,181	124,526
Valuation Allowance	(133,689)	(124,526)
Total Deferred Tax Assets Net of Valuation Allowance	492	-
Deferred tax liabilities	-	-
Property, Plant, and Equipment	(77)	(351)
Total Deferred Tax Liabilities	(77)	(351)
Net Deferred Tax Assets	\$ 415	\$ (351)

The Company's deferred tax assets are comprised primarily of basis difference in Enfusion Ltd. LLC, equity-based compensation expense and tax attribute carryforwards. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income sufficient to utilize the deferred tax assets on the Company's income tax returns. Management determined that its deferred tax assets are not more likely than not going to be realized due to the Company's three-year cumulative loss position and the generation of future taxable income is uncertain. Considering this and other factors, the Company recognized a full valuation allowance of \$133.6 and \$124.5 million as of December 31, 2022 and 2021, respectively. The total amount of valuation allowance recorded to additional paid-in capital as a result of the Reorganization Transactions, IPO and the Company's purchase of additional Enfusion Ltd. LLC units during the year ended December 31, 2021 was \$83.1 million.

As of December 31, 2022, the Company had U.S. federal net operating losses of \$33.2 million which can be carried forward indefinitely. The Company had state net operating losses of \$31.2 million that expire between 2041 and 2042.

As of December 31, 2022, the Company is not indefinitely reinvested on undistributed earnings from its foreign operations. Due to the Company's structure, the foreign operations do not qualify for the indefinite reinvestment exceptions under ASC 740-30 as the earnings from the foreign operations are subject to U.S. taxation. However, the exception may still apply to foreign withholding taxes due to dividend distributions of earnings from the Company's foreign affiliates. The Company has no plans to make distributions from its foreign operations in the future and, therefore, a deferred tax liability has not been recognized. A determination of the unrecognized deferred taxes is not practicable.

A summary of the Company's uncertain tax positions is as follows:

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 119	\$ -	\$ -
Increases for tax positions related to the current year	-	30	-
Increases (decreases) for tax positions of prior years	-	89	-
Ending balance	\$ 119	\$ 119	\$ -
Interest and penalties	\$ 65	\$ 65	\$ -

Our policy is to include interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2022, we accrued \$65 thousand of interest and penalties.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

We can be subject to routine income tax examinations in the U.S. federal, state, local and foreign jurisdictions for tax years 2017 and forward. At December 31, 2022, the Company is not under income tax audit in any of the jurisdictions in which it operates.

**CARES Act**

On March 27, 2020, the President signed the CARES Act to provide emergency relief related to the COVID-19 pandemic. The CARES Act contains federal income tax provisions which, among other things; (i) increases the amount of interest expense that businesses are allowed to deduct by increasing the adjusted taxable income limitation from 30% to 50% for tax years that begin in 2019 and 2020; (ii) permits businesses to carry back to each of the five tax years net operating losses arising from tax years beginning after December 31, 2017 and before January 1, 2021; and (iii) temporarily removes the 80% limitation on net operating losses until tax years beginning after 2020.

**Tax Receivable Agreement**

The Company expects to obtain an increase in its share of the tax basis in the net assets of Enfusion Ltd. LLC when Enfusion Ltd. LLC units are redeemed from or exchanged by the Pre-IPO common unit holders. The Company intends to treat any redemptions and exchanges of Enfusion Ltd. LLC units as direct purchases of Enfusion Ltd. LLC units for U.S. income tax purposes. These increases in tax basis may reduce the amounts that the Company would otherwise pay in the future to U.S. federal and state tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

In connection with the IPO, the Company entered into the Tax Receivable Agreement with Enfusion Ltd. LLC, the Continuing Equity Owners and the Blocker Shareholders that will provide for the payment by the Company to the Continuing Equity Owners and the Blocker Shareholders of 85% of the amount of tax benefits, if any, that the Company actually realizes (or in some circumstances is deemed to realize) as a result of (1) the Company's allocable share of existing tax basis acquired in connection with the Reorganization Transactions (including the Blocker Company's share of existing tax basis) and increases to such allocable share of existing tax basis; (2) increases in tax basis resulting from (a) the Company's purchase of LLC Interests directly from Enfusion Ltd. LLC and the partial redemption of LLC Interests by Enfusion Ltd. LLC, (b) future redemptions or exchanges (or deemed exchanges in certain circumstances) of LLC Interests for Class A common stock or cash, and (c) certain distributions (or deemed distributions) by Enfusion Ltd. LLC; and (3) certain additional tax benefits arising from payments made under the Tax Receivable Agreement. The Company may benefit from the remaining 15% of any tax benefits that the Company actually realizes.

In the year ended December 31, 2022, the Company purchased an aggregate of 4,272,204 Enfusion Ltd. LLC units in connection with the exchange of those units by the Pre-IPO common unit holders and retirement of six Class B common shares, which resulted in an increase of \$48.0 million in the tax basis of the net assets of Enfusion Ltd. LLC that would be subject to the provisions of the Tax Receivable Agreement in the years ended December 31, 2021 and 2022, respectively.

As of December 31, 2022 and 2021, the Company has not recorded a liability under the Tax Receivable Agreement related to the tax benefits originating from the Reorganization Transactions, IPO and subsequent purchase of Enfusion Ltd. LLC units as it is not probable that the Company will realize such tax benefits. To the extent we had determined that we would have been able to realize the tax benefits associated with the basis adjustments, we would have recorded a liability under the Tax Receivable Agreement of \$83.2 million and \$74.7 million as of December 31, 2022 and 2021, respectively.

The amounts payable under the Tax Receivable Agreement will vary depending upon a number of factors, including the amount, character, and timing of the taxable income of the Company in the future. Should the Company determine that the Tax Receivable Agreement liability be considered probable at a future date based on new information, any changes will be recorded within income tax expense (benefit) at that time.

**ENFUSION, INC.**  
**Notes to Consolidated Financial Statements**

**Note 13 Related Party Transactions**

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Since transactions with related parties may raise potential or actual conflicts of interest between the related party and the Company, upon the completion of the IPO the Company implemented a related party transaction policy that requires related party transactions to be reviewed and approved by its nominating and corporate governance committee.

The Company used the proceeds (net of underwriting discounts) from the issuance of 5,526,608 shares in the IPO (\$87.8 million) to purchase an equivalent number of Common Units from the Company's Pre-IPO Common Unitholders.

In connection with the IPO, the Company entered into the Tax Receivable Agreement with certain of the Pre-IPO Owners, which provides for the payment by Enfusion Inc. of 85% of certain cash tax benefits that Enfusion, Inc. actually realizes, or in some cases is deemed to realize. As of December 31, 2022 and December 31, 2021, the Company has not recorded a liability under the Tax Receivable Agreement related to the tax benefits originating from the Reorganization Transactions, IPO and subsequent purchase of Enfusion Ltd. LLC units during the year ended December 31, 2021 as it is not probable that the Company will realize such tax benefits.

Pre-IPO Common Unitholders delivered exchange notices pursuant to Article XII of the LLC Operating Agreement on each of May 6, 2022, October 12, 2022 and November 14, 2022, relating to the respective exchanges of 1,401,818, 1,000,000 and 1,870,386 Common Units and an equal number of shares of class B common stock for an equal number of shares of Class A common stock.

On May 13, 2022, October 12, 2022, and November 14, 2022 and pursuant to the terms of the LLC Operating Agreement, the exchanging Pre-IPO Common Unitholders respectively surrendered 1,401,818, 1,000,000 and 1,870,386 Common Units and an equal number of shares of Class B common stock. In connection therewith, the Company respectively issued 1,401,818, 1,000,000 and 1,870,386 shares of Class A common stock to the exchanging Pre-IPO Common Unitholder, canceled an equal number of Class B Common Stock, and received an equal number of Common Units, increasing the Company's ownership of Common Units by 1,401,818, 1,000,000 and 1,870,386, respectively.

On June 1, 2021, the Company entered into a Master Services Agreement (the "MSA") with Quiet Light Securities, LLC ("QL"), an entity Mr. Movchan is the managing member of. The terms of the MSA were negotiated with QL on an arm's-length basis and on terms consistent with other clients of Enfusion. The investment management platform services (the "Services") the Company provides under the MSA to QL are consistent with the Services that the Company provides to its other clients. In exchange for such Services, QL, like the Company's other clients, pays the Company a fee that corresponds to the specific Services utilized. In the 2022 fiscal year, during which Mr. Movchan was a Director and the CEO of the Company, as well as a beneficial owner of more than 5% of the Company's issued and outstanding class B common stock, the Company received approximately \$204,766 USD from QL under the MSA.

**Note 14 Subsequent Events**

Share Exchange

On February 13, 2023, a Pre-IPO Common Unitholder delivered an exchange notice pursuant to Article XII of the LLC Operating Agreement. Pursuant to the terms of the LLC Operating Agreement, on February 21, 2023, the Pre-IPO Common Unitholder surrendered 1,000,000 Common Units and an equal number of shares of Class B common stock. In connection therewith, the Company issued 1,000,000 shares of Class A common stock to such Pre-IPO Common Unitholder, canceled an equal number of shares of Class B Common Stock, and received an equal number of Common Units, increasing the Company's ownership of Common Units by 1,000,000.

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

None.

### **Item 9A. Controls and Procedures**

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

We carried out an evaluation required by the Exchange Act, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of December 31, 2022. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer and the oversight of our audit committee, has evaluated the effectiveness of our internal control over financial reporting as of December 31, 2022. In assessing the effectiveness of our internal control over financial reporting, our management used the framework established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2022.

Our independent registered public accounting firm was not required to perform an evaluation of our internal control over financial reporting as of December 31, 2022 because as an "emerging growth company" we are exempt from Section 404(b) of the Sarbanes-Oxley Act of 2002.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Limitations on Effectiveness of Controls and Procedures**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Item 9B. Other Information**

None.

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

Not applicable.

**PART III**

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

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC, no later than 120 days after December 31, 2022.

**Item 11. Executive Compensation**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC, no later than 120 days after December 31, 2022.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC, no later than 120 days after December 31, 2022.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC, no later than 120 days after December 31, 2022.

**Item 14. Principal Accountant's Fees and Services**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC, no later than 120 days after December 31, 2022.



**Part IV**

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

The following documents are filed as a part of this Annual Report on Form 10-K:

***(a) Financial Statements***

Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report on Form 10-K.

***(b) Financial Statement Schedules***

All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

***(c) Exhibits***

The documents listed in the exhibit index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated herein (numbered in accordance with Item 601 of Regulation S-K).

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

None.

## Table of Contents

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-40949), filed with the Securities and Exchange Commission on December 3, 2021).</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-40949), filed with the Securities and Exchange Commission on December 3, 2021).</u></a>
4.1	<a href="#"><u>Form of common stock certificate of the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259635), filed with the Securities and Exchange Commission on October 12, 2021).</u></a>
4.2	<a href="#"><u>Registration Rights Agreement, dated as of October 20, 2021, by and among the Registrant and each of the other persons from time to time party thereto (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K (File No. 001-40949), filed with the Securities and Exchange Commission on March 30, 2022).</u></a>
4.3	<a href="#"><u>Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K (File No. 001-40949), filed with the Securities and Exchange Commission on March 30, 2022).</u></a>
10.1#	<a href="#"><u>Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259635), filed with the Securities and Exchange Commission on October 12, 2021).</u></a>
10.2	<a href="#"><u>Seventh Amended and Restated Operating Agreement of Enfusion Ltd. LLC, dated as of October 19, 2021 (incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K (File No. 001-40949), filed with the Securities and Exchange Commission on March 30, 2022).</u></a>
10.3	<a href="#"><u>Tax Receivable Agreement, dated as of October 19, 2021, by and among the Registrant and each of the other persons from time to time party thereto (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K (File No. 001-40949), filed with the Securities and Exchange Commission on March 30, 2022).</u></a>
10.4#	<a href="#"><u>2021 Stock Option and Incentive Plan, and forms of award agreements thereunder (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259635), filed with the Securities and Exchange Commission on October 12, 2021).</u></a>
10.5#	<a href="#"><u>2021 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1/A (File No. 333-259635), filed with the Securities and Exchange Commission on October 12, 2021).</u></a>
10.6#*	<a href="#"><u>Non-Employee Director Compensation Policy.</u></a>
10.7#†	<a href="#"><u>Employment Agreement, dated December 22, 2022, by and between Enfusion Ltd. LLC and Oleg Movchan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File 001-40949), filed with the Securities and Exchange Commission on December 22, 2022).</u></a>
10.8#†	<a href="#"><u>Employment Agreement, dated December 14, 2022, by and between Enfusion Ltd. LLC and Bradley Herring (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File 001-40949), filed with the Securities and Exchange Commission on December 19, 2022).</u></a>
10.9#†	<a href="#"><u>Employment Agreement, dated February 1, 2021, by and between Enfusion Ltd. LLC and Steven M. Bachert (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (File No. 333-259635), filed with the Securities and Exchange Commission on September 17, 2021).</u></a>
10.10#†	<a href="#"><u>Employment Agreement, dated February 1, 2021, by and between Enfusion Ltd. LLC and Lorelei M. Skillman (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (File No. 333-259635), filed with the Securities and Exchange Commission on September 17, 2021).</u></a>
10.11#†	<a href="#"><u>Employment Agreement, dated February 1, 2021, by and between Enfusion Ltd. LLC and Daniel Groman (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (File No. 333-259635), filed with the Securities and Exchange Commission on September 17, 2021).</u></a>
10.12#†	<a href="#"><u>Employment Agreement, signed September 29, 2021, by and between Enfusion Ltd. LLC and Bronwen Bastone (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File 001-40949), filed with the Securities and Exchange Commission on August 10, 2022).</u></a>

## Table of Contents

10.13†	<a href="#"><u>Amendment to Appendix 1 – Scope of Employment, dated July 1, 2022, by and between Enfusion Ltd. LLC and Bronwen Bastone (incorporated by reference to Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q (File 001-40949), filed with the Securities and Exchange Commission on August 10, 2022).</u></a>
10.14†	<a href="#"><u>Amendment to Appendix 1 – Scope of Employment, dated July 1, 2022, by and between Enfusion Ltd. LLC and Steven Bachert (incorporated by reference to Exhibit 10.6 to the Registrant’s Quarterly Report on Form 10-Q (File 001-40949), filed with the Securities and Exchange Commission on August 10, 2022).</u></a>
10.15†	<a href="#"><u>Amendment to Appendix 1 – Scope of Employment, dated July 1, 2022, by and between Enfusion Ltd. LLC and Lorelei Skillman (incorporated by reference to Exhibit 10.7 to the Registrant’s Quarterly Report on Form 10-Q (File 001-40949), filed with the Securities and Exchange Commission on August 10, 2022).</u></a>
10.16†	<a href="#"><u>Amendment to Appendix 1 – Scope of Employment, dated July 1, 2022, by and between Enfusion Ltd. LLC and Daniel Groman (incorporated by reference to Exhibit 10.8 to the Registrant’s Quarterly Report on Form 10-Q (File 001-40949), filed with the Securities and Exchange Commission on August 10, 2022).</u></a>
10.17#†	<a href="#"><u>Separation Agreement dated August 21, 2022 between the Company and Thomas Kim (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K (File No. 001-40949), filed with the Securities and Exchange Commission on August 22, 2022).</u></a>
10.18†	<a href="#"><u>Lease, dated March 6, 2017, by and between Registrant and 125 S. Clark (Chicago) SBE, LLC, as amended (incorporated by reference to Exhibit 10.14 to the Registrant’s Registration Statement on Form S-1 (File No. 333-259635), filed with the Securities and Exchange Commission on September 28, 2021).</u></a>
10.19	<a href="#"><u>Amended and Restated Credit Agreement, dated October 19, 2021, by and among the Registrant, Enfusion Ltd. LLC, the lenders party thereto, and Silicon Valley Bank, as administrative agent and issuing lender (incorporated by reference to Exhibit 10.13 to the Registrant’s Annual Report on Form 10-K (File No. 001-40949), filed with the Securities and Exchange Commission on March 30, 2022).</u></a>
21.1*	<a href="#"><u>Subsidiaries of the Registrant.</u></a>
23.1*	<a href="#"><u>Consent of Ernst &amp; Young LLP, independent registered public accounting firm.</u></a>
24.1*	Power of Attorney (included in signature pages hereto).
31.1*	<a href="#"><u>Certification of the Principal Executive Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2*	<a href="#"><u>Certification of the Principal Financial Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1**	<a href="#"><u>Certification of the Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2**	<a href="#"><u>Certification of the Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

## [Table of Contents](#)

# Indicates management contract or compensatory plan, contract or agreement.

\* Filed herewith.

\*\* Furnished herewith. The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

† Portions of this exhibit (indicated by asterisks) have been omitted in accordance with the rules of the Securities and Exchange Commission.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Chicago, Illinois, on March 10, 2023.

### ENFUSION, INC.

By: /s/ Oleg Movchan  
Oleg Movchan  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Bradley Herring  
Bradley Herring Chief Financial Officer  
(Principal Financial and Accounting Officer)

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Oleg Movchan and Bradley Herring, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such individual in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or the individual's substitute, may lawfully do or cause to be done by virtue hereof.

[Table of Contents](#)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below on March 10, 2023 by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<hr/> <i>/s/ Oleg Movchan</i> Oleg Movchan	Chief Executive Officer and Director (Principal Executive Officer)	March 10, 2023
<hr/> <i>/s/ Bradley Herring</i> Bradley Herring	Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2023
<hr/> <i>/s/ Michael Spellacy</i> Michael Spellacy	Chair and Director	March 10, 2023
<hr/> <i>/s/ Bradford E. Bernstein</i> Bradford E. Bernstein	Director	March 10, 2023
<hr/> <i>/s/ Kathleen Traynor DeRose</i> Kathleen Traynor DeRose	Director	March 10, 2023
<hr/> <i>/s/ Jan R. Hauser</i> Jan R. Hauser	Director	March 10, 2023
<hr/> <i>/s/ Lawrence Leibowitz</i> Lawrence Leibowitz	Director	March 10, 2023
<hr/> <i>/s/ Roy Luo</i> Roy Luo	Director	March 10, 2023
<hr/> <i>/s/ Deirdre Somers</i> Deirdre Somers	Director	March 10, 2023