

FOR IMMEDIATE RELEASE

Contacts: Amy Conley Don Duffy
(617) 556-2305 (408) 498-6040
aconley@financialengines.com ir@financialengines.com

Financial Engines Reports First Quarter 2013 Financial Results

AUM Grows 32% Year Over Year to \$70.8 Billion

Adjusted EBITDAⁱ Grows 43% Year Over Year

SUNNYVALE, Calif. – May 7, 2013 – Financial Engines (NASDAQ: FNGN), America’s largest independent registered investment advisor, today reported financial results for its first quarter ended March 31, 2013.

Financial results for the first quarter of 2013 compared to the first quarter of 2012:ⁱ

- Revenue increased 29% to \$53.9 million for the first quarter of 2013 from \$41.7 million for the first quarter of 2012.
- Professional management revenue increased 38% to \$45.5 million for the first quarter of 2013 from \$32.9 million for the first quarter of 2012.
- Net income was \$6.2 million, or \$0.12 per diluted share, for the first quarter of 2013 compared to \$3.5 million, or \$0.07 per diluted share, for the first quarter of 2012.
- Non-GAAP Adjusted EBITDAⁱ increased 43% to \$16.7 million for the first quarter of 2013 from \$11.7 million for the first quarter of 2012.
- Non-GAAP Adjusted Net Incomeⁱ increased 57% to \$7.9 million for the first quarter of 2013 from \$5.0 million for the first quarter of 2012.
- Non-GAAP Adjusted Earnings Per Shareⁱ increased 50% to \$0.15 for the first quarter of 2013 from \$0.10 for the first quarter of 2012.

Key operating metrics as of March 31, 2013:ⁱⁱ

- Assets under contract (“AUC”) were \$635 billion.
- Assets under management (“AUM”) were \$70.8 billion.
- Members in Professional Management were over 681,000.
- Asset enrollment rates for companies where services have been available for 26 months or more averaged 12.8%ⁱⁱⁱ.

ⁱ Please see “About Non-GAAP Financial Measures” for definitions of the terms Adjusted Net Income, Adjusted Earnings Per Share, and Adjusted EBITDA.

ⁱⁱ Operating metrics include both advised and subadvised relationships.

ⁱⁱⁱ Information regarding enrollment rates and the component AUC can be found in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Securities and Exchange Commission (“SEC”) filings, including the Form 10-K for the year ended December 31, 2012 and the Form 10-Q to be filed for the period ended March 31, 2013.

“Sponsor and participant response to broader advisory capabilities continues to be positive and reinforces our unique ability to provide holistic advice that is independent and free from product conflicts,” said Jeff Maggioncalda, chief executive officer of Financial Engines. “Beyond the workplace, Financial Engines can now provide IRA management with Income+ capability for members, and can help individuals with more pieces of their retirement puzzle.”

Review of Financial Results for the First Quarter of 2013

Revenue increased 29% to \$53.9 million for the first quarter of 2013 from \$41.7 million for the first quarter of 2012. The increase in revenue was driven primarily by the growth in professional management revenue, which increased 38% to \$45.5 million for the first quarter of 2013 from \$32.9 million for the first quarter of 2012.

Costs and expenses increased 23% to \$44.4 million for the first quarter of 2013 from \$36.0 million for the first quarter of 2012. This was due primarily to an increase in fees paid to plan providers for connectivity to plan and plan participant data, as well as wages, benefits, and employer payroll taxes due to increased headcount and higher compensation.

As a percentage of revenue, cost of revenue (exclusive of amortization of internal use software) remained constant at 37% for both the first quarters of 2013 and 2012.

Income from operations was \$9.5 million for the first quarter of 2013 compared to \$5.7 million for the first quarter of 2012. As a percentage of revenue, income from operations was 18% for the first quarter of 2013 compared to 14% for the first quarter of 2012.

Net income was \$6.2 million, or \$0.12 per diluted share, for the first quarter of 2013 compared to net income of \$3.5 million, or \$0.07 per diluted share, for the first quarter of 2012.

On a non-GAAP basis, Adjusted Net Incomeⁱ was \$7.9 million and Adjusted Earnings Per Shareⁱ were \$0.15 for the first quarter of 2013 compared to Adjusted Net Income of \$5.0 million and Adjusted Earnings Per Share of \$0.10 for the first quarter of 2012.

“Financial Engines continues to post strong financial results while focusing on our long-term objectives along the dimensions of business growth, profitability, and cash flow,” said Ray Sims, chief financial officer of Financial Engines.

Assets Under Contract and Assets Under Management

AUC was \$635 billion as of March 31, 2013, an increase of 23% from \$517 billion as of March 31, 2012, due primarily to new employers making our services available, market performance, and contributions. AUC for plans in which the Income+ service has been made available was \$42 billion as of March 31, 2013, an increase of 121% from \$19 billion as of March 31, 2012.

AUM increased by 32% year over year to \$70.8 billion as of March 31, 2013, from \$53.7 billion as of March 31, 2012. The increase in AUM was driven primarily by net new enrollment into the Professional Management service, contributions, and market performance.

<i>In billions</i>		Q2'12	Q3'12	Q4'12	Q1'13
AUM, Beginning of Period	\$	53.7	\$ 54.2	\$ 61.5	\$ 63.9
New Enrollment ⁽¹⁾		3.7	4.9	3.8	3.1
Voluntary Cancellations ⁽²⁾		(1.0)	(1.2)	(1.4)	(1.2)
Involuntary Cancellations ⁽³⁾		(1.0)	(0.9)	(1.3)	(0.8)
Contributions ⁽⁴⁾		1.0	1.1	1.2	1.3
Market Movement and Other ⁽⁵⁾		(2.2)	3.4	0.1	4.5
AUM, End of Period	\$	<u>54.2</u>	<u>\$ 61.5</u>	<u>\$ 63.9</u>	<u>\$ 70.8</u>

- (1) The aggregate amount of assets under management, at the time of enrollment, of new members who enrolled in our Professional Management service within the period.
- (2) The aggregate amount of assets, at the time of cancellation, for voluntary cancellations from the Professional Management service within the period.
- (3) The aggregate amount of assets, as of the last available positive account balance, for involuntary cancellations occurring when the member's 401(k) plan account balance has been reduced to zero or when the cancellation of a plan sponsor contract for the Professional Management service has become effective within the period.
- (4) Employer and employee contributions are estimated each quarter from annual contribution rates based on data received from plan providers or plan sponsors. The data presented in the table above differs from data provided in filings prior to September 30, 2012, as the data above represents an estimate of the contributions for the entire AUM base, and the prior contributions data reported represented only a subset of members for whom we received salary data.
- (5) Other factors affecting assets under management include estimated market movement, plan administrative fees, participant loans and hardship withdrawals, and timing differences.

For further information on the AUM data above, please refer to our Form 10-Q to be filed for the period ended March 31, 2013.

Aggregate Investment Style Exposure for Portfolios Under Management

As of March 31, 2013, the approximate aggregate investment style exposure of the portfolios we managed was as follows:

Cash	3%
Bonds	26%
Domestic Equity	46%
International Equity	25%
Total	<u>100%</u>

Quarterly Dividend

On May 2, 2013, Financial Engines' Board of Directors declared a regular quarterly cash dividend of \$0.05 per share of the Company's common stock. The cash dividend will be paid on July 5, 2013 to stockholders of record as of the close of business on June 14, 2013.

Outlook

Financial Engines' growth strategy includes focusing on increasing penetration within existing Professional Management plan sponsors, enhancing and extending services to individuals entering and in retirement, and expanding the number of plan sponsors.

Based on financial markets remaining at May 2, 2013 levels, the Company estimates that its 2013 revenue will be in the range of \$230 million to \$235 million, and its 2013 non-GAAP Adjusted EBITDAⁱ will be in the range of \$73 million to \$75 million.

Conference Call

The Company will host a conference call to discuss first quarter 2013 financial results today at 5:00 PM ET. Hosting the call will be Jeff Maggioncalda, chief executive officer, and Ray Sims, chief financial officer. The conference call can be accessed live over the phone by dialing (877) 317-6789, or for international callers, (412) 317-6789. A replay will be available beginning approximately one hour after the call and can be accessed by dialing (877) 870-5176 or (858) 384-5517 for international callers. The conference ID is 10027267. The replay will remain available until Friday, May 10, 2013, and an archived replay will be available at <http://ir.financialengines.com/> for 30 calendar days after the call.

About Non-GAAP Financial Measures

This press release and its attachments include certain non-GAAP financial measures. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. generally accepted accounting principles (GAAP). These non-GAAP measures include non-GAAP Adjusted Net Income, non-GAAP Adjusted Earnings Per Share and non-GAAP Adjusted EBITDA. Non-GAAP Adjusted Net Income is defined as net income before non-cash stock-based compensation expense, net of tax, and certain other items such as the income tax benefit from the release of valuation allowances, if applicable for the period. Non-GAAP Adjusted Earnings Per Share is defined as non-GAAP Adjusted Net Income divided by the weighted-average of dilutive common share equivalents outstanding. Non-GAAP Adjusted EBITDA is defined as net income before net interest expense (income), income tax expense (benefit), depreciation, amortization of internal use software, amortization of direct response advertising, amortization of deferred commissions, and non-cash stock-based compensation. Further information regarding the non-GAAP financial measures included in this press release is contained in the attachments.

To supplement the Company's consolidated financial statements presented on a GAAP basis, management believes that these non-GAAP measures provide useful information about the Company's core operating results and thus are appropriate to enhance the overall understanding of the Company's past financial performance and its prospects for the future. These adjustments to the Company's GAAP results are made with the intent of providing both management and investors a more complete understanding of the Company's underlying operational results, trends and performance.

About Financial Engines

Financial Engines is the nation's largest independent investment advisor and is committed to providing everyone the trusted retirement help they deserve. The company helps investors with their total retirement picture by offering personalized retirement plans for saving, investment, and retirement income. Co-founded in 1996 by Nobel Prize-winning economist Bill Sharpe, Financial Engines works with America's leading employers and retirement plan providers to make retirement help available to millions of American workers. For more information, visit www.financialengines.com.

Forward-Looking Statements

This press release and its attachments contain forward-looking statements that involve risks and uncertainties. These forward-looking statements may be identified by terms such as "plan to," "designed to," "will," "can," "expect," "estimates," "believes," "intends," "may," "continues," "to be" or the negative of these terms, and similar expressions intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding Financial Engines' expected financial performance and outlook, its strategic operational plans, objectives and growth strategy, its market opportunity, and the benefits of our non-GAAP financial measures. These statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements, and reported results should not be considered as an indication of future performance. These risks and uncertainties include, but are not limited to, our reliance on fees earned on the value of assets we manage for a substantial portion of our revenue, the impact of the financial markets on our revenue and earnings, unanticipated delays in rollouts of our services, our ability to increase enrollment, our ability to correctly identify and invest appropriately in growth opportunities, our ability to introduce new services and accurately estimate the impact of any future services on our business, the risk that the anticipated benefits of our investments in these services or in growth opportunities may not outweigh the resources and costs associated with these investments or the liabilities associated with the operation of these services, our relationships with plan providers and plan sponsors, the fees we can charge for our Professional Management service, our reliance on accurate and timely data from plan providers and plan sponsors, system failures, errors or unsatisfactory performance of our services, our reputation, our ability to protect the confidentiality of plan provider, plan sponsor and plan participant data and other privacy concerns, acquisition activity involving plan providers or plan sponsors, our ability to compete, our regulatory environment and risks associated with our fiduciary obligations. More information regarding these and other risks, uncertainties and factors is contained in the Company's Form 10-K for the year ended December 31, 2012, as filed with the SEC, and in other reports filed by the Company with the SEC from time to time. You are cautioned not to unduly rely on these

forward-looking statements, which speak only as of the date of this press release. All information in this press release and its attachments is as of the date stated or May 7, 2013 and unless required by law, Financial Engines undertakes no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this press release or to report the occurrence of unanticipated events.

Our investment advisory and management services are provided through our subsidiary, Financial Engines Advisors L.L.C., a federally registered investment advisor. References in this press release to “Financial Engines,” “our company,” “the Company,” “we,” “us” and “our” refer to Financial Engines, Inc. and its consolidated subsidiaries during the periods presented unless the context requires otherwise.

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Financial Tables

FINANCIAL ENGINES, INC. AND SUBSIDIARIES

Unaudited Consolidated Balance Sheets

Assets	December 31, 2012	March 31, 2013
	(In thousands, except per share data)	
Current assets:		
Cash and cash equivalents	\$ 181,231	\$ 192,467
Accounts receivable, net	44,627	49,193
Prepaid expenses	3,093	3,316
Deferred tax assets	15,293	21,552
Other current assets	3,647	4,454
Total current assets	247,891	270,982
Property and equipment, net	13,366	13,259
Internal use software, net	10,339	9,927
Long-term deferred tax assets	20,639	12,159
Direct response advertising, net	10,236	9,215
Other assets	4,362	4,498
Total assets	\$ 306,833	\$ 320,040
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 15,008	\$ 16,716
Accrued compensation	12,279	7,118
Deferred revenue	7,831	7,742
Dividend payable	-	2,435
Other current liabilities	260	951
Total current liabilities	35,378	34,962
Long-term deferred revenue	1,166	1,046
Long-term deferred rent	6,653	6,426
Other liabilities	250	235
Total liabilities	43,447	42,669
Stockholders' equity:		
Preferred stock, \$0.0001 par value - 10,000 authorized as of December 31, 2012 and March 31, 2013; None issued and outstanding as of December 31, 2012 and March 31, 2013	-	-
Common stock, \$0.0001 par value - 500,000 authorized as of December 31, 2012 and March 31, 2013; 47,915 and 48,789 shares issued and outstanding at December 31, 2012 and March 31, 2013, respectively	5	5
Additional paid-in capital	323,448	333,677
Accumulated deficit	(60,067)	(56,311)
Total stockholders' equity	263,386	277,371
Total liabilities and stockholders' equity	\$ 306,833	\$ 320,040

FINANCIAL ENGINES, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Income

	Three Months Ended March 31,	
	2012	2013
	(In thousands, except per share data)	
Revenue:		
Professional management	\$ 32,869	\$ 45,454
Platform	8,262	8,049
Other	580	362
Total revenue	<u>41,711</u>	<u>53,865</u>
Costs and expenses:		
Cost of revenue (exclusive of amortization of internal use software)	15,316	19,928
Research and development	6,139	7,624
Sales and marketing	9,259	10,353
General and administrative	3,811	4,818
Amortization of internal use software	1,472	1,637
Total costs and expenses	<u>35,997</u>	<u>44,360</u>
Income from operations	5,714	9,505
Interest income (expense)	<u>-</u>	<u>3</u>
Income before income taxes	5,714	9,508
Income tax expense	<u>2,202</u>	<u>3,316</u>
Net and comprehensive income	<u>\$ 3,512</u>	<u>\$ 6,192</u>
Dividends declared per share of common stock	\$ -	\$ 0.05
Net income per share attributable to holders of common stock		
Basic	\$ 0.08	\$ 0.13
Diluted	\$ 0.07	\$ 0.12
Shares used to compute net income per share attributable to holders of common stock		
Basic	46,074	48,282
Diluted	49,918	51,440

FINANCIAL ENGINES, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Cash Flows

	Three Months Ended	
	March 31,	
	2012	2013
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 3,512	\$ 6,192
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	588	949
Amortization of internal use software	1,378	1,533
Stock-based compensation	2,468	2,792
Amortization of deferred sales commissions	463	472
Amortization and impairment of direct response advertising	1,080	1,479
Provision for doubtful accounts	80	116
Excess tax benefit associated with stock-based compensation	(452)	(1,028)
Changes in operating assets and liabilities:		
Accounts receivable	(5,397)	(4,681)
Prepaid expenses	63	(222)
Deferred tax assets	1,671	2,220
Direct response advertising	(902)	(464)
Other assets	(794)	(1,415)
Accounts payable	2,510	3,185
Accrued compensation	(6,614)	(5,161)
Deferred revenue	(818)	(210)
Deferred rent	596	463
Other liabilities	1	1
Net cash (used in) provided by operating activities	<u>(567)</u>	<u>6,221</u>
Cash flows from investing activities:		
Purchase of property and equipment	(575)	(1,292)
Capitalization of internal use software	(1,412)	(1,160)
Net cash used in investing activities	<u>(1,987)</u>	<u>(2,452)</u>
Cash flows from financing activities:		
Payments on capital lease obligations	-	(15)
Excess tax benefit associated with stock-based compensation	452	1,028
Proceeds from issuance of common stock, net of offering costs	3,345	6,454
Net cash provided by financing activities	<u>3,797</u>	<u>7,467</u>
Net increase in cash and cash equivalents	1,243	11,236
Cash and cash equivalents, beginning of period	<u>145,002</u>	<u>181,231</u>
Cash and cash equivalents, end of period	<u>\$ 146,245</u>	<u>\$ 192,467</u>
Supplemental cash flows information:		
Income taxes paid, net of refunds	\$ 181	\$ 334
Interest paid	\$ 1	\$ 3
Non-cash operating, investing and financing activities:		
Capitalized stock-based compensation for internal use software	\$ 87	\$ 65
Capitalized stock-based compensation for direct response advertising	\$ 14	\$ 6

FINANCIAL ENGINES, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP Operating Results

The table below sets forth a reconciliation of net income to non-GAAP Adjusted EBITDA based on our historical results:

Non-GAAP Adjusted EBITDA	Three Months Ended	
	March 31,	
	2012	2013
	<u>(In thousands)</u>	
Net income	\$ 3,512	\$ 6,192
Interest expense (income)	-	(3)
Income tax expense	2,202	3,316
Depreciation	588	949
Amortization of internal use software	1,378	1,533
Amortization and impairment of direct response advertising	1,080	1,479
Amortization of deferred sales commissions	463	472
Non-cash stock-based compensation	2,468	2,792
Non-GAAP Adjusted EBITDA	<u>\$ 11,691</u>	<u>\$ 16,730</u>

The table below sets forth a reconciliation of net income to non-GAAP Adjusted Net Income and non-GAAP Adjusted Earnings Per Share based on our historical results:

Non-GAAP Adjusted Net Income and Adjusted EPS	Three Months Ended	
	March 31,	
	2012	2013
	<u>(In thousands, except per share amounts)</u>	
Net income	\$ 3,512	\$ 6,192
Non-cash stock-based compensation, net of tax ⁽¹⁾	1,525	1,725
Non-GAAP Adjusted Net Income	<u>\$ 5,037</u>	<u>\$ 7,917</u>
 Non-GAAP Adjusted Earnings Per Share	 \$ 0.10	 \$ 0.15
Shares of common stock outstanding	46,074	48,282
Dilutive restricted stock and stock options	3,844	3,158
Non-GAAP adjusted weighted common shares outstanding	<u>49,918</u>	<u>51,440</u>

(1) For the calculation of non-GAAP Adjusted Net Income, an estimated statutory tax rate of 38.2% has been applied to non-cash stock-based compensation for all periods presented.