



**Error Alert.**  
**Revenue Reporting Issue!**  
**Contact Audit Committee Immediately**

*"ROUTE, ORDER, SELL"*

/ STRONG SELL OPINION /

Enfusion Inc. | NYSE: ENFN



SPRUCE POINT  
CAPITAL MANAGEMENT

INVESTMENT RESEARCH REPORT



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# Spruce Point Has A Track Record With No-Moat Technology Companies

Spruce Point prides itself on identifying what we think are no-moat technology companies being highly promoted by Wall Street.

Company:			
U.S. Exchange: Ticker	NASDAQ: PRCH   <a href="#">April 8, 2021</a>	Nasdaq/TASE: PERI   <a href="#">May 23, 2023</a>	Nasdaq/TSX: LSPD   <a href="#">Sept 29, 2021</a>
Max Decline Since Report	<b>-97%</b>	<b>-28%</b>	<b>-90%</b>
Enterprise Value	\$1.4 billion	\$1.2 billion	\$15 billion
Company Positioning	A vertical software company reinventing the home services and insurance industries. Company essentially wants to be the “everything” solution for home services.	Best-of-breed search business with growing prospects in CTV and advertising technology	Best-of-breed roll-up acquiror of Point-of-Sale systems and payment solutions
<b>Spruce Point’s Criticisms</b>	<ul style="list-style-type: none"> <li>• Outlook based on unrealistic assumptions</li> <li>• Several notable business failures</li> <li>• Stagnating KPIs</li> <li>• Significant turnover in key employee positions</li> <li>• Questionable revenue recognition policies</li> <li>• Growing competitive pressures</li> <li>• Unwarranted premium valuation</li> </ul>	<ul style="list-style-type: none"> <li>• Concerns with the outgoing CEO</li> <li>• Shifting and inconsistent reporting metrics</li> <li>• Senseless capital raising for no use</li> <li>• Weak auditor and previous relationship with management</li> <li>• Immaterial capex for a technology company</li> <li>• Revenue inflation and opaque application of gross vs. net</li> </ul>	<ul style="list-style-type: none"> <li>• A cash degenerative North American roll-up of point-of-sale commerce solutions, has inflated its Total Addressable Market (TAM), customer counts, and Gross Transaction Volume (GTV)</li> <li>• Overpaying for acquisitions and evidence of slowing (and declining) organic growth</li> <li>• Troubles with highly promoted Lightspeed Payments</li> <li>• 60%-80% downside potential</li> </ul>
<b>Successful Outcome</b>	PRCH lost ~66% of its value in the year after our report as the Company proved unable to find a sustainable business model and control costs. The CFO also <a href="#">resigned</a> .	In Feb 2024, Perion provided its 2024 outlook very light of Street expectations and its stock declined to a one year low	The share price declined by approximately 90% since the report date. Management has been shuffled multiple times with <a href="#">CEO Chauvet ousted</a> and founder Dasliva returning

# *Spruce Point Is Short Enfusion, Inc. (ENFN), Sees 40% - 60% Downside Risk*

After conducting a forensic review of Enfusion, Inc. (NYSE: ENFN or “the Company”), Spruce Point believes that financial restatement risk is extremely high and investor expectations are likely to disappoint. The Company claims to be a high-growth SaaS provider of financial software with multi-year contracts but we don’t believe it to be a high quality one. We believe its product offering is under increased competitive pressures and that the CEO, CFO, CRO and CSO all having been replaced within the past two years is a telling sign. Multiple executives and Board members are connected to scandalous companies targeted both by short-sellers and the SEC. The CEO just enacted a large stock sale program ahead of the Investor Day. We see 40% - 60% downside risk.

<p><b>Management &amp; Board With Tainted History</b></p>	<p>ENFN has seen significant turnover at the CEO, CFO, Chief Revenue Officer (CRO) and Chief Strategy Officer (CSO) level. The current CEO was Director of Risk Management at Ritchie Capital Management during a period the SEC charged it with an illegal late trading scheme. The new CFO came from Shift4 Payments (Nasdaq: FOUR) where a short-seller alleged accounting improprieties. We also have concerns at the Board level. The Audit Chair was Chief Accounting Officer at General Electric during the exact period it settled with the SEC for \$200M related to disclosure, financial reporting and accounting issues.</p>
<p><b>Increasing Competitive Pressures Make Expectations Too High</b></p>	<p>Enfusion’s core customers are small hedge funds, but industry consolidation and weak fund launch growth will likely make penetrating bigger funds more difficult. ENFN recently expanded competitor discussion in the 10-K and it appears to be losing a technology edge. Prior to its IPO, ENFN disclosed it served 4,000 funds and had 99.8% retention but no longer discloses these metrics. The CEO said Managed Services was key to the business, but growth is trending negative and Remaining Performance Obligation in out years is declining despite a shift to longer-term contracts. The market expects 15%+ revenue growth, but this appears ambitious given revenue lost from client churn and downgrades of service is greater than revenue from new clients. Furthermore, ENFN switched to longer-term contracts in Q1’21, but now with 3 years having passed, we expect greater churn.</p>
<p><b>Revenue At High Risk of Misstatement</b></p>	<p>Coinciding with the CFO and CRO’s departure in Q4’22/Q1’23 we observe that accounts receivable are declining while sales are increasing which makes little sense. Moreover, ENFN mysteriously revised its allowance for bad debts account without calling out the change or disclosing an error. The Company’s MD&amp;A discussion of Platform and Managed Service revenues also do not reconcile while revenue recognition language just changed. We see high risk potential for revenue overstatement.</p>
<p><b>40% - 60% Downside Risk</b></p>	<p>Sell-side analysts are Neutral to Underweight and project just 5% upside, but we don’t think they have conducted a forensic analysis and highlighted ENFN’s unusual revenue reporting. Market expectations are high, but with ENFN’s competitive edge declining, management team turnover, and client base consolidation, we fail to see how targets will be achieved. Follow the money: insider selling has intensified since the CFO left in Nov 2022 and CEO Movchan just disclosed a 400,000 share stock sale program. ENFN’s capital structure is also complicated and may not be capturing a multi-million tax receivable liability. ENFN claims to be cash flow positive, but after adjusting for tax payments to settle stock compensation plans, it is cash flow negative. ENFN is issuing equity and expanded its credit facility by 20x for no clear reason. At a 2.5x - 3.5x multiple on ’24E revenue, ENFN’s share price would be worth \$3.70 - \$5.60 (40% - 60% downside).</p>

# Concerning Leadership Turnover And Checkered Track Record

Spruce Point believes that changes in Executive and Board leadership at Enfusion are highly troubling. Notably, at least two members have served at companies targeted recently by other short sellers while the CEO was Chief Risk Officer at a firm that settled with the SEC for illegal trading.

Date	Executive / Board Change	Concern	Source
1/6/22	Iris Xinwei Wang elevated to Chief Strategy Officer position	Departed around Nov 2022 when the CFO left	Sources: <a href="#">1</a> , <a href="#">2</a>
3/7/22	Tarek Hammoud retires from Board	Company Co-founder and previous CEO	<a href="#">Source</a>
8/21/22	CEO Thomas Kim resigned as CEO and the Board. Oleg Movchan appointed Interim CEO	Kim was appointed March 2020 and lasted a little more than 2 years	<a href="#">Source</a>
11/30/22	Kathleen DeRose stepped down from the Audit Committee	Respected finance professor at NYU	<a href="#">Source</a>
12/19/22	Bradley Herring appointed CFO to replace Stephen Dorton	<b>Herring was previously CFO at Shift4 Payments (FOUR) which faced accounting allegations from another short-activist</b>	Sources: <a href="#">A</a> , <a href="#">B</a>
12/22/22	Oleg Movchan appointed permanent CEO, previously interim CEO	An entrepreneur with many other ownership interests. <b><u>He was Director of Risk Management at Ritchie Capital Management during the time it was charged by the SEC for an illegal late trading scheme though he was not personally implicated</u></b>	Sources: <a href="#">A</a> , <a href="#">B</a> , <a href="#">C</a>
1/9/23	Michael Spellacy appointed to Board Chair	<b>Serves on Board at Archer Aviation (ACHR) since 2021. A short-seller alleged Archer has made misleading contract claims</b>	Sources: <a href="#">A</a> , <a href="#">B</a> , <a href="#">C</a>
2/23/23	Steven Bachert, Chief Revenue Officer departs	Not long after anomalies emerge in the financial reporting tied to revenue	<a href="#">Source</a>
11/20/23	Neal Pawar appointed COO	--	<a href="#">Source</a>
1/18/24	Valeria Gutowski elevated to Chief Accounting Officer	Was previously ENFN's Controller during period we identify financial anomalies	<a href="#">Source</a>

# Enfusion's Audit Chair Was The CAO At GE When It Was Charged By The SEC

Enfusion's Audit Chairman was the Chief Accounting Officer and Controller at General Electric when the SEC slammed it with a \$200 million penalty for misleading investors related to costs, receivables and financial estimates. Her public biography on Enfusion's website minimizes her role at GE, whereas it is more prominent at Magna where she also serves on the Board.

## Hauser Biography – Magna Website

Member of the Audit Committee  
Member of the Technology Committee



Ms. Hauser, age 64, brings to the Board global financial leadership, including more than 35 years dealing with financial reporting and complex business transactions.

Ms. Hauser is a corporate director who previously served as the Vice President, Controller and Chief Accounting Officer of General Electric Company (2013-2018), prior to which she held various roles at PricewaterhouseCoopers (1981-1991 and 1993-2013), including Senior Consulting Partner, Accounting Consulting Services, National Professional Services Group. During her time at PricewaterhouseCoopers, she led diversity efforts for the national office and served on the US Partner Admissions Committee. She also served as PricewaterhouseCoopers' representative on the Financial Accounting Standard Board's (FASB) Emerging Issues Task Force and the Financial Accounting Standards Advisory Council for the FASB; earlier in her career, she was selected for a fellowship in the Office of the Chief Accountant at the US Securities and Exchange Commission (1991-1993). Ms. Hauser previously served on the board of Vonage Holdings Corporation until its acquisition. Ms. Hauser has a BBA in Accounting (Wisconsin) and is also a licensed CPA.

**VP, Controller and Chief Accounting Officer of General Electric (2013-2018)**

## Hauser Biography – Enfusion Website

### Jan Hauser

Jan Hauser is an experienced board member and global finance leader. Jan serves on the Vonage board of directors and is also a member of Women Corporate Directors and the Northeast Audit Committee Network.

Previously, Hauser held senior roles at GE and PwC. She represented PwC on the FASB's Emerging Issues Task Force and Financial Accounting Standards Advisory Council, and worked in the Office of the Chief Accountant at the SEC. She graduated from the University of Wisconsin and is a licensed CPA.

**Senior Roles at GE**

### Press Release

## General Electric Agrees to Pay \$200 Million Penalty for Disclosure Violations

**FOR IMMEDIATE RELEASE**  
2020-312


Washington D.C., Dec. 9, 2020 — The Securities and Exchange Commission today announced that General Electric Co. (GE) has agreed to pay a \$200 million penalty to settle charges for disclosure failures in its power and insurance businesses. In 2017 and 2018, GE's stock price fell almost 75% as challenges in its power and insurance businesses were disclosed to the public.

According to the SEC's order, GE misled investors by describing its GE Power profits without explaining that one-quarter of profits in 2016 and nearly half in the first three quarters of 2017 stemmed from reductions in its prior cost estimates. The order also finds that GE failed to tell investors that its reported increase in current industrial cash collections was coming at the expense of cash in future years and came primarily from internal receivable sales between GE Power and GE's financial services business, GE Capital. In addition, the order finds that from 2015 to 2017, GE lowered projected costs for claims against its long-term care insurance portfolio and failed to inform investors of the corresponding uncertainties resulting from lower estimates of future insurance liabilities at a time of rising costs from long-term health insurance claims.

# Enfusion Diverts Investor Attention Away From Numbers We Think Are Material

Enfusion has made multiple revisions to its “*Strength in numbers*” claims on its website. Notably, it omitted reporting of users, funds and retention. In fact, the 99.8% client retention rate never appeared in its IPO prospectus, but Revenue Churn Rate and Net Dollar Retention Rate suddenly became management’s focus.

## Website Claims Pre-IPO, Nov 2020 – early Jan 2021



**STRENGTH IN OUR NUMBERS**


**Why our clients choose us**

- 2,000+ Users**  
More than 2,000 people are actively using Enfusion software every day.
- 4,000+ Funds**  
Over 4,000 funds are actively managed on Enfusion software.
- 99.8% Retention**  
Our client retention rate amongst open funds is 99.8%.

**Annotations:**

- Red box: "We believe this would be helpful for investors" (points to 4,000+ Funds)
- Red box: "Why no longer relevant?" (points to 99.8% Retention)

## Jan 2021 – Mid 2021



**STRENGTH IN OUR NUMBERS**

**We grow every day** ← **Omitted growth claim**

- +490%** Technology staff  
Increase in our technology and developer headcount in the last 3 years.
- +273%** Customer support staff  
Increase in implementation and customer support staff in the last 3 years.
- +325%** R&D spend  
Year over year increased spend on research & development.

## 2021 Prospectus Claims

	As of December 31,		As of June 30,	
	2020	2019	2021	2020
	(dollars in millions)			
Annual Recurring Revenue	\$ 93.4	\$ 68.0	\$ 107.9	\$ 74.9
Net Dollar Retention Rate	119.6%	111.3%	122.4%	109.8%

We believe Net Dollar Retention Rate is an important metric for us because, in addition to providing a measure of retention, it indicates our ability to grow revenues within existing client accounts.

	Year Ended December 31,		Six Months Ended June 30,	
	2020	2019	2021	2020
Revenue Churn Rate	5.2%	10.1%	4.0%	7.0%

## Mid 2021 - Today

**STATISTICS**

**Strength in numbers.**

- 10** OFFICES ACROSS FOUR CONTINENTS  
Our global footprint allows for 24-7, follow-the-sun support.
- 17** YEARS OF CLOUD-NATIVE SAAS  
The architecture of our platform pre-dates the rise of SaaS for the industry.
- 775+** IMPLEMENTATIONS  
Hundreds of funds trust Enfusion technology for their operations.

Source: Wayback Machine: [1](#), [2](#) and [ENFN website](#)

# Evidence of Growing Competition, Weakening Product Advantage

Spruce Point believes that Enfusion’s core problems are rooted in growing competition. Single-tenant infrastructure limitations have been referenced by the Company in the past as challenges of existing solutions. However, recently we see that Enfusion is acknowledging more competitors and adjusted its language to acknowledge that not all are limited by single-tenant solutions.

## Competition Disclosure Changes

Draft  
Registration  
Filed 7/1/21  
Through  
10-K  
Filed 3/30/22

“Incumbents such as Blackrock’s Aladdin, Broadridge, State Street Alpha, SS&C and SimCorp may provide end-to-end systems, **but they are single-tenant** and cloud-migrated rather than cloud-native or built for the cloud. 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.”

Acquired by Deutsche Börse

10-K  
Filed 3/10/23

“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.”



# Weakening Product Advantage (Cont'd)

Enfusion recently weakened its description as a cloud-native SaaS company, even going so far as removing it as a reason why it wins business. In addition, it no longer claims to be “the leading” cloud-native, SaaS provider in the new 2023 10-K.

## Key Language Change In The New 10-K

**NEW:** “We believe **we are a leading** cloud-native, SaaS provider within the alternative investment sector, and expect that as that sector grows, we will continue to extend our position.”

**OLD:** “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.”

## Changes To Presentation

### Why we win

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Client-centric approach

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Rapid pace of delivery and evolution

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Multi-tenant SaaS

### Why we win

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Client-centric approach

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Rapid pace of delivery and evolution

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Cloud-native, multi-tenant SaaS

## Changes To Description

January 18, 2024

NEW YORK & LONDON & HONG KONG--(BUSINESS WIRE)-- Enfusion, Inc. ("Enfusion") (NYSE: ENFN), a leading provider of cloud-native software-as-a-service (SaaS) solutions for investment managers, today announced the internal executive promotion of Valeria Gutowski to the role of Chief Accounting Officer, effective January 15, 2024.

February 12, 2024

NEW YORK & LONDON & HONG KONG--(BUSINESS WIRE)-- Enfusion, Inc. ("Enfusion") (NYSE: ENFN), a leading provider of software-as-a-service (SaaS) solutions for investment managers, will host an investor day in Fort Lauderdale, Florida on March 19th, 2024.

# Ceasing A Key Disclosure Around The Growth Strategy

Winning business at established investment managers has been a driver of Enfusion's historical performance as indicated by it being listed as the first bullet point under the description of its growth strategy. Unfortunately, Enfusion ceased disclosure of the proportion of new client signings from established managers replacing competitor or internal systems.

## Our Growth Strategy

**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.**

Key metric for evaluating growth strategy no longer disclosed

# Enfusion Has Been A Loser In An Inflationary Environment

While most companies have been able to raise prices to offset inflationary forces, Enfusion has indicated that price changes did not impact its results. This outcome is despite the former CFO claiming that the Company had pricing power.

## Comments on Prices

**CFO**  
**Q1 2022**  
**May 12, 2022**

*“So we have pricing power, we’re continuing to expand geographically, and that will allow our revenue to grow and our business to scale over time.”*

**FY 2023**

*“Price changes did not materially impact period-over-period growth.”*

# If Managed Services Is As Important As The CEO Says, Growth Is Collapsing.....

The CEO recently stressed the importance of Managed Service revenue in making Enfusion more competitive and driving better economic relationships. In Q4'23, the quarter-over-quarter growth rate collapsed to less than 1% while year-over-year growth continues to decline to the low teens.

## Quote on Importance of Managed Services

CEO  
Q1 2023  
May 9, 2023

“Along the same lines, with the tremendous potential for expanding our managed services offering in conjunction with our core software offering. Importantly, **not only does it drive a better economic relationship with our clients on a win-win basis, but also enhances durability of our financial profile. It makes Enfusion more competitive when it comes to complex conversions for larger hedge funds and institutional managers.**”

## Enfusion's Managed Service Revenue

\$ in mm	2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Managed Service Revenue	\$2.2	\$2.4	\$2.5	\$2.7	\$2.7	\$2.9	\$3.0	\$3.1
QoQ Growth %	12.7%	7.4%	4.5%	7.5%	2.0%	7.3%	2.8%	0.9%
YoY Growth %	45.4%	38.6%	33.4%	36.0%	23.0%	22.9%	20.9%	13.6%

**Sharp decline in growth**

# The Rate of Customer Loss Exceeds Customer Additions

Customer gains have declined in each of the past three years from 229 > 174 > 148. However, customer losses are rising from 95 > 89 > 102. Key performance metrics such as Net Dollar Retention (NRR) are going the wrong direction and now ENFN will stop providing NRR including involuntary churn.

## Enfusion's Client Disclosures

	2020	2021					2022					2023				
		Q1 <sup>(1)</sup>	Q2 <sup>(1)</sup>	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Total Clients	--	600	635	686	734	734	756	793	810	819	819	813	827	842	865	865
Clients Added (a)	160	106	59	64	229	42	50	43	39	174	27	39	37	45	148	
<b>Implied Clients Lost (b)</b>	<b>--</b>	<b>-71</b>	<b>-8</b>	<b>-16</b>	<b>-95</b>	<b>-20</b>	<b>-13</b>	<b>-26</b>	<b>-30</b>	<b>-89</b>	<b>-33</b>	<b>-25</b>	<b>-22</b>	<b>-22</b>	<b>-102</b>	
Net Client Adds (Lost) (a+b)	--	--	35	51	48	134	22	37	17	9	85	<b>-6</b>	14	15	23	46
Voluntary Client Loss	2%	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Revenue Churn	10.1%	5.2%	--	--	--	3.7%	--	--	--	--	4.5%	--	--	--	--	7.5%
Adj. Revenue Churn	0.3%	0.9%	--	--	--	0.6%	--	--	--	--	1.0%	--	--	--	--	3.4%
Net \$ Retention	111.3%	119.6%	NA	NA	122.0%	115.0%	115.8%	121.9%	116.6%	115.4%	115.8%	110.5%	106.1%	107.1%	106.4%	106.4%
Net \$ retention (inc. involuntary churn)	--	--	--	--	--	--	--	117.8%	--	--	111.5%	106.0%	101.7%	102.4%	102.1%	102.1%

**Metrics going the wrong direction**

**Will cease disclosure**

Source: ENFN [SEC filings](#)

1) The draft prospectus said "approximately 600 clients" as of 3/31/21 and said that 106 clients were added as of 6/30/21

# Churn May Be Delayed Due To Surreptitious Contract Changes....

Enfusion IPO'ed October 10, 2021 and we are alarmed to see that the Company delayed a disclosure that indicated a change of practice in Q1'2021 that lengthened contract terms and did not allow for termination for convenience. In our experience, long-term contracts typically entail discounts. Enfusion no longer says that the majority of contracts are for a one-year term but that a typical contract term is two or three years. However, now that three years has past since the contract change was implemented, Spruce Point expects maturing contracts to increase client churn. The Company should disclose its average contract term.

## Disclosure About Change In Contract Terms Affecting Revenue Recognition

Draft  
Registration

Filed 7/1/21

**“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. **The majority of our current contracts are for one-year terms, but can be terminated for convenience within 30 days.** 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.”

**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 numbers 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 generally recognized ratably over the period of contractually enforceable rights and obligations, beginning on the date that the client gains access to the platform. **Most platform subscription contracts have a one-year term and are cancellable with 30 days’ notice.** Installment payments are invoiced at the end of each calendar month during the subscription term. We have a limited number of contracts that are non-cancellable. We have determined the impact of these contracts is not material on our pattern of revenue recognition”

Q2 2022

Filed 8/19/22

**“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 did 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.”

# Remaining Performance Obligation Declined Throughout 2023

Enfusion's Remaining Performance Obligation - a measure of revenues over the next few years expected to be recognized for unfulfilled contracts - is trending negatively and did not grow at all in the last quarter of 2023. This is even more concerning given that default contracts are now two or three years.

In a comment letter from the SEC on April 14, 2023 it asked ENFN to disclose more details about Remaining Performance Obligation. Subsequently, ENFN provided RPO by date through 2027.

Remaining Performance Obligation					
Date	Dec 2022	March 2023	June 2023	Sept 2023	Dec 2023
2023	NA	\$15.8	\$11.0	\$6.0	--
2024	NA	\$13.9	\$15.3	\$15.4	\$18.2
2025	NA	\$4.4	\$5.4	\$6.4	\$8.8
2026	NA	\$0.6	\$0.9	\$1.2	\$2.0
2027	NA	\$0.1	\$0.1	\$0.1	\$0.1
<b>Total QoQ %</b>	<b>\$31.1 -3.1%</b>	<b>\$34.8 +12.0%</b>	<b>\$32.6 -6.4%</b>	<b>\$29.1 -10.6%</b>	<b>\$29.1 0.0%</b>

# Major Red Flag: Growing Revenue, Declining Accounts Receivable

Spruce Point finds it alarming that during the period where the CFO and CRO resigned, revenues continued to grow while accounts receivable started to decline. Enfusion has not recorded abnormal receivable charge offs. This creates the potential that revenue is (or was) booked prematurely and won't be collectable. **Unbilled receivables are growing and Enfusion recently removed reference to them being due within one year.**

## Enfusion's Revenues vs. Accounts Receivables

\$ in mm	2020	2021					2022					CFO / CRO resign		2023			
		Q1 <sup>(1)</sup>	Q2 <sup>(1)</sup>	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4		
Revenues	\$79.6	\$24.4	\$26.4	\$29.0	\$31.9	\$111.7	\$34.1	\$36.5	\$39.2	\$40.5	\$150.3	\$41.0	\$42.7	\$44.4	\$46.5		
QoQ % growth	--	--	8.6%	9.8%	9.7%	--	7.1%	7.0%	7.4%	3.3%	--	1.2%	4.1%	4.0%	4.7%		
YoY % growth	--	--	--	--	--	40.4%	40.0%	38.0%	35.0%	27.1%	34.6%	20.2%	17.0%	13.3%	14.8%		
Accts Receivable (A/R)	\$12.2	--	\$15.5	\$19.0	\$18.2	\$18.2	\$23.4	\$28.8	\$29.0	\$25.9	\$25.9	\$24.4	\$25.2	\$24.9	\$28.1		
QoQ % growth	--	--	--	22.8%	-4.1%	--	28.4%	23.1%	0.7%	10.7%	--	-5.8%	3.3%	-1.2%	12.7%		
YoY % growth	35.7%	--	--	--	--	49.6%	--	--	52.6%	42.1%	42.1%	4.3%	-12.5%	-14.1%	8.4%		
Unbilled A/R <sup>(1)</sup>	\$0.4	--	--	--	--	\$1.3	--	--	--	--	\$2.0	--	--	--	\$2.4		
% of A/R	2.9%	--	--	--	--	7.1%	--	--	--	--	7.7%	--	--	--	8.5%		
Provision for Bad Debt (Cash Flow St)	\$1.0	\$0.0	\$0.2	\$0.1	\$1.2	\$1.5	\$0.1	\$0.3	\$0.8	\$0.1	\$1.4	\$0.5	\$0.2	\$0.7	(\$0.1)		

1) Included within accounts receivable and generally due within one year as disclosed in the [2022](#) 10-K. However, the [2023](#) 10-K ceased this disclosure.



# Revenue Recognition Policy Changes

Coincident with our concerns about financial reporting quality, we observe that Enfusion also made changes to its language around revenue recognition policies.

	Platform Revenue	Managed Services	Other
<b>2022</b>	<p>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. <b>Beginning in the first quarter of 2021, many of our contracts have a multi-year term and do not allow termination for convenience.</b> Installment payments <b>are invoiced</b> at the end of each calendar month during the subscription term. There is no financing available.</p>	<p>Managed services revenues primarily consists of client-selected middle- and back-office, technology-powered services. <b>We recognize revenues monthly as the managed services are performed with invoicing occurring at the end of the month.</b> Generally, invoices have a 30-day payment period in accordance with the associated contract. There is no financing available.</p>	<p>Other revenues consist of non-subscription-based revenues, such as data conversion services. We recognize revenues as these services are performed <b>with invoicing occurring</b> at the end of each month</p>
<b>2023</b>	<p>Platform subscriptions revenues consist 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 subscriptions clients do not have the right to take possession of the platform’s software and do not have any general return right. Platform subscriptions revenues are recognized ratably over the period of contractually enforceable rights and obligations, beginning on the date the client gains access to the platform. Installment payments <b>are generally invoiced</b> at the end of each calendar month during the subscription term. There is no financing available.</p>	<p>Managed services revenues primarily consist of client-selected middle- and back-office, technology-powered services. <b>Managed services revenues are recognized ratably over the period of contractually enforceable rights and obligations, beginning on the contract effective date.</b> Clients are invoiced a set fee for managed services typically at the end of each month. Generally, invoices have a 30-day payment period in accordance with the associated contract. There is no financing available.</p>	<p>Other revenues consist of non-subscription-based revenue, primarily including data conversion. We recognize revenues as these services are performed with <b>invoicing generally occurring</b> at the end of each month.</p>

# More Revenue Gone From Client Loss And Downgrades, Than Revenue From Client Gains

Spruce Point has serious concerns with Enfusion's revenue quality in 2023. There is an implied loss of revenue from new clients in Q4 2023 despite the Company adding the most net new clients at year end. We also observe that client churn and downgrades are detracting more from revenue growth than has been gained from new client revenue.

## Qualitative MD&A Discussion of Platform Revenue Drivers In 2023

Quarter	Net New Clients	Revenue Increase From New Clients	Revenue Loss Impact From Client Churn And Downgrades
Q1	(6)	The increase was primarily driven by increased revenues from new clients of <b>\$4.5 million</b> .	Increases and upsells were <b>offset by client churn of \$1.8 million, downgrades of \$1.3 million</b> , and approximately \$500 thousand increase in dilution reserves.
Q2	14	The increase was primarily driven by increased revenues from new clients of <b>\$4.4 million</b> .	Increases and upsells were <b>offset by client churn of \$2.2 million and downgrades of \$1.5 million, respectively</b> .
Q3	15	In addition, new client revenue increased by <b>\$3.0 million</b> .	Increases and upsells were <b>offset by client churn of \$3.0 million and downgrades of \$1.6 million, respectively</b> .
Q4 Implied	23	<b>(\$5.4) million loss from new clients?</b>	<b>Implied churn of \$2.9 million and approximately no downgrades</b>
FY 2023	46	In addition, new client revenue increased by <b>\$6.5 million</b> .	Increases and upsells were <b>offset by client churn of \$9.9 million and downgrades of \$4.3 million</b> .

**More revenue lost from client churn than from new clients**

# We Don't Believe Drivers of Platform Revenue In 2022 Make Sense

Spruce Point has serious concerns with Enfusion's description of Platform Revenue drivers in 2022. A major discrepancy occurs with the implied impact from Q4'22. Enfusion's reports indicate it acquired 9 net new clients but somehow revenue from new clients declined. CFO Dorton resigned on November 28, 2022. Furthermore, the Company disclosed on November 30, 2022 that Audit Committee member Kathleen DeRose stepped down effective Jan 1, 2023 and Dierdre Sommers would take her place.

## Qualitative MD&A Discussion of Platform Revenue Drivers

Qtr	Net New Clients	New Client Impact (A)	Impact From Full Period of Sales Booked In Prior Periods (B)	Quant. Impact of Churn	Impact From New Services / New Users Within Existing Contracts (C)	YoY Total Platform Revenue Increase (D)	% From New Clients (A/D)	% From Prior Period Sales (B/D)	% From Existing Contracts (C/D)
Q1	22	<i>The increase was primarily driven by an increased revenues from new clients of approximately \$5 million.</i>	<i>Full-period impact of prior period sales of approximately \$700.</i>	No Disclosure	\$4.5	\$9.1	55%	8%	49%
Q2	37	<i>The increase was primarily driven by increased revenues from new clients of approximately \$4.4 million.</i>	<i>the full-period impact of prior period sales of \$1.6 million.</i>	No Disclosure	\$5.0	\$9.2	48%	17%	54%
Q3	17	<i>The increase was primarily driven by increased revenues from new clients of approximately \$4.8 million.</i>	<i>\$1 million reflects the full-period impact of sales booked in prior period.</i>	No Disclosure	\$5.4	\$9.0	53%	11%	60%
Q4 Implied	9	<b>(\$4.7) million lost revenue from new clients</b>	<b>\$14.3 million</b>	<b>No Disclosure</b>	<b>\$0</b>	<b>\$8.2</b>	<b>-57%</b>	<b>174%</b>	<b>0%</b>
FY	85	<i>In addition, the increase was driven by revenues from new clients of approximately \$9.5 million.</i>	<i>\$17.6 million reflects the full period impact of new customer contracts signed in prior period.</i>	No Disclosure	\$14.8	\$35.6	27%	49%	42%

# Drivers of Managed Service Revenue In 2022 Also Don't Add Up

Enfusion's discussion of Managed Service revenue drivers in 2022 is concerning. Enfusion did not quantify revenue lost from churn, but we estimate it to be at least \$1.6 million or the same amount it gained from new clients. The Company added 174 clients and lost 89 clients for 85 net new clients throughout the year, but we estimate revenue from new clients did not exceed revenue lost from churn.

Quarter	Net New Clients	Managed Service Revenue Driver	Total Managed Service Revenue Increase YoY
Q1	22	<i>The increase was primarily driven by revenue from new clients of approximately \$675 thousand and increases in revenue from existing clients of approximately \$220 thousand, partially offset by reductions in revenue due to client churn.</i>	\$0.70
Q2	37	<i>The increase was primarily driven by revenue from new clients of approximately \$600 thousand and increases in revenue from existing clients of approximately \$340 thousand, partially offset by reductions in revenue due to client churn.</i>	\$0.67
Q3	17	<i>The increase was primarily driven by revenue from new clients of approximately \$600 thousand and increases in revenue from existing clients of approximately \$500 thousand, partially offset by client churn.</i>	\$0.63
Implied Q4	9	<i>Revenue from new clients declined by \$275 thousand Revenue from existing clients increased \$1.6 million</i>	\$0.71
FY	85	<i><u>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</u></i>	\$2.70

**ENFN claims that managed service revenue increased by \$1.6 million from new clients and \$2.7 million from existing clients, offset by churn (which is not quantified) for a total of \$4.3 million. However, total segment revenue only increased by \$2.7 million. Therefore, we estimate revenue lost from churn to be ~\$1.6 million.**

# Revisions/Errors To Bad Debt Accounts

Spruce Point is alarmed that ENFN appears to have revised its starting bad debt allowance as of Dec 31, 2022. The Company did not call out this change or cite an “immaterial error” which is often customary by public companies. If the bad debt allowance is being manipulated, it stands to reason that revenues may also be manipulated too.

## Disclosure of Allowance For Accounts Receivable

The following table summarizes the activity of the allowances applied to accounts receivable for the three months ended March 31, 2023 (in thousands):

Q1 2023

Balance at December 31, 2022	1,611
Changes to the provision	1,459
Accounts written off, net of recoveries	(1,367)
Balance at March 31, 2023	\$ 1,703

The following table summarizes the activity of the allowances applied to accounts receivable for the six months ended June 30, 2023 (in thousands):

Q2 2023

Balance at December 31, 2022	1,225
Changes to the provision	733
Accounts written off, net of recoveries	(828)
Balance at June 30, 2023	\$ 1,130

The following table summarizes the activity of the allowances applied to accounts receivable for the nine months ended September 30, 2023 (in thousands):

Q3 2023

Balance at December 31, 2022	1,225
Changes to the provision	774
Accounts written off, net of recoveries	(850)
Balance at September 30, 2023	\$ 1,149

# Enfusion Is Deeply Cash Flow Negative

Enfusion presents Adjusted Free Cash Flow as if it is positive and growing. Spruce Point disagrees with this depiction. The Company is making material cash payments to settle taxes associated with employee compensation programs. By adjusting results for these payments, we find that its Adjusted Free Cash Flow is negative. **Enfusion's cash balance is declining and it recently issued equity and expanded its credit facility from \$5 million to \$100 million.** We do not believe the Company has signaled a strong intention for acquisitions, so we view the credit facility expansion as insurance against greater financial loss and/or capital needs to satisfy its tax receivable obligations.

## Spruce Point vs. ENFN Adjusted Free Cash Flow

\$ in mm	2021	2022					2023				
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Cash From Operations	(\$0.3)	(\$4.1)	\$2.9	\$7.8	\$7.5	\$14.2	\$0.9	\$6.0	\$12.1	\$6.6	\$25.6
Less: Capex	(\$8.0)	(\$3.2)	(\$2.1)	(\$0.9)	(\$1.7)	(\$7.9)	(\$2.6)	(\$2.2)	(\$2.6)	(\$2.3)	(\$9.7)
ENFN Adj. FCF	(\$8.3)	(\$7.3)	\$0.8	\$6.9	\$5.8	\$6.2	(\$1.6)	\$3.8	\$9.5	\$4.3	\$16.0
Less: Cash To Settle Taxes On Stock-Based Comp. Plans	(\$10.6)	\$0.0	(\$0.9)	(\$0.0)	(\$7.0)	(\$8.0)	(\$7.6)	(\$40.5)	(\$11.8)	(\$0.6)	(\$60.4)
<b>Spruce Pt. Adj. FCF</b>	<b>(\$18.9)</b>	<b>(\$7.3)</b>	<b>(\$0.1)</b>	<b>\$6.9</b>	<b>(\$1.3)</b>	<b>(\$1.7)</b>	<b>(\$9.2)</b>	<b>(\$36.7)</b>	<b>(\$2.3)</b>	<b>\$3.7</b>	<b>(\$44.5)</b>
Issuance of Equity	\$260.5	--	--	--	--	--	--	\$9.7	\$7.6	--	--
Credit Facility Capacity	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$100.0	\$100.0	\$100.0
Cash on hand	\$64.4	\$56.2	\$56.6	\$63.5	\$62.5	\$62.5	\$54.6	\$27.8	\$31.7	\$35.6	\$35.6

# Troubled Guidance Beneath The Surface

While Enfusion's recent 2024 revenue and Adj. EBITDA guidance came within market expectations, its new Free Cash Flow (FCF) conversion guidance implies a shortfall of FCF vs. expectations. Furthermore, the fine print indicates a substantial increase in stock compensation expense. As a result, Enfusion's FCF conversion would have likely been worse absent the substantial increase in stock compensation expense. While Enfusion has historically claimed to be Free Cash Flow positive, it has made substantial cash outlays to satisfy tax payments on stock-based compensation programs and funded shortfalls with more dilution.

## Financial outlook

	2024E
<b>Revenue</b>	<b>\$200-\$210 million</b>
<b>Adjusted EBITDA</b>	<b>\$40-45 million</b>
<b>FCF Conversion</b>	<b>50-55%</b>

**Free Cash Flow:**  
Implies ~\$20 - \$25m  
vs.  
\$27.8m expected

**Fine print:**  
Stock comp up from  
\$7.4m to \$19 - \$20m

FCF Conversion is Adjusted Free Cash Flow divided by Adjusted EBITDA

Adjusted EBITDA guidance excludes stock-based compensation of \$19-20 million for the full year 2024, of which we estimate approximately 1/3 will occur in 1Q24.

These statements are forward-looking and actual results may differ materially. Refer to the "Forward-Looking Statements" safe harbor section below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

A reconciliation of these forward looking non-GAAP measures to the corresponding GAAP measure is not available without unreasonable effort because of the inherent difficulty of accurately forecasting the occurrence and financial impact of the various adjusting items necessary for such reconciliations that have not yet occurred, are out of our control, or cannot be reasonably predicted. For the same reasons, Enfusion is unable to assess the probable significance of the unavailable information, which could have a material impact on its future GAAP financial results.

# Software Capitalization Figures Don't Reconcile

Enfusion recently provided a new line item on its cash flow statement for capitalization of software development costs. The figures provided for 2022 and 2023 in the footnotes do not reconcile with the figures in the cash flow statement. We believe this could just be more evidence of Enfusion's weak financial controls that undermine confidence in financial reporting.

## Latest Cash Flow St. Breaks Out Capitalized Software

	Year Ended December 31,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 9,253	\$ (13,263)
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>		
Non-cash lease expense	6,882	5,351
Depreciation and amortization	9,987	6,344
Provision for credit losses	1,319	1,399
Amortization of debt-related costs	92	26
Loss on extinguishment of debt	78	—
Stock-based compensation expense	7,458	24,993
<b>Change in operating assets and liabilities:</b>		
Accounts receivable	(3,679)	(9,031)
Prepaid expenses and other assets	(1,749)	(1,767)
Accounts payable	365	(843)
Accrued compensation	(729)	7,087
Accrued expenses and other liabilities	2,359	(1,029)
Lease liabilities	(6,002)	(5,111)
<b>Net cash provided by operating activities</b>	<b>25,634</b>	<b>14,156</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(4,453)	(3,985)
Capitalization of software development costs	(5,218)	(3,946)
<b>Net cash used in investing activities</b>	<b>(9,671)</b>	<b>(7,931)</b>

## 2023 10-K, Note 4

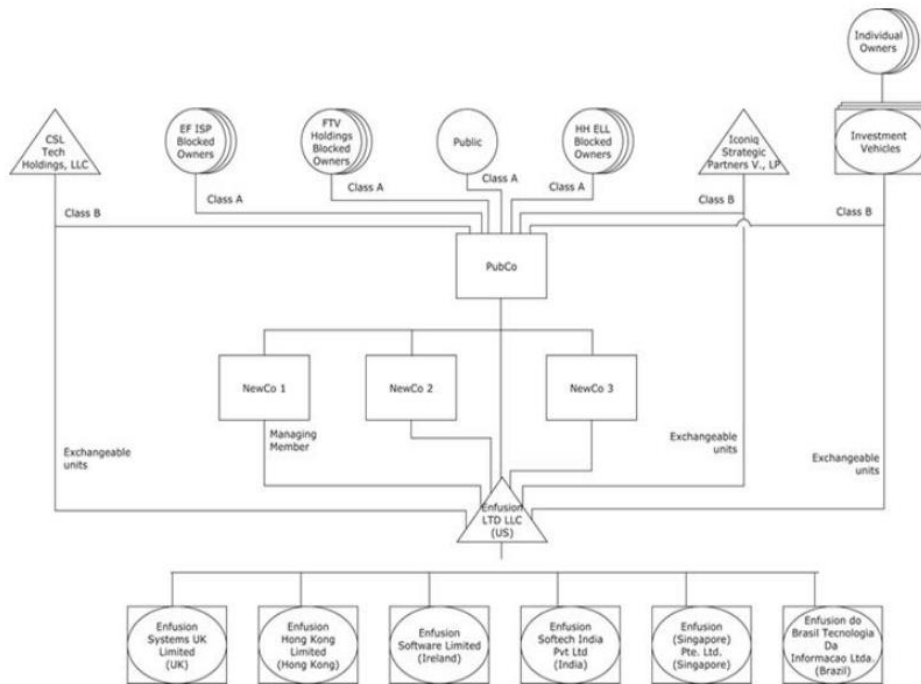
*“As of December 31, 2023 and 2022, property, equipment, and software, net located in the United States was \$17.0 million and \$13.7 million, respectively. The remainder was located in the Company’s various international locations. Included in property, equipment, and software are the capitalized costs of software development. **Software development costs capitalized during the years ended December 31, 2023 and 2022 were \$6.4 million and \$4.5 million, respectively.**”*



Spruce Point cautions investors to avoid overly complex investment structures. Enfusion’s “*simplified diagram*” below introduces risks to investors. Most companies that have Tax Receivable Agreements (TRAs) record a liability on the balance sheet; Enfusion’s balance sheet has not recorded a liability, but the new 10-K recently disclosed that the total TRA attributes are approximately \$323.6 million.

## “Simplified Diagram”

The simplified diagram below depicts our organizational structure immediately following this offering. For additional detail, see “Organizational Structure.”



## TRA Discussion And New Disclosure

“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. As of December 31, 2023, we estimate the total TRA attributes to be approximately \$323.6 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, 2023, we would have recognized a deferred tax asset of approximately \$148.5 million and a liability under the Tax Receivable Agreement of approximately \$126.2 million, assuming: (i) all exchanges or purchases occurred on the same day, (ii) a price of \$9.70 per share, which was the price per share of Class A common stock as of December 31, 2023, (iii) a constant corporate tax rate of 29.7%, (iv) that we would have sufficient taxable income to utilize the tax benefits fully, and (v) no material changes in tax law.”

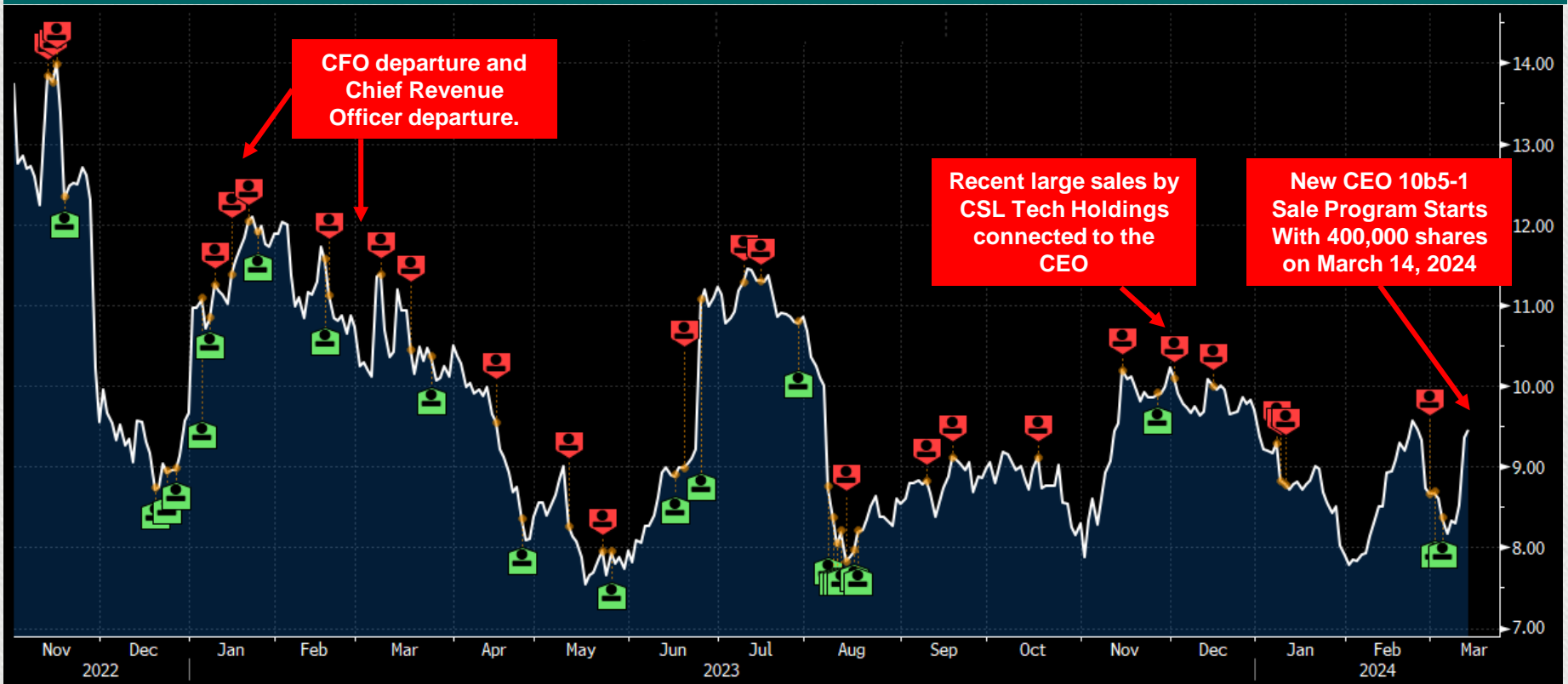


*We See 40% – 60% Downside Risk To  
Enfusion's Stock Price*

# Follow The Money.....

Spruce Point observes that insider stock sales began around the time the CFO and CRO departed. CEO Movchan also started selling stock at year end 2023 with two large blocks of 100K and 150K at \$10.00 per share. In addition, the new 10-K reveals that CEO Movchan enacted a 10b5-1 program on March 14, 2024 to enable the sale of up to 400,000 shares through Dec 31, 2024.

## ENFN Insider Sells

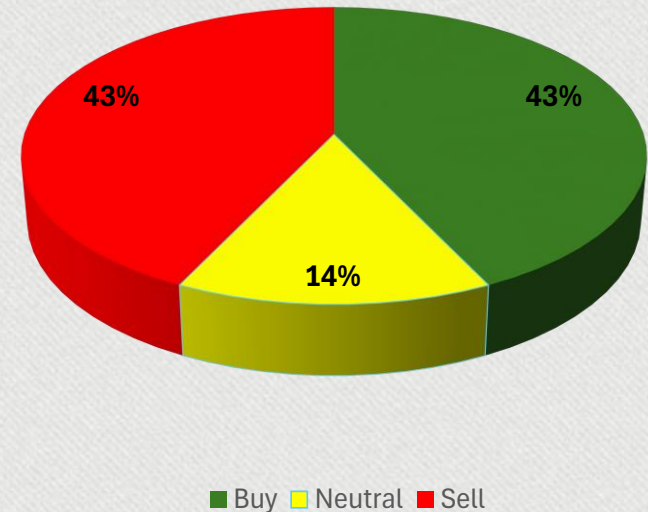


# Poor Risk / Reward Owning Enfusion

The sell-side analyst community appears equally divided on ENFN's share price outlook. However, we believe the biggest bulls on the name are wrong in their assessments and have failed to conduct a rigorous forensic analysis of the Company's reporting.

Analyst	Recommendation	Price Target
Stifel	Buy	\$12.00
Morgan Stanley	Overweight	\$11.00
Piper Sandler	Neutral	\$10.00
JP Morgan	Underweight	\$9.00
BofA ML	Underweight	\$9.00
Goldman Sachs	Sell	\$8.00
William Blair	Outperform	--
<b>Average Price Target:</b>		<b>\$9.83</b>
<b>% implied upside</b>		<b>5%</b>

## Ratings Distribution



# We Believe Enfusion Is Overvalued

We believe Enfusion trades at an undeserved premium multiple to a broad range of financial technology peers serving the asset management space. The premium multiple is predicated on its double-digit revenue growth but its EBITDA margin is below peers. Also, we believe the free cash flow is negative after tax payments to settle stock compensation schemes.

\$ in mm ex: per share figures

Name (Ticker)	Stock Price 3/13/2024	Adj Ent. Value	2024E		Sales Growth '23E-'24E	EBITDA Growth '23E-'24E	EV / Sales		EV / EBITDA		Net Debt 2024E EBITDA	Div. Yield
			OCF Margin	EBITDA Margin			2024E	2025E	2024E	2025E		
Fiserv (FI)	\$151.05	\$114,547	31.0%	45.6%	2.3%	7.0%	5.9x	5.4x	12.9x	11.7x	2.5x	0.0%
Deutsche Boerse (DB1 GY)	\$202.67	\$42,466	37.1%	55.4%	25.8%	18.7%	6.7x	6.4x	12.1x	11.5x	1.0x	1.9%
Broadridge (BR)	\$202.98	\$27,773	17.4%	24.1%	5.3%	4.7%	4.1x	3.9x	13.8x	16.3x	2.2x	1.6%
FactSet Research (FDS)	\$481.62	\$19,940	31.5%	38.5%	6.5%	7.8%	8.8x	8.3x	16.5x	21.2x	1.5x	0.8%
Morningstar (MORN)	\$308.69	\$14,045	23.8%	24.5%	13.0%	22.0%	6.1x	5.4x	24.9x	21.4x	1.4x	0.5%
SS&C Technologies (SSNC)	\$62.86	\$9,398	24.1%	39.3%	4.5%	20.3%	1.6x	1.6x	4.2x	3.9x	2.9x	1.5%
SEI Investments (SEIC)	\$69.50	\$8,337	19.4%	29.1%	6.8%	19.7%	4.1x	3.9x	14.0x	13.3x	-1.4x	2.6%
Clearwater (CWAN)	\$16.51	\$3,235	25.8%	31.3%	18.0%	28.2%	7.5x	6.2x	23.8x	19.0x	-1.7x	0.0%
Linedata (LIN FP)	\$74.67	\$474	21.6%	29.1%	4.0%	13.1%	2.3x	2.2x	7.9x	7.6x	1.7x	2.6%
		<b>Max</b>	37.1%	55.4%	25.8%	28.2%	8.8x	8.3x	24.9x	21.4x	2.9x	2.6%
		<b>Average</b>	25.7%	35.2%	9.6%	15.7%	5.2x	4.8x	14.4x	14.0x	1.1x	1.3%
		<b>Min</b>	17.4%	24.1%	2.3%	4.7%	1.6x	1.6x	4.2x	3.9x	-1.7x	0.0%
<b>Enfusion (ENFN)</b>	<b>\$9.32</b>	<b>\$1,209</b>	<b>16.7%</b>	<b>21.0%</b>	<b>17.5%</b>	<b>36.0%</b>	<b>5.9x</b>	<b>5.0x</b>	<b>28.1x</b>	<b>21.7x</b>	<b>-0.5x</b>	<b>0.0%</b>

# Spruce Point Estimates Approximately 40% – 60% Downside Risk To ENFN

We believe Enfusion's share price is wildly overvalued and misunderstood. There are many reasons why its rich 6x revenue multiple should contract which would justify 40% - 60% downside risk to its share price.

\$ in mm, except per share figures	EV / Sales Multiple	
	Base Case	Bull Case
<b>2024E</b>	<b>\$195</b>	<b>\$205</b>
% growth	11.7%	17.5%
Multiple Range	2.5x	3.5x
<b>Enterprise Value</b>	<b>\$488</b>	<b>\$718</b>
Less: Total Debt	(\$15)	(\$15)
Less: TRA Liability	??	??
Plus: NCI	\$24	\$24
Plus: Cash	\$36	\$36
<b>Equity Value</b>	<b>\$532</b>	<b>\$762</b>
Diluted Shares	129.4	129.4
<b>Est. Share Price</b>	<b>\$4.11</b>	<b>\$5.89</b>
<b>% Downside</b>	<b>(56%)</b>	<b>(37%)</b>

Source: ENFN financials and Spruce Point analysis

## Factors Why We Believe Enfusion's Multiple Should Compress

- Expectations for 15%+ growth appear challenging:
  - Small fund launches are slow and must penetrate larger funds where competition is greater
  - Competition is increasing and competitive advantage is decreasing
  - Revenue from customer loss is greater than from new customers
  - RPO is declining despite long-term contracts
- Despite showing positive free cash flow, ENFN has spent millions on taxes related to settling stock compensation. Adjusted for these operational costs, free cash flow is sharply negative.
- Old management and founders have recently turned over and new management is unproven.
- Potential liabilities related to the Tax Receivable Agreement are not recorded on the balance sheet.
- High risk of financial restatement given clear anomalies in reporting.
- The CEO can sell stock under a 10b5-1 ahead of the Investor Day. We don't believe this signals confidence.