UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended July 31, 2023
OR

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

Commission file number: 001-36568

HEALTHEQUITY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**52-2383166**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

15 West Scenic Pointe Drive
Suite 100
Draper, Utah 84020
(Address of principal executive offices) (Zip code)

(801**)** 727-1000
(Registrant's telephone Number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 per share	HQY	The NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth Company	☐

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

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

As of August 31, 2023, there were 85,627,521 shares of the registrant's common stock outstanding.

HealthEquity, Inc. and subsidiaries
Form 10-Q quarterly report

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Part I. Financial information
Item 1. Financial statements

HealthEquity, Inc. and subsidiaries
Condensed consolidated balance sheets

(in thousands, except par value)	July 31, 2023	January 31, 2023
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 290,345	$ 254,266
Accounts receivable, net of allowance for doubtful accounts of $4,639 and $4,989 as of July 31, 2023 and January 31, 2023, respectively	92,581	96,835
Other current assets	39,631	31,792
Total current assets	422,557	382,893
Property and equipment, net	9,145	12,862
Operating lease right-of-use assets	51,976	56,461
Intangible assets, net	881,937	936,359
Goodwill	1,648,145	1,648,145
Other assets	52,696	52,180
Total assets	$ 3,066,456	$ 3,088,900
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 12,543	$ 13,899
Accrued compensation	31,421	45,835
Accrued liabilities	49,281	43,668
Current portion of long-term debt	—	17,500
Operating lease liabilities	10,026	10,159
Total current liabilities	103,271	131,061
Long-term liabilities		
Long-term debt, net of issuance costs	873,581	907,838
Operating lease liabilities, non-current	52,371	58,988
Other long-term liabilities	13,092	12,708
Deferred tax liability	74,527	82,665
Total long-term liabilities	1,013,571	1,062,199
Total liabilities	1,116,842	1,193,260
Commitments and contingencies (see Note 5)		
Stockholders' equity		
Preferred stock, $0.0001 par value, 100,000 shares authorized, no shares issued and outstanding as of July 31, 2023 and January 31, 2023, respectively	—	—
Common stock, $0.0001 par value, 900,000 shares authorized, 85,612 and 84,758 shares issued and outstanding as of July 31, 2023 and January 31, 2023, respectively	9	8
Additional paid-in capital	1,785,014	1,745,716
Accumulated earnings	164,591	149,916
Total stockholders' equity	1,949,614	1,895,640
Total liabilities and stockholders' equity	$ 3,066,456	$ 3,088,900

See accompanying notes to condensed consolidated financial statements.

HealthEquity, Inc. and subsidiaries
Condensed consolidated statements of operations and comprehensive income (loss) (unaudited)

	Three months ended July 31,		Six months ended July 31,	
(in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Revenue				
Service revenue	$ 105,719	$ 103,034	$ 210,831	$ 207,382
Custodial revenue	98,917	65,599	193,358	124,964
Interchange revenue	38,913	37,509	83,792	79,475
Total revenue	243,549	206,142	487,981	411,821
Cost of revenue				
Service costs	76,543	74,914	157,098	155,788
Custodial costs	9,133	7,090	18,133	13,731
Interchange costs	6,943	6,326	13,994	13,317
Total cost of revenue	92,619	88,330	189,225	182,836
Gross profit	150,930	117,812	298,756	228,985
Operating expenses				
Sales and marketing	19,123	15,843	39,058	32,403
Technology and development	54,767	46,580	107,959	91,763
General and administrative	27,090	25,937	51,984	49,664
Amortization of acquired intangible assets	23,166	24,181	46,332	47,879
Merger integration	2,044	7,683	5,502	16,977
Total operating expenses	126,190	120,224	250,835	238,686
Income (loss) from operations	24,740	(2,412)	47,921	(9,701)
Other expense				
Interest expense	(13,272)	(11,493)	(28,269)	(21,954)
Other income (expense), net	2,756	32	4,584	(269)
Total other expense	(10,516)	(11,461)	(23,685)	(22,223)
Income (loss) before income taxes	14,224	(13,873)	24,236	(31,924)
Income tax provision (benefit)	3,643	(3,219)	9,561	(7,631)
Net income (loss) and comprehensive income (loss)	$ 10,581	$ (10,654)	$ 14,675	$ (24,293)
Net income (loss) per share:				
Basic	$ 0.12	$ (0.13)	$ 0.17	$ (0.29)
Diluted	$ 0.12	$ (0.13)	$ 0.17	$ (0.29)
Weighted-average number of shares used in computing net income (loss) per share:				
Basic	85,533	84,443	85,286	84,236
Diluted	86,341	84,443	86,356	84,236

See accompanying notes to condensed consolidated financial statements.

HealthEquity, Inc. and subsidiaries
Condensed consolidated statements of stockholders’ equity (unaudited)

	Three months ended July 31,		Six months ended July 31,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Total stockholders' equity, beginning balance	$ 1,918,592	$ 1,855,263	$ 1,895,640	$ 1,852,575
Common stock:				
Beginning balance	9	8	8	8
Issuance of common stock upon exercise of stock options, and for restricted stock	—	—	1	—
Ending balance	9	8	9	8
Additional paid-in capital:				
Beginning balance	1,764,573	1,692,834	1,745,716	1,676,508
Issuance of common stock upon exercise of stock options, and for restricted stock	368	2,134	1,021	4,474
Stock-based compensation	20,073	18,154	38,277	32,140
Ending balance	1,785,014	1,713,122	1,785,014	1,713,122
Accumulated earnings				
Beginning balance	154,010	162,420	149,916	176,059
Net income (loss)	10,581	(10,654)	14,675	(24,293)
Ending balance	164,591	151,766	164,591	151,766
Total stockholders' equity, ending balance	$ 1,949,614	$ 1,864,896	$ 1,949,614	$ 1,864,896

See accompanying notes to condensed consolidated financial statements.

HealthEquity, Inc. and subsidiaries
Condensed consolidated statements of cash flows (unaudited)

	Six months ended July 31,	
(in thousands)	**2023**	**2022**
Cash flows from operating activities:		
Net income (loss)	$ 14,675	$ (24,293)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	77,387	80,226
Stock-based compensation	38,277	32,140
Amortization of debt discount and issuance costs	1,461	1,639
Loss on extinguishment of debt	1,157	—
Other non-cash items	—	269
Deferred taxes	(8,138)	(7,558)
Changes in operating assets and liabilities:		
Accounts receivable, net	4,254	(3,161)
Other assets	(8,526)	(1,546)
Operating lease right-of-use assets	6,594	4,117
Accrued compensation	(14,675)	(4,973)
Accounts payable, accrued liabilities, and other current liabilities	3,970	(25,586)
Operating lease liabilities, non-current	(8,175)	(3,594)
Other long-term liabilities	384	(454)
Net cash provided by operating activities	108,645	47,226
Cash flows from investing activities:		
Purchases of software and capitalized software development costs	(18,794)	(24,215)
Purchases of property and equipment	(590)	(2,384)
Acquisitions of HSA portfolios	—	(68,725)
Net cash used in investing activities	(19,384)	(95,324)
Cash flows from financing activities:		
Principal payments on long-term debt	(54,375)	(4,375)
Settlement of client-held funds obligation, net	(161)	(991)
Proceeds from exercise of common stock options	1,354	4,936
Net cash used in financing activities	(53,182)	(430)
Increase (decrease) in cash and cash equivalents	36,079	(48,528)
Beginning cash and cash equivalents	254,266	225,414
Ending cash and cash equivalents	$ 290,345	$ 176,886

See accompanying notes to condensed consolidated financial statements.

HealthEquity, Inc. and subsidiaries
Condensed consolidated statements of cash flows (unaudited) (continued)

	Six months ended July 31,	
(in thousands)	**2023**	**2022**
Supplemental cash flow data:		
Interest expense paid in cash	$ 23,504	$ 19,450
Income tax payments, net	15,113	573
Supplemental disclosures of non-cash investing and financing activities:		
Purchases of software and capitalized software development costs included in accounts payable, accrued liabilities, or accrued compensation	3,228	5,040
Purchases of property and equipment included in accounts payable or accrued liabilities	300	356
Acquisitions of HSA portfolios included in accounts payable or accrued liabilities	—	1,849
Exercise of common stock options receivable	50	8
Increase in goodwill due to measurement period adjustments, net	—	163

See accompanying notes to condensed consolidated financial statements.

HealthEquity, Inc. and subsidiaries
Notes to condensed consolidated financial statements

Note 1. Summary of business and significant accounting policies

Business

HealthEquity, Inc. ("HealthEquity" or the "Company") was incorporated in the state of Delaware on September 18, 2002. HealthEquity is a leader in administering health savings accounts (“HSAs”) and complementary consumer-directed benefits (“CDBs”), which empower consumers to access tax-advantaged healthcare savings while also providing corporate tax advantages for employers.

Principles of consolidation

The Company consolidates entities in which the Company has a controlling financial interest, which includes all of its wholly owned direct and indirect subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation

The accompanying condensed consolidated financial statements as of July 31, 2023 and for the three and six months ended July 31, 2023 and 2022 are unaudited and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and the applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. In the opinion of management, the interim data includes all adjustments necessary for a fair presentation of the results for the interim periods. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2023. The fiscal year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP.

Significant accounting policies

There have been no material changes in the Company’s significant accounting policies as compared to the significant accounting policies described in the Company’s Annual Report on Form 10-K for the fiscal year ended January 31, 2023.

Recently adopted accounting pronouncements

None.

Recently issued accounting pronouncements not yet adopted

None.

Note 2. Net income (loss) per share

The following table sets forth the computation of basic and diluted net income (loss) per share:

(in thousands, except per share data)	Three months ended July 31, 2023	Three months ended July 31, 2022	Six months ended July 31, 2023	Six months ended July 31, 2022
Numerator (basic and diluted):				
Net income (loss)	$ 10,581	$ (10,654)	$ 14,675	$ (24,293)
Denominator (basic):				
Weighted-average common shares outstanding	85,533	84,443	85,286	84,236
Denominator (diluted):				
Weighted-average common shares outstanding	85,533	84,443	85,286	84,236
Weighted-average dilutive effect of stock options and restricted stock units	808	—	1,070	—
Diluted weighted-average common shares outstanding	86,341	84,443	86,356	84,236
Net income (loss) per share:				
Basic	$ 0.12	$ (0.13)	$ 0.17	$ (0.29)
Diluted	$ 0.12	$ (0.13)	$ 0.17	$ (0.29)

For the three months ended July 31, 2023 and 2022, approximately 1.6 million and 3.3 million shares, respectively, attributable to outstanding stock options and restricted stock units were excluded from the calculation of diluted net income (loss) per share as their inclusion would have been anti-dilutive.

For the six months ended July 31, 2023 and 2022, approximately 0.9 million and 2.6 million shares, respectively, attributable to outstanding stock options and restricted stock units were excluded from the calculation of diluted net income (loss) per share as their inclusion would have been anti-dilutive.

Note 3. Supplemental financial statement information

Selected condensed consolidated balance sheet and condensed consolidated statement of operations and comprehensive income (loss) components consisted of the following:

Property and equipment

Property and equipment consisted of the following:

(in thousands)	July 31, 2023	January 31, 2023
Leasehold improvements	$ 18,199	$ 18,269
Furniture and fixtures	8,392	8,392
Computer equipment	27,696	28,021
Property and equipment, gross	54,287	54,682
Accumulated depreciation	(45,142)	(41,820)
Property and equipment, net	$ 9,145	$ 12,862

Depreciation expense for the three months ended July 31, 2023 and 2022 was $2.0 million and $3.2 million, respectively, and $4.5 million and $6.4 million for the six months ended July 31, 2023 and 2022, respectively.

Contract balances

The Company does not recognize revenue until its right to consideration is unconditional and therefore has no related contract assets. The Company records a receivable when revenue is recognized prior to payment and the Company has unconditional right to payment. Alternatively, when payment precedes the related services, the Company records a contract liability, or deferred revenue, until its performance obligations are satisfied. As of July 31, 2023 and January 31, 2023, the balance of deferred revenue was $6.7 million and $8.3 million, respectively. The balances are related to cash received in advance for interchange and custodial revenue arrangements, other up-front fees and other commuter deferred revenue. The Company expects to recognize approximately 63% of its balance of deferred revenue as revenue over the next 12 months and the remainder thereafter. During the three and six months ended July 31, 2023, approximately $1.4 million and $2.9 million, respectively, of revenue was recognized that was included in the balance of deferred revenue as of January 31, 2023. The Company expects to satisfy its remaining obligations for these arrangements.

Leases

The components of operating lease costs were as follows:

	Three months ended July 31,		Six months ended July 31,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Operating lease expense	$ 2,365	$ 2,854	$ 4,966	$ 5,713
Sublease income	(619)	(551)	(981)	(1,046)
Net operating lease expense	$ 1,746	$ 2,303	$ 3,985	$ 4,667

Other income (expense), net

Other income (expense), net, consisted of the following:

	Three months ended July 31,		Six months ended July 31,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Interest income	$ 2,484	$ 89	$ 4,082	$ 141
Acquisition costs	—	(47)	—	(53)
Other income (expense), net	272	(10)	502	(357)
Total other income (expense), net	$ 2,756	$ 32	$ 4,584	$ (269)

Interest expense

Based on the application of Accounting Standards Codification ("ASC") 470-50, *Debt - Modifications and Extinguishments*, the Company recorded a $1.2 million loss on extinguishment of debt due to the prepayment of $50.0 million under the Company's Term Loan Facility (as defined in Note 6—Indebtedness) in April 2023, which is included within interest expense in the condensed consolidated statement of operations and comprehensive income for the six months ended July 31, 2023.

Supplemental cash flow information

Supplemental cash flow information related to the Company's operating leases was as follows:

	Six months ended July 31,	
(in thousands)	**2023**	**2022**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 5,451	$ 6,232
Operating lease right-of-use assets obtained in exchange for new operating lease obligations	$ 2,109	$ 1,092

Note 4. Intangible assets and goodwill

Intangible assets

The gross carrying amount and associated accumulated amortization of intangible assets were as follows:

	July 31, 2023		
(in thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
Software and software development costs	$ 246,789	$ (173,865)	$ 72,924
Acquired HSA portfolios	261,188	(72,253)	188,935
Acquired customer relationships	759,782	(179,280)	580,502
Acquired developed technology	132,825	(93,370)	39,455
Acquired trade names	12,900	(12,779)	121
Total amortizable intangible assets	$ 1,413,484	$ (531,547)	$ 881,937

(in thousands)	January 31, 2023		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
Software and software development costs	$ 233,194	$ (152,178)	$ 81,016
Acquired HSA portfolios	261,188	(63,547)	197,641
Acquired customer relationships	759,782	(153,434)	606,348
Acquired developed technology	132,825	(81,692)	51,133
Acquired trade names	12,900	(12,679)	221
Total amortizable intangible assets	$ 1,399,889	$ (463,530)	$ 936,359

Amortization expense for the three months ended July 31, 2023 and 2022 was $36.3 million and $37.6 million, respectively, and $72.8 million and $73.8 million for the six months ended July 31, 2023 and 2022, respectively.

Goodwill

There were no changes to the carrying value of goodwill during the six months ended July 31, 2023.

Note 5. Commitments and contingencies

Commitments

The Company's principal commitments consist of long-term debt, operating lease obligations for office space and data storage facilities, processing services agreements, software subscriptions, telephony services, and other contractual commitments. In April 2023, the Company used $50.0 million of cash to prepay, in direct order of maturity, principal due under its Term Loan Facility. There were no other material changes during the six months ended July 31, 2023, outside of the ordinary course of business, in the Company's commitments from those disclosed in its Annual Report on Form 10-K for the fiscal year ended January 31, 2023.

Contingencies

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future but have not yet been made. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Legal matters

In April 2021, WageWorks, Inc. ("WageWorks"), a wholly owned subsidiary of the Company, exercised its right to terminate a lease for office space in Mesa, Arizona that had not yet commenced, with aggregate lease payments of $63.1 million and a term of approximately 11 years, following the landlord's failure to fulfill its obligations under the lease agreement. Because the lease had not yet commenced, the Company had not recognized a right-of-use asset, operating lease liability, or any rent expense associated with the lease. WageWorks' right to terminate the lease agreement was disputed by the landlord, Union Mesa 1, LLC ("Union Mesa"). On November 5, 2021, Union Mesa notified WageWorks that it was in default of the lease for failure to pay rent, which Union Mesa claimed was due beginning in November 2021, and on November 24, 2021 drew $2.8 million, the full amount under the letter of credit that WageWorks had posted to secure its obligations under the lease. On December 1, 2021, WageWorks filed a lawsuit against Union Mesa in the Superior Court of the State of Arizona in and for the County of Maricopa. On January 4, 2022, WageWorks filed an amended complaint in the Superior Court. Pursuant to the lawsuit, WageWorks seeks declaratory judgment that the lease was properly terminated and recourse against Union Mesa for breach of contract, breach of the duty of good faith and fair dealing, and conversion, including return of the funds drawn under the letter of credit. On January 31, 2022, Union Mesa filed a motion to dismiss for the conversion cause of action, which the Superior Court denied on April 13, 2022. On May 18, 2022, Union Mesa filed an answer and counterclaim with the Superior Court, wherein Union Mesa denied WageWorks' claims, and separately seeks recourse against WageWorks for breach of contract and breach of the implied covenant of good faith and fair dealing. On May 19, 2022, Union Mesa filed an amended complaint and counterclaim seeking the same recourse. On June 29, 2022, Union Mesa filed a second amended answer and counterclaim, which names the Company as a counter-defendant. On July 21, 2022, WageWorks and the Company filed an answer to the counterclaims. On April 26, 2023, Union Mesa filed a motion for partial summary judgment, and the Company expects to file its response in due course. Through its claims, Union Mesa is seeking direct and consequential damages in an amount to be

proven at trial and an award of its reasonable attorney fees, plus interest until any damages or fees that are awarded are paid. The parties are currently engaged in discovery.

The Company and its subsidiaries are involved in various other litigation, governmental proceedings and claims, not described above, that arise in the normal course of business. It is not possible to determine the ultimate outcome or the duration of such litigation, governmental proceedings or claims, or the impact that such litigation, proceedings and claims will have on the Company's financial position, results of operations, and cash flows.

As required under GAAP, the Company records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information, the Company does not believe that any liabilities relating to these matters are probable or that the amount of any resulting loss is estimable. However, litigation is subject to inherent uncertainties and the Company's view of these matters may change in the future. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on the Company's financial position, results of operations and cash flows for the period in which the unfavorable outcome occurs, and potentially in future periods.

Note 6. Indebtedness

Long-term debt consisted of the following:

(in thousands)	July 31, 2023	January 31, 2023
4.50% Senior Notes due 2029	$ 600,000	$ 600,000
Term Loan Facility	286,875	341,250
Principal amount	886,875	941,250
Less: unamortized discount and issuance costs (1)	13,294	15,912
Total debt, net	873,581	925,338
Less: current portion of long-term debt	—	17,500
Long-term debt, net	$ 873,581	$ 907,838

(1) In addition to the $13.3 million and $15.9 million of unamortized discount and issuance costs related to long-term debt as of July 31, 2023 and January 31, 2023, respectively, $3.0 million and $3.4 million of unamortized issuance costs related to the Company's Revolving Credit Facility (as defined below) are included within other assets on the condensed consolidated balance sheets as of July 31, 2023 and January 31, 2023, respectively.

4.50% Senior Notes due 2029

On October 8, 2021, the Company completed its offering of $600 million aggregate principal amount of its 4.50% Senior Notes due 2029 (the "Notes"). The Notes were issued under an indenture (the "Indenture"), dated October 8, 2021, among the Company, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee.

The Notes are guaranteed by each of the Company's existing, wholly owned domestic subsidiaries that guarantees its obligations under the Credit Agreement (as defined below) and are required to be guaranteed by any of the Company's future subsidiaries that guarantee its obligations under the Credit Agreement or certain of its other indebtedness. The Notes will mature on October 1, 2029. Interest on the Notes is payable on April 1 and October 1 of each year. Accrued interest on the Notes was $9.0 million at each of July 31, 2023 and January 31, 2023, and is included within accrued liabilities on the Company's condensed consolidated balance sheets. The effective interest rate on the Notes is 4.72%.

The Notes are unsecured senior obligations of the Company and rank equally in right of payment to all of its existing and future senior unsecured debt and senior in right of payment to all of its future subordinated debt.

The Notes are redeemable at the Company's option, in whole or in part, at any time on or after October 1, 2024, at a redemption price if redeemed during the 12 months beginning (i) October 1, 2024 of 102.250%, (ii) October 1, 2025 of 101.125%, and (iii) October 1, 2026 and thereafter of 100.000%, in each case of the principal amount of the Notes being redeemed, and together with accrued and unpaid interest, if any, to, but excluding, the date of redemption. The Company may also redeem some or all of the Notes before October 1, 2024 at a redemption price equal to 100% of the principal amount of the Notes, plus the applicable "make-whole" premium as of, and accrued and unpaid interest, if any, to, but excluding, the date of redemption. In addition, at any time prior to October 1, 2024, the Company may redeem up to 40% of the aggregate principal amount of the Notes issued under the Indenture on one or more occasions in an aggregate amount equal to the net cash proceeds of one or more equity offerings at a redemption price equal to 104.500% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption. Furthermore, the Company may be required to make an offer to purchase the Notes upon the sale of certain assets or upon specific kinds of changes of control.

The Indenture contains covenants that impose significant operational and financial restrictions on the Company; however, these covenants generally align with the covenants contained in the Credit Agreement. See "Credit Agreement" below for a description of these covenants.

Credit Agreement

On October 8, 2021, the Company entered into a credit agreement (the “Credit Agreement”) among the Company, as borrower, each lender from time to time party thereto (the “Lenders”), JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the “Agent”) and the Swing Line Lender (as defined in the Credit Agreement), and each L/C Issuer (as defined therein) party thereto, pursuant to which the Company established:

(i) a five-year senior secured term loan A facility (the “Term Loan Facility”), in an aggregate principal amount of $350 million; and

(ii) a five-year senior secured revolving credit facility (the “Revolving Credit Facility” and, together with the Term Loan Facility, the “Credit Facilities”), in an aggregate principal amount of up to $1.0 billion (with a $25 million sub-limit for the issuance of letters of credit), the proceeds of which may be used for working capital and general corporate purposes of the Company and its subsidiaries, including the financing of acquisitions and other investments.

Subject to the terms and conditions set forth in the Credit Agreement (including obtaining additional commitments from one or more new or existing lenders), the Company may in the future incur additional loans or commitments under the Credit Agreement in an aggregate principal amount of up to $300 million, plus an additional amount so long as the Company’s pro forma First Lien Net Leverage Ratio (as defined in the Credit Agreement) would not exceed 3.85 to 1.00 as of the date such loans or commitments are incurred.

Prior to June 1, 2023, borrowings under the Credit Facilities bore interest at an annual rate equal to, at the option of the Company, either (i) LIBOR (adjusted for reserves) plus a margin ranging from 1.25% to 2.25% or (ii) an alternate base rate plus a margin ranging from 0.25% to 1.25%, with the applicable margin determined in either scenario by reference to a leverage-based pricing grid set forth in the Credit Agreement.

On June 1, 2023, the Company entered into an amendment to the Credit Agreement (“Amendment No. 1”) which replaced interest rate provisions based on LIBOR with the forward-looking term rate based on the secured overnight financing rate published by the CME Group Benchmark Administration Limited (“Term SOFR”). As a result, borrowings under the Credit Agreement as so amended by Amendment No. 1 bear interest, as of July 31, 2023, at an annual rate equal to, at the option of the Company, either (i) Term SOFR, plus a 0.10% credit spread adjustment, plus a margin ranging from 1.25% to 2.25%, or (ii) an alternate base rate, plus a margin ranging from 0.25% to 1.25%, with the applicable margin determined in either scenario by reference to a leverage-based pricing grid set forth in the Credit Agreement (as amended by Amendment No. 1). As of July 31, 2023, the stated interest rate was 6.92% and the effective interest rate was 7.68%.

The Company is also required to pay certain fees to the Lenders, including, among others, a quarterly commitment fee on the average unused amount of the Revolving Credit Facility at a rate ranging from 0.20% to 0.40%, with the applicable rate also determined by reference to a leverage-based pricing grid set forth in the Credit Agreement. As of July 31, 2023, no amounts have been drawn under the Revolving Credit Facility.

The loans made under the Term Loan Facility amortize in equal quarterly installments in an aggregate annual amount equal to the following percentage of the original principal amount of the Term Loan Facility: (i) 2.5% for the first year after October 8, 2021; (ii) 5.0% for each of the second and third years after October 8, 2021; (iii) 7.5% for the fourth year after October 8, 2021; and (iv) 10.0% for the fifth year after October 8, 2021. In addition, the Term Loan Facility is required to be mandatorily prepaid with 100% of the net cash proceeds of all asset sales, insurance and condemnation recoveries, subject to customary exceptions and thresholds, including to the extent such proceeds are reinvested in assets useful in the business of the Company and its subsidiaries within 450 days following receipt (or committed to be reinvested within such 450-day period and reinvested within 180 days after the end of such 450-day period). The loans under the Credit Facilities may be prepaid, and the commitments thereunder may be reduced, by the Company without penalty or premium, subject to the reimbursement of customary “breakage costs.” In April 2023, the Company used $50.0 million of cash to prepay, in direct order of maturity, principal due under its Term Loan Facility.

The Credit Agreement contains significant customary affirmative and negative covenants, including covenants that limit, among other things, the ability of the Company and its subsidiaries to incur additional indebtedness, create liens, merge or dissolve, make investments, dispose of assets, engage in sale and leaseback transactions, make distributions and dividends and prepayments of junior indebtedness, engage in transactions with affiliates, enter into restrictive agreements, amend documentation governing junior indebtedness, modify its fiscal year and modify its

organizational documents, in each case, subject to customary exceptions, thresholds, qualifications and "baskets." In addition, the Credit Agreement contains financial performance covenants, which require the Company to maintain (i) a maximum total net leverage ratio, measured as of the last day of each fiscal quarter, of no greater than 5.00 to 1.00 and (ii) a minimum consolidated interest coverage ratio, measured as of the last day of each fiscal quarter, of no less than 3.00 to 1.00. The Company was in compliance with all covenants under the Credit Agreement as of July 31, 2023, and for the period then ended.

The repayment obligation under the Credit Agreement may be accelerated upon the occurrence of an event of default thereunder, including, among other things, failure to pay principal, interest or fees on a timely basis, material inaccuracy of any representation or warranty, failure to comply with covenants, cross-default to other material debt, material judgments, change of control and certain insolvency or bankruptcy-related events, in each case, subject to any certain grace and/or cure periods.

The obligations of the Company under the Credit Agreement are required to be unconditionally guaranteed by each of the Company's existing or subsequently acquired or organized domestic subsidiaries and are secured by security interests in substantially all assets of the Company and the guarantors, in each case, subject to certain customary exceptions.

Note 7. Income taxes

The Company follows ASC 740-270, *Income Taxes - Interim Reporting*, for the computation and presentation of its interim period tax provision. Accordingly, management estimated the effective annual tax rate and applied this rate to pre-tax income through the end of the latest fiscal quarter to determine the interim income tax provision. For the three and six months ended July 31, 2023, the Company recorded an income tax provision of $3.6 million and $9.6 million, respectively. This resulted in an effective income tax provision rate of 25.6% and 39.4% for the three and six months ended July 31, 2023, respectively, compared with an effective income tax benefit rate of 23.2% and 23.9% for the three and six months ended July 31, 2022, respectively. For the three and six months ended July 31, 2023 and 2022, discrete tax items impacting the effective tax rate were primarily due to differences in tax deductible stock-based compensation compared to GAAP stock-based compensation expense.

As of July 31, 2023 and January 31, 2023, the Company's total gross unrecognized tax benefit was $8.9 million and $8.7 million, respectively. If recognized, $5.6 million of the total gross unrecognized tax benefits would affect the Company's effective tax rate as of July 31, 2023.

The Company files income tax returns with U.S. federal and state taxing jurisdictions and is currently under examination by the IRS and the state of Texas. These examinations may lead to ordinary course adjustments or proposed adjustments to the Company's taxes, net operating losses, and/or tax credit carryforwards. As a result of the Company's net operating loss carryforwards and tax credit carryforwards, the Company remains subject to examination by one or more jurisdictions for tax years after 2003.

Note 8. Stock-based compensation

The following table shows a summary of stock-based compensation in the Company's condensed consolidated statements of operations and comprehensive income (loss) during the periods presented:

	Three months ended July 31,		Six months ended July 31,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Cost of revenue	$ 4,714	$ 3,998	$ 8,549	$ 7,005
Sales and marketing	3,478	2,553	6,257	4,567
Technology and development	4,283	2,963	9,175	6,343
General and administrative	7,598	8,640	14,296	14,225
Total stock-based compensation expense	$ 20,073	$ 18,154	$ 38,277	$ 32,140

Stock award plans

Incentive Plan. The Company grants stock options and restricted stock units ("RSUs") under the HealthEquity, Inc. 2014 Equity Incentive Plan (as amended and restated, the "Incentive Plan"), which provided for the issuance of stock awards to the directors and team members of the Company to purchase up to an aggregate of 2.6 million shares of common stock.

In addition, under the Incentive Plan, the number of shares of common stock reserved for issuance under the Incentive Plan automatically increases on February 1 of each year, beginning as of February 1, 2015 and continuing

through and including February 1, 2024, by 3% of the total number of shares of the Company's capital stock outstanding on January 31 of the preceding fiscal year, or a lesser number of shares determined by the board of directors. As of July 31, 2023, 11.5 million shares were available for grant under the Incentive Plan.

Stock options

A summary of stock option activity is as follows:

	Outstanding stock options						
(in thousands, except for exercise prices and term)	Number of options	Range of exercise prices		Weighted-average exercise price	Weighted-average contractual term (in years)		Aggregate intrinsic value
Outstanding as of January 31, 2023	1,021	$14.00 - 82.39	$	36.06	3.2	$	27,293
Exercised	(34)	$14.00 - 44.53	$	29.71			
Forfeited	(4)	$24.36 - 44.53	$	38.41			
Outstanding as of July 31, 2023	983	$14.00 - 82.39	$	36.27	2.6	$	32,047
Vested and expected to vest as of July 31, 2023	983		$	36.27	2.6	$	32,047
Exercisable as of July 31, 2023	983		$	36.27	2.6	$	32,047

Restricted stock units

A summary of RSU activity is as follows:

	RSUs and PRSUs		
(in thousands, except weighted-average grant date fair value)	Shares		Weighted-average grant date fair value
Outstanding as of January 31, 2023	3,011	$	70.40
Granted	1,767		64.46
Vested	(801)		67.53
Forfeited	(250)		71.53
Outstanding as of July 31, 2023	3,727	$	68.13

Performance restricted stock units. During the three months ended April 30, 2023, the Company awarded 270,966 performance restricted stock units ("PRSUs") subject to a market condition based on the Company's total shareholder return ("TSR") relative to the Russell 2000 index as measured on January 31, 2026. The Company used a Monte Carlo simulation to determine that the grant date fair value of the awards was $23.9 million. Compensation expense is recorded if the service condition is met regardless of whether the market condition is satisfied. The market condition allows for a range of vesting from 0% to 200% based on the level of performance achieved. The PRSUs cliff vest upon approval by the Compensation Committee of the board of directors.

Note 9. Fair value

Fair value measurements are made at a specific point in time based on relevant market information. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1—quoted prices in active markets for identical assets or liabilities;
- Level 2—inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3—unobservable inputs based on the Company's own assumptions.

Cash and cash equivalents are considered Level 1 instruments and are valued based on publicly available daily net asset values. The carrying values of cash and cash equivalents approximate fair values due to the short-term nature of these instruments.

The Notes are valued based upon quoted market prices and are considered Level 2 instruments because the markets in which the Notes trade are not considered active markets. As of July 31, 2023, the fair value of the Notes was $536.7 million.

The Term Loan Facility is considered a Level 2 instrument and recorded at book value in the Company's condensed consolidated financial statements. The Term Loan Facility reprices frequently due to variable interest rate terms and entails no significant changes in credit risk. As a result, the fair value of the Term Loan Facility approximates carrying value.

Item 2. Management’s discussion and analysis of financial condition and results of operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Statements that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would” and similar expressions or variations intended to identify forward-looking statements. Such statements include, but are not limited to, statements concerning our ability to integrate acquired businesses, the impact on the Company of societal and economic changes arising out of the COVID-19 pandemic, the anticipated synergies and other benefits of acquired businesses and any future acquisitions, health savings accounts and other tax-advantaged consumer-directed benefits, tax and other regulatory changes, market opportunity, our future financial and operating results, our investment and acquisition strategy, our sales and marketing strategy, management’s plans, beliefs and objectives for future operations, technology and development, economic and industry trends or trend analysis, expectations about seasonality, opportunity for portfolio purchases and other acquisitions, operating expenses, anticipated income tax rates, capital expenditures, cash flows and liquidity. These statements are based on the beliefs and assumptions of our management based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk factors” included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023 and our other reports filed with the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such events.

Overview

We are a leader and an innovator in providing technology-enabled services that empower consumers to make healthcare saving and spending decisions. We use our innovative technology to manage consumers' tax-advantaged health savings accounts ("HSAs") and other consumer-directed benefits ("CDBs") offered by employers, including flexible spending accounts and health reimbursement arrangements (“FSAs” and “HRAs”), and to administer Consolidated Omnibus Budget Reconciliation Act (“COBRA”), commuter and other benefits. As part of our services, we provide consumers with healthcare bill evaluation and payment processing services, personalized benefit information, including information on treatment options and comparative pricing, access to remote and telemedicine benefits, the ability to earn wellness incentives, and investment advice to grow their tax-advantaged healthcare savings.

The core of our offerings is the HSA, a financial account through which consumers spend and save long-term for healthcare expenses on a tax-advantaged basis. As of July 31, 2023, we administered 8.2 million HSAs, with balances totaling $23.2 billion, which we call HSA Assets, as well as 6.8 million complementary CDBs. We refer to the aggregate number of HSAs and other CDBs that we administer as Total Accounts, of which we had 15.0 million as of July 31, 2023.

We reach consumers primarily through relationships with their employers, which we call Clients. We reach Clients primarily through relationships with benefits brokers and advisors, integrated partnerships with a network of health plans, benefits administrators, benefits brokers and consultants, and retirement plan recordkeepers, which we call Network Partners, and a sales force that calls on Clients directly.

We have increased our share of the growing HSA market from 4% in December 2010 to 20% as of December 2022, measured by HSA Assets. According to Devenir, as of December 2022, we are the largest HSA provider by both accounts and HSA Assets. In addition, we believe we are the largest provider of other CDBs. We seek to differentiate ourselves through our service-driven culture, product breadth, ecosystem connectivity, and proprietary

technology. Our proprietary technology allows us to help consumers optimize the value of their HSAs and other CDBs and gain confidence and skills in managing their healthcare costs as part of their financial security.

Our ability to assist consumers is enhanced by our capacity to securely share data in both directions with others in the health, benefits, and retirement ecosystems. Our commuter benefits offering also leverages connectivity to an ecosystem of mass transit, ride hailing, and parking providers.

We earn revenue primarily from three sources: service, custodial, and interchange. We earn service revenue mainly from fees paid by our Network Partners, Clients, and members for the administration services we provide in connection with the HSAs and other CDBs we offer. We earn custodial revenue primarily from HSA Assets held by our federally insured bank and credit union partners, which we collectively call our Depository Partners, or our insurance company partners, recordkeeping fees we earn in respect of mutual funds in which our members invest, and Client-held funds deposited with our Depository Partners. We earn interchange revenue mainly from fees paid by merchants on payments that our members make using our physical payment cards and on our virtual payment system. See “Key components of our results of operations” for additional information on our sources of revenue, including the adverse impacts caused by the societal and economic changes arising out of the COVID-19 pandemic.

Key factors affecting our performance

We believe that our future performance will be driven by a number of factors, including those identified below. Each of these factors presents both significant opportunities and significant risks to our future performance. See also the section entitled “Risk factors” included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023 and our other reports filed with the SEC.

Our acquisition and integration strategy

We have historically acquired HSA portfolios and businesses that strengthen our service offerings. We plan to continue this growth strategy and are regularly engaged in evaluating different opportunities. We have developed an internal capability to source, evaluate, and integrate acquired HSA portfolios. Our success depends in part on our ability to successfully integrate acquired businesses and HSA portfolios with our business in an efficient and effective manner and to realize anticipated synergies.

Structural change in U.S. health insurance

We derive revenue primarily from healthcare-related saving and spending by consumers in the U.S., which are driven by changes in the broader healthcare industry, including the structure of health insurance. The average premium for employer-sponsored health insurance has risen by 20% since 2017 and 43% since 2012, resulting in increased participation in HSA-qualified health plans and HSAs and increased consumer cost-sharing in health insurance more generally. We believe that continued growth in healthcare costs and related factors will spur continued growth in HSA-qualified health plans and HSAs and may encourage policy changes making HSAs or similar vehicles available to new populations such as individuals in Medicare. However, the timing and impact of these and other developments in U.S. healthcare are uncertain. Moreover, changes in healthcare policy, such as "Medicare for all" plans, could materially and adversely affect our business in ways that are difficult to predict.

Trends in U.S. tax law

Tax law has a profound impact on our business. Our offerings to members, Clients, and Network Partners consist primarily of services enabled, mandated, or advantaged by provisions of U.S. tax law and regulations. Changes in tax policy are speculative and may affect our business in ways that are difficult to predict.

Our client base

Our business model is based on a B2B2C distribution strategy, whereby we work with Network Partners and Clients to reach consumers to increase the number of our members with HSA accounts and complementary CDBs. We believe that there are significant opportunities to expand the scope of services that we provide to our current Clients.

Broad distribution footprint

We believe we have a diverse distribution footprint to attract new Clients and Network Partners. Our sales force calls on enterprise and regional employers in industries across the U.S., as well as potential Network Partners from among health plans, benefits administrators, and retirement plan record keepers.

Product breadth

We are the largest custodian and administrator of HSAs, as well as a market-share leader in each of the major categories of complementary CDBs, including FSAs and HRAs, COBRA and commuter benefits administration. Our Clients and their benefits advisors increasingly seek HSA providers that can deliver an integrated offering of HSAs and complementary CDBs. With our CDB capabilities, we can provide employers with a single partner for both HSAs and complementary CDBs, which is preferred by the vast majority of employers, according to research conducted for us by Aite Group. We believe that the combination of HSA and complementary CDB offerings significantly strengthens our value proposition to employers, health benefits brokers and consultants, and Network Partners as a leading single-source provider.

Interest rates

As a non-bank custodian, our members' custodial HSA cash assets are held by either our federally insured Depository Partners (our "Basic Rates" offering), pursuant to contractual arrangements we have with these Depository Partners, or by our insurance company partners through group annuity contracts or other similar arrangements (our "Enhanced Rates" offering).

The lengths of our agreements with Depository Partners typically range from three to five years and may have fixed or variable interest rate terms. The terms of new and renewing agreements with our Depository Partners are impacted by the then-prevailing interest rate environment, which in turn is driven by macroeconomic factors and government policies over which we have no control. Such factors, and the response of our competitors to them, also determine the amount of interest retained by our members.

HSA members who place their HSA cash into our Enhanced Rates offering retain a higher yield compared to our Basic Rates offering. An increase in the percentage of HSA cash held in our Enhanced Rates offering also positively impacts our custodial revenue, as we generally receive a higher yield on HSA cash held by our insurance company partners compared to cash held by our Depository Partners. As with our Depository Partners, yields paid by our insurance company partners are impacted by the prevailing interest rate environment, which in turn is driven by macroeconomic factors and government policies over which we have no control. Such factors, and the response of our competitors to them, also determine the amount of interest retained by our members.

We believe that diversification of Depository Partners and insurance company partners, varied contract terms, and other factors reduce our exposure to short-term fluctuations in prevailing interest rates and mitigate the short-term impact of sustained increases or declines in prevailing interest rates on our custodial revenue. Over longer periods, sustained shifts in prevailing interest rates affect the amount of custodial revenue we can realize on custodial assets and the interest retained by our members.

Although interest rates have increased, we expect our custodial revenue to continue to be adversely affected by the interest rate cuts by the Federal Reserve at the beginning of the COVID-19 pandemic due to the impact of contracts signed with our Depository Partners in that environment and other market conditions that have caused our average annualized yield on HSA cash to decline from historical levels.

Interest on our term loan facility changes frequently due to variable interest rate terms, and as a result, our interest expense is expected to fluctuate based on changes in prevailing interest rates. Recent interest rate increases have caused interest expense related to our term loan facility to increase substantially.

Our proprietary technology

We believe that innovations incorporated in our technology, which enable us to better assist consumers to make healthcare saving and spending decisions and maximize the value of their tax-advantaged benefits, differentiate us from our competitors and drive our growth. Our full suite of CDB offerings complements our HSA solution and enhances our leadership position within the HSA sector. We intend to continue to invest in our technology development to enhance our capabilities and infrastructure, while maintaining a focus on data security and the privacy of our customers' data. For example, we are making significant investments in the architecture and infrastructure of the technology that we use to provide our services to improve our transaction processing capabilities and support continued account and transaction growth, as well as in data-driven personalized engagement to help our members spend less, save more, and build wealth for retirement.

Our Purple culture

A successful healthcare consumer needs education and guidance delivered by people as well as by technology. The education and customer service we provide is driven by our Purple culture, which we believe is a significant factor in our ability to attract and retain customers and to address opportunities in the rapidly changing healthcare

sector. We invest in and intend to continue to invest in human capital through technology-enabled training, career development, and advancement opportunities.

Our competition and industry

Our direct competitors are HSA custodians and other CDB providers. Many of these are state or federally chartered banks and other financial institutions for which we believe benefits administration services are not a core business. Some of our direct competitors (including healthcare service companies such as UnitedHealth Group's Optum, Webster Bank, and well-known retail investment companies, such as Fidelity Investments) are in a position to devote more resources to the development, sale, and support of their products and services than we have at our disposal. Our other CDB administration competitors include health insurance carriers, human resources consultants and outsourcers, payroll providers, national CDB specialists, regional third-party administrators, and commercial banks. In addition, numerous indirect competitors, including benefits administration service providers, partner with banks and other HSA custodians to compete with us. Our Network Partners may also choose to offer competitive services directly, as some health plans have done. Our success depends on our ability to predict and react quickly to these and other industry and competitive dynamics.

As a result of the COVID-19 pandemic, we have seen a significant decline in the use of commuter benefits due to many of our members working from home, which has negatively impacted both our interchange revenue and service revenue, and this "work from home" trend, or hybrid work environments, may continue indefinitely.

Regulatory environment

Federal law and regulations, including the Affordable Care Act, the Internal Revenue Code, the Employee Retirement Income Security Act and Department of Labor regulations, and public health regulations that govern the provision of health insurance and provide the tax advantages associated with our services, play a pivotal role in determining our market opportunity. Privacy and data security-related laws such as the Health Insurance Portability and Accountability Act, or HIPAA, and the Gramm-Leach-Bliley Act, laws governing the provision of investment advice to consumers, such as the Investment Advisers Act of 1940, or the Advisers Act, the USA PATRIOT Act, anti-money laundering laws, and the Federal Deposit Insurance Act, all play a similar role in determining our competitive landscape. In addition, state-level regulations also have significant implications for our business in some cases. For example, our subsidiary HealthEquity Trust Company is regulated by the Wyoming Division of Banking, and several states are considering, or have already passed, new privacy regulations that can affect our business. Various states also have laws and regulations that impose additional restrictions on our collection, storage, and use of personally identifiable information. Privacy regulation in particular has become a priority issue in many states, including, for example, the California Privacy Rights Act, which became effective on January 1, 2023. Our ability to predict and react quickly to relevant legal and regulatory trends and to correctly interpret their market and competitive implications is important to our success.

Key financial and operating metrics

Our management regularly reviews a number of key operating and financial metrics to evaluate our business, determine the allocation of our resources, make decisions regarding corporate strategies and evaluate forward-looking projections and trends affecting our business. We discuss certain of these key financial metrics, including revenue, below in the section entitled “Key components of our results of operations.” In addition, we utilize other key metrics as described below.

Total Accounts

The following table sets forth our HSAs, CDBs, and Total Accounts as of and for the periods indicated:

(in thousands, except percentages)	July 31, 2023	July 31, 2022	% Change	January 31, 2023
HSAs	8,164	7,523	9 %	7,984
New HSAs from sales - Quarter-to-date	156	196	(20)%	445
New HSAs from sales - Year-to-date	290	355	(18)%	971
New HSAs from acquisitions - Year-to-date	—	90	(100)%	90
HSAs with investments	574	516	11 %	541
CDBs	6,831	7,023	(3)%	6,933
Total Accounts	14,995	14,546	3 %	14,917
Average Total Accounts - Quarter-to-date	14,954	14,497	3 %	14,677
Average Total Accounts - Year-to-date	14,967	14,462	3 %	14,531

The number of our HSAs and CDBs are key metrics because our revenue is driven by the amount we earn from them. The number of our HSAs increased by 0.6 million, or 9%, from July 31, 2022 to July 31, 2023, primarily driven by new HSAs from sales. The number of our CDBs decreased by 0.2 million, or 3%, from July 31, 2022 to July 31, 2023, primarily driven by a decrease in COBRA accounts due to a change in the manner in which COBRA accounts are counted following migration to our current COBRA platform.

HSA Assets

The following table sets forth HSA Assets as of and for the periods indicated:

(in millions, except percentages)	July 31, 2023	July 31, 2022	% Change	January 31, 2023
HSA cash	$ 14,021	$ 13,097	7 %	$ 14,199
HSA investments	9,181	7,441	23 %	7,947
Total HSA Assets	23,202	20,538	13 %	22,146
Average daily HSA cash - Year-to-date	14,048	12,924	9 %	13,049
Average daily HSA cash - Quarter-to-date	14,001	12,941	8 %	13,375

HSA Assets includes our HSA members’ custodial assets, which consists of the following components: (i) HSA cash, which includes cash deposits held by our Depository Partners and our insurance company partners, and (ii) HSA investments in mutual funds through our custodial investment fund partners. Measuring HSA Assets is important because our custodial revenue is directly affected by average daily custodial balances for HSA Assets that are revenue generating.

HSA cash increased by $0.9 billion, or 7%, from July 31, 2022 to July 31, 2023, primarily due to net HSA contributions from new and existing HSA members, partially offset by transfers to HSA investments.

HSA investments increased by $1.7 billion, or 23%, from July 31, 2022 to July 31, 2023, primarily due to transfers from HSA cash and the increased value of invested balances.

Total HSA Assets increased by $2.7 billion, or 13%, from July 31, 2022 to July 31, 2023, primarily due to net HSA contributions from new and existing HSA members and the increased value of invested balances.

Client-held funds

(in millions, except percentages)	July 31, 2023	July 31, 2022	% Change	January 31, 2023
Client-held funds	$ 811	$ 801	1 %	$ 901
Average daily Client-held funds - Year-to-date	896	852	5 %	827
Average daily Client-held funds - Quarter-to-date	891	839	6 %	809

Client-held funds are interest-earning deposits from which we generate custodial revenue. These deposits are amounts remitted by Clients and held by us on their behalf to pre-fund and facilitate administration of CDBs. We deposit the Client-held funds with our Depository Partners in interest-bearing, demand deposit accounts that have a floating interest rate and no set term or duration. Client-held funds fluctuate depending on the timing of funding and spending of CDB balances and the number of CDBs we administer.

Adjusted EBITDA

We define Adjusted EBITDA, which is a non-GAAP financial metric, as adjusted earnings before interest, taxes, depreciation and amortization, amortization of acquired intangible assets, stock-based compensation expense, merger integration expenses, acquisition costs, gains and losses on equity securities, amortization of incremental costs to obtain a contract, costs associated with unused office space, and certain other non-operating items. We believe that Adjusted EBITDA provides useful information to investors and analysts in understanding and evaluating our operating results in the same manner as our management and our board of directors because it reflects operating profitability before consideration of non-operating expenses and non-cash expenses and serves as a basis for comparison against other companies in our industry.

The following table presents a reconciliation of net income (loss), the most comparable GAAP financial measure, to Adjusted EBITDA for the periods indicated:

	Three months ended July 31,		Six months ended July 31,	
(in thousands)	2023	2022	2023	2022
Net income (loss)	$ 10,581	$ (10,654)	$ 14,675	$ (24,293)
Interest income	(2,484)	(89)	(4,082)	(141)
Interest expense	13,272	11,493	28,269	21,954
Income tax provision (benefit)	3,643	(3,219)	9,561	(7,631)
Depreciation and amortization	15,180	16,559	31,055	32,347
Amortization of acquired intangible assets	23,166	24,181	46,332	47,879
Stock-based compensation expense	20,073	18,154	38,277	32,140
Merger integration expenses	2,044	7,683	5,502	16,977
Acquisition costs	—	47	—	53
Amortization of incremental costs to obtain a contract	1,350	1,074	2,654	2,142
Costs associated with unused office space	1,286	1,313	2,302	2,607
Other	—	501	153	1,345
Adjusted EBITDA	$ 88,111	$ 67,043	$ 174,698	$ 125,379

The following table sets forth our net income (loss) as a percentage of revenue:

	Three months ended July 31,				Six months ended July 31,			
(in thousands, except percentages)	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Net income (loss)	$ 10,581	$ (10,654)	$ 21,235	(199)%	$ 14,675	$ (24,293)	$ 38,968	(160)%
As a percentage of revenue	4 %	(5)%			3 %	(6)%		

Our net income increased by $21.2 million, from net loss of $10.7 million for the three months ended July 31, 2022 to net income of $10.6 million for the three months ended July 31, 2023, due to an increase in gross profit and other income, net, partially offset by net increases in operating expenses and income tax provision, as described more fully in the section entitled "Comparison of the three and six months ended July 31, 2023 and 2022."

Our net income increased by $39.0 million, from net loss of $24.3 million for the six months ended July 31, 2022 to net income of $14.7 million for the six months ended July 31, 2023, due to an increase in gross profit and other income, net, partially offset by net increases in operating expenses and income tax provision, as described more fully in the section entitled "Comparison of the three and six months ended July 31, 2023 and 2022."

The following table sets forth our Adjusted EBITDA as a percentage of revenue:

	Three months ended July 31,				Six months ended July 31,			
(in thousands, except percentages)	**2023**	**2022**	**$ Change**	**% Change**	**2023**	**2022**	**$ Change**	**% Change**
Adjusted EBITDA	$ 88,111	$ 67,043	$ 21,068	31 %	$ 174,698	$ 125,379	$ 49,319	39 %
As a percentage of revenue	36 %	33 %			36 %	30 %		

Our Adjusted EBITDA increased by $21.1 million, or 31%, from $67.0 million for the three months ended July 31, 2022 to $88.1 million for the three months ended July 31, 2023, primarily due to an increase in total revenue, partially offset by increases in personnel and related costs.

Our Adjusted EBITDA increased by $49.3 million, or 39%, from $125.4 million for the six months ended July 31, 2022 to $174.7 million for the six months ended July 31, 2023, primarily due to an increase in total revenue, partially offset by increases in personnel and related costs.

Our use of Adjusted EBITDA, including as a percentage of revenue, has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

Key components of our results of operations

Revenue

We generate revenue from three primary sources: service revenue, custodial revenue, and interchange revenue.

Service revenue. We earn service revenue from the fees we charge our Network Partners, Clients, and members for the administration services we provide in connection with the HSAs and other CDBs we offer. With respect to our Network Partners and Clients, our fees are generally based on a fixed tiered structure for the duration of the relevant service agreement and are paid to us on a monthly basis. We recognize revenue on a monthly basis as services are rendered to our members and Clients.

Custodial revenue. We earn custodial revenue primarily from HSA Assets held by our Depository Partners or our insurance company partners, recordkeeping fees we earn in respect of mutual funds in which our members invest, and Client-held funds deposited with our Depository Partners. HSA cash is held by our Depository Partners pursuant to contracts that (i) typically have terms ranging from three to five years, (ii) provide for a fixed or variable interest rate payable on the average daily cash balances held by the relevant Depository Partner, and (iii) have minimum and maximum required balances. HSA cash held by our insurance company partners is held in group annuity contracts or similar arrangements. Client-held funds held by our Depository Partners are held in interest-bearing, demand deposit accounts that have a floating interest rate and no set term or duration. We earn custodial revenue on HSA Assets and Client-held funds that is based on the interest rates offered to us by these Depository Partners and insurance company partners. In addition, once a member’s HSA cash balance reaches a certain threshold, the member is able to invest his or her HSA Assets in mutual funds through our custodial investment partner from which we earn a recordkeeping fee, calculated as a percentage of custodial investments.

Interchange revenue. We earn interchange revenue each time one of our members uses one of our physical payment cards or virtual platforms to make a purchase. This revenue is collected each time a member “swipes” our payment card to pay expenses. We recognize interchange revenue monthly based on reports received from third parties, namely, the card-issuing banks and card processors.

Cost of revenue

Cost of revenue includes costs related to servicing accounts, managing Client and Network Partner relationships and processing reimbursement claims. Expenditures include personnel-related costs, depreciation, amortization, stock-based compensation, common expense allocations (such as office rent, supplies, and other overhead expenses), new member and participant supplies, and other operating costs related to servicing our members. Other components of cost of revenue include interest retained by members on HSA cash and interchange costs incurred in connection with processing card transactions for our members.

Service costs. Service costs include the servicing costs described in the paragraph above. Additionally, for new accounts, we incur on-boarding costs associated with the new accounts, such as new member welcome kits, the cost associated with issuance of new payment cards, and costs of marketing materials that we produce for our Network Partners.

Custodial costs. Custodial costs are comprised of interest retained by our HSA members, in respect of HSA cash, personnel-related costs, and fees we pay to banking consultants whom we use to help secure agreements with our Depository Partners. Interest retained by HSA members is calculated on a tiered basis. The interest rates retained by HSA members can change based on a formula or upon required notice.

Interchange costs. Interchange costs are comprised of costs we incur in connection with processing payment transactions initiated by our members. Due to the substantiation requirement on FSA/HRA-linked payment card transactions, payment card costs are higher for FSA/HRA card transactions. In addition to fixed per card fees, we are assessed additional transaction costs determined by the amount of the transaction.

Gross profit and gross margin

Our gross profit is our total revenue minus our total cost of revenue, and our gross margin is our gross profit expressed as a percentage of our total revenue. Our gross margin has been and will continue to be affected by a number of factors, including interest rates, the amount we charge our Network Partners, Clients, and members, the mix of our sources of revenue, how many services we deliver per account, and payment processing costs per account.

Operating expenses

Sales and marketing. Sales and marketing expenses consist primarily of personnel and related expenses for our sales and marketing staff, including sales commissions for our direct sales force, external agent/broker commission expenses, marketing expenses, depreciation, amortization, stock-based compensation, and common expense allocations.

Technology and development. Technology and development expenses include personnel and related expenses for software development and delivery, licensed software, information technology, data management, product, and security. Technology and development expenses also include software engineering services, the costs of operating our technology infrastructure, depreciation, amortization of capitalized software development costs, stock-based compensation, and common expense allocations.

General and administrative. General and administrative expenses include personnel and related expenses of, and professional fees incurred by our executive, finance, legal, internal audit, corporate development, compliance, and people departments. They also include depreciation, amortization, stock-based compensation, and common expense allocations.

Amortization of acquired intangible assets. Amortization of acquired intangible assets results primarily from intangible assets acquired in connection with business combinations. The assets include acquired customer relationships, acquired developed technology, and acquired trade names and trademarks, which we amortize over the assets' estimated useful lives, estimated to be 7-15 years, 2-5 years, and 3 years, respectively. We also acquired intangible HSA portfolios from third-party custodians. We amortize these assets over the assets’ estimated useful life of 15 years. We evaluate our acquired intangible assets for impairment annually, or at a triggering event.

Merger integration. Merger integration expenses include personnel and related expenses, including severance, professional fees, legal expenses, and facilities and technology expenses directly related to integration activities to merge operations as a result of acquisitions.

Interest expense

Interest expense primarily consists of accrued interest expense and amortization of deferred financing costs associated with our long-term debt. Interest on our term loan facility changes frequently due to variable interest rate terms, and as a result, our interest expense is expected to fluctuate based on changes in prevailing interest rates.

Other income (expense), net

Other income (expense), net, consists primarily of interest income earned on corporate cash and other miscellaneous income and expense.

Income tax provision (benefit)

We are subject to federal and state income taxes in the United States based on a January 31 fiscal year end. We use the asset and liability method to account for income taxes, under which current tax liabilities and assets are recognized for the estimated taxes payable or refundable on the tax returns for the current fiscal year. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss carryforwards, and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted statutory

tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized. As of July 31, 2023, we have not recorded a valuation allowance on federal deferred tax assets, but we have recorded a valuation allowance on certain state deferred tax assets. We maintain an overall net federal and state deferred tax liability on our condensed consolidated balance sheet.

Comparison of the three and six months ended July 31, 2023 and 2022

Revenue

The following table sets forth our revenue for the periods indicated:

	Three months ended July 31,				Six months ended July 31,			
(in thousands, except percentages)	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Service revenue	$ 105,719	$ 103,034	$ 2,685	3 %	$ 210,831	$ 207,382	$ 3,449	2 %
Custodial revenue	98,917	65,599	33,318	51 %	193,358	124,964	68,394	55 %
Interchange revenue	38,913	37,509	1,404	4 %	83,792	79,475	4,317	5 %
Total revenue	$ 243,549	$ 206,142	$ 37,407	18 %	$ 487,981	$ 411,821	$ 76,160	18 %

Service revenue. The $2.7 million, or 3%, increase in service revenue from the three months ended July 31, 2022 to the three months ended July 31, 2023 was primarily due to service revenue earned with respect to new HSAs.

The $3.4 million, or 2%, increase in service revenue from the six months ended July 31, 2022 to the six months ended July 31, 2023 was primarily due to service revenue earned with respect to new HSAs.

Custodial revenue. The $33.3 million, or 51%, increase in custodial revenue from the three months ended July 31, 2022 to the three months ended July 31, 2023 was primarily due to an increase in average annualized yield on HSA cash from 1.80% for the three months ended July 31, 2022 to 2.37% for the three months ended July 31, 2023, an increase in interest rates on the portion of our Client-held funds held by our Depository Partners in interest-bearing, demand deposit accounts that have a floating interest rate, and the $1.1 billion, or 8%, increase in the year-over-year average daily balance of HSA cash, as described above.

The $68.4 million, or 55%, increase in custodial revenue from the six months ended July 31, 2022 to the six months ended July 31, 2023 was primarily due to an increase in average annualized yield on HSA cash from 1.75% for the six months ended July 31, 2022 to 2.34% for the six months ended July 31, 2023, an increase in interest rates on the portion of our Client-held funds held by our Depository Partners in interest-bearing, demand deposit accounts that have a floating interest rate, and the $1.1 billion, or 9%, increase in the year-over-year average daily balance of HSA cash, as described above.

Assuming the current interest rate environment continues, we expect our average annualized yield on HSA cash to increase as our existing agreements with our Depository Partners are renewed or replaced, resulting in higher custodial revenue. In addition, we expect an increase in the percentage of HSA cash held in our Enhanced Rates offering to positively impact our average annualized yield and thus our custodial revenue. In addition, on an annual basis, relative to the fiscal year ended January 31, 2023, we expect custodial revenue resulting from the portion of our Client-held funds held by our Depository Partners in interest-bearing, demand deposit accounts that have a floating interest rate to increase.

Interchange revenue. The $1.4 million, or 4%, increase in interchange revenue from the three months ended July 31, 2022 to the three months ended July 31, 2023 was primarily due to an increase in Total Accounts, partially offset by lower average spend per HSA account.

The $4.3 million, or 5%, increase in interchange revenue from the six months ended July 31, 2022 to the six months ended July 31, 2023 was primarily due to an increase in Total Accounts, partially offset by lower average spend per HSA account.

Total revenue. Total revenue increased $37.4 million, or 18%, from the three months ended July 31, 2022 to the three months ended July 31, 2023 due to the increases in custodial, service, and interchange revenues, described above.

Total revenue increased $76.2 million, or 18%, from the six months ended July 31, 2022 to the six months ended July 31, 2023 due to the increases in custodial, interchange, and service revenues, described above.

Impact of COVID-19. Our business was adversely affected by the COVID-19 pandemic, and we expect that it will continue to be adversely affected by the societal and economic changes arising out of the pandemic. Although interest rates have increased from their pandemic lows, a majority of our members' HSA cash is deposited with our Depository Partners pursuant to contracts that have fixed interest rate terms, typically ranging from three to five years, which reduces the short-term impact of an increase or decline in prevailing interest rates on our custodial revenue. As a result, the average annualized yield we currently receive from our Depository Partners remains below the levels seen immediately before the pandemic due to the HSA cash that was deposited with them during the pandemic. Our financial results related to certain of our products were adversely affected, such as commuter benefits, due to "work from home" and hybrid work environments, which have continued and may continue indefinitely. We saw a negative impact on the financial results related to our COBRA product, as the Employee Benefits Security Administration provided disaster relief in the form of an extension to the required timeline for participants to make COBRA elections, which we believe resulted in fewer COBRA elections by our members because they had more time to assess the cost of their out-of-pocket expenses against the cost of COBRA premiums. The national emergency under which the disaster relief was provided ended in April 2023; however, the extent to which COBRA elections will return to their prior levels, if at all, remains uncertain. During the initial stages of the COVID-19 pandemic, and during subsequent increases in COVID-19 cases, we saw a negative impact on our members' spend on healthcare, which negatively impacted both our interchange revenue and service revenue. In the event of further outbreaks, we may be unable to meet our service level commitments to our Clients as a result of disruptions to our workforce and disruptions to third-party contracts that we rely on to provide our services. The extent to which the societal and economic changes arising out of the COVID-19 pandemic, including any longer lasting impacts on the usage of our services, will continue to negatively impact our business remains highly uncertain and as a result may have a material adverse impact on our business and financial results.

Cost of revenue

The following table sets forth our cost of revenue for the periods indicated:

	Three months ended July 31,				Six months ended July 31,			
(in thousands, except percentages)	**2023**	**2022**	**$ Change**	**% Change**	**2023**	**2022**	**$ Change**	**% Change**
Service costs	$ 76,543	$ 74,914	$ 1,629	2 %	$ 157,098	$ 155,788	$ 1,310	1 %
Custodial costs	9,133	7,090	2,043	29 %	18,133	13,731	4,402	32 %
Interchange costs	6,943	6,326	617	10 %	13,994	13,317	677	5 %
Total cost of revenue	$ 92,619	$ 88,330	$ 4,289	5 %	$ 189,225	$ 182,836	$ 6,389	3 %

Service costs. The $1.6 million, or 2%, increase in service costs from the three months ended July 31, 2022 to the three months ended July 31, 2023 was primarily due to the 3% increase in average Total Accounts, partially offset by a decrease in personnel costs.

The $1.3 million, or 1%, increase in service costs from the six months ended July 31, 2022 to the six months ended July 31, 2023 was primarily due to the 3% increase in average Total Accounts, partially offset by a decrease in personnel costs.

Custodial costs. The $2.0 million, or 29%, increase in custodial costs from the three months ended July 31, 2022 to the three months ended July 31, 2023 was primarily due to an increase in the average annualized rate of interest retained by HSA members on HSA cash from 0.18% during the three months ended July 31, 2022 to 0.22% during the three months ended July 31, 2023, and the $1.1 billion, or 8%, increase in the year-over-year average daily balance of HSA cash, as described above.

The $4.4 million, or 32%, increase in custodial costs from the six months ended July 31, 2022 to the six months ended July 31, 2023 was primarily due to an increase in the average annualized rate of interest retained by HSA members on HSA cash from 0.17% during the six months ended July 31, 2022 to 0.22% during the six months ended July 31, 2023, and the $1.1 billion, or 9%, increase in the year-over-year average daily balance of HSA cash, as described above.

Interchange costs. The $0.6 million, or 10%, increase in interchange costs from the three months ended July 31, 2022 to the three months ended July 31, 2023 was due to an increase in Total Accounts, partially offset by lower average spend per HSA account.

The $0.7 million, or 5%, increase in interchange costs from the six months ended July 31, 2022 to the six months ended July 31, 2023 was due to an increase in Total Accounts, partially offset by lower average spend per HSA account.

Total cost of revenue. As we continue to add Total Accounts, we expect that our cost of revenue will increase in dollar amount to support our Network Partners, Clients, and members. However, on an annual basis, relative to the fiscal year ended January 31, 2023, we expect our cost of revenue to decrease as a percentage of our total revenue, primarily due to an increase in custodial revenue, partially offset by increases in stock-based compensation and other personnel costs. Cost of revenue will continue to be affected by a number of different factors, including our ability to scale our service delivery, Network Partner implementation, account management functions, and the impact of societal and economic changes arising out of the COVID-19 pandemic.

Operating expenses

The following table sets forth our operating expenses for the periods indicated:

	Three months ended July 31,				Six months ended July 31,			
(in thousands, except percentages)	**2023**	**2022**	**$ Change**	**% Change**	**2023**	**2022**	**$ Change**	**% Change**
Sales and marketing	$ 19,123	$ 15,843	$ 3,280	21 %	$ 39,058	$ 32,403	$ 6,655	21 %
Technology and development	54,767	46,580	8,187	18 %	107,959	91,763	16,196	18 %
General and administrative	27,090	25,937	1,153	4 %	51,984	49,664	2,320	5 %
Amortization of acquired intangible assets	23,166	24,181	(1,015)	(4)%	46,332	47,879	(1,547)	(3)%
Merger integration	2,044	7,683	(5,639)	(73)%	5,502	16,977	(11,475)	(68)%
Total operating expenses	$ 126,190	$ 120,224	$ 5,966	5 %	$ 250,835	$ 238,686	$ 12,149	5 %

Sales and marketing. The $3.3 million, or 21%, increase in sales and marketing expenses from the three months ended July 31, 2022 to the three months ended July 31, 2023 was primarily due to an increase in marketing expenses from increased personnel-related expenses and travel costs.

The $6.7 million, or 21%, increase in sales and marketing expenses from the six months ended July 31, 2022 to the six months ended July 31, 2023 was primarily due to an increase in marketing expenses from increased personnel-related expenses and travel costs.

We expect our sales and marketing expenses to increase for the foreseeable future as we continue to focus on our cross-selling program and marketing campaigns. On an annual basis, relative to the fiscal year ended January 31, 2023, we expect our sales and marketing expenses to remain relatively steady as a percentage of our total revenue. However, our sales and marketing expenses may fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our sales and marketing expenses.

Technology and development. The $8.2 million, or 18%, increase in technology and development expenses from the three months ended July 31, 2022 to the three months ended July 31, 2023 was primarily due to increases in personnel-related expenses and software costs.

The $16.2 million, or 18%, increase in technology and development expenses from the six months ended July 31, 2022 to the six months ended July 31, 2023 was primarily due to increases in personnel-related expenses and software costs.

We expect our technology and development expenses to increase for the foreseeable future as we continue to invest in the development and security of our proprietary technology. On an annual basis, relative to the fiscal year ended January 31, 2023, we expect our technology and development expenses to remain relatively steady as a percentage of our total revenue. However, our technology and development expenses may fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our technology and development expenses.

General and administrative. The $1.2 million, or 4%, increase in general and administrative expenses from the three months ended July 31, 2022 to the three months ended July 31, 2023 was primarily due to increases in professional services expense and credit losses from trade receivables, partially offset by a decrease in stock-based compensation.

The $2.3 million, or 5%, increase in general and administrative expenses from the six months ended July 31, 2022 to the six months ended July 31, 2023 was primarily due to increases in professional services expense and credit losses from trade receivables.

We expect our general and administrative expenses to increase for the foreseeable future due to the additional demands on our legal, compliance, and finance functions as we continue to grow our business. On an annual basis, relative to the fiscal year ended January 31, 2023, we expect our general and administrative expenses to remain relatively steady as a percentage of our total revenue. However, our general and administrative expenses may fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our general and administrative expenses.

Amortization of acquired intangible assets. The $1.0 million, or 4%, decrease in amortization of acquired intangible assets from the three months ended July 31, 2022 to the three months ended July 31, 2023 was primarily due to the smaller carrying amount of intangible assets that have not been fully amortized.

The $1.5 million, or 3%, decrease in amortization of acquired intangible assets from the six months ended July 31, 2022 to the six months ended July 31, 2023 was primarily due to the smaller amount of intangible assets that have not been fully amortized.

Merger integration. The $5.6 million, or 73%, decrease in merger integration expense from the three months ended July 31, 2022 to the three months ended July 31, 2023 was primarily due to a decrease in merger integration activities related to the acquisitions of WageWorks and the Further business.

The $11.5 million, or 68%, decrease in merger integration expense from the six months ended July 31, 2022 to the six months ended July 31, 2023 was primarily due to a decrease in merger integration activities related to the acquisitions of the Further business and WageWorks.

The $2.0 million and $5.5 million in merger integration expense for the three and six months ended July 31, 2023 was primarily due to personnel and related expenses, including expenses incurred in conjunction with the migration of accounts, professional fees, and technology-related expenses directly related to the Further acquisition and certain ongoing merger integration expenses related to the WageWorks acquisition, including ongoing lease expense related to WageWorks offices that have been permanently closed, less any related sublease income, and professional fees associated with the remediation of material weaknesses in internal control over financial reporting. We expect merger integration expenses attributable to the Further acquisition totaling approximately $55 million to be incurred over a period of approximately five to six years from the date of the acquisition, which occurred in November 2021.

Interest expense

The $1.8 million, or 15%, increase in interest expense from the three months ended July 31, 2022 to the three months ended July 31, 2023 was primarily due to the impact of higher interest rates on our Term Loan Facility, which had an effective interest rate of 7.68% as of July 31, 2023, up from 4.92% as of July 31, 2022, partially offset by a lower average principal balance under our Term Loan Facility.

The $6.3 million, or 29%, increase in interest expense from the six months ended July 31, 2022 to the six months ended July 31, 2023 was primarily due to the impact of higher interest rates on our Term Loan Facility, which had an effective interest rate of 7.68% as of July 31, 2023, up from 4.92% as of July 31, 2022, and a $1.2 million loss on extinguishment of debt due to the prepayment of $50.0 million under our Term Loan Facility in April 2023, partially offset by a lower average principal balance under our Term Loan Facility.

Our Term Loan Facility had an outstanding principal balance of $286.9 million and $345.6 million as of July 31, 2023 and 2022, respectively. The decrease was due to principal payments, including the $50.0 million prepayment in April 2023.

On an annual basis, relative to the fiscal year ended January 31, 2023, we expect our interest expense to increase, primarily due to the impact of increased interest rates on our Term Loan Facility and the $1.2 million loss on extinguishment of debt in April 2023, partially offset by a lower average principal balance under our Term Loan Facility. The interest rate on our Term Loan Facility and Revolving Credit Facility is variable and, accordingly, we may incur additional expense if interest rates continue to increase in future periods.

Other income (expense), net

The $2.7 million increase in other income, net, from $32 thousand during the three months ended July 31, 2022 to $2.8 million during the three months ended July 31, 2023 was primarily due to a $2.4 million increase in interest income on corporate cash and a $0.3 million increase in other income, net.

The $4.9 million change in other income (expense), net, from expense of $0.3 million during the six months ended July 31, 2022 to income of $4.6 million during the six months ended July 31, 2023 was primarily due to a $3.9 million increase in interest income on corporate cash and a $0.9 million increase in other income, net.

Income tax provision (benefit)

For the three months ended July 31, 2023 and 2022, we recorded an income tax provision of $3.6 million and an income tax benefit of $3.2 million, respectively. The increase in income tax provision was primarily the result of an increase in pre-tax book income, a decrease in tax deductible stock-based compensation compared to GAAP stock-based compensation expense, an increase in nondeductible executive compensation, and a decrease in research and development tax credits.

For the six months ended July 31, 2023 and 2022, we recorded an income tax provision of $9.6 million and an income tax benefit of $7.6 million, respectively. The increase in income tax provision was primarily the result of an increase in pre-tax book income, a decrease in tax deductible stock-based compensation compared to GAAP stock-based compensation expense, an increase in nondeductible executive compensation, and a decrease in research and development tax credits.

Seasonality

Seasonal concentration of our growth combined with our recurring revenue model create seasonal variation in our results of operations. Revenue results are seasonally impacted due to ancillary service fees, timing of HSA contributions, and timing of card spend. Cost of revenue is seasonally impacted as a significant number of new and existing Network Partners bring us new HSAs and CDBs beginning in January of each year concurrent with the start of many employers' benefit plan years. Before we realize any revenue from these new accounts, we incur costs related to implementing and supporting our new Network Partners and new accounts. These costs of services relate to activating accounts and hiring additional staff, including seasonal help to support our member support center. These expenses begin to ramp up during our third fiscal quarter, with the majority of seasonal expenses incurred in our fourth fiscal quarter.

Liquidity and capital resources

Cash and cash equivalents overview

Our principal sources of liquidity are our current cash and cash equivalents balances, collections from our service, custodial, and interchange revenue activities, and availability under our Revolving Credit Facility (as defined below). We rely on cash provided by operating activities to meet our short-term liquidity requirements, which primarily relate to the payment of corporate payroll and other operating costs, principal and interest payments on our long-term debt, and capital expenditures.

As of July 31, 2023 and January 31, 2023, cash and cash equivalents were $290.3 million and $254.3 million, respectively.

Capital resources

We maintain a "shelf" registration statement on Form S-3 on file with the SEC. A shelf registration statement, which includes a base prospectus, allows us at any time to offer any combination of securities described in the prospectus in one or more offerings. Unless otherwise specified in a prospectus supplement accompanying the base prospectus, we would use the net proceeds from the sale of any securities offered pursuant to the shelf registration statement for general corporate purposes, including, but not limited to, working capital, sales and marketing activities, general and administrative matters, capital expenditures, and repayment of indebtedness, and if opportunities arise, for the acquisition of, or investment in, assets, technologies, solutions or businesses that complement our business. Pending such uses, we may invest the net proceeds in interest-bearing securities. In addition, we may conduct concurrent or other financings at any time.

Our credit agreement includes a five-year senior secured revolving credit facility (the "Revolving Credit Facility"), in an aggregate principal amount of up to $1.0 billion, which may be used for working capital and general corporate purposes, including the financing of acquisitions and other investments. For a description of the terms of the credit agreement, refer to Note 6—Indebtedness. As of July 31, 2023, there were no amounts outstanding under the Revolving Credit Facility. We were in compliance with all covenants under the credit agreement as of July 31, 2023, and for the period then ended.

Use of cash

In April 2023, we used $50.0 million of cash to prepay, in direct order of maturity, principal due under our Term Loan Facility.

Capital expenditures for the six months ended July 31, 2023 and 2022 were $19.4 million and $26.6 million, respectively. We expect to continue our current level of capital expenditures for the remainder of the fiscal year ending January 31, 2024 as we continue to invest in improving the architecture and functionality of our proprietary systems. Capital expenditures to improve the architecture of our proprietary systems include computer hardware, personnel and related costs for software engineering, and outsourced software engineering services.

We believe our existing cash, cash equivalents, and Revolving Credit Facility will be sufficient to meet our operating and capital expenditure requirements for at least the next 12 months. To the extent these current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may need to raise additional funds through public or private equity or debt financing. In the event that additional financing is required, we may not be able to raise it on favorable terms, if at all.

The following table shows our cash flows from operating activities, investing activities, and financing activities for the stated periods:

	Six months ended July 31,	
(in thousands)	**2023**	**2022**
Net cash provided by operating activities	$ 108,645	$ 47,226
Net cash used in investing activities	(19,384)	(95,324)
Net cash used in financing activities	(53,182)	(430)
Increase (decrease) in cash and cash equivalents	36,079	(48,528)
Beginning cash and cash equivalents	254,266	225,414
Ending cash and cash equivalents	$ 290,345	$ 176,886

Cash flows from operating activities. Net cash provided by operating activities increased by $61.4 million from the six months ended July 31, 2022 to the six months ended July 31, 2023 primarily due to increased collections with respect to our custodial and interchange revenues and a decrease in cash payments made to our accounts payable, accrued liabilities, and other current liabilities during the six months ended July 31, 2023.

Cash flows from investing activities. Net cash used in investing activities decreased by $75.9 million from the six months ended July 31, 2022 to the six months ended July 31, 2023 due to a $68.7 million decrease in cash used in HSA portfolio acquisitions, a $5.4 million decrease in cash used for purchases of software and capitalized software development costs, and a $1.8 million decrease in cash used for purchases of property and equipment.

Cash flows from financing activities. Net cash used in financing activities increased by $52.8 million from the six months ended July 31, 2022 to the six months ended July 31, 2023 due to the $50.0 million of cash used to prepay, in direct order of maturity, principal due under our Term Loan Facility and a $3.6 million decrease in proceeds from the exercise of common stock options. These changes were partially offset by a $0.8 million decrease in net payments made in the settlement of client-held funds obligation.

Contractual obligations

See Note 5—Commitments and contingencies for information about our contractual obligations.

Off-balance sheet arrangements

As of July 31, 2023, other than outstanding letters of credit issued under our Revolving Credit Facility, we did not have any off-balance sheet arrangements. The standby letters of credit generally expire within one year. However, in the ordinary course of business, we will continue to renew or modify the terms of the letters of credit to support business requirements. The letters of credit are contingent liabilities, supported by our Revolving Credit Facility, and are not reflected on our condensed consolidated balance sheets.

Critical accounting policies and significant management estimates

Our management's discussion and analysis of financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our critical accounting policies and estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Our significant accounting policies are more fully described in Note 1 of the accompanying unaudited condensed consolidated financial statements and in Note 1 to our audited consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023. There have been no significant or material changes in our critical accounting policies during the six months ended July 31, 2023, as compared to those disclosed in "Management's discussion and analysis of financial condition and results of operations – Critical accounting policies and significant management estimates" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023.

Recent accounting pronouncements

See Note 1—Summary of business and significant accounting policies within the interim financial statements included in this Form 10-Q for further discussion.

Item 3. Quantitative and qualitative disclosures about market risk

Market risk

Concentration of market risk. We derive a substantial portion of our revenue from providing services to tax-advantaged healthcare account holders. A significant downturn in this market or changes in state and/or federal laws impacting the preferential tax treatment of healthcare accounts such as HSAs could have a material adverse effect on our results of operations. During the six months ended July 31, 2023 and 2022, no one customer accounted for greater than 10% of our total revenue. We monitor market and regulatory changes regularly and make adjustments to our business if necessary.

Inflation. Inflationary factors may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, the current high rate of inflation may have an adverse effect on our ability to maintain current levels of expenses as a percentage of revenue if our revenue does not correspondingly increase with inflation.

Concentration of credit risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of cash and cash equivalents. We maintain our cash and cash equivalents in bank and other depository accounts, which frequently may exceed federally insured limits. Our cash and cash equivalents as of July 31, 2023 and January 31, 2023 were $290.3 million and $254.3 million, respectively, the vast majority of which was not covered by federal depository insurance. We have not experienced any material losses in such accounts. Our accounts receivable balance as of July 31, 2023 and January 31, 2023 was $92.6 million and $96.8 million, respectively. We have not experienced any significant write-offs to our accounts receivable and believe that we are not exposed to significant credit risk with respect to our accounts receivable. We continue to monitor our credit risk and place our cash and cash equivalents with reputable financial institutions.

Interest rate risk

HSA Assets and Client-held funds. HSA Assets consist of custodial HSA funds we hold in custody on behalf of our members. As of July 31, 2023 and January 31, 2023, we held in custody HSA Assets of $23.2 billion and $22.1 billion, respectively. As a non-bank custodian, we contract with our Depository Partners and insurance company partners to hold custodial cash assets on behalf of our members, and we earn a significant portion of our total revenue from interest paid to us by these partners. Custodial cash assets held by our insurance company partners are held in group annuity contracts or similar arrangements. The lengths of our agreements with Depository Partners typically range from three to five years and have either fixed or variable interest rates. As HSA Assets increase and existing contracts with Depository Partners expire, we seek to enter into new contracts with Depository Partners, the terms of which are impacted by the then-prevailing interest rate environment. The diversification of

HSA Assets held by our Depository Partners and insurance company partners, and varied contract terms, substantially reduces our exposure to short-term fluctuations in prevailing interest rates and mitigates the short-term impact of a sustained increase or decline in prevailing interest rates on our custodial revenue. A sustained decline in prevailing interest rates may negatively affect our business by reducing the size of the interest rate yield, or yield, available to us and thus the amount of the custodial revenue we can realize. Conversely, a sustained increase in prevailing interest rates can increase our yield. An increase in our yield would increase our custodial revenue as a percentage of total revenue. In addition, if our yield increases, we expect the spread to also increase between the interest offered to us by our Depository Partners and insurance company partners and the interest retained by our members, thus increasing our profitability. However, we may be required to increase the interest retained by our members in a rising prevailing interest rate environment. Changes in prevailing interest rates are driven by macroeconomic trends and government policies over which we have no control.

Client-held funds are interest earning deposits from which we generate custodial revenue. As of July 31, 2023 and January 31, 2023, we held Client-held funds of $811 million and $901 million, respectively. These deposits are amounts remitted by Clients and held by us on their behalf to pre-fund and facilitate administration of our other CDBs. These deposits are held with Depository Partners. We deposit the Client-held funds with our Depository Partners in interest-bearing, demand deposit accounts that have a floating interest rate and no set term or duration. A sustained decline in prevailing interest rates may negatively affect our business by reducing the size of the yield available to us and thus the amount of the custodial revenue we can realize from Client-held funds. Conversely, a sustained increase in prevailing interest rates may increase our yield. Changes in prevailing interest rates are driven by macroeconomic trends and government policies over which we have no control.

Cash and cash equivalents*.* We consider all highly liquid investments purchased with an original maturity of three months or less to be unrestricted cash equivalents. Our unrestricted cash and cash equivalents are held in institutions in the U.S. and include deposits in a money market account that is unrestricted as to withdrawal or use. As of July 31, 2023 and January 31, 2023, we had unrestricted cash and cash equivalents of $290.3 million and $254.3 million, respectively. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of our cash and cash equivalents as a result of changes in interest rates.

Long-term debt. As of July 31, 2023 and January 31, 2023, we had $286.9 million and $341.3 million, respectively, outstanding under our term loan facility and no amounts drawn under our Revolving Credit Facility. Our overall interest rate sensitivity under these credit facilities is primarily influenced by any amounts borrowed and the prevailing interest rates on these instruments. The stated interest rate on our term loan credit facility and Revolving Credit Facility is variable and was 6.92% at July 31, 2023. Accordingly, we may incur additional expense if interest rates further increase in future periods. For example, a one percent increase in the interest rate on the amount outstanding under our credit facilities as of July 31, 2023 would result in approximately $2.9 million of additional interest expense over the next 12 months. The interest rate on our $600 million of unsecured Senior Notes due 2029 is fixed at 4.50%.

Item 4. Controls and procedures

Evaluation of disclosure controls and procedures

Management, with the participation of the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), has evaluated the effectiveness of the Company’s disclosure controls and procedures as of July 31, 2023, the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to provide reasonable assurance that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on such evaluation, our CEO and our CFO concluded that as of July 31, 2023, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended July 31, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II—Other information

Item 1. Legal proceedings

From time-to-time, we may be subject to various legal proceedings and claims that arise in the normal course of our business activities. Except as described in Note 5—Commitments and contingencies, as of the date of this Quarterly Report on Form 10-Q, we were not a party to any litigation whereby the outcome of such litigation, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our results of operations, cash flows or financial position. For a description of these legal proceedings, see Note 5—Commitments and contingencies of the notes to condensed consolidated financial statements.

Item 1A. Risk factors

The risks described in “Risk factors” in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023, and subsequent periodic reports could materially and adversely affect our business, financial condition and results of operations. Except as described below, there have been no material changes in such risks. These risk factors do not identify all risks that we face, and our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Item 5. Other information

Rule 10b5-1 plan elections

None of the Company's directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408(c) of Regulation S-K) during the fiscal quarter ended July 31, 2023.

Item 6. Exhibits

Exhibit no.	Description	Incorporate by reference			
		Form	File No.	Exhibit	Filing Date
10.1	Amendment No. 1 to Credit Agreement, dated as of June 1, 2023, by and among the Company, as borrower, each lender from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent and the Swing Line Lender (as defined therein), and each L/C Issuer (as defined therein) party thereto.	8-K	001-36568	10.1	June 2, 2023
10.2	Employment Agreement, dated June 13, 2023, between James M. Lucania and the Company	8-K	001-36568	10.1	June 14, 2023
10.3	Letter Agreement, dated June 30, 2023, between Tyson Murdock and the Company	8-K	001-36568	10.1	July 3, 2023
31.1+	Certification of the Principal Executive Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2+	Certification of the Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1*#	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				
32.2*#	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				
101.INS	XBRL Instance document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH	Inline XBRL Taxonomy schema linkbase document				
101.CAL	Inline XBRL Taxonomy calculation linkbase document				
101.DEF	Inline XBRL Taxonomy definition linkbase document				
101.LAB	Inline XBRL Taxonomy labels linkbase document				
101.PRE	Inline XBRL Taxonomy presentation linkbase document				
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2023, formatted in Inline XBRL.				

+ Filed herewith.

* Furnished herewith.

These certifications are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference in any filing the registrant makes under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	HEALTHEQUITY, INC.	
Date: September 5, 2023	By:	/s/ Tyson Murdock
	Name:	Tyson Murdock
	Title:	Executive Vice President and Chief Financial Officer

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as Adopted Pursuant to
Section 302 of Sarbanes-Oxley Act of 2002

I, Jon Kessler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HealthEquity, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 5, 2023

By:	/s/ Jon Kessler
Name:	Jon Kessler
Title:	*Chief Executive Officer* *(Principal Executive Officer)*

Exhibit 31.2

Certification of Principal Financial Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of Sarbanes-Oxley Act of 2002

I, Tyson Murdock, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HealthEquity, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 5, 2023

By:	/s/ Tyson Murdock
Name:	Tyson Murdock
Title:	*Executive Vice President and Chief Financial Officer (Principal Financial Officer)*

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Jon Kessler, the Chief Executive Officer (Principal Executive Officer) of HealthEquity, Inc. (the “Company”), hereby certify that, to my knowledge:

1. Our Quarterly Report on Form 10-Q for the quarter ended July 31, 2023 (the “Report”), of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 5, 2023

By:	/s/ Jon Kessler
Name:	Jon Kessler
Title:	*Chief Executive Officer* *(Principal Executive Officer)*

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Tyson Murdock, Executive Vice President and Chief Financial Officer (Principal Financial Officer) of HealthEquity, Inc. (the “Company”), hereby certify that, to my knowledge:

1. Our Quarterly Report on Form 10-Q for the quarter ended July 31, 2023 (the “Report”), of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 5, 2023

By:	/s/ Tyson Murdock
Name:	Tyson Murdock
Title:	*Executive Vice President and Chief Financial Officer* *(Principal Financial Officer)*