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

Form 10-K

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

For the fiscal year ended January 31, 2022
OR

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

For the transition period from to
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
(801) 727-1000
(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant’s Principal Executive Offices)

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

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

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant on July 30, 2021, based on the closing price of $73.98 for shares of the registrant’s common stock as reported by the NASDAQ Global Select Market was approximately $6.1 billion. For purposes of determining whether a stockholder was an affiliate of the registrant at July 30, 2021, the registrant assumed that a stockholder was an affiliate of the registrant at July 30, 2021 if such stockholder (i) beneficially owned 10% or more of the registrant’s capital stock, as determined based on public filings, and/or (ii) was an executive officer or director, or was affiliated with an executive officer or director of the registrant, at July 30, 2021. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 21, 2022, there were 83,821,764 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement related to its 2022 annual meeting of stockholders (the "2022 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2022 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

HealthEquity, Inc. and subsidiaries
Form 10-K annual report

Table of contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements that involve risks and uncertainties, including in the sections entitled “Business,” “Risk factors,” and “Management’s discussion and analysis of financial condition and results of operations.” 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"). These forward-looking statements include, without limitation, statements regarding our industry, business strategy, plans, goals, and expectations concerning our markets and market position, future operations, expenses and other results of operations, margins, profitability, tax rates, capital expenditures, liquidity and capital resources, and other financial and operating information. When used in this discussion, the words “may,” “believes,” “intends,” “seeks,” “anticipates,” “plans,” “estimates,” “expects,” “should,” “assumes,” “continues,” “could,” “will,” “future,” and the negative of these or similar terms and phrases are intended to identify forward-looking statements in this report.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Although we believe the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to be correct. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. Actual events, results and outcomes may differ materially from our expectations due to a variety of known and unknown risks, uncertainties, and other factors. Although it is not possible to identify all of these risks and factors, they include, among others, the risks identified in Item 1A. Risk Factors - Risk Factors Summary.

Unless the context otherwise indicates or requires, the terms “we,” “our,” “us,” “HealthEquity,” and the “Company,” as used in this Annual Report on Form 10-K, refer to HealthEquity, Inc. and its subsidiaries as a combined entity, except where otherwise stated or where it is clear that the terms mean only HealthEquity, Inc. exclusive of its subsidiaries.

Part I

Item 1. Business

Company 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 and our subsidiaries 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. We believe the shift to greater consumer responsibility for healthcare costs will require a significant portion of consumers under the age of 65 with private health insurance in the United States to use offerings such as ours.

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 January 31, 2022, we administered 7.2 million HSAs, with balances totaling $19.6 billion, which we call HSA Assets, as well as 7.2 million complementary CDBs. We refer to the aggregate number of HSAs and other CDBs that we administer as Total Accounts, of which we had 14.4 million as of January 31, 2022.

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. As of January 31, 2022, our platforms were integrated with 185 Network Partners, and we serve approximately 120,000 Clients.

We have increased our share of the growing HSA market from 4% in December 2010 to 18% as of December 2021, measured by HSA Assets. According to Devenir, we are the largest HSA provider by accounts and second largest by assets as of December 2021. In addition, we believe we are the largest provider of other CDBs. We seek to differentiate ourselves through our proprietary technology, product breadth, ecosystem connectivity, and service-driven culture. 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. These strengths reflect our “DEEP Purple” culture of remarkable service to customers and teammates, achieved by driving excellence, ethics, and process into everything we do.

Our business model provides strong visibility into our future operating performance, with the vast majority of our accounts opened before the start of our fiscal year.

We earn revenue primarily from three sources: service, custodial, and interchange. We earn service revenue mainly from fees paid by Clients on a recurring per-account per-month basis. We earn custodial revenue mainly from HSA Assets held at our members’ direction in federally insured cash deposits, insurance contracts or mutual funds, and from investment of Client-held funds. 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 ongoing COVID-19 pandemic.

Recent acquisitions

WageWorks acquisition. On August 30, 2019, we completed our acquisition of WageWorks, Inc. (the "WageWorks Acquisition") and paid approximately $2.0 billion in cash to WageWorks stockholders, financed through net borrowings of approximately $1.22 billion under our prior term loan facility and approximately $816.9 million of cash on hand.

The key strategy of the WageWorks Acquisition was to enable us to increase the number of our employer sales opportunities, the conversion of these opportunities to Clients, and the value of Clients in generating members, HSA Assets and complementary CDBs. WageWorks’ historic strength of selling to employers directly and through health benefits brokers and advisors complemented our distribution through Network Partners. With WageWorks' CDB capabilities, we provide employers with a single partner for both HSAs and other CDBs, which is preferred by the vast majority of employers according to research conducted for us by Aite Group. For Clients that partner with us in this way, we believe we can produce more value by encouraging both CDB participants to contribute to HSAs and HSA-only members to take advantage of tax savings available through other CDBs.

As of January 31, 2022, we had substantially completed our multi-year integration effort and achieved approximately $80 million in annualized ongoing net synergies. We anticipate generating additional revenue synergies over the longer-term as our combined distribution channels and existing client base take advantage of the broader service offerings and as we continue to drive member engagement.

Luum acquisition. In March 2021, we bolstered our commuter offering by acquiring 100% of the outstanding capital stock of Fort Effect Corp, d/b/a Luum (the "Luum Acquisition"). The aggregate purchase price for the acquisition consisted of $56.2 million in cash. Luum provides employers with various commuter services, including access to real-time commute data, to help them design and implement flexible return-to-office and hybrid-workplace strategies and benefits.

Fifth Third Bank HSA portfolio acquisition. On April 27, 2021, we signed an agreement to acquire the Fifth Third Bank, National Association ("Fifth Third") HSA portfolio, which consisted of $490.0 million of HSA Assets held in approximately 160,000 HSAs in exchange for a purchase price of $60.8 million in cash. This acquisition closed on September 29, 2021.

Further acquisition. On September 7, 2021, we signed an amended agreement to acquire the Further business (other than Further's voluntary employee beneficiary association business), a leading provider of HSA and other CDB administration services, with approximately 580,000 HSAs and $1.9 billion of HSA Assets, for $455 million in cash (the "Further Acquisition"). This acquisition closed on November 1, 2021.

HealthSavings HSA portfolio acquisition. On December 4, 2021, we signed an agreement to acquire the Health Savings Administrators, L.L.C. ("HealthSavings") HSA portfolio, which consisted of $1.3 billion of HSA Assets held in approximately 87,000 HSAs in exchange for a purchase price of $60 million in cash. This acquisition closed on March 2, 2022.

Our products and services

Technology platforms. We offer multiple cloud-based platforms, accessed by our members online via a desktop or mobile device, through which individuals can make health saving and spending decisions, pay healthcare bills, compare treatment options and prices, receive personalized benefit and clinical information, earn wellness incentives, grow their savings and make investment choices. The platforms provide users with access to services we provide as well as services provided by third parties selected by us or by our Network Partners.

Among other features, our HSA platform includes the capability to present to users medical bills upon adjudication by a health plan, including details such as the amount paid by insurance, specific nature of the medical service provided, and diagnostic code. Users of our HSA platform can pay these bills from an account of ours or from any bank account, online, via a mobile device, or using our payment card. All users of our HSA platform gain access to our healthcare consumer specialists, available every hour of every day, via a toll-free telephone number or email. Our specialists can assist users with such tasks as optimizing the use of tax-advantaged accounts to reduce medical spending or selecting from among medical plans offered by an employer or health plan.

We acquired several other technology platforms as part of the WageWorks Acquisition. These additional technology platforms are designed to be highly scalable based on an on-demand delivery model that Clients and members may access through a standard web browser on any internet-enabled device, including computers, smart phones, and other mobile devices such as tablet computers. Our on-demand delivery model for these platforms eliminates the need for our Clients to install and maintain hardware and software in order to support CDB programs and enables us to rapidly implement product enhancements across our entire user base. We acquired an additional technology platform as part of the Luum Acquisition, which provides Clients with various commuter services, including access to real-time commute data, to help Clients design and implement flexible return-to-office and hybrid-workplace strategies and benefits.

We are working to phase out certain technology platforms that we acquired in the WageWorks Acquisition, which requires us to migrate certain Clients to one of our remaining technology platforms. We expect to complete these migrations during the fiscal year ending January 31, 2023.

Health savings accounts. The Medicare Modernization Act of 2003 created HSAs, a tax-exempt trust or custodial account managed by a custodian that is a bank, an insurance company, or a non-bank custodian specifically authorized by the Internal Revenue Service, or IRS, as meeting certain ownership, capitalization, expertise, and governance requirements. We are an IRS-approved non-bank custodian of our members' HSAs, designated to serve as both a passive and non-passive non-bank custodian of HSAs.

To be eligible to contribute to an HSA, an individual must be covered under a high deductible healthcare plan, or HDHP, have no additional health coverage, not be enrolled in Medicare, and not be claimed as a dependent on someone else's tax return. HSAs have several tax-advantaged benefits, which we call the "triple tax savings": (1) individuals can claim a tax deduction for contributions they make to their HSAs, and contributions that their employers make to their HSAs may be excluded from their gross income for purposes of federal and most state income and employment tax; (2) the interest or earnings on the assets in the account, including reinvestment, accumulate without being subject to tax; and (3) distributions may be tax free if they are used to pay qualified medical expenses. There is no requirement to provide receipts to us to substantiate HSA distributions to members, whether made through our payment card or directly from our online HSA platform. Additionally, taxable distributions other than for qualified medical expenses are permitted without penalty (although subject to income tax) after age 65. Balances remain in the account until used, *i.e.*, there is no "use or lose" requirement. An HSA is owned by the account holder; it remains the account holder's property upon a change of employment, health plan or retirement.

Investment platform and advisory services. We offer a mutual fund investment platform and access to an online-only automated investment advisory service to all of our members whose account balances exceed a stated threshold. These services are entirely elective to the member. The advisory service is delivered through a web-based tool, Advisor, which is offered and managed by HealthEquity Advisors, LLC, our SEC-registered investment adviser subsidiary. HealthEquity Advisors, LLC provides investment advice to its clients exclusively through the Advisor tool on an interactive website. Members who utilize our mutual fund investment platform or subscribe for Advisor services pay asset-based fees, which include the cost of the advisory service and all other expenses associated with transactions made through these online tools.

Advisor provides investment education guidance and management, including maintaining HSA cash (liquidity) in amounts directed by the member, targeting risk appropriate portfolio diversification, and mutual fund selection.

We offer investors access to three levels of service:

- *Self-driven:* For members who do not subscribe for Advisor, we provide a mutual fund investment platform to invest HSA balances. Neither we nor Advisor provides advice to members in respect of investments among funds on the platform;
- *GPS powered by HealthEquity Advisors, LLC:* Advisor provides guidance and advice, but the member makes the final investment decisions and implements portfolio allocation and investment advice through the HealthEquity platform; and
- *AutoPilot powered by HealthEquity Advisors, LLC:* Advisor manages the account and implements portfolio allocation and investment advice automatically for the member.

Regardless of the level of service selected, members are responsible for their proportionate share of fees and expenses payable by the underlying mutual funds and other investment vehicles in which they invest.

Healthcare flexible spending accounts. Healthcare FSAs are employer-sponsored CDBs that enable employees to set aside pre-tax dollars to pay for eligible healthcare expenses that are not generally covered by insurance, such as co-pays, deductibles and over-the-counter medical products, as well as vision expenses, orthodontia, and medical devices. Healthcare FSAs can be customized by employers so they have the freedom to determine what eligible expenses may be reimbursed under these arrangements. Our employer Clients also realize payroll tax (i.e., FICA and Medicare) savings on the pre-tax contributions made by their employees.

The IRS imposes a limit, indexed to inflation, on pre-tax dollar employee contributions made to healthcare FSAs. The IRS also allows a carryover of up to 20% of the indexed contribution limit that does not count against or otherwise affect the indexed salary reduction limit applicable to each plan year. Employers are able to contribute additional amounts in excess of this statutory limit and may choose to do so in an effort to mitigate the impact of rising healthcare costs on their employees.

Dependent care flexible spending accounts. We also administer FSA programs for dependent care plans. These plans allow employees to set aside pre-tax dollars to pay for eligible dependent care expenses, which typically include child care or day care expenses but may also include expenses incurred from adult and elder care. Current laws and regulations impose a statutory limit on the amount of pre-tax dollars employees can contribute to dependent care FSAs with no carryover allowed. Like healthcare FSAs, employers can also contribute funds to employees' dependent care FSAs; however, these are subject to the statutory annual limit on total contributions. As with healthcare FSAs, employers realize payroll tax savings on the pre-tax dependent care FSA contributions made by their employees.

HealthEquity administers the United States Office of Personnel Management's ("OPM") Federal Flexible Spending Account Program ("FSAFEDS"). This relationship provides eligible federal government employees access to our advanced technology platforms and premium service capabilities.

Health reimbursement arrangements. Under HRAs, employers provide their employees with a specified amount of reimbursement funds that are available to help employees defray their out-of-pocket healthcare expenses, such as deductibles, co-insurance and co-payments. HRAs may only be funded by employers and there is no limitation on how much employers may contribute; however, similar to other CDBs that are funded with pre-tax dollars, employers are required to establish the programs in such a way as to prevent discrimination in favor of highly compensated employees. HRAs must either be considered an excepted benefit (for example, a dental-only HRA or a vision-only HRA), a retiree HRA or be integrated with another group health plan. HRAs can be customized by employers so employers have the freedom to determine what expenses are eligible for reimbursement under these arrangements. At the end of the plan year, employers have the option to allow all or a portion of the unused funds to roll over and accumulate year-to-year if not spent. All amounts paid by employers into HRAs are deductible for tax purposes by the employer and tax-free to the employee.

COBRA. We offer COBRA continuation services to employer clients to meet the employer's obligation to make available continuation of coverage for participants who are no longer eligible for the employer's COBRA covered benefits, which include medical, dental, vision, HRAs and certain healthcare FSAs. COBRA requires employers to make health coverage available for qualified beneficiaries for a period of up to 36 months post-termination. As part of our COBRA program, we offer a direct billing service where former employee participants pay us directly as opposed to their employers for coverage they elect to continue. We handle the accounting and customer services for such terminated employees, as well as interfacing with the carrier regarding the employees' eligibility for participation in the COBRA program. The American Rescue Plan Act of 2021 provided a temporary 100% subsidy of COBRA premium payments for eligible individuals who lost coverage due to an involuntary termination for up to six months, which ended September 30, 2021.

Commuter Programs. We administer pre-tax commuter benefit programs. Employers are permitted to provide employees with commuter benefits including qualified transit (which includes vanpooling) and parking. The maximum monthly federal (and sometimes state) tax free exclusion is indexed for inflation. For 2022, the maximum pre-tax monthly limits are $280 for qualified transit and $280 for qualified parking.

The Luum technology platform provides employers with various commuter services, including access to real-time commute data, to help them design and implement flexible return-to-office and hybrid-workplace strategies and benefits.

Our technology

Technology solution. Our proprietary technology is deployed as a cloud-based solution that is accessible to customers online and through our mobile app. We utilize a multi-tenant architecture that allows changes made for one Network Partner to be extended to all others. This architecture provides operating leverage by reducing costs and improving efficiencies, enabling us to maximize the utilization of our infrastructure capacity with a reduction in required maintenance. We are increasing investment in our technology and communications systems to support new opportunities and enhance security, privacy, and platform infrastructure.

Our solution is hosted via cloud-based services and on a virtual private cloud with an ability to scale on demand. This allows us to quickly support our current and projected growth. We utilize regional cloud failover and multiple redundant third-party data centers to ensure continuous access and data availability. The data centers are purpose-built facilities for hosting mission critical systems with multiple built-in redundancy layers to minimize service disruptions and meet industry-standard measures.

Data security and protection. Due to the sensitive nature of our customers' data that we hold, we have a heightened focus on data security and protection. We maintain administrative, technical, and physical safeguards designed to protect confidential data. Our Risk and Security team identifies security risks by working with state and federal law enforcement, security information-sharing organizations, and 24/7 system surveillance through internal and external detection and response teams.

In the event a security risk is detected, or a breach occurs, we are prepared with appropriate response protocols based on National Institute of Standards & Technology ("NIST") guidelines. Our Security Incident Response Plan defines roles and responsibilities, incident severity levels, key contacts, post-incident steps, and guidelines for testing. Our procedures cover response steps for phishing attacks, ransomware, data breaches, and major vulnerabilities. Lastly, we have an organic threat model that evaluates our security controls to help protect against attacker tactics, techniques, and procedures.

To help ensure our approach to customer privacy and security is effective and in line with industry standards, we follow risk management standards established by the Statement on Standards for Attestation Engagements 18 (SSAE-18) and Service and Organization Controls (SOC 1 and 2) reporting.

Our competitive landscape

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 United Health 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. 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.

Our competitive strengths and strategy

We believe we are well-positioned to benefit from the transformation of the healthcare benefits market. Our technology platforms are aligned with a healthcare environment that rewards consumer engagement and fosters an integrated consumer experience.

Leadership. We have established a defensible leadership position in the HSA industry through our focus on innovation, and differentiated capabilities. Our leadership position is evidenced by the increase in our market share (measured by HSA Assets), from 4% in December 2010 to 18% in December 2021, as noted by the 2021 Devenir HSA Research Report, which indicates we are the second largest HSA custodian by market share measured by HSA Assets.

Complete solution for managing consumer healthcare saving and spending. Our members utilize our platforms in a number of ways and in varying frequencies. For example, our members utilize our HSA platform to evaluate and pay healthcare bills through the member portal, which allows members to pay their healthcare providers, receive reimbursements and learn of savings opportunities for prescription drugs. Members also utilize the platform’s mobile app to view and pay claims on-the-go, including uploading medical and insurance documentation to the platform with their mobile phone cameras.

Bundled solution for HSAs and complementary CDBs. We are the largest custodian and administrator of HSAs (by number of accounts), 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.

Proprietary and integrated technology solution. We have a proprietary cloud-based technology solution, developed and refined during more than a decade of operations and acquired through the WageWorks Acquisition, which we believe is differentiated in the marketplace for a number of key reasons:

- *Purpose-built technology:* Our solution was designed specifically to serve the needs of healthcare consumers, health plans and employers. We believe they provide greater functionality and flexibility than the technologies used by our competitors, many of which were originally developed for banking, benefits administration or retirement services. We believe we are one of few providers with a solution that encompass all of the core functionality of healthcare saving and spending in integrated, secure, and compliant systems, including custodial administration of individual savings and investment accounts, card and electronic funds transaction processing, benefits enrollment and eligibility, electronic and paper medical claims processing, medical bill presentment, tax-advantaged reimbursement account and health incentive administration, HSA trust administration, online investment advice, and sophisticated analytics.

- *Data integration:* Our technology solution allows us to integrate data from disparate sources, which enables us to seamlessly incorporate personal health information, clinical insight, and individually tailored strategies into the consumer experience. We currently have more than 20,000 distinct integrations with health plans, pharmacy benefit managers, employers, and other benefits provider systems. Many of our partners' systems rely on custom data models, non-standard formats, complex business rules, and security protocols that are difficult or expensive to change.
- *Configurability:* Our flexible technology solution enables us to create a unique solution for each of our Network Partners. For example, a HealthEquity team member can readily configure product attributes, including integration with a partner's chosen healthcare price transparency or wellness tools, single sign on, sales and broker support sites, branding, member communication, custom fulfillment and payment card, savings options and interest rates, fees, and mutual fund investment choices.

Differentiated consumer experience. We have designed our solution and support services to deliver a differentiated consumer experience, which is a function of our culture and technology. We believe this provides an advantage relative to legacy competitors whom we believe prioritize transaction processing and benefits administration.

- *Culture:* We call our culture "DEEP Purple," which we define as driving excellence, ethics, and process while providing remarkable service. Our DEEP Purple culture is a significant factor in our ability to attract and retain customers and to nimbly address opportunities in the rapidly changing healthcare sector.
- *Technology:* Our technology helps us to deliver on our commitment to DEEP Purple. We tailor the content of our platforms and the guidance of our experts to be timely, personal, and relevant to each member. For example, our technology generates health savings strategies that are delivered to our members when they interact with our platforms or call us. We employ individuals who provide real-time assistance to our members via telephone, email, or chat.
- *Customer service and education:* As a key part of our strategy and commitment to DEEP Purple, our team members work directly with our Network Partners to engage with consumers, educating them about the benefits of our HSAs and our other products and providing personalized guidance.

We believe our DEEP Purple culture drives our success.

Large and diversified channel access. We believe our differentiated distribution platforms provide a competitive advantage by efficiently enabling us to reach a growing consumer market. Our solution is built on a business-to-business-to-consumer, or B2B2C, channel strategy, whereby we work with Network Partners and Clients to reach consumers in addition to marketing our services to these potential members directly. Reaching the consumer is critical in order for us to increase the number of our HSA members.

We work directly with our Network Partners and Clients to reach the consumer in various ways. Our health plan and administrator partners collectively employ thousands of sales representatives and account managers who promote both the health plan and administrators partner's health insurance products, such as HDHPs, and our HSAs. Our Clients collectively employ thousands of human resources professionals who are tasked with explaining the benefits of our HSAs to their employees. Our sales and account management teams work with and train the sales representatives and account management teams of our Network Partners and the human resource professionals of our Clients on the benefits of enrolling in, contributing to, and saving and spending through our HSAs, and our Network Partners and Clients then convey these benefits to prospective members. As a result of this collaboration, we develop relationships with each member who enrolls in an HSA with us. This personalized engagement with our members constitutes our B2B2C channel strategy.

Scalable operating model. We believe that our model is scalable because our services are accessed primarily through our cloud-based technology platforms. After initial on-boarding and a period of education, our service costs for any given customer typically decline over time. Our opportunity to earn high-margin revenue from existing HSA members grows over time because our HSA members' balances typically grow, increasing custodial revenue without significant incremental cost to us.

Strong customer retention rates*.* Retention of our HSA members has been strong over time. Individually owned trust accounts, including HSAs, have inherently high switching costs, as switching requires a certain amount of effort on the part of the account holder and may result in closure fees. We believe that our retention rates are also high due to our HSA platform's integration with the broader healthcare system used by our HSA members and our customer engagement and focus on the consumer experience.

Selectively pursue strategic acquisitions. We have historically acquired HSA portfolios and businesses that strengthen our business. We expect to continue this growth strategy and regularly evaluate opportunities. We have developed an internal capability to source, evaluate, and integrate acquisitions that have created value for stockholders. We believe the nature of our competitive landscape provides significant acquisition opportunities. Many of our competitors view their HSA businesses as non-core functions. We believe they may look to divest these assets and, in certain cases, be limited from making acquisitions due to depository capital requirements.

Government regulation

Our business is subject to extensive, complex, and rapidly changing federal and state laws and regulations.

IRS regulations

We are subject to applicable IRS regulations, which lay the foundation for tax savings and eligible expenses under the HSAs, HRAs, and FSAs we administer. The IRS issues guidance regarding these regulations regularly. In addition, we are subject to conflict of interest and other prohibited transaction rules that are enforced through excise taxes under the Internal Revenue Code. Although the excise taxes are enforced by the IRS, the underlying rules are promulgated by the Department of Labor.

In February 2006, HealthEquity, Inc. received designation by the U.S. Department of Treasury to act as a passive non-bank custodian, which allows HealthEquity, Inc. to hold custodial assets for individual account holders. In July 2017, HealthEquity, Inc. received designation by the U.S. Department of Treasury to act as both a passive and non-passive non-bank custodian, which allows HealthEquity, Inc. to hold custodial assets for individual account holders and use discretion to direct investment of such assets held. As a passive and non-passive non-bank custodian, the Company must maintain net worth (assets minus liabilities) greater than 2% of passive custodial funds held at each fiscal year-end and 4% of the non-passive custodial funds held at each fiscal year-end in order to take on additional custodial assets. As of January 31, 2022, the Company's year-end for trust and tax purposes, the net worth of the Company exceeded the required thresholds.

Privacy and data security regulations

In the provision of HSA custodial services and directed TPA services for FSAs and HRAs, we are subject to the Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley Act or GLBA), the Health Insurance Portability and Accountability Act of 1996 (HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act), and similar state laws.

GLBA imposes financial privacy and security requirements on financial institutions that relate to the collection, storage, use, and disclosure of an account holder’s nonpublic personal information. Nonpublic personal information includes information that is collected or generated in the course of offering a financial product or service. For example, nonpublic personal information includes information submitted by a prospective account holder in an application, an account holder’s name and contact information, and transaction information. Because part of our business is the administration of financial products such as HSAs, we are required under the Consumer Financial Protection Bureau’s financial privacy rule under GLBA to send a notice of privacy practices to account holders and to comply with restrictions on the disclosure of nonpublic personal information to non-affiliated third parties. We are also required under GLBA to establish reasonable administrative, technical, and physical safeguards to protect the security, confidentiality, and integrity of nonpublic personal information pursuant to the Federal Trade Commission’s safeguards rule. Violations of GLBA can result in civil and criminal penalties.

HIPAA covered entities and their business associates are required to adhere to HIPAA privacy and security standards. Covered entities include most healthcare providers, health plans, and healthcare clearinghouses. Because we perform services (such as FSA services) for covered entities that include processing protected health information, we are a business associate and subject to HIPAA. The two rules that most significantly affect our business are: (i) the Standards for Privacy of Individually Identifiable Health Information, or the Privacy Rule; and (ii) the Security Standards for the Protection of Electronic Protected Health Information, or the Security Rule. The Privacy Rule restricts the use and disclosure of protected health information, and requires us to safeguard that information and provide certain rights to individuals with respect to that information. The Security Rule establishes requirements for safeguarding protected health information transmitted or stored electronically. Both civil and criminal penalties apply for violating HIPAA, which may be enforced by both the Department of Health and Human Services’ Office for Civil Rights and state attorneys general. Violations of HIPAA may also subject us to contractual remedies under the terms of agreements with covered entities.

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 California, which in 2018 enacted the California Consumer Privacy Act ("CCPA") broadly regulating California residents’ personal information and providing California residents with various rights to access and control their data. Additional privacy requirements are applicable to us as a result of the California Privacy Rights Act of 2020, which significantly modified the CCPA by expanding consumers' rights with respect to certain sensitive personal information.

ERISA

Our private-sector clients' FSAs, HRAs, COBRA continuation insurance, and other account-based retirement plans are covered by the Employee Retirement Income Security Act of 1974, as amended, or ERISA, which governs "employee benefits plans." Title I of ERISA does not generally apply to HSAs. ERISA generally imposes extensive reporting requirements on employers, as well as an obligation to provide various disclosures to covered employees and beneficiaries; and employers and third-party administrators that have authority or discretion over management, administration, or investment of plan assets are subject to fiduciary responsibility under ERISA. ERISA's requirements affect our FSAs, HRAs, and COBRA administration businesses. The Department of Labor can bring enforcement actions or assess penalties against employers, investment advisers, administrators, and other service providers for failing to comply with ERISA's requirements. Participants and beneficiaries may also file lawsuits against employers, investment advisers, administrators, and other service providers under ERISA.

Department of Labor

The Department of Labor, or the DOL, regulates plans that are subject to ERISA, including health FSAs, HRAs, and 401(k) and other retirement plans, as well as COBRA administration. The DOL also issues guidance related to fiduciary responsibility and prohibited transactions under ERISA and the Internal Revenue Code that affect administration of HSAs (as well as health FSAs, HRAs, and retirement plans).

The DOL issues regulations, technical releases, and other guidance that apply to employee benefit plans, tax-favored savings arrangements (including HSAs) and COBRA administration, generally. In addition, in response to a request by an individual or an organization, the DOL's Employee Benefits Security Administration may issue an advisory opinion that interprets and applies ERISA and/or corresponding prohibited transaction rules under the Internal Revenue Code to a specific situation, including issues related to consumer-centric healthcare accounts and retirement plans.

Healthcare reform

In March 2010, the federal government enacted significant reforms to healthcare benefits through the Affordable Care Act. The legislation amended various provisions in many federal laws, including the Internal Revenue Code and ERISA. The reforms included new excise taxes that incentivize employers to provide health benefits (including HSA-compatible benefits) to all full-time employees and new coverage mandates for health plans. The rules directly affect health FSAs and HRAs and have an indirect effect on HSAs. Further changes to the Affordable Care Act and related healthcare regulation remain under consideration, including "Medicare for all" plans.

Investment Advisers Act of 1940

Our subsidiary HealthEquity Advisors, LLC is an SEC-registered investment adviser that provides web-only automated investment advisory services to members. As an SEC-registered investment adviser, it must comply with the requirements of the Investment Advisers Act of 1940, or the Advisers Act, and related Securities and Exchange Commission, or SEC, regulations and is subject to periodic inspections by the SEC staff. Such requirements relate to, among other things, fiduciary duties to clients, disclosure obligations, recordkeeping and reporting requirements, marketing restrictions limitations on agency cross and principal transactions between the adviser and its clients, and general anti-fraud prohibitions. The SEC is authorized to institute proceedings and impose sanctions for violations of the Advisers Act, ranging from fines and censure to termination of an investment adviser's registration. Investment advisers also are subject to certain state securities laws and regulations. Failure to comply with the Advisers Act or other federal and state securities and regulations could result in investigations, sanctions, profit disgorgement, fines or other similar consequences.

Intellectual property

Intellectual property is important to our success. We rely on trademarks and other forms of intellectual property rights and measures, including trade secrets, know-how and other unpatented proprietary processes, and nondisclosure agreements, to maintain and protect proprietary aspects of our products and technologies. We require our team members and consultants to execute confidentiality agreements in connection with their employment or consulting relationships with us. We also require our team members and consultants to disclose and assign to us all inventions conceived during the term of their employment or engagement while using our property or which relate to our business.

Geographic areas

Our sole geographic market is the U.S.

Human capital

HealthEquity is comprised of people dedicated to empowering consumers to connect health and wealth by delivering remarkable service. We refer to our culture as “DEEP Purple,” which stands for Driving Excellence, Ethics and Process while providing remarkable service to our clients and members. We believe that our DEEP Purple culture is a key differentiator that drives the success of our company through, among other things, attracting and retaining top talent. DEEP Purple is the essence of our company, and we invest a lot of time and energy to support and maintain it.

Our board of directors and its committees provide oversight on certain human capital matters. The Talent, Compensation and Culture Committee of our board of directors acts on behalf of the board to review and determine executive compensation plans, policies and programs, oversee the Company’s culture and related strategies, programs and risks, and oversee the Company’s talent management, development and retention efforts and related strategies, programs, and risks, including with respect to diversity and inclusion.

As of January 31, 2022, we had 3,688 full-time team members and 27 part-time team members, including 2,297 in service delivery, 655 in technology and development, and 763 in sales and marketing, and general and administrative positions. As January 31, 2022, our team members had the following demographic characteristics:

	Executive Leadership Team	People Leaders	All HealthEquity Team Members
Women	29 %	54 %	68 %
Men	71 %	46 %	32 %
Under age 30	0 %	5 %	18 %
Between ages 30 and 50	43 %	63 %	56 %
Over age 50	57 %	32 %	26 %
People of color	14 %	22 %	34 %

Diversity and inclusion

As an employer, we celebrate the diversity of our team members and strive for consistent inclusion. We strive to make HealthEquity a place where diversity of thought, culture, orientation, identity, and experience enhance every aspect of what we do. We recognize the value of diversity and inclusion in our business practices. We believe that justice, equity, diversity, and inclusion ("JEDI") in the workplace are key to team members feeling they can bring their true authentic self to their work environment and that this translates to higher productivity, increased motivation and improved performance.

At the heart of our JEDI efforts is the "Created Equal program". Led by a diverse council, Created Equal promotes JEDI initiatives and our teammate-led business resource groups, which we call "Connections" groups.
We believe that a diverse workforce is critical to our success, and we continue to focus on the hiring, retention and advancement of women and underrepresented populations. Our recent efforts have focused on three areas: inspiring authenticity through an inclusive and diverse culture; identifying diverse organizations to expand our candidate pool; and strategically partnering with our Connections groups to accelerate our JEDI efforts.

Health, Safety and Wellness

HealthEquity also seeks to ensure that team members have the working conditions they need to succeed. The health and well-being of our team members at work are foremost among our concerns. We encourage our team members to follow common sense safety practices and correct any unsafe condition or report it to their supervisor. We are committed to maintaining a safe workplace free from unlawful drugs and alcohol in accordance with applicable law and free from harassment. HealthEquity supports these measures through extensive training as well as formal grievance procedures and policies.

In response to the COVID-19 pandemic, we have prioritized the health and safety of our team members. This includes having the majority of our team members work from home, while implementing additional safety measures for team members continuing critical on-site work. In addition, the Company has established a conditionally based paid leave policy to support team members who have been directly impacted by COVID-19. HealthEquity has also helped team members maintain a healthy work-life balance and juggle competing needs during the pandemic by supporting flexible work schedules. HealthEquity has maintained a strong focus to support the holistic health of our team members, offering a variety of recurring sessions addressing their mental, emotional, and physical health and that of their dependents.

In September 2021, the President of the United States signed an executive order, and related guidance was published that, together, require certain COVID-19 precautions for federal contractors, including mandatory COVID-19 vaccines for employees of federal contractors (subject to medical and religious exemptions) (the “Vaccine Mandate”). While the Vaccine Mandate has been stayed by the courts, we are classified as a federal contractor due to a number of our agreements and believe we will be subject to the Vaccine Mandate if it is reinstated. HealthEquity’s compliance with the Vaccine Mandate has and could continue to result in increased team member attrition and absenteeism. Regardless of the Vaccine Mandate, HealthEquity has strongly encouraged all team members to work with their medical provider to get vaccinated against COVID-19. In addition to providing practical education on the vaccine, HealthEquity has held multiple town halls for team members to ask questions and receive important information on vaccination.

Equitable Pay Philosophy and Benefits

HealthEquity is proud to be a workplace where hard work is valued and rewarded. We are committed to pay equity, which is being implemented through our Total Rewards program.

Our pay philosophy is intended to foster a program that supports the Company’s mission, values, and culture. We believe that our greatest asset is our people, and our Total Rewards program, which includes salary, incentive pay, equity, retirement, and health benefits, is designed to attract and retain talented team members who drive the Company’s success. The program is intended to be fair and easy to understand so that all team members and their managers understand the goals and outcomes. HealthEquity strives to administer the program in a manner that is applied consistently, equitably, and free of discrimination, as follows:

- Maintaining competitive pay by reviewing market data annually;
- Ensuring that similar jobs are paid equitably across the organization;
- Rewarding team members based on their abilities, competencies, experience, and performance levels;
- Effectively communicating our Total Rewards policies and practices; and
- Complying with all applicable federal, state, and local laws and requirements.

HealthEquity believes in sharing the financial success of the Company and rewarding individual performance through offering participation in a bonus plan to all non-commissioned team members. The bonus pool is funded based on the financial performance of the Company, and team members' performance against objectives determines the individual payouts earned.

To ensure the Total Rewards program is managed in a consistent and equitable way, all positions at HealthEquity are assigned a job and an associated pay grade. That pay grade is determined using a formal job evaluation methodology based on a job’s purpose and key accountabilities described in the job description. These components are the same for all positions across HealthEquity, regardless of level.

We believe in approaching team member health holistically. Our benefits philosophy is rooted in the foundational beliefs that – first – all areas of health are intertwined, and – second – that when team members are thriving in mental, emotional, physical, social, and financial health, they are in the best position to succeed personally and provide remarkable service professionally. Accordingly, HealthEquity provides our team members a variety of comprehensive, consumer-driven healthcare medical plans offered in conjunction with generous HSA contributions from the Company, a 401(k) plan that offers Company contributions, a subsidized dental plan, voluntary vision coverage, paid maternity and parental leaves, and importantly, a holistic wellness plan that supports the continued development of our team members’ mental, physical, financial, emotional, and social health.

Team Member Engagement

HealthEquity also considers team member engagement an important metric of organizational health. We seek team member feedback, measure team member engagement, and measure our team member Net Promoter Score℠, or NPS®, twice a year through a survey. The team member NPS framework surveys team members to generate a total score based on the percentage of those who are promoters (responding with a score of 9 or 10), passives (a score of 7 or 8), and detractors (a score of 0 to 6). Scores are calculated by subtracting the percentage of detractors from the percentage of promoters (the percentage of passives is not used in the formula). Team member NPS scores can range from -100 to 100.

As of January 31, 2022, our team member NPS was 37, based on a participation rate of 89 percent. Out of all responders, 55 percent were promoters, 27 percent were passives, and 18 percent were detractors.

"NPS®" is a registered trademark of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld. Net Promoter Score℠ is a service mark of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld."

Corporate information

HealthEquity, Inc. was incorporated as a Delaware corporation on September 18, 2002. Our principal business office is located at 15 W. Scenic Pointe Dr., Ste. 100, Draper, Utah 84020. Our website address is www.healthequity.com. We do not incorporate the information contained on, or accessible through, our corporate website into this Annual Report on Form 10-K, and you should not consider it to be part of this report.

Where you can find additional information

Our website is located at www.healthequity.com, and our investor relations website is located at ir.healthequity.com. Information on our website is not incorporated into this report. Copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, free of charge, on our investor relations website as soon as reasonably practicable after we file such material electronically with or furnish it to the SEC. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Item 1A. Risk factors

You should carefully consider the risks described below together with the other information set forth in this Annual Report on Form 10-K, which could materially affect our business, financial condition, and future results. The risks described below are not the only risks facing our company. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and operating results. If any of the following risks are realized, our business, financial condition, results of operations, and prospects could be materially and adversely affected. In that event, the trading price of our *common stock could decline.*

Risk Factors Summary

The following is a summary of the principal risks that could adversely affect our business, operations and financial results:

Risks relating to our business and industry

- The COVID-19 pandemic has materially impacted our business and this impact may continue.
- Our acquisition strategy and the integration of our recent and future acquisitions may not be successful.
- Our management has identified material weaknesses in our internal control over financial reporting that could adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner.
- Any diminution in, elimination of, or change in the availability of tax benefits for HSAs and other CDBs, or in the use of these accounts, would materially adversely affect us.
- Failure to adequately place and safeguard our custodial assets, or the failure of any of our depository or insurance company partners, could materially and adversely affect our business, financial condition and results of operations.
- A decline in interest rate levels, including an environment of negative interest rates, may reduce our ability to earn income on our HSA Assets and Client-held funds and to attract HSA contributions.
- If we are not successful in adapting to our rapidly evolving industry, our growth may be limited, and our business may be adversely affected.
- We may be unable to compete effectively against our current and future competitors.
- Developments in the rapidly changing healthcare industry could adversely affect our business.
- If our members do not continue to utilize our payment cards, our results of operations, business, and prospects would be materially adversely affected.

Risks relating to our service and culture

- Any failure to offer high-quality customer support services could adversely affect our relationships with our members, Clients, and Network Partners and our operating results.
- We rely on our management team and team members and our business could be harmed if we are unable to retain qualified personnel.
- If we cannot maintain our corporate culture as we grow, we could lose the innovation, teamwork, passion, and focus on execution that we believe contribute to our success.

Data security, technological, and intellectual property risks

- Cyber-attacks, including ransomware attacks, or other privacy or data security incidents could materially adversely impact our business.
- Fraudulent and other illegal activity involving our products and services could lead to financial and reputational damage to us and reduce the use and acceptance of our products and services.
- We rely on software licensed from third parties that may be difficult to replace or that could cause errors or failures of our technology platforms that could lead to lost customers or harm to our reputation.
- Developing and implementing new and updated applications, features, and services for our technology platforms may be more difficult than expected, may take longer and cost more than expected, or may result in the platforms not operating as expected.
- Any disruption of service at our facilities or our third-party data centers could interrupt or delay our customers' access to our products and services.
- Interruption or failure of our information technology and communications systems could impair our ability to effectively deliver our products and services.

- Our technology platforms may link to or utilize open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.
- Failure to adequately protect our brands and other intellectual property rights, and infringement of the intellectual property rights of others, would negatively impact our business.
- If we are unable to promote our brands effectively, our business may suffer.
- Confidentiality arrangements with team members and others may not adequately prevent disclosure of trade secrets and other proprietary information.

Legal and regulatory risks

- The healthcare regulatory and political framework is uncertain and evolving, and we cannot predict the effect that further healthcare reform and other changes in government programs may have on our business, financial condition, or results of operations.
- Changes in applicable federal and state laws relating to HSAs and other CDBs could materially adversely affect our business.
- We are subject to privacy regulations, including regarding the access, use, and disclosure of personally identifiable information. If we or any of our third-party vendors experience a privacy breach, it could result in substantial financial and reputational harm, including possible criminal and civil penalties.
- Legislative, regulatory, and legal developments involving taxes could adversely affect our results of operations and cash flows.
- Changes in laws and regulations relating to interchange fees on payment card transactions could adversely affect our revenue and results of operations.
- Failure to comply with, or changes in, payment card industry, credit card association or other network rules or standards set by Visa or MasterCard, or changes in card association and debit network fees or products or interchange rates, could materially adversely affect us.
- We are subject to complex regulation, and any compliance failures or regulatory action could adversely affect our business.
- If we are unable to meet or exceed the net worth test required by the IRS, we could be unable to maintain our non-bank custodian status.

Risks relating to our partners and service providers

- If our Network Partners choose to partner with other providers of, or otherwise reduce offering or cease to offer, our products and services, our business could be materially and adversely affected.
- A change in relationship with any of our bank identification number sponsors, or the failure by these sponsors to comply with certain banking regulations, could materially and adversely affect our business.
- Replacing our third-party vendors would be difficult and disruptive to our business.

Growth-related risks

- We may not be able to operate, integrate, and scale our technology effectively to match our business growth.
- Failure to manage future growth effectively could have a material adverse effect on our business, financial condition, and results of operations.
- We may not accurately estimate the impact on our business of developing, introducing, and updating new and existing products and services.
- We may need to record write-downs from future impairments of identified intangible assets and goodwill.

Financing and related risks

- Our substantial debt could limit our ability to fund operations, expose us to interest rate volatility, limit our ability to raise additional capital and have a material adverse effect on our ability to fulfill our obligations under our credit agreement and indenture and to our Network Partners, Clients and members.
- The indenture and the credit agreement contain covenants that impose significant operational and financial restrictions on us, and the failure to comply with these covenants would result in an event of default under these instruments.
- We may be unable to generate or obtain sufficient capital to fund our business and growth strategy.

General Risk Factors

- Our ability to secure insurance may not be sufficient to cover potential liabilities.
- Natural disasters, pandemics or other epidemics (including the current COVID-19 pandemic), acts of terrorism, acts of war and other unforeseen events may cause damage or disruption to us or our customers.
- Our quarterly operating results may fluctuate significantly from period to period, which could adversely impact the value of our common stock.
- We do not intend to pay regular cash dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.
- Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable.
- The exclusive forum provision in our amended and restated certificate of incorporation could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or team members.

Risks relating to our business and industry

The COVID-19 pandemic has materially impacted our business and this impact may continue.

Our business has been, and may continue to be, materially and adversely affected by the COVID-19 pandemic. The Federal Reserve's interest rate cut in response to the economic impact of COVID-19 and other interest rate market conditions have caused interest rates to decline significantly. While interest rates have increased somewhat since these actions were taken by the Federal Reserve, the funds that we place with our depository partners in this environment continue to be placed at lower interest rates than we originally expected. We have also seen an increase in regulatory changes related to our products due to government responses to the COVID-19 pandemic and may continue to see additional regulatory changes, which changes require substantial time and costs for us to ensure compliance. For example, regulatory changes related to our COBRA product created uncertainty and additional workload on our team members. Further regulatory changes could reduce our operational efficiency and result in additional costs.

Our financial results related to certain of our products have also been adversely affected. For example, we have seen a significant decline in the use of commuter benefits, and decisions by employers to delay return-to-office plans for their employees will further delay the recovery of use of these commuter benefits. In addition, to the extent the "work from home" trend continues after the pandemic, that would further negatively impact the revenue we receive from commuter benefits.

During the initial stages of the pandemic, 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 new lockdowns or restrictions on elective medical procedures, our interchange revenue and service revenue could again be negatively impacted.

As a result of the ongoing pandemic, substantially all of our team members have been working from home. Sales opportunities have been impacted by the lack of travel and in-person meetings, with some opportunities delayed and most now being held virtually. In addition, we have had to support Client open enrollment activities virtually. New COVID-19 variants may result in continued impacts to these activities. We may be unable to meet our service level commitments to our Clients as a result of disruptions to our work force and disruptions to third-party contractors that we rely on to provide our services. The risk of cybersecurity breaches and incidents, and the potential impact of these on our operations, is also higher while our team members log in to our network remotely. The supply chain constraints arising out of the pandemic have impacted our ability to provide our team members the technology they need to work efficiently in a remote environment.

The extent to which the COVID-19 pandemic will continue to negatively impact our business remains highly uncertain and, as a result, may continue to have a material and adverse impact on our business and financial results.

Our acquisition strategy and the integration of our recent and future acquisitions may not be successful.

We have in the past acquired, and, as a key part of our strategy, seek to acquire or invest in, assets, businesses, products, or technologies that we believe could complement or expand our products and services, enhance our technical capabilities, or otherwise offer growth opportunities. There is no assurance that we will be successful in consummating such acquisitions, or even if consummated, realize the anticipated benefits of these or any future acquisitions. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses related to identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated.

The success of our acquisitions will depend in part on our ability to realize the anticipated business opportunities from combining the operations of these businesses with our business in an efficient and effective manner. Integration of our acquisitions could take longer than anticipated and could result in the loss of key team members, the disruption of our ongoing business and the acquired business, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with team members, Clients, Network Partners or other third parties, and could harm our financial performance.

Our management team and other team members are spending significant amounts of time on integration efforts relating to the WageWorks Acquisition and the Further Acquisition, which may distract them from their other responsibilities. Integration could also disrupt each company's ongoing businesses, result in tax inefficiencies, or create inconsistencies in standards, controls, information technology systems, procedures, and policies, any of which could adversely affect our ability to maintain relationships with third parties, or our ability to achieve the anticipated benefits of these acquisitions and could harm our financial performance.

Acquisitions also increase the risk of unforeseen legal liability, including for potential violations of applicable law or industry rules and regulations, arising from prior or ongoing acts or omissions by the acquired businesses which are not discovered by due diligence during the acquisition process. Generally, if an acquisition fails to meet our expectations, our operating results, business, and financial condition may suffer. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of additional debt, which could adversely affect our business, results of operations, or financial condition.

We may fail to fully realize the anticipated synergies associated with successfully integrating our acquisitions. Achievement of these anticipated synergies is based on our ability to grow revenue as a combined company, the integration of technology platforms, and realization of the targeted cost synergies expected from each acquisition. Actual operating, technological, strategic, and revenue opportunities, if achieved at all, may be less significant than expected or may take longer or cost more to achieve than anticipated. If we are not able to achieve these objectives and realize the anticipated synergies expected from these acquisitions within the anticipated timing or at all, our business, financial condition, and operating results may be adversely affected.

The Further business is being carved out from the operations of its parent company. As such, the successful integration of the Further business with the Company is dependent on our ability to successfully carve out the Further business from its parent. While we have entered into a transition services agreement in order to effectively carve-out the Further business from its parent, no assurance can be given that the carve-out will be successful.

As part of the WageWorks Acquisition integration process, we are working to migrate certain Clients to different technology platforms, which could result in Client attrition if we are unable to meet Client expectations or if we are unable to meet the technical requirements of our Clients. Clients may also decide to not cooperate with the platform migration process, resulting in delays to and additional costs associated with this process or the loss of those Clients. The challenges associated with the platform migration process may result in Client dissatisfaction, potentially impairing our long-term relationships with our Clients. We may also face challenges in integrating the back-office systems and people associated with these technology platforms.

Our management has identified material weaknesses in our internal control over financial reporting that could adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our management has determined that our internal control over financial reporting was not effective due to the existence of material weaknesses arising out of the WageWorks Acquisition. See Item 9A - Controls and Procedures. Until fully remediated, these material weaknesses may materially adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner. Although we have developed a plan to address the material weaknesses, we cannot provide a timeframe as to when the remediation will be completed and tested, nor can we assure you that the remediation, integration and testing process will not reveal additional material weaknesses or other deficiencies, so that our internal control over financial reporting and related disclosure controls and procedures are effective. Although we continually review and evaluate internal control systems to allow management to report on the sufficiency of our internal controls over financial reporting, we cannot assure you that we will not discover additional weaknesses in our internal control over financial reporting.

In addition to remediating existing material weaknesses, we expect that the continued integration of the WageWorks, Further and Luum businesses will require modifications to our internal control systems, processes, and information systems. Our ability to remediate existing material weaknesses and integrate acquired companies into our internal controls has been impacted by higher than normal team member turnover, including among owners of certain controls. If we are unable to transition ownership of controls effectively, the effectiveness of our internal controls may be negatively impacted.

We cannot be certain that changes to our internal control over financial reporting will be effective for any period, or on an ongoing basis. If we are unable to accurately report our financial results in a timely manner or are unable to assert that our internal controls over financial reporting are effective, our business, financial condition and results of operations, and the market perception thereof, may be materially adversely affected.

Any diminution in, elimination of, or change in the availability of tax benefits for HSAs and other CDBs, or in the use of these accounts, would materially adversely affect us.

Substantially all of our revenue is earned from tax-advantaged HSAs and other CDBs. The efforts of governmental and third-party payers to raise revenue or contain or reduce healthcare or other costs could include restructuring the tax benefits available through HSAs and other CDBs, which may adversely affect our business, operating results, and financial condition. For example, the federal government or states may seek to raise revenues by enacting tax laws that eliminate the tax deductions available to individuals who contribute to HSAs. We cannot predict if any new tax reforms will ultimately become law, or if enacted, what their terms or the regulations promulgated pursuant to such reforms will be. If the laws or regulations are changed to limit or eliminate the tax benefits available through these accounts, such a change would have a material adverse effect on our business.

We believe that many consumers are not familiar with, or do not fully appreciate, the tax-advantaged benefits of HSAs and other CDBs. If our members do not fully use their HSAs or CDBs, or if employers reduce or cease to offer HSAs or other CDB programs, or if the rate of adoption of these accounts decreases, our results of operations, financial condition, business, and prospects would be materially and adversely affected.

Failure to adequately place and safeguard our custodial assets, or the failure of any of our depository or insurance company partners, could materially and adversely affect our business, financial condition and results of operations.

As a non-bank custodian, we rely on our federally insured custodial depository partners and our insurance company partners to hold the vast majority of the HSA Assets that we custody. If any material adverse event were to affect one of our depository partners or our insurance company partners, including a significant decline in its financial condition, a decline in the quality of its service, loss of deposits, its inability to comply with applicable banking, insurance or other regulatory requirements, systems failure or its inability to return principal or pay interest thereon, our business, financial condition and results of operations could be materially and adversely affected.

The HSA Assets held through our insurance company partners are not federally insured. As a result, in the event of a failure of one of our insurance company partners, the HSA Assets held through that partner would be at risk and no assurance can be given that these contractual provisions will be sufficient. Although the members bear the risk of loss with respect to investment of their HSA Assets, we would suffer reputational harm if one of our insurance company partners failed or otherwise breached its obligations to guarantee principal or pay interest thereon, which could in turn lead to financial harm to the Company.

Certain of our arrangements with our depository and insurance company partners require that we keep a minimum amount of HSA Assets with such partner, including sufficient liquid assets. If we fail to comply with those minimum HSA Asset requirements, including as a result of withdrawals by our members, we may be subject to penalties payable to our partners or a reduction in the interest payable. These requirements accordingly restrict our ability to quickly terminate our arrangements with these partners and remove our HSA Assets. Such penalties or reductions, if imposed, could have a material and adverse impact on our business, financial condition and results of operations.

In addition, certain of our insurance company partners have commitments to us with respect to the interest rates paid; however, some of these commitments are conditional upon certain market events and/or satisfaction of our obligations to the partner. A reduction of the interest rate payable, or a requirement that we post collateral in lieu of any such reduction, could have a material and adverse impact on our business, financial condition and results of operations.

In addition to any potential penalties payable, if we were required to change depository or insurance company partners, we cannot accurately predict the success of such change or that the terms of our agreement with the new partner would be as favorable to us as our current agreements.

A decline in interest rate levels, including an environment of negative interest rates, may reduce our ability to earn income on our HSA Assets and Client-held funds and to attract HSA contributions.

We partner with our depository and insurance company partners to hold our HSA Assets and other Client-held funds. We earn a significant portion of our consolidated revenue from fees we earn from our depository and insurance company partners, approximately 27%, 26%, and 34% during the fiscal years ended January 31, 2022, 2021, and 2020, respectively. A decline in prevailing interest rates, such as the current low interest rate environment due to the COVID-19 pandemic, or a negative interest rate environment, has and may continue to negatively affect our business by reducing the yield we realize on our HSA Assets and other Client-held funds. In addition, if we do not offer competitive interest rates on HSA Assets, our members may choose another HSA custodian. Similarly, if the value of the invested HSA Assets we hold declines, whether due to market conditions or other factors, our fees, which are based on a percentage of the asset values, would be adversely affected. Any such scenario could materially and adversely affect our business and results of operations.

If we are not successful in adapting to our rapidly evolving industry, our growth may be limited, and our business may be adversely affected.

The market for our products and services is subject to rapid and significant change and competition. The market for administration of HSAs and other CDBs is characterized by rapid technological change, new product and service introductions, evolving industry standards, changing customer needs, existing competition, and the entrance of non-traditional competitors. In addition, there may be a limited-time opportunity to achieve and maintain a significant share of this market due in part to our rapidly evolving industry, industry consolidation, and the substantial resources available to our existing and potential competitors. In order to remain competitive, we are continually involved in a number of projects to develop new services or compete with these new market entrants. These projects carry risks, such as cost overruns, delays in delivery, performance problems, and lack of acceptance by our Clients, Network Partners and members.

Our success depends on the willingness of consumers to increase their use of HSAs and other CDBs, our ability to increase engagement, and our ability to demonstrate the value of our services to our existing and potential Clients, Network Partners and members. If our existing Clients, Network Partners and members do not recognize or acknowledge the benefits of our services or we do not drive engagement, then the market for our services might develop more slowly than we expect, which could adversely affect our operating results.

In addition, we have limited insight into industry or broader trends that might develop and affect our business. As such, we might make errors in predicting and reacting to relevant business, legal, and regulatory trends, which could harm our business. If any of these events occur, it could materially adversely affect our business, financial condition or results of operations.

We may be unable to compete effectively against our current and future competitors.

The market for our products and services is highly competitive. We view our competition in terms of direct and indirect competitors. Our direct HSA competitors are HSA custodians and administrators that include state or federally chartered banks, such as Webster and Optum Bank, insurance companies, well-known retail investment companies, such as Fidelity Investments, and non-bank custodians approved by the U.S. Treasury. We also have numerous indirect HSA administration competitors, including benefits administrators and health plans, that license technology platforms and partner with other HSA custodians to provide "white label" HSA offerings. 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, and these competitors may enter the HSA market or expand existing HSA offerings to compete with us.

Increased focus on HSA-favorable healthcare regulatory reforms may create renewed interest and investment by our competitors in their HSA offerings and lead to greater competition, which could make it harder for us to maintain our growth trajectory. Our competitors may also offer reduced fee or no-fee HSAs, which may permit them to increase market share in our market and lead to Client and Network Partner attrition or cause us to reduce our fees; and this risk could be compounded if legal requirements or administrative rules are interpreted in a way that makes compliance more onerous for us than for our competitors.

If one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could materially adversely affect our ability to compete effectively. Our competitors may also establish or strengthen cooperative relationships with our current or future Network Partners or other strategic partners, thereby limiting our ability to promote our solution with these parties. We have seen an increase in Network Partners that have decided to offer HSAs or other CDBs directly to their customers, and a continuation of this trend would significantly reduce our channel partner opportunities.

Well-known retail mutual fund companies, such as Fidelity Investments, have entered the HSA and CDB business and gained significant market share. Our market share could decline if Fidelity and other mutual fund companies continue expanding their presence in the market. These investment companies have significant advantages over us in terms of brand name recognition, years of experience managing tax-advantaged retirement accounts (e.g., 401(k) and IRA), highly developed recordkeeping, trust functions, and fund advisory and customer relations management, among others. If we are unable to compete effectively with these mutual fund company competitors, our results of operations, financial condition, business, and prospects could be materially adversely affected.

Many of our competitors, in particular banks, insurance companies, and other financial institutions, have longer operating histories and significantly greater financial, technical, marketing, and other resources than we have. As a result, some of these competitors may be in a position to devote greater resources to the development, promotion, sale, and support of their products and services and have offered, or may in the future offer, a wider range of products and services that are increasingly desired by potential customers, and they may also use advertising and marketing strategies (including loss-leaders) that achieve broader brand recognition or acceptance.

Finally, our competitors may have the ability to devote more financial and operational resources than we can to developing new technologies and services, including services that provide improved operating functionality, and adding features to their existing service offerings. If successful, their development efforts could render our services less desirable, resulting in the loss of our existing customers or a reduction in the fees we earn from our products and services.

Developments in the rapidly changing healthcare industry could adversely affect our business.

Substantially all of our revenue is derived from healthcare-related saving and spending by consumers, which could be affected by changes affecting the broader healthcare industry, including decreased spending in the industry overall. General reductions in expenditures by healthcare industry participants could result from, among other things:

- government regulation or private initiatives that affect the manner in which healthcare industry participants interact with consumers and the general public;
- consolidation of healthcare industry participants;
- reductions in governmental funding for healthcare; and
- adverse changes in general business or economic conditions affecting healthcare industry participants.

Even if general expenditures by industry participants remain the same or increase, developments in the healthcare industry may result in reduced spending in some or all of the specific market segments that we serve now or in the future. The healthcare industry has changed significantly in recent years, and we expect that significant changes will continue to occur. However, the timing and impact of developments in the healthcare industry are difficult to predict. We cannot assure you that the demand for our products and services will continue to exist at current levels or that we will have adequate technical, financial, and marketing resources to react to changes in the healthcare industry.

If our members do not continue to utilize our payment cards, our results of operations, business, and prospects would be materially adversely affected.

We derived 17%, 15%, and 16% of our total revenue during the fiscal years ended January 31, 2022, 2021, and 2020, respectively, from interchange fees that are paid to us when our customers utilize our payment cards. These fees represent a percentage of the expenses transacted on each card. The COVID-19 pandemic has had a materially adverse impact on the interchange fees generated due to decreased usage of our payment cards in our commuter product and in healthcare spending. If our customers do not use these payment cards at the rate we expect, if they elect to withdraw funds using a non-revenue generating mechanism such as direct reimbursement, if the impacts of the COVID-19 pandemic continue, or if other alternatives to these payment cards develop, our results of operations, business, and prospects would be materially adversely affected.

Risks relating to our service and culture

Any failure to offer high-quality customer support services could adversely affect our relationships with our members, Clients, and Network Partners and our operating results.

Our customers depend on our support and customer education organizations to educate them about, and resolve technical issues relating to, our products and services. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for education and support services. Increased customer demand for these services, without a corresponding increase in revenue, could increase costs and adversely affect our operating results. We have experienced team member turnover as a result of the ongoing "great resignation" occurring throughout the American economy, and this has negatively impacted our ability to provide the type of service that is expected by our Network Partners, Clients and members.

A majority of our work force now works remotely, including our member service and Client service teams, and we expect this remote work environment to continue after the COVID-19 pandemic. As a result, it may be more difficult to provide the type of service our members, Clients and Network Partners expect, and it may be more difficult to meet our service level commitments to our Clients.

Our sales process is highly dependent on the reputation of our products, services, and business and on positive recommendations from our existing customers. Further, we use third-party vendors for certain call centers and COBRA claims and transaction processing, including certain offshore vendors for member chat service, which vendors may not provide the same quality of support services for our Clients and members. Any failure to maintain high-quality education and technical support, or a market perception that we do not maintain high-quality education support, could adversely affect our reputation, our ability to sell our products and services to existing and prospective customers and our business and operating results. We promote 24/7/365 education and support along with our proprietary technology platforms. Interruptions or delays that inhibit our ability to meet that standard may hurt our reputation or ability to attract and retain customers.

We rely on our management team and team members and our business could be harmed if we are unable to retain qualified personnel.

Our success depends, in part, on the skills, working relationships and continued services of our executive leadership team and other key personnel. While we have entered into employment agreements with our executive officers, all of our team members are “at-will” employees, and their employment can be terminated by us or them at any time, for any reason, and without notice, subject, in certain cases, to severance payment rights. In order to retain valuable team members, in addition to salary and cash incentives, we provide equity-based awards that vest over time or based on performance. The value to team members of these awards will be significantly affected by movements in our stock price that are beyond our control and may at any time be insufficient to counteract offers from other organizations. The departure of key personnel could adversely affect the conduct of our business. In such event, we would be required to hire other personnel to manage and operate our business, and there can be no assurance that we would be able to employ a suitable replacement for the departing individual, or that a replacement could be hired on terms that are favorable to us. Volatility or lack of performance in our stock price may affect our ability to attract replacements should key personnel depart.

Our success also depends on our ability to attract, retain, and motivate additional skilled management personnel and other team members. For example, competition for qualified personnel in our field and geographic markets is intense due to the limited number of individuals who possess the skills and experience required by our industry, particularly in the technology-related fields. In addition, we have experienced team member turnover as a result of the ongoing "great resignation" occurring throughout the American economy, and we expect to continue to experience team member turnover in the future. New hires require significant training and, in most cases, take significant time before they achieve full productivity. New team members may not become as productive as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals. For example, it has become more difficult for us to hire entry-level team members in our member service and client service teams. If our retention efforts are not successful or our team member turnover rate continues to increase in the future, our business, results of operations and financial condition could be materially and adversely affected.

In September 2021, the President of the United States signed the Vaccine Mandate. While the Vaccine Mandate has been stayed by the courts, we are classified as a federal contractor due to a number of our agreements and believe we will be subject to the Vaccine Mandate if it is reinstated. HealthEquity’s compliance with the Vaccine Mandate has and could continue to result in increased team member attrition, absenteeism, costs associated with preventing team member attrition and absenteeism, and a further material increase in team member attrition, absenteeism or increase in retention costs could have a material and adverse impact on our business, results of operations and financial condition.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, teamwork, passion, and focus on execution that we believe contribute to our success.

We believe that a critical component to our success has been our corporate culture. We have invested substantial time and resources in building our team. As we continue to grow, including through the integration of team members joining us through our acquisitions, we have found it difficult to maintain these important aspects of our corporate culture. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives.

Data security, technological, and intellectual property risks

Cyber-attacks, including ransomware attacks, or other privacy or data security incidents could materially adversely impact our business.

Our proprietary technology platforms enable the exchange of, and access to, sensitive information, and, as a result, we are frequently the target of cyber-attacks or other privacy or data security incidents. As one of the largest providers of HSAs and other CDBs, we are an even more attractive target for cyber-attacks, including ransomware attacks, which means we must continue to secure and monitor each of our technology platforms, making sure these platforms are aligned to our industry benchmark security posture. In addition, recent geopolitical events, including the war between Russia and Ukraine, may result in an increase in cyber-attacks.

The majority of our work force now works remotely, and we expect this to continue even after the COVID-19 pandemic. This remote work environment increases the risk of cybersecurity breaches and incidents, and the potential impact of these on our operations is also higher while our team members log in to our network remotely.

Our ability to ensure the security of our technology platforms and thus sensitive customer and partner information is critical to our operations. We rely on standard Internet and other security systems to provide the security and authentication necessary to effect secure transmission of data. Despite our security measures, our information technology and infrastructure is vulnerable to cybersecurity threats, including attacks by hackers and other malfeasance. Such security breaches could compromise our networks and result in the information stored or transmitted there to be accessed, publicly disclosed, lost, or stolen. Such access, disclosure, or other loss of information could result in legal claims or proceedings leading to liability, including under laws that protect the privacy of personal information, disrupt our operations and the services we provide to our clients, damage our reputation, and cause a loss of confidence in our products and services, which could adversely affect our business, operations, and competitive position.

A major breach of our network security and systems could have serious negative consequences for our business, including possible fines, penalties and damages, reduced demand for our services, an unwillingness of members, Clients, Network Partners and other data owners to provide us with their payment information, an unwillingness of members and other data owners to provide us with personal information, and harm to our reputation and brand.

Security breaches could result in the loss of sensitive information, theft or loss of actual funds, litigation, indemnity obligations to our Clients, fines and other liabilities, including under laws that protect the privacy of personal information, disrupt our operations and the services we provide to our members, Clients and Network Partners, damage our reputation, and cause a loss of confidence in our products and services. If third parties improperly obtain and use the personal information of our members, we may be required to expend significant resources to resolve these problems. While we have security measures in place, we have experienced data privacy incidents in the past, including several incidents in 2018. As a result, or if our security measures are breached again or unauthorized access to data is otherwise obtained as a result of third-party action, team member error or otherwise, our reputation could be significantly damaged, our business may suffer and we could incur substantial liability, which could result in loss of sales, Clients and Network Partners.

We have found that the security measures associated with some of the technology platforms used by WageWorks are not sufficient and improving these security measures has taken and will continue to take significant resources. The continued integration of the WageWorks technology platforms with our technology platforms may create further vulnerabilities in our systems.

Because techniques used to obtain unauthorized access to or sabotage systems change frequently and are generally not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any or all of these issues could negatively impact our ability to attract new, or increase engagement by, members, Clients and Network Partners, and subject us to third-party lawsuits, regulatory fines, contractual liability, and other action or liability, thereby harming our operating results.

Fraudulent and other illegal activity involving our products and services could lead to financial and reputational damage to us and reduce the use and acceptance of our products and services.

Criminals are using increasingly sophisticated methods to capture personal information in order to engage in illegal activities such as counterfeiting and identity theft. Even if we can secure our systems against these activities, we are vulnerable through third parties. We rely upon third parties for some transaction processing services, data feeds, and vendors, which subjects us to risks related to the vulnerabilities of those third parties. For example, we are exposed to risks relating to the theft of payment card numbers housed in a merchant's point of sale systems if our members use our payment cards at a merchant whose systems are compromised. We may make our members whole for losses sustained when using our payment cards, even in instances where we are not directly responsible for the underlying cause of such loss. A single significant incident of fraud, or increases in the overall level of fraud, involving our payment cards, our custodial accounts or our reimbursement administration services, could result in financial and reputational damage to us, which could reduce the use and acceptance of our products and services, or cause our Clients, members and Network Partners to cease doing business with us.

We rely on software licensed from third parties that may be difficult to replace or that could cause errors or failures of our technology platforms that could lead to lost customers or harm to our reputation.

We rely on certain cloud-based software licensed from third parties to run our business. This software may not continue to be available to us on commercially reasonable terms and any loss of the right to use any of this software could result in delays in the provisioning of our products and services until equivalent technology is either developed by us, or, if available, identified, obtained, and integrated, which would likely take a significant amount of time and harm our business. In addition, we have service level agreements with certain of our Clients and Network Partners for which the availability of this software is critical. Any decrease in the availability of our service as a result of errors, defects, a disruption or failure of our licensed software may require us to provide significant fee credits or refunds to our customers. Our software licensed from third parties is also subject to change or upgrade, which may result in our incurring significant costs to implement such changes or upgrades.

Developing and implementing new and updated applications, features, and services for our technology platforms may be more difficult than expected, may take longer and cost more than expected, or may result in the platforms not operating as expected.

Attracting and retaining new clients and Network Partners requires us to continue to improve the technology underlying our proprietary technology platforms and requires our technology to operate as expected. In addition, potential clients and Network Partners are increasingly seeking a bundled solution, encompassing a wide range of features. Accordingly, we must continue to develop new and updated applications, features, and services, and maintain existing applications, features, and services. If we are unable to do so on a timely basis or if we are unable to implement new applications, features and services that enhance our members' and Clients' experience without disruption to our existing applications, features and services, or if we encounter technical obstacles that result in the technology not operating properly, we may lose potential and existing Clients and Network Partners. We rely on a combination of internal development, strategic relationships, licensing, and acquisitions to develop our content offerings, products and services. These efforts may:

- cost more than expected;
- take longer than originally expected;
- require more testing than originally anticipated;
- require significant cost to address or resolve technical defects or obstacles;
- require additional advertising and marketing costs; and
- require the acquisition of additional personnel and other resources.

The revenue opportunities earned from these efforts may fail to justify the amounts spent. In addition, material performance problems, defects or errors in our existing or new software may occur in the future, which may harm our operating results.

Any disruption of service at our facilities or our third-party data centers could interrupt or delay our customers' access to our products and services.

The ability of our team members, members, Network Partners, and Clients to access our technology platforms is critical to our business. We cannot ensure that the measures we have taken to enable access to our technology platforms will be effective to prevent or minimize interruptions to our operations. Our technology platforms are hosted by third-party data centers. Our facilities and our third-party data centers are vulnerable to interruption or damage from a number of sources, many of which are beyond our control, including, without limitation:

- extended power loss;
- telecommunications failures from multiple telecommunications providers;
- natural disaster or an act of terrorism;
- software and hardware errors, or failures in our own systems or in other systems;
- network environment disruptions such as computer viruses, hacking and similar problems in our own systems and in other systems;
- theft and vandalism of equipment; and
- actions or events caused by or related to third parties.

We attempt to mitigate these risks through various business continuity efforts, including redundant infrastructure, 24/7/365 system activity monitoring, backup and recovery procedures, use of a secure storage facility for backup media, separate test systems, and change management and system security measures, but our precautions may not protect against all potential problems. Our data recovery centers are equipped with physical space, power, storage and networking infrastructure and Internet connectivity to support our technology platforms in the event of the interruption of services at our data centers. Even with these data recovery centers, our operations would be interrupted during the transition process should our primary data center experience a failure. Disruptions at our data centers could cause disruptions to our technology platforms and data loss or corruption. We have experienced interruptions and delays in service and availability for data centers, and bandwidth and other technology issues in the past. Frequent or persistent system failures that result in the unavailability of our technology platforms or slower response times could reduce our members', Clients' and Network Partners' ability to access our technology platforms, impair the delivery of our products and services, and harm the perception of our platforms as reliable, trustworthy, and consistent. Any future errors, failure, interruptions or delays experienced in connection with these third-party technologies could delay access to our products by members, Clients and Network Partners, which would harm our business. This could damage our reputation, subject us to potential liability or costs related to defending against claims or cause our members, Clients and Network Partners to cease doing business with us, any of which could negatively impact our financial results.

Interruption or failure of our information technology and communications systems could impair our ability to effectively deliver our products and services.

Our business depends on the continuing operation of our technology infrastructure and systems. Any damage to or failure of our systems could result in interruptions in our ability to deliver our products and services. Interruptions in our service could negatively impact our financial results, and our reputation could be damaged if our systems are viewed as unreliable. Our systems and operations are vulnerable to damage or interruption from earthquakes, terrorist attacks, floods, fires, power loss, break-ins, hardware or software failures, telecommunications failures, computer viruses or other attempts to harm our systems, and similar events. Any unscheduled interruption in our service could negatively impact our financial results. In addition, our insurance policies provide only limited coverage for service interruptions and may not adequately compensate us for any losses that may occur due to any failures or interruptions in our systems.

Our technology platforms may link to or utilize open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Our technology platforms may incorporate software covered by open source licenses. The terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unfavorable conditions on us. For example, by the terms of certain open source licenses, we could be required to offer our technology platforms that incorporate the open source software for no cost, that we make publicly available source code for modifications or derivative works that we created based upon, incorporating or using the open source software, and/or that we license such modifications or derivative works under the terms of the particular open source license. If portions of our proprietary software are determined to be subject to an open source license, then the value of our technologies and services could be reduced.

In addition to risks related to license requirements, usage of open source software may be riskier than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with usage of open source software cannot be eliminated and could negatively affect our business.

Failure to adequately protect our brands and other intellectual property rights, and infringement of the intellectual property rights of others, would negatively impact our business.

We believe that our brands are critical to the success of our business, and we utilize trademark registration and other means to protect these brands. Our business would be harmed if we were unable to protect our brands against infringement and the value of our brands was to decrease as a result.

We rely on a combination of trademark and copyright laws, trade secret protection, and confidentiality and license agreements to protect the intellectual property rights related to our products and services such as our technology platforms, applications and the content on our website. We also rely on intellectual property licensed from third parties. We may unknowingly violate the intellectual property or other proprietary rights of others and, thus, may be subject to claims by third parties. If so, we may be required to devote significant time and resources to defending against these claims or to protecting and enforcing our own rights. As a result of any such dispute, we may have to:

- develop non-infringing technology;
- pay damages;
- enter into royalty or licensing agreements;

- cease providing certain products or services; or
- take other actions to resolve the claims.

Additionally, we have largely relied, and expect to continue to rely, on copyright, trade secret, and trademark laws, as well as generally relying on confidentiality procedures and agreements with our team members, consultants, customers, and vendors, to control access to, and distribution of, technology, software, documentation, and other confidential information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain, use, or distribute our technology without authorization, particularly in foreign jurisdictions where some of our intellectual property rights may not be protected by intellectual property laws. If this were to occur, we could lose revenue as a result of competition from products infringing or misappropriating our technology and intellectual property and we may be required to initiate litigation to protect our proprietary rights and market position. U.S. copyright, trademark, and trade secret laws offer us only limited protection and the laws of some foreign countries do not protect proprietary rights to the same extent. Accordingly, defense of our intellectual property and proprietary technology may become an increasingly important issue as we continue to expand our operations.

Policing unauthorized use of our intellectual property and technology is difficult and the steps we take may not prevent misappropriation of the intellectual property or technology on which we rely. If competitors are able to use our intellectual property or technology without recourse, our ability to compete would be harmed and our business would be materially and adversely affected. We may elect to initiate litigation in the future to enforce or protect our proprietary rights or to determine the validity and scope of the rights of others.

The loss of our intellectual property or the inability to secure or enforce our intellectual property rights or to defend successfully against an infringement action could harm our business, results of operations, financial condition, and prospects.

If we are unable to promote our brands effectively, our business may suffer.

We believe that promoting our brands in an effective manner is critical to achieving widespread acceptance of our products and services, attracting new customers and strategic partners, and integrating acquired businesses and Clients. Brand promotion activities may not generate customer awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses we incur in building our brands. If we fail to successfully promote our brands, or incur substantial expenses in doing so, we may fail to attract or retain a sufficient number of Clients and Network Partners necessary for us to realize a sufficient return on our brand-building efforts, to achieve the widespread brand awareness that is critical for broad customer adoption of our products and services, or to fully and effectively integrate our acquisitions.

We currently own several web domain names that are critical to the operation of our business. The acquisition and maintenance of domain names, or Internet addresses, is generally regulated by governmental agencies and their designees. The regulation of domain names in the U.S. is subject to change. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. Furthermore, it is unclear whether laws protecting trademarks and similar proprietary rights will be extended to protect domain names. Therefore, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon, or otherwise decrease the value of our brands, trademarks and other proprietary rights. We may not be able to successfully implement our business strategy of establishing strong branding if we cannot prevent others from using similar domain names or trademarks. This failure could impair our ability to increase our market share and revenue.

Confidentiality arrangements with team members and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our technology, business operations and business plans. In order to protect our trade secrets and proprietary information, we rely in significant part on confidentiality arrangements with our team members, independent contractors, advisors, customers, and other partners. These arrangements may not be effective to prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we would not be able to assert trade secret rights against such parties. The loss of trade secret protection could make it easier for third parties to compete with our products and services by copying functionality. In addition, any changes in, or unexpected interpretations of, the trade secret and other intellectual property laws may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Legal and regulatory risks

The healthcare regulatory and political framework is uncertain and evolving, and we cannot predict the effect that further healthcare reform and other changes in government programs may have on our business, financial condition, or results of operations.

Healthcare laws and regulations are rapidly evolving and may change significantly in the future, which could adversely affect our financial condition and results of operations. In addition, proposals to implement a single payer or "Medicare for all" system in the U.S. or in individual states, if adopted, could have a material adverse effect on our business. The full impact of healthcare reform and other changes in the healthcare industry and in healthcare spending is unknown and may be affected by President Biden's administration and a Democratically controlled Congress. Accordingly, we are unable to predict what effect healthcare reform measures will have on our business.

Changes in applicable federal and state laws relating to HSAs and other CDBs could materially adversely affect our business.

HSAs and other CDBs exist as a result of provisions in the Internal Revenue Code and other laws and regulations. Changes to the regulatory landscape impacting our products may require substantial time and costs for us to ensure our products are compliant. For example, regulatory changes related to our FSA and COBRA products enacted in the wake of the COVID-19 pandemic created uncertainty and additional workload on our team members and resulted in additional costs. In addition, federal or state governments could impose laws that limit the eligibility requirements for our products, which could limit our ability to grow or cause us to lose existing members, or such governments could change the eligibility requirements we must meet to maintain the licenses we need to offer our products. We cannot predict if any new reforms will ultimately become law, or if enacted, what their terms or the regulations promulgated pursuant to such reforms will be, and such reforms could have a material adverse effect on our business.

We are subject to privacy regulations, including regarding the access, use, and disclosure of personally identifiable information. If we or any of our third-party vendors experience a privacy breach, it could result in substantial financial and reputational harm, including possible criminal and civil penalties.

State and federal laws and regulations govern the collection, dissemination, access, and use of personally identifiable information, including HIPAA and HITECH, which govern the treatment of protected health information, and the Gramm-Leach Bliley Act, which governs the treatment of nonpublic personal information. In the provision of services to our customers, we and our third-party vendors may collect, access, use, maintain, and transmit personally identifiable information in ways that are subject to many of these laws and regulations. Although we have implemented measures to comply with these privacy laws, rules, and regulations, we have experienced data privacy incidents. Any further unauthorized disclosure of personally identifiable information experienced by us or our third-party vendors could result in substantial financial and reputational harm, including possible criminal and civil penalties. In many cases, we are subject to HIPAA and other privacy regulations because we are a business associate providing services to covered entities; as a result, the covered entities direct HIPAA compliance matters in the event of a security breach, which complicates our ability to address harm caused by the breach. In addition, our increased offering of CDBs means we now obtain substantially more HIPAA data. Additionally, as we have in connection with prior security incidents, we may be required to report breaches to partners, regulators, state attorney generals, and impacted individuals depending on the severity of the breach, our role, legal requirements, and contractual obligations.

Privacy regulation has become a priority issue in many states, and as such the regulatory environment is continually changing. For example, the California Consumer Privacy Act ("CCPA") became effective on January 1, 2020. The CCPA requires companies, such as ours, that process information on California residents to make new disclosures to consumers about their data collection, use, and sharing practices, and allows consumers to opt out of certain data sharing with third parties and provides a new cause of action for data breaches. We expect further privacy requirements to be applicable to us as a result of the recently passed California Privacy Rights Act, as it significantly modifies the CCPA by expanding consumers' rights with respect to certain sensitive personal information. Other governmental authorities are also considering legislative and regulatory proposals concerning data protection.

Continued compliance with current and potential new privacy laws, rules, and regulations and meeting consumer expectations with respect to the control of personal data in a rapidly changing technology environment could result in higher compliance and technology costs for us, as well as costly penalties in the event we are deemed to not be in compliance with such laws, rules, and regulations.

Legislative, regulatory, and legal developments involving taxes could adversely affect our results of operations and cash flows.

We are subject to U.S. federal and state income, payroll, property, sales and use, and other types of taxes in numerous jurisdictions. Significant judgment is required in determining our provisions for income taxes. Changes in tax rates, enactments of new tax laws, revisions of tax regulations, and claims or litigation with taxing authorities could result in substantially higher taxes. For example, recent tax proposals have included proposals to increase the U.S. corporate income tax rate and impose a new alternative minimum tax on book income. If these or similar taxpayer unfavorable proposals are ultimately enacted, they could materially impact our tax provision, cash tax liability and effective tax rate.

We do not collect sales and use taxes in all jurisdictions in which our customers are located, other than from sales of certain commuter services, based on our belief that such taxes are generally not applicable to our services. Sales and use tax laws and rates vary by jurisdiction and such laws are subject to interpretation. In those jurisdictions and in those cases where we do believe sales taxes are applicable, we collect and file timely sales tax returns. Currently, such sales taxes apply to certain commuter services, but otherwise are minimal to the rest of our services. Jurisdictions in which we do not collect sales and use taxes may assert that such taxes are applicable, which could result in the assessment of such taxes, interest, and penalties, and we could be required to collect such taxes in the future. Such additional sales and use tax liability could adversely affect the results of our operations.

Changes in laws and regulations relating to interchange fees on payment card transactions could adversely affect our revenue and results of operations.

Existing laws and regulations limit the fees or interchange rates that can be charged on payment card transactions. For example, the Federal Reserve Board has the power to regulate payment card interchange fees and has issued a rule setting a cap on the interchange fee an issuer can receive from a single payment card transaction. Our HSA-linked payment cards are exempt from this rule, although we are subject to a general requirement of reasonable compensation for services rendered. To the extent that our payment cards lose their exempt status, the interchange rates applicable to transactions involving our payment cards could be impacted, which could have a material adverse effect on our financial condition and results of operations.

Failure to comply with, or changes in, payment card industry, credit card association or other network rules or standards set by Visa or MasterCard, or changes in card association and debit network fees or products or interchange rates, could materially adversely affect us.

We, and the banks that issue our prepaid debit cards, are subject to Payment Card Industry Data Security Standards and Visa and MasterCard association rules that could subject us to a variety of fines or penalties that may be levied by the card associations or networks for acts or omissions by us or businesses that work with us, including card processors. Failure to comply with these rules and standards could result in significant fines, other penalties, or the termination of our interchange revenue agreements. The termination of the card association registrations held by us or any of the banks that issue our cards, or any changes in card association or other debit network rules or standards, including interpretation and implementation of existing rules, participants deciding to use PIN networks, standards or guidance that increase the cost of doing business or limit our ability to provide our products and services, or limit our ability to receive interchange fees, could have a material adverse effect on our results of operations, financial condition, business, and prospects. In addition, from time-to-time, card associations increase the organization or processing fees that they charge, which could increase our operating expenses, reduce our profit margin and materially adversely affect our results of operations, financial condition, business, and prospects.

We are subject to complex regulation, and any compliance failures or regulatory action could adversely affect our business.

Our business, including HSAs and many of the CDBs we administer and our investment adviser and trust company subsidiaries, is subject to extensive, complex, and frequently changing federal and state laws and regulations, including IRS, Health and Human Services (“HHS”), and Department of Labor (“DOL”) regulations; ERISA, HIPAA, HITECH, and other privacy and data security regulations; the Advisers Act; state banking laws; state third-party administrator laws, and the Patient Protection and Affordable Care Act.

Our subsidiary HealthEquity Advisors, LLC is an SEC-registered investment adviser that provides automated web-only investment advisory services. As such, it must comply with the requirements of the Advisers Act and related SEC regulations and is subject to periodic inspections by the SEC staff. Such requirements relate to, among other things, fiduciary duties to clients, disclosure obligations, recordkeeping and reporting requirements, marketing restrictions, limitations on agency cross and principal transactions between the adviser and its clients, and general anti-fraud prohibitions. The SEC is authorized to institute proceedings and impose sanctions for violations of the Advisers Act, ranging from fines and censure to termination of an investment adviser's registration. Investment advisers also are subject to certain state securities laws and regulations.

Our subsidiary HealthEquity Trust Company is a non-depository trust company and subject to regulation and supervision by the Wyoming Division of Banking.

Compliance with regulatory requirements may divert internal resources and take significant time and effort. Any claim of non-compliance, regardless of merit or ultimate outcome, could subject us to investigation by the HHS, the DOL, the SEC, the Wyoming Division of Banking, or other regulatory authorities. This in turn could result in additional claims or class action litigation brought on behalf of our members, Clients or Network Partners, any of which could result in substantial cost to us and divert management's attention and other resources away from our operations. Furthermore, investor perceptions of us may suffer, and this could cause a decline in the market price of our common stock. Our compliance processes may not be sufficient to prevent assertions that we failed to comply with any applicable law, rule or regulation. In addition, all of our business is subject, to varying degrees, to fiduciary and other service provider obligations under ERISA, the Internal Revenue Code, and underlying regulations. A failure to comply could subject us to disgorgement of profits, excise taxes, civil penalties, private lawsuits, and other costs, including reputational harm.

If we are unable to meet or exceed the net worth test required by the IRS, we could be unable to maintain our non-bank custodian status.

As a non-bank custodian, we are required to comply with Treasury Regulations Section 1.408-2(e), or the Treasury Regulations, including the net worth requirements set forth therein. If we should fail to comply with the Treasury Regulations' non-bank custodian requirements, including the net worth requirements, such failure would materially and adversely affect our ability to maintain our current custodial accounts and grow by adding additional custodial accounts, and it could result in the institution of procedures for the revocation of our authorization to operate as a non-bank custodian.

Risks relating to our partners and service providers

If our Network Partners choose to partner with other providers of, or otherwise reduce offering or cease to offer, our products and services, our business could be materially and adversely affected.

Our business depends on our Network Partners' willingness to partner with us to offer their customers and/or employees our products and services. In particular, certain of our Network Partners enjoy significant market share in various geographic regions. In certain geographies, we have multiple Network Partners that may be competing against each other for the same business, which may result in our inability to bid for certain business or could result in us upsetting a Network Partner that we choose not to partner with in a certain bid or that expects us to bid exclusively with them. If these Network Partners choose to instead partner with our competitors, or otherwise reduce offering, or cease to offer, our products and services, our results of operations, business, and prospects could be materially adversely affected.

A change in relationship with any of our bank identification number sponsors, or the failure by these sponsors to comply with certain banking regulations, could materially and adversely affect our business.

We rely on a limited number of bank identification number ("BIN") sponsors in relation to the payment cards we issue. A BIN sponsor is a bank or credit union that provides the BIN that allows a prepaid card program to run on one of the major card brand networks (e.g., VISA, MasterCard, Discover or American Express). Our BIN sponsors enable us to link the payment cards that we offer our members to the VISA and Mastercard networks, thereby allowing our members to use our payment cards to pay for expenses with a "swipe" of the card. If any material adverse event were to affect our BIN sponsors, including a significant decline in the financial condition of any of our BIN sponsors, a decline in the quality of service provided by our BIN sponsors, the inability of our BIN sponsors to comply with applicable banking and financial service regulatory requirements or industry standards, systems failure or the inability of our BIN sponsors to pay us fees, our business, financial condition, and results of operations could be materially and adversely affected because we may be forced to reduce the availability of, or eliminate entirely, our payment card offering, which would materially impact our interchange revenue. In addition, we do not have long-term contracts with our BIN sponsors, and our BIN sponsors may increase the fees charged to us or terminate our relationship. If we were required to change BIN sponsors, we could not accurately predict the success of such change or that the terms of our agreement with a new BIN sponsor would be as favorable to us, especially in light of the regulatory scrutiny of the payment card industry, which has rendered the market for BIN sponsor services less competitive.

Replacing our third-party vendors would be difficult and disruptive to our business.

We have entered into contracts with third-party vendors to provide critical services relating to our business, including the redesign of our technology platforms, fraud management and other customer verification services, transaction processing and settlement, telephony services, call centers and card production. In addition, WageWorks uses third-party vendors for its COBRA transaction processing and also uses one of our competitors for card processing and other services. In the event that these service providers fail to maintain adequate levels of support, do not provide high quality service, increase the fees they charge us, discontinue their lines of business, terminate our contractual arrangements or cease or reduce operations, we may suffer additional costs and be required to pursue new third-party relationships, which could harm our reputation, materially disrupt our operations and our ability to provide our products and services, and could divert management's time and resources. A transition to a new vendor could take a significant amount of time and resources and, if we are unable to complete a transition to a new provider on a timely basis, or at all, we could be forced to temporarily or permanently discontinue certain services, such as our payment card services, which could disrupt services to our customers and adversely affect our business, financial condition, and results of operations. We may also be unable to establish comparable new third-party relationships on as favorable terms or at all, which could materially and adversely affect our business, financial condition, and results of operations.

In the event the stay of the Vaccine Mandate is lifted, the Vaccine Mandate would require that certain of our third-party vendors also require their employees to be vaccinated. While we continue to evaluate the impact of the Vaccine Mandate on our third-party vendors, compliance with the Vaccine Mandate could result in certain key third-party vendors terminating their arrangements with us or in increased employee turnover at our third-party vendors, delays in performance by our third-party vendors, or increased costs for us. Such impacts could have a material and adverse impact on our business, results of operations and financial condition.

Growth-related risks

We may not be able to operate, integrate, and scale our technology effectively to match our business growth.

Our ability to continue to provide our products and services to a growing number of customers, as well as to enhance our existing products and services, attract new customers and strategic partners, offer new products and services, and continue the integration of acquired businesses into our business, is dependent on our information technology systems. If we are unable to manage the technology associated with our business effectively, we could experience increased costs, reductions in system availability, and customer loss. We are currently investing in a significant modernization of our proprietary technology platforms to support new opportunities and enhance security, privacy, and platform infrastructure. If we are unsuccessful in implementing these upgrades to our technology platforms, we may be unable to adequately meet the needs of our customers and/or implement technology-based innovation in response to a rapidly changing market, which could harm our reputation and adversely impact our business, financial condition, and results of operations.

Failure to manage future growth effectively could have a material adverse effect on our business, financial condition, and results of operations.

The continued rapid expansion and development of our business has placed a significant strain upon our management and administrative, operational, and financial infrastructure. As of January 31, 2022, we had approximately 7.2 million HSAs and $19.6 billion in HSA assets representing growth of 25% and 37%, respectively, from January 31, 2021. Our growth strategy contemplates further increasing the number of our HSAs, CDBs and our HSA Assets at relatively higher growth rates than industry averages. However, the rate at which we have been able to add new HSAs, CDBs and HSA Assets in the past may not be indicative of the rate at which we will be able to grow in the future.

Our success depends in part upon the ability of our executive officers to manage growth effectively. Our ability to grow also depends upon our ability to successfully hire, train, supervise, and manage new team members, obtain financing for our capital needs, expand our systems effectively, control increasing costs, allocate our human resources optimally, maintain clear lines of communication between our operational functions and our finance and accounting functions, and manage the pressures on our management and administrative, operational, and financial infrastructure. There can be no assurance that we will be able to accurately anticipate and respond to the changing demands we will face as we continue to expand our operations or that we will be able to manage growth effectively or to achieve further growth at all. If our business does not continue to grow or if we fail to effectively manage any future growth, our business, financial condition, and results of operations could be materially and adversely affected.

We may not accurately estimate the impact on our business of developing, introducing, and updating new and existing products and services.

We intend to continue to invest in technology and development to create new and enhanced products and services to offer our customers and to enhance the capabilities of our platforms. We may not be able to anticipate or manage new risks and obligations or legal, compliance, or other requirements that may arise in these areas. The anticipated benefits of such new and improved products and services may not outweigh the costs and resources associated with their development. Some new services may be received negatively by our existing and/or potential customers and strategic partners and have to be put on hold or canceled entirely.

Our ability to attract and retain new customer revenue from existing customers will depend in large part on our ability to enhance and improve our existing products and services and to introduce new products and services. The success of any enhancement or new product or service depends on several factors, including the timely completion, introduction, and market acceptance of the enhancement or new product or service. Any new product or service we develop or acquire may not be introduced in a timely or cost-effective manner and may not achieve the broad market acceptance necessary to earn significant revenue. If we are unable to successfully develop or acquire new products or services or enhance our existing products or services to meet member or network partner requirements, our results of operations, financial condition, business or prospects may be materially adversely affected.

We may need to record write-downs from future impairments of identified intangible assets and goodwill.

Our consolidated balance sheet includes significant intangible assets, including approximately $1.65 billion in goodwill and $973.1 million in intangible assets, together representing approximately 84% of our total assets as of January 31, 2022. The determination of related estimated useful lives and whether these assets are impaired involves significant judgments. We test our goodwill for impairment each fiscal year, but we also test goodwill and other intangible assets for impairment at any time when there is a change in circumstances that indicates that the carrying value of these assets may be impaired. Any future determination that these assets are carried at greater than their fair value could result in substantial non-cash impairment charges, which could significantly impact our reported operating results.

Financing and related risks

Our substantial debt could limit our ability to fund operations, expose us to interest rate volatility, limit our ability to raise additional capital and have a material adverse effect on our ability to fulfill our obligations under our Credit Agreement and Indenture and to our Network Partners, Clients and members.

We are party to a credit agreement (the "Credit Agreement") 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 in the Credit Agreement), and each L/C Issuer (as defined therein) party thereto. Our Credit Agreement consists of (i) a five-year senior secured term loan A facility in the aggregate principal amount of $350 million (the "Term Loan Facility") 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 billion. We have also issued $600 million of 4.50% unsecured Senior Notes due 2029 (the "Notes"). Under the Credit Agreement, we have the right to request additional commitments for new term loans and increases to then-existing term loans and revolving credit commitments in an amount up to the sum of (i) $300 million, plus (ii) an unlimited additional amount so long as the pro forma First Lien Net Leverage Ratio (as defined in the Credit Agreement) does not exceed 3.85 to 1.00 (assuming any such new or increased revolving commitments are fully borrowed). We also have the right to incur additional debt from time to time, subject to the restrictions contained in the Credit Agreement and the indenture under which the Notes were issued (the "Indenture"). The substantial debt we have outstanding, combined with our other financial obligations and contractual commitments, has important consequences, including the following:

- our level of debt may make it more difficult for us to satisfy our obligations with respect to our debt, and any failure to comply with the obligations under any of our debt instruments, including restrictive covenants, could result in an event of default under the Credit Agreement or the Indenture and the agreements governing such other debt;
- we will be required to use a substantial portion of our cash flow from operations to pay principal and interest on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, strategic acquisitions, investments and alliances and other general corporate requirements;
- our interest expense could increase if interest rates increase because any outstanding borrowings under our Credit Facilities will be based on variable interest rates;
- the interest rate on our Revolving Credit Facility is based on LIBOR, and although the Credit Agreement provides an alternative mechanism for determining the applicable interest rate when LIBOR is no longer

available, the interest rates we pay may be adversely affected as a result of potential disruptions in connection with the LIBOR phase-out;
- the interest rate on our Revolving Credit Facility will depend on the level of our specified financial ratios, and therefore could increase if such specified financial ratios increase;
- such substantial debt could leave us vulnerable to general economic downturns and adverse competitive and industry conditions and could place us at a competitive disadvantage compared to those of our competitors that are less leveraged;
- our debt service obligations could limit our flexibility to plan for, or react to, changes in our business and the industry in which we operate;
- our level of debt may restrict us from raising additional financing on satisfactory terms to fund working capital, capital expenditures, strategic acquisitions, investments and joint ventures and other general corporate requirements;
- our level of debt may prevent us from raising the funds necessary to repurchase all of the Notes tendered to us upon the occurrence of a change of control, which would constitute an event of default under the Indenture; and
- a potential failure to comply with the financial and other restrictive covenants in any of our debt instruments, which, among other things, require us to maintain specified financial ratios, could, if not cured or waived, have a material adverse effect on our ability to fulfill our obligations under the Notes and on our business and prospects generally.

The Indenture and the Credit Agreement contain covenants that impose significant operational and financial restrictions on us, and the failure to comply with these covenants would result in an event of default under these instruments.

The Indenture and the Credit Agreement impose on us operating and other restrictions. These restrictions affect, and in many respects limit or prohibit, among other things, our ability to:

- incur additional debt and issue certain capital stock;
- create liens;
- make investments or acquisitions;
- enter into transactions with affiliates;
- sell assets;
- guarantee debt;
- declare or pay dividends or other distributions to shareholders;
- repurchase equity interests;
- redeem debt that is subordinated in right of payment to certain debt instruments;
- enter into agreements that restrict dividends or other payments from subsidiaries; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

The terms of the Revolving Credit Facility in the Credit Agreement also require us to achieve and maintain compliance with specified financial ratios. The restrictions contained in the Credit Agreement:

- limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; and
- adversely affect our ability to finance our operations, strategic acquisitions, investments or alliances or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of these restrictive covenants or our inability to comply with the required financial ratios would result in a default under some or all of the debt agreements. During the occurrence and continuance of a default, lenders under our Credit Facilities may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable, which would result in an event of default under the Indenture. The lenders will also have the right in these circumstances to terminate any commitments they have to provide further borrowings. Additionally, our Credit Agreement contains a cross-default provision, which generally causes a default or event of default under the Credit Agreement upon a qualifying default or event of default under any other debt instrument (including under the Indenture) and the Indenture contains a cross-acceleration provision. If we are unable to repay outstanding borrowings when due, the lenders under our Credit Facilities will also have the right to proceed against the collateral granted to them to secure the debt. If lenders under the Credit Facilities accelerate the debt thereunder, then the obligations under the Notes would be accelerated. We cannot provide assurance that, if the indebtedness under our Credit Facilities or the Notes were to be accelerated, our assets would be sufficient to repay in full that indebtedness and our other indebtedness. If not cured or waived, such acceleration could have a material adverse effect on our business and our prospects.

We may be unable to generate or obtain sufficient capital to fund our business and growth strategy.

To fund our expanding business and growth strategy, we must have sufficient working capital to continue to make significant investments in our service offerings, advertising, technology, and other activities. As a result, in addition to the cash flow from operations we generate from our business, we may need additional equity or debt financing to provide the funds required for these endeavors. If such financing is not available on satisfactory terms or at all, we may be unable to operate or expand our business in the manner and at the rate desired. For example, the Credit Agreement may make it more challenging to incur additional debt, as it includes prohibitions against incurring additional debt without approval from our existing lenders, and other lenders may not be willing to take on the risk of adding to our existing leverage, In addition, debt financing increases expenses, may contain additional covenants that restrict the operation of our business and must be repaid regardless of operating results. Equity financing, or debt financing that is convertible into equity, could result in additional dilution to our existing stockholders, and any new securities we issue could have rights, preferences, and privileges superior to those associated with our common stock.

Our inability to generate or obtain the financial resources needed to fund our business and growth strategies may require us to delay, scale back or eliminate some or all of our operations or the expansion of our business, which may have a material adverse effect on our business, operating results, financial condition, and prospects.

General risk factors

Our ability to secure insurance may not be sufficient to cover potential liabilities.

We maintain various forms of liability insurance coverage, including coverage for errors and omissions, fiduciary, cybersecurity, employment practices, and directors and officers insurance. It is possible, however, that claims could exceed the amount of our applicable insurance coverage, if any, or that this coverage may not continue to be available on acceptable terms or in sufficient amounts. Even if these claims do not result in liability to us, investigating and defending against them could be expensive and time-consuming and could divert management's attention away from our operations. In addition, negative publicity caused by these events may affect the current market acceptance of our products and services, any of which could materially adversely affect our reputation and our business.

Natural disasters, pandemics or other epidemics (including the current COVID-19 pandemic), acts of terrorism, acts of war and other unforeseen events may cause damage or disruption to us or our customers.

Natural disasters, pandemics or other epidemics (including the current COVID-19 pandemic) acts of war (including the current war between Russia and Ukraine), terrorist attacks, and the escalation of military activity in response to such attacks or otherwise may have negative and significant effects, such as imposition of increased security measures, changes in applicable laws, market disruptions, and job losses. Such events may have an adverse effect on the economy in general. Moreover, the potential for future terrorist attacks and the national and international responses to such threats could affect the business in ways that cannot be predicted. The effect of any of these events or threats could have a material adverse effect on our business, financial condition, and results of operations.

Our quarterly operating results may fluctuate significantly from period to period, which could adversely impact the value of our common stock.

Our quarterly operating results, including our revenue, gross profit, net income, and cash flows, and certain non-GAAP measures such as EBITDA and Adjusted EBITDA, may vary significantly in the future, which could cause our stock price to decline rapidly, may lead analysts to change their long-term models for valuing our common stock, could cause short-term liquidity issues, may impact our ability to retain or attract key personnel or cause other unanticipated issues. If our quarterly operating results or guidance fall below the expectations of research analysts or investors, the price of our common stock could decline substantially. Our quarterly operating expenses and operating results may vary significantly in the future and period-to-period comparisons of our operating results may not be meaningful. You should not rely on the results of one quarter as an indication of future performance.

We do not intend to pay regular cash dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have no current plans to declare and pay any cash dividends for the foreseeable future. We currently intend to retain all our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future and the success of an investment in our common stock will depend upon any future appreciation in its value. There is no guarantee that our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable.

Certain provisions in our governing documents could make a merger, tender offer or proxy contest involving us difficult; even if such events would be beneficial to the interests of our stockholders. These provisions include the inability of our stockholders to act by written consent and certain advance notice procedures with respect to stockholder proposals and nominations for candidates for the election of directors. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law which, subject to certain exceptions, prohibits stockholders owning in excess of 15% of our outstanding voting stock from merging or combining with us. Accordingly, our board of directors could rely upon these or other provisions in our governing documents and Delaware law to prevent or delay a transaction involving a change in control of our company, even if doing so would benefit our stockholders.

The exclusive forum provision in our amended and restated certificate of incorporation could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or team members.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim for breach of a fiduciary duty owed by any of our directors and officers to us or our stockholders, any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other team members, which may discourage such lawsuits against us and our directors, officers, and other team members. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition.

Item 1B. Unresolved staff comments

None.

Item 2. Properties

We do not currently own any of our facilities. Our principal executive offices are located in Draper, Utah. We lease additional office space in California, New York, Texas, Wisconsin, and Washington. However, since a majority of our work force is now permanently working remotely, most of our office space (other than a portion of our Texas office space and one building in Draper) is no longer used and we have subleased, or are seeking opportunities to sublease, these offices.

Item 3. 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. Our wholly owned subsidiary, WageWorks, is party to certain pending material litigation and other legal proceedings. Except for such matters, as of the date of this Annual Report on Form 10-K, 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 7—Commitments and contingencies of the Notes to consolidated financial statements.

Item 4. Mine safety disclosures

Not applicable.

Part II.

Item 5. Market for registrant's common equity, related stockholder matters and issuer purchases of equity securities

Market information

Our common stock is listed on the NASDAQ Global Select Market under the symbol "HQY".

Holders

As of March 21, 2022, there were 16 holders of record of our common stock. This stockholder figure does not include a substantially greater number of holders whose shares are held of record by banks, brokers, and other financial institutions.

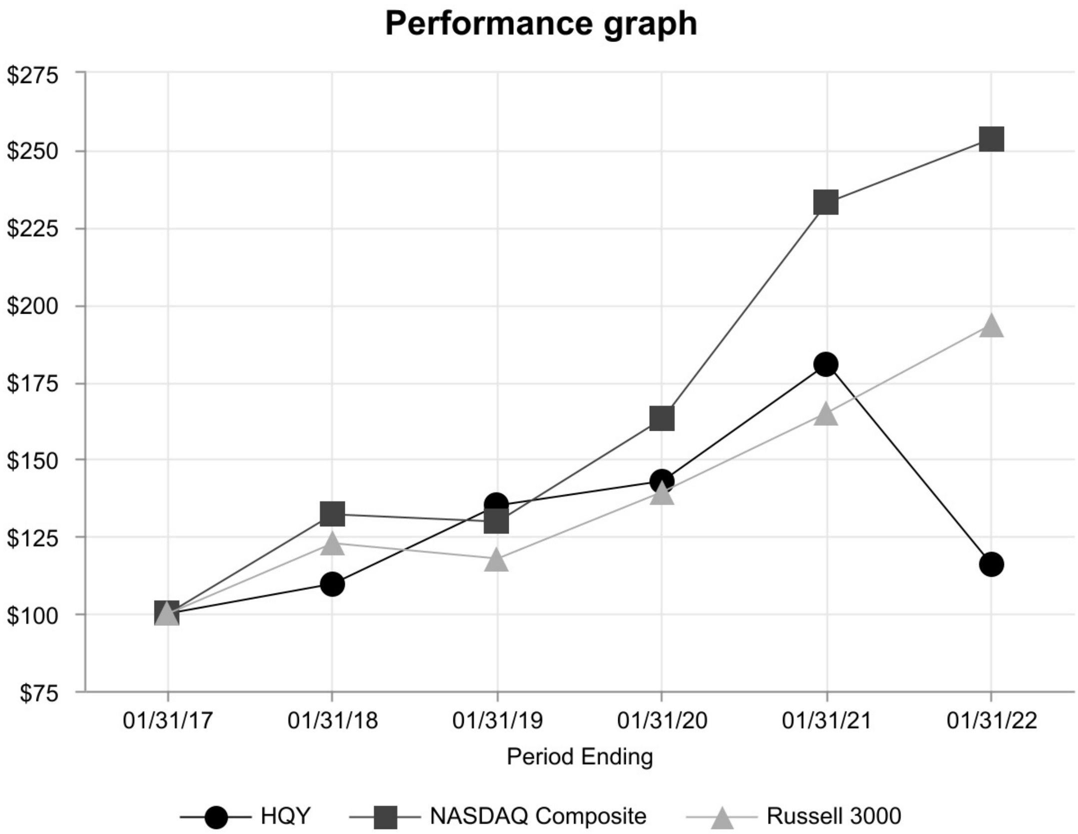
Dividend policy

We have no current plans to pay dividends on our common stock. Any decision to declare and pay dividends in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, and other factors that our board of directors may deem relevant.

Performance graph

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities under that section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph compares the cumulative total return of our common stock with the total return of the NASDAQ Composite Index (the "NASDAQ Composite"), and the Russell 3000 Index (the "Russell 3000") from January 31, 2017 through January 31, 2022. The chart assumes $100 was invested on January 31, 2017 in the common stock of HealthEquity, Inc., the NASDAQ Composite and the Russell 3000, and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



Unregistered sales of equity securities

None.

Purchases of equity securities by the issuer and affiliated purchasers

None.

Item 6. Reserved

Item 7. 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 consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs, and involve risks and uncertainties. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those discussed in the section titled “Risk factors” included under Part I, Item 1A and elsewhere in this report. See “Special note regarding forward-looking statements” on page 1 of this Annual Report.

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 HSAs and other CDBs offered by employers, including FSAs and HRAs, and to administer COBRA, commuter and other benefits. As part of our services, we and our subsidiaries 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 January 31, 2022, we administered 7.2 million HSAs, with balances totaling $19.6 billion, which we call HSA Assets, as well as 7.2 million complementary CDBs. We refer to the aggregate number of HSAs and other CDBs that we administer as Total Accounts, of which we had 14.4 million as of January 31, 2022.

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. As of January 31, 2022, our platforms were integrated with 185 Network Partners, and we serve approximately 120,000 Clients.

We have increased our share of the growing HSA market from 4% in December 2010 to 18% as of December 2021, measured by HSA Assets. According to Devenir, we are the largest HSA provider by accounts and second largest by assets as of December 2021. In addition, we believe we are the largest provider of other CDBs. We seek to differentiate ourselves through our proprietary technology, product breadth, ecosystem connectivity, and service-driven culture. 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. These strengths reflect our “DEEP Purple” culture of remarkable service to customers and teammates, achieved by driving excellence, ethics, and process into everything we do.

We earn revenue primarily from three sources: service, custodial, and interchange. We earn service revenue mainly from fees paid by Clients on a recurring per-account per-month basis. We earn custodial revenue mainly from HSA Assets held at our members’ direction in federally insured cash deposits, insurance contracts or mutual funds, and from investment of Client-held funds. 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 ongoing COVID-19 pandemic.

Recent acquisitions

WageWorks acquisition. On August 30, 2019, we completed the WageWorks Acquisition and paid approximately $2.0 billion in cash to WageWorks stockholders, financed through net borrowings of approximately $1.22 billion under our prior term loan facility and approximately $816.9 million of cash on hand.

The key strategy of the WageWorks Acquisition was to enable us to increase the number of our employer sales opportunities, the conversion of these opportunities to Clients, and the value of Clients in generating members, HSA Assets and complementary CDBs. WageWorks' historic strength of selling to employers directly and through health benefits brokers and advisors complemented our distribution through Network Partners. With WageWorks' CDB capabilities, we provide employers with a single partner for both HSAs and other CDBs, which is preferred by the vast majority of employers according to research conducted for us by Aite Group. For Clients that partner with us in this way, we believe we can produce more value by encouraging both CDB participants to contribute to HSAs and HSA-only members to take advantage of tax savings available through other CDBs.

As of January 31, 2022, we had substantially completed our multi-year integration effort and achieved approximately $80 million in annualized ongoing net synergies. We anticipate generating additional revenue synergies over the longer-term as our combined distribution channels and existing client base take advantage of the broader service offerings and as we continue to drive member engagement. Non-recurring merger integration costs to achieve these synergies were approximately $127 million resulting from investment in technology we use to provide our services and to run our back-office systems, integration of technology, and rationalization of cost of operations. Merger integration expenses attributable to the WageWorks Acquisition were substantially completed as of January 31, 2022, with the exception of ongoing lease expense related to certain WageWorks offices that have been permanently closed, less any related sublease income, professional fees associated with the remediation of remaining material weaknesses, and costs associated with remaining platform migrations.

Luum acquisition. In March 2021, we bolstered our commuter offering through the Luum Acquisition, in which we acquired 100% of the outstanding capital stock of Fort Effect Corp, d/b/a Luum. The aggregate purchase price for the acquisition consisted of $56.2 million in cash. Luum provides employers with various commuter services, including access to real-time commute data, to help them design and implement flexible return-to-office and hybrid-workplace strategies and benefits.

Fifth Third Bank HSA portfolio acquisition. On April 27, 2021, we signed an agreement to acquire the Fifth Third HSA portfolio, which consisted of $490.0 million of HSA Assets held in approximately 160,000 HSAs in exchange for a purchase price of $60.8 million in cash. This acquisition closed on September 29, 2021.

Further acquisition. On September 7, 2021, we signed an amended agreement to acquire the Further business (other than Further's voluntary employee beneficiary association business), a leading provider of HSA and other CDB administration services, with approximately 580,000 HSAs and $1.9 billion of HSA Assets, for $455 million in cash. This acquisition closed on November 1, 2021. We expect merger integration expenses attributable to the Further Acquisition totaling approximately $55 million to be incurred over a period of approximately three years from the acquisition date.

HealthSavings HSA portfolio acquisition. On December 4, 2021, we signed an agreement to acquire the HealthSavings HSA portfolio, which consisted of $1.3 billion of HSA Assets held in approximately 87,000 HSAs in exchange for a purchase price of $60 million in cash. This acquisition closed on March 2, 2022.

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 "Results of operations - Revenue" for information relating to the ongoing COVID-19 pandemic and also the section entitled “Risk factors” included in Part 1, Item 1A of this Annual Report on Form 10-K 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 seek 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. We intend to continue to pursue acquisitions of complementary assets and businesses that we believe will strengthen our service offering, and 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 22% since 2016 and 47% since 2011, 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 (by number of accounts), 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.

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. We built on these innovations by combining our HSA offering with WageWorks' complementary CDB offerings, giving us a full suite of CDB products, and adding to our solutions set and 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 “DEEP Purple” service culture

The successful healthcare consumer needs education and guidance delivered by people as well as by technology. We believe that our "DEEP Purple" culture, which we define as driving excellence, ethics, and process while providing remarkable service, is a significant factor in our ability to attract and retain customers and to address nimbly, opportunities in the rapidly changing healthcare sector. We make significant efforts to promote and foster DEEP Purple within our workforce. We invest in and intend to continue to invest in human capital through technology-enabled training, career development, and advancement opportunities.

Interest rates

As a non-bank custodian, we hold custodial HSA cash assets pursuant to agreements with federally insured banks and credit unions, which we collectively call our Depository Partners (our "Basic Rates" offering), and also in annuity contracts or other similar arrangements with our insurance company partners (our "Enhanced Rates" offering). We earn a material portion of our total revenue from interest paid to us by these partners.

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 may be 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 elect to place their HSA cash into our Enhanced Rates offering receive a higher yield compared to Basic Rates. An increase in the percentage of HSA cash held in our Enhanced Rates offering also positively impacts our custodial revenues, as we generally receive a higher yield on HSA cash held with insurance company partners compared to cash held with Depository Partners. As with our Depository Partners, yields paid by our insurance company partners may be 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 somewhat, we expect our custodial revenue to continue to be adversely affected by the interest rate cuts by the Federal Reserve associated with the COVID-19 pandemic, the lack of demand from Depository Partners for deposits, and other market conditions that have caused the interest rates offered by our Depository Partners to decline significantly.

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.

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 United Health 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 during the outbreak or other impacts from the outbreak, which has negatively impacted both our interchange revenue and service revenue, and this "work from home" trend, or hybrid work environments, may continue after the pandemic. We have also seen a decline in interchange revenue across all other products. The extent to which the COVID-19 pandemic will negatively impact our business remains highly uncertain and cannot be accurately predicted.

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

California, which in 2018 enacted the California Consumer Privacy Act broadly regulating California residents' personal information and providing California residents with various rights to access and control their data, and the new California Privacy Rights Act. We have also seen an increase in regulatory changes related to our services due to government responses to the COVID-19 pandemic and may continue to see additional regulatory changes. 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.

On March 21, 2021, the American Rescue Plan Act of 2021 was signed into law, which provided a temporary 100% subsidy of COBRA premium payments for eligible individuals who lost coverage due to an involuntary termination or a reduction of hours for up to six months, which ended September 30, 2021.

On February 18, 2022, President Biden formally continued the National Emergency Concerning COVID-19, which tolls certain deadlines related to COBRA and other CDBs and increases the complexity of properly administering these programs. Each national emergency declaration generally lasts for one year unless the President announces an earlier termination.

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.

For a discussion related to key financial and operating metrics for fiscal year 2021 compared to fiscal year 2020, refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our fiscal year 2021 Form 10-K, filed with the SEC on March 31, 2021.

Total Accounts

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

(in thousands, except percentages)	January 31, 2022	January 31, 2021	% Change
HSAs	7,207	5,782	25 %
New HSAs from sales - Quarter-to-date	472	370	28 %
New HSAs from sales - Year-to-date	918	687	34 %
New HSAs from acquisitions - Year-to-date	740	—	n/a
HSAs with investments	455	333	37 %
CDBs	7,192	7,028	2 %
Total Accounts	14,399	12,810	12 %
Average Total Accounts - Quarter-to-date	14,326	12,659	13 %
Average Total Accounts - Year-to-date	13,450	12,604	7 %

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 approximately 1.4 million, or 25%, from January 31, 2021 to January 31, 2022, primarily driven by new HSAs from sales, HSAs acquired through the Further Acquisition, and the acquisition of Fifth Third's HSA portfolio. The number of our CDBs increased by 0.2 million, or 2%, from January 31, 2021 to January 31, 2022, primarily driven by CDBs acquired through the Further Acquisition, partially offset by a decrease in FSA accounts and also commuter benefit accounts that are currently suspended due to the COVID-19 pandemic and fewer workers being required to commute to an office. The suspended commuter accounts continue to be administered on our platform and can be reinstated at any time. We have excluded the suspended commuter accounts from our account totals because they are currently not generating revenue for the Company.

HSA Assets

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

(in millions, except percentages)	January 31, 2022	January 31, 2021	% Change
HSA cash with yield (1)	$ 12,934	$ 9,875	31 %
HSA cash without yield (2)	9	244	(96)%
Total HSA cash	12,943	10,119	28 %
HSA investments with yield (1)	6,668	4,078	64 %
HSA investments without yield (2)	7	138	(95)%
Total HSA investments	6,675	4,216	58 %
Total HSA Assets	19,618	14,335	37 %
Average daily HSA cash with yield - Year-to-date	10,465	8,599	22 %
Average daily HSA cash with yield - Quarter-to-date	$ 12,084	$ 9,060	33 %

(1) HSA Assets that generate custodial revenue.
(2) HSA Assets that do not generate custodial revenue.

HSA Assets, which are our HSA members' assets for which we are the custodian or administrator, or from which we generate custodial revenue, consist of the following components: (i) HSA cash, which includes cash deposits with our Depository Partners or other custodians and cash placed in group annuity contracts with our insurance company partners, and (ii) HSA investments in mutual funds through our custodial investment fund partners. As of January 31, 2022, we had substantially completed the transition of HSA cash without yield to HSA cash with yield. Measuring HSA Assets is important because our custodial revenue is directly affected by average daily custodial balances for HSA Assets that are revenue generating.

Total HSA cash increased by $2.8 billion, or 28%, from January 31, 2021 to January 31, 2022, due primarily to HSA cash transferred to us as part of the Further Acquisition, HSA contributions, new HSAs from sales, and acquisitions of HSA portfolios, partially offset by transfers to HSA investments.

HSA investments increased by $2.5 billion, or 58%, from January 31, 2021 to January 31, 2022, due primarily to transfers from HSA cash and appreciation of invested balances.

Total HSA Assets increased by 5.3 billion, or 37%, from January 31, 2021 to January 31, 2022, due primarily to HSA contributions, new HSAs from sales, HSA Assets transferred to us as part of the Further Acquisition, acquisitions of HSA portfolios, and appreciation of invested balances.

Client-held funds

(in millions, except percentages)	January 31, 2022	January 31, 2021	% Change
Client-held funds (1)	$ 897	$ 986	(9)%
Average daily Client-held funds - Year-to-date (1)	842	847	(1)%
Average daily Client-held funds - Quarter-to-date (1)	822	848	(3)%

(1) Client-held funds that generate custodial revenue.

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, 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:

	Year ended January 31,	
(in thousands)	**2022**	**2021**
Net income (loss)	$ (44,289)	$ 8,834
Interest income	(1,501)	(1,045)
Interest expense	36,572	34,881
Income tax benefit	(22,452)	(4,694)
Depreciation and amortization	54,397	39,839
Amortization of acquired intangible assets	82,791	76,064
Stock-based compensation expense	52,750	42,863
Merger integration expenses	64,805	45,990
Acquisition costs (1)	10,832	1,118
Gain on equity securities	(1,692)	—
Other (2)	3,802	(3,055)
Adjusted EBITDA	$ 236,015	$ 240,795

(1) For the fiscal year ended January 31, 2022, acquisition costs included $0.3 million of stock-based compensation expense.

(2) For the fiscal year ended January 31, 2022, Other consisted of amortization of incremental costs to obtain a contract of $4.3 million, partially offset by other income, net, of $0.5 million. For the fiscal year ended January 31, 2021, Other consisted of amortization of incremental costs to obtain a contract of $2.0 million, offset by other income of $5.1 million.

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

	Year ended January 31,		
(in thousands, except percentages)	**2022**	**2021**	**% Change**
Adjusted EBITDA	$ 236,015	$ 240,795	(2)%
As a percentage of revenue	31 %	33 %	

Our Adjusted EBITDA decreased by $4.8 million, or 2%, from $240.8 million for the fiscal year ended January 31, 2021 to $236.0 million for the fiscal year ended January 31, 2022. The decrease in Adjusted EBITDA was primarily driven by a decrease in average annualized yield on HSA cash with yield and an increase in service costs.

Our use of Adjusted EBITDA has limitations as an analytical tool, and it 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 deposited with our Depository Partners and with 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 deposit HSA cash with 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 deposited with the relevant Depository Partner, and (iii) have minimum and maximum required deposit balances. HSA cash placed with our insurance company partners is placed in group annuity contracts or similar arrangements. 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. 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. We earn a recordkeeping fee, calculated as a percentage of custodial investments. As of January 31, 2022, we had substantially completed the transition of HSA cash without yield to HSA cash with yield.

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 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 with yield, 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 on-demand 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 of acquisition costs, 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 January 31, 2022, we have recorded a valuation allowance on certain state deferred tax assets and maintained an overall net federal and state deferred tax liability on our consolidated balance sheet.

The Company evaluates its tax positions in accordance with Accounting Standards Codification ("ASC") 740-10-25, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return.

Results of operations

For a discussion related to the results of operations and liquidity and capital resources for fiscal year 2021 compared to fiscal year 2020, refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our fiscal year 2021 Form 10-K, filed with the SEC on March 31, 2021.

Revenue

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

	Year ended January 31,			
(in thousands, except percentages)	**2022**	**2021**	**$ change**	**% change**
Service revenue	$ 426,910	$ 430,966	$ (4,056)	(1)%
Custodial revenue	202,817	190,933	11,884	6 %
Interchange revenue	126,829	111,671	15,158	14 %
Total revenue	$ 756,556	$ 733,570	$ 22,986	3 %

Service revenue. The $4.1 million, or 1%, decrease in service revenue was primarily due to lower average service fees per account, largely offset by new revenue from acquired businesses and HSA portfolios and an increase in revenue related to COBRA benefits administration, which was primarily driven by the temporary subsidy of COBRA premium payments available under the American Rescue Plan Act of 2021.

Custodial revenue. The $11.9 million, or 6%, increase in custodial revenue was primarily due to the $1.9 billion, or 22%, increase in the average daily balance of HSA cash with yield. The increase was partially offset by a decrease in average annualized yield from 2.06% for the fiscal year ended January 31, 2021 to 1.75% for the fiscal year ended January 31, 2022, which was due in part to the interest rate cuts made by the Federal Reserve in response to the COVID-19 pandemic, and by transfers from HSA cash to HSA investments.

As of January 31, 2022, we had substantially completed the transition of HSA cash without yield to HSA cash with yield. This cash was placed with our Depository Partners and insurance company partners at prevailing interest rates, which we expect will generate additional custodial revenue.

Interchange revenue. The $15.2 million, or 14%, increase in interchange revenue was primarily due to increased spend per account compared to the COVID-19 pandemic lows and an increase in accounts.

Total revenue. Total revenue increased by $23.0 million, or 3%, due to the increases in interchange and custodial revenues, partially offset by the decrease in service revenue.

Impact of COVID-19. Our business has been adversely affected by the COVID-19 pandemic, and we expect that it will continue to be adversely affected by the COVID-19 pandemic and related societal changes. Although interest rates have increased from their pandemic lows, rates remain significantly below the levels seen before the pandemic, which reduces the yield on funds placed with our Depository Partners and insurance company partners in this environment from the yield we would have received before the pandemic. Our financial results related to certain of our products have also been adversely affected, such as commuter benefits, due to many of our members working from home during the outbreak, and the "work from home" trend, or a new hybrid work environment, may continue after the pandemic. In particular, the increased spread of COVID-19 in early 2022 and the associated decisions by employers to delay return-to-office plans for their employees will further delay the recovery of use of these commuter benefits. During the initial stages of the COVID-19 pandemic, we saw a negative impact on our members' spend on healthcare, which negatively impacted both our interchange revenue and service revenue, and the recent increase in COVID-19 cases has negatively impacted our interchange revenue and service revenue. In addition, we are required to support our Clients' open enrollment activities virtually. Our compliance with the Vaccine Mandate has resulted in, and could continue to result in, increased team member attrition, absenteeism, and associated costs. We may be unable to meet our service level commitments to our Clients as a result of disruptions to our work force and disruptions to third-party contracts that we rely on to provide our services. The extent to which the COVID-19 pandemic and 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:

	Year ended January 31,			
(in thousands, except percentages)	**2022**	**2021**	**$ change**	**% change**
Service costs	$ 290,302	$ 280,214	$ 10,088	4 %
Custodial costs	21,867	19,574	2,293	12 %
Interchange costs	20,681	18,448	2,233	12 %
Total cost of revenue	$ 332,850	$ 318,236	$ 14,614	5 %

Service costs. The $10.1 million, or 4%, increase in service costs was primarily due to an increase in personnel costs to support the increase in average Total Accounts and our efforts related to the temporary subsidy of COBRA premium payments available under the American Rescue Plan Act of 2021.

Custodial costs. The $2.3 million, or 12%, increase in custodial costs was due to an increase in the average daily balance of HSA cash with yield, which increased from $8.6 billion for the fiscal year ended January 31, 2021 to $10.5 billion for the fiscal year ended January 31, 2022 and an associated increase in interest retained by HSA members, partially offset by a lower average annualized rate of interest retained by HSA members on HSA cash with yield, which decreased from 0.19% for the fiscal year ended January 31, 2021 to 0.17% for the fiscal year ended January 31, 2022.

Interchange costs. The $2.2 million, or 12%, increase in interchange costs was due to increased spend per account compared to the COVID-19 pandemic lows and an increase in accounts.

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. We expect our cost of revenue to increase as a percentage of our total revenue, primarily due to the inclusion of Further's results of operations and expected increases in stock-based compensation. 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, realized synergies, and the impact of the COVID-19 pandemic.

Operating expenses

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

	Year ended January 31,			
(in thousands, except percentages)	**2022**	**2021**	**$ change**	**% change**
Sales and marketing	$ 58,605	$ 49,964	$ 8,641	17 %
Technology and development	157,364	124,809	32,555	26 %
General and administrative	84,379	84,493	(114)	0 %
Amortization of acquired intangible assets	82,791	76,064	6,727	9 %
Merger integration	64,805	45,990	18,815	41 %
Total operating expenses	$ 447,944	$ 381,320	$ 66,624	17 %

Sales and marketing. The $8.6 million, or 17%, increase in sales and marketing expenses was primarily due to an increase in marketing expenses from increased staffing and marketing collateral costs and increases in team member and partner commissions.

We expect our sales and marketing expenses to increase for the foreseeable future as we focus on our cross-selling program and marketing campaigns. On an annual basis, we expect our sales and marketing expenses to continue to increase as a percentage of our total revenue, primarily due to the inclusion of Further's results of operations and expected increases in stock-based compensation. 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 $32.6 million, or 26%, increase in technology and development expenses was primarily due to increases in amortization, stock-based compensation, and personnel-related expenses.

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, we expect our technology and development expenses to continue to increase as a percentage of our total revenue, primarily due to the inclusion of Further's results of operations, expected increases in stock-based compensation, and our growth initiatives. 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 $0.1 million, or less than one percent, decrease in general and administrative expenses was primarily due to decreases in personnel-related expenses and professional fees, partially offset by increases in credit losses on trade receivables and stock-based compensation.

We expect our general and administrative expenses to increase for the foreseeable future due to the additional demands on our legal, compliance, and accounting functions that we incur as we continue to grow our business and the increased cost of cybersecurity and directors and officers insurance. On an annual basis, we expect our general and administrative expenses to increase as a percentage of our total revenue, primarily due to the inclusion of Further's results of operations, expected increases in stock-based compensation, and our growth initiatives. 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 $6.7 million increase in amortization of acquired intangible assets was primarily due to the inclusion of amortization related to identified intangible assets acquired through the Further Acquisition commencing November 1, 2021 and the Luum Acquisition commencing March 8, 2021. The remainder of the increase was due to amortization of acquired HSA portfolios.

Merger integration. The $64.8 million in merger integration expense for the fiscal year ended January 31, 2022 was primarily due to personnel and related expenses, including expenses incurred in conjunction with the migration of accounts, severance, professional fees, technology-related, and facilities expenses directly related to the WageWorks Acquisition, including $11.2 million of impairment losses on right-of-use assets, and additional integration expenses incurred related to the Further Acquisition. Merger integration expenses of approximately $127 million attributable to the WageWorks Acquisition were substantially completed as of January 31, 2022, with the exception of ongoing lease expense related to certain WageWorks offices that have been permanently closed, less any related sublease income, professional fees associated with the remediation of remaining material weaknesses, and costs associated with remaining platform migrations. We expect merger integration expenses attributable to the Further Acquisition totaling approximately $55 million to be incurred over a period of approximately three years from the acquisition date.

Interest expense

The $36.6 million in interest expense for the fiscal year ended January 31, 2022 consisted primarily of interest accrued on our long-term debt and amortization of debt discount and issuance costs, as well as a $4.0 million loss on extinguishment of debt recorded during the fiscal year ended January 31, 2022 as a result of the refinancing of our prior credit facility. We expect interest expense to increase, primarily from the inclusion of a full year of interest expense we will incur on the $600.0 million aggregate principal amount of the Notes, which were outstanding for approximately four months during the fiscal year ended January 31, 2022. The interest rate on our Term Loan Facility and Revolving Credit Facility is variable and, accordingly, we may incur additional expense if interest rates increase in future periods.

Other income (expense), net

The change in other income (expense), net, from income of $5.0 million during the fiscal year ended January 31, 2021 to expense of $5.9 million during the fiscal year ended January 31, 2022 was primarily due to a $9.7 million increase in acquisition costs and a $1.2 million decrease in other income, net.

Income tax provision (benefit)

For the fiscal years ended January 31, 2022 and 2021, we recorded an income tax benefit of $22.5 million and $4.7 million, respectively. The increase in income tax benefit was primarily the result of current year pre-tax book loss, a corresponding increase in benefit for state income taxes, an increase in research and development tax credits, and an increase in excess tax benefits on stock-based compensation expense.

Our effective income tax benefit rate for the fiscal years ended January 31, 2022 and 2021 was 33.6% and 113.4%, respectively. The difference between the effective income tax rate and the U.S. federal statutory income tax rate for each period is impacted by a number of factors, including the relative mix of earnings among state jurisdictions, credits, excess tax benefits or shortfalls on stock-based compensation expense, changes in valuation allowance, and other items. The decrease in the effective tax benefit rate for the fiscal year ended January 31, 2022 compared to the fiscal year ended January 31, 2021 was primarily due to the impact of tax benefit items relative to the larger pre-tax book loss and smaller pre-tax book income, respectively.

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 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. 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 January 31, 2022 and January 31, 2021, cash and cash equivalents were $225.4 million and $328.8 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.

In the first quarter of fiscal year 2022, we closed a follow-on public offering of 5,750,000 shares of common stock at a public offering price of $80.30 per share, less the underwriters' discount. We received net proceeds of $456.6 million after deducting underwriting discounts and commissions of $4.6 million and other offering expenses of approximately $0.5 million.

On October 8, 2021, we completed our offering of $600.0 million aggregate principal amount of 4.50% Senior Notes due 2029. In addition, on October 8, 2021, we entered into the Credit Agreement, which includes a five-year senior secured term loan A facility, in an aggregate principal amount of $350.0 million, and a 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. The net proceeds from the issuance of the Notes together with borrowings under the Credit Agreement and $31.8 million of cash on hand, were used to repay the outstanding borrowings under our prior credit agreement. For a description of the terms of the Credit Agreement, refer to Note 8—Indebtedness. As of January 31, 2022, there were no amounts outstanding under the Revolving Credit Facility. We were in compliance with all covenants under the Credit Agreement as of January 31, 2022, and for the period then ended.

Use of cash

We used $50.2 million of the net proceeds from the follow-on public offering to acquire 100% of the outstanding capital stock of Fort Effect Corp, d/b/a Luum, and used an additional $60.8 million to acquire the Fifth Third Bank HSA portfolio. We used the remaining net proceeds from the offering, and other cash on hand, for the Further Acquisition.

Capital expenditures for the fiscal years ended January 31, 2022 and 2021 were $71.6 million and $64.6 million, respectively. We expect to continue our current level of increased capital expenditures during the fiscal year ending January 31, 2023 as we continue to devote a significant amount of our capital expenditures to improving the architecture and functionality of our proprietary systems. Costs 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:

		Year ended January 31,
(in thousands)	**2022**	**2021**
Net cash provided by operating activities	$ 140,995	$ 181,619
Net cash used in investing activities	$ (639,247)	$ (96,964)
Net cash provided by financing activities	$ 394,863	$ 52,422
Increase (decrease) in cash and cash equivalents	(103,389)	137,077
Beginning cash and cash equivalents	328,803	191,726
Ending cash and cash equivalents	$ 225,414	$ 328,803

Cash flows from operating activities. Net cash provided by operating activities during the fiscal year ended January 31, 2022 resulted from net loss of $44.3 million, depreciation and amortization expense of $137.2 million, stock-based compensation expense of $52.8 million, impairment of right-of-use assets of $11.2 million, amortization of debt issuance costs of $4.4 million, and a loss on extinguishment of debt of $4.0 million, partially offset by a change in the fair value of contingent consideration of $2.1 million, a gain on equity securities of $1.7 million, and other non-cash items and working capital changes totaling $20.6 million.

Net cash provided by operating activities during the fiscal year ended January 31, 2021 resulted from net income of $8.8 million, plus depreciation and amortization expense of $115.9 million, stock-based compensation expense of

$42.9 million, and amortization of debt issuance costs of $5.1 million, and other non-cash items and working capital changes totaling $8.9 million.

Cash flows from investing activities. Cash used in investing activities during the fiscal year ended January 31, 2022 resulted from $504.5 million used for the acquisitions of Luum and Further, $62.7 million in software and capitalized software development, $65.5 million in the acquisitions of the Fifth Third HSA portfolio and other intangible member assets, and $8.9 million in purchases of property and equipment, partially offset by $2.4 million of proceeds from the sale of equity securities.

Cash used in investing activities during the fiscal year ended January 31, 2021 resulted from $51.5 million in software and capitalized software development, $32.4 million in acquisitions of intangible member assets, and $13.1 million in purchases of property and equipment.

Cash flows from financing activities. Net cash provided by financing activities during the fiscal year ended January 31, 2022 resulted from $938.1 million of net proceeds from the issuance of long-term debt, $456.6 million of net proceeds from our follow-on public offering of 5,750,000 shares of common stock, and the exercise of stock options of $9.8 million. These items were partially offset by $1.0 billion of principal payments on our long-term debt, a $6.0 million payment of contingent consideration, and $0.5 million used in the settlement of Client-held funds obligations.

Net cash provided by financing activities during the fiscal year ended January 31, 2021 resulted from $286.8 million of net proceeds from our July 2020 follow-on public offering of 5,290,000 shares of common stock and the exercise of stock options of $8.6 million. These items were partially offset by $239.1 million of principal payments on our long-term debt and $3.9 million used in the settlement of Client-held funds obligations.

Contractual obligations

See Note 7—Commitments and contingencies for information about our contractual obligations.

Off-balance sheet arrangements

As of January 31, 2022, other than outstanding letters of credit issued under our Revolving Credit Facility, we did not have any off-balance sheet arrangements. The majority of the standby letters of credit 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 consolidated balance sheets.

Critical accounting policies and significant management estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable in the circumstances. In many instances, we could have reasonably used different accounting estimates, and in other instances, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by our management. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application, while in other cases, management's judgment is required in selecting among available alternative accounting standards that allow different accounting treatment for similar transactions. We believe that there are several accounting policies that are critical to understanding our business and prospects for future performance, as these policies affect the reported amounts of revenue and other significant areas that involve management's judgment and estimates. These significant policies and our procedures related to these policies are described in detail below.

Capitalized software development costs

We account for the costs of computer software developed or obtained for internal use in accordance with Accounting Standards Codification, or ASC, 350-40, *Internal-Use Software*. Costs incurred during operation and post-implementation stages are charged to expense. Costs incurred that are directly attributable to developing or obtaining software for internal use incurred in the application development stage are capitalized. Management's judgment is required in determining the point when various projects enter the stages at which costs may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized.

Valuation of long-lived assets including goodwill and intangible assets

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, discount rates and revenue growth rates, net of attrition, related to acquired customer relationships. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Allocation of purchase consideration to identifiable assets and liabilities affects our amortization expense, as acquired finite-lived intangible assets are amortized over the useful life, whereas any indefinite lived intangible assets, including goodwill, are not amortized. During the measurement period, which is not to exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances would more likely than not reduce the fair value of our single reporting unit below its carrying value. The Company's annual goodwill impairment test resulted in no impairment charges in any of the periods presented in the accompanying consolidated financial statements.

Long-lived assets, including property and equipment and intangible assets are reviewed for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate from the use and eventual disposition. If such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any significant impairment charges during the years presented.

Recent accounting pronouncements

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

Item 7A. 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 fiscal years ended January 31, 2022, 2021, and 2020, 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 January 31, 2022 were $225.4 million, the vast majority of which was not covered by federal depository insurance. We have not experienced any material losses in such accounts and believe we are not exposed to any significant credit risk with respect to our cash and cash equivalents. Our accounts receivable balance as of January 31, 2022 was $87.4 million. 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; however, the extent to which the ongoing COVID-19 pandemic will negatively impact our credit risk remains highly uncertain and cannot be accurately predicted. 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 January 31, 2022, we held in custody HSA Assets of approximately $19.6 billion. 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 placed among 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, such as the interest rate cuts by the Federal Reserve associated with the ongoing COVID-19 pandemic.

Client-held funds are interest earning deposits from which we generate custodial revenue. As of January 31, 2022, we held Client-held funds of $897 million. 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. 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 January 31, 2022, we had unrestricted cash and cash equivalents of $225.4 million. 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 January 31, 2022, we had $350.0 million 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 interest rate on our Term Loan Facility and Revolving Credit Facility is variable and was 1.88% at January 31, 2022. Accordingly, we may incur additional expense if interest rates increase in future periods. For example, a one percent increase in the interest rate on the amount outstanding under our credit facilities at January 31, 2022 would result in approximately $3.5 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 8. Financial statements and Supplementary Data

HealthEquity, Inc. and subsidiaries

Index to consolidated financial statements

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of HealthEquity, Inc. and its subsidiaries (the “Company”) as of January 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income (loss), of stockholders’ equity and of cash flows for each of the three years in the period ended January 31, 2022, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of January 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of January 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because material weaknesses in internal control over financial reporting existed as of that date related to (i) ineffective controls around the contract-to-cash life cycle of service fees, including ineffective process level controls around billing set-up during customer implementation, managing change to existing customer billing terms and conditions, timely termination of customers, implementing complex and/or non-standard billing arrangements that require manual intervention or manual controls for billing to customers, processing timely adjustments, lack of robust, established and documented policies to assess collectability and reserve for revenue, bad debts and accounts receivable, availability of customer contracts, and reviews of non-standard contracts and (ii) ineffective controls related to information technology general controls (ITGCs) in the areas of logical access and change-management over certain information technology systems that supported its financial reporting processes. Business process controls (automated and manual) that are dependent on the affected ITGCs were also deemed ineffective because they could have been adversely impacted.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in Management's report on internal control over financial reporting appearing under Item 9A. We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2022 consolidated financial statements, and our opinion regarding the effectiveness of the Company’s internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's report on internal control over financial reporting, management has excluded Fort Effect Corp, d/b/a Luum (Luum) and the Further business from its assessment of internal control over financial reporting as of January 31, 2022 because they were acquired by the Company in purchase business combinations during fiscal 2022. We have also excluded Luum and Further from our audit of internal control over financial reporting. Luum and Further are wholly-owned subsidiaries whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting collectively represent approximately 1% and 3%, respectively, of the related consolidated financial statement amounts as of and for the year ended January 31, 2022.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Service Revenue Recognition

As described in Note 1 to the consolidated financial statements, the Company's primary sources of revenue are service, custodial, and interchange revenue. The Company's service revenue was $427 million for the year ended January 31, 2022. To generate service revenue, the Company administers its platforms, prepares statements, provides a mechanism for spending funds, and provides customer support services. All of these services are consumed as they are received. The Company recognizes service revenue, in an amount that reflects the consideration it expects to be entitled to in exchange for those services, on a monthly basis as it satisfies its performance obligations.

The principal consideration for our determination that performing procedures relating to service revenue recognition is a critical audit matter is a high degree of auditor effort in performing procedures related to revenue recognition after consideration of the material weaknesses that were identified as described in the "Opinions on the Financial Statements and Internal Control over Financial Reporting" section above.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, evaluating the recognition of service revenue for a sample of revenue transactions by obtaining confirmation from customers or obtaining and inspecting source documents, including invoices, sales contracts, and cash receipts.

Valuation of Customer Relationships Relating to the Acquisition of Further

As described in Notes 1 and 3 to the consolidated financial statements, on November 1, 2021, the Company completed its acquisition of the Further business (other than Further's voluntary employee beneficiary association business) for $455 million. Identifiable intangible assets acquired as part of the acquisition were $172 million, including customer relationships, developed technology, and in-process software development costs. Customer relationships make up $146 million of the identifiable intangible assets acquired. Acquired customer relationships are valued utilizing the discounted cash flow method, a form of the income approach. As disclosed by management, significant estimates in valuing acquired customer relationships include, but are not limited to, discount rates and revenue growth rates, net of attrition.

The principal considerations for our determination that performing procedures relating to the valuation of customer relationships relating to the acquisition of Further is a critical audit matter are (i) the significant judgment by management when determining the fair value of the customer relationships intangible asset acquired; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to discount rates and revenue growth rates, net of attrition; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to acquisition accounting, including controls over management's valuation of the customer relationships intangible asset. These procedures also included, among others, (i) reading the purchase agreement; (ii) testing management's process for determining the fair value of the customer relationships, (iii) evaluating the appropriateness of the discounted cash flow method; (iv) testing the completeness and accuracy of certain underlying data used in the discounted cash flow method; and (v) evaluating the reasonableness of the significant assumptions used by management related to discount rates and revenue growth rates, net of attrition. Evaluating management's significant assumptions related to revenue growth rates, net of attrition, involved evaluating whether the significant assumptions used by management were reasonable considering (i) the past performance of the Further business; (ii) consistency with external market and industry data; and (iii) whether the significant assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the Company's discounted cash flow method and (ii) the reasonableness of management's significant assumptions related to discount rates and revenue growth rates, net of attrition.

/s/ PricewaterhouseCoopers LLP

Salt Lake City, Utah

March 31, 2022

We have served as the Company's auditor since 2013.

HealthEquity, Inc. and subsidiaries
Consolidated Balance Sheets

(in thousands, except par value)	January 31, 2022	January 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 225,414	$ 328,803
Accounts receivable, net of allowance for doubtful accounts of $6,228 and $4,239 as of January 31, 2022 and 2021, respectively	87,428	72,767
Other current assets	38,495	58,607
Total current assets	351,337	460,177
Property and equipment, net	23,372	29,106
Operating lease right-of-use assets	63,613	89,508
Intangible assets, net	973,137	767,003
Goodwill	1,645,836	1,327,193
Other assets	49,807	37,420
Total assets	$ 3,107,102	$ 2,710,407
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 27,541	$ 1,614
Accrued compensation	47,136	50,670
Accrued liabilities	57,589	75,880
Current portion of long-term debt	8,750	62,500
Operating lease liabilities	12,171	14,037
Total current liabilities	153,187	204,701
Long-term liabilities		
Long-term debt, net of issuance costs	922,077	924,217
Operating lease liabilities, non-current	65,232	74,224
Other long-term liabilities	14,185	8,808
Deferred tax liability	99,846	119,729
Total long-term liabilities	1,101,340	1,126,978
Total liabilities	1,254,527	1,331,679
Commitments and contingencies (see Note 7)		
Stockholders' equity		
Preferred stock, $0.0001 par value, 100,000 shares authorized, no shares issued and outstanding as of January 31, 2022 and 2021	—	—
Common stock, $0.0001 par value, 900,000 shares authorized, 83,780 and 77,168 shares issued and outstanding as of January 31, 2022 and 2021, respectively	8	8
Additional paid-in capital	1,676,508	1,158,372
Accumulated earnings	176,059	220,348
Total stockholders' equity	1,852,575	1,378,728
Total liabilities and stockholders' equity	$ 3,107,102	$ 2,710,407

The accompanying notes are an integral part of the consolidated financial statements.

HealthEquity, Inc. and subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Loss)

(in thousands, except per share data)	Year ended January 31, 2022	2021	2020
Revenue			
Service revenue	$ 426,910	$ 430,966	$ 262,868
Custodial revenue	202,817	190,933	181,892
Interchange revenue	126,829	111,671	87,233
Total revenue	756,556	733,570	531,993
Cost of revenue			
Service costs	290,302	280,214	170,863
Custodial costs	21,867	19,574	17,563
Interchange costs	20,681	18,448	17,658
Total cost of revenue	332,850	318,236	206,084
Gross profit	423,706	415,334	325,909
Operating expenses			
Sales and marketing	58,605	49,964	43,951
Technology and development	157,364	124,809	77,576
General and administrative	84,379	84,493	60,561
Amortization of acquired intangible assets	82,791	76,064	34,704
Merger integration	64,805	45,990	32,111
Total operating expenses	447,944	381,320	248,903
Income (loss) from operations	(24,238)	34,014	77,006
Other expense			
Interest expense	(36,572)	(34,881)	(24,772)
Other income (expense), net	(5,931)	5,007	(9,079)
Total other expense	(42,503)	(29,874)	(33,851)
Income (loss) before income taxes	(66,741)	4,140	43,155
Income tax provision (benefit)	(22,452)	(4,694)	3,491
Net income (loss) and comprehensive income (loss)	$ (44,289)	$ 8,834	$ 39,664
Net income (loss) per share:			
Basic	$ (0.53)	$ 0.12	$ 0.59
Diluted	$ (0.53)	$ 0.12	$ 0.58
Weighted-average number of shares used in computing net income (loss) per share:			
Basic	83,133	74,235	67,026
Diluted	83,133	75,679	68,453

The accompanying notes are an integral part of the consolidated financial statements.

HealthEquity, Inc. and subsidiaries
Consolidated Statements of Stockholders' Equity

(in thousands)	Common stock Shares	Common stock Amount	Additional paid-in capital	Accumulated earnings	Total stockholders' equity
Balance as of January 31, 2019	62,446	$ 6	$ 305,223	$ 171,850	$ 477,079
Issuance of common stock:					
Issuance of common stock upon exercise of options, and for restricted stock	842	—	11,438	—	11,438
Other issuance of common stock	7,763	1	462,269	—	462,270
Stock-based compensation	—	—	39,844	—	39,844
Net income	—	—	—	39,664	39,664
Balance as of January 31, 2020	71,051	$ 7	$ 818,774	$ 211,514	$ 1,030,295
Issuance of common stock:					
Issuance of common stock upon exercise of options, and for restricted stock	827	—	9,956	—	9,956
Other issuance of common stock	5,290	1	286,779	—	286,780
Stock-based compensation	—	—	42,863	—	42,863
Net income	—	—	—	8,834	8,834
Balance as of January 31, 2021	77,168	$ 8	$ 1,158,372	$ 220,348	$ 1,378,728
Issuance of common stock:					
Issuance of common stock upon exercise of options, and for restricted stock	862	—	8,746	—	8,746
Other issuance of common stock	5,750	—	456,640	—	456,640
Stock-based compensation	—	—	52,750	—	52,750
Net loss	—	—	—	(44,289)	(44,289)
Balance as of January 31, 2022	83,780	$ 8	$ 1,676,508	$ 176,059	$ 1,852,575

The accompanying notes are an integral part of the consolidated financial statements.

HealthEquity, Inc. and subsidiaries
Consolidated Statements of Cash Flows

(in thousands)	2022	2021	Year ended January 31, 2020
Cash flows from operating activities:			
Net income (loss)	$ (44,289)	$ 8,834	$ 39,664
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	137,188	115,904	55,352
Stock-based compensation	52,750	42,863	39,844
Impairment of right-of-use assets	11,246	—	—
Amortization of debt issuance costs	4,448	5,102	2,711
Loss on extinguishment of debt	4,049	—	—
Change in fair value of contingent consideration	(2,147)	—	—
Gains on equity securities	(1,677)	—	(27,570)
Other non-cash items	1,232	1,753	728
Deferred taxes	(23,430)	(5,132)	3,665
Changes in operating assets and liabilities:			
Accounts receivable	(11,204)	(413)	(4,029)
Other assets	7,464	(24,839)	(12,577)
Operating lease right-of-use assets	15,235	11,150	6,218
Accrued compensation	(3,657)	771	4,550
Accounts payable, accrued liabilities, and other current liabilities	(2,178)	30,422	1,920
Operating lease liabilities, non-current	(9,412)	(10,803)	(5,383)
Other long-term liabilities	5,377	6,007	(83)
Net cash provided by operating activities	140,995	181,619	105,010
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(504,533)	—	(1,644,575)
Purchases of software and capitalized software development costs	(62,708)	(51,500)	(25,654)
Acquisition of intangible member assets	(65,465)	(32,371)	(9,134)
Purchases of property and equipment	(8,908)	(13,093)	(7,286)
Purchases of equity securities	—	—	(53,845)
Proceeds from sale of equity securities	2,367	—	—
Net cash used in investing activities	(639,247)	(96,964)	(1,740,494)
Cash flows from financing activities:			
Principal payments on long-term debt	(1,003,125)	(239,063)	(7,813)
Proceeds from long-term debt	950,000	—	1,250,000
Payment of debt issuance costs	(11,920)	—	(30,504)
Proceeds from follow-on equity offering, net of payments for offering costs	456,640	286,779	458,495
Settlement of client-held funds obligation, net	(486)	(3,862)	(215,790)
Proceeds from exercise of common stock options	9,754	8,568	11,347
Payment of contingent consideration	(6,000)	—	—
Net cash provided by financing activities	394,863	52,422	1,465,735
Increase (decrease) in cash and cash equivalents	(103,389)	137,077	(169,749)
Beginning cash and cash equivalents	328,803	191,726	361,475
Ending cash and cash equivalents	$ 225,414	$ 328,803	$ 191,726

The accompanying notes are an integral part of the consolidated financial statements.

HealthEquity, Inc. and subsidiaries
Consolidated Statements of Cash Flows (continued)

	Year ended January 31,		
(in thousands)	2022	2021	2020
Supplemental cash flow data:			
Interest expense paid in cash	$ 16,107	$ 27,686	$ 21,806
Income tax payments (refunds), net	(5,632)	(6,022)	9,277
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	4,640	1,930	1,742
Purchases of property and equipment included in accounts payable or accrued liabilities	1,414	160	487
Purchases of intangible member assets included in accounts payable or accrued liabilities	1,692	—	—
Decrease in goodwill due to measurement period adjustments, net	19	5,438	—
Exercise of common stock options receivable	470	1,478	—
Equity-based acquisition consideration	—	—	3,776

The accompanying notes are an integral part of the consolidated financial statements.

HealthEquity, Inc. and subsidiaries
Notes to 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.

In February 2006, HealthEquity received designation by the U.S. Department of Treasury to act as a passive non-bank custodian, which allows HealthEquity to hold custodial assets for individual account holders. On July 24, 2017, HealthEquity received designation by the U.S. Department of Treasury to act as both a passive and non-passive non-bank custodian, which allows HealthEquity to hold custodial assets for individual account holders and use discretion to direct investment of such assets held. As a passive and non-passive non-bank custodian according to Treasury Regulations section 1.408-2(e)(5)(ii)(B), the Company must maintain net worth (assets minus liabilities) greater than the sum of 2% of passive custodial funds held at each fiscal year-end and 4% of the non-passive custodial funds held at each fiscal year-end in order to take on additional custodial assets.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, or GAAP. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States and have been consistently applied in the preparation of the consolidated financial statements.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Follow-on equity offering

In the first quarter of fiscal year 2022, the Company closed a follow-on public offering of 5,750,000 shares of common stock at a public offering price of $80.30 per share, less the underwriters' discount. The Company received net proceeds of $456.6 million after deducting underwriting discounts and commissions of $4.6 million and other offering expenses of approximately $0.5 million.

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.

Segments

The Company operates in one segment. Management uses one measurement of profitability and does not segregate its business for internal reporting. All long-lived assets are maintained in the United States of America.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company’s cash and cash equivalents were held in institutions in the U.S. and include deposits in a money market account that was unrestricted as to withdrawal or use.

Client-held funds

Many of the Company's client services agreements with employers (referred to as "Clients") provide that Clients remit funds to the Company to pre-fund Client and employee participant contributions related to flexible spending accounts and health reimbursement arrangements (“FSAs” and “HRAs”, respectively) and commuter accounts. These Client-held funds remitted to the Company do not represent cash assets of the Company to the extent that they are not combined with corporate cash, and accordingly are not included in cash and cash equivalents on the Company's consolidated balance sheets.

Accounts receivable

On February 1, 2020, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* using the modified retrospective transition method. Accounts receivable represent monies due to the Company for monthly service revenue, custodial revenue and interchange revenue. The Company maintains an allowance for doubtful accounts to reserve for expected credit losses from trade receivables considering past events, current conditions, and reasonable and supportable forecasts of future economic conditions. In evaluating the Company's ability to collect outstanding receivable balances, the Company considers various factors including macroeconomic variables, the age of the balance, the creditworthiness of the customer, which is assessed based on ongoing credit evaluations and payment history, and the customer's current financial condition.

Investments

Marketable equity securities were strategic equity investments with readily determinable fair values for which the Company did not have the ability to exercise significant influence. These securities were accounted for at fair value and were classified as investments on the consolidated balance sheets. All gains and losses on these investments, realized and unrealized, were recognized in other income (expense), net in the consolidated statements of operations and comprehensive income (loss). As of January 31, 2022 and 2021, the Company had no marketable equity securities.

Non-marketable equity securities were strategic equity investments without readily determinable fair values for which the Company did not have the ability to exercise significant influence. These securities were accounted for using the measurement alternative and were classified as other assets on the consolidated balance sheets. All gains and losses on these investments, realized and unrealized, were recognized in other income (expense), net on the consolidated statements of operations and comprehensive income (loss). As of January 31, 2022 and 2021, the Company had no non-marketable equity securities and an immaterial balance of non-marketable equity securities, respectively.

Other assets

Other assets consist primarily of contract costs, debt issuance costs, prepaid expenditures, income tax receivables, inventories, and various other assets. Amounts expected to be recouped or recognized over a period of twelve months or less have been classified as current in the accompanying consolidated balance sheets.

Leases

The Company determines if a contract contains a lease at inception or any modification of the contract. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a specified period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset.

Leases with an expected term of 12 months or less at commencement are not accounted for on the balance sheet. All operating lease expense is recognized on a straight-line basis over the expected lease term. Certain leases also include obligations to pay for non-lease services, such as utilities and common area maintenance. The services are accounted for separately from lease components, and the Company allocates payments to the lease and other services components based on estimated stand-alone prices.

Operating lease right-of-use ("ROU") assets and liabilities are recognized based on the present value of future minimum lease payments over the expected lease term at commencement date. As the rate implicit in each lease is not readily determinable, management uses the Company's incremental borrowing rate based on the information available at commencement date in determining the present value of future payments.

Property and equipment

Property and equipment, including leasehold improvements, are stated at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of individual assets. The useful life for leasehold improvements is the shorter of the estimated useful life or the term of the lease ranging from 3-5 years. The useful life used for computing depreciation for all other asset classes is described below:

Computer equipment	3-5 years
Furniture and fixtures	5 years

Maintenance and repairs are expensed when incurred, and improvements that extend the economic useful life of an asset are capitalized. Gains and losses on the disposal of property and equipment are reflected in operating expenses.

Intangible assets, net

Intangible assets are carried at cost and amortized, typically, on a straight-line basis over their estimated useful lives. The useful life used for computing amortization for all intangible asset classes is described below:

Software and software development costs	3 years
Acquired customer relationships	7-15 years
Acquired developed technology	2-5 years
Acquired trade names and trademarks	3 years
Acquired HSA portfolios	15 years

The Company accounts for the costs of computer software developed or obtained for internal use in accordance with Accounting Standards Codification (“ASC”) 350-40, *Internal-Use Software*. Costs incurred during operation and post-implementation stages are charged to expense. Costs incurred during the application development stage that are directly attributable to developing or obtaining software for internal use are capitalized. Management’s judgment is required in determining the point when various projects enter the stages at which costs may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized.

Acquired customer relationships, developed technology, and trade names and trademarks are valued utilizing the discounted cash flow method, a form of the income approach. The useful lives of acquired customer relationships were estimated based on discount rates and revenue growth rates, net of attrition. The useful lives of developed technology and trade names were estimated based on expected obsolescence. The Company expenses the assets straight-line over the useful lives, and determined that this amortization method is appropriate to reflect the pattern over which the economic benefits of these acquired assets are realized.

Acquired HSA portfolios consist of the contractual rights to administer the activities related to the individual HSAs acquired. The Company used its HSA customer relationship period assumption and the historical attrition rates of member accounts to determine that an average useful life of 15 years and the use of a straight-line amortization method are appropriate to reflect the pattern over which the economic benefits of existing member assets are realized.

The Company reviews identifiable amortizable intangible assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted cash flows resulting from use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset over its fair value.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. Goodwill is not amortized, but is tested for impairment annually on January 31 or more frequently if events or changes in circumstances indicate that the asset may be impaired. The Company’s impairment tests are based on a single operating segment and reporting unit structure. The goodwill impairment test involves a qualitative assessment to compare a reporting unit's fair value to its carrying value. If it is determined that it is more likely than not that a reporting unit's fair value is less than its carrying value, a quantitative comparison is made between the Company's market capitalization and the carrying value of the reporting unit, including goodwill. If the carrying value of the reporting unit exceeds its fair value, an impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value.

Self-insurance

The Company is self-insured for medical insurance up to certain annual stop-loss limits. The Company establishes a liability as of the balance sheet date for claims, both reported and incurred but not reported, using currently available information as well as historical claims experience, and as determined by an independent third party.

Other long-term liabilities

Other long-term liabilities consists of long-term deferred revenue and other liabilities that the Company does not expect to settle within one year.

Revenue recognition

The Company recognizes revenue when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services.

The Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

Disaggregation of revenue. The Company's primary sources of revenue are service, custodial, and interchange revenue and are disclosed in the consolidated statements of operations and comprehensive income (loss). All of the Company's sources of revenue are deemed to be revenue contracts with customers. Each revenue source is affected differently by economic factors as it relates to the nature, amount, timing and uncertainty.

Costs to obtain a contract. ASC 606, *Revenue from contracts with customers*, requires capitalizing the costs of obtaining a contract when those costs are expected to be recovered.

In order to determine the amortization period for sales commissions contract costs, the Company applied the portfolio approach. Accordingly, the amortization period of the assets has been determined to be the average economic life of an HSA or other CDB relationship, which is estimated to be 15 years and 7 years, respectively. Amortization of capitalized sales commission contract costs is included in sales and marketing expenses in the consolidated statements of operations and comprehensive income (loss). The Company has applied the practical expedient which allows an entity to account for incremental costs of obtaining a contract at a portfolio level. The Company has also applied the practical expedient to recognize incremental costs of obtaining contracts as an expense when incurred if the amortization period would have been one year or less.

Performance obligations. ASC 606 requires disclosure of the aggregate amount of the transaction price allocated to unsatisfied performance obligations; however, as permitted by ASC 606, the Company has elected to exclude from this disclosure any contracts with an original duration of one year or less and any variable consideration that meets specified criteria.

Service revenue. The Company administers its platforms, prepares statements, provides a mechanism for spending funds, and provides customer support services. All of these services are consumed as they are received. The Company recognizes service revenue, in an amount that reflects the consideration it expects to be entitled to in exchange for those services, on a monthly basis as it satisfies its performance obligations.

Custodial revenue. The Company earns custodial revenue primarily from HSA assets deposited with depository partners or placed in group annuity contracts or similar arrangements with insurance company partners, recordkeeping fees earned in respect of mutual funds in which HSA members invest, and Client-held funds deposited with depository 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 a custodial investment partner, from which the Company earns a recordkeeping fee, calculated as a percentage of custodial investments. The deposit of funds represents a service that is simultaneously received and consumed by the depository partners, insurance company partners, and investment partner. The Company recognizes custodial revenue each month, in an amount that reflects the consideration it expects to be entitled to in exchange for the service.

Interchange revenue. The Company satisfies its interchange performance obligation each time payments are made with its cards via payment networks. The Company recognizes interchange revenue, in an amount that reflects the consideration it expects to be entitled to in exchange for the service, in the month the payment transaction occurs.

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.

Significant judgments. The Company makes no significant judgments in determining the amount or timing of revenue recognition. The Company has estimated the average economic life of an HSA or CDB member relationship, which has been determined to be the amortization period for the capitalized sales commissions contract costs.

Cost of revenue

The Company incurs cost of revenue related to servicing member accounts, managing customer and partner relationships, and processing reimbursement claims. Expenditures include personnel-related costs, depreciation, amortization, stock-based compensation, common expense allocations, new member and participant supplies, and other operating costs of the member account servicing departments. Other components of the Company’s cost of revenue include interest retained by members on custodial assets held and interchange costs incurred in connection with processing card transactions initiated by members.

Stock-based compensation

The Company grants stock-based awards, which consist of stock options, restricted stock units ("RSUs") and restricted stock awards ("RSAs"), to certain team members, executive officers, and directors. The Company recognizes compensation expense for stock-based awards based on the grant date estimated fair value. Expense for stock-based awards is generally recognized on a straight-line basis over the requisite service period, and is reversed as pre-vesting forfeitures occur. The fair value of stock options is determined using the Black-Scholes option pricing model. The determination of fair value for stock options on the date of grant using an option pricing model requires management to make certain assumptions regarding a number of complex and subjective variables. The fair value of RSUs and RSAs is based on the current value of the Company's closing stock price on the date of grant less the present value of future expected dividends discounted at the risk-free interest rate.

For stock-based awards with performance conditions, the Company evaluates the probability of achieving the performance criteria and of the number of shares that are expected to vest, and compensation expense is then adjusted to reflect the number of shares expected to vest and the requisite service period. For awards with performance conditions, compensation expense is recognized using the graded-vesting attribution method in accordance with the provisions of ASC 718, *Compensation—Stock Compensation* ("Topic 718"). Compensation expense related to stock-based awards with market conditions is recorded on a straight-line basis over the requisite service period regardless of whether the market condition is satisfied.

Upon the exercise of a stock option or release of an RSU/RSA, common shares are issued from authorized, but not outstanding, common stock.

Interest Expense

Interest expense primarily consists of accrued interest expense and amortization of deferred financing costs associated with our long-term debt.

Income tax provision (benefit)

The Company accounts for income taxes and the related accounts under the asset and liability method as set forth in ASC 740, *Income Taxes*. Under this method, 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, for net operating losses, and for 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. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for when it is more likely than not that some or all of the deferred tax assets may not be realized in future years.

The Company recognizes the tax benefit from an uncertain tax position taken or expected to be taken in a tax return using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authorities, based on the technical merits of the position. For tax positions that are more likely than not to be sustained upon audit, the second step is to measure the tax benefit in the financial statements as the largest benefit that has a greater than 50% likelihood of being sustained upon settlement. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of other income (expense), net in the consolidated statements of operations and comprehensive income (loss). Changes in facts and circumstances could have a material impact on the Company’s effective tax rate and results of operations.

Asset acquisitions

The Company routinely acquires rights to be the custodian of HSA portfolios, in which substantially all of the fair value of the gross portfolio assets acquired is concentrated in a group of similar HSA assets and therefore the acquisitions do not constitute a business. Accordingly, the acquisitions are accounted for under the asset acquisition method of accounting in accordance with ASC 805-50, *Business Combinations—Related Issues*. Under the asset acquisition method of accounting, the Company is required to fair value the assets transferred. The cost of the assets acquired, including transaction costs incurred in conjunction with an asset acquisition, is allocated to the individual assets acquired based on their relative fair values and does not give rise to goodwill.

Business combination

Consideration paid for the acquisition of a business as defined by ASC 805-10 is allocated to the tangible and intangible assets acquired and liabilities assumed based on their fair values as of the acquisition date.

Acquisition-related expenses incurred in conjunction with the acquisition of a business are recognized in earnings in the period in which they are incurred and are included in other income (expense), net on the consolidated statements of operations and comprehensive income (loss).

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management has made estimates for the allowance for doubtful accounts, capitalized software development costs, evaluating goodwill and long-lived assets for impairment, useful lives of property and equipment and intangible assets, accrued compensation, accrued liabilities, grant date fair value of stock options and performance restricted stock units and restricted stock awards, and income taxes. Actual results could differ from those estimates.

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:

			Year ended January 31,
(in thousands, except per share data)	**2022**	**2021**	**2020**
Numerator (basic and diluted):			
Net income (loss)	$ (44,289)	$ 8,834	$ 39,664
Denominator (basic):			
Weighted-average common shares outstanding	83,133	74,235	67,026
Denominator (diluted):			
Weighted-average common shares outstanding	83,133	74,235	67,026
Weighted-average dilutive effect of stock options and restricted stock units	—	1,444	1,427
Diluted weighted-average common shares outstanding	83,133	75,679	68,453
Net income (loss) per share:			
Basic	$ (0.53)	$ 0.12	$ 0.59
Diluted	$ (0.53)	$ 0.12	$ 0.58

For the fiscal years ended January 31, 2022, 2021 and 2020, 1.8 million, 0.6 million, and 0.3 million shares, respectively, attributable to outstanding stock options and restricted stock units were excluded from the calculation of diluted earnings (loss) per share as their inclusion would have been anti-dilutive.

Note 3. Business combinations

WageWorks Acquisition

On August 30, 2019, the Company closed the acquisition of WageWorks, Inc. (the "WageWorks Acquisition") for $51.35 per share in cash, or $2.0 billion to WageWorks stockholders. The Company financed the transaction through a combination of $816.9 million cash on hand plus net borrowings of approximately $1.22 billion, after deducting lender fees of approximately $30.5 million, under a term loan facility (see Note 8—Indebtedness).

The WageWorks Acquisition was accounted for under the acquisition method of accounting for business combinations. The consideration paid was allocated to the tangible and intangible assets acquired and liabilities assumed based on their fair values as of the acquisition date. The initial allocation of the consideration paid was based on a preliminary valuation and was subject to adjustment during the measurement period (up to one year from the acquisition date). The purchase price allocation was finalized in the third quarter of fiscal year 2021.

The following table summarizes the Company's allocation of the consideration paid in the WageWorks Acquisition:

(in millions)	Initial Allocation	Adjustments	Updated Allocation
Cash and cash equivalents	$ 406.8	$ (14.5)	$ 392.3
Other current assets	56.5	2.5	59.0
Property, plant, and equipment	26.6	—	26.6
Operating lease right-of-use assets	42.5	—	42.5
Intangible assets	715.3	—	715.3
Goodwill	1,330.5	(8.0)	1,322.5
Other assets	5.9	—	5.9
Client-held funds obligation	(237.5)	17.2	(220.3)
Other current liabilities	(69.1)	(3.7)	(72.8)
Other long-term liabilities	(26.7)	—	(26.7)
Deferred tax liability	(128.7)	6.5	(122.2)
Total consideration paid	$ 2,122.1	$ —	$ 2,122.1

Adjustments to the initial allocation were based on more detailed information obtained about the specific assets acquired, liabilities assumed, and tax-related matters.

Pro forma information

The unaudited pro forma results presented below include the effects of the WageWorks Acquisition as if it had been consummated as of February 1, 2018, with adjustments to give effect to pro forma events that are directly attributable to the WageWorks Acquisition, which include adjustments related to the amortization of acquired intangible assets, interest income and expense, and depreciation.

The unaudited pro forma results do not reflect any operating efficiencies or potential cost savings from the integration of WageWorks. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the WageWorks Acquisition had occurred at the beginning of the period presented, nor are they indicative of future results of operations. The estimated pro forma revenue and net income include the alignment of accounting policies, the effect of fair value adjustments related to the WageWorks Acquisition, associated tax effects and the impact of the borrowings to finance the WageWorks Acquisition and related expenses.

		Year ended January 31,
(in thousands) (unaudited)	2020	2019
Revenue	$ 798,253	$ 765,801
Net income	$ 23,101	$ 6,419

Luum acquisition

On March 8, 2021, the Company acquired 100% of the outstanding capital stock of Fort Effect Corp, d/b/a Luum (the "Luum Acquisition"). Luum provides employers with various commuter services, including access to real-time commute data to help them design and implement flexible return-to-office and hybrid-workplace strategies and benefits. The aggregate purchase price consisted of $50.2 million in cash, and up to $20.0 million in additional payments which were contingent on Luum achieving certain revenue targets during the two-year period following the closing of the Luum Acquisition and, if achieved, would be payable in fiscal years 2023 and 2024. The Company recorded an $8.1 million liability representing its best estimate of the fair value of the contingent consideration as of the acquisition date. The fair value of this contingent consideration was determined using a Monte Carlo valuation model based on Level 3 inputs, with any changes in the fair value recorded as other income (expense), net, in the consolidated statement of operations and comprehensive income (loss). On October 31, 2021, the Company entered into an amendment to the purchase agreement to pay $6.0 million in satisfaction of the contingent consideration liability, and recognized income of $2.1 million resulting from the change in fair value of the contingent consideration.

The Luum Acquisition was accounted for under the acquisition method of accounting for business combinations. The consideration paid was allocated to the tangible and intangible assets acquired and liabilities assumed based on their fair values as of the acquisition date. The initial allocation of the consideration paid was based on a preliminary valuation and is subject to adjustment during the measurement period (up to one year from the acquisition date). Balances subject to adjustment primarily include the valuations of acquired assets (tangible and intangible) and liabilities assumed, as well as tax-related matters. The Company expects the allocation of the consideration transferred to be finalized within the measurement period.

The following table summarizes the Company's current allocation of the consideration paid:

(in thousands)	Estimated fair value	Adjustments	Updated Allocation
Cash and cash equivalents	$ 626	$ —	$ 626
Other current assets	1,469	—	1,469
Intangible assets	23,900	—	23,900
Goodwill	36,374	(19)	36,355
Other assets	100	—	100
Current liabilities	(597)	—	(597)
Deferred tax liability	(3,566)	19	(3,547)
Total consideration paid	$ 58,306	$ —	$ 58,306

The Luum Acquisition resulted in $36.4 million of goodwill. The preliminary goodwill recognized is attributable to several strategic, operational, and financial benefits expected from the Luum Acquisition, including an expanded commuter offering beyond traditional pre-tax commuter benefits and additional cross-selling opportunities. The adjustments to the initial allocation were based on more detailed information obtained about the specific assets acquired, liabilities assumed, and tax-related matters. The goodwill created in the Luum Acquisition is not expected to be deductible for tax purposes.

The preliminary allocation of consideration exchanged to acquired identified intangible assets is as follows:

($ in thousands)	Fair value	Estimated life (in years)
Customer relationships (1)	$ 12,400	7.0
Developed technology (1)	10,900	5.0
Trade names & trademarks (1)	600	3.0
Total acquired intangible assets	$ 23,900	6.0

(1) The Company preliminarily valued the acquired assets utilizing the discounted cash flow method, a form of the income approach.

The pro forma effects of the Luum Acquisition would not materially impact the Company's reported results for any period presented, and as a result no pro forma financial information is presented.

Further acquisition

On November 1, 2021, the Company completed its acquisition of the Further business (other than Further's voluntary employee beneficiary association business) for $455 million (the "Further Acquisition"). Further is a leading provider of HSA and other CDB administration services. The parties also entered into related agreements ancillary to the Further Acquisition, including a transition services agreement.

The Further Acquisition was accounted for under the acquisition method of accounting for business combinations. The consideration paid was allocated to the tangible and intangible assets acquired and liabilities assumed based on their fair values as of the acquisition date. The initial allocation of the consideration paid was based on a preliminary valuation and is subject to adjustment during the measurement period (up to one year from the acquisition date). Balances subject to adjustment primarily include the valuations of acquired assets (tangible and intangible) and liabilities assumed, as well as tax-related matters. The Company expects the allocation of the consideration transferred to be finalized within the measurement period.

The following table summarizes the Company's current allocation of the consideration paid:

(in thousands)		Estimated fair value
Current assets	$	2,667
Intangible assets		172,183
Goodwill		282,287
Current liabilities		(2,137)
Total consideration paid	$	455,000

The Further Acquisition resulted in $282.3 million of goodwill. The preliminary goodwill recognized is attributable to several strategic, operational, and financial benefits expected from the Further Acquisition, including an enhanced ability to drive growth with health plans, custodial and interchange revenue synergies based on current contractual relationships, and operational cost synergies resulting from increased scale in service delivery. The goodwill created in the Further Acquisition is not expected to be deductible for tax purposes.

The preliminary allocation of consideration exchanged to acquired identified intangible assets is as follows:

($ in thousands)		Fair value	Estimated life (in years)
Customer relationships (1)	$	146,000	15.0
Developed technology (1)		25,000	5.0
Identified intangible assets subject to amortization		171,000	13.5
In-process software development costs		1,183	n/a
Total acquired intangible assets	$	172,183	

(1) The Company preliminarily valued the acquired assets utilizing the discounted cash flow method, a form of the income approach.

The pro forma effects of the Further Acquisition would not materially impact the Company's reported results for any period presented, and as a result no pro forma financial information is presented.

Note 4. Supplemental financial statement information

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

Allowance for doubtful accounts

As of January 31, 2022 and 2021, the Company had an allowance for doubtful accounts of $6.2 million and $4.2 million, respectively. During the fiscal years ended January 31, 2022, 2021, and 2020, the Company recorded credit losses from trade receivables of $3.3 million, $3.4 million, and $1.0 million, respectively.

Costs to obtain a contract

As of January 31, 2022 and 2021, the net amount capitalized as contract costs was $39.3 million and $27.5 million, respectively, which is included in other current assets and other assets. Amortization of capitalized contract costs during the fiscal years ended January 31, 2022, 2021, and 2020 was $4.3 million, $2.4 million, and $1.9 million, respectively.

Property and equipment

Property and equipment consisted of the following as of January 31, 2022 and 2021:

(in thousands)	January 31, 2022	January 31, 2021
Leasehold improvements	$ 18,573	$ 22,271
Furniture and fixtures	8,417	9,230
Computer equipment	31,982	28,592
Property and equipment, gross	58,972	60,093
Accumulated depreciation	(35,600)	(30,987)
Property and equipment, net	$ 23,372	$ 29,106

Depreciation expense for the fiscal years ended January 31, 2022, 2021 and 2020 was $14.7 million, $16.0 million and $8.9 million, respectively.

Contract balances

As of January 31, 2022 and 2021, the balance of deferred revenue was $10.5 million and $4.1 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 47% of its balance of deferred revenue as revenue over the next 12 months and the remainder thereafter. Revenue recognized during the fiscal year that was included in the beginning balance of deferred revenue was $1.3 million. The Company expects to satisfy its remaining obligations for these arrangements.

Other income (expense), net

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

			Year ended January 31,
(in thousands)	2022	2021	2020
Interest income	$ 1,501	$ 1,045	$ 5,905
Gain on equity securities	1,692	—	27,760
Acquisition costs	(10,832)	(1,118)	(40,810)
Other income (expense)	1,708	5,080	(1,934)
Total other income (expense), net	$ (5,931)	$ 5,007	$ (9,079)

Interest expense

Based on the application of ASC 470-50, *Debt - Modifications and Extinguishments*, the Company recorded a $4.0 million loss on extinguishment of debt during the year ended January 31, 2022, which is included within interest expense in the consolidated statements of operations and comprehensive income (loss) for the year ended January 31, 2022.

Note 5. Leases

The Company has entered into various non-cancelable operating lease agreements for office space, data storage facilities, and other leases with remaining lease terms of less than 1 year to approximately 9 years, often with one or more Company options to renew. These renewal terms can extend the lease term from 3 to 10 years and are included in the lease term when it is reasonably certain that the Company will exercise the option.

The components of operating lease costs were as follows:

			Year ended January 31,
(in thousands)	2022	2021	2020
Operating lease expense	$ 14,762	$ 16,073	$ 9,059
Sublease income	(1,836)	(1,799)	(750)
Net operating lease cost	$ 12,926	$ 14,274	$ 8,309

Weighted average lease term and discount rate were as follows:

	January 31, 2022	January 31, 2021
Weighted average remaining lease term	8.32 years	9.02 years
Weighted average discount rate	4.29 %	4.32 %

Lease liabilities were as follows:

(in thousands)		January 31, 2022		January 31, 2021
Gross lease liabilities	$	92,529	$	107,150
Less: imputed interest		(15,126)		(18,889)
Present value of lease liabilities		77,403		88,261
Less: current portion of lease liabilities		(12,171)		(14,037)
Lease liabilities, non-current	$	65,232	$	74,224

As of January 31, 2022, the Company had an additional operating lease for office space that had not yet commenced with aggregate undiscounted lease payments of $4.5 million. This operating lease will commence in fiscal year 2023 and has a lease term of approximately 9 years.

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

		Year ended January 31,		
(in thousands)		2022		2021
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$	14,742	$	12,941
Right-of-use assets obtained in exchange for lease obligations	$	586	$	17,480

During the fiscal year ended January 31, 2022, the Company recorded impairment losses on right-of-use assets of $11.2 million, which are included within merger integration expense in the consolidated statement of operations and comprehensive income (loss). The impairment losses related primarily to a right-of-use asset acquired through the WageWorks Acquisition, which had a carrying value of $14.8 million prior to impairment and no corresponding lease liability. During the year ended January 31, 2022, the right-of-use asset met the criteria to be classified as held-for-sale and an impairment loss of $10.9 million was recognized. The remaining carrying value of $3.9 million was included within other current assets on the Company's consolidated balance sheet as of January 31, 2022. On March 24, 2022, the Company completed the sale of the asset for $3.9 million.

Note 6. Intangible assets and goodwill

Intangible assets

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

(in thousands)		January 31, 2022		January 31, 2021
Software and software development costs	$	192,050	$	127,005
Acquired HSA portfolios		192,298		125,141
Acquired customer relationships		759,781		601,381
Acquired developed technology		132,825		96,925
Acquired trade names		12,900		12,300
Intangible assets, gross		1,289,854		962,752
Accumulated amortization		(316,717)		(195,749)
Intangible assets, net	$	973,137	$	767,003

During the fiscal years ended January 31, 2022 and 2021, the Company capitalized $67.2 million and $32.4 million, respectively, to acquire the rights to act as a custodian of HSA portfolios.

Amortization expense for the fiscal years ended January 31, 2022, 2021, and 2020 was $122.5 million, $99.9 million and $46.5 million, respectively. Estimated amortization expense for the years ending January 31 is as follows:

Year ending January 31, (in thousands)		
2023	$	137,139
2024		120,589
2025		93,822
2026		71,863
2027		67,368
Thereafter		482,356
Total	$	973,137

Goodwill

The Company's annual goodwill impairment test resulted in no impairment charges in any of the periods presented in the accompanying consolidated financial statements. During the fiscal year ended January 31, 2022, goodwill increased by $318.6 million due to the acquisitions of Luum and Further. During the fiscal year ended January 31, 2021, goodwill decreased by $5.4 million due to measurement period adjustments related to the WageWorks Acquisition. There were no other changes to the goodwill carrying value during the fiscal years ended January 31, 2022 and 2021.

Note 7. Commitments and contingencies

Commitments

The following table summarizes the payments due by fiscal year for our outstanding contractual obligations as of January 31, 2022:

	Payments due by fiscal year						
(in thousands)	2023	2024	2025	2026	2027	Thereafter	Total
4.50% Senior Notes due 2029 (1)	$ —	$ —	$ —	$ —	$ —	$ 600,000	$ 600,000
Term Loan Facility (1)	8,750	17,500	17,500	26,250	280,000	—	350,000
Interest on long-term debt obligations (2)	33,951	33,708	33,467	32,965	30,764	72,975	237,830
Operating lease obligations (3)	12,527	10,501	10,849	11,094	11,344	40,671	96,986
HealthSavings portfolio acquisition (4)	60,000	—	—	—	—	—	60,000
Other contractual obligations (5)	25,243	13,191	6,137	5,516	6,500	—	56,587
Total	$ 140,471	$ 74,900	$ 67,953	$ 75,825	$ 328,608	$ 713,646	$ 1,401,403

(1) As of January 31, 2022, our outstanding combined principal of $950.0 million is presented net of debt issuance costs on our consolidated balance sheets. The debt issuance costs are not included in the table above.

(2) Estimated interest payments assume the stated interest rates applicable to the Notes and Term Loan Facility as of January 31, 2022, which were 4.50% and 1.88% per annum, respectively.

(3) We lease office space and data storage facilities, and we have other non-cancelable operating leases expiring at various dates through 2030. These amounts exclude contractual sublease income of $2.2 million, which is expected to be received through March 2023.

(4) On March 2, 2022, the Company completed its acquisition of the Health Savings Administrators, L.L.C. ("HealthSavings") HSA portfolio for $60 million in cash.

(5) Other contractual obligations consist of processing services agreements, telephony services, and other contractual commitments.

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 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. The Company recorded the $2.8 million draw as merger integration expense in the consolidated statement of operations and comprehensive income (loss). 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, but has not yet responded to WageWorks' other claims raised in the amended complaint.

On March 9, 2018, a putative class action was filed in the U.S. District Court for the Northern District of California (the “Securities Class Action”). On May 16, 2019, a consolidated amended complaint was filed by the lead plaintiffs asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, against WageWorks, its former Chief Executive Officer and its former Chief Financial Officer on behalf of purchasers of WageWorks common stock between May 6, 2016 and March 1, 2018. The complaint also alleged claims under the Securities Act of 1933, as amended, arising from WageWorks’ June 19, 2017 common stock offering against those same defendants, as well as the members of its board of directors at the time of that offering. The class action settled for $30.0 million. During the fiscal year ended January 31, 2022, WageWorks contributed $5.0 million and its insurers paid the remaining $25.0 million. The court granted final approval of the settlement and entered a final judgment on August 20, 2021. This matter is now closed.

On June 22, 2018 and September 6, 2018, two derivative lawsuits were filed against certain of WageWorks’ former officers and directors and WageWorks (as nominal defendant) in the Superior Court of the State of California, County of San Mateo. The actions were consolidated. On July 23, 2018, a similar derivative lawsuit was filed against certain former WageWorks’ officers and directors and WageWorks (as nominal defendant) in the U.S. District Court for the Northern District of California (together, the “Derivative Suits”). The allegations in the Derivative Suits relate to substantially the same facts as those underlying the Securities Class Action described above. The plaintiffs seek unspecified damages, fees and costs. Plaintiffs in the Superior Court action filed an amended consolidated complaint on October 28, 2019, naming as defendants certain former officers and directors of WageWorks and alleging a direct claim of "inseparable fraud/breach of fiduciary duty" on behalf of a class. WageWorks was not named as a party in that complaint. On June 24, 2020, the court granted the defendants’ motion to dismiss the amended complaint. The plaintiffs subsequently filed a notice of appeal. On October 28, 2021, the court of appeal dismissed the appeal pursuant to the release in the class action settlement discussed above. The District Court action is currently stayed.

WageWorks previously entered into indemnification agreements with its former directors and officers and, pursuant to these indemnification agreements, is covering the defense fees and costs of its former directors and officers in the legal proceedings described above.

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 8. Indebtedness

Long-term debt consisted of the following:

(in thousands)	January 31, 2022	January 31, 2021
4.50% Senior Notes due 2029	$ 600,000	$ —
Term Loan Facility	350,000	—
Prior Term Loan Facility	—	1,003,125
Principal amount	950,000	1,003,125
Less: unamortized discount and issuance costs (1)	19,173	16,408
Total debt, net	930,827	986,717
Less: current portion of long-term debt	8,750	62,500
Long-term debt, net	$ 922,077	$ 924,217

(1) In addition to the $19.2 million and $16.4 million of unamortized discount and issuance costs related to long-term debt as of January 31, 2022 and 2021, respectively, $4.4 million and $5.0 million of unamortized issuance costs related to our Revolving Credit Facility (as defined below) are included within other assets on the consolidated balance sheets as of January 31, 2022 and January 31, 2021, respectively.

4.50% Senior Notes due 2029

On October 8, 2021, the Company completed its offering of $600.0 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 net proceeds from the issuance of the Notes together with borrowings under the Credit Agreement (as defined below) and cash on hand, were used to repay the outstanding borrowings under the Prior Credit Agreement (as defined below).

The Notes are guaranteed by each of the Company’s existing, wholly owned domestic subsidiaries that guarantees its obligations under the Credit Agreement 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 will be payable on April 1 and October 1 of each year, beginning on April 1, 2022. As of January 31, 2022, the balance of accrued interest on the Notes was $8.7 million, which is included within accrued liabilities on the Company's consolidated balance sheet. 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 new 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 $350.0 million, the proceeds of which were used to refinance the Company’s existing senior secured credit facility as described below (the “Refinancing”), to pay fees and expenses incurred in connection with the Refinancing and the establishment of the Credit Facilities (as defined below) and for working capital and general corporate purposes of the Company and its subsidiaries, including the financing of acquisitions and other investments; 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.

Borrowings under the Credit Facilities bear 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 by reference to a leverage-based pricing grid set forth in the Credit Agreement. As of January 31, 2022, the stated interest rate was 1.88% and the effective interest rate was 2.63%. 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.

The loans made under the Term Loan Facility will 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.”

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 beginning with the fiscal quarter ended January 31, 2022, 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 beginning with the fiscal quarter ended January 31, 2022. The Company was in compliance with all covenants under the Credit Agreement as of January 31, 2022, 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 direct and indirect 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.

Prior Credit Agreement

On August 30, 2019, the Company entered into a credit agreement (the "Prior Credit Agreement") that provided for:

(i) a five-year senior secured term loan A facility (the “Prior Term Loan Facility”), in an aggregate principal amount of $1.25 billion; and

(ii) a five-year senior secured revolving credit facility (the “Prior Revolving Credit Facility” and, together with the Prior Term Loan Facility, the “Prior Credit Facilities”), in an aggregate principal amount of up to $350.0 million. No amounts were drawn under the Prior Revolving Credit Facility.

Borrowings under the Prior Credit Facilities bore interest at an annual rate equal to, at the option of HealthEquity, 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 by reference to a leverage-based pricing grid set forth in the Prior Credit Agreement. The Company was also required to pay certain fees to the lenders, including, among others, a quarterly commitment fee on the average unused amount of the Prior 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 Prior Credit Agreement.

The Prior Credit Agreement contained customary affirmative and negative covenants. The Company was in compliance with all covenants under the Prior Credit Agreement during the fiscal year ended January 31, 2022.

The obligations of HealthEquity under the Prior Credit Agreement were required to be unconditionally guaranteed by WageWorks and Fort Effect Corp and were secured by security interests in substantially all assets of HealthEquity and the guarantors, subject to certain customary exceptions.

On October 8, 2021, in connection with the entry into the Credit Agreement, the Company repaid all outstanding obligations under the Prior Credit Agreement and terminated all commitments thereunder.

Note 9. Income taxes

The income tax provision (benefit) consisted of the following:

			Year ended January 31,
(in thousands)	**2022**	**2021**	**2020**
Current:			
Federal	$ 628	$ 181	$ (448)
State	239	258	274
Total current tax provision (benefit)	$ 867	$ 439	$ (174)
Deferred:			
Federal	$ (21,197)	$ (1,630)	$ 3,538
State	(2,122)	(3,503)	127
Total deferred tax provision (benefit)	$ (23,319)	$ (5,133)	$ 3,665
Total income tax provision (benefit)	$ (22,452)	$ (4,694)	$ 3,491

Total income tax provision (benefit) differed from the amounts computed by applying the U.S. federal statutory income tax rate to income before income taxes as a result of the following:

	Year ended January 31,		
(in thousands)	**2022**	**2021**	**2020**
Federal income tax provision (benefit) at the statutory rate	$ (14,016)	$ 869	$ 9,063
State income tax provision (benefit), net of federal tax provision (benefit)	(3,733)	(99)	960
Other non-deductible or non-taxable items, net	(165)	469	798
Excessive employee remuneration	1,214	1,186	2,117
Excess tax benefits on stock-based compensation expense, net	(5,098)	(2,983)	(4,815)
Federal research and development credits	(4,218)	(2,195)	(2,296)
Change in uncertain tax position reserves, net of indirect benefits	836	511	491
Non-deductible acquisition-related costs	—	—	3,032
Non-taxable gain on investment in subsidiary	—	—	(5,790)
Reclassification of operating lease right-of-use assets	—	185	—
Change in net operating losses due to measurement period adjustments	—	377	—
Deferred tax rate adjustment due to merger integration	725	(1,814)	225
Return-to-provision adjustments	(810)	(1,010)	(332)
Change in valuation allowance	3,457	(145)	93
Other items, net	(644)	(45)	(55)
Total income tax provision (benefit)	$ (22,452)	$ (4,694)	$ 3,491

The Company’s effective income tax rate for the fiscal years ended January 31, 2022, 2021, and 2020 was an effective income tax benefit rate of 33.6% and 113.4% and an effective income tax expense rate of 8.1%, respectively. The difference between the effective income tax rate and the U.S. federal statutory income tax rate each period is impacted by a number of factors, including the relative mix of earnings among state jurisdictions, credits, excess tax benefits or shortfalls on stock-based compensation expense, changes in valuation allowance, and other items. The decrease in the effective tax benefit rate for the fiscal year ended January 31, 2022 compared to the fiscal year ended January 31, 2021 was primarily due to the impact of tax benefit items, such as stock-based compensation expense, credits, and changes to the valuation allowance, relative to the larger pre-tax book loss and smaller pre-tax book income, respectively. The decrease in the effective tax rate for the fiscal year ended January 31, 2021 compared to the fiscal year ended January 31, 2020 was primarily due to an increase in excess tax benefits on stock-based compensation expense, deferred tax rate adjustments due to the integration of WageWorks, and research and development credits recognized in the provision for income taxes relative to pre-tax book income.

Deferred tax assets and liabilities consisted of the following:

(in thousands)	January 31, 2022	January 31, 2021
Deferred tax assets:		
Net operating loss carryforward	$ 5,542	$ 1,653
Stock compensation	14,778	12,600
Research and development credits	13,351	6,274
Lease liabilities	19,356	21,813
Accruals and reserves	7,729	10,591
Other, net	3,728	1,755
Total gross deferred tax assets	$ 64,484	$ 54,686
Less valuation allowance	(3,561)	(104)
Deferred tax assets, net of valuation allowance	60,923	54,582
Deferred tax liabilities:		
Fixed assets	(1,862)	(4,946)
Intangible assets	(119,048)	(134,442)
Incremental contract costs	(9,585)	(6,385)
Right-of-use assets	(16,923)	(22,285)
Goodwill	(11,481)	(6,081)
Other, net	(1,870)	(172)
Total gross deferred tax liabilities	(160,769)	(174,311)
Net deferred tax asset (liability)	$ (99,846)	$ (119,729)

Management considered whether it is more likely than not that some portion or all of the deferred tax assets would be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred tax liabilities in making this assessment and determined that based on the weight of all available evidence, it is more likely than not (i.e., a likelihood of more than 50%) that the Company will be able to realize most of its deferred tax assets. However, the Company recorded a valuation allowance of $3.6 million and $0.1 million as of January 31, 2022 and 2021, respectively. The increase in valuation allowance recorded is primarily the result of state research and development tax credits that are not expected to be utilized before expiration.

As of January 31, 2022, the Company had recorded federal and state net operating loss carryforwards of $12.1 million and $50.1 million, respectively, which begin to expire at various intervals following the tax year ending January 31, 2029. As of January 31, 2022, the Company also had federal and state research and development credits of $10.9 million each, which begin to expire following the tax years ending January 31, 2032 and 2023, respectively.

As of January 31, 2022 and 2021, the gross unrecognized tax benefit was $11.7 million and $10.2 million, respectively. If recognized, $10.8 million and $9.4 million of the total unrecognized tax benefits would affect the Company's effective tax rate as of January 31, 2022 and 2021, respectively. Total gross unrecognized tax benefits increased by $1.4 million in the period from January 31, 2021 to January 31, 2022.

A tabular reconciliation of the beginning and ending amount of gross unrecognized tax benefits, including the impact of purchase accounting from the Luum Acquisition, is as follows:

(in thousands)	January 31, 2022	January 31, 2021
Gross unrecognized tax benefits at beginning of year	$ 10,206	$ 9,370
Gross amounts of increases and decreases:		
Purchase accounting adjustments	240	—
Increases as a result of tax positions taken during a prior period	38	1
Increases as a result of tax positions taken during the current period	1,169	835
Gross unrecognized tax benefits at end of year	$ 11,653	$ 10,206

Certain unrecognized tax benefits are required to be netted against their related deferred tax assets as a result of ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar*

Tax Loss, or a Tax Credit Carryforward Exists. The resulting unrecognized tax benefit recorded within the Company's consolidated balance sheet excludes the following amounts that have been netted against the related deferred tax assets or tax receivables accordingly:

(in thousands)	January 31, 2022	January 31, 2021
Total gross unrecognized tax benefits	$ 11,653	$ 10,206
Amounts netted against related deferred tax assets or tax receivables	(7,097)	(9,574)
Unrecognized tax benefits recorded on the consolidated balance sheet	$ 4,556	$ 632

The Company’s policy is to recognize interest and penalties related to unrecognized tax benefits as a component of other income (expense), net in the statement of operations and comprehensive income (loss). During the fiscal years ended January 31, 2022, 2021, and 2020, the Company recorded penalties and interest of $0.7 million, $0.2 million, and $0.1 million, respectively, related to unrecognized tax benefits. As of January 31, 2022 and 2021, the Company recorded accrued interest and penalties of $1.5 million and $0.8 million, respectively.

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 our 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 2001.

Note 10. Stock-based compensation

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

			Year ended January 31,
(in thousands)	2022	2021	2020
Cost of revenue	$ 11,258	$ 7,996	$ 4,792
Sales and marketing	7,001	6,986	4,694
Technology and development	13,132	10,772	7,649
General and administrative	21,359	17,109	12,972
Merger integration	—	—	1,603
Other expense, net	342	—	13,714
Total stock-based compensation expense	$ 53,092	$ 42,863	$ 45,424

The following table shows stock-based compensation by award type:

			Year ended January 31,
(in thousands)	2022	2021	2020
Stock options	$ 1,816	$ 4,499	$ 6,612
Restricted stock units	37,693	28,040	25,781
Performance restricted stock units	12,948	6,270	4,862
Restricted stock awards	155	1,335	655
Performance restricted stock awards	138	2,719	1,934
Total non-cash stock-based compensation expense	52,750	42,863	39,844
Acquisition awards exchanged for cash	342	—	5,580
Total stock-based compensation expense	$ 53,092	$ 42,863	$ 45,424

Stock award plans

Incentive Plan. The Company grants stock options, restricted stock units ("RSUs"), and restricted stock awards ("RSAs") 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 January 31, 2022, 7.4 million shares were available for grant under the Incentive Plan.

Stock options

Under the terms of the Incentive Plan, the Company has the ability to grant incentive and nonqualified stock options. Incentive stock options may be granted only to Company team members. Nonqualified stock options may be granted to Company executive officers, other team members, directors and consultants. Such options are to be exercisable at prices, as determined by the board of directors, which must be equal to no less than the fair value of the Company's common stock at the date of the grant. Stock options granted under the Incentive Plan generally expire 10 years from the date of issuance, or are forfeited 90 days after termination of employment. Shares of common stock underlying stock options that are forfeited or that expire are returned to the Incentive Plan.

Valuation assumptions. The Company has adopted the provisions of Topic 718, which requires the measurement and recognition of compensation for all stock-based awards made to team members and directors, based on estimated fair values.

Under Topic 718, the Company uses the Black-Scholes option pricing model as the method of valuation for stock options. The determination of the fair value of stock-based awards on the date of grant is affected by the fair value of the stock as well as assumptions regarding a number of complex and subjective variables. The variables include, but are not limited to, (1) the expected life of the option, (2) the expected volatility of the fair value of the Company's common stock over the term of the award estimated by averaging the Company's historical volatility in addition to published volatilities of a relative peer group, (3) risk-free interest rate, and (4) expected dividends.

No options were granted during the fiscal year ended January 31, 2022. The weighted-average fair value of options granted during the fiscal years ended January 31, 2021 and 2020 was $23.68 and $25.97 per share, respectively. The key input assumptions utilized in the valuation of the stock options were as follows:

	Year ended January 31,		
	2022	2021	2020
Expected dividend yield	n/a	0%	0%
Expected stock price volatility	n/a	37.97%	35.98% - 36.53%
Risk-free interest rate	n/a	1.39%	2.21% - 2.43%
Expected life of options	n/a	5.18 years	4.95 - 5.09 years

Expected volatility is determined using a weighted average volatility of publicly traded peer companies and the Company's own historical volatility. The risk-free interest rate is determined by using published zero coupon rates on treasury notes for each grant date given the expected term on the options. The dividend yield of zero is based on the fact that the Company has no current plans to pay dividends on its common stock.

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, 2021	1,674	$1.25 - 82.39	$ 31.46	5.00	$ 87,164
Exercised	(442)	$1.25 - 44.53	$ 19.81		
Outstanding as of January 31, 2022	1,232	$1.25 - 82.39	$ 35.64	4.20	$ 25,719
Vested and expected to vest as of January 31, 2022	1,232		$ 35.64	4.20	$ 25,719
Exercisable as of January 31, 2022	1,148		$ 33.09	4.00	$ 25,719

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of common stock and the exercise price of outstanding, in-the-money stock options. The total intrinsic value of options exercised during the fiscal years ended January 31, 2022, 2021 and 2020 was $19.3 million, $15.4 million, and $22.5 million, respectively.

As of January 31, 2022, the weighted-average vesting period of non-vested awards expected to vest is approximately 0.7 years; the amount of compensation expense the Company expects to recognize for stock options vesting in future periods is approximately $1.1 million.

Restricted stock units and restricted stock awards

The Company grants RSUs and RSAs to certain team members, officers, and directors under the Incentive Plan. RSUs and RSAs vest upon service-based criteria and performance-based criteria. Generally, service-based RSUs and RSAs vest over a four-year period in equal annual installments commencing upon the first anniversary of the grant date. RSUs and RSAs are valued based on the current value of the Company's closing stock price on the date of grant less the present value of future expected dividends discounted at the risk-free interest rate. The weighted-average fair value of RSUs granted during the fiscal years ended January 31, 2022, 2021 and 2020 was $64.87, $56.93 and $65.20 per share, respectively.

Performance restricted stock units and awards. During the fiscal year ended January 31, 2020, the Company awarded 129,963 PRSUs (the “FY20 PRSUs”). The Company recorded stock-based compensation related to the FY20 PRSUs when it was considered probable that the performance conditions would be met. In March 2020, the Compensation Committee modified the vesting conditions of the FY20 PRSUs by basing the first year of the award solely on the Company’s revenue CAGR for the first year, exclusive of the revenue recognized through the WageWorks Acquisition, and measured using the original revenue CAGR targets set by the Compensation Committee in respect of such awards. As a result, one-third of the FY20 PRSUs were deemed by the Compensation Committee to be earned at target; however, despite this determination, and in order to encourage retention of our executive officers, our executive officers were required to remain employed until the remaining performance conditions for the FY20 PRSUs were certified by the Compensation Committee. The remaining two-thirds of the FY20 PRSUs vested based on the Company’s net cash provided by operating activities (as defined under GAAP) relative to target given the importance of the Company generating sufficient cash flow to service the additional indebtedness incurred in connection with the WageWorks Acquisition. The modification affected 12 team members and resulted in incremental stock-based compensation expense of $6.6 million, which was recognized over the remaining service period, adjusted for the level of achievement of the performance conditions and any forfeitures. Prior to the modification, the Company did not believe the FY20 PRSUs were likely to vest, and as a result, $2.9 million of previously recorded stock-based compensation expense was reversed during the three months ended April 30, 2020. The modified performance conditions for the second and third tranches allowed for a range of vesting from 0% to 200% based on the level of achievement of the new performance conditions. The Company's actual net cash provided by operating activities for the fiscal year ended January 31, 2022 was below the threshold level of achievement, and for the fiscal year ended January 31, 2021 was 163% of the target level of achievement. Previously recorded stock-based compensation expense associated with FY20 PRSUs that did not vest was reversed during the fiscal year ended January 31, 2022 when it was no longer considered probable that the performance conditions would be met. The FY20 PRSUs cliff vested upon approval by the Compensation Committee, which occurred in March 2022.

During the fiscal year ended January 31, 2021, the Company awarded 277,950 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, 2023. The Company used a Monte Carlo simulation to determine that the grant date fair value of the awards was approximately $20.8 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.

During the fiscal year ended January 31, 2022, the Company awarded 249,750 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, 2024. The Company used a Monte Carlo simulation to determine that the grant date fair value of the awards was approximately $22.4 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.

A summary of the RSU and RSA activity is as follows:

(in thousands, except weighted-average grant date fair value)	RSUs and PRSUs Shares	RSUs and PRSUs Weighted-average grant date fair value	RSAs and PRSAs Shares	RSAs and PRSAs Weighted-average grant date fair value
Outstanding as of January 31, 2021	1,832	$ 60.41	193	$ 61.77
Granted	1,827	64.87	—	—
Vested	(482)	59.60	(116)	61.77
Forfeited	(437)	62.81	(75)	61.77
Outstanding as of January 31, 2022	2,740	$ 63.15	2	$ 61.72

During the fiscal years ended January 31, 2022, 2021 and 2020 the aggregate intrinsic value of RSUs and RSAs vested was $40.9 million, $31.8 million, and $25.0 million, respectively.

Total unrecorded stock-based compensation expense as of January 31, 2022 associated with RSUs and PRSUs was $123.0 million, which is expected to be recognized over a weighted-average period of 2.5 years. Total unrecorded stock-based compensation expense as of January 31, 2022 associated with RSAs and PRSAs was less than $0.1 million, which is expected to be recognized over a weighted-average period of 0.2 years.

Note 11. 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 January 31, 2022, the fair value of the Notes was $588.4 million.

The Term Loan Facility is considered a Level 2 instrument and recorded at book value in the Company's 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.

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

The contingent consideration liability resulting from the Luum Acquisition was determined using a Monte Carlo valuation model based on Level 3 inputs. The estimate of fair value of the contingent consideration obligation required subjective assumptions to be made regarding revenue growth rates, discount rates, peer revenue volatilities, and probabilities assigned to various potential business result scenarios and was determined using probability assessments with respect to the likelihood of achieving certain revenue targets. The fair value measurement was based on inputs unobservable in the market and thus represented a level 3 measurement. On October 31, 2021, the Company entered into an amendment to the purchase agreement to pay $6.0 million in satisfaction of the contingent consideration liability, and accordingly, the liability was transferred out of Level 3 as it was no longer measured at fair value. For further information, see Note 3—Business combination.

The following table reconciles the change in the fair value of the contingent consideration during the fiscal year ended January 31, 2022:

(in thousands)	Carrying amount
Balance as of January 31, 2021	$ —
Contingent consideration recognized at acquisition	8,147
Change in fair value recognized in the consolidated statement of operations and comprehensive income (loss)	(2,147)
Payments	(6,000)
Balance as of January 31, 2022	$ —

Note 12. Employee benefits

The Company has established a 401(k) plan that qualifies as a deferred compensation arrangement under Section 401 of the IRS Code. All non-seasonal team members over the age of 21 are eligible to participate in the plan. The plan provides for Company matching of employee contributions up to 3.5% of eligible earnings. Employer matching contribution expense was $7.1 million, $6.5 million and $3.7 million for the fiscal years ended January 31, 2022, 2021 and 2020, respectively.

The Company is self-insured for medical and dental benefits for all qualifying employees. The medical plan carries a stop-loss policy which will protect from individual claims during the plan year exceeding $350,000. The Company records estimates of costs of claims incurred based on an analysis of historical data and independent estimates. The Company's liability for self-insured medical claims is included in accrued compensation in its consolidated balance sheet and was $3.9 million and $3.5 million as of January 31, 2022 and 2021, respectively.

Note 13. Subsequent events

On March 2, 2022, the Company completed its acquisition of the Health Savings Administrators, L.L.C. HSA portfolio for $60 million in cash.

Item 9. Changes in and disagreements with accountants on accounting and financial disclosure

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures

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 January 31, 2022, the end of the period covered by this Annual Report on Form 10-K. 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 have concluded that as of January 31, 2022, the Company's disclosure controls and procedures were not effective because of the material weaknesses in internal control over financial reporting described below.

Notwithstanding the ineffective disclosure controls and procedures as a result of the identified material weaknesses described below, management has concluded that the consolidated financial statements included elsewhere in this Annual Report on Form 10-K present fairly, in all material respects, the Company’s financial position, results of operations and cash flows in accordance with generally accepted accounting principles in the United States of America.

In accordance with interpretive guidance issued by SEC staff, companies are allowed to exclude acquired businesses from the assessment of internal control over financial reporting during the first year after completion of an acquisition and from the assessment of disclosure controls and procedures to the extent subsumed in such internal control over financial reporting. In accordance with this guidance, as the Company acquired Luum on March 8, 2021, and Further on November 1, 2021, management's evaluation and conclusion as to the effectiveness of the Company's disclosure controls and procedures as of January 31, 2022 excluded the portion of disclosure controls and procedures that are subsumed by internal control over financial reporting of Luum and Further. The balances resulting from these acquisitions represented less than 1% of assets and approximately 3% of revenues, excluding the effects of purchase accounting, of the Company's consolidated total assets and consolidated total revenues as of and for the fiscal year ended January 31, 2022.

Management's report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. The Company’s internal control over financial reporting is designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of January 31, 2022 based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (2013)* (“COSO Framework”).

Based on that assessment, management has concluded that, as of January 31, 2022, due to material weaknesses in internal control over financial reporting the Company’s internal control over financial reporting was not effective.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In accordance with interpretive guidance issued by SEC staff, management has excluded Luum and Further from its assessment of internal control over financial reporting as of January 31, 2022, as the Company acquired Luum and Further during the fiscal year ended January 31, 2022. The balances resulting from these acquisitions represented less than 1% of assets and approximately 3% of revenues, excluding the effects of purchase accounting, of the Company's consolidated total assets and consolidated total revenues as of and for the fiscal year ended January 31, 2022.

The Company’s independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of the Company’s internal control over financial reporting as of January 31, 2022. Its report appears in Part II, Item 8 of this Annual Report on Form 10-K.

As previously disclosed, management identified certain deficiencies in the Company’s internal control over financial reporting that aggregated to material weaknesses in the following areas:

A. Contract to Cash Process

The Company did not have effective controls around the contract-to-cash life cycle of service fees, including ineffective process level controls around billing set-up during customer implementation, managing change to existing customer billing terms and conditions, timely termination of customers, implementing complex and/or non-standard billing arrangements that require manual intervention or manual controls for billing to customers, processing timely adjustments, lack of robust, established and documented policies to assess collectability and reserve for revenue, bad debts and accounts receivable, availability of customer contracts, and reviews of non-standard contracts.

B. Information Technology General Controls

The Company did not have effective controls related to information technology general controls ("ITGCs") in the areas of logical access and change management over certain information technology systems that supported its financial reporting processes. The Company’s business process controls (automated and manual) that are dependent on the affected ITGCs were also deemed ineffective because they could have been adversely impacted.

These material weaknesses resulted in material misstatements of WageWorks' historical financial statements, which preceded the WageWorks Acquisition, and could result in a misstatement of our account balances or disclosures that would result in a material misstatement to the annual or interim condensed consolidated financial statements that would not be prevented or detected.

Remediation of Previously Reported Material Weakness

As previously reported, the WageWorks subsidiary had material weaknesses related to its risk assessment, information and communication, control activities, and monitoring components of the COSO Framework. Additionally, WageWorks had a material weakness related to inadequate process level and monitoring controls in the area of accounting close and financial reporting.

During the year ended January 31, 2022, the Company completed the following remedial actions designed to address the previously identified material weaknesses in the COSO Framework components:

- incorporated certain WageWorks processes into the Company’s existing entity-level controls;
- performed its recurring risk assessment and scoping of key systems and business processes, including a risk assessment at the financial statement assertion level to ensure that the level of precision of relevant controls is adequate to address the identified risks;
- dedicated certain senior finance, accounting, operational, and IT leadership team members to work on remediation efforts and appointed third-party internal controls advisors to assist with such efforts;
- implemented a periodic assessment to monitor business changes impacting accounting processes and controls;
- reported periodic updates of the remediation plan progress to the Audit and Risk Committee of the Company's board of directors;
- formalized documentation underlying processes and controls to promote knowledge and information transfer across functions and upon personnel changes; and

- monitored the operating effectiveness of the existing entity-level controls.

During the year ended January 31, 2022, the Company completed the following remedial actions designed to address the previously identified material weaknesses in accounting close and financial reporting:

- incorporated certain WageWorks processes into the Company's process-level controls, including, but not limited to, those that address the monitoring of the accounting close cycle and enhanced the evaluation of accounting policies;
- redesigned certain processes and controls in conjunction with the enterprise resource planning ("ERP") system migration described below;
- enhanced the design of existing controls, where applicable, and implemented additional controls to further strengthen the control environment;
- formalized the assessment of the relevancy of information and data used in key controls, including the design or augmentation of controls to incorporate the review of the accuracy and completeness of such items; and
- monitored the operating effectiveness of the process-level and redesigned controls.

Management evaluated the design and operating effectiveness of the entity level and process level controls associated with the remediation activities above. Management has concluded that such controls are operating effectively, and that the previously reported material weaknesses in the COSO Framework components and accounting close and financial reporting have been remediated as of January 31, 2022.

Ongoing Integration and Remediation Efforts

In response to the material weakness "A. Contract to Cash Process", management has taken the following actions:

- continued to execute its plan to consolidate service platforms related to the contract-to-cash cycle, which will reduce a significant number of manual business process controls;
- enhanced the design of existing controls including information and data used in controls, where applicable, and are implementing additional controls to further strengthen the control environment; and
- implemented a process to assess the design and monitor the operating effectiveness of the new and redesigned controls.

In response to the material weakness "B. Information Technology General Controls", management has taken the following actions:

- continued to execute its plan to consolidate service platforms, which will reduce the number of ITGCs in the area of logical access and change management;
- enhanced the design of existing controls, where applicable, and implemented additional controls to further strengthen the control environment; and
- implemented a process to assess and enhance the design and monitor the operating effectiveness of controls related to logical access and change management for relevant applications and systems.

As part of our integration efforts, we have migrated all of our material operations to a single ERP system for the consolidated Company which enhanced our business and financial processes and standardized our information systems. We have re-assessed risks in response to the ERP system migration and the associated changes to underlying processes. We redesigned certain controls in response to the current risks and evaluated the operating effectiveness of the redesigned controls.

As we continue to evaluate operating effectiveness and monitor improvements to our internal control over financial reporting, we may take additional measures to address control deficiencies or modify the remediation plans described above.

Changes in Internal Control Over Financial Reporting

Other than as described above, there were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended January 31, 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other information

None.

Item 9C. Disclosure regarding foreign jurisdictions that prevent inspections

Not applicable.

PART III.

Item 10. Directors, executive officers and corporate governance

The information required by this Item 10 of Form 10-K is found in our 2022 Proxy Statement to be filed with the SEC in connection with the solicitation of proxies for the Company's 2022 Annual Meeting of Stockholders is incorporated by reference to our 2022 Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year to which this report relates.

Code of business conduct and ethics

Our board of directors has adopted a Code of Business Conduct and Ethics that applies to all of our team members, officers and directors, including our Chief Executive Officer, Chief Financial Officer, and other executive and senior financial officers. The full text of our Code of Business Conduct and Ethics is posted on our website at www.healthequity.com in the Corporate Governance section of our Investor Relations webpage. We intend to post any amendments to our Code of Business Conduct and Ethics, and any waivers of our Code of Business Conduct and Ethics for directors and executive officers, on the same website.

Item 11. Executive compensation

The information required by this Item 11 of Form 10-K is incorporated by reference in our 2022 Proxy Statement.

Item 12. Security ownership of certain beneficial owners and management and related stockholder matters

The information required by this Item 12 of Form 10-K is incorporated by reference in our 2022 Proxy Statement.

Item 13. Certain relationships and related transactions, and director independence

The information required by this Item 13 of Form 10-K is incorporated by reference in our 2022 Proxy Statement.

Item 14. Principal accounting fees and services

The information required by this Item 14 of Form 10-K is incorporated by reference in our 2022 Proxy Statement.

Part IV.

Item 15. Exhibits, financial statement schedules

(a) Documents filed as part of this report

(1) All financial statements

(2) Financial statement schedules

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto included in this Form 10-K.

(3) Exhibits required by Item 601 of Regulation S-K

Exhibit Index

Exhibit no.	Description	Form	File No.	Exhibit	Filing Date
		Incorporated by reference			
3.1	Amended and Restated Certificate of Incorporation of the Registrant	8-K	001-36568	3.2	July 6, 2018
3.2	Amended and Restated Bylaws of the Registrant	8-K	001-36568	3.4	July 6, 2018
4.1	Description of Securities of the Registrant	10-K	001-36568	4.1	March 31, 2020
4.2	Form of Common Stock Certificate.	S-1/A	333-196645	4.1	July 16, 2014
4.3	Amended and Restated Registration Rights Agreement, dated August 11, 2011, by and among the Registrant and certain of its stockholders.	S-1	333-196645	4.2	June 10, 2014
4.4	Indenture, dated as of October 8, 2021, by and among the Company, the guarantors party thereto and Wells Fargo Bank, National Association, as trustee, including the form of 4.500% Senior Notes due 2029	8-K	001-36568	4.1	October 12, 2021
10.1	Form of Indemnification Agreement by and between the Registrant and its directors and officers.	S-1/A	333-196645	10.1	July 16, 2014
10.2†	HealthEquity, Inc. 2014 Equity Incentive Plan and Form of Award Agreement.	S-1	333-196645	10.2	June 10, 2014
10.3†	HealthEquity, Inc. 2014 Amended and Restated Equity Incentive Plan and Form of Award Agreement.	S-1/A	333-196645	10.3	July 16, 2014
10.4†	Amendment No. 1 to the HealthEquity 2014 Equity Incentive Plan, as amended and restated	8-K	001-36568	10.3	August 30, 2019
10.5†	Restricted Stock Unit Award Agreement	10-Q	001-36568	10.4	December 6, 2018
10.6†	Restricted Stock Award Agreement	10-K	001-36568	10.30	March 28, 2019
10.7†	HealthEquity, Inc. and WageWorks, Inc. 2010 Equity Incentive Plan (Amended and Restated in August 2019)	8-K	001-36568	10.2	August 30, 2019
10.8†	Forms of Stock Option Agreements under the HealthEquity, Inc. and WageWorks, Inc. Amended and Restated 2010 Equity Incentive Plan	S-1	333-173709	10.3	July 19, 2011
10.9†	HealthEquity, Inc. Section 409A Specified Employee Policy.	S-1	333-196645	10.23	June 10, 2014
10.10†	Employment Agreement, dated June 10, 2014, by and between the Company and Jon Kessler.	S-1	333-196645	10.24	June 10, 2014
10.11†	Amendment No. 1 to Employment Agreement between the Company and Jon Kessler, dated April 1, 2017	10-Q	001-36568	10.2	June 4, 2020
10.12†	Employment Agreement, dated June 10, 2014, by and between the Company and Stephen D. Neeleman, M.D.	S-1	333-196645	10.25	June 10, 2014
10.13†	Employment Agreement, dated June 10, 2014, by and between the Company and Darcy Mott.	S-1	333-196645	10.26	June 10, 2014
10.14†	Transition and Separation Agreement between the Company and Darcy Mott, dated June 25, 2020.	10-Q	001-36568	10.1	September 9, 2020
10.15†	Employment Agreement, dated June 25, 2020, by and between the Company and Tyson Murdock	8-K	001-36568	10.1	April 1, 2021
10.16†	Employment Agreement, dated May 15, 2018, by and between the Company and Edward R. Bloomberg	10-Q	001-36568	10.1	September 6, 2018
10.17+	Employment Agreement, dated November 9, 2018, by and between the Company and Larry Trittschuh				

Table of Contents

		Incorporated by reference	
Exhibit no.	Description	Form File No.	Exhibit Filing Date
10.18+	Amendment No. 1 to Employment Agreement, dated December 4, 2018, by and between the Company and Larry Trittschuh		
10.19	Lease Agreement, dated May 15, 2015, by and between the Registrant and BG Scenic Point Office 2, L.C.	10-Q 001-36568	10.1 June 11, 2015
10.20	Amended and Restated Lease Agreement, dated May 15, 2015, by and between the Registrant and BG Scenic Point Office 1, L.C.	10-Q 001-36568	10.2 June 11, 2015
10.21	First Amendment to Lease Agreement, dated November 3, 2015, by and between the Company and the Landlord.	10-Q 001-36568	10.1 December 8, 2016
10.22	First Amendment to Amended and Restated Lease Agreement, dated June 1, 2016, by and between the Company and the Landlord.	10-Q 001-36568	10.1 June 8, 2017
10.23	Second Amendment to Lease Agreement, dated September 16, 2016, by and between the Company and the Landlord.	10-Q 001-36568	10.2 December 8, 2016
10.24	Second Amendment to Amended and Restated Lease Agreement, dated May 31, 2017, by and between the Company and the Landlord.	10-Q 001-36568	10.2 June 8, 2017
10.25	Third Amendment to Lease Agreement, dated September 26, 2018, by and between the Company and the Landlord	10-K 001-36568	10.31 March 28, 2019
10.26	Lease Agreement, dated September 27, 2018, by and between the Company and the Landlord	10-Q 001-36568	10.1 December 6, 2018
10.27	Third Amendment to Amended and Restated Lease Agreement, dated September 27, 2018, by and between the Company and the Landlord	10-Q 001-36568	10.2 December 6, 2018
10.28	Fourth Amendment to Lease Agreement, dated September 27, 2018, by and between the Company and the Landlord	10-Q 001-36568	10.3 December 6, 2018
10.29†	Form of Indemnification Agreement entered into between WageWorks, Inc., its affiliates and its former directors and officers	S-1 333-173709	10.1 July 19, 2011
10.30	Credit Agreement, dated as of October 8, 2021, 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 October 12, 2021
10.31	Custodial Transfer and Asset Purchase Agreement, dated as of April 27, 2021, by and between Fifth Third Bank, National Association, and HealthEquity, Inc.	8-K 001-36568	2.1 April 27, 2021
10.32	Amended and Restated Asset and Unit Purchase Agreement, dated as of September 7, 2021, by and among Viking Acquisition Corp., HealthEquity, Inc., MII Life Insurance, Incorporated d/b/a Further and Aware Integrated, Inc.**	8-K 001-36568	2.1 September 8, 2021
10.33+	Non-Employee Director Compensation Policy		
21.1+	List of Subsidiaries		
23.1+	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.		
24.1+	Power of Attorney (included in the signature page to this Annual Report).		

		Incorporated by reference	
Exhibit no.	Description	Form File No.	Exhibit Filing Date
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		
101.SCH††	XBRL Taxonomy schema linkbase document		
101.CAL††	XBRL Taxonomy calculation linkbase document		
101.DEF††	XBRL Taxonomy definition linkbase document		
101.LAB††	XBRL Taxonomy labels linkbase document		
101.PRE††	XBRL Taxonomy presentation linkbase document		
104	The cover page from the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2022, 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.
† Indicates management contract or compensatory plan.
†† In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections.
** Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. HealthEquity hereby undertakes to furnish supplementally copies of any of the omitted schedules upon request by the SEC.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Draper, State of Utah on this 31st day of March, 2022.

	HEALTHEQUITY, INC.	
Date: March 31, 2022	By:	/s/ Jon Kessler
	Name:	Jon Kessler
	Title:	President and Chief Executive Officer

Power of attorney

KNOW ALL PERSONS BY THESE PRESENT, that each person whose signature appears below hereby constitutes and appoints Jon Kessler and Tyson Murdock, and each of them acting individually, as his or her true and lawful attorneys-in-fact and agents, with full power of each to act alone, with full powers of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, with full power of each to act alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or her or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 31, 2022	By:	/s/ Robert Selander
	Name:	Robert Selander
	Title:	Chairman of the Board, Director
Date: March 31, 2022	By:	/s/ Jon Kessler
	Name:	Jon Kessler
	Title:	President and Chief Executive Officer (Principal Executive Officer), Director
Date: March 31, 2022	By:	/s/ Tyson Murdock
	Name:	Tyson Murdock
	Title:	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
Date: March 31, 2022	By:	/s/ Frank Corvino
	Name:	Frank Corvino
	Title:	Director
Date: March 31, 2022	By:	/s/ Adrian Dillon
	Name:	Adrian Dillon
	Title:	Director
Date: March 31, 2022	By:	/s/ Evelyn Dilsaver
	Name:	Evelyn Dilsaver
	Title:	Director
Date: March 31, 2022	By:	/s/ Debra McCowan
	Name:	Debra McCowan
	Title:	Director
Date: March 31, 2022	By:	/s/ Stuart Parker
	Name:	Stuart Parker
	Title:	Director
Date: March 31, 2022	By:	/s/ Stephen Neeleman
	Name:	Stephen Neeleman, M.D.
	Title:	Vice Chairman and Director
Date: March 31, 2022	By:	/s/ Ian Sacks
	Name:	Ian Sacks
	Title:	Director
Date: March 31, 2022	By:	/s/ Gayle Wellborn
	Name:	Gayle Wellborn
	Title:	Director

Exhibit 10.17

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of this 9th day of November 2018, by and between HealthEquity, Inc., a Delaware corporation (the "Company"), and Larry L. Trittschuh ("Executive").

W I T N E S S E T H :

WHEREAS, the Company desires to employ Executive as its Executive Vice President, Chief Information Security Officer and to enter into this Agreement embodying the terms of such employment, and Executive desires to enter into this Agreement and to accept such employment, subject to the terms and provisions of this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Company and Executive hereby agree as follows:

Section 1. Definitions.

(a) "Accrued Obligations" shall mean (i) all accrued but unpaid Base Salary through the date of termination of Executive's employment, (ii) any unpaid or unreimbursed expenses incurred in accordance with Section 7 hereof, and (iii) any benefits provided under the Company's employee benefit plans upon a termination of employment, in accordance with the terms contained therein.

(b) "Agreement" shall have the meaning set forth in the preamble hereto.

(c) "Annual Bonus" shall have the meaning set forth in Section 4(b) hereof.

(d) "Base Salary" shall mean the salary provided for in Section 4(a) hereof or any increased salary granted to Executive pursuant to Section 4(a) hereof.

(e) "Board" shall mean the Board of Directors of the Company.

(f) "Cause" shall mean (i) Executive's act(s) of gross negligence or willful misconduct in the course of Executive's employment hereunder, (ii) willful failure or refusal by Executive to perform in any material respect Executive's duties or responsibilities, (iii) misappropriation (or attempted misappropriation) by Executive of any assets or business opportunities of the Company or any other member of the Company Group, (iv) embezzlement or fraud committed (or attempted) by Executive, at Executive's direction, or with Executive's prior actual knowledge, (v) Executive's conviction of or pleading "guilty" or " no contest" to, (x) a felony or (y) any other criminal charge that has, or could be reasonably expected to have, an adverse impact on the performance of Executive's duties to the Company or any other member of the Company Group or otherwise result in material injury to the reputation or business of the Company or any other member of the Company Group, (vi) any material violation by Executive of the policies of the Company, including but not limited to those relating to sexual harassment or business conduct, and those otherwise set forth in the manuals or statements of policy of the Company, or (vii) Executive's material breach of this Agreement or breach of the Non-Interference Agreement.

If, within ninety (90) days subsequent to Executive's termination for any reason other than by the Company for Cause, the Company determines that Executive's employment could have been terminated for Cause pursuant to subparts (i), (iii), (iv), or (v) of the preceding paragraph (the "Post-Termination Cause Determination"), Executive's employment will be deemed to have been terminated for Cause for all purposes, and Executive will be required to disgorge to the Company all amounts received pursuant to this Agreement or otherwise on account of such termination that would not have been paid or payable to Executive had such termination been by the Company for Cause. Notwithstanding the foregoing, the Company may assert a Post-Termination Cause Determination if, and only if, the Board did not have actual knowledge of facts supporting its Post-Termination Cause Determination prior to the termination of Executive's employment.

(g) "COBRA" shall mean Part 6 of Title I of the Employee Retirement Income Security Act of 1974, as amended, and Section 4980B of the Code, and the rules and regulations promulgated under any of them.

(h) "Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(i) "Commencement Award" shall have the meaning set forth in Section 4(c) hereof.

(j) "Commencement Date" shall have the meaning set forth in Section 2 hereof.

(k) "Commencement Options" shall have the meaning set forth in Section 4(c) hereof.

(l) "Commencement RSUs" shall have the meaning set forth in Section 4(c) hereof.

(m) "Company" shall have the meaning set forth in the preamble hereto.

(n) "Company Group" shall mean the Company together with any direct or indirect subsidiaries of the Company.

(o) "Compensation Committee" shall mean the Board or the committee of the Board designated to make compensation decisions relating to senior executive officers of the Company Group.

(p) "Delay Period" shall have the meaning set forth in Section 13 hereof.

(q) "Disability" shall mean any physical or mental disability or infirmity of Executive that prevents the performance of Executive's duties for a period of (i) ninety (90) consecutive days or (ii) one hundred twenty (120) non-consecutive days during any twelve (12) month period. Any question as to the existence, extent, or potentiality of Executive's Disability upon which Executive and the Company cannot agree shall be determined by a qualified, independent physician selected and paid for by the Company and approved by Executive (which approval shall not be unreasonably withheld). The determination of any such physician shall be final and conclusive for all purposes of this Agreement.

(r) "Executive" shall have the meaning set forth in the preamble hereto.

(s) "Good Reason" shall mean, without Executive's consent, (i) a material diminution in Executive's title, duties, or responsibilities as set forth in Section 3 hereof such that Executive is no longer serving in a senior executive capacity for the Company, (ii) a material reduction in Base Salary set forth in Section 4(a) hereof or Annual Bonus opportunity set forth in Section 4(b) hereof (other than pursuant to an across-the-board reduction applicable to all similarly-situated executives as set forth in Section 4(a) hereof), (iii) the relocation of Executive's principal place of employment (as provided in Section 3(c) hereof) more than fifty (50) miles from its current location, or (iv) any other material breach of a provision of this Agreement by the Company (other than a provision that is covered by clause (i), (ii), or (iii) above). Executive acknowledges and agrees that Executive's exclusive remedy in the event of any breach of this Agreement shall be to assert Good Reason pursuant to the terms and conditions of Section 8(e) hereof. Notwithstanding the foregoing, during the Term, in the event that the Board reasonably believes that Executive may have engaged in conduct that could constitute Cause hereunder, the Board may, in its sole and absolute discretion, suspend Executive from performing Executive's duties hereunder, and in no event shall any such suspension constitute an event pursuant to which Executive may terminate employment with Good Reason or otherwise constitute a breach hereunder; *provided*, that no such suspension shall alter the Company's obligations under this Agreement during such period of suspension.

(t) "Non-Interference Agreement" shall mean the Confidentiality, Non-Interference, and Invention Assignment Agreement attached hereto as Exhibit A.

(u) "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization, or other form of business entity.

(v) "Release of Claims" shall mean the Release of Claims in substantially the same form attached hereto as Exhibit B (as the same may be revised from time to time by the Company upon the advice of counsel).

(w) "Severance Benefits" shall have the meaning set forth in Section 8(g) hereof.

(x) "Severance Term" shall mean (i) prior to the twelve month anniversary of the Commencement Date, the eighteen month period following Executive's termination by the Company without Cause (other than by reason of death or Disability) or by Executive for Good Reason, and (ii) following the twelve month anniversary of the Commencement Date, the twelve month period following Executive's termination by the Company without Cause (other than by reason of death or Disability) or by Executive for Good Reason.

(y) "Term" shall mean the period specified in Section 2 hereof.

Section 2. Acceptance and Term.

The Company agrees to employ Executive, and Executive agrees to serve the Company, on the terms and conditions set forth herein. The Term shall commence on the December 1, 2018 (the "Commencement Date") and shall continue until terminated in accordance with the provisions of Section 8 hereof (the "Term").

Section 3. Position, Duties, and Responsibilities; Place of Performance.

(a) Position, Duties, and Responsibilities. During the Term, Executive shall be employed and serve as the Executive Vice President, Chief Information Security Officer of the Company (together with such other position or positions consistent with Executive's title as the Chief Executive Officer shall specify from time to time) and shall have such duties and responsibilities commensurate with such title. Executive also agrees to serve as an officer and/or director of any other member of the Company Group, in each case without additional compensation. Executive shall report to the Chief Executive Officer.

(b) Performance. Executive shall devote Executive's full business time, attention, skill, and best efforts to the performance of Executive's duties under this Agreement and shall not engage in any other business or occupation during the Term, including, without limitation, any activity that (x) conflicts with the interests of the Company or any other member of the Company Group, (y) interferes with the proper and efficient performance of Executive's duties for the Company, or (z) interferes with Executive's exercise of judgment in the Company's best interests. Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) serving, with the prior written consent of the Board, as a member of the boards of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of non-competing businesses and charitable organizations, (ii) engaging in charitable activities and community affairs, and (iii) managing Executive's personal investments and affairs; *provided*, *however*, that the activities set out in clauses (i), (ii), and (iii) shall be limited by Executive so as not to materially interfere, individually or in the aggregate, with the performance of Executive's duties and responsibilities hereunder or create a potential business or fiduciary conflict.

(c) Principal Place of Employment. Executive's principal place of employment shall be in Draper, Utah, although Executive understands and agrees that Executive may be required to travel from time to time for business reasons.

Section 4. Compensation.

During the Term, Executive shall be entitled to the following compensation:

(a) Base Salary. Executive shall be paid an annualized Base Salary, payable in accordance with the regular payroll practices of the Company, of not less than $400,000, with increases, if any, as may be approved in writing by the Compensation Committee; *provided*, *however*, that the foregoing shall not preclude the Company from reducing Executive's Base Salary as part of an across-the-board reduction applicable to all similarly-situated executives of the Company.

(b) Annual Bonus. Executive shall be eligible for an annual incentive bonus award determined by the Compensation Committee in respect of each fiscal year during the Term (the "Annual Bonus"). The target Annual Bonus for each fiscal year shall be 50% of Base Salary, with the actual Annual Bonus payable being based upon the level of achievement of annual Company and individual performance objectives for such fiscal year, as determined by the Compensation Committee and communicated to Executive in writing no later than ninety (90) days after the commencement of the fiscal year to which the Annual Bonus relates; provided, however, the $175,000 "sign-on bonus" contemplated in Section 4(e) below shall be deemed Executive's Annual Bonus in respect of the Company's Fiscal Year 2019. The Annual Bonus shall be paid to Executive at the same time as annual bonuses are generally payable to other senior executives of the Company, subject to Executive's continuous employment through the payment date except as otherwise provided for in this Agreement.

(c) Equity Award. Subject to approval from the Compensation Committee, at the next scheduled meeting following the Commencement Date, the Company shall grant Executive any equity award with a fair market value as of the grant date equal to $1,250,000 (the "Commencement Award") under the Company's 2014 Equity Incentive Plan (the "Incentive Plan"), one half of which shall be comprised of stock options to purchase shares of the Company's common stock (the "Commencement Options") and one half of which shall be comprised of restricted stock units (the "Commencement RSUs"). Subject to Executive's continued employment with the Company through each applicable vesting date, twenty-five percent (25%) of the Commencement Options and Commencement RSUs granted will vest on each of the first four annual anniversaries of the Commencement Date. The Commencement Award shall be subject to the terms and conditions of the Incentive Plan and the Company's standard form of stock option agreement and restricted stock award agreement, as applicable.

(d) Reimbursements and Relocation Benefits. The Company will reimburse Executive for (i) any relocation expenses or amounts previously paid by Executive's current employer and subsequently clawed back by Executive's current employer due to Executive terminating his current employment to pursue employment by the Company, up to a maximum of $75,000, and (ii) any bonus amount(s) previously paid by Executive's current employer and subsequently clawed back by Executive's current employer due to Executive terminating his current employment to pursue employment by the Company, up to a maximum of $315,000, subject in each case, to Executive presenting to Company appropriate documentation and otherwise in accordance with Company's regular reimbursement policies. Company will also reimburse Executive for any rental payments made by Executive following the Commencement Date in respect of the apartment Executive is currently renting in New Jersey, up to a maximum of $50,000, subject to Executive presenting to Company appropriate documentation and otherwise in accordance with Company's regular reimbursement policies; provided, that Executive shall use reasonable efforts to cancel or assign such rent obligations as soon as possible. In addition, if Executive determines to establish a residence in Utah (fulltime or part time), Company will pay executive or reimburse Executive for any customary and reasonable moving and relocation expenses (e.g., expenses relating to the packing and moving of Executive and Executive's dependents' personal property and other expenses as mutually agreed) directly related to Executive's establishment of a residence in Utah, up to a maximum of $50,000, subject to Executive presenting to Company appropriate documentation and otherwise in accordance with Company's regular reimbursement policies. All reimbursements and relocation benefits under this section will be considered taxable compensation for which applicable federal, state, and payroll taxes will be withheld.

(e) Sign-on Bonus. On the Commencement Date, Executive shall be entitled to receive a special, one-time bonus equal to $100,000, such bonus to be paid on the first regularly scheduled payroll date following the Commencement Date. Subject to Executive's continued employment with the Company through the date of payment, Executive shall be entitled to receive a special, one-time bonus equal to $175,000 on April 1, 2019, such bonus to be paid to Executive at the same time as annual bonuses in respect of the Company's Fiscal Year 2019 are generally payable to other senior executives of the Company

Section 5. Employee Benefits.

During the Term, Executive shall be entitled to participate in health, insurance, retirement, and other benefits provided generally to similarly situated executives of the Company. Executive shall also be entitled to the same number of holidays, vacation days, and sick days, as well as any other benefits, in each case as are generally allowed to similarly situated executives of the Company in accordance with the Company policy as in effect from time to time. Nothing contained herein shall be construed to limit the Company's ability to amend, suspend, or terminate any employee benefit plan or policy at any time without providing Executive notice, and the right to do so is expressly reserved.

Section 6. Key-Man Insurance.

At any time during the Term, the Company shall have the right to insure the life of Executive for the sole benefit of the Company, in such amounts, and with such terms, as it may determine. All premiums payable thereon shall be the obligation of the Company. Executive shall have no interest in any such policy, but agrees to cooperate with the Company in procuring such insurance by submitting to physical examinations, supplying all information required by the insurance company, and executing all necessary documents, provided that no financial obligation is imposed on Executive by any such documents.

Section 7. Reimbursement of Business Expenses.

During the Term, the Company shall pay (or promptly reimburse Executive) for documented, out-of-pocket expenses reasonably incurred by Executive in the course of performing Executive's duties and responsibilities hereunder (including reasonable travel to and from Executive's primary residence), which are consistent with the Company's policies in effect from time to time with respect to business expenses, subject to the Company's requirements with respect to reporting of such expenses.

Section 8. Termination of Employment.

(a) General. The Term shall terminate earlier than as provided in Section 2 hereof upon the earliest to occur of (i) Executive's death, (ii) a termination by reason of a Disability, (iii) a termination by the Company with or without Cause, and (iv) a termination by Executive with or without Good Reason. Upon any termination of Executive's employment for any reason, except as may otherwise be requested by the Company in writing and agreed upon in writing by Executive, Executive shall resign from any and all directorships, committee memberships, and any other positions Executive holds with the Company or any other member of the Company Group. Notwithstanding anything herein to the contrary, the payment (or commencement of a series of payments) hereunder of any "nonqualified deferred compensation" (within the meaning of Section 409A of the Code) upon a termination of employment shall be delayed until such time as Executive has also undergone a "separation from service" as defined in Treas. Reg. 1.409A-1(h), at which time such nonqualified deferred compensation (calculated as of the date of Executive's termination of employment hereunder) shall be paid (or commence to be paid) to Executive on the schedule set forth in this Section 8 as if Executive had undergone such termination of employment (under the same circumstances) on the date of Executive's ultimate "separation from service."

(b) Termination Due to Death or Disability. Executive's employment shall terminate automatically upon Executive's death. The Company may terminate Executive's employment immediately upon the occurrence of a Disability, such termination to be effective upon Executive's receipt of written notice of such termination. Upon Executive's death or in the event that Executive's employment is terminated due to Executive's Disability, Executive or Executive's estate or Executive's beneficiaries, as the case may be, shall be entitled to:

(i) The Accrued Obligations;

(ii) Any unpaid Annual Bonus in respect of any completed fiscal year that has ended prior to the date of such termination, if any, which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred; and

(iii) Subject to achievement of the applicable performance objectives for the fiscal year of the Company in which Executive's termination occurs, as determined by the Compensation Committee, payment of the Annual Bonus that would otherwise have been earned in respect of the fiscal year in which such termination occurred, pro-rated to reflect the number of days Executive was employed during such fiscal year, such amount to be paid at the same time it would otherwise be paid to Executive had no termination occurred, but in no event later than the date that is 2½ months following the last day of the fiscal year of the Company in which such termination occurred.

Following Executive's death or a termination of Executive's employment by reason of a Disability, except as set forth in this Section 8(b), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(c) Termination by the Company with Cause.

(i) The Company may terminate Executive's employment at any time with Cause, effective upon Executive's receipt of written notice of such termination, *provided* that, to be effective, such written notice must be provided to Executive within sixty (60) days of the Board having actual knowledge of the occurrence of such event and further provided that, with respect to any Cause termination relying on clause (ii), (vi), or (vii) of the definition of Cause set forth in Section 1(f) hereof, to the extent that such act or acts or failure or failures to act are curable, the Board shall provide Executive with written notice of the Company's intention to terminate Executive with Cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination with Cause is based and to provide Executive with ten (10) days to cure the particular act or acts or failure or failures to act (the "Cure Period") and such termination shall be effective at the expiration of the Cure Period unless Executive has fully cured such act or acts or failure or failures to act that give rise to Cause during such Cure Period.

(ii) In the event that the Company terminates Executive's employment with Cause, Executive shall be entitled only to the Accrued Obligations. Following such termination of Executive's employment with Cause, except as set forth in this Section 8(c)(ii), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(d) Termination by the Company without Cause. The Company may terminate Executive's employment at any time without Cause, effective upon Executive's receipt of written notice of such termination. In the event that Executive's employment is terminated by the Company without Cause (other than due to death or Disability), Executive shall be entitled to:

(i) The Accrued Obligations;

(ii) Any unpaid Annual Bonus in respect of any completed fiscal year that has ended prior to the date of such termination, which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred;

(iii) Subject to achievement of the applicable performance objectives for the fiscal year of the Company in which Executive's termination occurs, as determined by the Compensation Committee, payment of the Annual Bonus that would otherwise have been earned in respect of the fiscal year in which such termination occurred, pro-rated to reflect the number of days Executive was employed during such fiscal year, such amount to be paid at the same time it would otherwise be paid to Executive had no termination occurred, but in no event later than the date that is 2½ months following the last day of the fiscal year of the Company in which such termination occurred;

(iv) Continued payment of Base Salary during the Severance Term, payable in accordance with the Company's regular payroll practices;

(v) Notwithstanding any provision to the contrary in any stock option agreement or any equity plan maintained by the Company, all stock options held by Executive as of the date of Executive's termination of employment shall remain exercisable until the earlier to occur of (a) the expiration date of such stock option and (b) the twelve (12) month anniversary of Executive's termination; and

(vi) To the extent permitted by applicable law without any penalty to Executive or any member of the Company Group and subject to Executive's election of COBRA continuation coverage under the Company's group health plan, on the first regularly scheduled payroll date of each month of the Severance Term, the Company will pay Executive an amount equal to the "applicable percentage" of the monthly COBRA premium cost; *provided*, that the payments pursuant to this clause (vi) shall cease earlier than the expiration of the Severance Term in the event that Executive becomes eligible to receive any health benefits, including through a spouse's employer, during the Severance Term. For purposes hereof, the "applicable percentage" shall be the percentage of Executive's health care premium costs covered by the Company as of the date of termination. Amounts paid by the Company will be taxable to the extent required to avoid adverse consequences to Executive or the Company under either Section 105(h) of the Code or the Patient Protection and Affordable Care Act of 2010.

Notwithstanding the foregoing, the payments and benefits described in clauses (ii), (iii), (iv), (v) and (vi) above shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches any provision of the Non-Interference Agreement. Following such termination of Executive's employment by the Company without Cause, except as set forth in this Section 8(d), Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment by the Company without Cause shall be receipt of the Severance Benefits.

(e) Termination by Executive with Good Reason. Executive may terminate Executive's employment with Good Reason by providing the Company written notice setting forth in reasonable specificity the event that constitutes Good Reason, which written notice, to be effective, must be provided to the Company within sixty (60) days of the occurrence of such event. Said notice shall state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Good Reason is based and shall provide the Company with a Cure Period (as defined in Section 8(c)(i) above), and such termination shall be effective at the expiration of the Cure Period unless the Company has fully cured such act or acts or failure or failures to act that give rise to Good Reason during such Cure Period. In the event of termination with Good Reason, Executive shall be entitled to the same payments and benefits as provided in Section 8(d) hereof for a termination by the Company without Cause, subject to the same conditions on payment and benefits as described in Section 8(d) hereof. Following such termination of Executive's employment by Executive with Good Reason, except as set forth in this Section 8(e), Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment with Good Reason shall be receipt of the Severance Benefits.

(f) Termination by Executive without Good Reason. Executive may terminate Executive's employment without Good Reason by providing the Company thirty (30) days' written notice of such termination. In the event of a termination of employment by Executive under this Section 8(f), Executive shall be entitled only to the Accrued Obligations. In the event of termination of Executive's employment under this Section 8(f), the Company may, in its sole and absolute discretion, by written notice accelerate such date of termination without changing the characterization of such termination as a termination by Executive without Good Reason. Following such termination of Executive's employment by Executive without Good Reason, except as set forth in this Section 8(f), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(g) Release. Notwithstanding any provision herein to the contrary, the payment of any amount or provision of any benefit pursuant to subsection (b), (d), or (e) of this Section 8 (other than the Accrued Obligations) (collectively, the "Severance Benefits") shall be conditioned upon Executive's execution, delivery to the Company, and non-revocation of the Release of Claims (and the expiration of any revocation period contained in such Release of

Claims) within sixty (60) days following the date of Executive's termination of employment hereunder. If Executive fails to execute the Release of Claims in such a timely manner so as to permit any revocation period to expire prior to the end of such sixty (60) day period, or timely revokes Executive's acceptance of such release following its execution, Executive shall not be entitled to any of the Severance Benefits. Further, (i) to the extent that any of the Severance Benefits constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code, any payment of any amount or provision of any benefit otherwise scheduled to occur prior to the sixtieth (60^{th}) day following the date of Executive's termination of employment hereunder, but for the condition on executing the Release of Claims as set forth herein, shall not be made until the first regularly scheduled payroll date following such sixtieth (60^{th}) day and (ii) to the extent that any of the Severance Benefits do not constitute "nonqualified deferred compensation" for purposes of Section 409A of the Code, any payment of any amount or provision of any benefit otherwise scheduled to occur following the date of Executive's termination of employment hereunder, but for the condition on executing the Release of Claims as set forth herein, shall not be made until the first regularly scheduled payroll date following the date the Release of Claims is timely executed and the applicable revocation period has ended, after which, in each case, any remaining Severance Benefits shall thereafter be provided to Executive according to the applicable schedule set forth herein. For the avoidance of doubt, in the event of a termination due to Executive's death or Disability, Executive's obligations herein to execute and not revoke the Release of Claims may be satisfied on Executive's behalf by Executive's estate or a person having legal power of attorney over Executive's affairs.

Section 9. Non-Interference Agreement.

As a condition of, and prior to commencement of, Executive's employment with the Company, Executive shall have executed and delivered to the Company the Non-Interference Agreement. The parties hereto acknowledge and agree that this Agreement and the Non-Interference Agreement shall be considered separate contracts, and the Non-Interference Agreement will survive the termination of this Agreement for any reason.

Section 10. Representations and Warranties of Executive.

Executive represents and warrants to the Company that—

(a) Executive is entering into this Agreement voluntarily and that Executive's employment hereunder and compliance with the terms and conditions hereof will not conflict with or result in the breach by Executive of any agreement to which Executive is a party or by which Executive may be bound;

(b) Executive has not violated, and in connection with Executive's employment with the Company will not violate, any non-solicitation, non-competition, or other similar covenant or agreement of a prior employer by which Executive is or may be bound; and

(c) in connection with Executive's employment with the Company, Executive will not use any confidential or proprietary information Executive may have obtained in connection with employment with any prior employer.

Section 11. Taxes.

The Company may withhold from any payments made under this Agreement all applicable taxes, including, but not limited to, income, employment, and social insurance taxes, as shall be required by law. Executive acknowledges and represents that the Company has not provided any tax advice to Executive in connection with this Agreement and that Executive has been advised by the Company to seek tax advice from Executive's own tax advisors regarding this Agreement and payments that may be made to Executive pursuant to this Agreement, including specifically, the application of the provisions of Section 409A of the Code to such payments.

Section 12. Set Off; Mitigation.

The Company's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set-off, counterclaim, or recoupment of amounts owed by Executive to any member of the Company Group; *provided*, however, that prior to exercising any right of set-off, counterclaim, or recoupment, the Company shall provide Executive with written notice setting forth, in detail, the facts on which it relies to support its claim of set-off, counterclaim, or recoupment and further provided that to the extent any amount so subject to set-off, counterclaim, or recoupment is payable in installments hereunder, such set-off, counterclaim, or recoupment shall not modify the applicable payment date of any installment, and to the extent an obligation cannot be satisfied by reduction of a single installment payment, any portion not satisfied shall remain an outstanding obligation of Executive and shall be applied to the next installment only at such time the installment is otherwise payable pursuant to the specified payment schedule. Executive shall not be required to mitigate the amount of any payment or benefit provided pursuant to this Agreement by seeking other employment or otherwise, and except as provided in Section 8(d)(vi) hereof, the amount of any payment or benefit provided for pursuant to this Agreement shall not be reduced by any compensation earned as a result of Executive's other employment or otherwise.

Section 13. Additional Section 409A Provisions.

Notwithstanding any provision in this Agreement to the contrary—

(a) Any payment otherwise required to be made hereunder to Executive at any date as a result of the termination of Executive's employment shall be delayed for such period of time as may be necessary to meet the requirements of Section 409A(a)(2)(B)(i) of the Code (the "Delay Period"). On the first business day following the expiration of the Delay Period, Executive shall be paid, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence, and any remaining payments not so delayed shall continue to be paid pursuant to the payment schedule set forth herein.

(b) Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A of the Code.

(c) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A of the Code), (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause (iii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

(d) While the payments and benefits provided hereunder are intended to be structured in a manner to avoid the implication of any penalty taxes under Section 409A of the Code, in no event whatsoever shall the Company or any of its affiliates (including, without limitation, the Company) be liable for any additional tax, interest, or penalties that may be imposed on

Executive as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code (other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A of the Code).

Section 14. Golden Parachute Tax Provision.

If there is a change in ownership or control of the Company that would cause any payment or distribution by the Company or any other Person or entity to Executive or for Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") to be subject to the excise tax imposed by Section 4999 of the Code (such excise tax, together with any interest or penalties incurred by Executive with respect to such excise tax, the "Excise Tax"), then Executive will receive the greatest of the following, whichever gives Executive the highest net after-tax amount (after taking into account federal, state, local and social security taxes): (a) the Payments or (b) one dollar less than the amount of the Payments that would subject Executive to the Excise Tax (the "Safe Harbor Amount"). If a reduction in the Payments is necessary so that the Payments equal the Safe Harbor Amount and none of the Payments constitutes nonqualified deferred compensation (within the meaning of Section 409A of the Code), then the reduction shall occur in the manner Executive elects in writing prior to the date of payment. If any Payment constitutes nonqualified deferred compensation or if Executive fails to elect an order, then the Payments to be reduced will be determined in a manner which has the least economic cost to Executive and, to the extent the economic cost is equivalent, will be reduced in the inverse order of when payment would have been made to Executive, until the reduction is achieved. All determinations required to be made under this Section 14, including whether and when the Safe Harbor Amount is required and the amount of the reduction of the Payments and the assumptions to be utilized in arriving at such determination, shall be made by a certified public accounting firm designated by the Company (the "Accounting Firm"). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon Company and Executive.

Section 15. Clawback.

All payments made pursuant to this Agreement are subject to the "clawback" obligations of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Act, as may be amended from time to time, and any other "clawback" obligations pursuant to applicable law, rules, and regulations.

Section 16. Indemnification.

Executive shall be indemnified and held harmless pursuant to the terms and conditions set forth in an Indemnification Agreement in substantially the same form as provided to other officers and directors of the Company.

Section 17. Successors and Assigns; No Third-Party Beneficiaries.

(a) The Company. This Agreement shall inure to the benefit of the Company and its respective successors and assigns. Neither this Agreement nor any of the rights, obligations, or interests arising hereunder may be assigned by the Company to a Person (other than another member of the Company Group, or its or their respective successors) without Executive's prior written consent (which shall not be unreasonably withheld, delayed, or conditioned); *provided*, however, that in the event of a sale of all or substantially all of the assets of the Company or any direct or indirect division or subsidiary thereof to which Executive's employment primarily relates, the Company may provide that this Agreement will be assigned to, and assumed by, the acquiror of such assets, it being agreed that in such circumstances, Executive's consent will not be required in connection therewith.

(b) Executive. Executive's rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, without the prior written consent of the Company; *provided*, *however*, that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee, or if there be no such designee, to Executive's estate.

(c) No Third-Party Beneficiaries. Except as otherwise set forth in Section 8(b) or Section 17(b) hereof, nothing expressed or referred to in this Agreement will be construed to give any Person other than the Company, the other members of the Company Group, and Executive any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

Section 18. Waiver and Amendments.

Any waiver, alteration, amendment, or modification of any of the terms of this Agreement shall be valid only if made in writing and signed by each of the parties hereto; *provided*, *however*, that any such waiver, alteration, amendment, or modification must be consented to on the Company's behalf by the Board. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

Section 19. Severability.

If any covenants or such other provisions of this Agreement are found to be invalid or unenforceable by a final determination of a court of competent jurisdiction, (a) the remaining terms and provisions hereof shall be unimpaired, and (b) the invalid or unenforceable term or provision hereof shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision hereof.

Section 20. Governing Law and Jurisdiction.

EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS AGREEMENT IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN ANY COURT SITTING IN SALT LAKE CITY, UTAH, BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. BY EXECUTION OF THIS AGREEMENT, THE PARTIES HERETO, AND THEIR RESPECTIVE AFFILIATES, CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, AND WAIVE ANY RIGHT TO CHALLENGE JURISDICTION OR VENUE IN SUCH COURT WITH REGARD TO ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY TO THIS AGREEMENT ALSO HEREBY WAIVES ANY

RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

Section 21. Notices.

(a) Place of Delivery. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom or which it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; *provided*, that unless and until some other address be so designated, all notices and communications by Executive to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices and communications by the Company to Executive may be given to Executive personally or may be mailed to Executive at Executive’s last known address, as reflected in the Company’s records.

(b) Date of Delivery. Any notice so addressed shall be deemed to be given or received (i) if delivered by hand, on the date of such delivery, (ii) if mailed by courier or by overnight mail, on the first business day following the date of such mailing, and (iii) if mailed by registered or certified mail, on the third business day after the date of such mailing.

Section 22. Section Headings.

The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof or affect the meaning or interpretation of this Agreement or of any term or provision hereof.

Section 23. Entire Agreement.

This Agreement, together with any exhibits attached hereto, constitutes the entire understanding and agreement of the parties hereto regarding the employment of Executive. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings, and agreements between the parties relating to the subject matter of this Agreement.

Section 24. Survival of Operative Sections.

Upon any termination of Executive’s employment, the provisions of Section 8 through 25 of this Agreement (together with any related definitions set forth in Section 1 hereof) shall survive to the extent necessary to give effect to the provisions thereof.

Section 25. Counterparts.

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual signature or by signature delivered by facsimile or by e-mail as a portable document format (.pdf) file or image file attachment.

* * *

[Signatures to appear on the following page(s).]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

HEALTHEQUITY, INC.

/s/ Jon Kessler
By: Jon Kessler
Title: President and CEO

EXECUTIVE

/s/ Larry L. Trittschuh
Larry L. Trittschuh

[*Signature Page to Employment Agreement*]

<u>Exhibit A</u>

CONFIDENTIALITY, NON-INTERFERENCE, AND INVENTION ASSIGNMENT AGREEMENT

As a condition of my becoming employed by, or continuing employment with, HealthEquity, Inc., a Delaware corporation (the "<u>Company</u>"), and in consideration of my employment with the Company and my receipt of the compensation now and hereafter paid to me by the Company, I agree to the following terms set forth in this Confidentiality, Non-Interference, and Invention Assignment Agreement (this "<u>Non-Interference Agreement</u>"):

Section 1. Confidential Information.

(a) <u>Company Group Information</u>. I acknowledge that, during the course of my employment, I will have access to information about the Company and its direct and indirect subsidiaries and affiliates (collectively, the "<u>Company Group</u>") and that my employment with the Company shall bring me into close contact with confidential and proprietary information of any member of the Company Group. In recognition of the foregoing, I agree, at all times during the term of my employment with the Company and thereafter, to hold in confidence, and not to use, except for the benefit of any member of the Company Group, or to disclose to any person, firm, corporation, or other entity without written authorization of the Company, any Confidential Information that I obtain or create. I further agree not to make copies of such Confidential Information except as authorized by the Company. I understand that "<u>Confidential Information</u>" means information that any member of the Company Group has developed, acquired, created, compiled, discovered, or owned or will develop, acquire, create, compile, discover, or own, that has value in or to the business of any member of the Company Group that is not generally known and that the Company wishes to maintain as confidential. I understand that Confidential Information includes, but is not limited to, any and all non-public information that relates to the actual or anticipated business and/or products, research, or development of the Company, or to the Company's technical data, trade secrets, or know-how, including, but not limited to, research, product plans, or other information regarding the Company's products or services and markets, customer lists, and customers (including, but not limited to, customers of the Company on whom I called or with whom I may become acquainted during the term of my employment), software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances, and other business information disclosed by the Company either directly or indirectly in writing, orally, or by drawings or inspection of premises, parts, equipment, or other Company property. Notwithstanding the foregoing, Confidential Information shall not include (i) any of the foregoing items that have become publicly and widely known through no unauthorized disclosure by me or others who were under confidentiality obligations as to the item or items involved, or (ii) any information that I am required to disclose to, or by, any governmental or judicial authority; *provided*, *however*, that in such event I will give the Company prompt written notice thereof so that any member of the Company Group may seek an appropriate protective order and/or waive in writing compliance with the confidentiality provisions of this Non-Interference Agreement.

(b) <u>Former Employer Information</u>. I represent that my performance of all of the terms of this Non-Interference Agreement as an employee of the Company has not breached and will not breach any agreement to keep in confidence proprietary information, knowledge, or data acquired by me in confidence or trust prior or subsequent to the commencement of my employment with the Company, and I will not disclose to any member of the Company Group, or induce any member of the Company Group to use, any developments, or confidential or proprietary information or material I may have obtained in connection with employment with any prior employer in violation of a confidentiality agreement, nondisclosure agreement, or similar agreement with such prior employer.

(c) Third Party Information. I understand that the Company Group has received and in the future may receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Company Group's part to maintain the confidentiality of such information and to use it only for certain limited purposes. In recognition of the foregoing, I agree, at all times during the period of my employment with the Company (the "Employment Period") and thereafter, to hold in confidence and will not disclose to anyone (other than Company Group personnel who need to know such information in connection with their work for the Company Group), and not to use, except for the benefit of the Company Group, Third Party Information without the express prior written consent of an officer of the Company and otherwise treat Third Party Information as Confidential Information.

(d) Whistleblower; Defend Trade Secrets Act Disclosure.

(i) In addition, I understand that nothing in this Agreement shall be construed to prohibit me from reporting possible violations of law or regulation to any governmental agency or regulatory body or making other disclosures that are protected under any law or regulation, or from filing a charge with or participating in any investigation or proceeding conducted by any governmental agency or regulatory body.

(ii) I understand that the Defend Trade Secrets Act provides that I may not be held criminally or civilly liable under any Federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In the event that I file a lawsuit for retaliation by any member of the Company Group for reporting a suspected violation of law, I may disclose the trade secret to my attorney and use the trade secret information in the court proceeding, if I file any document containing the trade secret under seal and do not disclose the trade secret, except pursuant to court order.

Section 2. Developments.

(a) Developments Retained and Licensed. I have attached hereto, as Schedule A, a list describing with particularity all developments, original works of authorship, improvements, and trade secrets that I can demonstrate were created or owned by me prior to the commencement of my employment (collectively referred to as "Prior Developments"), which belong solely to me or belong to me jointly with another, that relate in any way to any of the actual or proposed businesses, products, or research and development of any member of the Company Group, and that are not assigned to the Company hereunder, or if no such list is attached, I represent that there are no such Prior Developments. If, during any period during which I perform or performed services for any member of the Company Group both before or after the date hereof (the "Assignment Period"), whether as an officer, employee, director, independent contractor, consultant, or agent, or in any other capacity, I incorporate (or have incorporated) into any member of the Company Group's product or process a Prior Development owned by me or in which I have an interest, I hereby grant each member of the Company Group, and each member of the Company Group shall have, a non-exclusive, royalty-free, irrevocable, perpetual, transferable worldwide license (with the right to sublicense) to make, have made, copy, modify, make derivative works of, use, sell, and otherwise distribute such Prior Development as part of or in connection with such product or process.

(b) Assignment of Developments. I agree that I will, without additional compensation, promptly make full written disclosure to the Company, and will hold in trust for the sole right and benefit of the Company all developments, original works of authorship, inventions, concepts, know-how, improvements, trade secrets, and similar proprietary rights, whether or not patentable or registrable under copyright or similar laws, which I may solely or jointly conceive or develop or reduce to practice, or have solely or jointly conceived or developed or reduced to practice, or have caused or may cause to be conceived or developed or reduced to practice, during the Assignment Period, whether or not during regular working hours, provided they either (i) relate at the time of conception, development or reduction to practice to the business of any member of the Company Group, or the actual or anticipated research or development of any member of the Company Group; (ii) result from or relate to any work performed for any member of the Company Group; or (iii) are developed through the use of equipment, supplies, or facilities of any member of the Company Group, or any Confidential Information, or in consultation with personnel of any member of the Company Group (collectively referred to as "Developments"). I further acknowledge that all Developments made by me (solely or jointly with others) within the scope of and during the Assignment Period are "works made for hire" (to the greatest extent permitted by applicable law) for which I am, in part, compensated by my salary, unless regulated otherwise by law, but that, in the event any such Development is deemed not to be a work made for hire, I hereby assign to the Company, or its designee, all my right, title, and interest throughout the world in and to any such Development. If any Developments cannot be assigned, I hereby grant to each member of the Company Group an exclusive, assignable, irrevocable, perpetual, worldwide, sublicenseable (through one or multiple tiers), royalty-free, unlimited license to use, make, modify, sell, offer for sale, reproduce, distribute, create derivative works of, publicly perform, publicly display and digitally perform and display such work in any media now known or hereafter known. Outside the scope of my service, whether during or after my employment with any member of the Company Group, I agree not to (i) modify, adapt, alter, translate, or create derivative works from any such work of authorship or (ii) merge any such work of authorship with other Developments. To the extent rights related to paternity, integrity, disclosure and withdrawal (collectively, "Moral Rights") may not be assignable under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, I hereby irrevocably waive such Moral Rights and consent to any action of any member of the Company Group that would violate such Moral Rights in the absence of such consent.

(c) Maintenance of Records. I agree to keep and maintain adequate and current written records of all Developments made by me (solely or jointly with others) during the Assignment Period. The records may be in the form of notes, sketches, drawings, flow charts, electronic data or recordings, and any other format. The records will be available to and remain the sole property of any member of the Company Group at all times. I agree not to remove such records from the Company's place of business except as expressly permitted by Company Group policy, which may, from time to time, be revised at the sole election of such member of the Company Group for the purpose of furthering the business of such member of the Company Group.

(d) Intellectual Property Rights. I agree to assist the Company, or its designee, at the Company's expense, in every way to secure the rights of each member of the Company Group in the Developments and any copyrights, patents, trademarks, service marks, database rights, domain names, mask work rights, moral rights, and other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments, recordations, and all other instruments that the Company shall deem necessary in order to apply for, obtain, maintain, and transfer such rights and in order to assign and convey to each member of the Company Group the sole and exclusive right, title, and interest in and to such Developments, and any intellectual property and other proprietary rights relating thereto. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after the Assignment Period until the expiration of the last such intellectual property right to expire in any country of the world; *provided*, *however*, the Company shall reimburse me for my reasonable expenses incurred in connection with carrying out the foregoing obligation. If the Company is unable because of my mental or physical incapacity or unavailability for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Developments or original works of authorship assigned to the Company as above, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact to act for and in my behalf and stead to execute and file any such applications or records and to do all other lawfully permitted acts to further the application for, prosecution, issuance, maintenance, and transfer of letters patent or registrations thereon with the same legal force and effect as if originally executed by me. I hereby waive and irrevocably quitclaim to the Company any and all claims, of any nature whatsoever, that I now or hereafter have for past, present, or future infringement of any and all proprietary rights assigned to the Company.

Section 3. Returning Company Group Documents.

I agree that, at the time of termination of my employment with the Company for any reason, I will deliver to the Company (and will not keep in my possession, recreate, or deliver to anyone else) any and all Confidential Information and all other documents, materials, information, and property developed by me pursuant to my employment or otherwise belonging to the Company. I agree further that any property situated on the Company's premises and owned by the Company (or any other member of the Company Group), including disks and other storage media, filing cabinets, and other work areas, is subject to inspection by personnel of any member of the Company Group at any time with or without notice.

Section 4. Disclosure of Agreement.

As long as it remains in effect, I will disclose the existence of this Non-Interference Agreement to any prospective employer, partner, co-venturer, investor, or lender prior to entering into an employment, partnership, or other business relationship with such person or entity.

Section 5. Restrictions on Interfering.

(a) Non-Competition. During the Employment Period and the Post-Termination Non-Compete Period, I shall not, directly or indirectly, individually or on behalf of any person, company, enterprise, or entity, or as a sole proprietor, partner, stockholder, director, officer, principal, agent, or executive, or in any other capacity or relationship, engage in any Competitive Activities or own any securities (debt or equity) in any person, company, enterprise, or entity that is engaged in Competitive Activities, within the United States or any other jurisdiction in which the Company Group is actively engaged in business. Notwithstanding the foregoing, my ownership of securities of a public company engaged in Competitive Activities not in excess of three percent (3%) of any class of such securities shall not be considered a breach of the covenants set forth in this Section.

(b) Non-Interference. During the Employment Period and the Post-Termination Non-Interference Period, I shall not, directly or indirectly for my own account or for the account of any other individual or entity, engage in Interfering Activities.

(c) Definitions. For purposes of this Non-Interference Agreement :

(i) "Business Relation" shall mean any current or prospective client, customer, licensee, or other business relation of any member of the Company Group, or any such relation that was a client, customer, licensee, supplier, or other business relation within the six (6) month period prior to the expiration of the Employment Period, in each case, to whom I provided services, or with whom I transacted business, or whose identity became known to me in connection with my relationship with or employment by the Company Group.

(ii) "Competitive Activities" shall mean consumer health care related businesses, including the business of acting as custodian or administrator for medical payment reimbursement accounts, including, but not limited to, health savings accounts, flexible spending accounts and health reimbursement accounts or any business activities in which any member of the Company Group is engaged (or has committed plans to engage) during the Employment Period.

(iii) "Interfering Activities" shall mean (A) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Person employed by, or providing consulting services to, any member of the Company Group to terminate such Person's employment or services (or in the case of a consultant, materially reducing such services) with any member of the Company Group; (B) hiring any individual who was employed by any member of the Company Group within the six (6) month period prior to the date of such hiring; or (C) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Business Relation to cease doing business with or reduce the amount of business conducted with any member of the Company Group, or in any way interfering with the relationship between any such Business Relation and any member of the Company Group.

(iv) "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization, or other form of business entity.

(v) "Post-Termination Non-Compete Period" shall mean the period commencing on the date of the termination of the Employment Period for any reason and ending on the twelve (12) month anniversary of such date of termination.

(vi) "Post-Termination Non-Interference Period" shall mean the period commencing on the date of the termination of the Employment Period for any reason and ending on the twenty-four (24) month anniversary of such date of termination.

(d) Non-Disparagement. I agree that during the Employment Period, and at all times thereafter, I will not make any disparaging or defamatory comments regarding any member of the Company Group or its respective current or former directors, officers, employees or shareholders in any respect or make any comments concerning any aspect of my relationship with any member of the Company Group or any conduct or events which precipitated any termination of my employment from any member of the Company Group. However, my obligations under this subparagraph (d) shall not apply to disclosures required by applicable law, regulation, or order of a court or governmental agency.

Section 6. Reasonableness of Restrictions.

I acknowledge and recognize the highly competitive nature of the Company's business, that access to Confidential Information renders me special and unique within the Company's industry, and that I will have the opportunity to develop substantial relationships with existing and prospective clients, accounts, customers, consultants, contractors, investors, and strategic partners of any member of the Company Group during the course of and as a result of my employment with the Company. In light of the foregoing, I recognize and acknowledge that the restrictions and limitations set forth in this Non-Interference Agreement are reasonable and valid in geographical and temporal scope and in all other respects and are essential to protect the value of the business and assets of any member of the Company Group. I acknowledge further that the restrictions and limitations set forth in this Non-Interference Agreement will not materially interfere with my ability to earn a living following the termination of my employment with the Company and that my ability to earn a livelihood without violating such restrictions is a material condition to my employment with the Company.

Section 7. Independence; Severability; Blue Pencil.

Each of the rights enumerated in this Non-Interference Agreement shall be independent of the others and shall be in addition to and not in lieu of any other rights and remedies available to any member of the Company Group at law or in equity. If any of the provisions of this Non-Interference Agreement or any part of any of them is hereafter construed or adjudicated to be invalid or unenforceable, the same shall not affect the remainder of this Non-Interference Agreement, which shall be given full effect without regard to the invalid portions. If any of the covenants contained herein are held to be invalid or unenforceable because of the duration of such provisions or the area or scope covered thereby, I agree that the court making such determination shall have the power to reduce the duration, scope, and/or area of such provision to the maximum and/or broadest duration, scope, and/or area permissible by law, and in its reduced form said provision shall then be enforceable.

Section 8. Injunctive Relief.

I expressly acknowledge that any breach or threatened breach of any of the terms and/or conditions set forth in this Non-Interference Agreement may result in substantial, continuing, and irreparable injury to the members of the Company Group. Therefore, I hereby agree that, in addition to any other remedy that may be available to the Company, any member of the Company Group shall be entitled to injunctive relief, specific performance, or other equitable relief by a court of appropriate jurisdiction in the event of any breach or threatened breach of the terms of this Non-Interference Agreement without the necessity of proving irreparable harm or injury as a result of such breach or threatened breach. Notwithstanding any other provision to the contrary, I acknowledge and agree that the Post-Termination Non-Compete Period, or Post-Termination Non-Interference Period, as applicable, shall be tolled during any period of violation of any of the covenants in Section 5 hereof and during any other period required for litigation during which the Company or any other member of the Company Group seeks to enforce such covenants against me if it is ultimately determined that I was in breach of such covenants.

Section 9. Cooperation.

I agree that, following any termination of my employment, I will continue to provide reasonable cooperation to the Company and/or any other member of the Company Group and its or their respective counsel in connection with any investigation, administrative proceeding, or litigation relating to any matter that occurred during my employment in which I was involved or of which I have knowledge. As a condition of such cooperation, the Company shall reimburse me for reasonable out-of-pocket expenses incurred at the request of the Company with respect to my compliance with this paragraph. I also agree that, in the event that I am subpoenaed by any person or entity (including, but not limited to, any government agency) to give testimony or provide documents (in a deposition, court proceeding, or otherwise) that in any way relates to my employment by the Company and/or any other member of the Company Group, I will give prompt notice of such request to the Company and will make no disclosure until the Company and/or the other member of the Company Group has had a reasonable opportunity to contest the right of the requesting person or entity to such disclosure.

Section 10. General Provisions.

(a) Governing Law, Venue and Jurisdiction. EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS NON-INTERFERENCE AGREEMENT IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS RELEASE OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN ANY COURT SITTING IN SALT LAKE CITY, UTAH, BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. FURTHER, I HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS NON-INTERFERENCE AGREEMENT.

(b) Entire Agreement. This Non-Interference Agreement sets forth the entire agreement and understanding between the Company and me relating to the subject matter herein and merges all prior discussions between us. No modification or amendment to this Non-Interference Agreement, nor any waiver of any rights under this Non-Interference Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in my duties, obligations, rights, or compensation will not affect the validity or scope of this Non-Interference Agreement.

(c) No Right of Continued Employment. I acknowledge and agree that nothing contained herein shall be construed as granting me any right to continued employment by the Company, and the right of the Company to terminate my employment at any time and for no reason or any reason, with or without cause, is specifically reserved.

(d) Successors and Assigns. This Non-Interference Agreement will be binding upon my heirs, executors, administrators, and other legal representatives and will be for the benefit of the Company, its successors, and its assigns. I expressly acknowledge and agree that this Non-Interference Agreement may be assigned by the Company without my consent to any other member of the Company Group as well as any purchaser of all or substantially all of the assets or stock of the Company or of any business or division of the Company for which I provide services, whether by purchase, merger, or other similar corporate transaction, provided that the license granted pursuant to Section 2(a) may be assigned to any third party by the Company without my consent.

(e) Survival. The provisions of this Non-Interference Agreement shall survive the termination of my employment with the Company and/or the assignment of this Non-Interference Agreement by the Company to any successor in interest or other assignee.

* * *

[Signature to appear on the following page.]

I, Larry L. Trittschuh, have executed this Confidentiality, Non-Interference, and Invention Assignment Agreement on the date set forth below:

Date:__ __

Larry L. Trittschuh

[*Signature Page to Non-Interference Agreement*]

SCHEDULE A

**LIST OF PRIOR DEVELOPMENTS
AND ORIGINAL WORKS OF AUTHORSHIP
EXCLUDED FROM SECTION 2**

Title	Date	Identifying Number or Brief Description

_____ No Developments or improvements

_____ Additional Sheets Attached

Signature of Executive: _______________________

Name of Executive: Larry L. Trittschuh

Date:________

Exhibit B

RELEASE OF CLAIMS

As used in this Release of Claims (this "Release"), the term "claims" will include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, obligations, debts, accounts, attorneys' fees, judgments, losses, and liabilities, of whatsoever kind or nature, in law, in equity, or otherwise.

For and in consideration of the Severance Benefits (as defined in my Employment Agreement, dated November 9, 2018, with HealthEquity, Inc. (such corporation, the "Company" and such agreement, my "Employment Agreement")), and other good and valuable consideration, I, Larry L. Trittschuh, for and on behalf of myself and my heirs, administrators, executors, and assigns, effective as of the date on which this release becomes effective pursuant to its terms, do fully and forever release, remise, and discharge each of the Company, and its respective direct and indirect parents, subsidiaries and affiliates, and their respective successors and assigns, together with their respective current and former officers, directors, partners, members, shareholders, employees, and agents (collectively, and with the Company, the "Group"), from any and all claims whatsoever up to the date hereof that I had, may have had, or now have against the Group, whether known or unknown, for or by reason of any matter, cause, or thing whatsoever, including any claim arising out of or attributable to my employment or the termination of my employment with the Company, whether for tort, breach of express or implied employment contract, intentional infliction of emotional distress, wrongful termination, unjust dismissal, defamation, libel, or slander, or under any federal, state, or local law dealing with discrimination based on age, race, sex, national origin, handicap, religion, disability, or sexual orientation. The release of claims in this Release includes, but is not limited to, all claims arising under the Age Discrimination in Employment Act of 1967 (the "ADEA"), Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Civil Rights Act of 1991, the Family and Medical Leave Act of 1993, the Employee Retirement Income Security Act of 1974, the Worker Adjustment and Retraining Notification Act of 1988 and the Equal Pay Act of 1963, each as may be amended from time to time, and all other federal, state, and local laws, the common law, and any other purported restriction on an employer's right to terminate the employment of employees. I intend this Release contained herein to be a general release of any and all claims to the fullest extent permissible by law and for the provisions regarding the release of claims against the Group to be construed as broadly as possible, and hereby incorporate in this release similar federal, state or other laws, all of which I also hereby expressly waive.

I understand and agree that claims or facts in addition to or different from those which are now known or believed by me to exist may hereafter be discovered, but it is my intention to fully and forever release, remise and discharge all claims which I had, may have had, or now have against the Group, whether known or unknown, suspected or unsuspected, asserted or unasserted, contingent or noncontingent, without regard to the subsequent discovery or existence of such additional or different facts. Without limiting the foregoing, by signing this Release, I expressly waive and release any provision of law that purports to limit the scope of a general release.

I acknowledge and agree that as of the date I execute this Release, I have no knowledge of any facts or circumstances that give rise or could give rise to any claims under any of the laws listed in the preceding paragraphs.

By executing this Release, I specifically release all claims relating to my employment and its termination under the ADEA, a United States federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefit plans.

Notwithstanding any provision of this Release to the contrary, by executing this Release, I am not releasing (i) any claims relating to my rights under Section 8 of my Employment Agreement, (ii) any claims that cannot be waived by law, or (iii) my right of indemnification as provided by, and in accordance with the terms of, the Company's by-laws or a Company insurance policy providing such coverage, as any of such may be amended from time to time.

I expressly acknowledge and agree that I –

- Am able to read the language, and understand the meaning and effect, of this Release;
- Have no physical or mental impairment of any kind that has interfered with my ability to read and understand the meaning of this Release or its terms, and that I am not acting under the influence of any medication, drug, or chemical of any type in entering into this Release;
- Am specifically agreeing to the terms of the release contained in this Release because the Company has agreed to pay me the Severance Benefits in consideration for my agreement to accept it in full settlement of all possible claims I might have or ever have had, and because of my execution of this Release;
- Acknowledge that, but for my execution of this Release, I would not be entitled to the Severance Benefits;
- Understand that, by entering into this Release, I do not waive rights or claims under the ADEA that may arise after the date I execute this Release;
- Had or could have had [twenty-one (21)][forty-five (45)][1] calendar days from the date of my termination of employment (the "Release Expiration Date") in which to review and consider this Release, and that if I execute this Release prior to the Release Expiration Date, I have voluntarily and knowingly waived the remainder of the review period;
- Have not relied upon any representation or statement not set forth in this Release or my Employment Agreement made by the Company or any of its representatives;
- Was advised to consult with my attorney regarding the terms and effect of this Release; and
- Have signed this Release knowingly and voluntarily.

I represent and warrant that I have not previously filed, and to the maximum extent permitted by law agree that I will not file, a complaint, charge, or lawsuit against any member of the Group regarding any of the claims released herein. If, notwithstanding this representation and warranty, I have filed or file such a complaint, charge, or lawsuit, I agree that I shall cause such complaint, charge, or lawsuit to be dismissed with prejudice and shall pay any and all costs required in obtaining dismissal of such complaint, charge, or lawsuit, including without limitation the attorneys' fees of any member of the Group against whom I have filed such a complaint, charge, or lawsuit. This paragraph shall not apply, however, to a claim of age

[1] To be selected based on whether applicable termination was "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967).

discrimination under the ADEA or to any non-waivable right to file a charge with the United States Equal Employment Opportunity Commission (the "EEOC") or similar state agency; *provided*, *however*, that if the EEOC or similar state agency were to pursue any claims relating to my employment with the Company, I agree that I shall not be entitled to recover any monetary damages or any other remedies or benefits as a result and that this Release and Section 8 of my Employment Agreement will control as the exclusive remedy and full settlement of all such claims by me.

I hereby agree to waive any and all claims to re-employment with the Company or any other member of the Group and affirmatively agree not to seek further employment with the Company or any other member of the Group. I acknowledge that if I re-apply for or seek employment with the Company or any other member of the Group, the Company's or any other member of the Group's refusal to hire me based on this provision will provide a complete defense to any claims arising from my attempt to apply for employment.

Notwithstanding anything contained herein to the contrary, this Release will not become effective or enforceable prior to the expiration of the period of seven (7) calendar days immediately following the date of its execution by me (the "Revocation Period"), during which time I may revoke my acceptance of this Release by notifying the Company and the Board of Directors of the Company, in writing, delivered to the Company at its principal executive office, marked for the attention of its General Counsel. To be effective, such revocation must be received by the Company no later than 11:59 p.m. on the seventh (7^{th}) calendar day following the execution of this Release. Provided that this Release is executed and I do not revoke it during the Revocation Period, the eighth (8^{th}) calendar day following the date on which this Release is executed shall be its effective date. I acknowledge and agree that if I revoke this Release during the Revocation Period, this Release will be null and void and of no effect, and neither the Company nor any other member of the Group will have any obligations to pay me the Severance Benefits.

The provisions of this Release shall be binding upon my heirs, executors, administrators, legal personal representatives, and assigns. If any provision of this Release shall be held by any court of competent jurisdiction to be illegal, void, or unenforceable, such provision shall be of no force or effect. The illegality or unenforceability of such provision, however, shall have no effect upon and shall not impair the enforceability of any other provision of this Release.

EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS RELEASE IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS RELEASE OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN ANY COURT SITTING IN SALT LAKE CITY, UTAH, BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. BY EXECUTION OF THIS RELEASE, I CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, AND WAIVE ANY RIGHT TO CHALLENGE JURISDICTION OR VENUE IN SUCH COURT WITH REGARD TO ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS RELEASE. FURTHER, I HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS RELEASE.

Capitalized terms used, but not defined herein, shall have the meanings ascribed to such terms in my Employment Agreement.

* * *

I, Larry L. Trittschuh, have executed this Release of Claims on the date set forth below:

____
Larry L. Trittschuh

Date:

Exhibit 10.18

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This Amendment No. 1 to Employment Agreement (this "Amendment"), is made and entered into as of December 4, 2018 (the "Effective Date"), by and between HealthEquity, Inc. a corporation organized under the laws of the State of Delaware ("HealthEquity"), and Larry L. Trittschuh (together with HealthEquity, the "Parties" and each, a "Party").

WHEREAS, the Parties have entered into that certain Employment Agreement dated as of November 9, 2018 (the "Existing Agreement");

WHEREAS, the Parties hereto desire to amend the Existing Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 18 of the Existing Agreement, the Existing Agreement may not be waived, altered, amended, or modified unless signed by each of the Parties.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used and not defined in this Amendment have the respective meanings assigned to them in the Existing Agreement.

2. Amendments to the Existing Agreement. As of the Effective Date, the Existing Agreement is hereby amended as follows:

(a) All references to "Chief Information Security Officer" are hereby stricken and replaced with "Chief Security Officer".

(b) The definition of Commencement Date is hereby stricken and replaced with December 17, 2018.

3. Date of Effectiveness; Limited Effect. This Amendment will be deemed effective as of the Effective Date. Except as expressly provided in this Amendment, all of the terms and provisions of the Existing Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. Without limiting the generality of the foregoing, the amendments contained herein will not be construed as an amendment to or waiver of any other provision of the Existing Agreement or as a waiver of or consent to any further or future action on the part of either Party that would require the waiver or consent of the other Party. Upon the execution and delivery hereof, the Existing Agreement shall thereupon be deemed to be amended and supplemented as hereinabove set forth as fully and with the same effect as if the amendments and supplements made hereby were originally set forth in the Existing Agreement, and this Amendment and the Existing Agreement shall henceforth be read, taken and construed as one and the same instrument, but such amendments and supplements shall not operate so as to render invalid or improper any action heretofore taken under the Existing Agreement. As used in the Existing Agreement, the terms "this Agreement," "herein," "hereinafter," "hereto," and words of similar import shall mean and refer to, from and after the date of this Amendment, unless the context requires otherwise, the Existing Agreement as amended by this Amendment. In the event of any inconsistency between this Amendment and the Existing Agreement with respect to the matters set forth herein, this Amendment shall take precedence and control.

4. Miscellaneous.

(a) This Amendment is governed by and construed in accordance with, the laws of the State of Delaware, without regard to conflict of laws principles.

(b) This Amendment shall inure to the benefit of and be binding upon each of the Parties and each of their respective permitted successors and permitted assigns.

(c) The headings in this Amendment are for reference only and do not affect the interpretation of this Amendment.

(d) This Amendment may be executed in counterparts, each of which is deemed an original, but all of which constitute one and the same agreement. Delivery of an executed counterpart of this Amendment electronically shall be effective as delivery of an original executed counterpart of this Amendment.

(e) This Amendment constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have duly executed this Amendment as of the date first above written.

HEALTHEQUITY, INC.

/s/ Delano W. Ladd
Name: Delano W. Ladd
Title: General Counsel

LARRY L. TRITTSCHUH

/s/ Larry Trittschuh
Name: Larry Trittschuh
Title: Chief Security Officer

[Amendment No. 1 to Employment Agreement]

Exhibit 10.33

HealthEquity, Inc.
Non-Employee Director Compensation Policy

1 OVERVIEW

HealthEquity, Inc. (the “Company”) believes that, in addition to cash compensation, the granting of equity-based compensation representing the right to acquire the Company’s common stock (the “Shares”) to members (“Directors”) of its board of directors (the “Board”) represents a powerful tool to attract, retain and reward Directors who are not employees of the Company (“Non-Employee Directors”) and to align the interests of its Non-Employee Directors with those of its stockholders. This Amended and Restated Non-Employee Director Compensation Policy (this “Policy”), is intended to establish the Company’s policy regarding cash compensation and equity grants to its Non-Employee Directors. Unless otherwise defined herein, capitalized terms used in this Policy will have the meaning given to such term in the Company’s 2014 Equity Incentive Plan, as amended and restated from time to time (the “Plan”). Non-Employee Directors shall be solely responsible for any tax obligations they incur as a result of any compensation received under this Policy.

2 CASH COMPENSATION

2.1 Annual Retainer Fee

The Company will pay each Non-Employee Director an annual fee of $50,000 for serving on the Board (the “Annual Fee”). Each Annual Fee will be paid ratably on a fiscal quarterly basis at the beginning of each quarter to each Non-Employee Director who will be serving in the relevant capacity for such fiscal quarter. For purposes of clarification, no ratable payment of an annual retainer will be paid to a Non-Employee Director who is not continuing as a Non-Employee Director following the start of the applicable Company fiscal quarter.

2.2 Annual Audit and Risk Committee Retainer Fee

The Company will pay each Non-Employee Director who serves as a member of the Audit and Risk Committee an additional annual fee of $15,000 for serving as a member of such committee (the “Annual Audit and Risk Committee Fee”); provided, that, the Annual Audit and Risk Committee Fee for the Non-Employee Director who serves as chairperson of the Audit and Risk Committee shall instead be $40,000. The Annual Audit and Risk Committee Fee will be paid ratably on a fiscal quarterly basis at the beginning of each quarter to each such Non-Employee Director who will be serving in the relevant capacity for such fiscal quarter. For purposes of clarification, no ratable payment of an annual retainer will be paid to a Non-Employee Director who is not continuing as a member of the Audit and Risk Committee, following the start of the applicable Company fiscal quarter.

2.3 Annual Talent, Compensation and Culture Committee Retainer Fee

The Company will pay each Non-Employee Director who serves as a member of the Talent, Compensation and Culture Committee an additional annual fee of $7,500 for serving as a member of such committee (the “Annual TCCC Fee”); provided, that, the Annual TCCC Fee for the Non-Employee Director who serves as chairperson of the Talent, Compensation and Culture Committee shall instead be $20,000. The Annual TCCC Fee will be paid ratably on a fiscal quarterly basis at the beginning of each quarter to each such Non-Employee Director who will be serving in the relevant capacity for such fiscal quarter. For purposes of clarification, no ratable payment of an annual retainer will be paid to a Non-Employee Director who is not continuing as a member of the Talent, Compensation and Culture Committee, following the start of the applicable Company fiscal quarter.

2.4 Annual Nominating, Governance and Corporate Sustainability Committee Retainer Fee

The Company will pay each Non-Employee Director who serves as a member of the Nominating, Governance and Corporate Sustainability Committee an additional annual fee of $5,000 for serving as a member of such committee (the “Annual NGCS Committee Fee”); provided, that, the Annual NGCS Committee Fee for the Non-Employee Director who serves as chairperson of the Nominating, Governance and Corporate Sustainability Committee shall instead be $10,000. The Annual NGCS Committee Fee will be paid ratably on a fiscal quarterly basis at the beginning of each quarter to each such Non-Employee Director who will be serving in the relevant capacity for such fiscal quarter. For purposes of clarification, no ratable payment of an annual retainer will be paid to a Non-Employee Director who is not continuing as a member of the Nominating, Governance and Corporate Sustainability Committee, following the start of the applicable Company fiscal quarter.

2.5 Cybersecurity and Technology Committee Fee

The Company will pay each Non-Employee Director who serves as a member of the Cybersecurity and Technology Committee an additional annual fee of $7,500 for serving as a member of such committee (the “Annual Cyber Committee Fee”); provided, that, the Annual Cyber Committee Fee for the Non-Employee Director who serves as chairperson of the Cybersecurity and Technology Committee shall instead be $20,000. The Annual Cyber Committee Fee will be paid ratably on a fiscal quarterly basis at the beginning of each quarter to each such Non-Employee Director who will be serving in the relevant capacity for such fiscal quarter. For purposes of clarification, no ratable payment of an annual retainer will be paid to a Non-Employee Director who is not continuing as a member of the Cybersecurity and Technology Committee, following the start of the applicable Company fiscal quarter.

2.6 Annual Chairman Retainer Fee

The Company will pay each Non-Employee Director who serves as Chairman of the Board an additional annual fee of $100,000 for serving as the Chairman of the Board (the “Annual Board Chairman Fee”). The Annual Board Chairman Fee will be paid ratably on a fiscal quarterly basis at the beginning of each quarter to each such Non-Employee Director who will be serving in the relevant capacity for such fiscal quarter. For purposes of clarification, no ratable payment of an annual retainer will be paid to a Non-Employee Director who is not continuing as the Chairman of the Board, following the start of the applicable Company fiscal quarter.

2.7 Form of Payment

Unless otherwise elected by a Non-Employee Director as herein provided, all retainer fees payable pursuant to this Section 2 shall be paid by the Company in cash. A Non-Employee

Director may elect to have all (but not less than all) of his or her Annual Fee, Annual Audit and Risk Committee Fee, Annual TCCC Fee, Annual NGCS Committee Fee, Annual Cyber Committee Fee, and/or Annual Board Chairman Fee, as applicable, in respect of each fiscal year be paid in Restricted Stock Unit Awards under the Plan (rounded to the nearest whole share of Common Stock using standard rounding principles) to be granted on the first day of the fiscal year with an aggregate grant date fair value equal to the amount of the cash retainer fee(s) elected to be received in Restricted Stock Unit Awards, and which shall vest in equal installments at the beginning of each quarter to which the cash retainer fee relates. For these purposes, the grant date fair value of each Restricted Stock Unit Award shall be equal to the Fair Market Value of a Share on the date of grant. To make such election, a Non-Employee Director shall be required to complete a written election form ("Form of Payment Election Form") in such form as the Company may prescribe from time to time, and file such completed Form of Payment Election Form with the Company prior to the first day of the calendar year during which the fiscal year to which such cash retainer fee(s) apply commences. Once a Form of Payment Election Form is filed with the Company, it shall be irrevocable with respect to the cash retainer fee(s) for the immediately following fiscal year.

2.8 Election for First Year of Service

Notwithstanding the foregoing, for the fiscal year in which a Non-Employee Director commences service with the Company, such Non-Employee Director may file a Form of Payment Election Form with the Company on or before the commencement of his or her service and such election shall apply to all applicable annual retainers for the then current fiscal year that are due and payable after the date such Form of Payment Election Form is filed.

2.9 Travel Expenses

Each Non-Employee Director's reasonable, customary and documented travel expenses to Board and committee meetings will be reimbursed by the Company.

2.10 Revisions

The Board, in its discretion, may change and otherwise revise the terms of the cash compensation granted under this Policy (including, without limitation, the amount of cash compensation to be paid) on or after the date the Board determines to make any such change or revision.

2.11 Section 409A

Payments under this Policy are intended to be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, under Treasury Regulation §§ 1.409A-1(b)(4) ("short-term deferrals") ("Section 409A") and this Policy shall be administered, interpreted and construed accordingly.

3 EQUITY COMPENSATION

Non-Employee Directors will be entitled to receive all types of Awards (except Incentive Stock Options) under the Plan, including discretionary Awards not covered under this Policy. All grants of Awards to Non-Employee Directors pursuant to Sections 3.2 of this Policy will be automatic and nondiscretionary, except as otherwise provided herein, and will be made in accordance with the following provisions:

3.1 No Discretion

No person will have any discretion to select which Non-Employee Directors will be granted Awards under this Policy or to determine the number of Shares to be covered by such Awards (except as provided in Sections 3.6 and 3.7 below and Section 10 of the Plan).

3.2 Annual Award

Each Non-Employee Director will be automatically granted an Award of Restricted Stock Unit Awards with a grant date fair value equal to $200,000 (an “Annual Award”) on the date of the Company’s annual meeting of stockholders; provided, however, that for any individual that first becomes a Non-Employee Director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy, the Annual Award in respect of the fiscal year in which such individual first becomes a Non-Employee Director shall be pro-rated based on the number of days remaining in such fiscal year (the “Pro-Rata Annual Award”). In connection with the transition of the timing of the Annual Award grants from the first day of the fiscal year to the date of the Company’s annual meeting, for the period from February 1, 2022 until the date of the Company’s annual meeting of stockholders in 2022, each Non-Employee Director will be granted a one-time Award of Restricted Stock Unit Awards on the first day of fiscal year 2023 with a grant date fair value equal to $78,000.

3.3 Fair Value

The grant date fair value of each Restricted Stock Unit Award shall be equal to the Fair Market Value of a Share on the date of grant, determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor provision, as applicable.

3.4 Vesting Terms

The terms of each equity Award granted pursuant to this Policy will be as follows:

(i) The Restricted Stock Unit Awards subject to the Annual Award will vest over a one (1) year period on the date of the annual meeting of the stockholders of the Company held during the fiscal year after such Annual Award is granted, provided that the Director continues to serve as a Director through such date. With respect to any Pro-Rata Annual Award, the Restricted Stock Unit Awards subject to the Pro-Rata Annual Award will vest on the date of such Annual Meeting, provided that the Director continues to serve as a Director through such dates.

(ii) Notwithstanding anything to the contrary in this Policy, the Awards granted under this Policy shall be subject to the terms and conditions of the Plan and an applicable Award Agreement.

3.5 Deferral of Restricted Stock Units

The Board will provide Non-Employee Directors with the opportunity to defer the delivery of the proceeds of any vested Restricted Stock Units issuable under this Policy. Any such deferral election shall be subject to such rules, conditions and procedures as shall be determined by the Board, in its sole discretion, which rules, conditions and procedures shall at all times comply with the requirements of Section 409A, unless otherwise specifically determined by the Board.

3.6 Revisions

The Board in its discretion may change and otherwise revise the terms of Awards granted under this Policy, including, without limitation, the types of Awards, the number of Shares, and the exercise prices (if any) and vesting schedules for Awards granted on or after the date the Board determines to make any such change or revision.

3.7 Adjustments

The number of Shares issuable pursuant to Annual Awards to be granted under this Policy shall be adjusted in accordance with Section 9 of the Plan.

Exhibit 21.1

LIST OF SUBSIDIARIES OF HEALTHEQUITY, INC.

FORT EFFECT CORP., a Washington corporation

FURTHER OPERATIONS, LLC, a Delaware limited liability company

HEALTHEQUITY ADVISORS, LLC, a Utah limited liability company

HEALTHEQUITY TRUST COMPANY, a Wyoming corporation

HEALTHEQUITY RETIREMENT SERVICES, LLC, a Delaware limited liability company

WAGEWORKS, INC., a Delaware corporation

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-259417) and Form S-8 (No. 333-257467) of HealthEquity, Inc. of our report dated March 31, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Salt Lake City, UT
March 31, 2022

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 the Sarbanes-Oxley Act of 2002

I, Jon Kessler, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 31, 2022

By:	/s/ Jon Kessler
Name:	Jon Kessler
Title:	*President and 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 the Sarbanes-Oxley Act of 2002**

I, Tyson Murdock, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 31, 2022

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 Annual Report on Form 10-K for the year ended January 31, 2022 (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: March 31, 2022

By:	/s/ Jon Kessler
Name:	Jon Kessler
Title:	*President and 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, the Executive Vice President and Chief Financial Officer (Principal Financial Officer) of HealthEquity, Inc. (the “Company”), hereby certify that, to my knowledge:

1. Our Annual Report on Form 10-K for the year ended January 31, 2022 (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: March 31, 2022

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