

Blucora, Inc.
Supplemental Information
September 30, 2017

Table of Contents

Financial Information

Consolidated Financial Results	2
Reconciliation of Non-GAAP Financial Measures	4
Net Leverage Ratio	6
Reconciliation of Operating Free Cash Flow from Continuing Operations	7

Operating Metrics

Wealth Management	8
-----------------------------------	-------------------

Blucora Consolidated Financial Results ⁽¹⁾

<i>(in thousands except %s and per share amounts, rounding differences may exist)</i>	2015		2016				2017		
	FY 12/31	1Q	2Q	3Q	4Q	FY 12/31	1Q	2Q	3Q
	<i>pro forma</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>
Segment revenue:									
Wealth Management ⁽¹⁾	\$ 319,739	\$ 77,291	\$ 76,117	\$ 80,088	\$ 83,050	\$ 316,546	\$ 82,667	\$ 85,296	\$ 86,809
Tax Preparation ⁽²⁾	117,708	88,474	43,991	3,149	3,751	139,365	99,708	53,866	3,362
Total	\$ 437,447	\$ 165,765	\$ 120,108	\$ 83,237	\$ 86,801	\$ 455,911	\$ 182,375	\$ 139,162	\$ 90,171
Segment income (loss): ⁽³⁾									
Wealth Management ⁽¹⁾	\$ 42,997	\$ 10,906	\$ 9,924	\$ 11,628	\$ 13,838	\$ 46,296	\$ 11,853	\$ 12,406	\$ 12,425
Tax Preparation ⁽²⁾	56,984	47,573	29,796	(4,382)	(6,090)	66,897	53,133	36,515	(6,238)
Total	\$ 99,981	\$ 58,479	\$ 39,720	\$ 7,246	\$ 7,748	\$ 113,193	\$ 64,986	\$ 48,921	\$ 6,187
Segment income (loss) % of revenue:									
Wealth Management ⁽¹⁾	13%	14%	13%	15 %	17 %	15%	14%	15%	14 %
Tax Preparation ⁽²⁾	48%	54%	68%	(139)%	(162)%	48%	53%	68%	(186)%
Total	23%	35%	33%	9 %	9 %	25%	36%	35%	7 %
Unallocated corporate operating expenses ⁽³⁾	\$ 17,750	\$ 4,699	\$ 4,460	\$ 4,907	\$ 4,933	\$ 18,999	\$ 6,773	\$ 6,463	\$ 4,587
Adjusted EBITDA	\$ 82,231	\$ 53,780	\$ 35,260	\$ 2,339	\$ 2,815	\$ 94,194	\$ 58,213	\$ 42,458	\$ 1,600
Other unallocated operating expenses: ⁽³⁾									
Stock-based compensation ⁽⁴⁾	\$ 13,591	\$ 4,229	\$ 3,023	\$ 3,364	\$ 3,512	\$ 14,128	\$ 2,565	\$ 2,737	\$ 3,132
Acquisition-related costs	—	—	391	—	—	391	—	—	—
Depreciation	4,613	1,122	1,127	1,137	1,159	4,545	1,134	1,059	1,023
Amortization of acquired intangible assets ⁽⁴⁾	40,851	8,983	8,365	8,346	8,449	34,143	8,336	8,336	8,665
Restructuring	—	—	—	—	3,870	3,870	2,289	331	106
Operating income (loss)	\$ 23,176	\$ 39,446	\$ 22,354	\$ (10,508)	\$ (14,175)	\$ 37,117	\$ 43,889	\$ 29,995	\$ (11,326)
Unallocated other income/loss: ⁽³⁾									
Interest income	\$ (609)	\$ (25)	\$ (11)	\$ (18)	\$ (27)	\$ (81)	\$ (20)	\$ (25)	\$ (31)
Interest expense ⁽⁵⁾	37,059	9,191	8,381	7,824	7,028	32,424	6,436	5,529	4,781
Amortization of debt issuance costs ⁽⁵⁾	1,894	610	417	413	400	1,840	387	327	177
Accretion of debt discounts ⁽⁵⁾	4,880	1,406	1,094	1,099	1,091	4,690	1,085	755	53
(Gain) loss on debt extinguishment ⁽⁶⁾	—	(3,843)	997	2,205	1,677	1,036	1,780	17,801	183
Other (income) loss, net	(1,290)	175	38	(70)	(271)	(128)	40	(187)	78
Total	\$ 41,934	\$ 7,514	\$ 10,916	\$ 11,453	\$ 9,898	\$ 39,781	\$ 9,708	\$ 24,200	\$ 5,241
Income (loss) from continuing operations before income taxes	\$ (18,758)	\$ 31,932	\$ 11,438	\$ (21,961)	\$ (24,073)	\$ (2,664)	\$ 34,181	\$ 5,795	\$ (16,567)
Income tax (benefit) expense: ⁽³⁾⁽⁷⁾									
Cash	\$ 2,200	\$ 1,064	\$ 600	\$ 775	\$ 78	\$ 2,517	\$ 311	\$ (626)	\$ (58)
Non-cash ⁽⁸⁾	(9,422)	10,579	5,193	(9,312)	(10,262)	(3,802)	3,160	2,941	224
Total	\$ (7,222)	\$ 11,643	\$ 5,793	\$ (8,537)	\$ (10,184)	\$ (1,285)	\$ 3,471	\$ 2,315	\$ 166
GAAP income (loss) from continuing operations ⁽⁹⁾	\$ (11,536)	\$ 20,289	\$ 5,645	\$ (13,424)	\$ (13,889)	\$ (1,379)	\$ 30,710	\$ 3,480	\$ (16,733)
GAAP income (loss) from continuing operations per share - diluted	\$ (0.28)	\$ 0.48	\$ 0.13	\$ (0.33)	\$ (0.34)	\$ (0.05)	\$ 0.67	\$ 0.07	\$ (0.37)
GAAP discontinued operations, net of income taxes ⁽¹⁰⁾	\$ (27,348)	\$ 2,522	\$ (19,975)	\$ (40,528)	\$ (5,140)	\$ (63,121)	\$ —	\$ —	\$ —
GAAP impact of noncontrolling interests ⁽⁹⁾	—	(144)	(115)	(167)	(232)	(658)	(126)	(176)	(164)
GAAP net income (loss) attributable to Blucora, Inc.	\$ (38,884)	\$ 22,667	\$ (14,445)	\$ (54,119)	\$ (19,261)	\$ (65,158)	\$ 30,584	\$ 3,304	\$ (16,897)
Non-GAAP net income (loss)	\$ 36,950	\$ 39,286	\$ 23,424	\$ (10,142)	\$ (7,472)	\$ 45,096	\$ 47,407	\$ 32,947	\$ (5,534)
Non-GAAP net income (loss) per share - diluted	\$ 0.88 ⁽¹¹⁾	\$ 0.94	\$ 0.55	\$ (0.24)	\$ (0.18)	\$ 1.06 ⁽¹²⁾	\$ 1.04	\$ 0.70	\$ (0.12)
Outstanding Shares	40,954	41,245	41,495	41,711	41,845	41,845	42,635	44,681	46,077
Basic shares - GAAP	40,959	41,171	41,405	41,635	41,766	41,494	42,145	43,644	45,459
Diluted shares - GAAP	40,959	41,610	42,298	41,635	41,766	41,494	45,428	46,937	45,459

Notes to Consolidated Financial Results on next page

Notes to Consolidated Financial Results

- (1) On October 14, 2015, Blucora announced the acquisition of HD Vest, which closed on December 31, 2015. As part of that announcement, we also stated our plans to divest the Search and Content and E-Commerce businesses in order to focus more strategically on the technology-enabled financial solutions market. The pro forma information represents the combination of HD Vest, TaxAct, and corporate expenses as if the acquisition closed on January 1, 2014. The Company believes that this presentation most accurately reflects the financial performance of the Company on a go-forward basis.
- (2) As a highly seasonal business, almost all of the Tax Preparation revenue is generated in the first four months of the calendar year.
- (3) We do not allocate certain general and administrative costs (including personnel and overhead costs), stock-based compensation, acquisition-related costs, depreciation, amortization of acquired intangible assets, restructuring, other income/loss, or income taxes to the reportable segments. The general and administrative costs are included in "Unallocated corporate operating expenses." In addition, "Unallocated corporate operating expenses" for the pro forma 2015 results exclude transaction costs related to the HD Vest acquisition and CEO separation-related costs.
- (4) Includes stock-based compensation for Blucora share-based award grants to HD Vest employees and amortization of the definite-lived intangible assets identified in the HD Vest acquisition.
- (5) Excludes interest expense and amortization of debt-related costs associated with the TaxAct 2013 credit facility and HD Vest's previous debt facility, both of which were paid off at the acquisition date, and includes similar expenses associated with the TaxAct - HD Vest 2015 credit facility that was used to finance the HD Vest acquisition.
- (6) 1Q16 gain on debt extinguishment related to the repurchase of a portion of the Convertible Senior Notes below par value, offset by a loss on debt extinguishment related to the prepayment of a portion of the TaxAct - HD Vest 2015 credit facility, which resulted in the acceleration of a portion of the unamortized discount and debt issuance costs. 2Q16, 3Q16, 4Q16, 1Q17, and 2Q17 loss on debt extinguishment related to the prepayment of a portion of the TaxAct - HD Vest 2015 credit facility during each of those quarters. 2Q17 loss on debt extinguishment also related to the redemption of all of the Convertible Senior Notes and pay-off of the remaining TaxAct - HD Vest 2015 credit facility, resulting in the write-off of the remaining unamortized debt discount and issuance costs.
- (7) Pro forma excludes historical tax expense and includes tax expense using an effective tax rate of 38.5% with anticipated cash taxes of \$2.2 million, given expected net operating loss utilization.
- (8) Amounts represent the non-cash portion of income taxes from continuing operations. We exclude the non-cash portion of income taxes because of our ability to offset a substantial portion of our cash tax liabilities by using deferred tax assets, which primarily consist of U.S. federal net operating losses. The majority of these net operating losses will expire, if unutilized, between 2020 and 2024.
- (9) GAAP income (loss) from continuing operations excludes the impact of noncontrolling interests associated with HD Vest management rollover equity ownership of 4.48%. The impact of noncontrolling interests is recorded separately and after GAAP income (loss) from continuing operations.
- (10) On October 14, 2015, Blucora announced plans to divest of the Search and Content and E-Commerce businesses. Accordingly, our financial condition, results of operations, and cash flows reflect the Search and Content and E-Commerce businesses as discontinued operations for all periods presented. On August 9, 2016, we closed on an agreement with OpenMail, under which OpenMail acquired substantially all of the assets and assumed certain specified liabilities of the Search and Content business for \$45.2 million. On November 17, 2016, we closed on an agreement with YFC, under which YFC acquired the E-Commerce business for \$40.5 million. As a result, we recognized a combined loss on sale of discontinued operations before income taxes of \$73.8 million in FY 2016.
- (11) Calculation in FY 2015 used 41,861,000 diluted shares due to non-GAAP net income.
- (12) Calculation in FY 2016 used 42,686,000 diluted shares due to non-GAAP net income.

Blucora Reconciliation of Non-GAAP Financial Measures ⁽¹⁾⁽²⁾⁽³⁾

	2015		2016				2017		
	FY 12/31	1Q	2Q	3Q	4Q	FY 12/31	1Q	2Q	3Q
	<i>pro forma</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>
<i>(in thousands except per share amounts, rounding differences may exist)</i>									
Adjusted EBITDA									
Net income (loss) attributable to Blucora, Inc.	\$ (38,884)	\$ 22,667	\$ (14,445)	\$ (54,119)	\$ (19,261)	\$ (65,158)	\$ 30,584	\$ 3,304	\$ (16,897)
Stock-based compensation	13,591	4,229	3,023	3,364	3,512	14,128	2,565	2,737	\$ 3,132
Depreciation and amortization of acquired intangible assets	45,464	10,105	9,492	9,483	9,608	38,688	9,470	9,395	\$ 9,688
Restructuring	—	—	—	—	3,870	3,870	2,289	331	\$ 106
Other loss, net ⁽⁴⁾	41,934	7,514	10,916	11,453	9,898	39,781	9,708	24,200	\$ 5,241
Net income attributable to noncontrolling interests	—	144	115	167	232	658	126	176	164
Income tax expense	(7,222)	11,643	5,793	(8,537)	(10,184)	(1,285)	3,471	2,315	166
Discontinued operations, net of income taxes	27,348	(2,522)	19,975	40,528	5,140	63,121	—	—	—
Acquisition-related costs	—	—	391	—	—	391	—	—	106
Adjusted EBITDA	<u>\$ 82,231</u>	<u>\$ 53,780</u>	<u>\$ 35,260</u>	<u>\$ 2,339</u>	<u>\$ 2,815</u>	<u>\$ 94,194</u>	<u>\$ 58,213</u>	<u>\$ 42,458</u>	<u>\$ 5,783</u>
Non-GAAP Net Income (Loss)									
Net income (loss) attributable to Blucora, Inc.	\$ (38,884)	\$ 22,667	\$ (14,445)	\$ (54,119)	\$ (19,261)	\$ (65,158)	\$ 30,584	\$ 3,304	\$ (16,897)
Discontinued operations, net of income taxes	27,348	(2,522)	19,975	40,528	5,140	63,121	—	—	—
Stock-based compensation	13,591	4,229	3,023	3,364	3,512	14,128	2,565	2,737	3,132
Amortization of acquired intangible assets	40,851	8,983	8,365	8,346	8,449	34,143	8,336	8,336	8,665
Accretion of debt discount on Convertible Senior Notes	3,866	963	885	901	917	3,666	934	633	—
Accelerated accretion of debt discount on Convertible Senior Notes repurchased	—	1,628	—	—	—	1,628	—	—	—
Gain on Convertible Senior Notes repurchased	—	(7,724)	—	—	—	(7,724)	—	—	—
Write-off of debt discount and debt issuance costs on terminated Convertible Senior Notes	—	—	—	—	—	—	—	6,715	—
Write-off of debt discount and debt issuance costs on closed TaxAct - HD Vest 2015 credit	—	—	—	—	—	—	—	9,593	—
Acquisition-related costs	—	—	391	—	—	391	—	—	—
Restructuring	—	—	—	—	3,870	3,870	2,289	331	106
Impact of noncontrolling interests	—	144	115	167	232	658	126	176	164
Cash tax impact of adjustments to GAAP net income	(400)	339	(78)	(17)	(69)	175	(587)	(1,819)	(928)
Non-cash income tax (benefit) expense	(9,422)	10,579	5,193	(9,312)	(10,262)	(3,802)	3,160	2,941	224
Non-GAAP net income (loss)	<u>\$ 36,950</u>	<u>\$ 39,286</u>	<u>\$ 23,424</u>	<u>\$ (10,142)</u>	<u>\$ (7,472)</u>	<u>\$ 45,096</u>	<u>\$ 47,407</u>	<u>\$ 32,947</u>	<u>\$ (5,534)</u>
Non-GAAP net income (loss) per share	\$ 0.88	\$ 0.94	\$ 0.55	\$ (0.24)	\$ (0.18)	\$ 1.06	\$ 1.04	\$ 0.70	\$ (0.12)
Diluted shares	41,861	41,610	42,298	41,635	41,766	42,686	45,428	46,937	45,459

⁽¹⁾ On October 14, 2015, Blucora announced the acquisition of HD Vest, which closed on December 31, 2015. As part of that announcement, we also stated our plans to divest the Search and Content and E-Commerce businesses in order to focus more strategically on the technology-enabled financial solutions market. The pro forma information represents the combination of HD Vest, TaxAct, and corporate expenses as if the acquisition closed on January 1, 2014. The Company believes that this presentation most accurately reflects the financial performance of the Company on a go-forward basis.

⁽²⁾ We define Adjusted EBITDA as net income (loss) attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of stock-based compensation, depreciation, amortization of acquired intangible assets (including acquired technology), restructuring, other loss, net, the impact of noncontrolling interests, income tax expense, the effects of discontinued operations, and acquisition-related costs. Restructuring costs relate to the move of our corporate headquarters, which was announced in the fourth quarter of 2016. Acquisition-related costs include professional services fees and other direct transaction costs and changes in the fair value of contingent consideration liabilities related to acquired companies. The SimpleTax acquisition that was completed in 2015 included contingent consideration, for which the fair value of that liability was revalued in the second quarter of 2016.

We believe that Adjusted EBITDA provides meaningful supplemental information regarding our performance. We use this non-GAAP financial measure for internal management and compensation purposes, when publicly providing guidance on possible future results, and as a means to evaluate period-to-period comparisons. We believe that Adjusted EBITDA is a common measure used by investors and analysts to evaluate our performance, that it provides a more complete understanding of the results of operations and trends affecting our business when viewed together with GAAP results, and that management and investors benefit from referring to this non-GAAP financial measure. Items excluded from Adjusted EBITDA are significant and necessary components to the operations of our business and, therefore, Adjusted EBITDA should be considered as a supplement to, and not as a substitute for or superior to, GAAP net income (loss). Other companies may calculate Adjusted EBITDA differently and, therefore, our Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

We define non-GAAP net income (loss) as net income (loss) attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of discontinued operations, stock-based compensation, amortization of acquired intangible assets (including acquired technology), accretion of debt discount and accelerated accretion of debt discount on the Convertible Senior Notes (the "Notes"), gain on the Notes repurchased, write-off of debt discount and debt issuance costs on the Notes that were redeemed and the terminated TaxAct - HD Vest 2015 credit facility, acquisition-related costs (described further under Adjusted EBITDA above), restructuring costs (described further under Adjusted EBITDA above), the impact of noncontrolling interests, the related cash tax impact of those adjustments, and non-cash income taxes. The write-off of debt discount and debt issuance costs on the terminated Notes and the closed TaxAct - HD Vest 2015 credit facility relates to the debt refinancing that occurred in the second quarter of 2017. We exclude the non-cash portion of income taxes because of our ability to offset a substantial portion of our cash tax liabilities by using deferred tax assets, which primarily consist of U.S. federal net operating losses. The majority of these net operating losses will expire, if unutilized, between 2020 and 2024.

We believe that non-GAAP net income (loss) and non-GAAP net income (loss) per share provide meaningful supplemental information to management, investors, and analysts regarding our performance and the valuation of our business by excluding items in the statement of operations that we do not consider part of our ongoing operations or have not been, or are not expected to be, settled in cash. Additionally, we believe that non-GAAP net income (loss) and non-GAAP net income (loss) per share are common measures used by investors and analysts to evaluate our performance and the valuation of our business. Non-GAAP net income (loss) should be evaluated in light of our financial results prepared in accordance with GAAP and should be considered as a supplement to, and not as a substitute for or superior to, GAAP net income (loss). Other companies may calculate non-GAAP net income differently, and, therefore, our non-GAAP net income may not be comparable to similarly titled measures of other companies.

⁽³⁾ Effective with 1Q16, we define Non-GAAP Net Income (Loss) to exclude the impact of noncontrolling interests from the HD Vest acquisition that we began recognizing in 1Q16, as well as the gain on Convertible Senior Notes repurchased in 1Q16 (which we repurchased below par value) and the related accelerated accretion of debt discount. Acquisition-related costs include professional services fees and other direct transaction costs and changes in the fair value of contingent consideration liabilities related to acquired companies. The SimpleTax acquisition included contingent consideration, for which the fair value of that liability was revalued in 2Q16. Restructuring costs relate to the upcoming move of our corporate headquarters, which was announced in 4Q16. In connection with a debt refinancing in 2Q17, we redeemed all of the Convertible Senior Notes and paid-off the remaining TaxAct - HD Vest 2015 credit facility, resulting in the write-off of the remaining unamortized debt discount and issuance costs. Consequently, the Convertible Senior Notes were terminated, and the TaxAct - HD Vest 2015 credit facility was closed.

⁽⁴⁾ Other loss, net primarily includes items such as interest income, interest expense, amortization of debt issuance costs, accretion of debt discounts, and gain/loss on debt extinguishment.

Blucora Net Leverage Ratio

(in thousands except ratio, rounding differences may exist)	2015	2016				2017			
	FY 12/31	1Q	2Q	3Q	4Q	FY 12/31	1Q	2Q	3Q
CASH:									
Cash and cash equivalents	\$ 55,473	\$ 67,955	\$ 74,273	\$ 71,165	\$ 51,713	\$ 51,713	\$ 74,609	\$ 78,312	\$ 78,558
Available-for-sale investments	11,301	11,642	7,821	4,492	7,101	7,101	160	—	—
	\$ 66,774	\$ 79,597	\$ 82,094	\$ 75,657	\$ 58,814	\$ 58,814	\$ 74,769	\$ 78,312	\$ 78,558
DEBT:									
Senior secured credit facility	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 360,000	\$ 350,000
TaxAct - HD Vest 2015 credit facility	400,000	360,000	340,000	295,000	260,000	260,000	222,000	—	—
Convertible Senior Notes	201,250	172,859	172,859	172,859	172,859	172,859	172,859	—	—
Note payable, related party	6,400	6,400	6,400	6,400	3,200	3,200	3,200	3,200	3,200
	\$ 607,650	\$ 539,259	\$ 519,259	\$ 474,259	\$ 436,059	\$ 436,059	\$ 398,059	\$ 363,200	\$ 353,200
NET DEBT FROM CONTINUING OPERATIONS	\$ (540,876)	\$ (459,662)	\$ (437,165)	\$ (398,602)	\$ (377,245)	\$ (377,245)	\$ (323,290)	\$ (284,888)	\$ (274,642)
OTHER:									
Add: Escrow receivable ⁽¹⁾	\$ 20,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
TOTAL NET DEBT FROM CONTINUING OPERATIONS	\$ (520,876)	\$ (459,662)	\$ (437,165)	\$ (398,602)	\$ (377,245)	\$ (377,245)	\$ (323,290)	\$ (284,888)	\$ (274,642)
Last twelve months (pro forma): ⁽²⁾									
SEGMENT INCOME:									
Wealth Management	\$ 42,997	\$ 45,256	\$ 44,563	\$ 44,703	\$ 46,296	\$ 46,296	\$ 47,243	\$ 49,725	\$ 50,522
Tax Preparation	56,984	60,412	70,318	68,478	66,897	66,897	72,457	79,176	77,320
	99,981	105,668	114,881	113,181	113,193	113,193	119,700	128,901	127,842
Unallocated corporate operating expenses	(17,750)	(18,073)	(17,871)	(18,345)	(18,999)	(18,999)	(21,073)	(23,076)	(22,756)
ADJUSTED EBITDA	\$ 82,231	\$ 87,595	\$ 97,010	\$ 94,836	\$ 94,194	\$ 94,194	\$ 98,627	\$ 105,825	\$ 105,086
LEVERAGE RATIO	6.3 x	5.2 x	4.5 x	4.2 x	4.0 x	4.0 x	3.3 x	2.7 x	2.6 x

⁽¹⁾ Amount represents consideration funded to escrow that was contingent upon HD Vest's 2015 earnings performance. The contingent consideration was not achieved; therefore, the amount was returned to the Company from escrow in 1Q16.

⁽²⁾ The pro forma information represents the combination of HD Vest, TaxAct, and corporate expenses as if the acquisition closed on January 1, 2014. The Company believes that this presentation most accurately reflects the financial performance of the Company on a go-forward basis.

Blucora Reconciliation of Operating Free Cash Flow from Continuing Operations ⁽¹⁾

(in thousands, rounding differences may exist)

	2015		2016				2017		
	FY 12/31	1Q	2Q	3Q	4Q	FY 12/31	1Q	2Q	3Q
Net cash provided by operating activities from continuing operations	\$ 24,308 ⁽²⁾	\$ 68,721 ⁽²⁾	\$ 22,165	\$ (2,349)	\$ (2,567)	\$ 85,970	\$ 52,900	\$ 28,236	\$ (1,906)
Purchases of property and equipment	(1,512)	(677)	(851)	(1,120)	(1,164)	(3,812)	(1,165)	(746)	(1,898)
Operating free cash flow from continuing operations	<u>\$ 22,796</u>	<u>\$ 68,044</u>	<u>\$ 21,314</u>	<u>\$ (3,469)</u>	<u>\$ (3,731)</u>	<u>\$ 82,158</u>	<u>\$ 51,735</u>	<u>\$ 27,490</u>	<u>\$ (3,804)</u>

⁽¹⁾ We define operating free cash flow from continuing operations as net cash provided by operating activities from continuing operations less purchases of property and equipment. We believe operating free cash flow is an important liquidity measure that reflects the cash generated by the continuing businesses, after the purchases of property and equipment, that can then be used for, among other things, strategic acquisitions and investments in the businesses, stock repurchases, and funding ongoing operations.

⁽²⁾ FY 2015 includes \$20.0 million of consideration funded to escrow that was contingent upon HD Vest's 2015 earnings performance. The contingent consideration was not achieved; therefore, the amount was returned to the Company from escrow in 1Q16.

Blucora Operating Metrics - Wealth Management

(in thousands except %, rounding differences may exist)

	2015		2016				2017		
	FY 12/31	1Q	2Q	3Q	4Q	FY 12/31	1Q	2Q	3Q
	<i>pro forma</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>
Segment revenue	\$319,739	\$ 77,291	\$ 76,117	\$ 80,088	\$ 83,050	\$316,546	\$ 82,667	\$ 85,296	\$ 86,809
Segment net revenue ⁽¹⁾	\$ 99,749	\$ 25,022	\$ 25,094	\$ 25,167	\$ 27,267	\$102,550	\$ 26,793	\$ 28,394	\$ 27,591
Segment income ⁽²⁾	\$ 42,997	\$ 10,906	\$ 9,924	\$ 11,628	\$ 13,838	\$ 46,296	\$ 11,853	\$ 12,406	\$ 12,425
Segment income % of revenue	13%	14%	13%	15%	17%	15%	14%	15%	14%
Segment income % of net revenue	43%	44%	40%	46%	51%	45%	44%	44%	45%

(in thousands except %, rounding differences may exist)

	Sources of Revenue	Primary Drivers	2015	2016				2017			
			FY 12/31	1Q	2Q	3Q	4Q	FY 12/31	1Q	2Q	3Q
			<i>pro forma</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	
Advisor-driven	Commission	- Transactions - Asset levels	\$156,943	\$ 36,856	\$ 35,252	\$ 38,962	\$ 39,055	\$150,125	\$ 39,595	\$ 38,154	\$ 39,432
	Advisory	- Advisory asset levels	129,433	31,532	31,522	32,705	33,658	129,417	33,576	35,914	37,588
Other revenue	Asset-based	- Cash balances - Interest rates - Number of accounts - Client asset levels	18,871	5,818	5,395	5,476	5,964	22,653	5,966	6,784	6,526
	Transaction and fee	- Account activity - Number of clients - Number of advisors - Number of accounts	14,492	3,085	3,948	2,945	4,373	14,351	3,530	4,444	3,263
Total revenue			\$319,739	\$ 77,291	\$ 76,117	\$ 80,088	\$ 83,050	\$316,546	\$ 82,667	\$ 85,296	\$ 86,809
Total recurring revenue ⁽³⁾			\$247,993	\$ 60,069	\$ 61,160	\$ 62,543	\$ 65,538	\$249,310	\$ 63,907	\$ 68,971	\$ 70,539
Recurring revenue rate ⁽³⁾			77.6%	77.7%	80.3%	78.1%	78.9%	78.8%	77.3%	80.9%	81.3%

(in thousands except %s and as otherwise indicated, rounding differences may exist)

	2015		2016				2017		
	FY 12/31	1Q	2Q	3Q	4Q	FY 12/31	1Q	2Q	3Q
	<i>pro forma</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>	<i>as reported</i>
Total Assets Under Administration ("AUA")	\$36,573,766	\$36,505,384	\$37,233,522	\$38,482,620	\$38,663,595	\$38,663,595	\$40,424,515	\$41,427,028	\$42,696,862
Advisory Assets Under Management ("AUM")	\$ 9,692,244	\$ 9,592,025	\$ 9,814,232	\$10,204,448	\$10,397,071	\$10,397,071	\$11,090,767	\$11,551,288	\$11,984,320
% of total AUA	26.5%	26.3%	26.4%	26.5%	26.9%	26.9%	27.4%	27.9%	28.1%
Number of advisors (in ones)	4,600	4,584	4,561	4,568	4,472	4,472	4,427	4,426	4,392
Advisor-driven revenue per advisor	\$ 15.9	\$ 14.9	\$ 14.6	\$ 15.7	\$ 16.3	\$ 16.3	\$ 16.5	\$ 16.7	\$ 17.5

(1) Amount represents segment revenue less advisor commission payout.

(2) Excludes expenses associated with non-recurring projects.

(3) Recurring revenue consists of trailing commissions, advisory fees, fees from cash sweep programs, and certain transaction and fee revenue.