

Blucora, Inc.
Supplemental Information
March 31, 2017

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Blucora Consolidated Financial Results ⁽¹⁾

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

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 and modification expense related to the repurchase of a portion of the Convertible Senior Notes below par value, offset by a loss on debt extinguishment and modification expense related to the prepayment of a portion of the TaxAct - HD Vest 2015 credit facility, which resulted in the write-down of a portion of the unamortized discount and debt issuance costs. 2Q16, 3Q16, 4Q16 and 1Q17 loss on debt extinguishment and modification expense related to the prepayment of a portion of the TaxAct - HD Vest 2015 credit facility during each of those quarters.
- (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⁾

(in thousands except per share amounts, rounding differences may exist)

	2015		2016			2017	
	FY 12/31	1Q	2Q	3Q	4Q	FY 12/31	1Q
	<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>
Adjusted EBITDA							
Operating income (loss) ⁽³⁾	\$ 23,176	\$ 39,446	\$ 22,354	\$ (10,508)	\$ (14,175)	\$ 37,117	\$ 43,889
Stock-based compensation	13,591	4,229	3,023	3,364	3,512	14,128	2,565
Depreciation and amortization of acquired intangible assets	45,464	10,105	9,492	9,483	9,608	38,688	9,470
Acquisition-related costs	—	—	391	—	—	391	—
Restructuring	—	—	—	—	3,870	3,870	2,289
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>
Non-GAAP Net Income (Loss)							
Net income (loss) attributable to Blucora, Inc. ⁽³⁾	\$ (38,884)	\$ 22,667	\$ (14,445)	\$ (54,119)	\$ (19,261)	\$ (65,158)	\$ 30,584
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
Amortization of acquired intangible assets	40,851	8,983	8,365	8,346	8,449	34,143	8,336
Accretion of debt discount on Convertible Senior Notes	3,866	963	885	901	917	3,666	934
Accelerated accretion of debt discount on Convertible Senior Notes	—	1,628	—	—	—	1,628	—
Gain on Convertible Senior Notes repurchased	—	(7,724)	—	—	—	(7,724)	—
Acquisition-related costs	—	—	391	—	—	391	—
Restructuring	—	—	—	—	3,870	3,870	2,289
Impact of noncontrolling interests	—	144	115	167	232	658	126
Cash tax impact of adjustments to GAAP net income	(400)	339	(78)	(17)	(69)	175	(587)
Non-cash income tax (benefit) expense	(9,422)	10,579	5,193	(9,312)	(10,262)	(3,802)	3,160
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>
Non-GAAP net income (loss) per share	\$ 0.88	\$ 0.94	\$ 0.55	\$ (0.24)	\$ (0.18)	\$ 1.06	\$ 1.04
Diluted shares	41,861	41,610	42,298	41,635	41,766	42,686	45,428

- (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) For definitions of these non-GAAP financial measures and their relationship to our GAAP financial statements, please see Note 1 to our Reconciliations of Non-GAAP Financial Measures to the Nearest Comparable GAAP Measures in exhibit 99.1 to the May 4, 2017 Current Report on Form 8-K. 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. Effective with 1Q16, we also 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.
- (3) As presented in the Blucora Consolidated Financial Results (unaudited) on page 2.

Blucora Net Leverage Ratio

	2015		2016				2017	
	FY 12/31	1Q	2Q	3Q	4Q	FY 12/31	1Q	
<i>(in thousands except ratio, rounding differences may exist)</i>								
CASH:								
Cash and cash equivalents	\$ 55,473	\$ 67,955	\$ 74,273	\$ 71,165	\$ 51,713	\$ 51,713	\$ 74,609	
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	
DEBT:								
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	
	\$ 607,650	\$ 539,259	\$ 519,259	\$ 474,259	\$ 436,059	\$ 436,059	\$ 398,059	
NET DEBT FROM CONTINUING OPERATIONS	\$(540,876)	\$(459,662)	\$(437,165)	\$(398,602)	\$(377,245)	\$(377,245)	\$(323,290)	
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)	
Last twelve months (pro forma): ⁽²⁾								
SEGMENT INCOME:								
Wealth Management	\$ 42,997	\$ 45,256	\$ 44,563	\$ 44,703	\$ 46,296	\$ 46,296	\$ 47,243	
Tax Preparation	56,984	60,412	70,318	68,478	66,897	66,897	72,457	
	99,981	105,668	114,881	113,181	113,193	113,193	119,700	
Unallocated corporate operating expenses	(17,750)	(18,073)	(17,871)	(18,345)	(18,999)	(18,999)	(21,073)	
ADJUSTED EBITDA	\$ 82,231	\$ 87,595	\$ 97,010	\$ 94,836	\$ 94,194	\$ 94,194	\$ 98,627	
LEVERAGE RATIO	6.3 x	5.2 x	4.5 x	4.2 x	4.0 x	4.0 x	3.3 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
Net cash provided (used) by operating activities from continuing operations	\$ 24,308 ⁽²⁾	\$ 68,721 ⁽²⁾	\$ 22,165	\$ (2,349)	\$ (2,567)	\$ 85,970	\$ 52,900
Purchases of property and equipment	(1,512)	(677)	(851)	(1,120)	(1,164)	(3,812)	(1,165)
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>

⁽¹⁾ We define operating free cash flow from continuing operations as net cash provided (used) 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
	<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>
Segment revenue	\$ 319,739	\$ 77,291	\$ 76,117	\$ 80,088	\$ 83,050	\$ 316,546	\$ 82,667
Segment net revenue ⁽¹⁾	\$ 99,749	\$ 25,022	\$ 25,094	\$ 25,167	\$ 27,267	\$ 102,550	\$ 26,793
Segment income ⁽²⁾	\$ 42,997	\$ 10,906	\$ 9,924	\$ 11,628	\$ 13,838	\$ 46,296	\$ 11,853
Segment income % of revenue	13%	14%	13%	15%	17%	15%	14%
Segment income % of net revenue	43%	44%	40%	46%	51%	45%	44%

(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
			<i>pro forma</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
	Advisory	- Advisory asset levels	129,433	31,532	31,522	32,705	33,658	129,417	33,576
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
	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
Total revenue			\$ 319,739	\$ 77,291	\$ 76,117	\$ 80,088	\$ 83,050	\$ 316,546	\$ 82,667
Total recurring revenue ⁽³⁾			\$ 247,993	\$ 60,069	\$ 61,160	\$ 62,543	\$ 65,538	\$ 249,310	\$ 63,907
Recurring revenue rate ⁽³⁾			77.6%	77.7%	80.3%	78.1%	78.9%	78.8%	77.3%

(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
	<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>
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
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
% of total AUA	26.5%	26.3%	26.4%	26.5%	26.9%	26.9%	27.4%
Number of advisors (in ones)	4,600	4,584	4,561	4,568	4,472	4,472	4,427

(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.

Blucora Operating Metrics - Tax Preparation

(in thousands except %, rounding differences may exist)

<i>Consumers</i>	U.S. tax seasons ended			Three months ended March 31,		
	April 18, 2017	April 19, 2016	% change	2017	2016	% change
Online e-files	3,958	4,613	(14)%	2,876	3,466	(17)%
Desktop e-files	184	234	(21)%	122	156	(22)%
Sub-total e-files	4,142	4,847	(15)%	2,998	3,622	(17)%
Free File Alliance e-files ⁽¹⁾	164	158	4 %	115	114	1 %
Total e-files	4,306	5,005	(14)%	3,113	3,736	(17)%

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

<i>Preparers</i>	U.S. tax seasons ended			Three months ended March 31,		
	April 18, 2017	April 19, 2016	% change	2017	2016	% change
E-files	1,717	1,630	5%	1,302	1,269	3 %
Units sold (in ones)	20,964	20,114	4%	20,327	19,794	3 %
E-files per unit sold (in ones)	81.9	81.0	1%	64.0	64.1	— %

- ⁽¹⁾ Free File Alliance e-files are provided as part of an IRS partnership that provides free electronic tax filing services to taxpayers meeting certain income-based guidelines.