BLUCORA

Blucora, Inc. Second Quarter 2020
Earnings Conference Call

BILL MICHALEK, VICE PRESIDENT INVESTOR RELATIONS
Thank you and welcome, everyone, to Blucora's second quarter 2020 Earnings Conference Call. By now, you should have had the opportunity to review a copy of our earnings release and supplemental information. If you have not reviewed these documents, they are available on the investor relations section of our website at Blucora.com. I'm joined today by Chris Walters, Chief Executive Officer, and Marc Mehlman, Chief Financial Officer.

Before we begin, let me remind everyone that today's discussion contains forward-looking statements based on the environment as we currently see it and speak only as of the current date. As such, they include risks and uncertainties, and actual results and events could differ materially from our current expectations. Please refer to our press release and our other SEC filings, including our Forms 10-K and 10-Q and other reports, for more information on the specific risk factors. We assume no obligation to update our forward-looking statements, except as required by law.

We will discuss both GAAP and non-GAAP financial measures today. The earnings release and the presentation for today's call are available on blucora.com and include full reconciliations of each non-GAAP financial measure discussed to the nearest applicable GAAP measure.

With that, let me hand it over to Chris.

CHRIS WALTERS, PRESIDENT AND CHIEF EXECUTIVE OFFICER
Thanks Bill, and good morning everyone. I hope that you all are staying safe in the midst of all that is going on at this time.

Blucora continues to operate effectively during these unprecedented times, and our team remains focused on delivering on our mission to empower people to improve their financial wellness. The challenges we outlined last quarter stemming from the pandemic, including the extended tax season and reduction in interest rates, combined with the workplace shutdowns for our financial professionals, did create headwinds for our business, as expected. While these challenges have impacted our financial performance in the short-term, we have also made meaningful progress in a short period of time to improve key business metrics, strengthen our team and advance our strategic priorities to position ourselves well for future growth.

Before I turn to results, I'd note that, given the seasonality of our tax business, and the unusual extension of tax season into the third quarter, our financial results for TaxAct and Blucora overall do not provide for consistent comparison to prior periods. We therefore have included more information to make it easier to draw comparisons.

Tax Preparation
Starting first with tax preparation, we embarked on a shift in the strategy for TaxAct during this tax season. For a number of years growth has been driven largely by price increases coupled with stable marketing spend deployed without the benefit of the most sophisticated direct marketing approaches. More recently, there was a realization that additional investment in the product was needed. We are pleased to report that we've seen the benefits of these initial investments in the recently completed tax season, with customer satisfaction, conversion and retention all improving. Going forward our strategy will focus on a few things: 1) continued enhanced investment in a winning product experience; 2) deploying marketing spend in a sophisticated, data-driven manner connected to performance outcomes which may result in more spend when we see opportunities to generate a strong return on investment; 3) engaging customers throughout the year to

maintain relationships and bring a higher share of returning customers back at a lower cost; and 4) carefully utilizing price to support growth, with the scaling up of our assisted offering being the primary driver of average revenue per user. Unfortunately, the timing of our increase in marketing spend occurred just prior to the extension of the tax season, causing customers to whom we had marketed to focus on things other than tax and therefore resulted in a lower return than expected. That said, there were several important learnings from this challenging tax season upon which we will build in coming years.

With that in mind, let's jump into performance. For this discussion I will be speaking to the main tax-season, which is through Tax Day +1, or through July 16. TaxAct improved on a number of important business metrics amid the COVID-19 environment; however, our financial results were below our expectations. Part of the lower-than- expected results stem from the COVID pandemic, and part relate to TaxAct starting the season out-of-position from a marketing perspective. To quantify this, approximately $20 million of incremental cost was due to the effects of the COVID-19 extended tax season, which included increased marketing spend, call center staff extension as well as incremental cost due to executing a finish to this current season simultaneous with planning for next season. Beyond these COVID impacts, we increased marketing spend to address the weak performance through first peak.

As we will discuss, the good news is that we saw clear signs of progress that we believe will position us for next season and beyond. I'll walk you through some of the highlights, which include significantly increasing the volume of potential customers visiting our website, growing new filers for the first time since Tax Year 2012, increasing conversion rates, increasing retention rates, increasing NPS scores and strong operational performance, among others.

So, let's get in to a bit of the detail. This tax season started off as one might have expected, with the DDIY segment of the industry showing about 3.6% year-over-year growth through March 20, prior to the IRS announcing a delay in the tax filing date. Following that announcement, industry volume dropped precipitously, before slowly recovering, and, we estimate ultimately finished the season up 10.5% in unit volume, excluding stimulus filings. Overall, we estimate IRS filings increased 4% with the pro market declining by about half a percent.

Marketing

I joined as CEO on January 30th and it quickly became clear that TaxAct had started the season out-of-position from a marketing perspective. A portion of this was driven by messaging that didn't resonate with early season filers, who tend to focus much more on 'free' filing options. There were additional challenges, including limited investment in top of the funnel marketing activities, a lack of search engine optimization and insufficient measurement tools to support timely spend optimization, all of which is generally done months in advance to prepare for the tax season. We believe this led to a double-digit percentage decrease in the number of potential customers visiting our site at a critical time in the season.

To address these issues, we course corrected, made changes to the marketing leadership and altered our approach. Beginning in March, we invested meaningful incremental dollars into marketing to catch up and were seeing positive results, just ahead of the IRS announcing the tax season delay. The tax filing date extension negated what we believe would have been a positive marketing impact. The extension of the filing date also required additional investment over the extended period. While this was unfortunate and will depress our segment margin for this year, it is important to note that we believe these are short-term effects to which Marc will speak in a bit.

We identified several new marketing partners, including some late in the season, which performed well, and we're excited about the future. One benefit of the extended season is that we were able to establish and test these new relationships and approaches during the season. We also added new technology and tracking to more readily optimize our marketing in future seasons. A few highlights on the marketing side include:

- **Website unique visitors**, were up 16% y/y, which is a significant improvement and remarkable given that we were down double digits y/y prior through first peak. After first peak we increased traffic relative to last year by 60%! So, first peak down double-digits to last year, and after that up 60%. We were able to convert some of the increased users, but there are many ways we can further optimize for next season to capitalize on this large opportunity. In fact, start rate is one of our largest opportunities and will be a key area of focus. Single digit improvement would yield a double-digit impact in our total volume.

- **New or Reactivated users**, grew by 12% year-over-year. This represents the first growth in this metric since Tax Year 2012, and a significant reversal from the 16% decline we saw last season and 14% decline we've averaged since Tax Year 2012. Combining growing new units with the increased retention rates mentioned earlier is a powerful combination that builds on itself.

Customer Experience

On the customer experience side, the sentiment from customers was very positive. The product improvements put in place combined with significant new features drove increased conversion, retention and NPS scores, delivering the strongest customer experience metrics we have seen in recent years.

Through July 16, and compared to the same date last year, a few highlights in customer experience include:

- **Conversion rate**, or percentage of starting customers that complete, was up 6 points y/y;
- **Retention rate**, or percentage of filers returning from the prior year, finished up 5 points y/y; and our
- **Net Promoter Score**, or NPS, was up 16 points year-over-year, to what we believe is the highest level in company history.

We are excited about these improvements particularly because we expect that these metrics will provide even more benefit next year as those customers that had a positive experience are likely to come back at a higher rate, and maybe even recommend us to a friend.

Overall, through July 16, our total e-files, which includes consumer and professional e-files, were up about 1%, representing the first year of total unit growth since tax year 2014. Consumer e-files came in at about 3.11 million, down about 2.2% from 3.18 million last season, and professional e-files were up 5.8% to 2.036 million.

We are pleased to report a return to positive total unit growth, although we had hoped for positive consumer unit growth as well as a more favorable mix of paid vs. free.

A few other items of note for this year.

- In our **Pro Offering**, TaxAct Pro, we continued to do well and outperform the market, with our volume growing 6%, year-over-year, in a pro market overall that declined about half a percent. This shows the value that we continue to deliver in this market and the benefits of the incremental improvements we have made in the product including simplifying the onboarding process and data entry experience for pros. We continue to be positive on the outlook and potential for our pro offering.
- In **Hybrid-Assisted**, as you may recall, this season represented the first full year of testing, with the intent being to gain significant learnings, confirm interest and develop a plan on how we could launch at scale should we decide to do so next season. The interest was so strong that we ended up expanding our test by about 70% more than our original plan this season to do incremental testing. We believe we have now learned what is needed to scale and plan to launch it next year as part of our core offering.

Looking Ahead

Overall, we made progress that will benefit us in the future, and these efforts enabled us to catch up meaningfully from the slow start, but not fully relative to targets we had set for the business. Going forward, we believe we have the right team in place and feel good about this year's learnings. We will come into next tax season with product and marketing <u>both</u> optimized and working in concert.

We believe our new marketing team, utilizing data-driven marketing approaches, and our new marketing partners will help us maximize performance. We have already proven that we can drive significantly increased traffic to our site, so we will be very focused on driving improvements in our start rate.

As we attract new customers, we will continue to delight them with our improved product experience. In fact, we expect that next year we'll really benefit from this year's high NPS scores and improvements in conversion and retention, as customers who had a great experience this year come back and complete at a higher rate. And during the off season we plan to continue to make improvements in the experience which we believe will help drive further gains in customer conversion.

I continue to see a great deal of opportunity for this business over the medium- to long-term. We anticipate that product improvements will drive higher retention rates going forward, and new initiatives, such as assisted tax preparation, will drive higher ARPU. When combined with improved marketing efforts and additional year- round engagement, we believe that these improvements will put us in a stronger position to grow paid units and revenue in coming years- with less reliance on price.

We have shifted to a more sustainable growth strategy for TaxAct, and it is important to note that this is a multi-year journey. While we are satisfied that many of the metrics on which we measure ourselves improved meaningfully year-over-year, we are not satisfied with the near term financial performance and see room for continued improvements across the business, with the key area of focus on increasing our start rate. We will also be focused on driving a higher share of paid units given that this is the second metric on which we did not see the results we were looking for this tax season.

Wealth Management

Turning now to wealth management. Second quarter wealth management revenue was $115.9 million, with segment income of $11.7 million. Second quarter results now reflect both qualitative and quantitative COVID-related impacts not present in our results last quarter. This is mostly due to timing of things like interest rate changes and billing cycles. This includes advisory revenue, which is based on Q1 ending market values, and which we expect to increase in Q3 due to the market rebound, as well as sweep revenue, which now reflects the effective six rate cuts in the first quarter.

While we are not immune to these expected market forces, our focus has been on managing what we can control and successfully navigating through this unprecedented time with our financial professionals. "Financial professionals" is the term we are using going forward to replace the term "advisors." This change has been instituted to comply with the SEC's Regulation Best Interest, which went into effect for the industry on June 30, 2020.

Our service to financial professionals has been uninterrupted through this period and improving in several areas, allowing our financial professionals to be as successful as possible in this environment. In fact, our processing times are at historic lows. Our financial professionals have had a great deal on their plate over the past quarter, working through an extended tax season, helping their clients navigate through market volatility, and helping clients with things like PPP loans. Their focus on serving existing clients, combined with the reduced ability to meet in person, has slowed prospecting as well as the ability to sell more complex products such as alternatives, annuities and insurance with the overall markets for these products seeing softness in the quarter. This affected our transaction revenue, which was down more than 35% sequentially. While transaction revenue is always the most difficult to predict, with the distractions of tax season behind our financial professionals, we expect to see some improvement in transaction revenue in the second half, however the ongoing limited ability to meet with clients may temper the bounce back.

These factors also had an impact on our asset flows in the quarter, as we saw net outflows from advisory assets of about $285 million and from Total Client Assets of about $1 billion. We believe the outflows were driven by a combination of factors, including a reduced level of prospecting, limited in-person meetings, clients pulling funds for cash flow purposes, as well as a few regrettable financial professional departures in the quarter. Advisory assets as a proportion of Total Client Assets ended the quarter at 38.8%.

A few additional updates I'll call out here for Wealth Management:

- First, I remain incredibly proud of the team and their ability to continue to effectively work in this remote environment. As I mentioned, our service has not only been uninterrupted, it has improved in many areas, such as processing times.
- During the quarter, the team fully rolled out its regionalized service model, which provides an integrated team approach to deliver high-value service to our financial professionals. This next-level service model utilizes dedicated high-touch teams with a quarterback or service concierge based on the size, complexity and geography of the financial professional firm to provide enhanced end-to-end experience on incoming requests, as well as proactive relationship management. We believe that this upgraded experience will create additional stickiness with financial professionals as they see and feel the value of this program.
- Our growth team has pivoted to connecting the financial professional community to each other and our teams virtually and utilizing these forums to let financial professionals know about the teams available to help them develop plans for new clients or new funds. We have seen a strong increase in utilization.
- In recruiting, we were able to bring on 28 new financial professionals in the quarter, including 8 new tax pros, and 18 transfers.   Recruiting was a bit slower than normal in the quarter due in part to testing centers being closed due to COVID-19, as well as tax pros continuing to work through the extended tax season. In addition to the individual financial professionals, we also brought on 2 larger accounting firms with combined accounting revenue of about $7 million, representing a prospecting opportunity of approximately $700 million in total client assets.
- In addition to these highlights, just after the end of the quarter, we announced that the HKFS acquisition has closed. I know we have mentioned the numerous benefits in the past, but to summarize, we believe that this transaction:
    - Adds a fast-growing, highly profitable RIA business to our company, increasing our addressable market and providing new organic growth opportunities. The business has been growing assets at double-digit rates with adjusted EBITDA margins of about 30%.
    - It fills a key hole in our offering to CPA firms, allowing us to serve CPA firms and tax professionals either through our Avantax model where CPAs own the full wealth management process or through HKFS where the CPA can refer clients to one of our in-house HKFS advisors and receive a recurring revenue stream. As a result, we no longer have to leave a significant number of prospects on the table.
    - It gives us a new way to monetize the 700 retirement plans our financial professionals start each year for their clients. And this represents an incremental revenue stream for financial professionals.
    - For financial professionals seeking options for their succession plans, we can now provide an 'offramp' for them. For financial professionals who have plateaued, this gives them a way to continue to provide wealth management services to their tax clients. In both instances, we have a new way to retain assets, and a potential to improve margins when transitioning assets from the affiliate model to the captive RIA.
    - The HKFS transaction closed after the end of the quarter and is not included in our financial results. However, at a high level, HKFS ended the quarter with approximately $4.5 billion in Total Client Assets, up from about $4 billion at the end of Q1, with positive net flows in advisory assets and retirement plan services (RPS) and a growing number of end clients with about 75 partner CPA firms. Marc will provide a few additional details in a moment.

As we look ahead in our wealth management business, we plan to: 1) improve our service and operational performance to delight our financial professionals, 2) align systems, processes and technology to improve efficiency and scalability, 3) maximize financial professional performance by providing tools including supporting efficient prospecting to increase client penetration and wallet share, and 4) with the HKFS acquisition now closed, focus on completing our integration efforts without interruption and setting the business is up for success.

Conclusion

To summarize, at the six-month mark in my tenure, and in an unprecedented time, I'm pleased to say that we are navigating the current environment well. We have addressed skill gaps by filling key positions with strong leaders, defined our strategic priorities, and realigned our business to support detailed execution plans. We are focused on executing with excellence in the second half of this year to best position the company for growth in the coming years.

We have set our sights high as to what we can achieve as an organization to truly empower our customers to improve their financial wellness and have a great deal of work to do. Our progress has been meaningful, especially amidst this environment, but we recognize there are key areas on which we need to accelerate our progress.

In our tax preparation business, we do not expect the significant margin impact stemming from the impacts of COVID-19 on this tax season to reoccur. With the tax season behind us, we have turned our full attention to working through the fall to execute on improving our start rate and the share of paid units, positioning ourselves for a strong marketing start to the season. In wealth management, we will continue to roll-out our improved financial professional experience programs, begin the important work of expanding the HKFS model and ensuring we have the systems aligned to enable our financial professionals to gain the efficiency they need to build their book of business.

With that I'll turn it over to Marc.

<u>MARC MEHLMAN, CHIEF FINANCIAL OFFICER</u>

Thank you, Chris –

As Chris mentioned, with the change in tax season timing this year, our second quarter results do not include the end of tax season, and therefore, we believe that a number of comparisons to prior periods are not meaningful outside of wealth management, and I'll try and call that out where appropriate.

Before I get into results, I thought I'd pause and reflect briefly on my first 3 months in the role. I consider myself fortunate to have joined a business with such dedicated people. Through a difficult environment, our employees have never wavered in their mission to delight our customers. We have an ambitious team, one that sees the promise of the great things we can accomplish, and it's visible in the investments we have made across the business as we headed into 2020. I share in their optimism and am looking forward to the journey that we're on. At the same time, we understand the importance of discipline and purposeful planning, investing for the long-term and lastly the value our investors place on profit and cash, which as Chris mentioned earlier, we believe you can expect more as it relates to our TaxAct business next year. While I have learned a great deal over the last few months, I look forward to the opportunity to share more perspective over the next two quarters as we work through our 2021 and beyond planning. That said, in the short term, my team and I are focused on ensuring optimal efficiency, prudent spend management and a constant focus on prioritizing spend toward our key growth priorities that Chris shared just a few moments ago.

Longer term, our focus will center on our data management capabilities, ensuring we have the data to inform both real time decisions across the dynamic markets within which we operate, a long-term capital strategy plan that aligns with our growth aspirations and lastly a commitment to scale, where we realize the benefits of scalable operating models across both of our businesses.

Now, turning to our results. I'll begin with consolidated results for the second quarter. We recorded:

- Revenue of $161.1 million;

- Adjusted EBITDA of $12.6 million;
- Non-GAAP net income of $4.5 million, or $0.09 per diluted share; and
- GAAP net income of $49.6 million, or $1.03 per diluted share, which includes a large, non-cash income tax benefit of $59.7 million, which I will describe momentarily.

Given the meaningful and varied impact that the NOLs have had on our reported GAAP net income results over the last few quarters, let me take a moment to walk you through some of the mechanics. This has much to do with our specific situation as it relates to our NOLs, compounded by the phasing of our profit throughout the year. You may recall that in the 4th quarter of last year we had a $49 million tax benefit. This was driven by the fact that we had now had three consecutive years of positive GAAP earnings, and since it was now considered more likely than not that we would utilize our NOLs, we could release a valuation allowance against them. In the first quarter of this year, changes in financial markets brought about by the COVID-19 pandemic, as well as other factors, caused the amount of NOLs expected to expire in 2020 to increase, driving a corresponding increase in our effective tax rate. Applying the inflated tax rate to our first quarter income resulted in a high tax expense. In Q2, we refreshed our forecasted annual profit before tax, which updated our annual effective tax rate calculation. Applying this revised rate to our year-to-date profit resulted in a non-cash benefit of $59.7 million for the three months ended June 30, 2020.

Turning now to segment performance, beginning with **Tax Preparation.** TaxAct second quarter results, which reflect costs of the extended season, but do not include end of season revenue, included revenue of $45.2 million with segment income of $6.7 million. We expect full-year revenue to be in the $203-$206 million range, down about 2%-3% vs. last year. I would like to point out that reported growth is not apples to apples vis-a-vis the prior year. As you may recall, heading into the season we decided that to align more with the broader market we would remove our online Basic SKU, would result in a headwind for this season. Normalizing for this adjustment as well as for the Simple Tax divestiture, would equate to year-over-year growth between 4-5% in revenue.

Segment margin for the year is expected to come in at about 23%, which includes approximately $20 million of incremental cost due to the effects of the COVID-19 and extended tax season. These costs were comprised of increased marketing spend, call center staff extension, as well as executing both a finish to this current season while planning for next season simultaneously. The other major driver of the margin reduction was our increased investment in marketing, which the team had planned before COVID. This spend was required to re-accelerate our growth. As noted, the results were distorted by COVID, but we remain optimistic about the proof points we've seen. We expect a healthy rebound in segment margin next year from these levels, and while we have yet to complete our financial planning for next year, I would expect, in a normal tax season, a minimum of $20 million of additional segment income for TaxAct next year.

Moving on to **Wealth Management,** Avantax second quarter revenue was $115.9 million, with segment income of $11.7 million. These results now include the impacts of the lower market levels as of March 31, 2020, as well as interest rate reductions during Q1 that did not impact our Q1 results. On a pro-forma basis, normalized for the acquisition of 1st Global, this represents a year-over-year revenue decline of 20%. This was driven by a 91% decrease in sweep revenue, as interest rates declined to essentially zero. An additional negative driver to the quarter included a 35% decline in transactional commission revenue, which was down 35% due to the factors Chris mentioned earlier. Lastly, and due to our operating model, which focuses heavily on CPA financial professionals, the extended tax season created a headwind whereby our financial professionals were helping existing clients through tax season over a longer period of time, with limited ability to meet in person, making it difficult to the drive business development activities, both with existing customers as well as attracting new ones. Lastly, advisory and trail revenue, which were down 8% and 18% y/y, respectively, reflect the lower market levels at the end of Q1.

As Chris mentioned, we saw net outflows from advisory assets of about $285 million and from Total Client Assets of about $1 billion during the quarter. We believe a combination of factors led to the outflows, including:

1. Reduced level of prospecting as FPs focused on supporting existing clients

2. Few in-person meetings, clients pulling funds for cash flow purposes, as well as a few regrettable financial professional departures.

In recent quarters, the vast majority (about 90%) of departures have been smaller financial professionals with little production. This quarter there were a few in the regrettable category that departed following some of the integration disruption as we brought 1st Global and HD Vest together. Our primary focus is on improving the Avantax financial professional experience, which we believe will drive improved retention in the longer-term. Advisory assets as a proportion of Total Client Assets ended the quarter at 38.8%.

Finishing up on **second quarter performance,** unallocated corporate expenses came in at $5.8 million, lower than in recent quarters, due to some actively managed cost savings in this uncertain environment as well as the timing of certain expenses between quarters. We also had about $4 million in unusual expenses, including $1.7 million in integration costs related to 1st Global, and $1.1 million in transaction related costs associated with the acquisition of HKFS.

Liquidity

During the quarter, we utilized $55 million in cash to fully repay the outstanding balance on our revolving credit facility, and we had about $11 million in Property, Plant & Equipment expenditures related to our new headquarters building. We ended the quarter with cash and cash equivalents of $90.1 million and our net debt was $299 million. Our reported net leverage ratio at the end of the quarter increased to 4.4x, primarily due to the extension of tax season, and therefore, our LTM EBITDA as of quarter-end does not include a full tax-season.

As it relates to the HKFS transaction closing, subsequent to the end of the quarter, on July 1st we entered into a $175 million add-on term loan, an increase to our existing credit facility. The interest rate on the now $564.1 million term loan is a floating rate based on LIBOR plus 4.00%. $100 million of the proceeds from the term loan were used to pay the purchase price for the HKFS acquisition, with the remaining proceeds of $75 million, net of fees and expenses, held for additional working capital.

As we look forward from a capital allocation perspective, we will continue to be very prudent. We have not engaged in any share repurchase activity, and have no near-term plans to do so. With the HKFS acquisition completed, the short list of where to deploy cash would be to support organic growth and to pay down debt. Our long-term net-leverage goal remains below 3x.

With that let's turn to the consolidated outlook for the third quarter and full year.

For the third quarter we expect:

- TaxAct revenue between $36.5 to $39.0 million and segment income of $14.0 to $15.0 million.
- For our wealth management business, including HKFS, we expect third quarter revenue of $133.5 to $138.5 million and segment income of $15.0 to $16.5 million.

On a consolidated basis for the third quarter, again including HKFS, we expect total Blucora revenue between $170.0 to $177.5 million, Adjusted EBITDA of between $21.5 million and $25.0 million, non-GAAP net income of $7.5 to 11.5 million, or $0.15 to 0.23 cents per share and a GAAP-net-loss attributable to Blucora of $28.0 to $22.0 million, or $0.58 to 0.46 cents per share. This outlook includes third quarter unallocated operating expenses of $6.5 to $7.5 million.

For the full-year, we expect:

- TaxAct revenue of between $203.0 to 206.0 million and segment income of $46.5 to $48.0 million
- For our wealth management business, we expect full-year revenue, which includes HKFS for the period of July 1 through year-end, of $530.0 to $541.0 million and segment income of $65.5 to $69.5 million.

This translates to consolidated full year outlook, again including HKFS for the partial year, of revenue of between $733.0 and $747.0 million, Adjusted EBITDA of $86.0 to $93.0 million, non-GAAP net income of $40.5 to $48.0 million, or $0.83 to $0.98 per diluted share, and a GAAP-net-loss attributable to Blucora of $343.5 to $334.0 million, or $7.09 to $6.92 per diluted share, with $24.5 to $26.0 in corporate unallocated expense.

A few final items I'll call out as it relates to our guidance:

- First, we consider a broad range for transactional revenue due to its inherent variability.
- Second, GAAP net income or loss attributable to Blucora is greatly impacted by variability in our tax rate. Given current estimates, we are currently estimating a net tax benefit for the year.
- Assumed in these figures are market levels staying consistent with where they ended at the second quarter
- And finally, for the full year, the company continues to expect total acquisition-related integration costs of about $13 million for 1st Global and $8 million for HKFS.

With that I'll turn it over to the operator for Q&A, operator?

CHRIS WALTERS, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you all for joining us today and for your interest in Blucora. I would once again like to thank all of our employees across the company for their hard work, dedication and determination during this period, and for rising to meet each challenge as we support our financial professionals, customers and clients.