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Blucora, Inc. Third Quarter 2017 Earnings Conference Call
Management's Prepared Remarks

The following is Blucora management's prepared remarks on a conference call Thursday, October 24, 2017 at 8:30 a.m. ET to discuss third quarter 2017 financial results. This webcast can be accessed within the Investor Relations section of the Blucora corporate website at www.blucora.com.

BILL MICHALEK, VICE PRESIDENT INVESTOR RELATIONS

Thank you and welcome, everyone, to Blucora's third quarter 2017 Earnings Conference Call. By now, you should've had the opportunity to review a copy of our earnings release, supplemental information and prepared remarks. If you have not reviewed these documents, all three are available on the investor relations section of our website at Blucora.com. In addition, this quarter we will be referencing a set of slides that are also available on the website and will be on displayed in the webcast viewer. These slides are a subset of the full investor relations presentation that was filed with our 8-k today.

I'm joined today by John Clendening, Chief Executive Officer and Eric Emans, Chief Financial Officer. In a moment, we'll hear brief remarks from both of them, followed by Q&A.

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, 10-Q and other reports, for more information on the specific risk factors. We assume no obligation to update our forward-looking statements.

We will discuss both GAAP and non-GAAP financial measures today, and the earnings release available on blucora.com includes the full GAAP and non-GAAP reconciliations.

With that, let me hand it over to John.

JOHN CLENDENING, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Slide 3 - Strong Third-Quarter

Thanks Bill, and good morning everyone. I'm pleased to report that we continued our positive momentum by delivering a strong third quarter, growing revenue year-over-year in both business units and growing total Blucora revenue by 8%. We also continued to strengthen our balance sheet, reducing debt and lowering our net leverage ratio for the 7th consecutive quarter.

Both business units grew revenue nicely y/y. HD Vest continues to improve on important growth metrics with AUA and AUM both hitting new record levels, and TaxAct continues to use the off-season as an opportunity to enhance its offering and position itself for the upcoming season.

Overall, a good quarter for the business. Eric will go into more detail on our Q3 results shortly.

Slide 4 - 4 “Ds”

Taking a step back to look big picture, when I joined the company early last year, we had just completed the HD Vest acquisition and were in the midst of integrating that company, with plans to divest two others. In order to work through those execution challenges, and share our progress with you, we established the four Ds.

- Divest our legacy businesses in Infospace and Monoprice.
- De-lever and reduce our net leverage ratio from 6.3x to at least 3x.
- Deliver on our financial commitments.
- And develop long-term business plans to drive growth and maximize value.

I’m proud of what the team has accomplished, having fully completed the first two D’s. Of course, Deliver and Drive are more evergreen in nature, and we’ve made solid progress on both.

As we worked through those D’s we made sure to attract strong new leaders to run our business units, with Bob Oros, ex-Fidelity RIA chief and Sanjay Baskaran, ex-Amazon credit card business leader, both joining earlier this year. We’ve also attracted four new and very experienced board members, each of which brings terrific perspective and value to the firm.

Over the past several months we have been working company-wide to assess our business strengths and opportunities and develop our strategic initiatives for the near-term. I’d like to give you a sense for some of what we see. But before I do, I’d like to quickly summarize where we’ve come from as a company and what has been done so far.

Slide 5 - Multi-Year Transformation

Turning to page 5 of the slide deck, you can see that over the past few years the company has been engaged in a significant transformation and repositioning. If you think back just a few years, it’s fair to say that - at least from an outside perspective – it was likely unclear what Blucora was or where it was going. We were selling consumer electronics and other goods through an online retailer, we had a web search business, and a tax software business. It wasn’t until last year when the vision started to take shape. We divested the non-core assets in Infospace and Monoprice and completed the integration of HD Vest, bringing two tax-focused businesses together into one company. You can see the benefit this had in reducing our customer concentration and, at the bottom right, increasing our proportion of recurring revenue from 13% in 2014 to 77% for the last 12 months ending September 30th.

Taking stock of these changes, as well as the metrics on the next page, illustrates the dramatic nature of the transformation in Blucora.

Slide 6 - Continued Momentum

On page 6 you can see our consistent growth and improvement in key financial metrics and how we have continued to reduce debt and strengthen our balance sheet, exceeding our goal of 3x net leverage ratio.

Overall, the business is very strong and well positioned as we move forward.

With line of sight to the completion of our transformation, we have now begun to turn our attention in earnest to more clearly laying out our vision for the future, with a focus on unlocking the substantial potential for sustained shareholder value creation that we see, by better serving our targeted customers and advisors. In order to give you a feel for what we see, my presentation today will be more in-depth that our typical call and thus a bit longer.

Slide 7 - Core Beliefs

Like every effective growth strategy effort, we began by establishing our core beliefs on page 7. These set the frame of our long-term strategy. We believe that taxes are the absolute key to better outcomes, since they are such a large expense for Americans and optimizing taxes is much more than a once-a-year event. Yet, people today are seriously underserved, at the peril of their financial futures. The tax preparation industry focuses consumers on maximizing the refund, an inherently reactive approach that ignores the first order goals of minimizing taxes, increasing cash flows and enabling better long term after-tax outcomes, so people can do more in their lives. The brokerage and wealth management industries are co-conspirators – making the simplifying assumption that taxes don't exist, because they deliberately avoid advising on taxes. Instead they focus on the tired illusion of investment alpha. Stuck between these two worlds is the consumer. Bridging these two worlds is *only* Blucora.

We have an incredibly unique opportunity to disrupt these two outdated approaches. We can leverage the information naturally generated by filing your taxes to enable people, over their financial lives, to better achieve their goals, uncovering opportunities they – and their advisors – would otherwise miss.

The history of financial advice is like building a solid foundation for a home. It started with the building blocks of easily traded individual stocks. Modern portfolio theory introduced to us the value of diversification. Mutual funds and ETFs brought low cost solutions for diversification and access to multiple asset classes. The endowment model taught us the importance of emphasizing investment in the asset classes with the best risk-adjusted returns, mindful of correlation.

These represent remarkable evolution, but there is something very incomplete in that foundation: consideration of taxes. Everyone knows taxes matter in the real world. It is inescapable that you can only give great advice if you deal with taxes, in regard to tax planning as well as wealth management; and critically how these intersect.

This is the missing element of the foundation which, when in place, will enable maximizing after-tax risk-adjusted financial returns, which is what all of us will live off of – in reality – in our retirement. Because we fuse together tax management and wealth management, Blucora is uniquely positioned to lead this next big innovation in financial management.

Slide 8 – Blucora Strategy/ABCD

How will we get there? Through executing against four imperatives on page 8. We call this our game plan, and it replaces the Four D's. This happens to line up to ABCD.

Starting with A- accelerate growth through the significant organic growth opportunities we have, many of which I will share with you today, while creating clear competitive differentiation and value in each business, and capturing the synergies that exist between the two.

B – Build tax-smart leadership. As I mentioned, we believe we are the best positioned company to deliver better outcomes through tax management and wealth management, along with how these intersect.

C- Create One Blucora. We are no longer a holding company of unrelated businesses. So, it makes sense that we look for ways to share expertise and gain efficiencies anchored in a common culture. We are on our way to building a high-performance organization, as part of this culture.

D – Deliver Results. While we have evolved from the Four D's, we will retain our focus on earning your trust by delivering on our commitments. Like any company that is moving through a similar degree of change, we would expect to see some bumps on the way. But our focus and commitment is deliver and to create a business that is constantly improving.

Now, with that as the big picture let me dive deeper into our "A" element, accelerate growth, by sharing perspective on each of HD Vest and Tax Act.

Slide 9 - Our Market Position – HD Vest

HD Vest is a strong and structurally advantaged business. On Page 9, you can see our position in the market. We are a top 25 broker-dealer. While there are far larger players, we are the largest focused on tax-smart investing.

Slide 10 - Differentiated Business Model - HD Vest

What makes us unique is our differentiated business model, on page 10. HD Vest was the prime mover in creating a new type of advisor: tax professionals who also expertly advise their clients on investing alongside tax planning. There are four key elements, and we'll move from left to right. First, we have a grow-our-own advisor approach, which we believe creates a strong cultural advantage along with a lower risk profile and better economics than what I call the "rent-a-broker" approach that typifies much of the brokerage world. In other models, the individual broker bids away all the economic rent. Our unique approach instead drives superior retained revenue and segment margin. In the second column, when we add a new tax pro, they don't pull out the phone book, they already have a client base in their tax practice, where they have a trusted relationship. So, they are fishing in a stocked pond if you will, rather than having to "cold call" like other channels are forced to do in order to drive organic client growth.

Third, we all know that taxes matter – for many Americans tax is their largest single expense – and for some, it's larger than their mortgage, groceries and clothing combined. Given that, you would think that wealth management firms would advise on both taxes and investments, in a way the creates a comprehensive plan. Instead, incumbents make the simplifying assumption that taxes do not exist. We are different at HD Vest. Our advisors, since tax is second nature to them, embrace taxes and focus on leveraging that information into tax management, alongside investing approaches, and delivering tax-alpha. This is important because it means when we are at our best, our advisors can give better advice than anyone out there. And finally, HD Vest has cultivated a family type environment. We have regional chapters, mentor relationships, support groups and a collegial atmosphere that not only helps advisors leverage each other and share best practices to get better, it also helps build additional loyalty to the company and their fellow advisors.

When you put all of these factors together, they turn into real and measurable advantages.

Slide 11 - Organic Business Opportunities – HD Vest

While we have a strong business and unique strengths. Turning to slide 11, what makes us most excited is the sheer amount of organic opportunities we see to potentially further strengthen this business. It is unusual to come across a business like HD Vest that has been so successful and yet has this much visibility into organic growth opportunities.

At the end of the day, in a business like this, all efforts to drive value manifest in two key ways:

1. Growth in total client assets, as measured by Assets under Administration (AUA)
2. Increased monetization of those assets, as measured by Return on Client Assets (ROCA)

We see ample opportunities to grow each of these for years to come, some of which have high leverage in that they will drive both asset accumulation as well as monetization. Today, we'll discuss the top four of the organic opportunities we see for HD Vest.

Looking at box number one, over the past couple of quarters we have talked about how we are shifting to looking at production per advisor as a more meaningful metric, rather than total number of advisors. Currently our productivity per advisor ranks at the bottom of the top 25 Independent Broker Dealers. Part of this is due to the fact that most of our advisors also have a tax practice. But it represents an incredible opportunity for us to improve. We have four main focus areas.

First is ensuring that we recruit, retain and develop the advisors with the highest potential. In June, we rolled out predictive models in advisor recruitment in order to identify which tax pros are most likely to be successful as an HD Vest wealth management advisor. We now have our first advisors on board using this methodology. Focusing on production per advisor also means not simply adding or retaining advisors that are not engaged or productive. While we don't set quotas for advisors, it is pretty clear when they are not engaged and just add unnecessary risk and distract our resources. We have begun a process to reduce advisors that are not engaged and who account for virtually no clients and assets – this process will likely continue over the next 12 months.

Second, we will significantly increase support for our all of our advisors, focusing on those that are in the best position to grow, some of whom are in the group we call the "moveable middle" with significant potential. By virtue of rolling off unproductive advisors, we will be positioned to allocate more to remaining advisors, but we are also upgrading our training, development, tools and resources and succession planning.

Third is through technology and infrastructure upgrades. This includes leveraging third-party technologies in areas that are not differentiated, and in many cases, are just as good or better than our current solution. We will acquire some of these technologies as part of our clearing firm transition that I will discuss in a moment. And we will leverage our proprietary technology where we are differentiated.

This brings me to the fourth item in the first box, which is leveraging our proprietary tax-smart platform. HD Vest created the industry where tax professionals delivered wealth management advice, concurrent with tax management. We have an opportunity to more fully leverage that experience and provide holistic tax-smart strategies and better outcomes for customers. I won't go too much into detail here, but it will involve new tools, models and investment solutions, to name a few.

So these are a few of the ways we will work to optimize advisor success and productivity, which will drive both AUA as well as monetization.

The opportunity here is significant – for example, increasing the productivity of half of the second quartile of advisors to the average of the first quartile, could represent up to a $25 million segment income opportunity.

Moving to box number two, the second opportunity is a significant for us - transitioning to a new clearing partner, which we announced last quarter and is planned for the third quarter of 2018. We expect this will be a big win for end-clients, advisors, and the company. We will better achieve capture of interest income in a rising rate cycle. Once we're on the new platform, each 25-basis point increase will translate into a roughly $2.5-$3 million expected annual revenue benefit, important in that our current arrangement caps our participation in future rate increases. So, the monetization opportunity is significant. But we'll also capitalize on new capabilities, like highly-integrated business processing, data aggregation and a world-class client portal. We know that advisors will do more business when we make it easier to get their work done, growing AUA.

And we'll have the opportunity to bring direct-to-fund (DTF) assets fully on our platform over time. For those of you not familiar with the jargon, DTF assets are client assets that are held directly with the mutual fund company, with the client receiving a separate statement from that company. Shifting these to our platform makes it more convenient for the client from both a reporting and trading perspective, and provides the potential for better economics for us, while being cost neutral to clients. There are currently more than $14 billion of assets that fall in to this DTF category. We expect the new clearing arrangement to be accretive to the tune of $60-100 million in segment income over 10 years, which can drop to the bottom line or enable acceleration in growth. This is the equivalent of up to two years of segment income over this period at our current run-rate.

Moving to box three at the top right of this slide, you will see our current end-client penetration rate. The pie on the left shows that our average advisor is only servicing about 30% of their tax client base with wealth management solutions. And of those that are being serviced, only 50% of the client's investable assets are with the advisor. Simple math would say that moving to 40% client penetration could be up to a $20 million segment income opportunity per year. Which gives you a feel for the total opportunity.

At the bottom right in box four, you can see that 28% of our total assets are managed, or AUM. Managed assets are significantly more profitable and predictable than non-managed. The best-in-class for a traditional IBD is 54%. Across the industry, assets are shifting to advisory. While we have continued to benefit from this trend, by offering new tools and solutions and making the process easier for advisors, we believe that we can see that gap begin to close. Every 5 points of improvement, even with flat AUA, could represent an incremental $5 million of recurring segment income.

So, this slide gives you an idea of the types and amounts of organic opportunity we see at HD Vest and why we are so excited about the business. We have significant visibility and runway to achieve growth through a good deal of blocking and tackling type execution as well as innovation. In short, it's a target rich environment.

That said, our major near-term deliverable is the clearing conversion the one of the four where we have the firmest stake in the ground with regard to economic impact. I share the others just to give you an illustration of the opportunities we see long term.

Slide 12 - Tax Act Performance

Turning to Tax Preparation. On page 12, a quick look at where we have come from in the Tax Act business – with 19 consecutive years of revenue growth. On the right-hand side, you can see that while units have been down the past two seasons, in part due to our shift to higher-value customers, our segment income has continued to improve.

Slide 13- Market Overview for TaxAct

Looking at the market on page 13, the Digital Do-it-Yourself, or DDIY market, has been the fastest growing segment and accounts for 40% of the unit volume as shown in the first bar. However, it only accounts for 12% of industry revenue as seen in the second bar, so there is a substantial growth opportunity ahead. The industry volumetric leader is focused on growing the digital category, with a particular focus on converting those that are paying $200 or more at the store front, and likely don't need to. These are positive industry trends and we expect to see a continued shift away from manual or paper filing and storefronts, led by the volumetric leader. And we believe that any likely tax reform to simplify the tax code would only act as an incremental benefit to the DDIY space as people feel more comfortable doing it on their own, and as DDIY players like TaxAct offer customers support when and how they want to receive it. These market dynamics, along with industry structure, also create a significant pricing umbrella for Tax Act, which can be priced nearly 60% less than our digital competitors, despite our price increases over the past few seasons.

Slide 14 - Differentiated Business Model - TaxAct

Page 14 shows our increasingly differentiated business model for TaxAct. The entire industry seems to be focused on targeting filers looking to file for free, or trying to attract customers on the promise of filing for free, knowing all the while many are likely to pay. While new entrants and others are chasing free and the market leader targets stores and free, we are targeting high-potential DDIY sub-segments and those that pay year 1 and thus have higher lifetime value.

Pricing is an area I'd like to highlight. Those that say there are a lot of so-called "bait and switch" tactics in the industry are likely right in many ways. How many customers click on our competitor's ads and websites for "free" and get to the end of the process and realize they need to pay over $100 to complete the filing? Or if they are lucky enough to file for free, find out that they need to pay $30 to get a copy of last year's filing? While there are inherent risks to the industry's forms based pricing – with people not knowing what forms they need until they are in the process – we aim to be fully transparent with our customers. This has helped contribute to our 70% customer retention rate and we believe positions us well to be successful in offering them additional products and services, like BluVest™, our automated investment offering. Customer obsession is one of our core values, and one that others have espoused as well. To us it's more than product. It's how you treat people, with transparency and respect. Making people pay $30 to access their own information doesn't seem consistent with being customer obsessed – at least not in the most positive way.

Technology and support vary widely across the industry, with technology ranging from clunky to very good and support ranging from virtually non-existent to good. Our offering is consistently recognized for its ease of use and reliability. We have several options for customer support and are getting even stronger on this front, with enhancements for next season.

Finally, on this page, opportunities to deepen and monetize relationships. Our approach is backed by true tax-smart insight and thousands of experts who can advise on tax and investing simultaneously, along with how these intersect. And, with home office capability serving over $42 billion in assets and $12 billion in for-fee advisory AUM. Examples include our BluPrint financial assessment, BluVest – tax-optimized robo offering and our ability to refer to HD Vest advisors for support or 360-degree tax-smart wealth management. There is much more to come, including some new partnerships expected in the upcoming tax season.

Slide 15 - Business Opportunities - TaxAct

Turning to slide 15, business opportunities. As you might imagine, given the nature of the industry, we are more guarded on strategy for TaxAct. But in general terms, we are focusing on the most attractive segments of the filer population, based on new custom research and offer testing. Our goal is to drive the highest lifetime value customers, which begins with customers that are willing to pay year 1.

We are investing in our capabilities to provide more long-term value for our clients/customers with improved products and an enhanced customer experience. We are enabling speed, efficiency and growth through investing in our technology, infrastructure and people, including:

- transitioning to the cloud, which is nearly complete and will be ready for tax season
- upgrading our operations and support technology
- growing investments in data-driven technologies, tools and platforms to personalize and optimize, as well as being vigilant around cybersecurity
- enhancing our data and analytics, while improving marketing effectiveness

These are investments we're making in the business in the near-term that we believe will pay-off over the long-term.

On customer retention, we are at 70% paid retention, but have room to improve that and win-back former customers, including based on improved marketing effectiveness and learnings from last tax year.

Finally, we also see opportunity to diversify our sources of acquisition and revenue through broader distribution of our offerings and partnerships, as well as opportunities like BluVest and referrals to HD Vest.

Hopefully that gives you some insight into the opportunities we see and how we look to approach them as we move ahead. In closing on tax preparation, let me share some important context. As we've indicated in the past, TY 16 was a test and learn year; we conducted multiple price and offer tests and custom target-market research. We explored changes in marketing mix, message and weights. We began investing, even before TY 16 was completed, in infrastructure ad capability to improve our position and the customer experience. So, we anticipate in the first half of 2018, strong revenue growth, backed upon deploying our learnings and with a focus on LTV, as well as solid segment income growth, but at a lesser rate as we absorb our re-investment into this business.

Slide 16 – Summary

In summary, the company has completed a significant multi-year transformation, including executing on our 4-D's initiative. Our third-quarter results demonstrated continued momentum, with upper-single-digit revenue growth, a strengthened balance sheet, growth in key metrics at HD Vest and continued off-season preparation and progress at Tax Act.

With that foundation and a strengthened team, we have assessed our business and laid out our strategic near-term objectives to leverage our differentiated business model to capitalize on significant organic growth opportunities ahead.

Simply put, I remain very optimistic about our future.

Finally, one housekeeping item/leadership update before I turn it over to Eric. As you know, when we announced the HQ transition to Texas at this time last year, Eric indicated that that did not intend to make the move, due to family reasons, but that he was committed to remaining completely involved in the management of the company well into late 2017 to ensure a smooth transition. As we approach November and this being our last earnings call in 2017, Eric and I have agreed that his last day in his current capacity will be November 1. That said, I am pleased to announce Eric has agreed to stay on for at least another 4-month term, in a consulting capacity, while we search for his successor. Eric, is there anything you would like to add?

ERIC EMANS, CHIEF FINANCIAL OFFICER

Thanks John –

Let me just add that I remain fully committed to the company to ensure that we have a smooth transition. So in our 10-Q that we filed this morning you will see both my resignation which ends my tenure as an official employee as planned, but also a new consulting agreement. While this means there will be changes to my scope of responsibility, there will be no change in my effort and dedication to assist John and the executive leadership team meet our near-term objectives.

So with that, let's dive in to my prepared remarks, which will cover third quarter results, fourth quarter and full year outlook for 2107, and color on our tax season revenue and segment margin expectations. Starting with third quarter results, including year-on-year growth:

- Consolidated revenue of $90.2 million, up 8 percent;
- Adjusted EBITDA of $1.6 million, down 32 percent, which is due to incremental investments in our tax business and the law of small numbers;
- Non-GAAP net loss of $5.5 million, or a loss per share $0.12 cents, which improved by 45 and 50 percent, respectively, versus prior year and
- GAAP net loss attributable to Blucora of $16.9 million or a loss per share of $0.37 cents, which improved by 69 and 72 percent, respectively, versus prior year, which included discontinued operations.

Shifting to the balance sheet, we have cash and cash of equivalents of $78.6 million, which reflects a $10 million dollar pay down of debt. Exiting the quarter, we had net debt of $274.6 million, and our net leverage ratio was 2.6 times. As a reminder, our capital allocation focus is organic investment and debt pay down so expect further de-levering into 2018.

Let us turn to our segment performance beginning with Wealth Management. HD Vest third quarter revenue was $86.8 million up 8 percent when compared to prior year and in line with the mid-point of our guidance range. Segment income was $12.4 million, up 7 percent and a bit above the mid-point of our guidance range.

Third quarter revenue growth was highlighted by fee-based revenue, which was up 15 percent year-on-year driven by strong net flows and a favorable market tailwind in the first half of the year that also benefited our trailer performance, which was up 8 percent. Transaction revenue was a bit soft in the third quarter and was down 8 percent versus prior year primarily driven by variable and fixed annuities, which were down 15 percent. The predominance of the transaction revenue softness was in July and August and I am pleased to say we bounced back in September and into October. Finishing up on advisor driven revenue, I wanted to touch on average advisor production, which for the third quarter was up 11 percent year-on-year and up 5 percent sequentially. This is a metric we are going to focus on as we go forward and has been included in our quarterly supplemental information release and 10-Q filing. This metric is important given our stated focus on advisor quality over total counts. Closing out on revenue, retained revenue was up 16 percent driven by cash sweep that was up 48 percent versus last year.

We added $94 million in fee-based net flows during the quarter, which brings our year-to-date net flows to $614 million. We continue to be pleased with our fee-based net flows as this is an area of focus for us as we continue to convert existing AUA to fee-based AUM as well as drive new fee-based assets. We ended the quarter with fee-based AUM of approximately $12 billion, which is up 17 percent year-on-year and up 4 percent sequentially. Fee based AUM as a percentage of total firm AUA is 28%. Total AUA for the quarter was $42.7 billion, up 11% versus prior year and 3% sequentially.

Segment income growth was primarily driven by revenue and gross margin growth, partially offset by increased operating expenses as we continue to make investments in the business.

Turning to HD Vest fourth quarter and full year outlook, we expect fourth quarter revenue of $86.5 to $89.5 million and segment income of $11.5 to $13.3 million. This translates to full year revenue outlook of $341.3 to $344.3 million and segment income of $48.2 to $50.0 million. In determining our fourth quarter and full year ranges, we considered several factors including but not limited to the following:

- A broad range for transactional revenue due to its inherent variability;
- Significantly reduced the impact of DOL related expenses as we expect a delay in implementation;
- Impact of clearing firm transition related expenses in the range of $600 to $800 thousand;
- Incremental operating expense related to additional investments identified during our strategic planning process; and
- Market volatility, including impact to net flows and cash sweep balances.

Transitioning to our Tax Prep segment. TaxAct revenue for the third quarter was $3.4 million, up 7 percent versus prior year and in line with the high-end of our guidance range. Segment loss was 6.2 million up 42 percent versus prior year, but came in well above the high-end of our guidance in large part driven by a shifting of costs to the fourth quarter.

Turning the fourth quarter, we expect revenue of $3.5 to $3.7 million and a segment loss of $11.0 to $10.5 million. For the year, we expect revenue of $160.4 to $160.6 million and segment income of $72.4 to $72.9 million or a segment margin of approximately 45 percent.

Looking forward to next tax season, or the first half of 2018, we expect revenue growth of 7.5 to 10 percent over the comparable prior year period and a segment margin in the range of 55.5 to 57 percent. Our revenue growth and margin expectations include the impact of our adoption of ASC 606 "Revenue from Contracts with Customers," which eliminates deferred revenue for past Digital Archive Service or DAS sales as of the end of this year. For context, DAS revenue for the first half of 2017 was $2.3 million and projected to be $3.7 million for the full year 2017 and flows through at a 100% margin. Normalizing our first half 2018 tax preparation outlook for this adjustment translates to 10 percent revenue growth at the mid-point.

Finishing up on the third quarter performance, unallocated corporate operating expense was $4.6 million of which approximately $500 thousand was transition-related costs that are not classified as restructuring expenses for accounting purposes. We expect fourth quarter unallocated operating expenses of $5.0 to $4.7 million, which includes approximately $400 to $300 thousand of transition-related costs.

With that let's turn to consolidated outlook for the fourth quarter and full year. For the fourth quarter, we expect revenue between $90.0 to $93.2 million, Adjusted EBITDA between a loss of $4.5 to $1.9 million, non-GAAP net loss of $12.6 to $9.1 million, or $0.27 to $0.20 cent loss per share, and a GAAP net loss attributable to Blucora of $17.2 to $15.0 million, or a $0.37 to $0.32 cent loss per share.

This translates to full year expectations of revenue between $501.7 to $504.9 million, Adjusted EBITDA between $97.8 to $100.4 million, non-GAAP net income of $62.7 to $66.1 million or $1.32 to $1.40 per diluted share and a GAAP net income attributable to Blucora of breakeven to $2.2 million, or up to $0.05 cents per diluted share.

Lastly, there are a few things to be aware for our GAAP net income and loss attributable to Blucora guidance:

1. First, it includes the impact of restructuring expense,
2. Second, GAAP net income or loss attributable to Blucora will be greatly impacted by variability in our tax rate, which can be volatile, especially on an intra-period basis, as we expect full year book income before taxes to be just north of breakeven. Given current estimates, our effective tax rate for the year is approximately 25% - but again will likely vary as estimates are adjusted throughout the year.
3. Finally, our GAAP net income or loss attributable to Blucora guidance excludes any impact to tax expense for discrete items and variable stock based compensation granted to non-employee advisors.

In closing, we are looking to finish out the year strong and carrying that momentum into 2018. We are focused on executing our strategies that we believe will lead to near-term success while enabling long-term growth.

With that, I will turn the call over to the operator and we will take your questions.