



Blucora Reports Fourth Quarter and Full Year 2017 Results

IRVING, TX — February 15, 2018 — Blucora, Inc. (NASDAQ: BCOR), a leading provider of technology-enabled financial solutions to consumers, small businesses and tax professionals, today announced financial results for the fourth quarter and full year ended December 31, 2017.

2017 Highlights and Recent Developments

- Increased total revenue by 12% year-over-year
- Grew assets under management by 21% year-over-year to \$12.5 billion, total assets under administration by 14% year-over-year to \$44.2 billion at HD Vest
- Achieved 20th consecutive year of revenue growth at TaxAct, growing 15% year-over-year
- Lowered debt by \$90 million, reduced net leverage ratio to 2.8x from 4.0x vs. prior year and lowered interest rate by 300 bps
- Announced clearing transition expected to generate \$60-\$100 million in incremental HD Vest segment income over 10-year term
- Announced appointment of Davinder Athwal as CFO effective February 21, 2018

“We delivered another solid quarter capping a strong year for our overall business and financial results,” said John Clendening, Blucora’s President and Chief Executive Officer. “The momentum we have seen throughout the year continued into the fourth quarter as we achieved 13% growth in revenue, on a year-over-year basis, and hit record asset levels.”

“For the full year 2017 we achieved double-digit growth in nearly all of our key metrics, including revenue, while significantly strengthening our balance sheet, our platform and our team. All told, we are on or ahead of schedule as we finalize our strategic transformation, and we are well-positioned to capitalize on the growth opportunities that lay ahead.”

Summary Financial Performance: Q4 and Full Year 2017

(\$ in millions except per share amounts)

| | Q4 2017 | Q4 2016 | Change | Full Year 2017 | Full Year 2016 | Change |
|--|------------|------------|--------|-------------------|-------------------|--------|
| Revenue | \$ 97.8 | \$ 86.8 | 13 % | \$ 509.6 | \$ 455.9 | 12 % |
| Wealth Management | \$ 93.8 | \$ 83.0 | 13 % | \$ 348.6 | \$ 316.5 | 10 % |
| Tax Preparation | \$ 4.0 | \$ 3.8 | 7 % | \$ 160.9 | \$ 139.4 | 15 % |
| Segment Income (Loss) | \$ 3.7 | \$ 7.7 | (52)% | \$ 123.8 | \$ 113.2 | 9 % |
| Wealth Management | \$ 14.2 | \$ 13.8 | 3 % | \$ 50.9 | \$ 46.3 | 10 % |
| Tax Preparation | \$ (10.5) | \$ (6.1) | 72 % | \$ 72.9 | \$ 66.9 | 9 % |
| Unallocated Corporate Operating Expenses | \$ 5.1 | \$ 4.9 | 3 % | \$ 22.9 | \$ 19.0 | 21 % |
| GAAP: | | | | | | |
| Operating Income (Loss) | \$ (14.5) | \$ (14.2) | 2 % | \$ 48.0 | \$ 37.1 | 29 % |
| Net Income (Loss) Attributable to Blucora, Inc. | \$ 10.0 | \$ (19.3) | (152)% | \$ 27.0 | \$ (65.2) | (141)% |
| Diluted Net Income (Loss) Per Share Attributable to Blucora, Inc. | \$ 0.21 | \$ (0.46) | (146)% | \$ 0.57 | \$ (1.53) | (137)% |
| Non-GAAP: | | | | | | |
| Adjusted EBITDA | \$ (1.3) | \$ 2.8 | (148)% | \$ 100.9 | \$ 94.2 | 7 % |
| Net Income (Loss) | \$ (5.7) | \$ (7.5) | (24)% | \$ 69.1 | \$ 45.1 | 53 % |
| Diluted Net Income (Loss) per Share | \$ (0.12) | \$ (0.18) | (33)% | \$ 1.46 | \$ 1.06 | 38 % |

(1) Includes a non-cash benefit of \$21.4 million related to the Tax Cuts and Jobs Act

See reconciliation of as reported and pro forma non-GAAP to GAAP measures in tables below.

First Quarter Outlook

For the first quarter of 2018, the Company expects revenues to be between \$193.5 million and \$198.0 million, GAAP income from continuing operations to be between \$29.9 million and \$36.0 million, or \$0.61 to \$0.74 per diluted share, Adjusted EBITDA

to be between \$52.6 million and \$56.8 million, and Non-GAAP income from continuing operations to be between \$45.0 million and \$49.7 million, or \$0.92 to \$1.02 per diluted share.

Conference Call and Webcast

A conference call and live webcast will be held today at 8:30 a.m. Eastern Time during which the Company will further discuss fourth quarter and full year results, its outlook for the first quarter, tax season update and other business matters. We will also provide the prepared remarks for the conference call along with supplemental financial information to our results on the Investor Relations section of the Blucora corporate website at <http://www.blucora.com> prior to the call. The supplemental financial information has also been filed with the SEC on Form 8-K. A replay of the call be available on our website.

About Blucora®

Blucora, Inc. (NASDAQ: BCOR) is a leading provider of technology-enabled financial solutions to consumers, small businesses and tax professionals. Our products and services in tax preparation and wealth management, through TaxAct and HD Vest, respectively, help consumers manage their financial lives. TaxAct is an affordable digital tax preparation solution for individuals, business owners and tax professionals. HD Vest Financial Services® supports an independent network of tax professionals who provide comprehensive financial planning solutions. For more information on Blucora or its businesses, please visit www.blucora.com.

Source: Blucora

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This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this release, terms such as “believes,” “estimates,” “should,” “could,” “would,” “plans,” “expects,” “intends,” “anticipates,” “may,” “forecasts,” “projects” and similar expressions and variations as they relate to the Company or its management are intended to identify forward-looking statements. Actual results may differ significantly from management’s expectations due to various risks and uncertainties including, but not limited to: our ability to effectively implement our future business plans and growth strategy; our ability to effectively compete within our industry; our ability to attract and retain customers; the availability of financing and our ability to meet our current and future debt service obligations and comply with our debt covenants; our ability to generate strong investment performance for our customers and the impact of the financial markets on our customers’ portfolios; political and economic conditions and events that directly or indirectly impact the wealth management and tax preparation industries; our ability to attract and retain productive financial advisors; our ability to successfully make technology enhancements and introduce new and improve on existing products and services; our expectations concerning the revenues we generate from fees associated with the financial products that we distribute; our ability to comply with laws and regulations, including, among others, those related to privacy protection and consumer data; our ability to successfully transition our wealth management business to a new clearing platform and our expectations concerning the benefits that may be derived therefrom; cybersecurity risks; our ability to maintain our relationships with third party partners; the seasonality of our business; litigation risks; our ability to attract and retain qualified employees; our assessments and estimates that determine our effective tax rate; the impact of new or changing tax legislation; our ability to develop, establish and maintain strong brands; our ability to protect our intellectual property; and our ability to effectively integrate companies or assets that we acquire. A more detailed description of these and certain other factors that could affect actual results is included in the Company’s filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. The Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date of this release.

Blucora, Inc.
Preliminary Condensed Consolidated Statements of Operations
(Unaudited)

(Amounts in thousands, except per share data)

| | Three months ended December 31, | | Years ended December 31, | |
|--|---------------------------------|-------------|--------------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenue: | | | | |
| Wealth management services revenue | \$ 93,848 | \$ 83,050 | \$ 348,620 | \$ 316,546 |
| Tax preparation services revenue | 4,001 | 3,751 | 160,937 | 139,365 |
| Total revenue | 97,849 | 86,801 | 509,557 | 455,911 |
| Operating expenses: | | | | |
| Cost of revenue: | | | | |
| Wealth management services cost of revenue | 63,415 | 55,783 | 235,859 | 213,996 |
| Tax preparation services cost of revenue | 2,475 | 1,819 | 10,018 | 8,368 |
| Amortization of acquired technology | 50 | 47 | 195 | 812 |
| Total cost of revenue ⁽¹⁾ | 65,940 | 57,649 | 246,072 | 223,176 |
| Engineering and technology ⁽¹⁾ | 5,573 | 4,938 | 19,614 | 17,780 |
| Sales and marketing ⁽¹⁾ | 17,824 | 13,645 | 102,798 | 89,360 |
| General and administrative ⁽¹⁾ | 13,263 | 11,497 | 52,668 | 47,396 |
| Depreciation | 780 | 975 | 3,460 | 3,881 |
| Amortization of other acquired intangible assets | 8,615 | 8,402 | 33,807 | 33,331 |
| Restructuring ⁽¹⁾ | 375 | 3,870 | 3,101 | 3,870 |
| Total operating expenses | 112,370 | 100,976 | 461,520 | 418,794 |
| Operating income (loss) | (14,521) | (14,175) | 48,037 | 37,117 |
| Other loss, net ⁽²⁾ | (5,402) | (9,898) | (44,551) | (39,781) |
| Income (loss) from continuing operations before income taxes | (19,923) | (24,073) | 3,486 | (2,664) |
| Income tax benefit ⁽³⁾ | 31,842 | 10,184 | 25,890 | 1,285 |
| Income (loss) from continuing operations | 11,919 | (13,889) | 29,376 | (1,379) |
| Discontinued operations, net of income taxes ⁽⁴⁾ | — | (5,140) | — | (63,121) |
| Net income (loss) | 11,919 | (19,029) | 29,376 | (64,500) |
| Net income attributable to noncontrolling interests | (1,871) | (232) | (2,337) | (658) |
| Net income (loss) attributable to Blucora, Inc. | \$ 10,048 | \$ (19,261) | \$ 27,039 | \$ (65,158) |
| Net income (loss) per share attributable to Blucora, Inc. - basic: | | | | |
| Continuing operations | \$ 0.22 | \$ (0.34) | \$ 0.61 | \$ (0.05) |
| Discontinued operations | — | (0.12) | — | (1.52) |
| Basic net income (loss) per share | \$ 0.22 | \$ (0.46) | \$ 0.61 | \$ (1.57) |
| Net income (loss) per share attributable to Blucora, Inc. - diluted: | | | | |
| Continuing operations | \$ 0.21 | \$ (0.34) | \$ 0.57 | \$ (0.05) |
| Discontinued operations | — | (0.12) | — | (1.52) |
| Diluted net income (loss) per share | \$ 0.21 | \$ (0.46) | \$ 0.57 | \$ (1.57) |
| Weighted average shares outstanding: | | | | |
| Basic | 46,231 | 41,766 | 44,370 | 41,494 |
| Diluted | 48,406 | 41,766 | 47,211 | 41,494 |

⁽¹⁾ Stock-based compensation expense was allocated among the following captions (in thousands):

| | Three months ended December 31, | | Years ended December 31, | |
|--|---------------------------------|----------|--------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Cost of revenue | \$ 228 | \$ 49 | \$ 774 | \$ 166 |
| Engineering and technology | 250 | 473 | 984 | 1,640 |
| Sales and marketing | 575 | 860 | 2,376 | 2,548 |
| General and administrative | 2,166 | 2,130 | 7,519 | 9,774 |
| Restructuring | 70 | (364) | 1,148 | (364) |
| Total stock-based compensation expense | \$ 3,289 | \$ 3,148 | \$ 12,801 | \$ 13,764 |

⁽²⁾ Other loss, net consisted of the following (in thousands):

| | Three months ended December 31, | | Years ended December 31, | |
|--|---------------------------------|----------|--------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest income | \$ (34) | \$ (27) | \$ (110) | \$ (81) |
| Interest expense | 4,465 | 7,028 | 21,211 | 32,424 |
| Amortization of debt issuance costs | 198 | 400 | 1,089 | 1,840 |
| Accretion of debt discounts | 54 | 1,091 | 1,947 | 4,690 |
| Loss on debt extinguishment and modification expense | 681 | 1,677 | 20,445 | 1,036 |
| Gain on third party bankruptcy settlement | (54) | (44) | (116) | (172) |
| Other | 92 | (227) | 85 | 44 |
| Other loss, net | \$ 5,402 | \$ 9,898 | \$ 44,551 | \$ 39,781 |

- ⁽³⁾ On December 22, 2017, the Tax Cuts and Job Act was signed into law. This law, effective January 1, 2018, lowered the corporate income tax rate from 35% to 21%. As a result of that reduction we re-valued our net deferred tax liabilities in 2017, which resulted in an additional income tax benefit of \$21.4 million. During 2017 we recorded an income tax benefit of \$25.9 million.
- ⁽⁴⁾ Discontinued operations included loss on sale of discontinued operations before income taxes of \$73.8 million for the year ended December 31, 2016.

Blucora, Inc.
Preliminary Condensed Consolidated Balance Sheets
(Unaudited)
(Amounts in thousands)

| | <u>December 31,</u> | |
|--|---------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 59,965 | \$ 51,713 |
| Cash segregated under federal or other regulations | 1,371 | 2,355 |
| Available-for-sale investments | — | 7,101 |
| Accounts receivable, net of allowance | 10,694 | 10,209 |
| Commissions receivable | 16,822 | 16,144 |
| Other receivables | 3,180 | 4,004 |
| Prepaid expenses and other current assets, net | 7,365 | 6,321 |
| Total current assets | <u>99,397</u> | <u>97,847</u> |
| Long-term assets: | | |
| Property and equipment, net | 9,831 | 10,836 |
| Goodwill, net | 549,037 | 548,741 |
| Other intangible assets, net | 328,205 | 362,178 |
| Other long-term assets | 15,201 | 3,057 |
| Total long-term assets | <u>902,274</u> | <u>924,812</u> |
| Total assets | <u>\$ 1,001,671</u> | <u>\$ 1,022,659</u> |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 4,413 | \$ 4,536 |
| Commissions and advisory fees payable | 17,813 | 16,587 |
| Accrued expenses and other current liabilities | 19,577 | 18,528 |
| Deferred revenue | 9,953 | 12,156 |
| Current portion of long-term debt, net | — | 2,560 |
| Total current liabilities | <u>51,756</u> | <u>54,367</u> |
| Long-term liabilities: | | |
| Long-term debt, net | 338,081 | 248,221 |
| Convertible senior notes, net | — | 164,176 |
| Deferred tax liability, net | 43,433 | 111,126 |
| Deferred revenue | 804 | 1,849 |
| Other long-term liabilities | 8,177 | 10,205 |
| Total long-term liabilities | <u>390,495</u> | <u>535,577</u> |
| Total liabilities | <u>442,251</u> | <u>589,944</u> |
| Redeemable noncontrolling interests | 18,033 | 15,696 |
| Stockholders' equity: | | |
| Common stock | 5 | 4 |
| Additional paid-in capital | 1,555,560 | 1,510,152 |
| Accumulated deficit | (1,014,174) | (1,092,756) |
| Accumulated other comprehensive loss | (4) | (381) |
| Total stockholders' equity | <u>541,387</u> | <u>417,019</u> |
| Total liabilities and stockholders' equity | <u>\$ 1,001,671</u> | <u>\$ 1,022,659</u> |

Blucora, Inc.
Preliminary Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Amounts in thousands)

| | Years ended December 31, | |
|--|--------------------------|-------------|
| | 2017 | 2016 |
| Operating Activities: | | |
| Net income (loss) | \$ 29,376 | \$ (64,500) |
| Less: Discontinued operations, net of income taxes | — | (63,121) |
| Net income (loss) from continuing operations | 29,376 | (1,379) |
| Adjustments to reconcile net income (loss) from continuing operations to net cash from operating | | |
| Stock-based compensation | 11,653 | 14,128 |
| Depreciation and amortization of acquired intangible assets | 38,139 | 38,688 |
| Restructuring (non-cash) | 1,569 | (364) |
| Deferred income taxes | (16,159) | (18,055) |
| Amortization of premium on investments, net | 10 | 174 |
| Amortization of debt issuance costs | 1,089 | 1,840 |
| Accretion of debt discounts | 1,947 | 4,690 |
| Loss on debt extinguishment and modification expense | 20,445 | 1,036 |
| Revaluation of acquisition-related contingent consideration liability | — | 391 |
| Other | 30 | 19 |
| Cash provided (used) by changes in operating assets and liabilities: | | |
| Accounts receivable | (483) | (2,340) |
| Commissions receivable | (678) | 184 |
| Other receivables | (204) | 22,875 |
| Prepaid expenses and other current assets | (869) | 3,741 |
| Other long-term assets | (12,281) | (887) |
| Accounts payable | (123) | (153) |
| Commissions and advisory fees payable | 1,226 | (395) |
| Deferred revenue | (3,248) | 582 |
| Accrued expenses and other current and long-term liabilities | 1,407 | 21,195 |
| Net cash provided by operating activities from continuing operations | 72,846 | 85,970 |
| Investing Activities: | | |
| Business acquisitions, net of cash acquired | — | (1,788) |
| Purchases of property and equipment | (5,039) | (3,812) |
| Proceeds from sales of investments | 249 | — |
| Proceeds from maturities of investments | 7,252 | 12,807 |
| Purchases of investments | (409) | (8,767) |
| Net cash provided (used) by investing activities from continuing operations | 2,053 | (1,560) |
| Financing Activities: | | |
| Proceeds from credit facility, net of debt issuance costs and debt discount of \$5,913 and \$1,875 in 2017 | 365,836 | — |
| Repurchase of convertible notes | (172,827) | (20,667) |
| Repayment of credit facility | (290,000) | (140,000) |
| Repayment of note payable with related party | (3,200) | (3,200) |
| Proceeds from stock option exercises | 40,271 | 2,216 |
| Proceeds from issuance of stock through employee stock purchase plan | 1,429 | 1,402 |
| Tax payments from shares withheld for equity awards | (9,095) | (1,752) |
| Contingent consideration payments for business acquisition | (946) | — |
| Other | (30) | — |
| Net cash used in financing activities from continuing operations | (68,562) | (162,001) |
| Net cash provided (used) by continuing operations | 6,337 | (77,591) |
| Net cash provided by operating activities from discontinued operations | — | 14,047 |
| Net cash provided by investing activities from discontinued operations | 1,028 | 83,608 |
| Net cash used in financing activities from discontinued operations | — | (25,000) |
| Net cash provided by discontinued operations | 1,028 | 72,655 |
| Effect of exchange rate changes on cash and cash equivalents | 78 | (26) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 7,443 | (4,962) |
| Cash and cash equivalents, beginning of period | 54,868 | 59,830 |
| Cash and cash equivalents, end of period | \$ 62,311 | \$ 54,868 |

Blucora, Inc.
Preliminary Segment Information
(Unaudited)
(Amounts in thousands)

| | Three months ended December 31, | | Years ended December 31, | |
|--|---------------------------------|--------------------|--------------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenue: | | | | |
| Wealth Management ⁽¹⁾ | \$ 93,848 | \$ 83,050 | \$ 348,620 | \$ 316,546 |
| Tax Preparation ⁽¹⁾ | 4,001 | 3,751 | 160,937 | 139,365 |
| Total revenue | <u>97,849</u> | <u>86,801</u> | <u>509,557</u> | <u>455,911</u> |
| Operating income (loss): | | | | |
| Wealth Management | 14,232 | 13,838 | 50,916 | 46,296 |
| Tax Preparation | (10,489) | (6,090) | 72,921 | 66,897 |
| Corporate-level activity ⁽²⁾ | (18,264) | (21,923) | (75,800) | (76,076) |
| Total operating income (loss) | <u>(14,521)</u> | <u>(14,175)</u> | <u>48,037</u> | <u>37,117</u> |
| Other loss, net | (5,402) | (9,898) | (44,551) | (39,781) |
| Income tax benefit | 31,842 | 10,184 | 25,890 | 1,285 |
| Discontinued operations, net of income taxes | — | (5,140) | — | (63,121) |
| Net income (loss) | <u>\$ 11,919</u> | <u>\$ (19,029)</u> | <u>\$ 29,376</u> | <u>\$ (64,500)</u> |

⁽¹⁾ Revenues by major category within each segment are presented below (in thousands):

| | Three months ended December 31, | | Years ended December 31, | |
|---------------------------------|---------------------------------|------------------|--------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Wealth Management: | | | | |
| Commission | \$ 43,060 | \$ 39,055 | \$ 160,241 | \$ 150,125 |
| Advisory | 38,616 | 33,658 | 145,694 | 129,417 |
| Asset-based | 7,021 | 5,964 | 26,297 | 22,653 |
| Transaction and fee | 5,151 | 4,373 | 16,388 | 14,351 |
| Total Wealth Management revenue | <u>\$ 93,848</u> | <u>\$ 83,050</u> | <u>\$ 348,620</u> | <u>\$ 316,546</u> |
| Tax Preparation: | | | | |
| Consumer | \$ 3,638 | \$ 3,611 | \$ 146,455 | \$ 126,289 |
| Professional | 363 | 140 | 14,482 | 13,076 |
| Total Tax Preparation revenue | <u>\$ 4,001</u> | <u>\$ 3,751</u> | <u>\$ 160,937</u> | <u>\$ 139,365</u> |

⁽²⁾ Corporate-level activity included the following (in thousands):

| | Three months ended December 31, | | Years ended December 31, | |
|--|---------------------------------|------------------|--------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Operating expenses | \$ 5,084 | \$ 4,933 | \$ 22,907 | \$ 18,999 |
| Stock-based compensation | 3,219 | 3,512 | 11,653 | 14,128 |
| Acquisition-related costs | — | — | — | 391 |
| Depreciation | 921 | 1,159 | 4,137 | 4,545 |
| Amortization of acquired intangible assets | 8,665 | 8,449 | 34,002 | 34,143 |
| Restructuring | 375 | 3,870 | 3,101 | 3,870 |
| Total corporate-level activity | <u>\$ 18,264</u> | <u>\$ 21,923</u> | <u>\$ 75,800</u> | <u>\$ 76,076</u> |

Blucora, Inc.
Reconciliations of Non-GAAP Financial Measures to the Nearest Comparable GAAP Measures

Preliminary Adjusted EBITDA Reconciliation ⁽¹⁾

(Unaudited)

(Amounts in thousands)

| | Three months ended December 31, | | Years ended December 31, | |
|---|---------------------------------|-------------|--------------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Net income (loss) attributable to Blucora, Inc. | \$ 10,048 | \$ (19,261) | \$ 27,039 | \$ (65,158) |
| Stock-based compensation | 3,219 | 3,512 | 11,653 | 14,128 |
| Depreciation and amortization of acquired intangible assets | 9,586 | 9,608 | 38,139 | 38,688 |
| Restructuring | 375 | 3,870 | 3,101 | 3,870 |
| Other loss, net | 5,402 | 9,898 | 44,551 | 39,781 |
| Net income attributable to noncontrolling interests | 1,871 | 232 | 2,337 | 658 |
| Income tax expense (benefit) | (31,842) | (10,184) | (25,890) | (1,285) |
| Discontinued operations, net of income taxes | — | 5,140 | — | 63,121 |
| Acquisition-related costs | — | — | — | 391 |
| Adjusted EBITDA | \$ (1,341) | \$ 2,815 | \$ 100,930 | \$ 94,194 |

Preliminary Non-GAAP Net Income (Loss) Reconciliation ⁽¹⁾

(Unaudited)

(Amounts in thousands, except per share amounts)

| | Three months ended December 31, | | Years ended December 31, | |
|--|---------------------------------|-------------------|--------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Net loss attributable to Blucora, Inc. ⁽²⁾ | \$ 10,048 | \$ (19,261) | \$ 27,039 | \$ (65,158) |
| Discontinued operations, net of income taxes | — | 5,140 | — | 63,121 |
| Stock-based compensation | 3,219 | 3,512 | 11,653 | 14,128 |
| Amortization of acquired intangible assets | 8,665 | 8,449 | 34,002 | 34,143 |
| Accretion of debt discount on Convertible Senior Notes | — | 917 | 1,567 | 3,666 |
| Accelerated accretion of debt discount on Convertible Senior Notes | — | — | — | 1,628 |
| Gain on the Notes repurchased | — | — | — | (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 facility | — | — | 9,593 | — |
| Acquisition-related costs | — | — | — | 391 |
| Restructuring | 375 | 3,870 | 3,101 | 3,870 |
| Impact of noncontrolling interests | 1,871 | 232 | 2,337 | 658 |
| Cash tax impact of adjustments to GAAP net income | 3,328 | (69) | (6) | 175 |
| Non-cash income tax benefit ⁽¹⁾ | (33,178) | (10,262) | (26,853) | (3,802) |
| Non-GAAP net income (loss) | <u>\$ (5,672)</u> | <u>\$ (7,472)</u> | <u>\$ 69,148</u> | <u>\$ 45,096</u> |
| <i>Per diluted share:</i> | | | | |
| Net loss attributable to Blucora, Inc. ⁽²⁾ | \$ 0.21 | \$ (0.46) | \$ 0.57 | \$ (1.53) |
| Discontinued operations, net of income taxes | — | 0.12 | — | 1.48 |
| Stock-based compensation | 0.07 | 0.08 | 0.25 | 0.33 |
| Amortization of acquired intangible assets | 0.20 | 0.21 | 0.72 | 0.80 |
| Accretion of debt discount on Convertible Senior Notes | — | 0.02 | 0.03 | 0.09 |
| Accelerated accretion of debt discount on Convertible Senior Notes | — | — | — | 0.04 |
| Gain on the Notes repurchased | — | — | — | (0.18) |
| Write-off of debt issuance costs on closed TaxAct 2013 credit facility | — | — | 0.14 | — |
| Write-off of debt discount and debt issuance costs on terminated Convertible Senior Notes | — | — | 0.20 | — |
| Acquisition-related costs | — | — | — | 0.01 |
| Restructuring | 0.01 | 0.09 | 0.07 | 0.09 |
| Impact of noncontrolling interests | 0.04 | 0.01 | 0.05 | 0.02 |
| Cash tax impact of adjustments to GAAP net income | 0.07 | 0.00 | 0.00 | 0.00 |
| Non-cash income tax benefit | (0.72) | (0.25) | (0.57) | (0.09) |
| Non-GAAP net income (loss) | <u>\$ (0.12)</u> | <u>\$ (0.18)</u> | <u>\$ 1.46</u> | <u>\$ 1.06</u> |
| Weighted average shares outstanding used in computing per diluted share amounts | 46,231 | 41,766 | 47,211 | 42,686 |

Preliminary Adjusted EBITDA Reconciliation for Forward-Looking Guidance

(Amounts in thousands)

| | Ranges for the three months ending March 31, 2018 | |
|---|--|------------------|
| | Low | High |
| Net income (loss) attributable to Blucora, Inc. | \$ 29,900 | \$ 36,000 |
| Stock-based compensation | 3,700 | 3,600 |
| Depreciation and amortization of acquired intangible assets | 9,200 | 9,200 |
| Restructuring | 400 | 300 |
| Other loss, net ⁽³⁾ | 5,900 | 5,600 |
| Impact of noncontrolling interests | 200 | 200 |
| Income tax expense | 3,300 | 1,900 |
| Adjusted EBITDA | <u>\$ 52,600</u> | <u>\$ 56,800</u> |

Preliminary Non-GAAP Income from Continuing Operations Reconciliation for Forward-Looking Guidance

(Amounts in thousands)

| | Ranges for the three months ending March 31, 2018 | |
|---|--|------------------|
| | Low | High |
| Net income (loss) attributable to Blucora, Inc. | \$ 29,900 | \$ 36,000 |
| Stock-based compensation | 3,700 | 3,600 |
| Amortization of acquired intangible assets | 8,400 | 8,400 |
| Restructuring | 400 | 300 |
| Impact of noncontrolling interests | 200 | 200 |
| Cash tax impact of adjustments to net income (loss) | (400) | (300) |
| Non-cash income tax expense | 2,800 | 1,500 |
| Non-GAAP income from continuing operations | <u>\$ 45,000</u> | <u>\$ 49,700</u> |

Notes to Reconciliations of Non-GAAP Financial Measures to the Nearest Comparable GAAP Measures

⁽¹⁾ 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 (benefit), the effects of discontinued operations, acquisition-related costs and CEO separation-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.

⁽²⁾ As presented in the Preliminary Condensed Consolidated Statements of Operations (unaudited).

⁽³⁾ Other loss, net primarily includes items such as interest income, interest expense, amortization of debt issuance costs, accretion of debt discounts, gain/loss on debt extinguishment and modification expense, and gain on third party bankruptcy settlement.