



Blucora Announces Third Quarter 2018 Results

IRVING, TX — October 31, 2018 — Blucora, Inc. (NASDAQ: BCOR), a leading provider of tax-smart financial solutions that empower people's goals, today announced financial results for the third quarter ended September 30, 2018.

Third Quarter Highlights and Recent Developments

- Increased total revenue by 6% year-over-year
- Advisory Assets up 13% year-over-year to \$13.5 billion, Total Client Assets up 9% year-over-year to \$46 billion
- Completed clearing firm conversion with expected benefit to segment income of more than \$120 million over 10 years
- Announced new President of TaxAct, Curtis Campbell and President of Tax-Smart Innovation, Mike Hogan
- Announced Todd Mackay as Interim CEO of HD Vest, to succeed Bob Oros

“We’re pleased to report continued growth in revenue and assets while further improving our business positioning,” commented John Clendening, Blucora’s President and Chief Executive Officer. “In wealth management we achieved record levels of Advisory and Total Client Assets, while completing a critical clearing firm conversion that will allow us to better serve our financial advisors and their clients and capture significant financial and productivity benefits. In tax preparation, we advanced our plans to provide even more value to customers in the upcoming tax season through improved products and partner offerings. And we just announced the appointment of Curtis Campbell as the new President of TaxAct, and Mike Hogan to the newly created position of President of Tax-Smart Innovation, adding strong new talent to our company to build on our recent success across the business.”

Summary Financial Performance: Q3 2018

(\$ in millions except per share amounts)

| | Q3 2018 | Q3 2017 | Change |
|---|------------|------------|--------|
| Revenue: | | | |
| Wealth Management | \$ 91.9 | \$ 86.8 | 6 % |
| Tax Preparation | \$ 3.5 | \$ 3.4 | 4 % |
| Total Revenue | \$ 95.4 | \$ 90.2 | 6 % |
| Segment Income (Loss): | | | |
| Wealth Management | \$ 12.9 | \$ 12.4 | 4 % |
| Tax Preparation | \$ (6.9) | \$ (6.2) | 11 % |
| Total Segment Income | \$ 6.0 | \$ 6.2 | (4)% |
| Unallocated Corporate Operating Expenses | \$ (4.6) | \$ (4.6) | — % |
| GAAP: | | | |
| Operating Loss | \$ (10.7) | \$ (11.3) | (6)% |
| Net Loss Attributable to Blucora, Inc. | \$ (14.0) | \$ (16.9) | (17)% |
| Diluted Net Loss Per Share Attributable to Blucora, Inc. (EPS)* | \$ (0.37) | \$ (0.37) | — % |
| Non-GAAP: | | | |
| Adjusted EBITDA | \$ 1.4 | \$ 1.6 | (14)% |
| Net Loss | \$ (4.4) | \$ (5.5) | (20)% |
| Diluted Net Loss Per Share (EPS) | \$ (0.09) | \$ (0.12) | (25)% |

* 2018 GAAP EPS includes noncontrolling interest redemption impact of \$(0.08) as discussed in "Note 7: Redeemable Noncontrolling Interests" in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018.

See reconciliations of all non-GAAP to GAAP measures presented in this release in the tables below.

Full Year 2018 Outlook

For the full year 2018, the Company expects revenues to be between \$559.0 million and \$562.5 million, GAAP net income attributable to Blucora, Inc. to be between \$44.5 million and \$48.0 million, or \$0.70 to \$0.82 per diluted share (including a \$0.15 impact related to the estimated redemption value of the noncontrolling interest in HD Vest), Adjusted EBITDA to be between \$116.0 million and \$119.0 million, and Non-GAAP net income to be between \$90.5 million and \$94.0 million, or \$1.83 to \$1.91 per diluted share.

The fiscal 2018 outlook for GAAP net income or loss attributable to Blucora assumes an estimated tax rate of approximately 2% to 6%.

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 third quarter results, its outlook for the full year 2018 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 will be available on our website.

About Blucora®

Blucora, Inc. (NASDAQ: BCOR) is on the forefront of financial technology, pioneering tax-smart financial solutions that empower people's goals. Blucora operates through two primary businesses, HD Vest, the No.1 tax-focused broker-dealer with \$46 billion in total client assets as of September 30, 2018, and TaxAct, the No. 3 tax preparation software by market share with approximately 4 million consumer and professional users. With integrated tax and wealth management, Blucora is uniquely positioned to provide better long-term outcomes for customers with holistic, tax-advantaged 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 and productive financial advisors; 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 and investment behavior; political and economic conditions and changes and events that directly or indirectly impact the wealth management and tax preparation industries; 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 expectations concerning the benefits that may be derived from our new clearing platform and investment advisory platform; 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, except as may be required by applicable law.

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

(Amounts in thousands, except per share data)

| | Three Months Ended September 30, | | Nine months ended September 30, | |
|--|----------------------------------|--------------------|---------------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue: | | | | |
| Wealth management services revenue | \$ 91,887 | \$ 86,809 | \$ 275,984 | \$ 254,772 |
| Tax preparation services revenue | 3,498 | 3,362 | 183,214 | 156,936 |
| Total revenue | <u>95,385</u> | <u>90,171</u> | <u>459,198</u> | <u>411,708</u> |
| Operating expenses: | | | | |
| Cost of revenue: | | | | |
| Wealth management services cost of revenue | 62,313 | 59,607 | 187,526 | 172,444 |
| Tax preparation services cost of revenue | 1,370 | 1,314 | 8,182 | 7,543 |
| Amortization of acquired technology | — | 50 | 99 | 145 |
| Total cost of revenue ⁽¹⁾ | <u>63,683</u> | <u>60,971</u> | <u>195,807</u> | <u>180,132</u> |
| Engineering and technology ⁽¹⁾ | 4,246 | 5,051 | 14,225 | 14,041 |
| Sales and marketing ⁽¹⁾ | 15,675 | 13,680 | 94,719 | 84,974 |
| General and administrative ⁽¹⁾ | 13,404 | 12,207 | 43,895 | 39,405 |
| Depreciation | 798 | 867 | 3,706 | 2,680 |
| Amortization of other acquired intangible assets | 8,271 | 8,615 | 25,384 | 25,192 |
| Restructuring ⁽¹⁾ | — | 106 | 291 | 2,726 |
| Total operating expenses | <u>106,077</u> | <u>101,497</u> | <u>378,027</u> | <u>349,150</u> |
| Operating income (loss) | (10,692) | (11,326) | 81,171 | 62,558 |
| Other loss, net ⁽²⁾ | (3,863) | (5,241) | (11,850) | (39,149) |
| Income (loss) before income taxes | (14,555) | (16,567) | 69,321 | 23,409 |
| Income tax benefit (expense) | 818 | (166) | (2,052) | (5,952) |
| Net income (loss) | (13,737) | (16,733) | 67,269 | 17,457 |
| Net income attributable to noncontrolling interests | (227) | (164) | (654) | (466) |
| Net income (loss) attributable to Blucora, Inc. | <u>\$ (13,964)</u> | <u>\$ (16,897)</u> | <u>\$ 66,615</u> | <u>\$ 16,991</u> |
| Net income (loss) per share attributable to Blucora, Inc.: | | | | |
| Basic | <u>\$ (0.37)</u> | <u>\$ (0.37)</u> | <u>\$ 1.34</u> | <u>\$ 0.39</u> |
| Diluted | <u>\$ (0.37)</u> | <u>\$ (0.37)</u> | <u>\$ 1.28</u> | <u>\$ 0.36</u> |
| Weighted average shares outstanding: | | | | |
| Basic | 47,712 | 45,459 | 47,191 | 43,749 |
| Diluted | 47,712 | 45,459 | 49,292 | 46,813 |

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

| | Three Months Ended September 30, | | Nine months ended September 30, | |
|--|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Cost of revenue | \$ 413 | \$ 412 | \$ 940 | \$ 546 |
| Engineering and technology | 178 | 225 | 590 | 734 |
| Sales and marketing | 617 | 529 | 1,835 | 1,801 |
| General and administrative | 1,666 | 1,966 | 6,194 | 5,353 |
| Restructuring | — | 97 | — | 1,078 |
| Total stock-based compensation expense | <u>\$ 2,874</u> | <u>\$ 3,229</u> | <u>\$ 9,559</u> | <u>\$ 9,512</u> |

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

| | Three Months Ended September 30, | | Nine months ended September 30, | |
|-------------------------------------|----------------------------------|-----------------|---------------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Interest income | \$ (119) | \$ (31) | \$ (217) | \$ (76) |
| Interest expense | 3,744 | 4,781 | 11,772 | 16,746 |
| Amortization of debt issuance costs | 172 | 177 | 659 | 891 |
| Accretion of debt discounts | 38 | 53 | 125 | 1,893 |
| Loss on debt extinguishment | — | 183 | 1,534 | 19,764 |
| Other | 28 | 78 | (2,023) | (69) |
| Other loss, net | <u>\$ 3,863</u> | <u>\$ 5,241</u> | <u>\$ 11,850</u> | <u>\$ 39,149</u> |

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

| | <u>September 30,</u> <u>2018</u> | <u>December 31,</u> <u>2017</u> |
|--|-------------------------------------|------------------------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 88,274 | \$ 59,965 |
| Cash segregated under federal or other regulations | 317 | 1,371 |
| Accounts receivable, net of allowance | 6,056 | 10,694 |
| Commissions receivable | 16,762 | 16,822 |
| Other receivables | 626 | 3,180 |
| Prepaid expenses and other current assets, net | 5,571 | 7,365 |
| Total current assets | <u>117,606</u> | <u>99,397</u> |
| Long-term assets: | | |
| Property and equipment, net | 11,111 | 9,831 |
| Goodwill, net | 548,915 | 549,037 |
| Other intangible assets, net | 302,715 | 328,205 |
| Other long-term assets | 15,363 | 15,201 |
| Total long-term assets | <u>878,104</u> | <u>902,274</u> |
| Total assets | <u>\$ 995,710</u> | <u>\$ 1,001,671</u> |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,158 | \$ 4,413 |
| Commissions and advisory fees payable | 15,186 | 17,813 |
| Accrued expenses and other current liabilities | 16,473 | 19,577 |
| Deferred revenue | 5,997 | 9,953 |
| Total current liabilities | <u>39,814</u> | <u>51,756</u> |
| Long-term liabilities: | | |
| Long-term debt, net | 260,208 | 338,081 |
| Deferred tax liability, net | 42,356 | 43,433 |
| Deferred revenue | 500 | 804 |
| Other long-term liabilities | 6,923 | 8,177 |
| Total long-term liabilities | <u>309,987</u> | <u>390,495</u> |
| Total liabilities | <u>349,801</u> | <u>442,251</u> |
| Redeemable noncontrolling interests | 22,224 | 18,033 |
| Stockholders' equity: | | |
| Common stock | 5 | 5 |
| Additional paid-in capital | 1,569,539 | 1,555,560 |
| Accumulated deficit | (945,708) | (1,014,174) |
| Accumulated other comprehensive loss | (151) | (4) |
| Total stockholders' equity | <u>623,685</u> | <u>541,387</u> |
| Total liabilities and stockholders' equity | <u>\$ 995,710</u> | <u>\$ 1,001,671</u> |

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

| | Nine months ended September 30, | |
|--|--|------------------|
| | 2018 | 2017 |
| Operating Activities: | | |
| Net income | \$ 67,269 | \$ 17,457 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Stock-based compensation | 9,559 | 8,434 |
| Depreciation and amortization of acquired intangible assets | 29,539 | 28,553 |
| Restructuring (non-cash) | — | 1,499 |
| Deferred income taxes | (1,073) | (473) |
| Amortization of premium on investments, net, and debt issuance costs | 659 | 901 |
| Accretion of debt discounts | 125 | 1,893 |
| Loss on debt extinguishment | 1,534 | 19,764 |
| Cash provided (used) by changes in operating assets and liabilities: | | |
| Accounts receivable | 4,636 | 3,259 |
| Commissions receivable | 60 | (288) |
| Other receivables | 3,149 | 2,384 |
| Prepaid expenses and other current assets | 1,369 | 1,720 |
| Other long-term assets | (902) | 432 |
| Accounts payable | (2,255) | (1,375) |
| Commissions and advisory fees payable | (2,627) | (23) |
| Deferred revenue | (2,411) | (5,856) |
| Accrued expenses and other current and long-term liabilities | (3,048) | 949 |
| Net cash provided by operating activities | <u>105,583</u> | <u>79,230</u> |
| Investing Activities: | | |
| Purchases of property and equipment | (5,340) | (3,809) |
| Proceeds from sales of investments | — | 249 |
| Proceeds from maturities of investments | — | 7,252 |
| Purchases of investments | — | (409) |
| Net cash provided (used) by investing activities | <u>(5,340)</u> | <u>3,283</u> |
| Financing Activities: | | |
| Proceeds from credit facilities | — | 367,212 |
| Payments on convertible notes | — | (172,827) |
| Payments on credit facilities | (80,000) | (285,000) |
| Proceeds from stock option exercises | 11,738 | 38,228 |
| Proceeds from issuance of stock through employee stock purchase plan | 1,608 | 1,428 |
| Tax payments from shares withheld for equity awards | (5,983) | (6,744) |
| Contingent consideration payments for business acquisition | (1,315) | (946) |
| Net cash used by financing activities | <u>(73,952)</u> | <u>(58,649)</u> |
| Net cash provided by continuing operations | 26,291 | 23,864 |
| Net cash provided by investing activities from discontinued operations | — | 1,028 |
| Net cash provided by discontinued operations | — | 1,028 |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | (11) | 86 |
| Net increase in cash, cash equivalents, and restricted cash | 26,280 | 24,978 |
| Cash, cash equivalents, and restricted cash, beginning of period | 62,311 | 54,868 |
| Cash, cash equivalents, and restricted cash, end of period | <u>\$ 88,591</u> | <u>\$ 79,846</u> |

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|-------------|---------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue: | | | | |
| Wealth Management ⁽¹⁾ | \$ 91,887 | \$ 86,809 | \$ 275,984 | \$ 254,772 |
| Tax Preparation ⁽¹⁾ | 3,498 | 3,362 | 183,214 | 156,936 |
| Total revenue | 95,385 | 90,171 | 459,198 | 411,708 |
| Operating income (loss): | | | | |
| Wealth Management | 12,891 | 12,425 | 38,920 | 36,684 |
| Tax Preparation | (6,936) | (6,238) | 95,991 | 83,410 |
| Corporate-level activity ⁽²⁾ | (16,647) | (17,513) | (53,740) | (57,536) |
| Total operating income (loss) | (10,692) | (11,326) | 81,171 | 62,558 |
| Other loss, net | (3,863) | (5,241) | (11,850) | (39,149) |
| Income tax benefit (expense) | 818 | (166) | (2,052) | (5,952) |
| Net income (loss) | \$ (13,737) | \$ (16,733) | \$ 67,269 | \$ 17,457 |

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---------------------------------|----------------------------------|-----------|---------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Wealth Management: | | | | |
| Commission | \$ 41,015 | \$ 39,432 | \$ 124,269 | \$ 117,181 |
| Advisory | 41,443 | 37,588 | 120,802 | 107,078 |
| Asset-based | 6,979 | 6,526 | 21,457 | 19,276 |
| Transaction and fee | 2,450 | 3,263 | 9,456 | 11,237 |
| Total Wealth Management revenue | \$ 91,887 | \$ 86,809 | \$ 275,984 | \$ 254,772 |
| Tax Preparation: | | | | |
| Consumer | \$ 3,246 | \$ 3,149 | \$ 168,295 | \$ 143,239 |
| Professional | 252 | 213 | 14,919 | 13,697 |
| Total Tax Preparation revenue | \$ 3,498 | \$ 3,362 | \$ 183,214 | \$ 156,936 |

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|----------------------------------|-------------|---------------------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Operating expenses | \$ (4,572) | \$ (4,587) | \$ (14,351) | \$ (17,823) |
| Stock-based compensation | (2,874) | (3,132) | (9,559) | (8,434) |
| Depreciation | (930) | (1,023) | (4,056) | (3,216) |
| Amortization of acquired intangible assets | (8,271) | (8,665) | (25,483) | (25,337) |
| Restructuring | — | (106) | (291) | (2,726) |
| Total corporate-level activity | \$ (16,647) | \$ (17,513) | \$ (53,740) | \$ (57,536) |

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

Preliminary Adjusted EBITDA Reconciliation ⁽¹⁾

(Unaudited)

(Amounts in thousands)

| (In thousands) | Three Months Ended September 30, | | Nine months ended September 30, | |
|--|---|-----------------|--|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) attributable to Blucora, Inc. ⁽²⁾ | \$ (13,964) | \$ (16,897) | \$ 66,615 | \$ 16,991 |
| Stock-based compensation | 2,874 | 3,132 | 9,559 | 8,434 |
| Depreciation and amortization of acquired intangible assets | 9,201 | 9,688 | 29,539 | 28,553 |
| Restructuring | — | 106 | 291 | 2,726 |
| Other loss, net ⁽³⁾ | 3,863 | 5,241 | 11,850 | 39,149 |
| Net income attributable to noncontrolling interests | 227 | 164 | 654 | 466 |
| Income tax (benefit) expense | (818) | 166 | 2,052 | 5,952 |
| Adjusted EBITDA | <u>\$ 1,383</u> | <u>\$ 1,600</u> | <u>\$ 120,560</u> | <u>\$ 102,271</u> |

Preliminary Non-GAAP Net Income (Loss) and Non-GAAP Net Income Per Share Reconciliation ⁽¹⁾

(Unaudited)

(Amounts in thousands, except per share amounts)

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|---|-------------------|--|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) attributable to Blucora, Inc. ⁽²⁾ | \$ (13,964) | \$ (16,897) | \$ 66,615 | \$ 16,991 |
| Stock-based compensation | 2,874 | 3,132 | 9,559 | 8,434 |
| Amortization of acquired intangible assets | 8,271 | 8,665 | 25,483 | 25,337 |
| Accretion of debt discount on the Notes | — | — | — | 1,567 |
| Write-off of debt discount and debt issuance costs on terminated Notes | — | — | — | 6,715 |
| Write-off of debt discount and debt issuance costs on terminated TaxAct - HD Vest 2015 credit facility | — | — | — | 9,593 |
| Restructuring | — | 106 | 291 | 2,726 |
| Impact of noncontrolling interests | 227 | 164 | 654 | 466 |
| Cash tax impact of adjustments to GAAP net income | (505) | (928) | (1,721) | (3,334) |
| Non-cash income tax (benefit) expense ⁽¹⁾ | (1,333) | 224 | 647 | 6,325 |
| Non-GAAP net income (loss) | <u>\$ (4,430)</u> | <u>\$ (5,534)</u> | <u>\$ 101,528</u> | <u>\$ 74,820</u> |
| <i>Per diluted share:</i> | | | | |
| Net income (loss) attributable to Blucora, Inc. | \$ (0.37) | \$ (0.37) | \$ 1.28 | \$ 0.36 |
| Stock-based compensation | 0.06 | 0.07 | 0.19 | 0.18 |
| Amortization of acquired intangible assets | 0.18 | 0.20 | 0.52 | 0.55 |
| Accretion of debt discount on the Notes | — | — | — | 0.03 |
| Write-off of debt discount and debt issuance costs on terminated Notes | — | — | — | 0.14 |
| Write-off of debt discount and debt issuance costs on terminated TaxAct - HD Vest 2015 credit facility | — | — | — | 0.20 |
| Restructuring | — | — | 0.01 | 0.06 |
| Impact of noncontrolling interests | 0.08 | 0.00 | 0.08 | 0.01 |
| Cash tax impact of adjustments to GAAP net income | (0.01) | (0.02) | (0.03) | (0.07) |
| Non-cash income tax (benefit) expense | (0.03) | 0.00 | 0.01 | 0.14 |
| Non-GAAP net income (loss) per share | <u>\$ (0.09)</u> | <u>\$ (0.12)</u> | <u>\$ 2.06</u> | <u>\$ 1.60</u> |
| Weighted average shares outstanding used in computing per diluted share amounts | 47,712 | 45,459 | 49,292 | 46,813 |

Preliminary Adjusted EBITDA Reconciliation for Forward-Looking Guidance

(Amounts in thousands)

| | Ranges for the year ending | |
|---|----------------------------|------------|
| | December 31, 2018 | |
| | Low | High |
| Net income (loss) attributable to Blucora, Inc. | \$ 44,500 | \$ 48,000 |
| Stock-based compensation | 13,200 | 13,100 |
| Depreciation and amortization of acquired intangible assets | 39,300 | 39,100 |
| Restructuring | 300 | 300 |
| Other loss, net ⁽³⁾ | 16,000 | 15,800 |
| Impact of noncontrolling interests | 1,100 | 1,100 |
| Income tax (benefit) expense | 1,600 | 1,600 |
| Adjusted EBITDA | \$ 116,000 | \$ 119,000 |

Preliminary Non-GAAP Net Income (Loss) Reconciliation for Forward-Looking Guidance

(Amounts in thousands)

| | Ranges for the year ending | |
|---|----------------------------|-----------|
| | December 31, 2018 | |
| | Low | High |
| Net income (loss) attributable to Blucora, Inc. | \$ 44,500 | \$ 48,000 |
| Stock-based compensation | 13,200 | 13,100 |
| Amortization of acquired intangible assets | 33,800 | 33,800 |
| Restructuring | 300 | 300 |
| Impact of noncontrolling interests | 1,100 | 1,100 |
| Cash tax impact of adjustments to net income (loss) | (2,100) | (2,100) |
| Non-cash income tax benefit | (300) | (200) |
| Non-GAAP net income (loss) | \$ 90,500 | \$ 94,000 |

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 and amortization of acquired intangible assets (including acquired technology), restructuring, other loss, net, the impact of noncontrolling interests and income tax (benefit) expense. Restructuring costs relate to the relocation of our corporate headquarters during 2017.

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. 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 stock-based compensation, amortization of acquired intangible assets (including acquired technology), accelerated accretion of debt discount on our Convertible Senior Notes that were outstanding for a portion of 2017 (the "*Notes*"), write-off of debt discount and debt issuance costs on terminated Notes and terminated TaxAct - HD Vest 2015 credit facility, 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. 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. The aforementioned items are only included in non-GAAP net income (loss) in the periods they occurred.

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) and non-GAAP net income per share 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) and net income per share. Other companies may calculate non-GAAP net income (loss) and non-GAAP net income (loss) per share differently, and, therefore, our non-GAAP net income (loss) and non-GAAP net income (loss) per share 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, and gain/loss on debt extinguishment.