



Blucora Announces Second Quarter 2019 Results

IRVING, TX — August 7, 2019 — Blucora, Inc. (NASDAQ: BCOR), a leading provider of tax-smart financial solutions that empower people’s goals, today announced financial results for the second quarter ended June 30, 2019.

Second Quarter Highlights and Recent Developments

- Closed acquisition of 1st Global, extending lead in tax-focused wealth management segment.
- Increased total revenue by 23% and wealth management revenue by 39% year-over-year (y/y), including addition of 1st Global since May 6 acquisition date.
- HD Vest Advisory Assets increased 12% y/y to \$14.5 billion; 1st Global Advisory Assets increased 5% y/y to \$11.7 billion. Total Client Assets ended quarter at \$67.6 billion.
- Initiated launch of Tax Smart Investing software solution that is expected to give advisors a significant incremental edge in driving value for clients.
- Grew TaxAct revenue by 12.5% y/y for the first half of 2019, with 60% segment margin.

“Our second quarter results reflect the completion of a very strong tax season and first half in tax preparation, as well as the completion of an important acquisition in wealth management,” said John Clendening, Blucora’s President and Chief Executive Officer. “Most importantly, we continue to improve our business positioning and capabilities across both businesses to ensure we are best positioned for future growth.”

Summary Financial Performance: Q2 2019 (\$ in millions except per share amounts)

| | Q2 2019 | Q2 2018 | Change |
|--|------------|------------|--------|
| Revenue: | | | |
| Wealth Management | \$ 127.8 | \$ 92.0 | 39 % |
| Tax Preparation | \$ 65.9 | \$ 65.8 | — % |
| Total Revenue | \$ 193.7 | \$ 157.8 | 23 % |
| Segment Income: | | | |
| Wealth Management | \$ 17.0 | \$ 13.0 | 31 % |
| Tax Preparation | \$ 41.4 | \$ 44.1 | (6)% |
| Total Segment Income | \$ 58.3 | \$ 57.1 | 2 % |
| Unallocated Corporate Operating Expenses | \$ (6.2) | \$ (4.2) | 47 % |
| GAAP: | | | |
| Operating Income | \$ 28.0 | \$ 39.1 | (28)% |
| Net Income Attributable to Blucora, Inc. | \$ 31.0 | \$ 35.2 | (12)% |
| Diluted Net Income Per Share Attributable to Blucora, Inc. (EPS) | \$ 0.62 | \$ 0.71 | (13)% |
| Non-GAAP*: | | | |
| Adjusted EBITDA* | \$ 52.1 | \$ 52.8 | (1)% |
| Net Income* | \$ 41.4 | \$ 47.7 | (13)% |
| Diluted Net Income Per Share (EPS)* | \$ 0.83 | \$ 0.97 | (14)% |

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

Second Quarter Results vs. Prior Guidance

| \$ in millions | Prior Guidance | Midpoint | Actual | Difference at Midpoint |
|--|----------------------------|-------------|--------------|------------------------|
| Wealth Management Revenue | \$121.0 - \$125.5 | 123.3 | 127.8 | 4.5 |
| HD Vest | \$95.5 - \$98.5 | 97 | 98.8 | 1.8 |
| 1st Global (May 6-Jun 30) | \$25.5 - \$27.0 | 26.3 | 29 | 2.7 |
| TaxAct Revenue | \$67.5 - \$68.0 | 67.8 | 65.9 | -1.9 |
| Total Revenue | \$188.5 - \$193.5** | 191 | 193.7 | 2.7 |
| Wealth Management Segment Income | \$14.0 - \$16.0 | 15 | 17 | 2 |
| HD Vest Segment Income | \$13.0 - \$14.5 | 13.8 | 14.8 | 1 |
| 1st Global Segment Income | \$1.0 - \$1.5 | 1.3 | 2.2 | 0.9 |
| TaxAct Segment Income | \$39.0 - \$40.0 | 39.5 | 41.4 | 1.9 |
| Corporate Unallocated Operating Expenses | \$7.5 - \$8.0 | 7.8 | 6.2 | 1.6 |
| Adjusted EBITDA* | \$45.0 - \$48.5** | 46.8 | 52.1 | 5.3 |

**Prior guidance including 1st Global.

Third Quarter and Full Year 2019 Outlook

For the third quarter of 2019, the Company expects revenues to be between \$142.5 million and \$149.5 million, GAAP net loss attributable to Blucora, Inc. to be between \$30.5 million and \$35.5 million, or \$0.62 to \$0.72 per diluted share, Adjusted EBITDA* to be between \$4.0 million and breakeven, and Non-GAAP net loss* to be between \$10.0 million and \$14.5 million, or \$0.20 to \$0.29 per diluted share.

Full Year 2019 Outlook

| \$ in millions | Prior Guidance | Current Outlook | Difference at Midpoint |
|---|----------------------------|--------------------------|------------------------|
| Wealth Management Revenue | \$493.0 - \$511.0 | \$500.0 - \$513.0 | 4.5 |
| HD Vest | \$384.5 - \$395.5 | | |
| 1st Global (May 6-Dec. 31) | \$108.5 - \$115.5 | | |
| TaxAct Revenue | \$211.0 - \$213.0 | \$210.0 - \$211.0 | (1.5) |
| Total Revenue | \$704.0 - \$724.0** | \$710.0 - \$724.0 | 3 |
| Wealth Management Segment Income | \$65.5 - \$73.5 | \$67.0 - \$73.5 | 0.7 |
| HD Vest Segment Income | \$56.5 - \$62.5 | | |
| 1st Global Segment Income | \$9.0 - \$11.0 | | |
| TaxAct Segment Income | \$92.0 - \$95.0 | \$93.0 - \$94.5 | 0.3 |
| Corporate Unallocated Operating Expense | \$28.5 - \$29.5 | \$28.5 - \$29.5 | 0 |
| Adjusted EBITDA* | \$128.0 - \$140.0** | \$130.5 - \$139.5 | 1 |
| Net Income | | \$27.0 - \$37.5 | |
| Net Income per share | | \$0.54 - \$0.75 | |
| Non-GAAP Net Income* | | \$92.5 - \$102.5 | |
| Non-GAAP Net Income per share* | | \$1.84 - \$2.04 | |

The third quarter and fiscal 2019 outlook for GAAP net income or loss attributable to Blucora assumes an estimated tax rate of approximately (3%) to (7%).

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 second quarter results, its outlook for the full year 2019 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 in two segments including wealth management, through its HD Vest and 1st Global businesses, the No. 1 and No. 2 tax-focused broker-dealers, respectively, with a combined \$67 billion in total client assets as of June 30, 2019, and tax preparation, through its TaxAct business, the No. 3 tax preparation software by market share with approximately 3 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, 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; our ability to realize all of the anticipated benefits of the acquisition of 1st Global, as well as our ability to integrate the operations of 1st Global; 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; risks related to goodwill and other intangible asset impairment; 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 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 other companies or assets that we may 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 June 30, | | Six months ended June 30, | |
|---|------------------------------------|-------------|----------------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue: | | | | |
| Wealth management services revenue | \$ 127,831 | \$ 92,015 | \$ 217,363 | \$ 184,097 |
| Tax preparation services revenue | 65,909 | 65,833 | 202,145 | 179,716 |
| Total revenue | 193,740 | 157,848 | 419,508 | 363,813 |
| Operating expenses: | | | | |
| Cost of revenue: | | | | |
| Wealth management services cost of revenue | 87,477 | 62,149 | 148,851 | 125,213 |
| Tax preparation services cost of revenue | 3,149 | 2,459 | 7,350 | 6,812 |
| Amortization of acquired technology | — | 49 | — | 99 |
| Total cost of revenue ⁽¹⁾ | 90,626 | 64,657 | 156,201 | 132,124 |
| Engineering and technology ⁽¹⁾ | 7,159 | 4,848 | 13,688 | 9,979 |
| Sales and marketing ⁽¹⁾ | 29,256 | 23,791 | 84,828 | 79,044 |
| General and administrative ⁽¹⁾ | 19,002 | 15,625 | 36,079 | 30,491 |
| Acquisition and integration | 9,183 | — | 10,980 | — |
| Depreciation | 1,315 | 993 | 2,376 | 2,908 |
| Amortization of other acquired intangible assets | 9,169 | 8,806 | 17,213 | 17,113 |
| Restructuring ⁽¹⁾ | — | 2 | — | 291 |
| Total operating expenses | 165,710 | 118,722 | 321,365 | 271,950 |
| Operating income | 28,030 | 39,126 | 98,143 | 91,863 |
| Other loss, net ⁽²⁾ | (5,118) | (2,759) | (9,076) | (7,987) |
| Income before income taxes | 22,912 | 36,367 | 89,067 | 83,876 |
| Income tax benefit (expense) | 8,124 | (907) | 4,139 | (2,870) |
| Net income | 31,036 | 35,460 | 93,206 | 81,006 |
| Net income attributable to noncontrolling interests | — | (222) | — | (427) |
| Net income attributable to Blucora, Inc.: | \$ 31,036 | \$ 35,238 | \$ 93,206 | \$ 80,579 |
| Net income per share attributable to Blucora, Inc.: | | | | |
| Basic | \$ 0.64 | \$ 0.75 | \$ 1.93 | \$ 1.72 |
| Diluted | \$ 0.62 | \$ 0.71 | \$ 1.88 | \$ 1.64 |
| Weighted average shares outstanding: | | | | |
| Basic | 48,555 | 47,221 | 48,358 | 46,931 |
| Diluted | 49,822 | 49,434 | 49,681 | 49,049 |

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

| | Three Months Ended June 30, | | Six months ended June 30, | |
|--|------------------------------------|-------------|----------------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Cost of revenue | \$ 896 | \$ 271 | \$ 1,416 | \$ 527 |
| Engineering and technology | 156 | 202 | 332 | 412 |
| Sales and marketing | 180 | 702 | (13) | 1,218 |
| General and administrative | 2,850 | 2,555 | 4,790 | 4,528 |
| Total stock-based compensation expense | \$ 4,082 | \$ 3,730 | \$ 6,525 | \$ 6,685 |

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

| | Three Months Ended June 30, | | Six months ended June 30, | |
|-------------------------------------|------------------------------------|-----------------|----------------------------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Interest income | \$ (149) | \$ (58) | \$ (289) | \$ (98) |
| Interest expense | 4,770 | 3,847 | 8,546 | 8,028 |
| Amortization of debt issuance costs | 375 | 284 | 547 | 487 |
| Accretion of debt discounts | 85 | 40 | 123 | 87 |
| Loss on debt extinguishment | — | 758 | — | 1,534 |
| Other | 37 | (2,112) | 149 | (2,051) |
| Other loss, net | <u>\$ 5,118</u> | <u>\$ 2,759</u> | <u>\$ 9,076</u> | <u>\$ 7,987</u> |

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

| | June 30, 2019 | December 31, 2018 |
|--|---------------------|----------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 109,606 | \$ 84,524 |
| Cash segregated under federal or other regulations | 146 | 842 |
| Accounts receivable, net of allowance | 20,391 | 15,721 |
| Commissions receivable | 19,857 | 15,562 |
| Other receivables | 8,069 | 7,408 |
| Prepaid expenses and other current assets, net | 10,595 | 7,755 |
| Total current assets | 168,664 | 131,812 |
| Long-term assets: | | |
| Property and equipment, net | 15,090 | 12,389 |
| Right-of-use assets, net | 11,338 | — |
| Goodwill, net | 674,130 | 548,685 |
| Other intangible assets, net | 355,596 | 294,603 |
| Other long-term assets | 10,820 | 10,236 |
| Total long-term assets | 1,066,974 | 865,913 |
| Total assets | <u>\$ 1,235,638</u> | <u>\$ 997,725</u> |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 7,945 | \$ 3,798 |
| Commissions and advisory fees payable | 18,810 | 15,199 |
| Accrued expenses and other current liabilities | 43,429 | 18,980 |
| Lease liabilities | 7,168 | 46 |
| Deferred revenue | 4,158 | 10,257 |
| Current portion of long-term debt, net | 919 | — |
| Total current liabilities | 82,429 | 48,280 |
| Long-term liabilities: | | |
| Long-term debt, net | 381,579 | 260,390 |
| Deferred tax liability, net | 44,840 | 40,394 |
| Deferred revenue | 7,635 | 8,581 |
| Lease liabilities | 6,911 | 100 |
| Other long-term liabilities | 7,012 | 7,440 |
| Total long-term liabilities | 447,977 | 316,905 |
| Total liabilities | 530,406 | 365,185 |
| Redeemable noncontrolling interests | — | 24,945 |
| Stockholders' equity: | | |
| Common stock | 5 | 5 |
| Additional paid-in capital | 1,575,554 | 1,569,725 |
| Accumulated deficit | (870,119) | (961,689) |
| Accumulated other comprehensive loss | (208) | (446) |
| Total stockholders' equity | 705,232 | 607,595 |
| Total liabilities and stockholders' equity | <u>\$ 1,235,638</u> | <u>\$ 997,725</u> |

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

| | Six months ended June 30, | |
|--|---------------------------|-----------|
| | 2019 | 2018 |
| Operating Activities: | | |
| Net income | \$ 93,206 | \$ 81,006 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Stock-based compensation | 6,525 | 6,685 |
| Depreciation and amortization of acquired intangible assets | 20,185 | 20,338 |
| Reduction of right-of-use lease assets | 1,977 | — |
| Deferred income taxes | 4,446 | (781) |
| Amortization of premium on investments, net, and debt issuance costs | 547 | 487 |
| Accretion of debt discounts | 123 | 87 |
| Loss on debt extinguishment | — | 1,533 |
| Other | 260 | — |
| Cash provided (used) by changes in operating assets and liabilities: | | |
| Accounts receivable | (3,217) | 4,096 |
| Commissions receivable | 847 | 2 |
| Other receivables | (661) | 3,142 |
| Prepaid expenses and other current assets | 12,258 | 461 |
| Other long-term assets | (355) | (764) |
| Accounts payable | (2,995) | 59 |
| Commissions and advisory fees payable | (663) | (655) |
| Lease liabilities | (2,066) | — |
| Deferred revenue | (24,760) | (5,746) |
| Accrued expenses and other current and long-term liabilities | (8,845) | (3,393) |
| Net cash provided by operating activities | 96,812 | 106,557 |
| Investing Activities: | | |
| Business acquisition, net of cash acquired | (164,461) | — |
| Purchases of property and equipment | (2,938) | (2,602) |
| Net cash used by investing activities | (167,399) | (2,602) |
| Financing Activities: | | |
| Proceeds from credit facilities | 121,499 | — |
| Payments on credit facilities | — | (80,000) |
| Payment of redeemable noncontrolling interests | (24,945) | — |
| Proceeds from stock option exercises | 3,320 | 10,386 |
| Proceeds from issuance of stock through employee stock purchase plan | 1,144 | 704 |
| Tax payments from shares withheld for equity awards | (5,160) | (4,229) |
| Contingent consideration payments for business acquisition | (943) | (1,315) |
| Net cash provided (used) by financing activities | 94,915 | (74,454) |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | 58 | (30) |
| Net increase in cash, cash equivalents, and restricted cash | 24,386 | 29,471 |
| Cash, cash equivalents, and restricted cash, beginning of period | 85,366 | 62,311 |
| Cash, cash equivalents, and restricted cash, end of period | \$ 109,752 | \$ 91,782 |

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|------------------------------------|------------------|----------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue: | | | | |
| Wealth Management ⁽¹⁾ | \$ 127,831 | \$ 92,015 | \$ 217,363 | \$ 184,097 |
| Tax Preparation ⁽¹⁾ | 65,909 | 65,833 | 202,145 | 179,716 |
| Total revenue | 193,740 | 157,848 | 419,508 | 363,813 |
| Operating income (loss): | | | | |
| Wealth Management | 16,979 | 12,954 | 28,519 | 26,029 |
| Tax Preparation | 41,368 | 44,121 | 120,640 | 102,927 |
| Corporate-level activity ⁽²⁾ | (30,317) | (17,949) | (51,016) | (37,093) |
| Total operating income | 28,030 | 39,126 | 98,143 | 91,863 |
| Other loss, net | (5,118) | (2,759) | (9,076) | (7,987) |
| Income tax benefit (expense) | 8,124 | (907) | 4,139 | (2,870) |
| Net income | <u>\$ 31,036</u> | <u>\$ 35,460</u> | <u>\$ 93,206</u> | <u>\$ 81,006</u> |

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---------------------------------|------------------------------------|------------------|----------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Wealth Management: | | | | |
| Commission | \$ 48,068 | \$ 40,384 | \$ 85,228 | \$ 83,254 |
| Advisory | 61,410 | 40,058 | 101,167 | 79,359 |
| Asset-based | 13,219 | 7,306 | 22,912 | 14,478 |
| Transaction and fee | 5,134 | 4,267 | 8,056 | 7,006 |
| Total Wealth Management revenue | <u>\$ 127,831</u> | <u>\$ 92,015</u> | <u>\$ 217,363</u> | <u>\$ 184,097</u> |
| Tax Preparation: | | | | |
| Consumer | \$ 62,686 | \$ 63,137 | \$ 186,628 | \$ 165,049 |
| Professional | 3,223 | 2,696 | 15,517 | 14,667 |
| Total Tax Preparation revenue | <u>\$ 65,909</u> | <u>\$ 65,833</u> | <u>\$ 202,145</u> | <u>\$ 179,716</u> |

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

| | Three months ended June 30, | | Six months ended June 30, | |
|--|------------------------------------|--------------------|----------------------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating expenses | \$ (6,221) | \$ (4,238) | \$ (13,326) | \$ (9,779) |
| Stock-based compensation | (4,082) | (3,730) | (6,525) | (6,685) |
| Acquisition-related costs | (9,183) | — | (10,980) | — |
| Depreciation | (1,662) | (1,124) | (2,972) | (3,126) |
| Amortization of acquired intangible assets | (9,169) | (8,855) | (17,213) | (17,212) |
| Restructuring | — | (2) | — | (291) |
| Total corporate-level activity | <u>\$ (30,317)</u> | <u>\$ (17,949)</u> | <u>\$ (51,016)</u> | <u>\$ (37,093)</u> |

Blucora, Inc.
Reconciliations of Non-GAAP Financial Measures to the Nearest Comparable GAAP Measures ⁽¹⁾

Preliminary Adjusted EBITDA Reconciliation ⁽¹⁾

(Unaudited)

(Amounts in thousands)

| (In thousands) | Three Months Ended June 30, | | Six months ended June 30, | |
|---|------------------------------------|------------------|----------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income attributable to Blucora, Inc. ⁽²⁾ | \$ 31,036 | \$ 35,238 | \$ 93,206 | \$ 80,579 |
| Stock-based compensation | 4,082 | 3,730 | 6,525 | 6,685 |
| Depreciation and amortization of acquired intangible assets | 10,831 | 9,979 | 20,185 | 20,338 |
| Restructuring | — | 2 | — | 291 |
| Other loss, net ⁽³⁾ | 5,118 | 2,759 | 9,076 | 7,987 |
| Net income attributable to noncontrolling interests | — | 222 | — | 427 |
| Acquisition and integration costs | 9,183 | — | 10,980 | — |
| Income tax (benefit) expense | (8,124) | 907 | (4,139) | 2,870 |
| Adjusted EBITDA | <u>\$ 52,126</u> | <u>\$ 52,837</u> | <u>\$ 135,833</u> | <u>\$ 119,177</u> |

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

(Unaudited)

(Amounts in thousands, except per share amounts)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|------------------------------------|------------------|----------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income attributable to Blucora, Inc. ⁽²⁾ | \$ 31,036 | \$ 35,238 | \$ 93,206 | \$ 80,579 |
| Stock-based compensation | 4,082 | 3,730 | 6,525 | 6,685 |
| Amortization of acquired intangible assets | 9,169 | 8,855 | 17,213 | 17,212 |
| Restructuring | — | 2 | — | 291 |
| Impact of noncontrolling interests | — | 222 | — | 427 |
| Acquisition and integration costs | 9,183 | — | 10,980 | — |
| Cash tax impact of adjustments to GAAP net income | (771) | (903) | (1,182) | (1,216) |
| Non-cash income tax (benefit) expense ⁽¹⁾ | (11,317) | 582 | (8,166) | 1,980 |
| Non-GAAP net income | <u>\$ 41,382</u> | <u>\$ 47,726</u> | <u>\$ 118,576</u> | <u>\$ 105,958</u> |
| <i>Per diluted share:</i> | | | | |
| Net income attributable to Blucora, Inc. | \$ 0.62 | \$ 0.71 | \$ 1.88 | \$ 1.64 |
| Stock-based compensation | 0.08 | 0.08 | 0.13 | 0.14 |
| Amortization of acquired intangible assets | 0.20 | 0.19 | 0.34 | 0.34 |
| Restructuring | — | — | — | 0.01 |
| Impact of noncontrolling interests | — | 0.00 | 0.00 | 0.01 |
| Acquisition and integration costs | 0.18 | 0.00 | 0.22 | 0.00 |
| Cash tax impact of adjustments to GAAP net income | (0.02) | (0.02) | (0.02) | (0.02) |
| Non-cash income tax (benefit) expense | (0.23) | 0.01 | (0.16) | 0.04 |
| Non-GAAP net income per share | <u>\$ 0.83</u> | <u>\$ 0.97</u> | <u>\$ 2.39</u> | <u>\$ 2.16</u> |
| Weighted average shares outstanding used in computing per diluted share amounts | 49,822 | 49,434 | 49,681 | 49,049 |

Preliminary Adjusted EBITDA Reconciliation for Forward-Looking Guidance ⁽¹⁾

(Amounts in thousands)

| | Ranges for the three months ending | | Ranges for the year ending | |
|---|------------------------------------|-------------|----------------------------|-------------------|
| | September 30, 2019 | | December 31, 2019 | |
| | Low | High | Low | High |
| Net income (loss) attributable to Blucora, Inc. | \$ (35,500) | \$ (30,500) | \$ 27,000 | \$ 37,500 |
| Stock-based compensation | 4,900 | 4,900 | 16,700 | 16,300 |
| Depreciation and amortization of acquired intangible assets | 12,600 | 12,500 | 45,500 | 45,000 |
| Other loss, net ⁽³⁾ | 6,100 | 5,900 | 20,900 | 20,700 |
| Acquisition and integration costs | 6,500 | 6,100 | 22,400 | 22,000 |
| Income tax (benefit) expense | 1,400 | 1,100 | (2,000) | (2,000) |
| Adjusted EBITDA | <u>\$ (4,000)</u> | <u>\$ —</u> | <u>\$ 130,500</u> | <u>\$ 139,500</u> |

Preliminary Adjusted EBITDA Reconciliation for Prior Guidance Including 1st Global ⁽¹⁾

(Amounts in thousands)

| | Ranges for the three months ending | | Ranges for the year ending | |
|---|------------------------------------|------------------|----------------------------|-------------------|
| | June 30, 2019 | | December 31, 2019 | |
| | Low | High | Low | High |
| Net income attributable to Blucora, Inc. | \$ 20,100 | \$ 24,000 | \$ 33,200 | \$ 47,700 |
| Stock-based compensation | 5,400 | 5,100 | 18,700 | 17,900 |
| Depreciation and amortization of acquired intangible assets | 11,600 | 11,200 | 45,900 | 44,300 |
| Other loss, net ⁽³⁾ | 5,700 | 5,400 | 24,000 | 23,300 |
| Income tax expense | 2,200 | 2,800 | 6,200 | 6,800 |
| Adjusted EBITDA | <u>\$ 45,000</u> | <u>\$ 48,500</u> | <u>\$ 128,000</u> | <u>\$ 140,000</u> |

Preliminary Non-GAAP Net Income (Loss) Reconciliation for Forward-Looking Guidance ⁽¹⁾

(Amounts in thousands, except per share amounts)

| | Ranges for the three months ending | | Ranges for the year ending | |
|---|------------------------------------|--------------------|----------------------------|-------------------|
| | September 30, 2019 | | December 31, 2019 | |
| | Low | High | Low | High |
| Net income (loss) attributable to Blucora, Inc. | \$ (35,500) | \$ (30,500) | \$ 27,000 | \$ 37,500 |
| Stock-based compensation | 4,900 | 4,900 | 16,700 | 16,300 |
| Amortization of acquired intangible assets | 9,900 | 9,900 | 37,000 | 37,000 |
| Acquisition and integration costs | 6,500 | 6,100 | 22,400 | 22,000 |
| Cash tax impact of adjustments to net income (loss) | (500) | (500) | (2,000) | (2,000) |
| Non-cash income tax benefit | 200 | 100 | (8,600) | (8,300) |
| Non-GAAP net income (loss) | <u>\$ (14,500)</u> | <u>\$ (10,000)</u> | <u>\$ 92,500</u> | <u>\$ 102,500</u> |
| <i>Per diluted share:</i> | | | | |
| Net income (loss) attributable to Blucora, Inc. | \$ (0.72) | \$ (0.62) | \$ 0.54 | \$ 0.75 |
| Stock-based compensation | 0.10 | 0.10 | 0.33 | 0.32 |
| Amortization of acquired intangible assets | 0.20 | 0.20 | 0.73 | 0.74 |
| Acquisition and integration costs | 0.13 | 0.12 | 0.44 | 0.44 |
| Cash tax impact of adjustments to net income (loss) | (0.01) | (0.01) | (0.04) | (0.04) |
| Non-cash income tax benefit | 0.01 | 0.01 | (0.16) | (0.17) |
| Non-GAAP net income per share | <u>\$ (0.29)</u> | <u>\$ (0.20)</u> | <u>\$ 1.84</u> | <u>\$ 2.04</u> |
| Weighted average shares outstanding used in computing per diluted share amounts | 49,300 | 49,200 | 50,400 | 50,200 |

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

⁽¹⁾ We define Adjusted EBITDA as net income attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of stock-based compensation, depreciation and amortization of acquired intangible assets, restructuring, other loss, net, the impact of noncontrolling interests, acquisition and integration costs and income tax (benefit) expense. Restructuring costs relate to the relocation of our corporate headquarters that were completed in 2018. Acquisition and integration costs relate to the acquisition of 1st Global.

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 as net income attributable to Blucora, Inc., determined in accordance with GAAP, excluding the effects of stock-based compensation, amortization of acquired intangible assets, restructuring costs (described further under *Adjusted EBITDA* above), the impact of noncontrolling interests, acquisition and integration costs, 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 in the periods they occurred.

We believe that non-GAAP net income and non-GAAP net income 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 and non-GAAP net income per share are common measures used by investors and analysts to evaluate our performance and the valuation of our business. Non-GAAP net income 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 and net income per share. Other companies may calculate non-GAAP net income and non-GAAP net income per share differently, and, therefore, our non-GAAP net income and non-GAAP net income 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.