

Blucora, Inc. Third Quarter 2019 Earnings Conference Call

BILL MICHALEK, VICE PRESIDENT INVESTOR RELATIONS

Thank you and welcome, everyone, to Blucora's third quarter 2019 Earnings Conference Call. By now, you should have had the opportunity to review a copy of our earnings release and supplemental information. If you have not reviewed these documents, they are available on the investor relations section of our website at Blucora.com. In addition, this quarter we will also be referencing a set of slides that are also on the website and will be displayed in the webcast viewer.

I'm joined today by John Clendening, Chief Executive Officer and Davinder Athwal, our Chief Financial Officer. Before we begin, let me remind everyone that today's discussion contains forward-looking statements based on the environment as we currently see it and speak only as of the current date. As such, they include risks and uncertainties, and actual results and events could differ materially from our current expectations. Please refer to our press release and our other SEC filings, including our Forms 10-K, 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 and supplemental information available on blucora.com include the full GAAP and non-GAAP reconciliations.

With that, let me hand it over to John.

JOHN CLENDENING, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thanks Bill, and good morning everyone.

Slide 3 - Third-Quarter Overview

Thanks Bill, and good morning everyone. I'm pleased to report that we continued our momentum in the third quarter and delivered strong results, achieving the high-end of our targets, or better, on revenue, adjusted EBITDA, Non-GAAP net income and non-GAAP EPS. In addition to the strong results, our integration of 1st Global is running ahead of schedule. Synergy capture is now running about \$2 million ahead of plan, and we were able to consolidate both of our wealth management brands from a clearing platform perspective, which should allow for additional synergy capture over the long-term.

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

About two years ago on this call, or more than a year into my tenure with Blucora, I shared details about our multi-year transformation to that point, our business model, core beliefs, market position, strategy and opportunities. I'd like to take the opportunity today to look big picture at the business once again, albeit more briefly, in the context of where we were, where we are now and where we're going.

Slide 4 – Wealth Management

Starting first with Wealth Management.

Where we were:

Looking back to where we were at that time in late 2016, we were embarking on a plan to create a platform that would grow and scale, while resetting the economics of the business. We were looking to exit a restrictive, legacy clearing relationship, and would soon announce a transition to a new clearing partner, Fidelity, over the subsequent twelve months.

We have since completed that transition, which has enabled us to have much greater participation in the economics of client cash, and which has resulted in a step function increase in the economic value of our business.

Taking a look at the left-hand side of slide 4, you can see that in the third quarter of 2019 we were earning quarterly sweep cash about 5 times the level of the comparable quarter in 2016, and without the restrictions that completely capped our participation above a certain Fed-Funds rate. This past quarter we saw two rate cuts with another last month in October, and we're now running at about a \$6-\$7 million quarterly run-rate. Included in this benefit is additional cash from the 1st Global acquisition and resulting incremental benefit of merging the clearing agreements. While our profitability is enhanced with this new agreement at every Fed Funds rate, our annualized sweep income run-rate as a percentage of our consolidated adjusted EBITDA is only about 20%, significantly lower than some other players, as we are more diversified with two business segments.

Along with the improved clearing position and economics, we have upgraded our capabilities and advisor tools. With the stack of Fidelity, eMoney and Envestnet, we believe we now have one of the best commercial-grade platforms in the industry. One that advisors will find attractive – supporting organic growth, and one that is scalable – enabling inorganic growth.

And finally, we shifted to looking at production per advisor as a more meaningful metric, rather than the total number of advisors, to ensure that we recruit, retain and develop the advisors with the highest potential. On the front-end we implemented predictive models in advisor recruitment to identify which tax pros are most likely to be successful as an advisor. Additionally, we pro-actively pruned our advisor base to remove advisors that were not engaged or productive, and who accounted for virtually no assets. This positioned us to allocate more resources to remaining advisors. You can see from the chart on the right, we have almost doubled our productivity per advisor.

Slide 5 – Wealth Management

You can see looking at this next slide, how we have performed as it relates to some of the key wealth management metrics including growth in Total Client Assets, Advisory Assets, the proportion of advisory assets, as well as revenue, segment income and revenue per advisor. Including 1st Global, our total client assets, advisory assets, total revenue and segment income were up, respectively, 76%, 158%, 82% and 78%, and our total revenue per advisor is now **97%** higher than it was in 2016.

Where we are now:

So, moving to where we are today – we're well underway in our efforts to integrate 1st Global, an acquisition that increased our size by 50%, enhances our growth opportunities, and further strengthens our position as the largest and most capable player in our differentiated segment of the market.

Synergies are running ahead of schedule by about \$2 million, due to revenue synergies, such as asset and advisor attrition running better than expected through Q3, as well as some additional headcount and other cost synergies. I'm also pleased to announce that we recently consolidated our two wealth management broker-dealers into one with respect to our clearing platform. This is important for a number of reasons, including that it:

- 1) Positions us to capture certain cost synergies sooner than previously anticipated, which further enhances the long-term value of the acquisition; and
- 2) Getting this done ahead of tax season positions us to get up and running at full production, as one unified advisor base, sooner. The alternative would have been to wait until after tax season to consolidate, then work to get up to speed many months later. This scenario would have also left a perceived obstacle ahead in advisor's minds.

While there are clear long-term benefits from getting this done earlier than planned, it also brings forward any modest disruption that you might see around these larger events, whether that is to service metrics, organic advisor growth,

advisor retention, and so on, so we are also pulling forward the timing of those risks as well, which Davinder will address in a moment.

Slide 6 – Avantax Wealth Management

Along with consolidating with respect to clearing, we also unified the two businesses under a new brand name – Avantax Wealth Management. The combination of 'avant', which means original and innovative, with 'tax' reflects our unparalleled position in the industry. With the launch of Avantax Wealth Management we are creating a powerful brand for our business as we aim to redefine what tax-smart wealth management means and provide superior results for our clients.

Our leadership in this business is strong. As you know, about 5 months ago we brought in Enrique Vasquez, a veteran in the tax-focused wealth management arena, to lead this business, and he is making great progress. We have the right leadership in place with the capability and domain knowledge needed to drive the business forward and support and enable our advisors.

Where we are going:

Finally, in wealth management, where we're going. Here the focus is on finalizing the integration of 1st Global and driving organic growth.

As I mentioned, the integration is running ahead of plan by about \$2 million for 2019. Despite three cuts to the Fed Funds rate since the acquisition closed, which affects our sweep revenue, our cost synergies are running well ahead of plan and we continue to expect to exceed our original total synergy targets.

As we get up to full synergy achievement and complete the integration, it will mark the close of the first chapter in the story of Avantax Wealth Management. Over the past two years, the vast majority of this organization has been focused on the clearing conversion and the subsequent combination of the two firms. There was a great deal of work involved in getting us to this point, so I'd like to thank and congratulate the team for an incredible effort and result. And I'd especially like to share my personal appreciation to our incredible advisor community, which I view as the very best in the industry.

This business has never been stronger and with more potential; and the stage is now set to turn our attention to organic growth. We have a great deal of opportunity to accelerate growth, and an execution-focused team in place to begin to capture it. As we have shared in the past, at the end of the day, in a business like this, efforts to drive value manifest in two key ways:

- 1) Growth in Total Client Assets
- 2) Increased monetization of those assets, as measured by Revenue on Client Assets (ROCA)

We currently have about \$68 billion in total client assets. However, our advisor's tax and wealth clients combined have an estimated \$400-500 billion in investable assets. That means we could theoretically grow 7-8 times our current size without our advisors having to introduce themselves to a single person they don't already do business with, and without us having to bring on a single new advisor.

So how do we intend to capture this? First is through better enabling advisor performance. Now that we have largely completed our pruning efforts and are bringing in more productive advisors through our enhanced screening and recruiting process and putting them on a completely upgraded technology and infrastructure platform, we need to help them fully leverage these capabilities. We are focused on the advisor and client experience and are actively mapping and analyzing their journey and experience, identifying remaining pain points and opportunities to improve advisor and client experience. We are planning and implementing a number of improvements and implementing best practices across the business. For example, over the next few months we're rolling out regional support teams supporting segmented groups

of advisors with service and operational support. 1st Global had great success here, with small, dedicated teams for a more intimate service and support experience, and this will enhance what we have been doing with the chapter structure across what was the legacy HD Vest. Next year we'll also be rolling out a new comprehensive training and support program for new advisors, Avantax University, to better enable advisors get off to a strong start, providing a clear roadmap for success with regional consultants to keep them on track. We'll also have an office improvement or administrative track to help the entire advisor office be even more effective. I should note as well that these things will be accomplished through better use of existing resources, rather than incremental spend.

Another potentially significant driver of advisor performance, as well as advisor attraction and retention, is our proprietary Tax-Smart Investing (or TSI) platform which is now live and being rolled out to advisors. As we have discussed with you in the past, research shows that investors unnecessarily give up 150-200 basis points of performance each year to taxes by not employing tax-alpha strategies, such as tax-loss harvesting, optimizing asset location and intelligent asset drawdown. Our TSI platform is designed to help advisors systematically capture tax-alpha for clients across multiple accounts. Our unique approach is designed to identify the top opportunities in an advisor's client base every day and help automate the capture of that opportunity – in a fraction of the time. This is a big deal for investors: over a 30-year period, it could mean as much as \$800,000 in incremental assets at retirement for an average investor. As I'm sure all of you on the call would agree, this is an incredible amount of potential alpha generation.

As you may recall, we launched the first module, the Tax-Loss Harvester™, in June, making it available to 250 advisors. We have continued to add and are now at more than 425 advisors, or about 10% of our base, that have been trained on the tool.

Feedback from advisors has been very strong, with common comments like 'this will completely change the way I approach year-end conversations – and enable me to have more effective conversations with more clients', and 'this enables us to really stand out in this business – as the leader in tax-smart wealth management.'

So, we see this technology as being core to our strategy, and particularly when in the hands of our tax-focused advisor base, to be a key differentiator, and productivity enhancer, for advisors. Looking ahead we expect to launch our next module here in the fourth quarter, the Capital Gains Analyzer™, which captures and reports the annual capital gains estimates of mutual funds. This module will allow our advisors to focus more on planning and client outcomes, as opposed to data gathering.

One of our top producers in the Northeast started beta testing our Capital Gains Analyzer™ module just within the last few weeks and noted one of the mutual funds he uses in advisory models has already announced an estimated capital gain that will impact over 200 of his clients' accounts; he can now identify losses to offset these gains for those clients, in a fraction of the time it took last year, using the Tax-Loss Harvester™ module. We'll also look to launch version 2.0 of the Tax-Loss Harvester™, and perhaps a third module, all while continuing to expand to additional advisors. By the end of this year we expect to have more than 500 advisors using the platform. We will also enable this capability and begin rollout to our legacy-branded 1st Global advisors along this same time frame. We will continue to invest in this technology in 2020 given its potential, despite the headwinds a lower rate environment creates.

So, overall in wealth management, we are very excited about what we have been able to accomplish in upgrading the foundations of technology, infrastructure and platform, while enhancing our advisor base, focusing on productivity and investing in proprietary software with incredible potential that is already exciting advisors. With this foundation and 7-8x growth potential within our existing client base, you can see 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 in execution as well as innovation.

That said, our major near-term deliverable is to continue to execute on the integration.

Slide 7 – Tax Preparation

Where we were:

Moving to Tax Preparation. Starting with where we were. Looking back, 3 years ago at TaxAct we operated the product fully on legacy software code, using internal servers, which made it difficult, and less efficient, to drive innovation. We were also priced at a very sharp discount, up to about 75% to the volumetric leader in the market. This led to poor unit economics, as well as a likely lower quality perception that goes along with anything with that type of hard-to-believe discount.

So, what did we do:

- We migrated successfully to a new cloud platform.
- We began to refactor our software code to make it more flexible, scalable and efficient, beginning with the back-end.
- We have worked, over a multi-year period, to narrow the gap in our discount to the volumetric leader, in order to create a more normalized discount while improving unit economics. While there is room for further price increases, we have clearly made substantial progress on unit economics. In online consumer software, our segment income per filer is nearly double the amount that it was in 2016, and thus we now feature a much healthier economic profile. This is of crucial importance, as with a higher incremental segment income per filer, the ROI on marketing and technology investments improve markedly. And we still have a discount of 20%-35% versus the volumetric leader as we head into Tax Year 2019.
- We significantly enhanced the capability of our mobile app while increasing the scope to enable essentially all users to fully complete their taxes on the app, up from single-digit percentages.
- We also enhanced our customer support capabilities – including expanded chat support with tax specialists to help in completing the return.
- We tested an assisted, or “live” solution.
- And we tested a variety of ways to monetize our information advantage.

Where we are now:

So, moving to where we are today:

- We are finishing up our second of three years of code refactoring on our consumer software. The work now is at a stage where the focus is on improving the client experience.
- In fact, improving the client experience is the #1 focus of the team, which has been scouring over every page and every word on the customer journey, making it much easier and more enjoyable while removing friction points for filers at every level of complexity. This work will show up in a significantly improved customer experience and should help drive increases in *conversion* in-season, with less leakage in the customer funnel, as well as better *retention* in subsequent seasons.
- Unchanged is our focus on lifetime value.
- Also unchanged is our goal to offer the best overall value across the range of filers. This focus points to making some changes to our line-up and represents an investment in our value proposition. While we cannot reveal too many specifics about our plans for Tax Year 2019, I want to pause here and update you on a decision we have reached with regard to our SKU line-up. For background, we launched the Basic SKU in the second peak of Tax Year 2017, and it was slotted in between free and our first typical paid SKU. It was designed to target the segment of the population that filed 1040A that were willing to pay for a low-cost product to get an improved experience, and some additional features. The product did very well that season and was a good contributor this past season as well, but as the industry added more features to free, most notably prior-year import, and also increased the number of filers that could file for free, it no longer has a logical position in the market. As this

product primarily appealed to those that otherwise would file free, we expect the removal of the product and will result in a headwind or one-time resetting of revenue as we move into next season. But it also takes away a reason to not choose and return to TaxAct.

- On another note, we also sold our Canadian software subsidiary, SimpleTax, for \$9.6 million this quarter, to focus on our core business. This will also be an adjustment to our revenue run-rate.

Similar to wealth management, I believe our leadership in this business is very strong. Curtis Campbell joined Blucora in October of 2018, so this upcoming season will be his first full cycle at the helm, driving strategy, preparation and execution. He has continued to bring in strong talent and has focused the business in the right places; and we'll be better positioned to participate in the tailwinds in the digital DIY space than ever.

Where we are going:

Finishing up in Tax Preparation, to where we're going:

Having stabilized monetized units over the past two seasons while raising prices to a fair degree, going forward we are looking for more balanced growth across units and pricing, with competitive SKUs at a normalized, smaller discount and a differentiated position in the marketplace, that will become more apparent in 2020.

In short, we aim to win, and grow, through a four-part strategy:

- Appealing to a large, attitudinal segment that is looking for a forward-leaning approach to improve their financial position, not just completing this-year's taxes, leveraging our improved unit economics.
- Delivering a superior client experience, while also creating this differentiated position.
- Maintaining "better value" with moderate price increases.
- Increase ARPU through new initiatives, which may include an assisted offering, which we will more fully test and explore in Tax-Year 2019.

For clarity, our focus on a new segmentation along with investments in the client experience is not in the least bit in conflict with an LTV approach to this business. In fact, the opposite is true. Our investments in the client experience will benefit all filers, regardless of whether they are paying customer in year-one or not. Likewise, while we will not dedicate specific marketing spend to attract 'free year one' filers, we believe our approach and messaging will position us to capture more of these filers at no incremental cost.

In addition, with this focus on the core of the tax preparation experience, we are de-emphasizing for the time being partnership efforts, unless they contribute directly to improving the tax-filing experience. As a part of this we will repurpose our BluPrint analysis to support our approach to optimizing the filer's tax position, providing insights to all filers.

Altogether, I continue to be more excited than ever about the prospects for this business. We will share more down the road, but I will close out tax preparation by noting the key drivers of our high level of confidence heading into the year:

- First, we will have improved branding and messaging, which our testing indicates can drive increased quality and quantity of traffic,
- Second, we will have a significantly improved core product experience, supported by analytics that indicate we are focused on the key areas that can most increase conversion,
- Third, we'll be launching new branded product features, which our custom research tells us will have strong appeal and differentiation,
- Fourth, while we'll take some pricing, it will be more moderate, which should drive improvements in retention,

- Relatedly, we'll remove a SKU that is no longer relevant and dampened conversion,
- And last but not least, we have brought in seasoned talent with strong industry and functional experience.

Slide 8 – Demonstrated Growth

Moving to the corporate level, you can see our consistent growth in key financial metrics as we reduced debt, from what was 4x net leverage at the end of 2016 to 2.1x today and strengthened our balance sheet.

In the second quarter of this year we closed the acquisition of 1st Global which was very much an on strategy, accretive acquisition that advances our goals and improves our positioning. From a capital allocation perspective, in the near-term, we will be aggressively focused on integration and ensuring we achieve the full potential of this acquisition. And you should expect us to be disciplined about deleveraging, just like you saw after the HD Vest acquisition. Overall, our capital allocation philosophy remains unchanged, and is to maximize shareholder value creation from the set of available opportunities. We have been focused on funding organic growth opportunities and debt reduction. As in the past, attractive M&A would be in our consideration set should it present itself, along with continuing opportunistic share repurchase. Our share repurchase program executed this past quarter, and Davinder will provide a few more details on that in a moment.

Slide 9 – Summary

In summary, the company has demonstrated strong long-term financial performance, while laying the groundwork for future growth. Our third-quarter results were favorable, exceeding our targets and with acquisition synergies are running ahead of plan.

Doubtless, there are additional headwinds with the recent cuts in the Fed Funds rate and a less-certain overall economic environment. However, with the favorable position that comes with a strong and well-positioned core business and a highly capable leadership team committed to long-term growth, I'm excited about the opportunities ahead of us and optimistic about our future.

DAVINDER ATHWAL, CHIEF FINANCIAL OFFICER

Thanks John, and Good Morning everyone.

Slide 10 – 3Q Financial Results

I'd like to provide some additional detail on our third quarter results, an updated outlook for the full-year 2019, as well as a preliminary outlook for the upcoming tax season.

Consolidated third-quarter results, which include 1st Global for the full period, were:

- Total revenue of \$149.0 million, which was at the high-end of our guidance range
- Adjusted EBITDA of \$2.1 million, above the high-end of our target range
- Non-GAAP net loss of \$9.6 million, or \$0.20 per share, both at high-end of range
- And GAAP net loss of \$62.4 million, or \$1.28 per share, which included the \$51 million non-cash impairment charge related to the HD Vest trade name, partially offset by the gain from the sale of SimpleTax.

In terms of segment performance, and beginning with wealth management, revenue was \$145.4 million, and segment income was \$20.6 million, both of which were toward the high-end of our target ranges. A portion of the favorability relative to the mid-point of the guidance range was due to better than expected advisor and asset retention through Q3.

On a pro-forma basis, wealth management revenue was up 8% y/y, driven by sweep revenue, which is up by about 90%, as well as advisory and transactional, and mutual fund revenue share which were all up in the 8-9% range.

Net inflows into advisory assets in the third quarter were about \$225 million, and we ended the quarter with \$26.3 billion in advisory assets. Total Client Assets were approximately flat vs. last quarter, and we ended the third quarter with a combined \$67.7 billion. Advisory assets as a proportion of Total Client Assets ended the quarter at 38.9%.

Recruiting performed well in Q3 strong. Our platform recruited about 40 new tax professionals into wealth management. In addition, we also attracted a handful of established advisor transfers, with a combined \$150 million in client assets that will soon begin to move over to our platform. Similar to last quarter, one of the transfers was from an RIA. While RIA transfers are not an everyday occurrence, our strong compliance support and product offerings to enable advisors to scale and grow, is compelling. Last but not least, we also added another large accounting firm join, which has an estimated \$1.2 billion in client asset prospecting opportunities.

Switching gears for a moment to the integration of our wealth management businesses, and as John noted, we are pleased to report that we're currently running significantly ahead of plan. As part of our modeling of the acquisition, we had assumed about \$3 million of synergy-realization in 2019 but, we now expect to be around \$2 million above that goal, at about \$5 million. Similarly, while we had originally modeled synergy-realization of \$8 million in 2020, we now believe synergies will exceed \$10MM next year, even after taking into account the three cuts in the Fed Funds Rate since closing the acquisition, which, as you know, has an adverse effect on sweep income. The better-than-expected synergy performance is due to identification and capture of additional cost-saving opportunities as we execute our integration plan, as well as the acceleration of clearing conversion into 2019.

Moving on to the Tax Prep segment, TaxAct revenue for the third quarter was \$3.6 million, up 2.6% percent versus the prior year. Segment loss was \$12.1 million, up by about \$5 million versus the prior year, driven by the code refactor and related product investment work that we discussed last quarter.

One note to add here, in the third quarter we reclassified \$960 thousand of third-quarter professional tax prep revenue into deferred revenue, for pre-sales related to tax year 2019, which had been recorded as revenue in the second quarter. This adjustment reduces FY19 revenue and transfers it in to the first quarter of 2020, however there is no impact on FY19 segment income, as we have been able to mitigate the impact of the deferred revenue through opex management.

Finishing up on third quarter performance, unallocated corporate operating expenses were \$6.5 million, which is lighter than we expected due to the timing of certain items between quarter.

Moving on to liquidity, we ended the quarter with cash and cash equivalents of \$97.5 million and our net debt was \$292.5 million, resulting in a net leverage ratio of 2.1x at the end of September. During the quarter, we began putting some of this balance sheet strength to work by initiating repurchases of common stock. In total, we repurchased approximately 560,000 shares at an average price of approximately \$22.50 per share, for a total of about \$12.7 million in repurchases, and representing about 1% of our shares outstanding. As a reminder, we have authorization to repurchase shares up to \$100 million.

Finally, as it relates to integration costs, in the third quarter we recorded \$6.8 million. These costs are broken out on a separate line in our supplemental so you can track them, and they are added back for purposes of reporting Adjusted EBITDA. We had previously indicated that we expect a total of \$28 million in integration expense for 1st Global, with roughly \$10 million in 2019 and the balance in 2020. We also indicated our goal is to accelerate as much of the integration activities to 2019 as possible to maximize the long-term benefits, and that if we were successful in doing that, more of the cost would pull in to 2019. As I mentioned earlier, we were, in-fact, able to pull more in to 2019, most specifically the clearing conversion. We now expect the breakdown to be closer to \$17 million in 2019, with the balance in 2020.

Slide 11 – Full Year Outlook

Full-Year Outlook

With that, let's turn to our full-year outlook for 2019.

For the full-year, we expect:

- TaxAct revenue of between \$209.5 to \$210.5 million and segment income of \$93.0 to \$94.5 million.
- For our wealth management business, we expect full-year revenue, which includes 1st Global for the period of May 6 through year-end, of \$505.0 to \$510.0 million and segment income of \$67.0 to \$69.5 million.

This translates to consolidated full year outlook, again including 1st Global for the partial year, of revenue of between \$714.5 and \$720.5 million, Adjusted EBITDA of \$130.5 to \$135.5 million, non-GAAP net income of \$93.5 to \$99.5 million, or \$1.88 to \$2.01 per diluted share, and GAAP-net-loss attributable to Blucora of \$0.4 million to \$5.4 million, or \$0.01 to \$0.11 per diluted share, with \$28.5 to \$29.5 in corporate unallocated expense.

So, as you can see, while third-quarter results were ahead of our targets, we are not rolling that through to the full-year guidance. There are a few factors that are driving that. First, as you know, there was an additional cut to the Fed Funds rate in October that was not contemplated in our guidance, which will impact our sweep revenue. Second, as John noted, while we were able to accelerate the timing of the clearing consolidation related to the integration of 1st Global, which is a long-term net positive, it also pulls forward the timing of any moderate churn or disruption that we may see to the near-term. As a result, we're taking a more conservative view to things like transactional revenue, asset flows, retention and payout. Third, while the fourth quarter tends to be seasonally strong, the current economic climate also points to a more conservative view to transactional revenue and flows across the business. And finally, we have continued to see relatively stronger growth from our higher payout advisors, which has led average payout to be higher in the near-term.

Preliminary Tax Season Outlook

Finally, as we look ahead to next tax season, and its contribution to the strategy for maximizing the segment's long-term growth prospects as outlined by John, we have incorporated a number of factors in to our preliminary outlook for the first half of 2020. Specifically:

- While TaxAct has consistently grown revenue well-above market rates for a number of years now, our recent growth has been driven largely by pricing as we sought to improve our unit economics and the lifetime value of our customers. Because of the pricing work we have been executing over the last few years, we are now in a strong position to derive growth from both volume and price, and as a result return to overall unit growth.
- We are making the right investments to greatly improve an already strong product and experience, with updated branding and marketing, to improve conversion and retention.
- To be most competitive in the market, we will remove our Basic SKU and make a few other adjustments, that will result in a one year reset or headwind of about \$17 million in 2020.
- The sale of SimpleTax has also been reflected in our growth rate assumption.
- Incorporating these factors, and taking a more conservative view in this transition year, for the first half of 2020 we are targeting segment margin at TaxAct to be in the range of 56.7 to 57.7 percent, which is consistent with the prior-year, but revenue growth to be more in-line with market growth in the 3 to 5 percent range versus the comparable prior-year period.
- Normalizing for the removal of Basic and sale of SimpleTax, would result in an equivalent year-over-year growth of about 11% in revenue and 15% in segment income.

This concludes our prepared remarks; we will now turn the call over to the operator for Q&A. Operator?