

Blucora Q4 and Full Year 2015 Management's Prepared Remarks

The following is Blucora management's prepared remarks on a conference call February 11, 2016 at 2 p.m. PDT / 5 p.m. EDT to discuss Blucora's fourth quarter and full year 2015 financial results. This webcast can be accessed within the Investor Relations section of the Blucora corporate website at www.blucora.com.

FORWARD LOOKING STATEMENT - STACY YBARRA, VICE PRESIDENT INVESTOR RELATIONS

Good afternoon, and welcome to Blucora's investor conference call to discuss fourth quarter and full year 2015 results.

Before we begin, I'd like to remind you that during the course of this call, Blucora representatives will make forward-looking statements, including but not limited to statements regarding Blucora's expectations about its products and services, outlook for the future of our business and growth initiatives, and anticipated financial performance for the first quarter and full year 2016.

Other statements that refer to our beliefs, plans, expectations or intentions - which may be made in response to questions - are also forward-looking statements for purposes of the safe harbor provided by the Private Securities Litigation Reform Act. Because these statements pertain to future events, they are subject to various risks and uncertainties, and actual results could differ materially from our current expectations and beliefs. Factors that could cause or contribute to such differences include, but are not limited to, the risks and other factors discussed in Blucora's most recent Quarterly Report on Form 10-Q on file with the Securities and Exchange Commission. Blucora assumes no obligation to update any forward-looking statement, which speak only as of the date the statement is made.

In addition, during this call, our management will discuss GAAP and non-GAAP financial measures. In the press release, which has been posted on our website and filed with the SEC on Form 8-K, we present GAAP and non-GAAP results along with reconciliation tables, and the reasons for our presentation of non-GAAP information.

We have also provided supplemental financial information to our results in the investor relations section of our corporate website at www.blucora.com and filed with the SEC on Form 8-K. Now, I'll turn the call over to Bill Ruckelshaus. Following his comments, Eric Emans will review fourth quarter and full year 2015 results and 2016 outlook. Then we'll open up the call to your questions.

BILL RUCKELSHAUS, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Stacy. To those on the call, good afternoon and thank you for joining us.

2015 marked an important and transformational year for Blucora. In my opening remarks I want to briefly recap our strategy, update on the execution steps remaining to complete the transactional phase of our transformation and provide further insights on the opportunities within

and between HD Vest and TaxAct. Let me start by providing some perspective on where we've been and how we have arrived at where we are now:

Blucora's multi-stage transformation began in 2010. In stage one, we pursued a deliberate strategy with a central objective: to allocate capital to acquisitions that bring needed diversity and improve the overall quality of our businesses and financial results. In this effort we brought to bear a large net operating loss ("NOL") that increases free cash flow conversion of businesses we own. The second stage, where we soon embark, involves organizing around our strongest assets and becoming more operationally focused.

In executing stage one, our first step came in early 2012 with TaxAct – purchased for roughly \$290M. TaxAct has performed well. Revenue, EBITDA and unlevered FCF have all grown at annual rates in excess of 10% since 2011, the year before our acquisition. TaxAct's performance reflects the strengths of the team, balanced growth in consumer e-files and ARPU and expanding paid professional software and SMB business lines. Subsequent, smaller acquisitions of Monoprice in mid-2013 and HowStuffWorks in early 2014 contributed to the further diversification of Blucora, though in both cases returns on incremental capital vs. TaxAct have proven less attractive.

Our acquisition late last year of HD Vest, and our decision to divest Infospace and Monoprice, now position Blucora to begin stage two of the Company's transformation. HD Vest is the largest U.S. independent broker dealer focused on tax professionals. Pairing HD Vest with TaxAct creates a compelling new Blucora: industry leading franchises across financial advisory and tax preparation sectors, a strong financial profile through stable, predictable and recurring free cash flow and strategic opportunities to cross-sell solutions to common customers across both businesses. Importantly, Blucora now anticipates full utilization of our tax advantages – generating approximately \$160M in future cash savings for shareholders.

Our work isn't done but the path is clear. In the coming months our agenda is straight forward:

- Complete the divestitures of Infospace and Monoprice
- Streamline corporate operating expenses
- Introduce our new CEO to guide Blucora in the next phase of growth and development

During this period we will also execute our operational plans and integrate HD Vest. Upon completion of the divestitures, we will allocate at least 50% of sale proceeds to paying down debt. Beginning in 2017, we plan to begin returning capital to shareholders.

Shortly I will turn the call over to Eric for more details on the financials, but first I'd like to provide an update on HD Vest and TaxAct, and touch briefly on the path forward.

Starting with Wealth Management

Despite a challenging market environment in the second half, HD Vest performed well in 2015. Highlights include:

- Revenue of \$319.7m, up 5% over 2014
- Segment income of \$43m, up 7% over 2014
- Segment margin of 13.4%, up 22bps vs. 2014
- Ending total assets under administration (AUA) of \$36.6bn, and advisory assets under management (AUM) of \$9.7bn.

HD Vest operates in a large and growing segment of the financial advice industry supported by documented secular trends, including: a growing percentage of the U.S. population at or nearing

retirement; increasing adoption of financial advisors to plan for retirement and manage wealth; gaining share of independent advisors not aligned with traditional wire house firms; and a corresponding growth in asset flows to independents.

The HD Vest strategy is to be the premier provider of financial services to tax professionals, engaging ethical, trusted CPA's as financial advisors delivering holistic advice to clients seeking financial security.

Going forward, execution of this strategy is a function of three key initiatives:

- 1. Attract, grow and retain advisors through recruitment and training
- 2. Deliver technology solutions to drive advisor productivity and fee-based advisory solutions
- 3. Manage regulatory and compliance burdens cost-effectively

In 2015, HD Vest added the greatest number of new advisors than at any point in the last eight years. Total advisors were up, marking the third consecutive year of positive advisor growth. Advisor recruitment was re-invented in 2014 with enhanced lead generation, simplified application and on-boarding and improved brand awareness. Extensive, formalized training and succession planning programs help retain new and long-tenured advisors and drive long-term value. HD Vest is now partnering with TaxAct in ProAdvance, TaxAct's paid professional marketplace. So far we've seen good leads from TaxAct to HD Vest with a nice conversion rate.

Technology forms the cornerstone of HD Vest's growth strategy. New advisory inflows in 2015 reached the second highest level in company history. The technology behind HD Vest's 'V4 Client Experience' is driving this momentum. Let me provide two examples:

- 1040 Analyst provides automated analysis of Form 1040's, creating highly effective advisorclient planning conversations about opportunities identified in tax returns. Since inception, advisors utilizing 1040 Analyst have acquired approximately 2,300 new clients with \$200M in new assets. Including assets captured from existing clients, 1040 Analyst is responsible for \$440M in new assets to the firm.
- VestVision® is an investment and retirement planning tool facilitating client-personalized plans that track to individual goals in all market conditions. Since launch in 2014, over 8,600 plans have been created with VestVision - representing 10% of all client assets now held at HD Vest. Some \$3.5B in 'held away' client assets are targeted for asset capture in the future.

These and other technology-enabled components of the V4 Client Experience provide robust client work flow tools enabling HD Vest advisors to grow their practices through individualized client insights and custom planning and investment solutions. HD Vest technology, delivered in training venues and supported by experienced home office team members, enhances advisor confidence and competence and drives advisor productivity.

Last, HD Vest operates in a dynamic regulatory environment. We plan expenses to fund current and future expected compliance, including the upcoming DOL rule. We expect a final DOL rule within next 60 – 90 days – although the implementation deadlines are expected later in the year or beyond. If the rule is adopted as proposed, we see the most significant impact in disclosure requirements to clients with smaller IRA investments - resulting in additional annual costs estimated to be approximately \$200K. From a materiality perspective, impacted smaller accounts represent approximately 2% of total AUA or \$500K of company gross profit. We can mitigate a portion of the rule's impact by lowering account minimums and shifting balances to advisory accounts. Overall we do not expect the impact of the DOL rule, as proposed, to be material to our financial performance and we are working to best operationalize the new rule once finalized.

Now moving to Tax Preparation

The tax season is underway and thus far playing out as expected. This off-season TaxAct responded with new forms-based packages and refreshed branding - featuring a Free State / Free Federal offering for simple returns. Additional packages for more complicated returns are better tailored to the unique situations of our DIY filers. Priced at a fraction of the cost of similar online tax products, our offerings include mobile-responsive design, enhanced account management, refund snapshots, expanded security, identity recovery services and as always - a price lock guarantee.

TaxAct also offers a preparers edition of its tax software to more than 19,500 tax professionals. This year improvements to product workflows allow completion of more client returns in less time with tools and enhancements including – dedicated customer support, enhanced reporting, secure document exchange through a new online portal, identity protection services and additional state editions. TaxAct also launched ProAdvance, a new online resource designed to help tax professionals boost productivity and grow their businesses. These enhancements are being well received by our professionals and early trends in customers and revenue growth are positive.

The TaxAct value proposition - centered on fairness, simplicity, transparency and accuracy - remains the strongest in the industry at all levels of complexity. Our enhancements this season strengthen our ability to offer filers and paid professionals the best deal in tax. While it's early in the season, we are pleased with the results thus far.

Let me touch briefly on shared opportunities between HD Vest and TaxAct

We continue to believe the combination of HD Vest and TaxAct brings opportunity to unlock synergy in two key areas: bringing financial planning and wealth management solutions to TaxAct customers and introducing TaxAct professional customers to HD Vest. We are testing this season with TaxAct consumers to help inform our implementation next year. Early receptivity tests are encouraging and confirming of ingoing assumptions. On the paid professional side, as mentioned, HD Vest is now partnering with TaxAct in their CPA/ERA marketplace. We are seeing strong interest from TaxAct professionals in learning more about HD Vest, aided by a hosted webinar introducing HD Vest and featuring a cobranded free trial of the 1040 Analyst solution. TaxAct professionals are proving engaged and open to new solutions to grow their practices.

I will wrap up with some comments on the remaining executions steps in our transformation

The divestiture processes for Infospace and Monoprice are moving according to schedule. We hope to conclude both processes sometime in the middle of the year. We are seeing strong interest from both strategic and financial buyers and are optimistic in each case that we will identify new owners in transactions that both maximize our cash flow and provide new opportunities for our teams.

Both businesses performed well in the fourth quarter. I'll share a few brief highlights:

Search and Content revenue and segment income grew vs. Q3, representing the first sequential increase in 2 years. Bing is now fully implemented across the search network, bringing added monetization and substantially reducing reliance on Google and Yahoo. At How Stuff Works, we continue to make progress with the publishing and revenue optimization platform launched in October. The new platform is driving ROI positive traffic from non-search channels, doubling our rate of revenue and growing page views 4x. The HSW podcasts continue to shine and experienced record downloads in Q4.

Monoprice revenue grew 7% year over year in the fourth quarter and generated double digit revenue growth during the holiday season, well outpacing the overall consumer electronics market. Cyber Monday revenue was up 17% over 2014. KPI's are trending up in key categories. Site optimization initiatives are proving out. Visits converted a higher rate with a 12% decrease in bounce rate and 15% increase in AOV. Our new Kentucky warehouse was running this holiday season – allowing for more competitive shipping and a driving a 5% lift in east coast sales. Product innovation, a key focus, resulted in the highest quarterly revenue from new products in the Company's 13 year history.

To sum up our progress

Our transition to a technology-enabled financial solutions company is underway and the remaining execution steps are on track. The new CEO search is progressing well and a short list of qualified candidates is undergoing Board evaluation. I am particularly pleased at the quality of candidates we are seeing. HD Vest and TaxAct are high quality businesses with significant shared opportunities. Together they represent important characteristics and combined potential:

- Strong secular trends driving large market opportunities
- Established leaders with defensible market positions
- Sustained growth profiles
- Sticky, recurring and predictable revenue models
- Complementary and diversified sources of revenue
- Experienced and tenured senior leadership teams

With that, I'll turn the call over to Eric for more details on the financials.

ERIC EMANS, CHIEF FINANCIAL OFFICER

Thanks Bill.

It was a busy fourth quarter – we closed the acquisition of HD Vest on December 31, 2015 and announced our plans to divest our Infospace and Monoprice businesses. These events have triggered significant changes in the way we report financial results from our last call – most notably our Search & Content and Ecommerce segments are now reported as discontinued operations leaving Tax Prep as the lone business segment in continuing operations. I will touch quickly on the reported results but I will spend the majority of my prepared remarks focused on pro forma results that include HD Vest as we believe this presentation most accurately reflects the financial performance of the Company on a go-forward basis. Please note that the results of HD Vest will be reported as our Wealth Management segment.

Before we begin, I want to again call your attention to the supplemental financial information we have posted to the Blucora IR site – we believe this supplemental information, which includes

several schedules that recast historical reported and pro forma results will be helpful to investors.

Beginning with our reported results for 2015

Revenue was \$117.7 million and adjusted EBITDA was \$39.2 million, up 13 percent and 11 percent, respectively, versus prior year. Non-GAAP income from continuing operations was \$28.2 million, up 21 percent year on year, and \$0.67 per diluted share. Adjusted EBITDA and non- GAAP income from continuing operations include add backs for HD Vest related transaction expenses and expenses associated with our previously announced CEO transition. GAAP loss from continuing operations was \$12.7 million or \$0.31 per share.

GAAP net loss for the year was \$40.1 million or \$0.98 per share and includes a loss from discontinued operations of \$27.3 million or \$0.67 per share.

As of December 31, 2015 our balance sheet reflects the HD Vest acquisition including net debt of \$540.9 million. As of year-end our net leverage ratio was 4.6x when giving credit for the segment income of our discontinued operations as well as taking into account cash and debt associated with discontinued operations. As Bill mentioned, we are committed to paying debt down in 2016 and achieving net leverage of 3-times in early 2017. To this end, in the first quarter 2016 we expect to pay down \$30 million of our term B credit facility utilizing cash from operations.

Let's move onto a discussion of our 2015 full year and fourth quarter pro forma results

On a consolidated basis pro forma revenue for 2015 was \$437.4 million and adjusted EBITDA was \$82.2 million. Non-GAAP income from continuing operations was \$37.0 million or \$0.88 cents per diluted share. Pro Forma GAAP loss from continuing operations for the year was \$11.5 million or \$0.28 cents per share driven by acquired intangibles amortization associated with the HD Vest acquisition and excluded from non-GAAP income from continuing operations.

Consolidated pro forma revenue for the fourth quarter was \$85 million and adjusted EBITDA was \$3.5 million. Non-GAAP loss from continuing operations was \$8.0 million or \$0.19 per share. The loss reflects increased interest expenses associated with the Term B credit facility. Pro Forma GAAP loss from continuing operations for the quarter was \$13.9 million or \$0.34 cents per share and includes acquired intangibles amortization associated with the HD Vest acquisition.

Turning to the pro forma segment performance and expectations for first quarter 2016, starting with Tax Prep

Full year Tax Prep revenue was \$117.7 million and segment income was \$57.0 million. Revenue was up 13 percent and segment income was up 15 percent versus prior year and segment margin was 48 percent - a great year.

Fourth quarter 2015 Tax Prep revenue was \$2.9 million and segment loss was \$4.5 million, both better than expectations.

Looking ahead for Tax Prep, we are confirming our first half 2016 revenue and margin guidance – we expect revenue of \$122 to \$125 million at a margin of 55 to 56 percent. We expect approximately 70 percent of the first half revenue will come in during the first quarter at a margin of approximately 52 percent. This represents a shift in revenue and profitability to the second

quarter when compared to last year driven in large part by our pricing and packaging changes which we expect to driver higher ARPU in the second peak.

Moving on to Wealth Management

Full year 2015 pro forma revenue was \$319.7 million and segment income was \$43.0 million, up 5 and 7 percent, respectively, versus 2014. Revenue growth was driven primarily by an 8 percent increase in advisory revenue which benefited from strong net flows for the third quarter 2014 thru first quarter 2015 as well as a favorable S&P bump entering the year. Overall advisory AUM was up 1 percent for 2015 as approximately 45 percent of net flows were offset by market declines. Commission revenue was up 3 percent driven by a 4 percent increase in transactional revenue which exited the year strong and trailers were up 2 percent. Total recurring revenue for the year was approximately 78 percent. Net revenue was up 3 percent as adviser payout increased 45 basis points. Segment income growth and margin expansion were driven by net revenue growth and increased operating leverage thru expense management - operating expenses were up less than 1 percent year on year.

For the fourth quarter pro forma Wealth Management revenue was \$82.1 million and segment income was \$12.2 million, up 4 and 18 percent, respectively, year on year. Revenue growth was driven by a 6 percent increase in commission revenue as transactional revenue was up 14 percent on the strength of variable annuity sales while trailers were flat year on year. Advisory revenue was also flat year on year attributable to the S&P being down 7 percent sequentially exiting the third quarter. Net revenue was up 3 percent as adviser payout increased 75 basis points versus fourth quarter 2014 attributable to revenue and adviser mix which was partially offset by a growth in attachment revenue. It is worth noting that exiting 2015 we saw an increase in sweep revenue attributable to fed interest rate action and an increase in our cash sweep balance related to market volatility. Segment margin expanded to 15 percent primarily driven by operating leverage in the business as operating costs were down 8 percent year on year as the team focused on profitability in the back half of 2015.

Looking ahead to first quarter 2016 we expect revenue of \$77 to \$79 million at a segment margin of 13 to 14 percent. We expect transactional revenue and non-compensatory sweep revenue to be the primary drivers of year on year revenue growth.

Switching gears to pro forma unallocated corporate operating expense – full year 2015 was \$17.8 million and fourth quarter was \$4.3 million. These pro forma numbers exclude transaction expenses and CEO transition costs as well as any costs specifically identifiable to discontinued operations.

Consistent with our comments in October, we expect our strategic transformation will allow us to reduce unallocated corporate operating expenses, with anticipated achievement of a \$12 million dollar run rate in early 2017. With that being said - 2016 will be a year of transition as we divest Infospace and Monoprice, and integrate HD Vest. As a result, we will incur costs to support this transition throughout 2016. In general, transition costs fall in two categories – first are one-time costs incremental to our 2015 cost base like HD Vest integration expenses. The second category are costs needed to support us thru this transition and for the most part are expected to decline throughout the year. To this end, we expect unallocated operating expenses will be

just north of \$5 million in first quarter 2016. For the full year we expect unallocated costs to be approximately \$18.5 million.

With that let's summarize our first quarter and full year 2016 outlook for continuing operations

For the first quarter, we expect consolidated revenue between \$162.5 and \$167.0 million; adjusted EBITDA between \$49.0 million and \$52.0 million; non-GAAP income from continuing operations of \$36.7 to \$39.9 million or \$0.88 to \$0.96 cents per diluted share; and GAAP income from continuing operations of \$14.4 to \$16.6 million or \$0.35 to \$0.40 cents per diluted share.

For the full year, we expect consolidated revenue between \$444.0 and \$462.5 million; adjusted EBITDA between \$86.0 and \$91.5 million; non-GAAP income from continuing operations of \$40.6 to \$47.5 million or \$0.96 cents to \$1.12 per diluted share; and GAAP loss from continuing operations of \$7.5 to \$2.2 million or \$0.18 to \$0.05 cents per share.

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