

Blucora, Inc.
Supplemental Information
September 30, 2014

Table of Contents

Financial Information

Consolidated Financial Results	2
Reconciliation of Non-GAAP Financial Measures	4
Stock Price Sensitivity Analysis for Diluted Shares	5

Operating Metrics

Search and Content	6
E-Commerce	7

Blucora Consolidated Financial Results

(in thousands except %s and net income per share, rounding differences may exist)

	2012			2013			2014		
	FY 12/31	1Q	2Q	3Q	4Q	FY 12/31	1Q	2Q	3Q
Segment Revenue									
Search and Content ⁽¹⁾	\$ 344,814	\$ 100,601	\$ 94,497	\$107,742	\$125,624	\$ 428,464	\$ 106,765	\$ 79,818	\$ 74,416
Tax Preparation ⁽²⁾	62,105	64,737	22,684	1,749	2,043	91,213	72,279	26,452	2,469
E-Commerce ⁽³⁾	—	—	—	14,630	39,673	54,303	37,139	35,299	37,970
Total	\$ 406,919	\$ 165,338	\$ 117,181	\$124,121	\$167,340	\$ 573,980	\$ 216,183	\$ 141,569	\$114,855
Segment Income (Loss) ⁽⁴⁾									
Search and Content ⁽¹⁾	\$ 62,185	\$ 18,270	\$ 17,912	\$ 21,319	\$ 25,003	\$ 82,504	\$ 19,230	\$ 14,032	\$ 12,709
Tax Preparation ⁽²⁾	30,052	30,784	14,438	(1,605)	(3,018)	40,599	37,402	17,211	(1,859)
E-Commerce ⁽³⁾	—	—	—	906	4,061	4,967	3,478	2,378	3,336
Total	\$ 92,237	\$ 49,054	\$ 32,350	\$ 20,620	\$ 26,046	\$ 128,070	\$ 60,110	\$ 33,621	\$ 14,186
Segment Income (Loss) % of Revenue									
Search and Content	18%	18%	19%	20 %	20 %	19%	18%	18%	17 %
Tax Preparation	48%	48%	64%	(92)%	(148)%	45%	52%	65%	(75)%
E-Commerce	na	na	na	na	10 %	9%	9%	7%	9 %
Total	23%	30%	28%	17 %	16 %	22%	28%	24%	12 %
Unallocated Corporate Operating Expense ⁽⁴⁾	\$ 11,798 ⁽⁵⁾	\$ 3,198	\$ 3,135	\$ 4,025 ⁽⁶⁾	\$ 3,471	\$ 13,829	\$ 3,222	\$ 3,833	\$ 3,524
Adjusted EBITDA	\$ 80,439	\$ 45,856	\$ 29,215	\$ 16,595	\$ 22,575	\$ 114,241	\$ 56,888	\$ 29,788	\$ 10,662
Other Unallocated ⁽⁴⁾									
Stock-based compensation	\$ 13,223 ⁽⁷⁾	\$ 2,485	\$ 2,753	\$ 3,252 ⁽⁸⁾	\$ 3,037	\$ 11,527	\$ 3,408	\$ 2,958 ⁽⁹⁾	\$ 2,608
Depreciation	3,812	1,003	990	1,126	1,357	4,476	1,395	1,414	1,385
Amortization of intangible assets	19,199	5,109	5,095	6,090 ⁽¹⁰⁾	7,495	23,789	7,469	7,642 ⁽¹¹⁾	7,993
Interest income	(131)	(55)	(109)	(42)	(94)	(300)	(108)	(88)	(71)
Interest expense	3,522	1,148	2,890 ⁽¹²⁾	2,669	2,756	9,463	3,015	2,764	2,706
Amortization of debt issuance costs	820	107	476 ⁽¹²⁾	258	267	1,108	281	284	288
Accretion of debt discounts	325	161	949 ⁽¹²⁾	862	866	2,838	906	916	931
Loss on debt extinguishment and modification expense	—	—	—	1,593	—	1,593	—	—	—
(Gain) loss on derivative instrument	2,346	(348)	2,323	3,956	5,721 ⁽¹³⁾	11,652	—	—	—
Impairment of equity investment in privately-held company	—	—	—	3,711	—	3,711	—	—	—
Other (income) loss, net	(205)	(8)	(225)	111	(320)	(442)	(25)	(152)	(646)
Total	\$ 42,911	\$ 9,602	\$ 15,142	\$ 23,586	\$ 21,085	\$ 69,415	\$ 16,341	\$ 15,738	\$ 15,194
Income (Loss) Before Taxes	\$ 37,528	\$ 36,254	\$ 14,073	\$ (6,991)	\$ 1,490	\$ 44,826	\$ 40,547	\$ 14,050	\$ (4,532)
Income Tax (Benefit) Expense									
Cash	\$ 1,443	\$ 1,472	\$ 435	\$ (517)	\$ 498	\$ 1,888	\$ 2,241	\$ 1,435	\$ (277)
Non-cash ⁽¹⁴⁾	13,559	11,174	5,232	7	2,126	18,539	12,319	3,878	(2,017)
Total	\$ 15,002	\$ 12,646	\$ 5,667	\$ (510)	\$ 2,624	\$ 20,427	\$ 14,560	\$ 5,313	\$ (2,294)
GAAP Net Income (Loss)	\$ 22,526	\$ 23,608	\$ 8,406	\$ (6,481)	\$ (1,134)	\$ 24,399	\$ 25,987	\$ 8,737	\$ (2,238)
GAAP Net Income (Loss) Per Share - diluted	\$ 0.54	\$ 0.53 ⁽¹⁵⁾	\$ 0.20	\$ (0.16)	\$ (0.03)	\$ 0.56	\$ 0.58	\$ 0.20	\$ (0.05)
Non-GAAP Net Income	\$ 70,760	\$ 41,997	\$ 24,632	\$ 12,970	\$ 18,095	\$ 97,694	\$ 50,003	\$ 23,908	\$ 6,544
Non-GAAP Net Income Per Share - diluted	\$ 1.70	\$ 0.95	\$ 0.58	\$ 0.30 ⁽¹⁶⁾	\$ 0.40 ⁽¹⁷⁾	\$ 2.25	\$ 1.12	\$ 0.55	\$ 0.15 ⁽¹⁸⁾
Outstanding Shares	40,832	40,933	41,143	41,176	42,083	42,083	42,203	41,039	40,977
Basic Shares - GAAP	40,279	40,911	41,050	41,088	41,566	41,201	42,162	41,570	41,034
Diluted Shares - GAAP	41,672	44,294	42,724	41,088	41,566	43,480	44,521	43,084	41,034
Cash & Short-term Investments	\$ 162,288	\$ 401,677	\$ 415,493	\$248,382	\$333,705	\$ 333,705	\$ 336,390	\$ 278,620	\$280,394
Outstanding Debt - Principal Amount ⁽¹⁹⁾	74,496	275,746	265,746	266,634	322,634	322,634	278,634	266,634	264,634
Net Cash	\$ 87,792	\$ 125,931	\$ 149,747	\$ (18,252)	\$ 11,071	\$ 11,071	\$ 57,756	\$ 11,986	\$ 15,760

Notes to Consolidated Financial Results on next page

Notes to Consolidated Financial Results

- (1) On May 30, 2014, we acquired HowStuffWorks ("HSW"). The Search and Content segment, formerly known as the Search segment, includes the financial results of HSW beginning on May 30, 2014.
- (2) On January 31, 2012, we acquired TaxACT, Inc. As a highly seasonal business, almost all of the TaxACT revenue is generated in the first four months of the calendar year. Amounts for 2012 represented the results of operations for the TaxACT business from January 31, 2012 to December 31, 2012.
- (3) On August 22, 2013, we acquired Monoprice, Inc. Amounts for 2013 represented the results of operations for the Monoprice business from August 22, 2013 to December 31, 2013.
- (4) We do not allocate certain general and administrative costs (including personnel and overhead costs), stock-based compensation, depreciation, amortization of intangible assets, other income/loss, net, or income taxes to the reportable segments. The general and administrative costs are included in Unallocated Corporate Operating Expense.
- (5) Amount in 2012 included \$1.1 million in transaction costs related to the TaxACT acquisition.
- (6) Amount for 3Q13 included \$0.6 million in transaction costs related to the Monoprice acquisition.
- (7) Amount in 2012 included \$5.2 million in stock-based compensation in association with the modification of the terms of a warrant and the vesting of non-employee performance-based stock options upon completion of the TaxACT acquisition.
- (8) In 3Q13, \$0.5 million in stock-based compensation was recorded in association with the vesting of performance-based stock options upon completion of the Monoprice acquisition.
- (9) In 2Q14, \$0.3 million in stock-based compensation was recorded in association with the vesting of performance-based stock options upon completion of the HSW acquisition.
- (10) Amount for 3Q13 included \$1.0 million related to amortization of acquired intangible assets related to the Monoprice acquisition.
- (11) Amount for 2Q14 included \$0.2 million related to amortization of acquired intangible assets related to the HSW acquisition.
- (12) Interest expense, amortization of debt issuance costs, and accretion of debt discounts included amounts associated with the Convertible Senior Notes issued on March 15, 2013.
- (13) Warrant was exercised during 4Q13.
- (14) Amounts represent the non-cash portion of income taxes from continuing operations. 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 consist primarily of US federal net operating losses. The majority of these deferred tax assets will expire, if unutilized, between 2020 and 2024.
- (15) Calculation excluded the income effect of a dilutive derivative instrument and the Convertible Senior Notes in 1Q13. Related to the Notes, we received shareholder approval for flexible settlement in May 2013.
- (16) Calculation in 3Q13 used 43,142,000 diluted shares due to non-GAAP net income.
- (17) Calculation in 4Q13 used 45,716,000 diluted shares due to non-GAAP net income.
- (18) Calculation in 3Q14 used 42,305,000 diluted shares due to non-GAAP net income.
- (19) 2012 included the TaxACT 2012 credit facility, issued in January 2012 in connection with the TaxACT acquisition and refinanced during 3Q13 on more favorable terms (the TaxACT 2013 credit facility), 1Q13 included the Convertible Senior Notes issued in March 2013, and 4Q13 included the Monoprice 2013 credit facility issued in November 2013.

Blucora Reconciliation of Non-GAAP Financial Measures⁽¹⁾

(in thousands except net income per share, rounding differences may exist)

	2012		2013				2014			
	FY 12/31	1Q	2Q	3Q	4Q	FY 12/31	1Q	2Q	3Q	
<u>Adjusted EBITDA</u>										
Net income (loss) ⁽²⁾	\$ 22,526	\$23,608	\$ 8,406	\$(6,481)	\$ (1,134)	\$ 24,399	\$25,987	\$ 8,737	\$(2,238)	
Stock-based compensation	13,223	2,485	2,753	3,252	3,037	11,527	3,408	2,958	2,608	
Depreciation and amortization of intangible assets	23,011	6,112	6,085	7,216	8,852	28,265	8,864	9,056	9,378	
Other loss, net ⁽³⁾	6,677	1,005	6,304	13,118	9,196	29,623	4,069	3,724	3,208	
Income tax (benefit) expense	15,002	12,646	5,667	(510)	2,624	20,427	14,560	5,313	(2,294)	
Adjusted EBITDA	<u>\$ 80,439</u>	<u>\$45,856</u>	<u>\$29,215</u>	<u>\$16,595</u>	<u>\$22,575</u>	<u>\$114,241</u>	<u>\$56,888</u>	<u>\$29,788</u>	<u>\$10,662</u>	
<u>Non-GAAP Net Income</u>										
Net income (loss) ⁽²⁾	\$ 22,526	\$23,608	\$ 8,406	\$(6,481)	\$ (1,134)	\$ 24,399	\$25,987	\$ 8,737	\$(2,238)	
Stock-based compensation	13,223	2,485	2,753	3,252	3,037	11,527	3,408	2,958	2,608	
Amortization of acquired intangible assets	19,199	5,109	5,095	6,090	7,495	23,789	7,469	7,642	7,993	
Accretion of debt discount on Convertible Senior Notes	—	132	841	843	858	2,674	874	890	907	
Loss on debt extinguishment and modification expense	—	—	—	1,593	—	1,593	—	—	—	
(Gain) loss on derivative instrument	2,346	(348)	2,323	3,956	5,721	11,652	—	—	—	
Impairment of equity investment in privately-held company	—	—	—	3,711	—	3,711	—	—	—	
Decrease in non-cash pre-acquisition liability	—	—	—	—	—	—	—	—	(665)	
Cash tax impact of adjustments to GAAP net income	(93)	(163)	(17)	(1)	(8)	(189)	(54)	(197)	(44)	
Non-cash income tax (benefit) expense ⁽¹⁾	13,559	11,174	5,231	7	2,126	18,538	12,319	3,878	(2,017)	
Non-GAAP net income ⁽⁴⁾	<u>\$ 70,760</u>	<u>\$41,997</u>	<u>\$24,632</u>	<u>\$12,970</u>	<u>\$18,095</u>	<u>\$97,694</u>	<u>\$50,003</u>	<u>\$23,908</u>	<u>\$6,544</u>	
<u>Non-GAAP Net Income Per Share</u>										
Non-GAAP net income	\$ 70,760	\$41,997	\$24,632	\$12,970	\$18,095	\$97,694	\$50,003	\$23,908	\$6,544	
Non-GAAP net income per share	\$ 1.70	\$ 0.95	\$ 0.58	\$ 0.30	\$ 0.40	\$ 2.25	\$ 1.12	\$ 0.55	\$ 0.15	
Diluted shares	41,672	44,294	42,724	43,142	45,716	43,480	44,521	43,084	42,305	

(1) For definitions of these non-GAAP financial measures and their relationship to our GAAP financial statements, please see Note 1 to our Reconciliations of Non-GAAP Financial Measures to the Nearest Comparable GAAP Measures in exhibit 99.1 to the November 4, 2014 Current Report on Form 8-K.

(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, loss on debt extinguishment and modification expense, gain or loss on derivative instrument, other-than-temporary impairment loss on equity investments, and adjustments to contingent liabilities related to business combinations.

(4) We define Non-GAAP net income differently effective with 1Q13 to include accretion of debt discount on Convertible Senior notes, 3Q13 to include other-than-temporary impairment losses on equity investments and loss on debt extinguishment and modification expense, and 3Q14 to include decrease in non-cash pre-acquisition liability. Our new definition of non-GAAP net income did not impact presentation of this non-GAAP financial measure for prior periods.

Blucora Stock Price Sensitivity Analysis for Diluted Shares

(in thousands except share prices)

The following table illustrates the potential impact of a change in average stock price on the number of shares included in diluted shares associated with the conversion premium on the convertible notes:

<u>Stock Price</u>	<u>Diluted Shares</u> ^(a)
\$ 16.53	— ^(b)
\$ 21.66	— ^(c)
\$ 22.00	144
\$ 22.50	347
\$ 23.00	541
\$ 23.50	728
\$ 24.00	906
\$ 24.50	1,077
\$ 25.00	1,241
\$ 25.50	1,399
\$ 26.00	1,551
\$ 26.50	1,697
\$ 27.00	1,838
\$ 27.50	1,973
\$ 28.00	2,104
\$ 28.50	2,230
\$ 29.00	2,352
\$ 29.50	2,470
\$ 30.00	2,583

^(a) Indicative shares associated with conversion premium on convertible notes

^(b) Average stock price for the current quarter did not exceed the conversion price of the convertible notes

^(c) Approximate conversion price

Blucora Operating Metrics - Search and Content

<u>Revenue by source</u>	2012		2013				2014		
	<u>FY 12/31</u>	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>	<u>FY 12/31</u>	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>
Owned & Operated (B2C)	12%	12%	15%	19%	20%	17%	22%	17%	21%
Distribution (B2B)	88%	88%	85%	81%	80%	83%	78%	83%	79%

Blucora Operating Metrics - E-Commerce

	2013					2014		
	1Q	2Q	3Q	4Q	FY 12/31	1Q	2Q	3Q
Order numbers % change ⁽¹⁾	16%	22%	15%	10%	15%	(2)%	(7)%	(5)%

⁽¹⁾ Figures represent increase (decrease) in order numbers as compared to the comparable prior period.