

Blucora, Inc.
Q4 2012 Earnings
Supplemental Information

Table of Contents

| | |
|--|---|
| Financial Information | |
| Summary - Consolidated Financial Results | 2 |
| Reconciliation of Non-GAAP Financial Measures | 4 |
| Search Operating Metrics | 5 |
| Pro-Forma Information | |
| Q4 year-over-year Tax Preparation | 6 |
| Last 12 Months - Pro Forma Results | 7 |
| Last 12 Months - Levered Free Cash Flow | 8 |
| Reconciliation Pro Forma Non-GAAP Financial Measures | 9 |

Blucora Consolidated Financial Results
(In thousands except earnings per share, rounding differences may exist)

| | 2010 | | 2011 | | | | 2012 | | | | |
|---|-------------------|-------------------|-------------------|-------------------|------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| | FYE 12/31 | 1Q11 | 2Q11 | 3Q11 | 4Q11 | FYE 12/31 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | FYE 12/31 |
| Segment Revenue | | | | | | | | | | | |
| Search | \$ 214,343 | \$ 51,650 | \$ 54,292 | \$ 56,257 | \$ 66,615 | \$ 228,814 | \$ 75,295 | \$ 81,808 | \$ 91,408 | \$ 96,303 | \$ 344,814 |
| Tax Preparation ⁽¹⁾ | - | - | - | - | - | - | 40,401 | 19,075 | 1,462 | 1,167 | 62,105 |
| Total | \$ 214,343 | \$ 51,650 | \$ 54,292 | \$ 56,257 | \$ 66,615 | \$ 228,814 | \$ 115,696 | \$ 100,883 | \$ 92,870 | \$ 97,470 | \$ 406,919 |
| Segment Income (Loss) ⁽²⁾ | | | | | | | | | | | |
| Search | \$ 49,266 | \$ 11,095 | \$ 11,534 | \$ 10,809 | \$ 12,768 | \$ 46,206 | \$ 13,373 | \$ 15,078 | \$ 16,356 | \$ 17,378 | \$ 62,185 |
| Tax Preparation ⁽¹⁾ | - | - | - | - | - | - | 22,135 | 11,954 | (1,561) | (2,476) | 30,052 |
| Total | \$ 49,266 | \$ 11,095 | \$ 11,534 | \$ 10,809 | \$ 12,768 | \$ 46,206 | \$ 35,508 | \$ 27,032 | \$ 14,795 | \$ 14,902 | \$ 92,237 |
| Segment Income (Loss) % of Revenue | | | | | | | | | | | |
| Search | 23% | 21% | 21% | 19% | 19% | 20% | 18% | 18% | 18% | 18% | 18% |
| Tax Preparation | na | na | na | na | na | na | 55% | 63% | (107%) | (212%) | 48% |
| Total | 23% | 21% | 21% | 19% | 19% | 20% | 31% | 27% | 16% | 15% | 23% |
| Unallocated Corporate Operating Expense | \$ 16,801 | \$ 2,130 | \$ 2,543 | \$ 2,307 | \$ 2,603 | \$ 9,583 | \$ 3,806 (3) | \$ 2,525 | \$ 2,695 | \$ 2,772 | \$ 11,798 |
| Adjusted EBITDA | \$ 32,465 | \$ 8,965 | \$ 8,991 | \$ 8,502 | \$ 10,165 | \$ 36,623 | \$ 31,702 | \$ 24,507 | \$ 12,100 | \$ 12,130 | \$ 80,439 |
| Other Unallocated Corporate | | | | | | | | | | | |
| Depreciation | \$ 6,596 | \$ 1,451 | \$ 1,376 | \$ 1,115 | \$ 919 | \$ 4,861 | \$ 951 | \$ 956 | \$ 988 | \$ 917 | \$ 3,812 |
| Amortization of Intangibles | 9,197 | 958 | 772 | 518 | 347 | 2,595 | 3,624 (4) | 5,248 | 5,183 | 5,144 | 19,199 |
| Stock Compensation | 13,919 | 2,033 | 1,338 | 3,049 (5) | 1,267 | 7,687 | 6,708 (5) | 2,020 | 2,195 | 2,300 | 13,223 |
| Other (Income) Expense | (15,244) | (75) | (107) | 455 | 972 | 1,245 | 1,555 | 930 | 5,196 (6) | (1,004) (7) | 6,677 |
| Total | \$ 14,468 | \$ 4,367 | \$ 3,379 | \$ 5,137 | \$ 3,505 | \$ 16,388 | \$ 12,838 | \$ 9,154 | \$ 13,562 | \$ 7,357 | \$ 42,911 |
| Income (Loss) Before Taxes | 17,997 | 4,598 | 5,612 | 3,365 | 6,660 | 20,235 | 18,864 | 15,353 | (1,462) | 4,773 | 37,528 |
| Income Tax | | | | | | | | | | | |
| Cash | \$ 196 | \$ 113 | \$ 133 | \$ 68 | \$ 1,398 | \$ 1,712 | \$ 861 | \$ 474 | \$ (185) | \$ 293 | \$ 1,443 |
| Non-cash ⁽⁸⁾ | 8,530 | 1,589 | 1,803 | 1,221 | (17,613) | (13,000) | 6,597 | 5,181 | 1,121 | 660 | 13,559 |
| Total | \$ 8,726 | \$ 1,702 | \$ 1,936 | \$ 1,289 | \$ (16,215) (9) | \$ (11,288) | \$ 7,458 | \$ 5,655 | \$ 936 | \$ 953 | \$ 15,002 |
| Income (Loss) from Continuing Operations | 9,271 | 2,896 | 3,676 | 2,076 | 22,875 | 31,523 | 11,406 | 9,698 | (2,398) | 3,820 | 22,526 |
| Discontinued Operations Loss ⁽¹⁰⁾ | (4,593) | (1,573) | (8,354) | - | - | (9,927) | - | - | - | - | - |
| GAAP Net Income (Loss) | \$ 4,678 | \$ 1,323 | \$ (4,678) | \$ 2,076 | \$ 22,875 | \$ 21,596 | \$ 11,406 | \$ 9,698 | \$ (2,398) | \$ 3,820 | \$ 22,526 |
| GAAP Earnings Per Share - diluted | \$ 0.13 | \$ 0.04 | \$ (0.12) | \$ 0.05 | \$ 0.57 | \$ 0.56 | \$ 0.28 | \$ 0.24 (11) | \$ (0.06) | \$ 0.04 (11) | \$ 0.54 |
| Non-GAAP Net Income | \$ 40,557 | \$ 7,433 | \$ 7,590 | \$ 6,846 | \$ 6,896 | \$ (11,195) | \$ 28,517 | \$ 21,817 | \$ 10,421 | \$ 10,005 | \$ 70,760 |
| Non-GAAP Earnings (Loss) Per Share - diluted | \$ 1.10 | \$ 0.20 | \$ 0.20 | \$ 0.17 | \$ 0.17 | \$ (0.29) | \$ 0.70 | \$ 0.53 | \$ 0.25 (12) | \$ 0.24 | \$ 1.70 |
| Outstanding Shares | 36,089 | 36,502 | 37,964 | 39,323 | 39,534 | 39,534 | 39,804 | 40,334 | 40,633 | 40,832 | 40,832 |
| Basic Shares | 35,886 | 36,339 | 37,422 | 38,568 | 39,448 | 37,954 | 39,692 | 40,116 | 40,511 | 40,789 | 40,279 |
| Fully-diluted Shares | 36,829 | 37,084 | 38,128 | 39,158 | 40,074 | 38,621 | 40,978 | 41,245 | 40,511 | 42,411 | 41,672 |
| Cash & Short-term Investment | \$ 253,736 | \$ 249,765 | \$ 263,402 | \$ 279,276 | \$ 293,551 | \$ 293,551 | \$ 129,868 | \$ 141,867 | \$ 150,417 | \$ 162,288 | \$ 162,288 |
| Outstanding Debt | - | - | - | - | - | - | 85,000 | 75,000 | 74,496 | 74,496 | 74,496 |
| Net Cash | \$ 253,736 | \$ 249,765 | \$ 263,402 | \$ 279,276 | \$ 293,551 | \$ 293,551 | \$ 44,868 | \$ 66,867 | \$ 75,921 | \$ 87,792 | \$ 87,792 |

Notes to Consolidated Financial Results on next page

Notes to Consolidated Financial Results

⁽¹⁾ On January 31, 2012, the Company acquired TaxACT Holdings, Inc. and its wholly-owned subsidiary, 2nd Story Software, Inc., which operates the TaxACT tax preparation software and online service and software business. The TaxACT business consists of an online tax preparation service for individuals, tax preparation software for individuals and professional tax preparers, and ancillary data storage services. The majority of the TaxACT business's revenue is generated by the online service at www.taxact.com. As a highly seasonal business, almost all of the TaxACT revenue is generated in the first four months of the calendar year. Amounts represent the results of operations for the TaxACT business from February 1, 2012 to December 31, 2012.

⁽²⁾ The Company does not allocate certain general, administrative, and overhead costs, or stock-based compensation, depreciation, amortization of intangible assets, other loss (income), net, income tax expense, or results from discontinued operations to the reportable segments. The general, administrative and overhead costs are included in Unallocated Corporate Operating Expense.

⁽³⁾ Amount for the quarter ended March 31, 2012 includes \$1.1 million in transaction costs related to the TaxACT acquisition.

⁽⁴⁾ Amount for the quarter ended March 31, 2012 includes \$3.4 million related to amortization of acquired intangible assets related to the TaxACT acquisition.

⁽⁵⁾ In the quarter ended September 30, 2011, \$1.9 million in stock-based compensation expense was recorded in association with issuance of a warrant. In the quarter ended March 31, 2012, \$5.2 million in stock-based compensation expense was recorded in association with the modification of the terms of a warrant and the vesting of a non-employee performance-based equity award, which were both triggered by the acquisition of the TaxACT business.

⁽⁶⁾ Amount includes \$4.3 million related to loss on derivative.

⁽⁷⁾ Amount includes \$1.9 million related to gain on derivative.

⁽⁸⁾ Amounts represent the non-cash portion of income tax expense from continuing operations. The Company excludes the non-cash portion of income tax expense because of its ability to offset a substantial portion of its cash tax liabilities by using these deferred tax assets. The majority of these deferred tax assets will expire if unutilized in 2020.

⁽⁹⁾ Amount includes a tax benefit of \$18.9 million, due to the release of the valuation allowance on deferred tax assets.

⁽¹⁰⁾ In the quarter ended June 30, 2011, the Company completed the sale of its Mercantila e-commerce business. The operating results of that business have been presented as discontinued operations for all periods presented.

⁽¹¹⁾ Calculation excludes the income effect of dilutive derivative instruments.

⁽¹²⁾ Calculation uses 42,048,000 fully-diluted shares, due to non-GAAP net income .

Blucora Non-GAAP Reconciliation ⁽¹⁾

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

| | 2010 | | 2011 | | | | | 2012 | | | | |
|--|-----------|----------|------------|----------|-----------|-----------|-----------|-----------|------------|-----------|-----------|--|
| | FYE 12/31 | 1Q11 | 2Q11 | 3Q11 | 4Q11 | FYE 12/31 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | FYE 12/31 | |
| Adjusted EBITDA | | | | | | | | | | | | |
| Net Income (loss) ⁽²⁾ | \$ 4,678 | \$ 1,323 | \$ (4,678) | \$ 2,076 | \$ 22,875 | \$ 21,596 | \$ 11,406 | \$ 9,698 | \$ (2,398) | \$ 3,820 | \$ 22,526 | |
| Discontinued operations | 4,593 | 1,573 | 8,354 | - | - | 9,927 | - | - | - | - | - | |
| Depreciation | 6,596 | 1,451 | 1,376 | 1,115 | 919 | 4,861 | 951 | 956 | 988 | 917 | 3,812 | |
| Amortization of intangible assets | 9,197 | 958 | 772 | 518 | 347 | 2,595 | 3,624 | 5,248 | 5,183 | 5,144 | 19,199 | |
| Stock-based compensation | 13,919 | 2,033 | 1,338 | 3,049 | 1,267 | 7,687 | 6,708 | 2,020 | 2,195 | 2,300 | 13,223 | |
| Other (income) loss ⁽³⁾ | (15,244) | (75) | (107) | 455 | 972 | 1,245 | 1,555 | 930 | 5,196 | (1,004) | 6,677 | |
| Income tax expense (benefit) | 8,726 | 1,702 | 1,936 | 1,289 | (16,215) | (11,288) | 7,458 | 5,655 | 936 | 953 | 15,002 | |
| Adjusted EBITDA | \$ 32,465 | \$ 8,965 | \$ 8,991 | \$ 8,502 | \$ 10,165 | \$ 36,623 | \$ 31,702 | \$ 24,507 | \$ 12,100 | \$ 12,130 | \$ 80,439 | |
| Non-GAAP Net Income | | | | | | | | | | | | |
| Net Income ⁽²⁾ | \$ 4,678 | \$ 1,323 | \$ (4,678) | \$ 2,076 | \$ 22,875 | \$ 21,596 | \$ 11,406 | \$ 9,698 | \$ (2,398) | \$ 3,820 | \$ 22,526 | |
| Discontinued operations | 4,593 | 1,573 | 8,354 | - | - | 9,927 | - | - | - | - | - | |
| Amortization of acquired intangible assets | 9,197 | 958 | 772 | 518 | 347 | 2,595 | 3,624 | 5,248 | 5,183 | 5,144 | 19,199 | |
| Stock-based compensation | 13,919 | 2,033 | 1,338 | 3,049 | 1,267 | 7,687 | 6,708 | 2,020 | 2,195 | 2,300 | 13,223 | |
| Loss / (Gain) on derivative | - | - | - | - | - | - | 272 | (333) | 4,335 | (1,928) | 2,346 | |
| Cash tax impacts of GAAP adjustments | (360) | (43) | 1 | (18) | 20 | (40) | (90) | 3 | (15) | 9 | (93) | |
| Non-cash income tax expenses (benefit) from continuing operations ⁽¹⁾ | 8,530 | 1,589 | 1,803 | 1,221 | (17,613) | (13,000) | 6,597 | 5,181 | 1,121 | 660 | 13,559 | |
| Non-GAAP net income ⁽⁴⁾ | \$ 40,557 | \$ 7,433 | \$ 7,590 | \$ 6,846 | \$ 6,896 | \$ 28,765 | \$ 28,517 | \$ 21,817 | \$ 10,421 | \$ 10,005 | \$ 70,760 | |
| Non-GAAP Earnings Per Share | | | | | | | | | | | | |
| Non-GAAP Net Income | \$ 40,557 | \$ 7,433 | \$ 7,590 | \$ 6,846 | \$ 6,896 | \$ 28,765 | \$ 28,517 | \$ 21,817 | \$ 10,421 | \$ 10,005 | \$ 70,760 | |
| Non-GAAP Earnings Per Share ⁽⁴⁾ | \$1.10 | \$0.20 | \$0.20 | \$0.17 | \$0.17 | \$0.74 | \$0.70 | \$0.53 | \$0.25 | \$0.24 | \$1.70 | |
| Fully-diluted Shares | 36,829 | 37,084 | 38,128 | 39,158 | 40,074 | 38,621 | 40,978 | 41,245 | 42,048 | 42,411 | 41,672 | |

⁽¹⁾ For definitions of these non-GAAP financial measures and their relationship to the Company's GAAP financial statements, please see Note 1 to the Company's Reconciliations of Non-GAAP financial Measures to the Nearest Comparable GAAP Measure for the three months ended December 31, 2012 and 2011 in exhibit 99.1 to this Current Report on Form 8-K filed on February 13, 2013.

⁽²⁾ As presented in the Preliminary Condensed Consolidated Statements of Operations (unaudited).

⁽³⁾ Other loss (income), net includes such items as interest expense, interest income, derivative instrument gains or losses, foreign currency gains or losses, gains or losses from the disposal of assets, adjustments to the fair values of contingent liabilities related to business combinations, gains on resolutions of contingencies and litigation settlements.

⁽⁴⁾ Amounts previously disclosed have been revised to reflect the effect of classifying the Company's Mercantila e-commerce business as discontinued operations.

Blucora Operating Metrics - Search

| | 2010 | 2011 | | | | | 2012 | | | | |
|---------------------------------|------------------|-------------|-------------|-------------|-------------|------------------|-------------|-------------|-------------|-------------|------------------|
| | <u>FYE 12/31</u> | <u>1Q11</u> | <u>2Q11</u> | <u>3Q11</u> | <u>4Q11</u> | <u>FYE 12/31</u> | <u>1Q12</u> | <u>2Q12</u> | <u>3Q12</u> | <u>4Q12</u> | <u>FYE 12/31</u> |
| <u>Revenue by Source</u> | | | | | | | | | | | |
| Owned & Operated (B2C) | 31% | 27% | 22% | 19% | 16% | 21% | 13% | 12% | 12% | 11% | 12% |
| Distribution (B2B) | 69% | 73% | 78% | 81% | 84% | 79% | 87% | 88% | 88% | 89% | 88% |

* Owned & Operated includes revenue from the Make The Web Better acquisition in 2Q 2010; the installed base has experienced attrition since the acquisition. Owned & Operated also includes other development-stage initiatives.

Tax Preparation Segment - Pro Forma 4Q Year-over-Year Results

(in thousands, rounding differences may exist)

| | Three Months Ended December 31 | | | Twelve Months Ended December 31 | | |
|--------------------------|--------------------------------|----------------|--------|---------------------------------|---------------|--------|
| | (a) 2012 | 2011 | Growth | (c) 2012 | 2011 | Growth |
| Pro Forma Revenue | \$ 1,803 | \$ 2,204 | -18% | \$ 85,632 | \$ 78,781 | 9% |
| Pro Forma Segment Income | \$ (1,838) | \$ (1,134) (b) | 62% | \$ 40,480 (d) | \$ 37,551 (e) | 8% |
| Segment Margin | -102% | -51% | | 47% | 48% | |

Tax Preparation Segment - Pro Forma Calendar Quarter Historical Performance

(in thousands, rounding differences may exist)

| | 1Q11 | 2Q11 | 3Q11 | 4Q11 | FY 2011 | (g) 1Q12 |
|--------------------------|-------------------|-----------|-----------|------------|---------------|-------------|
| | Pro Forma Revenue | \$ 56,758 | \$ 17,815 | \$ 2,004 | \$ 2,205 | \$ 78,782 |
| Pro Forma Segment Income | (f) \$ 28,564 | \$ 10,556 | \$ (435) | \$ (1,134) | \$ 37,551 (h) | \$ 30,577 |
| Segment Margin | 50% | 59% | -22% | -51% | 48% | 49% |

(a) Includes \$637,000 of revenue not reported on a GAAP basis due to fair value purchase accounting on deferred revenue at date of acquisition.

(b) Excludes \$2.9 million of non-operational expenses related to a non-consummated sales transaction for 4Q 2011.

(c) Includes \$2.6M of revenue not reported on a GAAP basis due to fair value purchase accounting on deferred revenue at date of acquisition.

(d) Excludes \$9.3M of non-operational expenses related to a non-consummated sales transaction for the twelve months ended 4Q 2011.

(e) Excludes \$120,000 of non-operational expenses related to a non-consummated sales transaction for the twelve months ended 4Q 2012.

(f) Excludes \$1.1 million, \$1.8 million, \$3.6 million, \$2.9 million and \$9.3 million of non-operational expenses related to a non-consummated sales transaction for 1Q 2011, 2Q 2011, 3Q 2011, 4Q 2011 and full-year 2011.

(g) Includes \$650,000 of revenue not reported on GAAP basis due to purchase accounting in February and March 2012, and revenue of \$20.9 million for January 2012 (prior to acquisition).

(h) Excludes \$120,000 of transaction expenses related to a non-consummated sales transaction.

Pro Forma - Consolidated Financial Performance

twelve months ending 12/31/2012

(in thousands, rounding differences may exist)

| | Tax | | | |
|--|--------------------|-----|---------------|------------------|
| | Preparation | | Search | Corporate |
| Revenue | \$ 85,632 | (a) | \$ 344,814 | \$ - |
| Segment income | \$ 40,480 | (b) | \$ 62,185 | \$ - |
| Unallocated Corporate expenses | \$ - | | \$ - | \$ (11,798) |
| Adjusted EBITDA | | | | \$ 90,866 |
| Non-GAAP Net Income | | | | \$ 80,928 |
| Non-GAAP Earnings Per Share | | | | \$ 1.94 |
| Diluted Shares for the twelve-month period ended December 31, 2012 | | | | 41,672 |

(a) Includes \$2.6M of revenue not reported on a GAAP basis due to fair value purchase accounting on deferred revenue at date of acquisition in 2012, and \$20.9M revenue prior to the acquisition (January 2012).

(b) Includes \$2.6M of revenue which was not reported on a GAAP basis due to fair value purchase accounting on deferred revenue in 2012 and excludes \$120,000 of Transaction expenses related to the failed HRB acquisition

Pro-Forma Free Cash Flow ("FCF")

twelve months ending 12/31/2012

(in thousands, rounding differences may exist)

| | |
|--|-------------------------|
| Pro Forma Adjusted EBITDA | \$ 90,866 (a) |
| Less - Pro Forma Capital Expenditures | \$ (3,758) |
| Less - Pro Forma Cash Taxes | <u>\$ (1,411)</u> |
| Unlevered FCF | \$ 85,697 |
| Less - Pro Forma Cash Interest Expense | <u>\$ (3,791) (b)</u> |
| Levered FCF | <u><u>\$ 81,906</u></u> |

(a) See reconciliation of Pro Forma Adjusted EBITDA on Blucora Pro Forma Non-GAAP Reconciliation.

(b) Interest expense estimated at 5% and assumes initial debt amount of \$100 million for periods prior to acquisition; as of December 31, 2012 there is \$74.5M of debt outstanding.

Blucora Pro Forma Non-GAAP Reconciliation ⁽¹⁾

twelve months ending 12/31/2012

(in thousands except rates, rounding differences may exist)

Pro Forma Adjusted EBITDA

| | |
|---|------------------|
| Pro forma income from continuing operations | \$ 29,133 |
| Pro forma depreciation | \$ 3,869 |
| Pro forma amortization of intangible assets | \$ 20,877 |
| Pro forma stock-based compensation | \$ 13,223 |
| Pro forma other expense, net | \$ 7,091 |
| Pro forma income tax expense | \$ 16,674 |
| Pro Forma Adjusted EBITDA | <u>\$ 90,866</u> |

Pro Forma Non-GAAP Net Income

| | |
|--|------------------|
| Pro forma income from continuing operations | \$ 29,133 |
| Pro forma amortization of acquired intangible assets | \$ 13,223 |
| Pro forma stock-based compensation | \$ 20,877 |
| Loss on derivative | \$ 2,346 |
| Pro forma cash tax impact of GAAP adjustments | \$ 86 |
| Pro forma non-cash income tax expense from continuing operations | \$ 15,263 |
| Pro forma non-GAAP net income | <u>\$ 80,928</u> |
| Pro forma non-GAAP Earnings per share - diluted | \$ 1.94 |
| Weighted average diluted shares | 41,672 |

⁽¹⁾ For definitions of these non-GAAP financial measures and their relationship to the Company's GAAP financial statements, please see Note 1 to the Company's Reconciliations of Non-GAAP financial Measures to the Nearest Comparable GAAP Measure for the three months ended December 31, 2012 and 2011 in exhibit 99.1 to this Current Report on Form 8-K filed on February 13, 2013.