

BLUCORA™

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**Blucora to Acquire HD Vest,  
Announces Strategic Transformation**

October 14, 2015

## **Forward-Looking Statements**

This presentation 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. Actual results may differ significantly from management's expectations due to various risks and uncertainties including, but not limited to: general economic, industry, and market sector conditions; the timing and extent of market acceptance of developed products and services and related costs; the ability to successfully integrate acquired businesses; future acquisitions; the successful execution of the Company's strategic initiatives, operating plans, and marketing strategies; and the condition of our cash investments.

A more detailed description of these and certain other factors that could affect actual results is included in Blucora, Inc.'s most recent Annual Report on Form 10-K and subsequent reports filed with or furnished to the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements.

# Announcing Strategic Transformation

- Becoming a strategically focused company in the growing financial services and technology market by acquiring HD Vest and divesting Monoprice and InfoSpace
- Moving from a collection of less predictable assets to aligned businesses with consistent growth, recurring revenue and favorable market tailwinds
- Initiating a plan to reduce corporate operating expenses by ~30% by 2017 driven by strategic focus
- Shifting our capital allocation approach to return of at least 30% of our actual FCF to shareholders in 2017

# Blucora Acquisition of HD Vest

*Transformative acquisition that is attractive, synergistic with TaxACT and consistent with our stated strategy*

## Strategic Combination

- Establishes strategic focus, building around our strongest asset in TaxACT
- Combines largest U.S. tax professional-oriented Independent Broker/Dealer (“IBD”) with the U.S. leader in low cost tax preparation
- Attractive secular tailwinds coupled with substantial synergy opportunity (expected annual EBITDA synergies of \$5M by CY2017)
- Adds stable, recurring and predictable cash flow
- Brings an experienced management team with strong track record of execution
- Provides for full utilization and acceleration of NOLs
- Evolves capital allocation: debt pay down to 3.0x net leverage (early 2017) followed by return of capital (at least 30% of annual actual FCF)

## Key Metrics and Timeline

- Estimated purchase price of \$580M– financed with cash and committed debt financing
- Significant equity rollover by HD Vest management team tied to HD Vest and Blucora performance
- Transaction values HD Vest at 13.5x 2016E unlevered FCF (12.1x pro forma for synergies)
- Significantly accretive (30%+) to Blucora non-GAAP annual earnings per share
- Transaction expected to close in late fourth quarter 2015, subject to customary closing conditions and regulatory approvals

## Attractive HDV Business Fundamentals

- \$36+ billion in AUM (assets under management) that includes \$9+ billion in fee-based advisory AUM that is growing at a 2-year 2014 CAGR of 19%
- 3-year 2015 estimated revenue CAGR of 9% and greater than 75% of revenue is recurring
- Industry leading production payout rates and segment income margin
- 3-year 2015 estimated segment income CAGR of 13% demonstrating operating leverage
- Limited exposure to equity market movements; interest rate upside

# Strategic Repositioning

*Upon this transaction, Blucora will seek to divest InfoSpace and Monoprice and meaningfully reduce corporate expenses*

## Blucora Portfolio

- Divest InfoSpace and Monoprice
- Upon divestitures, use sale proceeds to pay down debt
- Expected timeline to achieve separation is mid-2016

## Corporate Overhead

- Focus allows for reduced expenses at corporate
- Targeting \$12M (~30% reduction) in forward corporate operating expense run-rate by 2017
- Opportunity for rationalization of resources across HDV and TaxACT over time

## Capital Allocation

- Near-term priority: aggressively deleverage through divestitures and organic cash generation
- At 3.0x net debt leverage ratio, systematic return of capital to shareholders at least 30% of annual actual FCF - expected early 2017
- Acquisition activity limited in the near term
  - Longer-term opportunities in the financial services and technology space

**HD Vest**

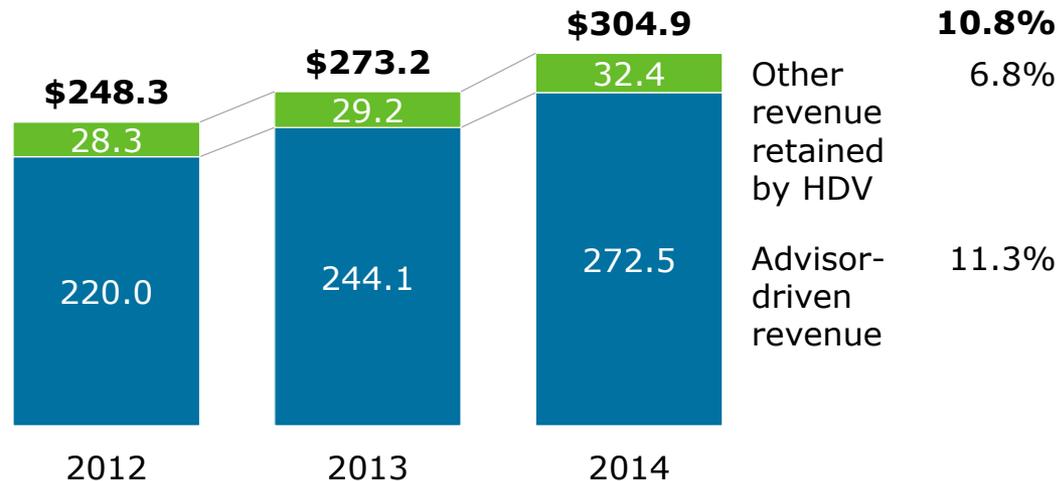
The background is a solid blue color. On the right side, there are several overlapping, curved, light blue shapes that resemble stylized waves or abstract patterns. These shapes are layered, with some appearing in front of others, creating a sense of depth and movement. The overall aesthetic is clean and modern.

# Company Overview

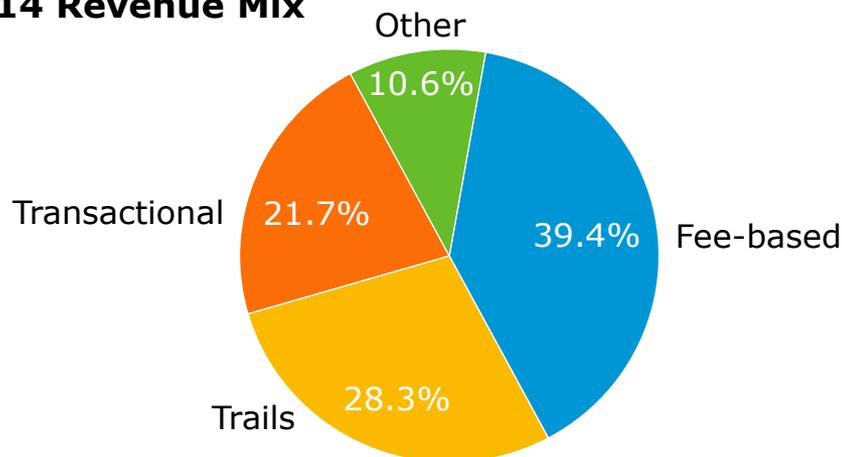
*A leading technology, training and support platform for tax professionals to deliver customized financial solutions to retail investors*

- Founded in 1983 and headquartered in Irving, Texas
- Market leader – double the size of next two competitors combined
- ~300 employees
- 4,500+ advisors in all 50 states
  - Tenured advisor base
  - Average over 10 years with the Company and over 20 years in the tax preparation profession
- Advisors provide investment advice to 360,000+ clients
- Proven technology to accelerate and improve advisor productivity
- Unparalleled specialized training for tax professionals

## Revenue Trend



## 2014 Revenue Mix



# Financial Outlook

Forward guidance reflects current market conditions and the underlying momentum in the HDV model.

		HD Vest (\$ millions)		
		2015	2016	Long-term model <sup>(1)</sup>
<b>Financial Metrics</b>	• Revenue	\$318-322	\$334-344	–
	% YoY (mid-point)	5%	6%	7-9%
	• Net revenue	\$99-101	\$105-108	–
	% YoY	4%	7%	6-9%
	• Segment income	\$42-44	\$46-48	–
	% YoY	7%	9%	9-11%
	• % Margin	13.4%	14.0%	–
• Unlevered FCF	\$40-42	\$43-45	10-12%	
<b>Other Key Metrics</b>	• Total AUM (\$ billions)	\$37	\$39	–
	% YoY	0%	6%	4-6%
	• Fee-based AUM (\$ billions)	\$10	\$11	–
	% YoY	5%	13%	10-13%
	• Recurring revenue rate	77.5%	78.0%	50-100bps
	• Production payout (%)	76.6%	76.8%	10-30bps

# Differentiated Broker-Dealer Model



- ✓ Developing financial advisors through specialized training of tax professionals
- ✓ Long-standing tax advisory relationship anchors investment advisory business
- ✓ Meaningful tax client base to mine for investment clients
- ✓ Training and service offerings provide a unique value proposition to less experienced advisors
- ✓ Leading technology tools to identify investment opportunities

## Traditional IBDs

- ✗ Advisor client relationship limited to investments
- ✗ Advisors bring established book of business
- ✗ Not targeting a niche advisor or client base
- ✗ Tailored for experienced advisors
- ✗ Recruiting bonuses and retention loans required
- ✗ Minimum sales quotas required
- ✗ Sole source of income for advisors
- ✗ Advisor profile leads to higher regulatory exposure

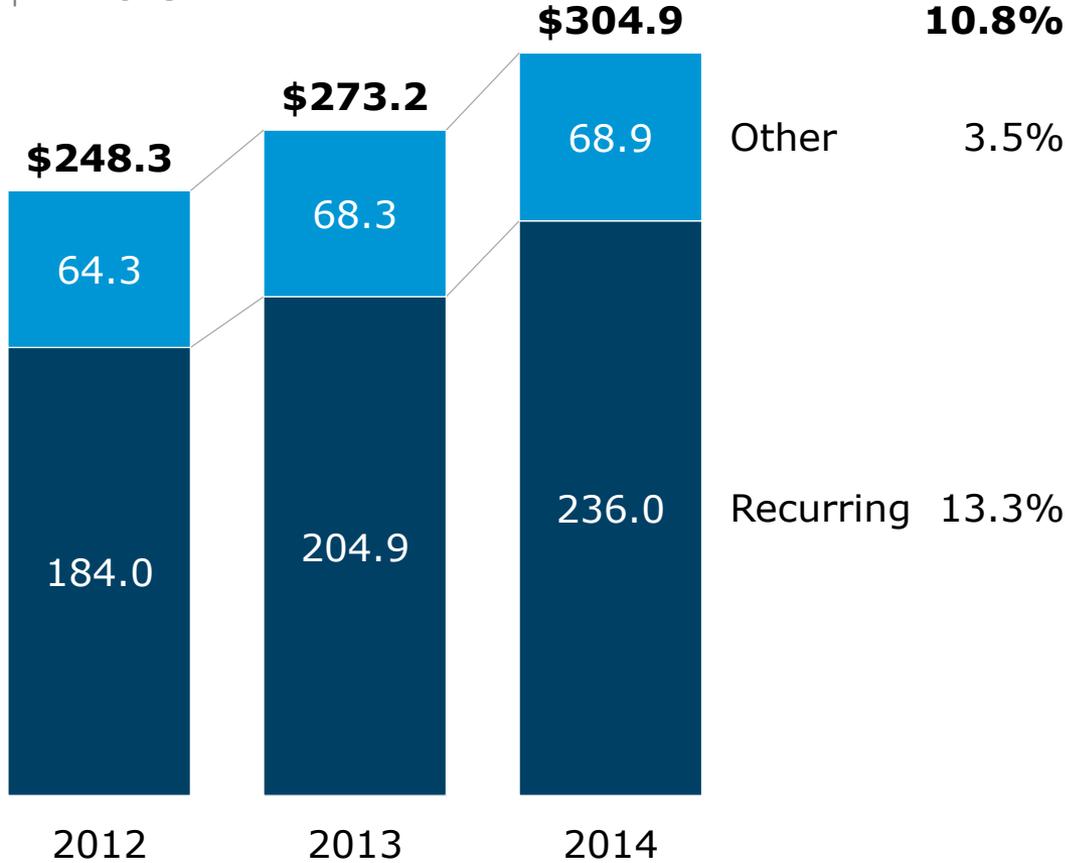
## The HD Vest Model:

- ✓ **Lower attrition rate among its advisor base vs. industry**
- ✓ **Minimal financial outlay upfront to recruit new advisors**
- ✓ **Lower production payout rates**
- ✓ **Segment income margins (>13%) consistently outperforming the top quartile of IBDs**

# Topline Performance and Recurring Revenue

- Business model generates high recurring revenue and strong visibility
- 77% recurring revenue in 2014, (fee-based, trails and sweep income)
- Multiple levers for future organic growth
  - Per client productivity – more solutions, conversion to fee-based advisory
  - Clients per advisor – modest penetration to date
  - New advisors – 225K tax professionals nationwide

**Revenue Trend**  
\$ Millions



# Growth in Advisory AUM

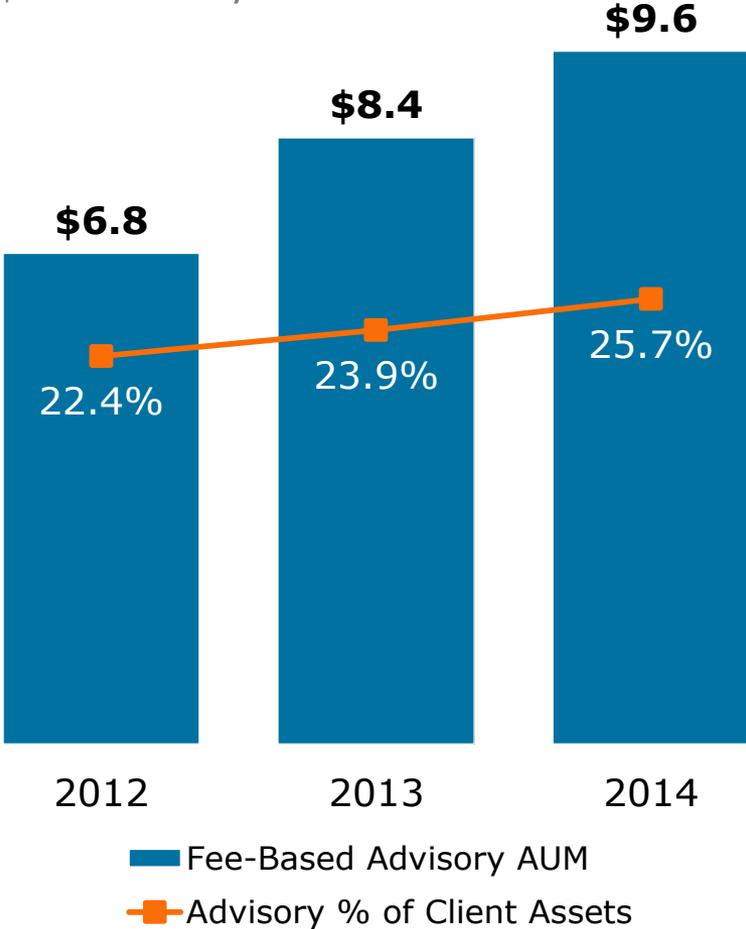
- Fee-based advisory AUM is a key growth driver
- 2014 net inflows totaled approximately 11% of prior year-end advisory AUM
- Since 2012, advisory AUM share of total client assets has grown by over 325 basis points to 26%
- Conversion of eligible non-fee based AUM provides meaningful growth opportunity

## Fee-Based Advisory AUM

\$ Billions at year end

## CAGR

**18.8%**



# Balanced Sensitivity to Market Movements

## Market Neutral Growth

- Eliminating equity market impact to AUM shows steady organic growth in a market neutral environment:
  - Consistent net asset inflows and the AUM shift to fee-based advisory are the primary drivers of growth

## Equity Market Correlation

- We estimate a 20% decrease in S&P 500 represents ~10% decrease in segment income
  - Transaction revenue: no correlation to market movements
  - Fee based and trails revenue: limited exposure to market movements

## Interest Rate Upside

- Meaningful upside expected from interest rate hikes
  - For every 25bps increase in LIBOR segment income increases by ~\$2M

The background features a large, stylized graphic of a person's head and shoulders in profile, facing right. The graphic is composed of several overlapping, curved shapes in various shades of blue, creating a sense of motion and transformation. The text "Blucora Transformation" is overlaid on the left side of the image.

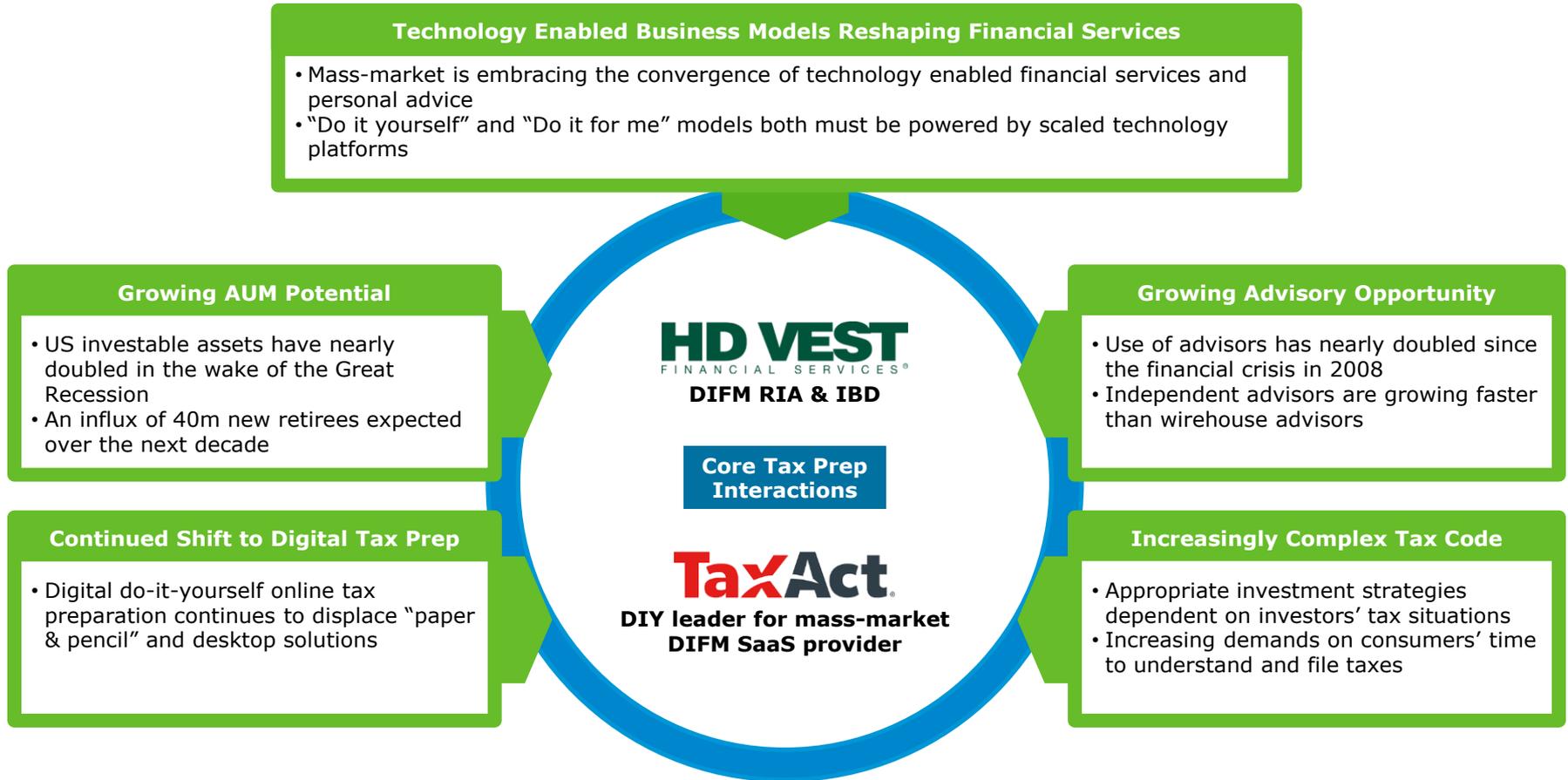
# **Blucora Transformation**

# Compelling Combination

**TaxAct** + **HD VEST** = **BLUCORA™**  
FINANCIAL SERVICES®

<p><b>Well Established Footprint and Market Positioning</b></p>	<p><b>Leading provider of internet-enabled tax solutions</b></p> <ul style="list-style-type: none"> <li>• Has enabled filing of 46M federal tax returns and ~5.5M total eFiles last tax season</li> <li>• Strong user base of 19,500+ professional tax advisors</li> </ul>	<p><b>Leading brokerage and technology platform for tax professional advisors</b></p> <ul style="list-style-type: none"> <li>• 4,500+ advisors in all 50 states providing investment advice to 360,000+ clients</li> <li>• Financial representatives manage more than \$36 billion in assets</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Industry-leading franchise across the tax preparation and financial advisory sectors</b></li> <li>• <b>One stop shop for tax advisors to serve their clients and gain incremental revenue from financial advisory</b></li> </ul>
<p><b>Proven Growth and Cash Flow Generation</b></p>	<p><b>Strong growth metrics (2012-2015E CAGR)</b></p> <ul style="list-style-type: none"> <li>• 3.8% eFile growth</li> <li>• 12.0% revenue growth</li> <li>• 13.7% segment income growth</li> </ul> <p><b>Margin profile (2015E)</b></p> <ul style="list-style-type: none"> <li>• 47.5% segment margin</li> </ul>	<p><b>Strong growth metrics (2012-2015E CAGR)</b></p> <ul style="list-style-type: none"> <li>• 7.3% AUM growth</li> <li>• 8.8% revenue growth</li> <li>• 13.5% segment income growth</li> </ul> <p><b>Margin profile (2015E)</b></p> <ul style="list-style-type: none"> <li>• 13.4% segment margin</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Strong financial profile with high growth fundamentals and expanding recurring revenue</b></li> <li>• <b>Proven HD Vest advisor recruiting strategies and a fresh advisor base to mine at TaxACT</b></li> <li>• <b>Superior execution capabilities</b></li> </ul>

# Positioned Favorably Against Converging Trends



# Substantial Synergy Opportunities, Expanded Addressable Markets

*Synergies will produce \$5 million in EBITDA by 2017*



# The New Blucora

## Pro Forma 2015E <sup>(1)</sup>

- **Revenue:** \$436.8M
- **Segment Income:** \$ 98.5M
- **Adjusted EBITDA** \$ 86.5M
- **Non-GAAP EPS** \$ 1.09

- Focused company with leading assets in the financial services and technology space
- Growing businesses, 9.6% 2015E 3-year revenue CAGR
- Experienced HD Vest and TaxAct management team with key operating expertise
- Strong cash flow generation enhanced by NOL asset

## Financial Technology and Services

- Long-term industry tailwinds
- Well positioned players in the tax space
- Sizable cross-sell opportunity
- Well-established brands
- Differentiated models with distinct growth drivers

**TaxAct**<sup>®</sup>

**HD VEST**<sup>®</sup>  
FINANCIAL SERVICES<sup>®</sup>

## 2016 Priorities

- Maximize opportunities with HD Vest and TaxACT - solutions and customers
- Divest InfoSpace and Monoprice
- Implement corporate operating expense reductions
- Debt pay down

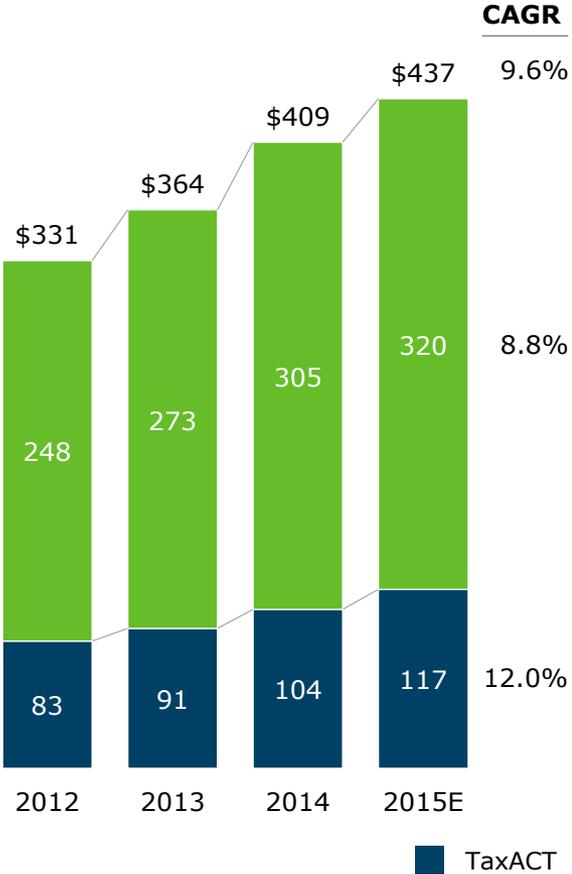
(1) Represents combined results of TaxAct, HD Vest, and Blucora corporate and assumes debt structure post close back to 2012. Excludes results from our E-Commerce (i.e. Monoprice) and Search and Content (i.e. InfoSpace) segments. See appendix for Pro Forma reconciliations.

# Core Financial Technology and Services Financial Profile



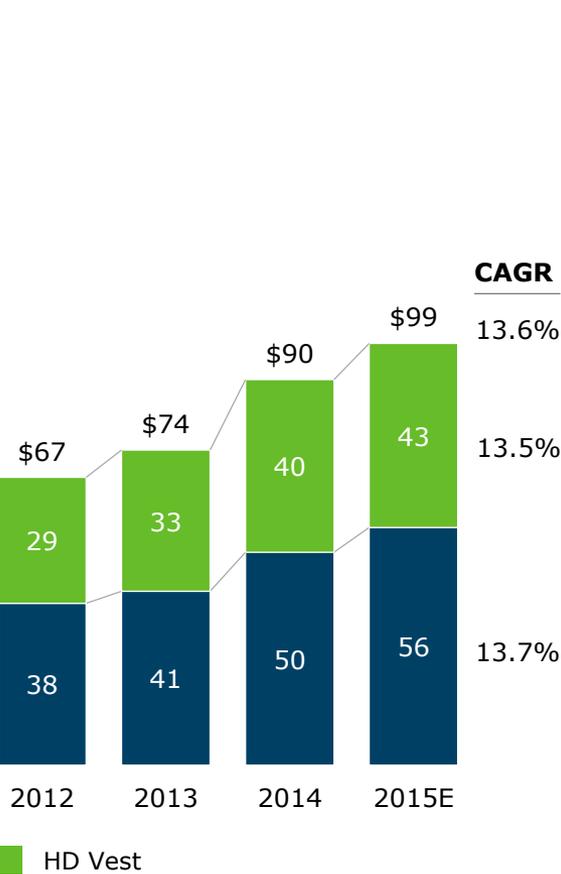
## Pro Forma Revenue

\$ Millions



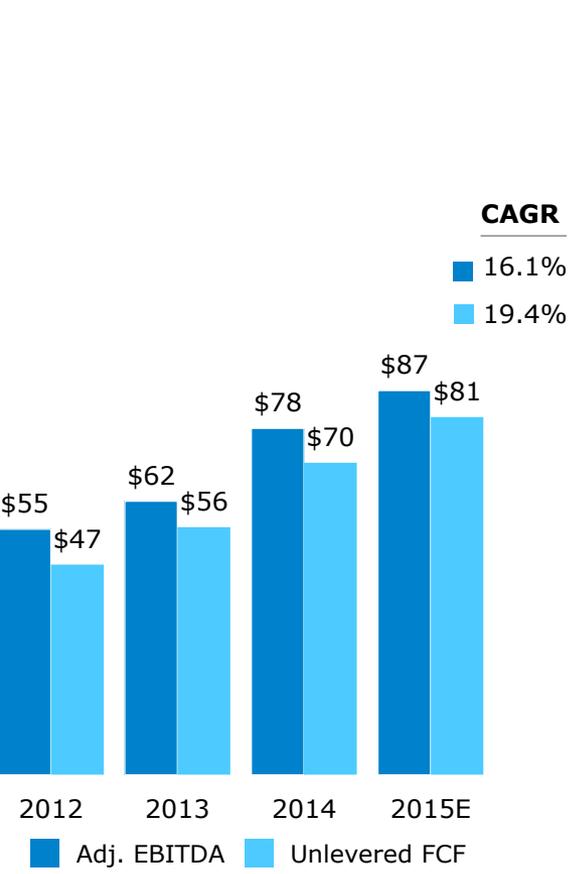
## Pro Forma Segment Income

\$ Millions



## Pro Forma Adj. EBITDA & Unlevered FCF<sup>(1)</sup>

\$ Millions



(1) Represents combined segment income less pro forma corporate operating expense (\$12M per year), capital expenditures and cash taxes (net of NOL utilization).

## Recap - Strategic Transformation

- Becoming a strategically focused company in the growing financial services and technology market by acquiring HD Vest and divesting Monoprice and InfoSpace
- Moving from a collection of less predictable assets to aligned businesses with consistent growth, recurring revenue and favorable market tailwinds
- Initiating a plan to reduce corporate operating expenses by ~30% by 2017 driven by strategic focus
- Shifting our capital allocation approach to return of at least 30% of our actual FCF to shareholders in 2017
- Leadership transition – initiating search for a new CEO with domain knowledge, experience and operational expertise in the financial services and technology market

**Thank You**

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# Pro Forma Non-GAAP Reconciliation

**BLUCORA, INC.**  
**Reconciliations of Non-GAAP Financial Measures to the Nearest Comparable GAAP Measure**  
**Segment Income / Adjusted EBITDA / Unlevered Free Cash Flow Reconciliation**  
**(Unaudited)**  
**(Amounts in thousands)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 Estimate</u>	
GAAP ProForma Net Income (Loss) <sup>(1)</sup>	\$ (17,620)	\$ (22,225)	\$ 1,783	-	(3)
Other Loss (Net)	36,575	49,572	34,179	-	(3)
Tax (Benefit) / Expense	(11,747)	(14,817)	1,189	-	(3)
Corporate Level Activity	60,067	61,033	52,859	-	(3)
Segment Income	<u>67,275</u>	<u>73,563</u>	<u>90,010</u>	<u>98,456</u>	
Corporate Operating Expenses <sup>(2)</sup>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	
Adjusted EBITDA <sup>(5)</sup>	<u>55,275</u>	<u>61,563</u>	<u>78,010</u>	<u>86,456</u>	(4)
CapEx	5,365	3,340	5,140	3,067	
Cash Taxes	<u>2,600</u>	<u>2,500</u>	<u>2,700</u>	<u>2,900</u>	
Unlevered FCF	<u><u>47,310</u></u>	<u><u>55,723</u></u>	<u><u>70,170</u></u>	<u><u>80,489</u></u>	

(1) Represents combined results of TaxACT, HDVEST, and Blucora Corporate and assumes debt structure post close back to FY 2012. Excludes results from our E-Commerce (i.e. Monoprice) and Search and Content (i.e. InfoSpace) segments.

(2) Corporate operating expenses assumed at estimated 2017 run rate of \$12M per year post reductions.

(3) Amount not practicable to estimate for ProForma purposes.

(4) Non-GAAP EPS calculated based upon Adjusted EBITDA less depreciation, cash taxes and interest expense divided by expected fully diluted share count.

(5) We define Adjusted EBITDA as net income, determined in accordance with GAAP, excluding the effects of income taxes, depreciation, amortization of intangible assets, impairments of goodwill and intangible assets, stock-based compensation, and other loss, net (which primarily includes items such as interest income, interest expense, amortization of debt issuance costs, accretion of debt discounts, realized gains and losses on available-for-sale investments, impairment losses on equity investments, adjustments to contingent liabilities related to business combinations, and gain on third party bankruptcy settlement).