

BLUCORA, INC.
Form 10-Q
October 26, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 000-25131

BLUCORA, INC.
(Exact name of registrant as specified in its charter)

Delaware 91-1718107
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
6333 State Hwy 161, 6th Floor, Irving, Texas 75038
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (972) 870-6000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
 Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 19, 2017
Common Stock, Par Value \$0.0001	46,125,990

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BLUCORA, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 78,558	\$ 51,713
Cash segregated under federal or other regulations	313	2,355
Available-for-sale investments	—	7,101
Accounts receivable, net of allowance	6,952	10,209
Commissions receivable	16,432	16,144
Other receivables	592	4,004
Prepaid expenses and other current assets, net	4,777	6,321
Total current assets	107,624	97,847
Long-term assets:		
Property and equipment, net	9,552	10,836
Goodwill, net	549,064	548,741
Other intangible assets, net	336,872	362,178
Other long-term assets	2,557	3,057
Total long-term assets	898,045	924,812
Total assets	\$ 1,005,669	\$ 1,022,659
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,161	\$ 4,536
Commissions and advisory fees payable	16,564	16,587
Accrued expenses and other current liabilities	18,768	18,528
Deferred revenue	7,118	12,156
Current portion of long-term debt, net	2,560	2,560
Total current liabilities	48,171	54,367
Long-term liabilities:		
Long-term debt, net	344,232	248,221
Convertible senior notes, net	—	164,176
Deferred tax liability, net	59,118	111,126
Deferred revenue	1,031	1,849
Other long-term liabilities	8,530	10,205
Total long-term liabilities	412,911	535,577
Total liabilities	461,082	589,944
Redeemable noncontrolling interests	16,162	15,696
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, par \$0.0001—authorized shares, 900,000; issued and outstanding shares, 46,077 and 41,845	5	4
Additional paid-in capital	1,552,609	1,510,152

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Accumulated deficit	(1,024,222)	(1,092,756)
Accumulated other comprehensive income (loss)	33	(381)
Total stockholders' equity	528,425	417,019
Total liabilities and stockholders' equity	\$ 1,005,669	\$ 1,022,659

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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BLUCORA, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue:				
Wealth management services revenue	\$86,809	\$80,088	\$254,772	\$233,496
Tax preparation services revenue	3,362	3,149	156,936	135,614
Total revenue	90,171	83,237	411,708	369,110
Operating expenses:				
Cost of revenue:				
Wealth management services cost of revenue	59,607	54,921	172,444	158,213
Tax preparation services cost of revenue	1,314	1,319	7,543	6,549
Amortization of acquired technology	50	49	145	765
Total cost of revenue	60,971			