

Blucora

Adib Motiwala
Motiwala Capital LLC

ValueX Vail 2014

Disclaimer

Any material presented here is for education and information purposes only. Accounts managed by Motiwala Capital have a position in Blucora at the time of this presentation. Do not take this as investment advice. Please do your own research or consult your financial advisor. This is not an offer to buy or sell securities or investment advice. The information contained herein are believed to be correct, but there is no guarantee.

Past performance is not a guarantee of future performance.

Motiwala Capital

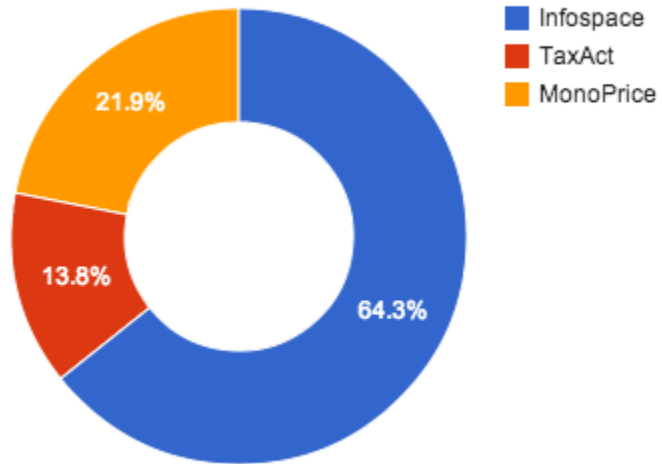
- Founded in Dec 2010
- Registered investment advisor managing separate accounts
- AUM \$4.9 million (6/21/2014)
- Implements a long only, concentrated value strategy
- Prefers to buy companies with strong balance sheets, solid FCF and high ROIC at attractive prices
- Invests in generals and special situations
- Performance
 - 2011: 4.9%, 2012: 20.3%, 2013: 33.2%

Blucora - Executive Summary

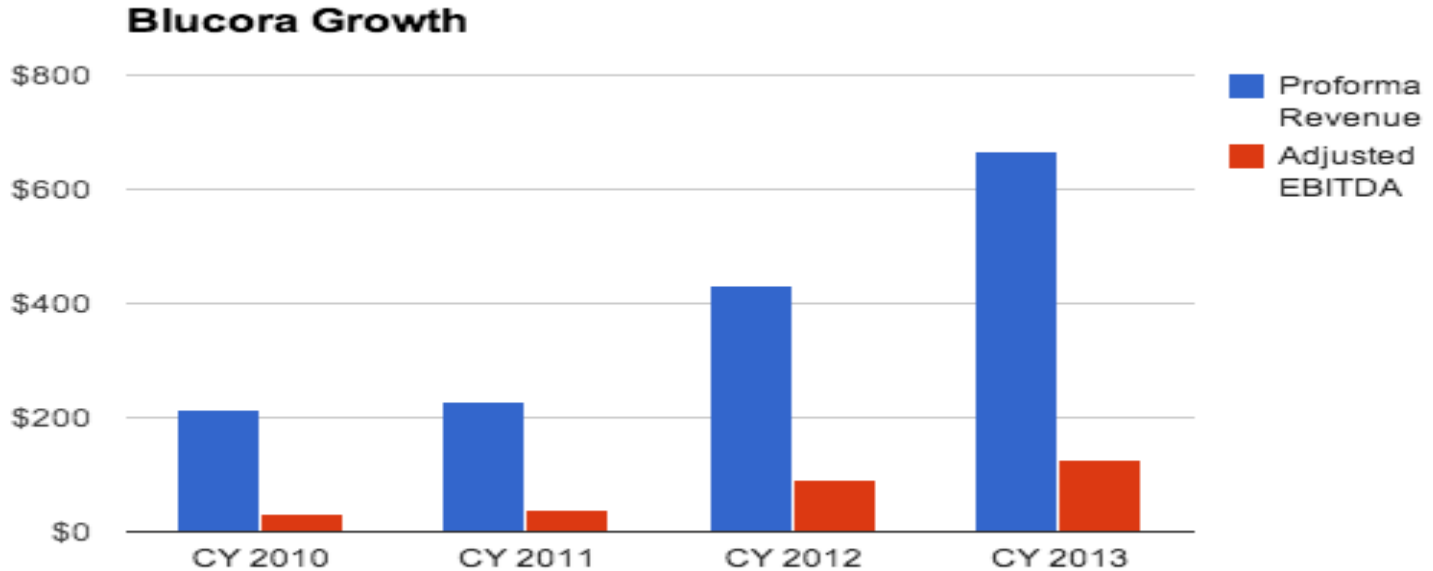
Ticker	BCOR
Shares outstanding	42.2 million
Share Price	\$18.5
Market Cap	\$781 million
Net Cash	\$76 million
Enterprise Value	\$705 million
Revenue	\$666 million
EBITDA - Capex	\$87 million
NOLs	\$643 million
Gross Cash	\$334 million

Blucora - 3 businesses

BCOR Revenue by segment



Strong Financial Performance



Source: BCOR presentation

TaxAct

- Acquired Jan 31, 2012 for \$288 million
- Provides online tax prep for individuals and tax preparers
- Tax preparation market : \$18b
- Value player in the digital DIY market
- 2013 e-file growth of 8% (6.5 million filers for 2013 tax season)
- Basic federal tax prep is free for everyone.
- PC Magazine award - Best Tax Software for 2014
- Revenue from upselling state filing and upgrades
- Growing revenues at 8-10% with 50% segment margins.
- 2013: \$91m in revenue, \$40m in Operating Income
- Intuit (INTU) trades at 14x EBITDA (\$4.4b in Revenue, \$1.5b EBITDA)

TaxAct- Attractive dynamics

- US individual federal tax returns : 145 million, growing at 1%-1.5% annually
- Digital DIY (DDIY) grew 3% in 2012 and expected to grow 4-6% in 2014.
- DDIY is at 38% of total IRS returns.

TaxAct - compelling proposition

- Avg cost of filing with Tax Act is \$13 v/s
 - H&R Block : \$33
 - TurboTax : \$54
 - Tax store : \$180
 - Professional: \$225
- Retention rate : 70%
- Tax filing can be done on Desktop, Mobile and Tablet
- New products: Health Care Act

Monoprice

- Acquired on Aug 22, 2013 for \$183m in cash
- Growing online retailer of self branded consumer electronics and accessories
- 5,800 Monoprice branded product SKUs
- 2013 pro forma revenue: \$145 million, segment income \$16.7 m

Monoprice

- Products offered at prices far below well known brands.
- 70% of reviews give products 9 or 10 rating
- Customer service - 7 days a week
- Order fulfilled from own warehouse
- Growth opportunities
 - Category expansion
 - Deeper assortment within categories
 - Marketing and brand investment
 - B2B
 - International market entry

Infospace

- Leader in aggregate search solutions
- Long standing content partnerships with Google and Yahoo
- Sustained revenue growth and FCF generation
- 2013 Revenues: \$425 million, segment income \$82 million
- Also owns and operates search websites such as webcrawler.com and dogpile.com
- Google makes up 85% of total search revenue

Why is the stock down?

- [Short report](#) stating stock is worth \$0 - \$5!
- Report long on verbiage and lacking in depth of research.
- Report spent 99% of words talking about Infospace division without valuing TaxAct and Monoprice.

Why is the stock down - 2

- Google did not renew Infospace's mobile search contract (10% of Search)
- Infospace faced technical issues during recent software changes
- Weaker guidance for Q2 for Search (due to Google changes and software change issues) and Monoprice. Revenue guided down 12-21% for Q2 and margin to 15%.
- 2014 will see a pause (or slight decline) in revenue and cash flow growth from Infospace segment.
- Monoprice growing slower than expected

Capital allocation

- Acquisition of TaxAct has been a huge win.
 - Paid \$288m and now generating \$40-\$45 in cash flow and growing.
- Monoprice acquisition: Not a winner like TaxAct but has potential.
 - Paid \$183m and generates cash flow \$15-\$20m
- Acquired HowStuffWorks.com for \$45m
- \$85m share repurchase authorization. Increased by \$35m recently.
Repurchased 1.6m shares for \$32m (\$22m in Q2 14)
-

Management

William J. Ruckelshaus - CEO, President

- was VP, Corp Development at Expedia
- Appointed as CEO in 2011
- Driver of recent acquisitions including TaxAct
- Focussed on acquiring cash producing businesses within 3 segments or a new segment if it makes sense and hence utilizing NOLs.

Sum of Parts Valuation

Segment	EBITDA	Multiples	Total \$	Per Share Value
Tax	45m	10x	450m	\$10.7
Search dist	40m	6x	240m	\$5.7
Monoprice	15m	8x	120m	\$2.8
O&O Search	20m	8x	160m	\$3.8
Net Cash			76m	\$1.8
NPV of NOL			100m	\$2.4
CF 2014			80m	\$1.9
Total			1226 million	\$29

Summary

- Blucora has 3 cash producing businesses.
- Market is obsessed with short term issues with Infospace while ignoring growth and profitability of TaxAct.
- Management is deploying cash flow to acquire cash producing businesses
- Blucora has \$650 m of NOLs that are valuable
- Blucora is attractively valued on a sum of parts basis

Thank you

Contact Info

adib@motiwalacapital.com

Phone: 817-689-5115

Twitter: @adibmoti

www.motiwalacapital.com