WebMD

May 7, 2013

WebMD Announces First Quarter Financial Results and Increases 2013 Financial Guidance

WebMD Announces Executive Management Changes

NEW YORK, May 7, 2013 /PRNewswire/ -- WebMD Health Corp. (NASDAQ: WBMD), the leading source of health information, today announced financial results for the three months ended March 31, 2013 and certain executive management changes.

Executive Management Changes
The Board of Directors has appointed David J. Schlanger to serve as Interim Chief Executive Officer. Cavan M. Redmond, CEO and member of the Board of Directors, will be leaving the Company, effective immediately. The Board is commencing a search for a new CEO.

Mr. Schlanger has been with WebMD and its predecessor companies for 18 years, most recently as Senior Vice President, Strategic and Corporate Development. In this role, he was responsible for providing strategic support throughout the organization, including sales, marketing, client relationship management, and product development. Mr. Schlanger and his team have led all aspects of the structuring, negotiating and management of key strategic partnerships with some of WebMD's largest clients as well as its media, technology and content partners. Additionally, he was the lead executive responsible for the strategy, sourcing, negotiation and diligence on the numerous acquisitions that form the core of WebMD's current business. He has also been responsible for international initiatives, including WebMD's joint venture with Boots in the United Kingdom, which since its creation has grown to be the largest commercial online health destination in the UK.

Martin J. Wygod, Chairman of WebMD, said, "The change announced today will best position us to build on the momentum that our senior management team has created to date. Under David's leadership, we will accelerate the development and implementation of strategies to diversify our revenue base and capture the opportunities arising from the rapidly changing healthcare landscape." Mr. Wygod added, "On behalf of the Board of Directors, we wish Cavan well in his future endeavors."

Anthony Vuolo will be transitioning his responsibilities to Peter Anevski who is assuming the role of Chief Financial Officer. Mr. Anevski has served in senior finance and operations roles during the past 14 years at WebMD and its predecessor companies. He was most recently Senior Vice President, Finance, responsible for all aspects of internal accounting, SEC reporting and compliance, financial planning, merger and acquisition analysis and integration. Mr. Anevski played an integral role in WebMD's recent restructuring as well as developing the changes initiated in early 2012 related to WebMD's pricing structure and market positioning, both of which are driving improved financial results.

"I have worked closely with Pete and believe his in-depth knowledge of all aspects of our business will make him an effective partner to our sales, marketing and operations teams and an invaluable member of the executive team. I expect a seamless transition to his new responsibilities," said Mr. Wygod.

Anthony Vuolo will continue with the Company as Senior Vice President focusing on strategic projects. Mr. Wygod said, "I have worked with Tony for over 25 years in several different public companies. Each of these companies, including WebMD, has benefited tremendously from Tony's financial acumen, business insight and extensive M&A and operational expertise. I am pleased that Tony will assist David and Pete in the transition to their new roles and I look forward to continuing to work closely with Tony."

Financial Highlights
For the three months ended March 31, 2013:

- Revenue was $112.8 million, compared to $106.9 million in the prior year period. Public portal advertising and sponsorship revenue was $93.4 million, compared to $87.8 million in the prior year period. Private portal services revenue was $19.3 million, compared to $19.2 million in the prior year period.
- Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") was $21.3 million, or 18.9% of revenue, compared to $11.3 million, or 10.5% of revenue, in the prior year period.
- Net loss was $(1.5) million or $(0.03) per diluted share, compared to $(7.8) million or $(0.14) per diluted share in the prior year period. Net loss in the prior year period includes an after-tax gain on investments of $5.2 million, an after-tax severance expense of $0.8 million and an after-tax stock compensation expense of $5.3 million related to the voluntary surrender of options.

Traffic Highlights
Traffic to the WebMD Health Network continued to grow, reaching an average of 132 million unique users per month and total traffic of 2.78 billion page views during the first quarter of 2013, increases of 23% and 10%, respectively, from a year ago.

Balance Sheet Highlights
As of March 31, 2013, WebMD had $999.2 million in cash and cash equivalents and $800 million in aggregate principal amount of convertible notes outstanding.

Financial Guidance
WebMD raised its financial guidance for 2013 to reflect its improved outlook in its public portal advertising business, particularly as it relates to its pharmaceutical clients.

In summary, for 2013, WebMD expects:

- Revenue to be approximately $450 million to $470 million;
- Adjusted EBITDA to be approximately $75 million to $88 million; and
- Net loss to be approximately $(13.0) million to $(1.5) million, or $(0.26) to $(0.03) per diluted share.

For the second quarter of 2013, WebMD expects:

- Revenue to be in excess of $115 million;
- Adjusted EBITDA to be in excess of 18% of revenue; and
- Net loss to be approximately 1% of revenue.

WebMD is providing a schedule (attached to this press release) with additional detail.

Analyst and Investor Conference Call
WebMD will hold a conference call with investors and analysts to discuss its first quarter results at 4:45 p.m. (Eastern) today. The call can be accessed at www.wbmd.com (in the Investor Relations section). A replay of the audio webcast will be available at the same web address.

About WebMD
WebMD Health Corp. (NASDAQ: WBMD) is the leading provider of health information services, serving consumers, physicians, healthcare professionals, employers, and health plans through our public and private online portals, mobile platforms and health-focused publications.

The WebMD Health Network includes WebMD Health, Medscape, MedicineNet, eMedicineHealth, RxList, theheart.org, Medscape Education and other owned WebMD sites.

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All statements contained in this press release and the related analyst and investor conference call, other than statements of historical fact, are forward-looking statements, including those regarding: guidance on our future financial results and other projections or measures of our future performance; market opportunities and our ability to capitalize on them; and the benefits expected from new or updated products or services and from other potential sources of additional revenue. These statements speak only as of the date of this press release, are based on our current plans and expectations, and involve risks and uncertainties that could cause actual future events or results to be different than those described in or implied by such forward-looking statements. These risks and uncertainties include those relating to: the management changes announced today; market acceptance of our products and services; our relationships with customers and other factors affecting their use of our products and services, including regulatory matters affecting their products; our ability to successfully implement changes to, among other things, our product and service offerings, capital allocation plans and cost structure; our ability to attract and retain qualified personnel; and changes in economic, political or regulatory conditions or other trends affecting the healthcare, Internet and information technology industries. Further information about these matters can be found in our Securities and Exchange Commission filings. Except as required by applicable law or regulation, we do not undertake any obligation to update our forward-looking statements to reflect future events or circumstances.

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This press release, and the accompanying tables, include both financial measures in accordance with accounting principles generally accepted in the United States of America, or GAAP, as well as certain non-GAAP financial measures. The tables attached to this press release include reconciliations of these non-GAAP financial measures to GAAP financial measures. In *addition, an "Explanation of Non-GAAP Financial Measures" is attached to this press release as Annex A.*

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WEBMD HEALTH CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data, unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenue	$ 112,762	$ 106,947
Cost of operations	46,943	53,471
Sales and marketing	30,933	30,103
General and administrative	23,534	29,022
Depreciation and amortization	6,853	6,930
Interest income	21	11
Interest expense	5,832	5,836
Gain on investments	-	8,074
Other expense	-	1,200
Loss before income tax provision (benefit)	(1,312)	(11,530)
Income tax provision (benefit)	226	(3,753)
Net loss	$ (1,538)	$ (7,777)
Net loss per common share - Basic and Diluted	$ (0.03)	$ (0.14)
Weighted-average shares outstanding - Basic and Diluted	49,007	55,769

WEBMD HEALTH CORP.
CONSOLIDATED SUPPLEMENTAL FINANCIAL INFORMATION
(In thousands, unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenue		
Public portal advertising and sponsorship	$ 93,438	$ 87,776
Private portal services	19,324	19,171
	$ 112,762	$ 106,947
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	$ 21,289	$ 11,251
Interest, taxes, non-cash and other items (b)		
Interest income	21	11
Interest expense	(5,832)	(5,836)
Income tax (provision) benefit	(226)	3,753
Depreciation and amortization	(6,853)	(6,930)
Non-cash stock-based compensation	(9,937)	(16,900)
Gain on investments	-	8,074
Other expense	-	(1,200)
Net loss	$ (1,538)	$ (7,777)

(a) See Annex A-Explanation of Non-GAAP Financial Measures.
(b) Reconciliation of Adjusted EBITDA to net loss.

WEBMD HEALTH CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 2013 (unaudited)	December 31, 2012
Assets		
Cash and cash equivalents	$ 999,221	$ 991,835
Accounts receivable, net	101,813	106,622
Prepaid expenses and other current assets	14,999	13,882
Deferred tax assets	10,339	10,328
Total current assets	1,126,372	1,122,667
Property and equipment, net	62,808	66,604
Goodwill	202,104	202,104
Intangible assets, net	15,538	16,105
Deferred tax assets	55,436	56,039
Other assets	25,260	27,106
Total Assets	$ 1,487,518	$ 1,490,625
Liabilities and Stockholders' Equity		
Accrued expenses	$ 49,107	$ 64,256
Deferred revenue	97,220	92,176
Liabilities of discontinued operations	1,506	1,506
Total current liabilities	147,833	157,938
2.25% convertible notes due 2016	400,000	400,000
2.50% convertible notes due 2018	400,000	400,000
Other long-term liabilities	22,742	22,698
Stockholders' equity	516,943	509,989
Total Liabilities and Stockholders' Equity	$ 1,487,518	$ 1,490,625

WEBMD HEALTH CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Cash flows from operating activities:		
Net loss	$ (1,538)	$ (7,777)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,853	6,930
Non-cash interest, net	1,082	1,082
Non-cash stock-based compensation	9,937	16,900
Deferred income taxes	(99)	(3,971)
Gain on investments	-	(8,074)
Changes in operating assets and liabilities:		
Accounts receivable	4,809	23,890
Prepaid expenses and other, net	(193)	(4,023)
Accrued expenses and other long-term liabilities	(14,850)	(11,694)
Deferred revenue	5,044	2,266
Net cash provided by operating activities	11,045	15,529
Cash flows from investing activities:		
Proceeds received from ARS option	-	9,269
Purchases of property and equipment	(2,876)	(3,377)
Net cash (used in) provided by investing activities	(2,876)	5,892

Cash flows from financing activities:		
Proceeds from exercise of stock options	672	754
Cash used for withholding taxes due on stock-based awards	(174)	(911)
Purchases of treasury stock	(1,281)	(415)
Net cash used in financing activities	(783)	(572)
Net increase in cash and cash equivalents	7,386	20,849
Cash and cash equivalents at beginning of period	991,835	1,121,217
Cash and cash equivalents at end of period	$ 999,221	$ 1,142,066

WebMD Health Corp.
Financial Guidance for the Year Ending December 31, 2013
(In millions, except per share amounts)

	Guidance Range	
Revenue	$ 450.0	$ 470.0
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	$ 75.0	$ 88.0
Interest, taxes, non-cash and other items (b)		
Interest expense, net	(23.0)	(23.0)
Depreciation and amortization	(30.0)	(28.0)
Non-cash stock-based compensation	(38.0)	(34.0)
Pre-tax (loss) income	(16.0)	3.0
Income tax benefit (provision)	3.0	(4.5)
Net loss	$ (13.0)	$ (1.5)
Net loss per share:		
Basic and Diluted	$ (0.26)	$ (0.03)
Weighted-average shares outstanding used in computing per share amounts:		
Basic and Diluted	50.0	50.0

(a) See Annex A - Explanation of Non-GAAP Financial Measures

(b) Reconciliation of Adjusted EBITDA to Net Loss

Additional information regarding forecast for the quarter ending June 30, 2013:
- Revenue is forecasted to be in excess of $115 million.
- Adjusted EBITDA as a percentage of revenue is forecasted to be in excess of 18%.
- Net loss as a percentage of revenue is forecasted to be approximately (1%).

Additional information regarding full year forecast:
- The distribution of the annual revenue is expected to be approximately 82% public portals advertising and sponsorship and 18% private portal licensing. Quarterly revenue distributions may vary from this annual estimate.
- Convertible Notes are not expected to be dilutive for the full year or any quarter.

The above guidance does not include the impact, if any, of future deployment of capital for items such as share repurchases or acquisitions, gains or losses from discontinued operations, severance charges related to the management change announced today or other non-recurring, one-time or unusual items.

ANNEX A

Explanation of Non-GAAP Financial Measures

The accompanying WebMD Health Corp. press release and attachments include both financial measures in accordance with U.S. generally accepted accounting principles, or GAAP, as well as non-GAAP financial measures. The non-GAAP financial measures represent earnings before interest, taxes, non-cash and other items (which we refer to as "Adjusted EBITDA") and related per share amounts. Adjusted EBITDA should be viewed as supplemental to, and not as an alternative for net income or loss calculated in accordance with GAAP (referred to below as "net income"). The attachments to the press release include reconciliations of non-GAAP financial measures to GAAP financial measures.

Adjusted EBITDA is used by our management as an additional measure of our company's performance for purposes of business decision-making, including developing budgets, managing expenditures, and evaluating potential acquisitions or divestitures. Period-to-period comparisons of Adjusted EBITDA help our management identify additional trends in our company's financial results that may not be shown solely by period-to-period comparisons of net income. In addition, we may use Adjusted EBITDA in the incentive compensation programs applicable to some of our employees in order to evaluate our company's performance. Our management recognizes that Adjusted EBITDA has inherent limitations because of the excluded items, particularly those items that are recurring in nature. In order to compensate for those limitations, management also reviews the specific items that are excluded from Adjusted EBITDA, but included in net income, as well as trends in those items. The amounts of those items are set forth, for the applicable periods, in the reconciliations of Adjusted EBITDA to net income that accompany our press releases and disclosure documents containing non-GAAP financial measures, including the reconciliations contained in the accompanying press release attachments.

We believe that the presentation of Adjusted EBITDA is useful to investors in their analysis of our results for reasons similar to the reasons why our management finds it useful and because it helps facilitate investor understanding of decisions made by management in light of the performance metrics used in making those decisions. In addition, as more fully described below, we believe that providing Adjusted EBITDA, together with a reconciliation of Adjusted EBITDA to net income, helps investors make comparisons between our company and other companies that may have different capital structures, different effective income tax rates and tax attributes, different capitalized asset values and/or different forms of employee compensation. However, Adjusted EBITDA is intended to provide a supplemental way of comparing our company with other public companies and is not intended as a substitute for comparisons based on net income. In making any comparisons to other companies, investors need to be aware that companies use different non-GAAP measures to evaluate their financial performance. Investors should pay close attention to the specific definition being used and to the reconciliation between such measures and the corresponding GAAP measures provided by each company under applicable SEC rules.

The following is an explanation of the items excluded by us from Adjusted EBITDA but included in net income:

- ***Depreciation and Amortization***. Depreciation and amortization expense is a non-cash expense relating to capital expenditures and intangible assets arising from acquisitions that are expensed on a straight-line basis over the estimated useful life of the related assets. We exclude depreciation and amortization expense from Adjusted EBITDA because we believe that (i) the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and (ii) such expenses can vary significantly between periods as a result of new acquisitions and full amortization of previously acquired tangible and intangible assets. Accordingly, we believe that this exclusion assists management and investors in making period-to-period comparisons of operating performance. Investors should note that the use of tangible and intangible assets contributed to revenue in the periods presented and will contribute to future revenue generation and should also note that such expense will recur in future periods.

- ***Stock-Based Compensation Expense***. Stock-based compensation expense is a non-cash expense arising from the grant of stock-based awards to employees. We believe that excluding the effect of stock-based compensation from Adjusted EBITDA assists management and investors in making period-to-period comparisons in our company's operating performance because (i) the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and (ii) such expenses can vary significantly between periods as a result of the timing of grants of new stock-based awards, including grants in connection with acquisitions. Additionally, we believe that excluding stock-based compensation from Adjusted EBITDA assists management and investors in making meaningful comparisons between our company's operating performance and the operating performance of other companies that may use different forms of employee compensation or different valuation methodologies for their stock-based compensation. Investors should note that stock-based compensation is a key incentive offered to employees whose efforts contributed to the operating results in the periods presented and are expected to contribute to operating results in future periods. Investors should also note that such expenses will recur in the future. Stock-based compensation expenses included in the Consolidated Statements of Operations are summarized as follows:

	Three Months Ended March 31,	
	2013	2012

Non-cash stock-based compensation included in:		
Cost of operations	$ 1,870	$ 2,757
Sales and marketing	$ 2,523	$ 2,161
General and administrative	$ 5,544	$ 11,982

- ***Interest Income and Expense.*** Interest income is associated with the level of marketable debt securities and other interest bearing accounts in which we invest, and interest expense is related to our company's capital structure (including non-cash interest expense relating to our convertible notes). Interest income and expense varies over time due to a variety of financing transactions and due to acquisitions and divestitures that we have entered into or may enter into in the future. We have, in the past, issued convertible debentures, repurchased shares in cash tender offers and repurchased shares and convertible debentures through other repurchase transactions, and completed the divestiture of certain businesses. We exclude interest income and interest expense from Adjusted EBITDA (i) because these items are not directly attributable to the performance of our business operations and, accordingly, their exclusion assists management and investors in making period-to-period comparisons of operating performance and (ii) to assist management and investors in making comparisons to companies with different capital structures. Investors should note that interest income and expense will recur in future periods. The following provides detail regarding the components of interest expense of our convertible notes:

	Three Months Ended March 31,	
	2013	2012
Non-cash interest expense		
2.50% Convertible Notes	$ 452	$ 452
2.25% Convertible Notes	$ 630	$ 630
Cash interest expense		
2.50% Convertible Notes	$ 2,500	$ 2,500
2.25% Convertible Notes	$ 2,250	$ 2,250

- ***Income Tax Provision (Benefit).*** We maintain a valuation allowance on a portion of our net deferred tax assets (including our net operating loss carryforwards), the amount of which may change from quarter to quarter based on factors that are not directly related to our results for the quarter. The valuation allowance is either adjusted through the statement of operations or additional paid-in capital. The timing of such adjustments has not been consistent and as a result, our income tax expense can fluctuate significantly from period to period in a manner not directly related to our operating performance. We exclude the income tax provision (benefit) from Adjusted EBITDA (i) because we believe that the income tax provision (benefit) is not directly attributable to the underlying performance of our business operations and, accordingly, its exclusion assists management and investors in making period-to-period comparisons of operating performance and (ii) to assist management and investors in making comparisons to companies with different tax attributes. Investors should note that income tax provision (benefit) will recur in future periods.

- ***Other Items.*** We engage in other activities and transactions that can impact our net income. In recent periods, these other items have included, but were not limited to: (i) gain or loss on investments; and (ii) a restructuring charge. We exclude these other items from Adjusted EBITDA because we believe these activities or transactions are not directly attributable to the performance of our business operations and, accordingly, their exclusion assists management and investors in making period-to-period comparisons of operating performance. Investors should note that some of these other items may recur in future periods.

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