July 12, 2013

WebMD Announces Preliminary Second Quarter Results and Increases Financial Guidance for 2013

NEW YORK, July 12, 2013 /PRNewswire/ -- WebMD Health Corp. (NASDAQ: WBMD), the leading source of health information, today announced preliminary financial results for the three months ended June 30, 2013 and increased financial guidance for 2013.

Preliminary Results for the Three Months Ended June 30, 2013
For the three months ended June 30, 2013, WebMD expects:

- Revenue to be between $124 million and $125 million, an increase of 10% to 11% from the prior year period. Prior financial guidance provided for revenue to be in excess of $115 million.
- Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") to be approximately $29 million, or approximately 23% of revenue, an increase of 104% from the prior year period. Prior financial guidance provided for Adjusted EBITDA, as a percentage of revenue, to be in excess of 18%.
- Net income to be approximately $3 million, or $0.05 per diluted share, or approximately 2% of revenue. Prior financial guidance provided for net loss, as a percentage of revenue, to be approximately (1%).

Balance Sheet Highlights
As of June 30, 2013, WebMD had approximately $1 billion in cash and cash equivalents and $800 million in aggregate principal amount of convertible notes outstanding.

Traffic Highlights
Traffic to the WebMD Health Network during the second quarter reached an average of 125.5 million unique users per month and total traffic of 2.64 billion page views for the quarter, increases of 17% and 6%, respectively, from the prior year period.

Increased 2013 Financial Guidance
WebMD has increased its financial guidance for 2013 and expects the following:

- Revenue of $485 million to $505 million, an increase of 3% to 7% from the prior year. Prior financial guidance provided for revenue of $450 million to $470 million.
- Adjusted EBITDA of $100 million to $110 million, an increase of 37% to 50% from the prior year. Prior financial guidance provided for Adjusted EBITDA of $75 million to $88 million.
- Net income of $3 million to $11 million. Prior financial guidance provided for net loss of $(13) million to $(1.5) million.

WebMD's prior financial guidance for 2013 was last disseminated on May 7, 2013.

WebMD expects 2013 revenue of $485 million to $505 million to assume the following distribution:

- Approximately 83% from public portals advertising and sponsorship, representing growth of approximately 3% to 7% over the prior year, and
- Approximately 17% from private portal licensing, representing growth of approximately 5% to 9% over the prior year.

WebMD's revised guidance reflects: (a) actual results for the first half of 2013; (b) improved visibility for the second half of 2013 based upon several factors, including orders received to date and those expected over the balance of the year; and (c) anticipated expenses relating to new private portal customer implementations as well as public portal initiatives such as enhanced data and analytics and new content and enhanced offerings for both users and advertisers.

"Our better than anticipated second quarter preliminary results and our increased financial guidance for 2013 is primarily due to increased demand for our public portals advertising and sponsorship services, particularly from biopharmaceutical customers," said David J. Schlanger, Interim CEO, WebMD. "Additionally, while not impacting our increased 2013 guidance, we are experiencing significant new commitments for our private portal offerings, including the previously announced contract with Blue Cross and Blue Shield Association Federal Employee Program, which are expected to generate revenue beginning in 2014."

A schedule outlining WebMD's preliminary second quarter results and updated 2013 financial guidance is attached to this press release.

Final Results to Be Released on July 31, 2013
The information in this release is preliminary. WebMD is completing its normal closing process and will release its second quarter results on July 31, 2013, at approximately 4:00 p.m. (Eastern time) and will hold a conference call with investors and analysts to discuss its second quarter results at 4:45 p.m. (Eastern time) on that day. 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 other than statements of historical fact, are forward-looking statements, including those regarding: our preliminary second quarter results (which reflect what we currently expect to report and is subject to adjustment); 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 expected contracts with customers, 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: market acceptance of our products and services; our relationships with customers and strategic partners; 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 and this press release is intended to be read in conjunction with those 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.
Preliminary Financial Information for the Quarter Ended June 30, 2013
and Updated Financial Guidance Summary
(In millions, except per share amounts)

	Quarter Ended June 30, 2013 Preliminary Results		Year Ending December 31, 2013 Guidance Range	
Revenue	$ 124.0	$ 125.0	$ 485.0	$ 505.0
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	$ 29.0	$ 29.5	$ 100.0	$ 110.0
Interest, taxes, non-cash and other items (b)				
Interest expense, net	(5.8)	(5.8)	(23.0)	(23.0)

Depreciation and amortization	(6.7)	(6.7)	(28.0)	(27.0)
Non-cash stock-based compensation	(11.2)	(11.2)	(39.0)	(37.0)
Other expense (c)	(1.4)	(1.4)	(1.4)	(1.4)
Pre-tax income	3.9	4.4	8.6	21.6
Income tax provision	(1.4)	(1.6)	(5.6)	(10.6)
Net income	$ 2.5	$ 2.8	$ 3.0	$ 11.0
Net income per share:				
Basic	$ 0.05	$ 0.06	$ 0.06	$ 0.22
Diluted	$ 0.05	$ 0.05	$ 0.06	$ 0.21
Weighted-average shares outstanding used in computing per share amounts:				
Basic	49.0	49.0	50.0	50.0
Diluted	51.0	51.0	52.0	52.0

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

(b) Reconciliation of Adjusted EBITDA to Net Income

(c) Represents severance expense for the Company's former Chief Executive Officer

Additional information regarding full year forecast:
- The distribution of the annual revenue is expected to be approximately 83% public portals advertising and sponsorship and 17% 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, 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 attachment 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 attachment to the press release includes 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 attachment.

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.
- ***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.
- ***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; (ii) a restructuring charge; and (iii) severance expense. 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.

SOURCE WebMD Health Corp.