February 10, 2014

WebMD Announces Preliminary Fourth Quarter and Full Year 2013 Results

WebMD Provides Preliminary 2014 Outlook

NEW YORK, Feb. 10, 2014 /PRNewswire/ -- WebMD Health Corp. (NASDAQ: WBMD), the leading source of health information, today announced preliminary fourth quarter and full year financial results for 2013, and provided its preliminary outlook for 2014.

Preliminary Fourth Quarter and Full Year Results for 2013
For the three months ended December 31, 2013, WebMD expects to report:

- Revenue of approximately $145.5 million to $146.5 million, an increase of approximately 10% from the prior year period. Prior financial guidance provided for revenue to be in excess of $141 million.
- Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") of approximately $40.0 million to $40.7 million, an increase of approximately 34% from the prior year period. Prior financial guidance provided for Adjusted EBITDA to be in excess of $36 million.
- Net income of approximately $10.0 million to $10.8 million, or $0.23 to $0.25 per diluted share. Prior financial guidance provided for net income to be in excess of $7.7 million.

For the full year ended December 31, 2013, WebMD expects to report:

- Revenue of approximately $514.5 million to $515.5 million, an increase of approximately 10% from the prior year period. Prior financial guidance provided for revenue to be in excess of $510 million.
- Adjusted EBITDA of approximately $122.3 million to $123.0 million, an increase of approximately 68% from the prior year period. Prior financial guidance provided for Adjusted EBITDA to be in excess of $118 million.
- Net income of approximately $14.3 million to $15.1 million, or $0.30 to $0.31 per diluted share. Prior financial guidance provided for net income to be in excess of $12 million.

During the fourth quarter, traffic to the WebMD Health Network reached an average of 156 million unique users per month generating 3.17 billion page views for the quarter, increases of 33% and 23%, respectively, from the prior year period.

"Over the last year, we focused on becoming a more customer-centric organization, developing robust and flexible product offerings, and streamlining the delivery of our services," said David J. Schlanger, CEO, WebMD.

Balance Sheet Highlights
During the fourth quarter, WebMD received net proceeds of $291.8 million in cash upon issuance of $300 million aggregate principal amount of 1.50% Convertible Notes due 2020. During the fourth quarter, WebMD utilized: $211.3 million in cash to repurchase approximately 6.5 million shares of its common stock; and $48.6 million in cash to repurchase $47.8 million principal amount of its 2.25% Convertible Notes due 2016.

As of December 31, 2013, WebMD had:

- Approximately $825 million in cash and cash equivalents;
- $952.2 million in aggregate principal amount of convertible notes outstanding; and
- Approximately 40.3 million shares of its common stock outstanding (including approximately 1.2 million unvested shares of restricted stock).

Increase in Stock Repurchase Program
WebMD today announced an increase of $50 million in the amount available under its existing stock repurchase program. This increases the amount currently available for repurchases to approximately $70 million. Under the program, WebMD may repurchase shares from time to time in the open market, through block trades or in private transactions, depending on market conditions and other factors.

Preliminary 2014 Financial Outlook
"WebMD's preliminary financial outlook for 2014 calls for continued growth in the year ahead. However, the first five weeks of

sales activity does not reflect year-on-year growth, which is in contrast to the sales momentum we experienced in the fourth quarter of 2013. This change in sales activity does not appear to be the result of any macro issues within our markets," said Mr. Schlanger. "The change could be attributable to various factors, such as the continued shift in some of our customers' budgeting and buying patterns, which makes comparison to prior periods and forecasting more challenging. If this change in sales activity were to continue, it would impact the rate of revenue growth in the latter half of this year. Although we do not believe this recent development is necessarily indicative of a continuing trend, it is considered in the range of initial revenue guidance we provided today."

For the first quarter of 2014:

- Revenue is expected to be approximately $130 million to $133 million, an increase of approximately 15% to 18% from the prior year period.
- Adjusted EBITDA is expected to be approximately $28.5 million to $30.5 million, an increase of approximately 34% to 43% from the prior year period.
- Net income as a percentage of revenue is expected to be approximately 3% to 4%.

For the full year 2014:

- Revenue is expected to be approximately $545 million to $575 million, an increase of approximately 6% to 12% from the prior year. Approximately 82% to 83% of revenue is expected to be from public portals advertising and sponsorship and 17% to 18% of revenue is expected to be from private portal licensing and services.
- Adjusted EBITDA is expected to be approximately $140 million to $155 million, an increase of approximately 14% to 26% from the prior year.
- Net income is expected to be approximately $27 million to $39 million.

WebMD is providing the preliminary 2013 results and the outlook for 2014 in advance of meetings with investors during its participation in the Stifel Technology, Internet and Media Conference 2014 on Tuesday, February 11, 2014 at 12:45 p.m. (Eastern time) and in the Goldman Sachs Technology and Internet Conference on Wednesday, February 12, 2014 at 12:40 p.m. (Eastern time).

Investors, analysts and the general public are invited to listen to a live audio broadcast of the conference presentations over the Internet. The broadcasts can be accessed at their respective start times on www.wbmd.com (in the Investor Relations section). Replays of the broadcasts will be available at the same web address.

Schedules outlining WebMD's preliminary fourth quarter and full year 2013 results and preliminary financial outlook for 2014 are attached to this press release.

Final 2013 Results and 2014 Financial Guidance to Be Released on February 20, 2014
The information in this release is preliminary. WebMD is completing its normal closing process and annual audit and, as previously announced, will release its fourth quarter and year end 2013 results and detailed 2014 financial guidance on February 20, 2014, at approximately 4:00 p.m. (Eastern time) and will hold a conference call with investors and analysts to discuss these results and additional details 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 and the related analyst and investor conference call, other than statements of historical fact, are forward-looking statements, including those regarding: our preliminary results for the three and twelve months ended December 31, 2013 (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, 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 other factors affecting their use of our products and services, including regulatory matters affecting their products; 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 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 and Year Ended December 31, 2013
(In millions, except per share amounts)

	Quarter Ended December 31, 2013 Preliminary Results Range		Year Ended December 31, 2013 Preliminary Results Range	
Revenue	$ 145.5	$ 146.5	$ 514.5	$ 515.5
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	$ 40.0	$ 40.7	$ 122.3	$ 123.0
Interest, taxes, non-cash and other items (b)				
Interest expense, net	(5.3)	(5.3)	(22.8)	(22.8)
Depreciation and amortization	(6.6)	(6.6)	(26.6)	(26.6)
Non-cash stock-based compensation	(8.5)	(7.9)	(39.1)	(38.5)
Loss on convertible notes	(1.6)	(1.6)	(4.9)	(4.9)
Other expense	-	-	(1.4)	(1.4)
Pre-tax income	18.0	19.3	27.5	28.8
Income tax provision	(8.0)	(8.5)	(13.2)	(13.7)
Net income	$ 10.0	$ 10.8	$ 14.3	$ 15.1
Income per share:				
Basic	$ 0.25	$ 0.27	$ 0.31	$ 0.32
Diluted	$ 0.23	$ 0.25	$ 0.30	$ 0.31

Income per share calculation:				
Net income	$ 10.0	$ 10.8	$ 14.3	$ 15.1
Add-back of interest expense on 1.5% Notes, net of tax	0.3	0.3	-	-
Numerator for diluted income per share	$ 10.3	$ 11.1	$ 14.3	$ 15.1
Weighted average shares outstanding	40.5	40.5	46.8	46.8
Stock options and restricted stock	2.2	2.2	1.6	1.6
Weighted average shares issuable upon conversion of 1.5% Notes	2.2	2.2	-	-
Denominator for diluted income per share	44.9	44.9	48.4	48.4

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

(b) Reconciliation of Adjusted EBITDA to Net income

WebMD Health Corp.
Preliminary Financial Guidance for the Year Ending December 31, 2014
(in millions, except per share amounts)

	Guidance Range	
Revenue	$ 545.0	$ 575.0
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	$ 140.0	$ 155.0
Interest, taxes, non-cash and other items (b)		
Interest expense, net	(25.0)	(25.0)
Depreciation and amortization	(30.0)	(28.0)
Non-cash stock-based compensation	(35.0)	(32.0)
Pre-tax income	50.0	70.0
Income tax provision	(23.0)	(31.0)
Net income	$ 27.0	$ 39.0
Income per share:		
Basic	$ 0.68	$ 0.95
Diluted	$ 0.63	$ 0.84
Income per share calculation:		
Net income (numerator for basic income per share)	$ 27.0	$ 39.0
Add-back of interest expense on 1.5% Notes, net of tax	3.5	3.5
Numerator for diluted income per share	$ 30.5	$ 42.5
Weighted average shares outstanding (denominator for basic income per share)	40.0	41.0
Stock options and restricted stock	3.0	4.0
Weighted average shares issuable upon conversion of 1.5% Notes	5.7	5.7
Denominator for diluted income per share	48.7	50.7

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

(b) Reconciliation of Adjusted EBITDA to Net income

Additional information regarding forecast for the quarter ending March 31, 2014:
- Revenue is forecasted to be between $130 million to $133 million.
- Adjusted EBITDA is forecasted to be between $28.5 million to $30.5 million
- Net income as a percentage of revenue is forecasted to be approximately 3% to 4%.
- The convertible notes are not expected to be dilutive for the quarter ending March 31, 2014.

Additional information regarding full year forecast:
- The distribution of the annual revenue is expected to be approximately 82% to 83% public portals advertising and sponsorship and 17% to 18% private portal licensing. Quarterly revenue distributions may vary from this annual estimate.
- The above guidance does not include the impact if any, of future deployment of capital for items such as share repurchases or acquisitions, any future gains or losses from discontinued operations, and other future non-recurring, one-time or unusual items.
- The 1.5% Notes are expected to be dilutive to the full year; the 2.25% Notes and 2.5% Notes are not expected to be dilutive.

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.

- ***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; (iii) severance expense; and (iv) loss on repurchases of our convertible notes. 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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