



February 20, 2014

WebMD Announces Fourth Quarter and Year End Financial Results

NEW YORK, Feb. 20, 2014 /PRNewswire/ -- WebMD Health Corp. (NASDAQ: WBMD), the leading source of health information, today announced fourth quarter and full year financial results for 2013 that are consistent with the preliminary results announced on February 10, 2014.

"WebMD's fourth quarter and full year 2013 results reflected an improved macro environment, our continued progress in becoming a more customer-centric and efficient company, and a strengthening of our core advertising and sponsorship business," said David Schlanger, Chief Executive Officer, WebMD. "We expect growth to continue in 2014 as we introduce new products and services. Looking ahead, we are investing in longer-term growth opportunities that leverage WebMD's brand, audience, and industry-leading platform, which should enable us to expand into new markets and realize new revenue streams."

Financial Highlights

For the three months ended December 31, 2013:

- Revenue was \$146.3 million compared to \$132.7 million in the prior year period, an increase of 10%. Public portal advertising and sponsorship revenue was \$124.4 million compared to \$112.3 million in the prior year period. Private portal services revenue was \$21.9 million compared to \$20.5 million in the prior year period.
- Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") was \$40.6 million compared to \$30.0 million in the prior year period, an increase of 35%.
- Net income was \$10.8 million or \$0.25 per diluted share compared to net loss of \$(6.1) million or \$(0.12) per diluted share in the prior year period. In the current period, net income would have been \$11.8 million, or \$0.27 per diluted share, without the effect of an after-tax loss on convertible notes of \$1.0 million. In the prior period, net loss would have been net income of \$4.1 million or \$0.08 per diluted share, without the effect of an after-tax restructuring expense of \$5.5 million and non-cash income tax valuation allowance of \$4.7 million.

For the twelve months ended December 31, 2013:

- Revenue was \$515.3 million compared to \$469.9 million in the prior year period, an increase of 10%. Public portal advertising and sponsorship revenue was \$433.2 million compared to \$391.3 million in the prior year period. Private portal services revenue was \$82.1 million compared to \$78.5 million in the prior year period.
- Adjusted EBITDA was \$122.9 million compared to \$73.1 million in the prior year period, an increase of 68%.
- Net income was \$15.1 million or \$0.31 per diluted share compared to net loss of \$(20.3) million or \$(0.40) per diluted share in the prior year period. In the current period, net income would have been \$18.9 million, or \$0.39 per diluted share, without the effect of an after-tax loss on convertible notes of \$3.0 million and after-tax severance expenses of \$0.8 million. In the prior period, net loss would have been \$(10.6) million or \$(0.21) per diluted share, without the effect of an after-tax gain on investments of \$5.2 million, after-tax restructuring expense of \$5.5 million, non-cash income tax valuation allowance of \$4.7 million, after-tax stock compensation expense related to the voluntary surrender of options of \$5.8 million, after-tax severance expenses of \$1.6 million and after-tax income from discontinued operations of \$2.7 million.

Traffic Highlights

Traffic to the WebMD Health Network during the fourth quarter reached a record 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.

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).

As of today, WebMD has approximately \$70 million currently available for repurchases in its authorized share buyback program.

Financial Guidance

WebMD's financial guidance provided today is consistent with the preliminary outlook for 2014 provided in our February 10, 2014 press release.

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 \$450 million to \$475 million of revenue is expected to be from public portals advertising and sponsorship and \$95 million to \$100 million of revenue is expected to be from private portal 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.

A schedule summarizing the Company's financial guidance is attached to this press release.

Analyst and Investor Conference Call

WebMD will hold a conference call with investors and analysts 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.

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 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 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 and this press release is intended to be read in conjunction with information contained in 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.

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 December 31,		Years Ended December 31,	
	2013	2012	2013	2012
Revenue	\$ 146,277	\$ 132,738	\$ 515,293	\$ 469,866
Cost of operations	57,763	55,352	209,740	216,361
Sales and marketing	33,081	32,598	127,997	127,659
General and administrative	22,715	23,767	93,220	97,618
Depreciation and amortization	6,566	8,248	26,606	28,399
Interest income	22	22	76	86
Interest expense	5,329	5,834	22,826	23,334
Loss on convertible notes	1,575	-	4,871	-
Gain on investments	-	-	-	8,074
Restructuring	-	7,579	-	7,579
Other expense	-	-	1,353	2,297
Income (loss) from continuing operations before income tax provision (benefit)	19,270	(618)	28,756	(25,221)
Income tax provision (benefit)	8,458	5,470	13,640	(2,134)
Income (loss) from continuing operations	10,812	(6,088)	15,116	(23,087)
Income from discontinued operations, net of tax	-	-	-	2,743
Net income (loss)	\$ 10,812	\$ (6,088)	\$ 15,116	\$ (20,344)
Basic income (loss) per common share:				
Income (loss) from continuing operations	\$ 0.27	\$ (0.12)	\$ 0.32	\$ (0.45)
Income from discontinued operations	-	-	-	0.05
Net income (loss)	\$ 0.27	\$ (0.12)	\$ 0.32	\$ (0.40)
Diluted income (loss) per common share (a):				
Income (loss) from continuing operations	\$ 0.25	\$ (0.12)	\$ 0.31	\$ (0.45)
Income from discontinued operations	-	-	-	0.05
Net income (loss)	\$ 0.25	\$ (0.12)	\$ 0.31	\$ (0.40)
Weighted-average shares outstanding used in computing income (loss) per common share:				
Basic	40,457	49,041	46,830	50,862
Diluted	44,872	49,041	48,398	50,862

(a) See schedule of Net Income (Loss) Per Common Share below.

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

	Three Months Ended December 31,		Years Ended December 31,	
	2013	2012	2013	2012
Revenue				
Public portal advertising and sponsorship	\$ 124,353	\$ 112,257	\$ 433,182	\$ 391,339
Private portal services	21,924	20,481	82,111	78,527
	\$ 146,277	\$ 132,738	\$ 515,293	\$ 469,866

Earnings before interest, taxes, non-cash

and other items ("Adjusted EBITDA") (a)	\$ 40,636	\$ 30,049	\$ 122,886	\$ 73,149
Interest, taxes, non-cash and other items (b)				
Interest income	22	22	76	86
Interest expense	(5,329)	(5,834)	(22,826)	(23,334)
Income tax (provision) benefit	(8,458)	(5,470)	(13,640)	2,134
Depreciation and amortization	(6,566)	(8,248)	(26,606)	(28,399)
Non-cash stock-based compensation	(7,918)	(9,028)	(38,550)	(44,921)
Loss on convertible notes	(1,575)	-	(4,871)	-
Gain on investments	-	-	-	8,074
Restructuring	-	(7,579)	-	(7,579)
Other expense	-	-	(1,353)	(2,297)
Income (loss) from continuing operations	10,812	(6,088)	15,116	(23,087)
Income from discontinued operations, net of tax	-	-	-	2,743
Net income (loss)	<u>\$ 10,812</u>	<u>\$ (6,088)</u>	<u>\$ 15,116</u>	<u>\$ (20,344)</u>

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

(b) Reconciliation of Adjusted EBITDA to net income (loss).

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

	December 31,	
	2013	2012
Assets		
Cash and cash equivalents	\$ 824,880	\$ 991,835
Accounts receivable, net	124,232	106,622
Prepaid expenses and other current assets	13,243	13,882
Deferred tax assets	13,620	10,328
Total current assets	975,975	1,122,667
Property and equipment, net	64,884	66,604
Goodwill	202,980	202,104
Intangible assets, net	13,834	16,105
Deferred tax assets	38,802	56,039
Other assets	29,153	27,106
Total Assets	<u>\$ 1,325,628</u>	<u>\$ 1,490,625</u>
Liabilities and Stockholders' Equity		
Accrued expenses	\$ 73,739	\$ 64,256
Deferred revenue	85,148	92,176
Liabilities of discontinued operations	1,506	1,506
Total current liabilities	160,393	157,938
2.25% convertible notes due 2016	252,232	400,000
2.50% convertible notes due 2018	400,000	400,000
1.50% convertible notes due 2020	300,000	-
Other long-term liabilities	22,103	22,698
Stockholders' equity	190,900	509,989
Total Liabilities and Stockholders' Equity	<u>\$ 1,325,628</u>	<u>\$ 1,490,625</u>

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

	Years Ended	
	December 31,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$ 15,116	\$ (20,344)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Income from discontinued operations, net of tax	-	(2,743)
Depreciation and amortization	26,606	28,399
Non-cash interest, net	4,192	4,326
Non-cash stock-based compensation	38,550	44,921
Deferred income taxes	13,070	(2,337)
Loss on convertible notes	4,871	-
Gain on investments	-	(8,074)
Changes in operating assets and liabilities:		
Accounts receivable	(17,610)	14,713
Prepaid expenses and other, net	266	(1,589)
Accrued expenses and other long-term liabilities	8,061	9,429
Deferred revenue	(7,028)	4,121
Net cash provided by continuing operations	86,094	70,822
Net cash provided by discontinued operations	-	4,324
Net cash provided by operating activities	86,094	75,146
Cash flows from investing activities:		
Proceeds received from ARS option	-	9,269
Purchases of property and equipment	(22,341)	(35,171)
Proceeds from sale of property and equipment	1,381	-
Net cash used in investing activities	(20,960)	(25,902)
Cash flows from financing activities:		
Proceeds from exercise of stock options	29,724	827
Cash used for withholding taxes due on stock-based awards	(12,526)	(2,740)
Net proceeds from issuance of convertible notes	291,823	-
Repurchase of convertible notes	(150,354)	-
Repurchase of shares through tender offers	(170,516)	(150,759)
Purchases of treasury stock	(220,298)	(26,331)
Excess tax benefit on stock-based awards	58	377
Net cash used in financing activities	(232,089)	(178,626)
Net decrease in cash and cash equivalents	(166,955)	(129,382)
Cash and cash equivalents at beginning of period	991,835	1,121,217
Cash and cash equivalents at end of period	\$ 824,880	\$ 991,835

WEBMD HEALTH CORP.
NET INCOME (LOSS) PER COMMON SHARE
(In thousands, except per share data, unaudited)

	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Numerator:				
Income (loss) from continuing operations — Basic	\$ 10,812	\$ (6,088)	\$ 15,116	\$ (23,087)
Interest expense on 1.50% convertible notes, net of tax	326	-	-	-
Income (loss) from continuing operations — Diluted	\$ 11,138	\$ (6,088)	\$ 15,116	\$ (23,087)
Income from discontinued operations, net of tax — Basic and Diluted	\$ -	\$ -	\$ -	\$ 2,743

Denominator:

Weighted-average shares — Basic	40,457	49,041	46,830	50,862
Stock options and restricted stock	2,192	-	1,568	-
1.50% convertible notes	2,223	-	-	-
Adjusted weighted-average shares after assumed conversions — Diluted	<u>44,872</u>	<u>49,041</u>	<u>48,398</u>	<u>50,862</u>
Basic income (loss) per common share:				
Income (loss) from continuing operations	\$ 0.27	\$ (0.12)	\$ 0.32	\$ (0.45)
Income from discontinued operations	-	-	-	0.05
Net income (loss)	<u>\$ 0.27</u>	<u>\$ (0.12)</u>	<u>\$ 0.32</u>	<u>\$ (0.40)</u>
Diluted income (loss) per common share:				
Income (loss) from continuing operations	\$ 0.25	\$ (0.12)	\$ 0.31	\$ (0.45)
Income from discontinued operations	-	-	-	0.05
Net income (loss)	<u>\$ 0.25</u>	<u>\$ (0.12)</u>	<u>\$ 0.31</u>	<u>\$ (0.40)</u>

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

	Guidance Range	
Revenue:		
Public portal advertising and sponsorship	\$ 450.0	\$ 475.0
Private portal services	95.0	100.0
	<u>\$ 545.0</u>	<u>\$ 575.0</u>
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	<u>50.0</u>	<u>70.0</u>
Income tax provision	(23.0)	(31.0)
Net income	<u>\$ 27.0</u>	<u>\$ 39.0</u>
Income per share:		
Basic	<u>\$ 0.68</u>	<u>\$ 0.95</u>
Diluted (c)	<u>\$ 0.63</u>	<u>\$ 0.84</u>
Calculation of income per share:		
Net income (numerator for basic income per share)	\$ 27.0	\$ 39.0
Add-back of interest expense on 1.50% Notes, net of tax	3.5	3.5
Numerator for diluted income per share	<u>\$ 30.5</u>	<u>\$ 42.5</u>
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 1.50% Notes	5.7	5.7
Denominator for diluted income per share	<u>48.7</u>	<u>50.7</u>

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

(b) Reconciliation of Adjusted EBITDA to net income.

(c) See Supplemental 2014 Guidance for Income Per Share Calculation below.

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 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.

WebMD Health Corp.
Supplemental 2014 Guidance for Income Per Share Calculation

Based on the Company's Financial Guidance for the Year Ending December 31, 2014, the 2.50% Notes and 2.25% Notes are not expected to be dilutive to the full year. However, the 1.50% Notes are expected to be dilutive to the full year. Additionally, each of the series of Notes may be dilutive in certain quarters, depending on the amount of net income for such quarter. The following table contains the approximate level of net income for an individual quarter and for the full year 2014 at which each of the series of Notes would become dilutive to income per share. To the extent this net income is exceeded for any such period, the table also includes the amounts by which the numerator and denominator should each be adjusted for purposes of the diluted income per share calculation. The amounts below assume a weighted-average diluted share count of 43 million shares (prior to the effect of convertible notes) and the amounts below are subject to change as such weighted-average share count changes.

<i>All amounts in millions</i>	Quarterly Amounts			Annual Amounts		
	1.50% Notes	2.50% Notes	2.25% Notes	1.50% Notes	2.50% Notes	2.25% Notes
Approximate net income at which convertible notes become dilutive:	\$ 6.5	\$ 13.3	\$ 14.6	\$ 26.2	\$ 53.1	\$ 58.5
Interest expense, net of tax to add-back to net income (numerator):	\$ 0.9	\$ 1.8	\$ 1.1	\$ 3.5	\$ 7.2	\$ 4.4
Additional shares to include in weighted-average diluted share count (denominator):	5.7	6.2	3.5	5.7	6.2	3.5

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") or income or loss from continuing operations calculated in accordance with GAAP (referred to below as "income from continuing operations"). 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 or income from continuing operations. 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 or income from continuing operations, 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 or income from continuing operations 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 or income from continuing operations, 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 or income from continuing operations. 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 and income from continuing operations:

- 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 Statement of Operations are summarized as follows:

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012

Non-cash stock-based compensation included in:

Cost of operations	\$ 1,728	\$ 1,484	\$ 6,762	\$ 8,160
Sales and marketing	\$ 1,809	\$ 1,804	\$ 8,395	\$ 8,201
General and administrative	\$ 4,381	\$ 5,740	\$ 23,393	\$ 28,560

- 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

Year Ended

	December 31,		December 31,	
	2013	2012	2013	2012
Non-cash interest expense				
2.50% Convertible Notes	\$ 446	\$ 452	\$ 1,802	\$ 1,807
2.25% Convertible Notes	\$ 390	\$ 630	\$ 2,279	\$ 2,519
1.50% Convertible Notes	\$ 111	\$ —	\$ 111	\$ —
Cash interest expense				
2.50% Convertible Notes	\$ 2,500	\$ 2,500	\$ 10,000	\$ 10,000
2.25% Convertible Notes	\$ 1,457	\$ 2,250	\$ 8,207	\$ 9,000
1.50% Convertible Notes	\$ 425	\$ —	\$ 425	\$ —

- 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 or income from continuing operations. In recent periods, these other items 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.

SOURCE WebMD Health Corp.

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