April 30, 2014

WebMD Announces First Quarter Financial Results

Revenue Increased 19%, Adjusted EBITDA Increased 56%

NEW YORK, April 30, 2014 /PRNewswire/ -- WebMD Health Corp. (NASDAQ: WBMD), the leading source of health information, today announced financial results for the first quarter.

"WebMD's first quarter results reflect momentum across our business, driven by increased adoption of our multiscreen offerings," said David Schlanger, Chief Executive Officer, WebMD. "The strength of our brands and products, highly engaged audiences, and our ability to demonstrate meaningful ROI to our advertising and sponsorship customers enabled WebMD to further fortify its leadership position during the quarter."

Financial Highlights
For the three months ended March 31, 2014:

- Revenue was $133.8 million, compared to $112.8 million in the prior year period, an increase of 19%. Public portal advertising and sponsorship revenue was $109.2 million compared to $93.4 million in the prior year period. Private portal services revenue was $24.6 million compared to $19.3 million in the prior year period.
- Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") was $33.3 million, compared to $21.3 million in the prior year period, an increase of 56%.
- Net income was $6.3 million or $0.15 per diluted share, compared to net loss of $(1.5) million or $(0.03) per diluted share in the prior year period.

Traffic Highlights
Traffic to the WebMD Health Network during the first quarter reached an average of 174 million unique users per month generating 3.5 billion page views for the quarter, increases of 32% and 26%, respectively, from the prior year period.

Balance Sheet Highlights
During the first quarter, WebMD utilized approximately $65 million in cash to repurchase approximately 1.5 million shares of its common stock under its stock repurchase program. As of March 31, 2014, WebMD had: approximately $778 million in cash and cash equivalents; $952 million in aggregate principal amount of convertible notes outstanding; and approximately 39.4 million shares of its common stock outstanding (including approximately 1.1 million unvested shares of restricted stock).

Increase in Stock Repurchase Program
WebMD announced today that the amount available under its existing stock repurchase program was increased by $30 million. Under the repurchase 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.

Since the end of the first quarter, WebMD has utilized approximately $31.2 million in cash to repurchase approximately 780,000 shares of its common stock. Including the increase in the repurchase program announced today, approximately $44 million remains available under the repurchase program.

Financial Guidance
Consistent with the commentary provided with the release of its preliminary results on April 14, 2014, WebMD has raised the lower end of the previously provided guidance ranges for 2014 revenue, Adjusted EBITDA and net income.

Today, WebMD issued guidance for the second quarter of 2014:

- Revenue is expected to be approximately $137 million to $140 million, an increase of approximately 9% to 12% from the prior year period.
- Adjusted EBITDA is expected to be approximately $35.5 million to $37.5 million, an increase of approximately 21% to 28% from the prior year period.
- Net income is expected to be approximately $7.5 million to $8.5 million.

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

Mr. Schlanger added, "We expect to deliver revenue and earnings growth in 2014 while investing to best position WebMD to realize future growth opportunities."

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, 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 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 services, including regulatory matters affecting their products and services; our ability to deploy new or updated services and to create new or enhanced revenue streams from those services; 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.

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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, 2014	Three Months Ended March 31, 2013
Revenue	$ 133,832	$ 112,762
Cost of operations	52,564	46,943
Sales and marketing	32,911	30,933
General and administrative	23,781	23,534
Depreciation and amortization	7,328	6,853
Interest income	15	21
Interest expense	6,172	5,832

Income (loss) before income income tax provision	11,091	(1,312)
Income tax provision	4,825	226
Net income (loss)	$ 6,266	$ (1,538)
Net income (loss) per common share:		
Basic	$ 0.16	$ (0.03)
Diluted	$ 0.15	$ (0.03)
Weighted-average shares outstanding used in computing income (loss) per common share:		
Basic	39,268	49,007
Diluted	41,852	49,007

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

	Three Months Ended March 31,	
	2014	2013
Revenue		
Public portal advertising and sponsorship	$ 109,203	$ 93,438
Private portal services	24,629	19,324
	$ 133,832	$ 112,762
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	$ 33,266	$ 21,289
Interest, taxes, non-cash and other items (b)		
Interest income	15	21
Interest expense	(6,172)	(5,832)
Income tax provision	(4,825)	(226)
Depreciation and amortization	(7,328)	(6,853)
Non-cash stock-based compensation	(8,690)	(9,937)
Net income (loss)	$ 6,266	$ (1,538)

(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)

	March 31, 2014 (unaudited)	December 31, 2013
Assets		
Cash and cash equivalents	$ 778,401	$ 824,880
Accounts receivable, net	134,241	124,232
Prepaid expenses and other current assets	12,544	13,243
Deferred tax assets	13,588	13,620
Total current assets	938,774	975,975
Property and equipment, net	62,151	64,884
Goodwill	202,980	202,980
Intangible assets, net	13,266	13,834
Deferred tax assets	38,649	38,802
Other assets	28,144	29,153

Total Assets	$	1,283,964	$	1,325,628
Liabilities and Stockholders' Equity				
Accrued expenses	$	54,910	$	73,739
Deferred revenue		99,638		85,148
Liabilities of discontinued operations		1,506		1,506
Total current liabilities		156,054		160,393
2.25% convertible notes due 2016		252,232		252,232
2.50% convertible notes due 2018		400,000		400,000
1.50% convertible notes due 2020		300,000		300,000
Other long-term liabilities		21,673		22,103
Stockholders' equity		154,005		190,900
Total Liabilities and Stockholders' Equity	$	1,283,964	$	1,325,628

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

	Three Months Ended March 31,			
	2014		2013	
Cash flows from operating activities:				
Net income (loss)	$	6,266	$	(1,538)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization		7,328		6,853
Non-cash interest, net		1,128		1,082
Non-cash stock-based compensation		8,690		9,937
Deferred income taxes		201		(99)
Changes in operating assets and liabilities:				
Accounts receivable		(10,009)		4,809
Prepaid expenses and other, net		210		(193)
Accrued expenses and other long-term liabilities		(20,401)		(14,850)
Deferred revenue		14,490		5,044
Net cash provided by operating activities		7,903		11,045
Cash flows from investing activities:				
Purchases of property and equipment		(5,533)		(2,876)
Net cash used in investing activities		(5,533)		(2,876)
Cash flows from financing activities:				
Proceeds from exercise of stock options		17,482		672
Cash used for withholding taxes due on stock-based awards		(5,326)		(174)
Purchases of treasury stock		(65,052)		(1,281)
Excess tax benefit on stock-based awards		4,047		-
Net cash used in financing activities		(48,849)		(783)
Net (decrease) increase in cash and cash equivalents		(46,479)		7,386
Cash and cash equivalents at beginning of period		824,880		991,835
Cash and cash equivalents at end of period	$	778,401	$	999,221

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	$ 463.0	$ 475.0
Private portal services	97.0	100.0
	$ 560.0	$ 575.0
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	$ 147.5	$ 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	57.5	70.0
Income tax provision	(25.0)	(31.0)
Net income	$ 32.5	$ 39.0
Income per share:		
Basic	$ 0.83	$ 0.98
Diluted (c)	$ 0.77	$ 0.87
Calculation of income per share:		
Net income (numerator for basic income per share)	$ 32.5	$ 39.0
Add-back of interest expense on 1.50% Notes, net of tax	3.5	3.5
Numerator for diluted income per share	$ 36.0	$ 42.5
Weighted average shares outstanding (denominator for basic income per share)	39.0	40.0
Stock options and restricted stock	2.0	3.0
Weighted average shares issuable upon conversion of 1.50% Notes	5.7	5.7
Denominator for diluted income per share	46.7	48.7

(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 June 30, 2014:

- Revenue is forecasted to be between $137 million to $140 million.
- Adjusted EBITDA is forecasted to be between $35.5 million to $37.5 million.
- Net income is forecasted to be between $7.5 million to $8.5 million.

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 41 million shares (prior to the effect of convertible notes) and the amounts are subject to change as such weighted average share count changes.

	Quarterly Amounts			Annual Amounts		
All amounts in millions	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:	$	6.2	$	12.7	$	14.0	$	24.9	$	50.8	$	56.0
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"). 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 Statement of Operations are summarized as follows:

	Three Months Ended March 31,	
	2014	2013
Non-cash stock-based compensation included in:		
Cost of operations	$1,464	$1,870
Sales and marketing	$2,105	$2,523
General and administrative	$5,121	$5,544

- ***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,	
	2014	2013
Non-cash interest expense		
2.50% Convertible Notes	$ 446	$ 452
2.25% Convertible Notes	$ 390	$ 630
1.50% Convertible Notes	$ 292	—
Cash interest expense		
2.50% Convertible Notes	$2,500	$2,500
2.25% Convertible Notes	$1,419	$2,250
1.50% Convertible Notes	$1,125	—

- ***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 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.