



November 1, 2016

WebMD Reports Strong Third Quarter Revenue and Earnings Growth

NEW YORK, Nov. 1, 2016 /PRNewswire/ -- WebMD Health Corp. (NASDAQ: WBMD), the leading source of health information, today announced financial results for the three months ended September 30, 2016.

"We are pleased to report third quarter results around the high end of our expectations and we remain well positioned to deliver strong fourth quarter and full year performance," said Steve Zatz, Chief Executive Officer, WebMD. "WebMD continues to demonstrate the value that we bring to our customers across both our professional and consumer platforms."

Financial Highlights

For the three months ended September 30, 2016:

- | Revenue was \$171.4 million, compared to \$152.6 million in the prior year period, an increase of 12%. Advertising and sponsorship revenue was \$136.1 million compared to \$118.7 million in the prior year period. Health services revenue, which we previously reported as private portal services revenue, was \$28.2 million compared to \$27.5 million in the prior year period. Information services revenue was \$7.1 million compared to \$6.4 million in the prior year period.
- | Net income increased 64% to \$21.6 million or \$0.47 per diluted share compared to \$13.2 million, or \$0.32 per diluted share in the prior year period.
- | Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") increased 19% to \$55.3 million, or 32% of revenue, compared to \$46.4 million, or 30% of revenue, in the prior year period.

Balance Sheet Highlights

As of September 30, 2016, WebMD had: approximately \$1.04 billion in investments and cash and cash equivalents; \$1.06 billion in aggregate principal amount of convertible notes outstanding; and approximately 38.7 million shares of its common stock outstanding (including approximately 600 thousand unvested shares of restricted stock).

During the third quarter, WebMD used \$22.4 million in cash to repurchase approximately 432 thousand shares of its common stock under its stock repurchase program. As of September 30, 2016, approximately \$47 million remained available for repurchases under WebMD's stock repurchase program. Under its stock 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.

Traffic Highlights

Traffic to the WebMD Health Network during the third quarter of 2016 averaged 184 million unique users per month, generating 3.84 billion page views for the quarter, representing decreases of 11% and 4% in users and page views, respectively, when compared to the prior year period.

"During the third quarter, we achieved 15% advertising revenue growth despite a 4% decline in page views, demonstrating that trends in our aggregate traffic and our advertising revenue are not correlated to one another," said Dr. Zatz. "We are able to achieve these results because the majority of our advertising revenue is related to the highly targeted audiences that are of greatest value to our customers."

Financial Guidance

Today, WebMD updated its 2016 financial guidance.

For the full year ending December 31, 2016, WebMD expects:

- | Revenue to be approximately \$698 million to \$708 million, an increase of 10% to 11% from the prior year.
 - | \$557 million to \$565 million of revenue is expected to be from advertising and sponsorship, an increase of 12% to 13% from the prior year. Growth in advertising and sponsorship revenue is expected to be driven by growth in revenue from biopharma customers of approximately 15% to 16%.
 - | \$112 million to \$113 million of revenue is expected to be from health services revenue, compared to \$110.4 million in 2015.
 - | \$29 million to \$30 million of revenue is expected to be from information services, compared to \$26.9 million in 2015.

- 1 Net income to be approximately \$86.8 million to \$92.3 million, or \$1.88 to \$1.97 per diluted share, compared to \$64 million, or \$1.48 per diluted share, in 2015.
- 1 Adjusted EBITDA to be approximately \$226 million to \$233 million, an increase of 17% to 21% from the prior year. Adjusted EBITDA, as a percentage of revenue, is expected to be approximately 32% to 33%, compared to 30% in the prior year.

For the fourth quarter of 2016, WebMD expects:

- 1 Revenue to be approximately \$200 million to \$210 million, an increase of 4% to 10% from the prior year period.
- 1 Net income to be approximately \$32 million to \$37 million, an increase of approximately 15% to 35% from the prior year period.
- 1 Adjusted EBITDA to be approximately \$73.5 million to \$80.5 million, an increase of approximately 9% to 20% from the prior year period.

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.com, Medscape.com, MedicineNet.com, eMedicineHealth.com, RxList.com, Medscape Education (Medscape.org) and other WebMD owned sites and apps.

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 or momentum 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 other factors affecting their use of our services and the timing of entry into and implementation of specific contracts with customers, 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.

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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(In thousands, except per share data, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue	\$ 171,438	\$ 152,607	\$ 497,574	\$ 444,270
Cost of operations	65,458	59,552	193,759	177,836
Sales and marketing	35,264	32,850	104,634	97,896
General and administrative	20,005	22,942	67,744	67,397
Depreciation and amortization	7,912	7,266	23,071	23,103
Interest income	1,034	10	1,607	36
Interest expense	7,065	5,681	17,430	18,024
Loss on convertible notes	-	2,058	-	2,058
Gain on investments	-	-	-	139
Other expense	1,712	-	1,712	4,100
Income before income tax provision	35,056	22,268	90,831	54,031
Income tax provision	13,438	9,080	35,715	17,468
Net income	<u>\$ 21,618</u>	<u>\$ 13,188</u>	<u>\$ 55,116</u>	<u>\$ 36,563</u>
Net income per common share:				
Basic	<u>\$ 0.57</u>	<u>\$ 0.36</u>	<u>\$ 1.46</u>	<u>\$ 1.00</u>
Diluted	<u>\$ 0.47</u>	<u>\$ 0.32</u>	<u>\$ 1.22</u>	<u>\$ 0.89</u>
Weighted-average shares outstanding used in computing income per common share:				
Basic	<u>38,103</u>	<u>36,721</u>	<u>37,804</u>	<u>36,606</u>
Diluted	<u>55,845</u>	<u>49,958</u>	<u>53,836</u>	<u>49,912</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue				
Advertising and sponsorship				
Biopharma and medical device	\$ 107,048	\$ 89,870	\$ 296,353	\$ 251,692
OTC, CPG and other	29,026	28,850	93,907	89,047
	<u>136,074</u>	<u>118,720</u>	<u>390,260</u>	<u>340,739</u>
Health services	28,247	27,460	85,134	83,223
Information services	7,117	6,427	22,180	20,308
	<u>\$ 171,438</u>	<u>\$ 152,607</u>	<u>\$ 497,574</u>	<u>\$ 444,270</u>
Net income	<u>\$ 21,618</u>	<u>\$ 13,188</u>	<u>\$ 55,116</u>	<u>\$ 36,563</u>
Interest, taxes, non-cash and other items (a)				
Interest income	(1,034)	(10)	(1,607)	(36)
Interest expense	7,065	5,681	17,430	18,024
Income tax provision	13,438	9,080	35,715	17,468
Depreciation and amortization	7,912	7,266	23,071	23,103
Non-cash stock-based compensation	4,638	9,142	21,038	24,731
Loss on convertible notes	-	2,058	-	2,058
Gain on investments	-	-	-	(139)
Other expense	1,712	-	1,712	4,100

Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (b)	<u>\$ 55,349</u>	<u>\$ 46,405</u>	<u>\$ 152,475</u>	<u>\$ 125,872</u>
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(a) Reconciliation of net income to Adjusted EBITDA.

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

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

	September 30, 2016 (unaudited)	December 31, 2015
Assets		
Cash and cash equivalents	\$ 88,600	\$ 641,165
Accounts receivable, net	153,255	174,313
Investments	949,488	-
Prepaid expenses and other current assets	<u>17,972</u>	<u>18,998</u>
Total current assets	1,209,315	834,476
Property and equipment, net	84,929	81,027
Goodwill	202,980	202,980
Intangible assets, net	8,554	10,894
Deferred tax assets, net	8,984	15,694
Other assets	8,497	10,852
Total Assets	<u>\$ 1,523,259</u>	<u>\$ 1,155,923</u>
Liabilities and Stockholders' Equity		
Accrued expenses	\$ 65,892	\$ 80,664
Deferred revenue	102,251	102,715
2.25% convertible notes due 2016, net	<u>-</u>	<u>102,523</u>
Total current liabilities	168,143	285,902
2.50% convertible notes due 2018, net	397,620	396,281
1.50% convertible notes due 2020, net	295,140	294,266
2.625% convertible notes due 2023, net	350,849	-
Other long-term liabilities	28,965	23,246
Stockholders' equity	282,542	156,228
Total Liabilities and Stockholders' Equity	<u>\$ 1,523,259</u>	<u>\$ 1,155,923</u>

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

	Nine Months Ended September 30,	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net income	\$ 55,116	\$ 36,563
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,071	23,103

Non-cash interest, net	2,827	3,276
Non-cash stock-based compensation	21,038	24,731
Deferred income taxes	6,632	(7,246)
Loss on convertible notes	-	2,058
Gain on investments	-	(139)
Changes in operating assets and liabilities:		
Accounts receivable	21,058	(10,201)
Prepaid expenses and other, net	2,747	(5,692)
Accrued expenses and other long-term liabilities	(9,748)	(4,555)
Deferred revenue	(464)	15,280
Net cash provided by operating activities	<u>122,277</u>	<u>77,178</u>
Cash flows from investing activities:		
Purchases of property and equipment	(24,449)	(25,638)
Purchase of investments	(948,078)	-
Partial redemption of cost-method investment	1,193	-
Proceeds from sale of investments	-	139
Net cash used in investing activities	<u>(971,334)</u>	<u>(25,499)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	52,702	15,185
Cash used for withholding taxes due on stock-based awards	(7,705)	(3,836)
Net proceeds from issuance of convertible notes	350,394	-
Maturity of convertible notes	(102,682)	(151,038)
Purchases of treasury stock	(22,447)	(28,406)
Excess tax benefit on stock-based awards	26,230	21,972
Net cash provided by (used in) financing activities	<u>296,492</u>	<u>(146,123)</u>
Net decrease in cash and cash equivalents	(552,565)	(94,444)
Cash and cash equivalents at beginning of period	641,165	706,776
Cash and cash equivalents at end of period	<u>\$ 88,600</u>	<u>\$ 612,332</u>

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Numerator:				
Net income - Basic	\$ 21,618	\$ 13,188	\$ 55,116	\$ 36,563
Interest expense on 1.50% convertible notes, net of tax	878	864	2,635	2,592
Interest expense on 2.50% convertible notes, net of tax	1,827	1,797	5,480	5,392
Interest expense on 2.25% convertible notes, net of tax	-	-	457	-
Interest expense on 2.625% convertible notes, net of tax	1,675	-	2,235	-
Net income - Diluted	<u>\$ 25,998</u>	<u>\$ 15,849</u>	<u>\$ 65,923</u>	<u>\$ 44,547</u>
Denominator:				
Weighted-average shares - Basic	38,103	36,721	37,804	36,606
Stock options and restricted stock	1,709	1,338	1,824	1,407
1.50% convertible notes	5,694	5,694	5,694	5,694
2.50% convertible notes	6,205	6,205	6,205	6,205
2.25% convertible notes	-	-	471	-
2.625% convertible notes	4,134	-	1,838	-
Adjusted weighted-average shares after assumed conversions - Diluted	<u>55,845</u>	<u>49,958</u>	<u>53,836</u>	<u>49,912</u>
Net income per common share:				
Basic	<u>\$ 0.57</u>	<u>\$ 0.36</u>	<u>\$ 1.46</u>	<u>\$ 1.00</u>

Diluted \$ 0.47 \$ 0.32 \$ 1.22 \$ 0.89

WEBMD HEALTH CORP.
FINANCIAL GUIDANCE FOR THE YEAR ENDING DECEMBER 31, 2016
(In millions, except per share amounts)

	Nine Months Ended September 30, 2016 Actuals	Three Months Ending December 31, 2016 Guidance Range		Year Ending December 31, 2016 Guidance Range	
Revenue					
Advertising and sponsorship					
Biopharma and medical device	\$ 296.4	\$ 129.6	\$ 134.6	\$ 426.0	\$ 431.0
OTC, CPG and other	93.9	37.1	40.1	131.0	134.0
	<u>390.3</u>	<u>166.7</u>	<u>174.7</u>	<u>557.0</u>	<u>565.0</u>
Health services	85.1	26.9	27.9	112.0	113.0
Information services	22.2	6.8	7.8	29.0	30.0
	<u>\$ 497.6</u>	<u>\$ 200.4</u>	<u>\$ 210.4</u>	<u>\$ 698.0</u>	<u>\$ 708.0</u>
Net income	<u>\$ 55.1</u>	<u>\$ 31.7</u>	<u>\$ 37.2</u>	<u>\$ 86.8</u>	<u>\$ 92.3</u>
Interest, taxes, non-cash and other items (a)					
Interest expense, net	15.8	6.2	6.2	22.0	22.0
Income tax provision	35.7	18.8	22.8	54.5	58.5
Depreciation and amortization	23.1	8.4	7.4	31.5	30.5
Non-cash stock-based compensation	21.1	8.4	6.9	29.5	28.0
Other expense	1.7	-	-	1.7	1.7
	<u>152.5</u>	<u>73.5</u>	<u>80.5</u>	<u>226.0</u>	<u>233.0</u>
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (b)	<u>\$ 152.5</u>	<u>\$ 73.5</u>	<u>\$ 80.5</u>	<u>\$ 226.0</u>	<u>\$ 233.0</u>
Income per share:					
Basic	\$ 1.46	\$ 0.83	\$ 0.97	\$ 2.29	\$ 2.43
Diluted (c)	<u>\$ 1.22</u>	<u>\$ 0.65</u>	<u>\$ 0.74</u>	<u>\$ 1.88</u>	<u>\$ 1.97</u>
Calculation of income per share:					
Net income (numerator for basic income per share)	\$ 55.1	\$ 31.7	\$ 37.2	\$ 86.8	\$ 92.3
Add-back of interest expense, net of tax, related to:					
1.50% convertible notes	2.6	0.9	0.9	3.5	3.5
2.50% convertible notes	5.5	1.8	1.8	7.3	7.3
2.25% convertible notes	0.5	-	-	0.5	0.5
2.625% convertible notes	2.2	1.7	1.7	3.9	3.9
Numerator for diluted income per share	<u>\$ 65.9</u>	<u>\$ 36.1</u>	<u>\$ 41.6</u>	<u>\$ 102.0</u>	<u>\$ 107.5</u>
Weighted average shares outstanding (denominator for basic income per share)					
Weighted average shares outstanding (denominator for basic income per share)	37.8	38.2	38.4	37.9	38.0
Stock options and restricted stock	1.8	1.2	1.5	1.6	1.8
Weighted average shares issuable upon conversion of:					
1.50% convertible notes	5.7	5.7	5.7	5.7	5.7
2.50% convertible notes	6.2	6.2	6.2	6.2	6.2
2.25% convertible notes	0.5	-	-	0.4	0.4
2.625% convertible notes	1.8	4.1	4.1	2.4	2.4
Denominator for diluted income per share	<u>53.8</u>	<u>55.4</u>	<u>55.9</u>	<u>54.2</u>	<u>54.5</u>

(a) Reconciliation of net income to Adjusted EBITDA

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

(c) See Supplemental 2016 Guidance for Income Per Share Calculation below

The above guidance does not include the impact if any, of future deployment of capital for items such as share repurchases, convertible note repurchases or

acquisitions, any future gains or losses from discontinued operations, any future gains or losses on investments, and other future non-recurring, one-time or unusual items.

WEBMD HEALTH CORP.
SUPPLEMENTAL 2016 GUIDANCE FOR INCOME PER SHARE CALCULATION

Based on the Company's Financial Guidance for the Quarter and Year Ending December 31, 2016, the 1.50% convertible notes, the 2.50% convertible notes, the 2.25% convertible notes and the 2.625% convertible notes are expected to be dilutive to net income on both the low end and high end of the guidance ranges. The following table contains the approximate level of net income for the fourth quarter and for the full year 2016 at which each of the series of convertible 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.

	Quarterly Amounts			Annual Amounts			
	1.50% Convertible Notes	2.50% Convertible Notes	2.625% Convertible Notes	1.50% Convertible Notes	2.50% Convertible Notes	2.25% Convertible Notes (a)	2.625% Convertible Notes (b)
<i>All amounts in millions</i>							
Approximate net income at which convertible notes become dilutive (c)	\$ 6.1	\$ 12.4	\$ 18.1	\$ 24.4	\$ 49.7	\$ 55.6	\$ 72.6
Interest expense, net of tax to add-back to net income (numerator)	\$ 0.9	\$ 1.8	\$ 1.7	\$ 3.5	\$ 7.3	\$ 0.5	\$ 3.9
Additional shares to include in weighted-average diluted share count (denominator)	5.7	6.2	4.1	5.7	6.2	0.4	2.4

- (a) Since the 2.25% convertible notes matured on March 31, 2016, amounts for the 2.25% convertible notes are only shown in the Annual Amounts column and reflect the impact of the 2.25% convertible notes, weighted for the period that they were outstanding during the year ending December 31, 2016.
- (b) Since the 2.625% convertible notes were issued on June 1, 2016, the amounts shown in the Annual Amounts column reflect the impact of the 2.625% convertible notes, weighted for the period that they will be outstanding during the year ending December 31, 2016.
- (c) These net income amounts assume a weighted-average diluted share count of 39.5 million shares attributable to common shares, stock options and restricted stock (prior to the effect of convertible notes) and are subject to change as such weighted-average share count changes.

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"). 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:

- 1 **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.
- 1 **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		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Non-cash stock-based compensation included in:				
Cost of operations	\$ 1,277	\$ 1,370	\$ 3,707	\$ 3,791
Sales and marketing	\$ 1,351	\$ 1,968	\$ 4,295	\$ 5,099
General and administrative	\$ 2,010	\$ 5,804	\$ 13,036	\$ 15,841

- 1 **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		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Non-cash interest expense				
2.25% Convertible Notes	\$ —	\$ 282	\$ 159	\$ 1,062
2.50% Convertible Notes	\$ 446	\$ 447	\$ 1,339	\$ 1,339
1.50% Convertible Notes	\$ 292	\$ 291	\$ 875	\$ 875
2.625% Convertible Notes	\$ 339	\$ —	\$ 454	\$ —
Cash interest expense				
2.25% Convertible Notes	\$ —	\$ 1,036	\$ 577	\$ 3,873
2.50% Convertible Notes	\$ 2,500	\$ 2,500	\$ 7,500	\$ 7,500
1.50% Convertible Notes	\$ 1,125	\$ 1,125	\$ 3,375	\$ 3,375
2.625% Convertible Notes	\$ 2,363	\$ —	\$ 3,151	\$ —

- 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 on investments; (ii) settlements of litigation or claims; (iii) loss on repurchases of our convertible notes; and (iv) 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.

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