



August 8, 2016

## WebMD Reports Strong Second Quarter Revenue and Earnings Growth

NEW YORK, Aug. 8, 2016 /PRNewswire/ -- WebMD Health Corp. (NASDAQ: WBMD), the leading source of health information, today announced financial results for the three months ended June 30, 2016.

"WebMD's second quarter results reflect our consistent execution and leadership in a fast-paced, dynamic digital marketplace," said David Schlanger, Chief Executive Officer, WebMD. "We continue to invest in our user experience and advertiser products and are well positioned as a key partner to our biopharma and OTC/CPG customers. Today, we are pleased to reaffirm our strong outlook for 2016."

### Financial Highlights

For the three months ended June 30, 2016:

- | Revenue was \$167.6 million, compared to \$148.3 million in the prior year period, an increase of 13%. Advertising and sponsorship revenue was \$131.7 million compared to \$116.2 million in the prior year period. Health services revenue, which we previously reported as private portal services revenue, was \$28.6 million compared to \$26.4 million in the prior year period. Information services revenue was \$7.2 million compared to \$5.7 million in the prior year period.
- | Net income increased 33% to \$17.8 million or \$0.39 per diluted share compared to \$13.4 million, or \$0.32 per diluted share in the prior year period.
- | Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") increased 23% to \$50.1 million, or 30% of revenue, compared to \$40.5 million, or 27% of revenue, in the prior year period.

### Balance Sheet Highlights

In June 2016, WebMD completed the private placement of \$360 million aggregate principal amount of 2.625% Convertible Notes due 2023. The notes are convertible into shares of WebMD common stock at an initial conversion price of approximately \$87.07 per share, which reflected a premium of approximately 30% over the closing price at the time of the issuance.

As of June 30, 2016, WebMD had: approximately \$1.02 billion in investments and cash and cash equivalents; \$1.06 billion in aggregate principal amount of convertible notes outstanding; and approximately 39 million shares of its common stock outstanding (including approximately 700 thousand unvested shares of restricted stock).

During the second quarter, WebMD did not repurchase any shares of its common stock under its stock repurchase program. As of June 30, 2016, approximately \$34 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 second quarter of 2016 reached an average of 199.0 million unique users per month generating 4.23 billion page views for the quarter, representing a 6% decrease in users and a 3% increase in page views, when compared to the prior year period. "We continue to successfully navigate changing engagement patterns and user preferences and to raise the bar in digital health," said Mr. Schlanger. "In the second quarter, WebMD reported 13% advertising revenue growth on 3% page view growth. We are able to achieve that because the majority of our advertising revenue is driven by certain highly targeted audiences."

### Financial Guidance

Today, WebMD reaffirmed the 2016 revenue and Adjusted EBITDA guidance that it provided on May 4, 2016 and updated its 2016 net income guidance principally to reflect the issuance of 2.625% convertible notes during the second quarter.

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

- | Revenue to be approximately \$695 million to \$708 million, an increase of 9% to 11% from the prior year.
  - | \$559 million to \$570 million of revenue is expected to be from advertising and sponsorship, an increase of 12% to 14% 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 17%.

- | \$109 million to \$110 million of revenue is expected to be from health services revenue, compared to \$110.4 million in 2015.
- | \$27 million to \$28 million of revenue is expected to be from information services, compared to \$26.9 million in 2015.
- | Net income to be approximately \$82 million to \$89.5 million, or \$1.78 to \$1.90 per diluted share, compared to \$64 million, or \$1.48 per diluted share, in 2015.
- | Adjusted EBITDA to be approximately \$224 million to \$232 million, an increase of 16% to 20% 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 third quarter of 2016, WebMD expects:

- | Revenue to be approximately \$168 million to \$171 million, an increase of 10% to 12% from the prior year period.
- | Net income to be approximately \$17.0 million to \$18.5 million, an increase of approximately 29% to 40% from the prior year period.
- | Adjusted EBITDA to be approximately \$50.5 million to \$52.5 million, an increase of approximately 9% to 13% 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](http://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](http://WebMD.com), [Medscape.com](http://Medscape.com), [MedicineNet.com](http://MedicineNet.com), [eMedicineHealth.com](http://eMedicineHealth.com), [RxList.com](http://RxList.com), Medscape Education ([Medscape.org](http://Medscape.org)) and other WebMD owned sites and apps.

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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 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.*

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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		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenue	\$ 167,583	\$ 148,320	\$ 326,136	\$ 291,663
Cost of operations	65,788	60,407	128,301	118,284
Sales and marketing	35,614	32,570	69,370	65,046
General and administrative	23,983	23,002	47,739	44,455
Depreciation and amortization	7,672	7,592	15,159	15,837
Interest income	367	9	573	26
Interest expense	5,265	6,171	10,365	12,343
Gain on investments	-	139	-	139
Other expense	-	4,100	-	4,100
	<u>29,628</u>	<u>14,626</u>	<u>55,775</u>	<u>31,763</u>
Income before income tax provision				
Income tax provision	11,848	1,255	22,277	8,388
Net income	<u>\$ 17,780</u>	<u>\$ 13,371</u>	<u>\$ 33,498</u>	<u>\$ 23,375</u>
Net income per common share:				
Basic	<u>\$ 0.47</u>	<u>\$ 0.36</u>	<u>\$ 0.89</u>	<u>\$ 0.64</u>
Diluted	<u>\$ 0.39</u>	<u>\$ 0.32</u>	<u>\$ 0.75</u>	<u>\$ 0.57</u>
Weighted-average shares outstanding used in computing income per common share:				
Basic	<u>38,041</u>	<u>36,705</u>	<u>37,654</u>	<u>36,549</u>
Diluted	<u>51,948</u>	<u>53,618</u>	<u>52,142</u>	<u>43,684</u>

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenue				
Advertising and sponsorship				
Biopharma and medical device	\$ 100,620	\$ 85,977	\$ 189,305	\$ 161,822
OTC, CPG and other	31,127	30,249	64,881	60,197
	<u>131,747</u>	<u>116,226</u>	<u>254,186</u>	<u>222,019</u>
Health services	28,632	26,441	56,887	55,763
Information services	7,204	5,653	15,063	13,881
	<u>\$ 167,583</u>	<u>\$ 148,320</u>	<u>\$ 326,136</u>	<u>\$ 291,663</u>
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	\$ 50,070	\$ 40,549	\$ 97,126	\$ 79,467
Interest, taxes, non-cash and other items (b)				
Interest income	367	9	573	26
Interest expense	(5,265)	(6,171)	(10,365)	(12,343)
Income tax provision	(11,848)	(1,255)	(22,277)	(8,388)
Depreciation and amortization	(7,672)	(7,592)	(15,159)	(15,837)
Non-cash stock-based compensation	(7,872)	(8,208)	(16,400)	(15,589)
Gain on investments	-	139	-	139
Other expense	-	(4,100)	-	(4,100)

Net income	<u>\$ 17,780</u>	<u>\$ 13,371</u>	<u>\$ 33,498</u>	<u>\$ 23,375</u>
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- (a) See Annex A-Explanation of Non-GAAP Financial Measures.  
(b) Reconciliation of Adjusted EBITDA to net income.

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

	June 30, 2016 (unaudited)	December 31, 2015
<b>Assets</b>		
Cash and cash equivalents	\$ 69,545	\$ 641,165
Accounts receivable, net	158,489	174,313
Investments	948,661	-
Prepaid expenses and other current assets	<u>16,570</u>	<u>18,998</u>
Total current assets	1,193,265	834,476
Property and equipment, net	87,198	81,027
Goodwill	202,980	202,980
Intangible assets, net	9,334	10,894
Deferred tax assets, net	12,217	15,694
Other assets	10,606	10,852
Total Assets	<u>\$ 1,515,600</u>	<u>\$ 1,155,923</u>
<b>Liabilities and Stockholders' Equity</b>		
Accrued expenses	\$ 65,235	\$ 80,664
Deferred revenue	117,301	102,715
2.25% convertible notes due 2016, net	<u>-</u>	<u>102,523</u>
Total current liabilities	182,536	285,902
2.50% convertible notes due 2018, net	397,174	396,281
1.50% convertible notes due 2020, net	294,849	294,266
2.625% convertible notes due 2023, net	350,369	-
Other long-term liabilities	23,572	23,246
Stockholders' equity	267,100	156,228
Total Liabilities and Stockholders' Equity	<u>\$ 1,515,600</u>	<u>\$ 1,155,923</u>

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

	Six Months Ended June 30,	
	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 33,498	\$ 23,375
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,159	15,837
Non-cash interest, net	1,750	2,256
Non-cash stock-based compensation	16,400	15,589
Deferred income taxes	3,309	(6,476)
Gain on investments	-	(139)

Changes in operating assets and liabilities:		
Accounts receivable	15,824	(12,282)
Prepaid expenses and other, net	785	(6,130)
Accrued expenses and other long-term liabilities	(15,152)	(14,465)
Deferred revenue	14,586	25,080
Net cash provided by operating activities	86,159	42,645
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(19,858)	(8,711)
Purchase of investments	(948,078)	-
Partial redemption of cost-method investment	526	-
Proceeds from sale of investments	-	139
Net cash used in investing activities	(967,410)	(8,572)
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options	49,412	11,653
Cash used for withholding taxes due on stock-based awards	(3,810)	(2,960)
Net proceeds from issuance of convertible notes	350,254	-
Maturity of convertible notes	(102,682)	-
Purchases of treasury stock	-	(5,351)
Excess tax benefit on stock-based awards	16,457	13,191
Net cash provided by financing activities	309,631	16,533
Net (decrease) increase in cash and cash equivalents	(571,620)	50,606
Cash and cash equivalents at beginning of period	641,165	706,776
Cash and cash equivalents at end of period	<u>\$ 69,545</u>	<u>\$ 757,382</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Numerator:</b>				
Net income - Basic	\$ 17,780	\$ 13,371	\$ 33,498	\$ 23,375
Interest expense on 1.50% convertible notes, net of tax	878	864	1,757	1,728
Interest expense on 2.50% convertible notes, net of tax	1,827	1,797	3,653	-
Interest expense on 2.25% convertible notes, net of tax	-	1,103	457	-
Net income - Diluted	<u>\$ 20,485</u>	<u>\$ 17,135</u>	<u>\$ 39,365</u>	<u>\$ 25,103</u>
<b>Denominator:</b>				
Weighted-average shares - Basic	38,041	36,705	37,654	36,549
Stock options and restricted stock	2,008	1,503	1,882	1,441
1.50% convertible notes	5,694	5,694	5,694	5,694
2.50% convertible notes	6,205	6,205	6,205	-
2.25% convertible notes	-	3,511	707	-
Adjusted weighted-average shares after assumed conversions - Diluted	<u>51,948</u>	<u>53,618</u>	<u>52,142</u>	<u>43,684</u>
Net income per common share:				
Basic	<u>\$ 0.47</u>	<u>\$ 0.36</u>	<u>\$ 0.89</u>	<u>\$ 0.64</u>
Diluted	<u>\$ 0.39</u>	<u>\$ 0.32</u>	<u>\$ 0.75</u>	<u>\$ 0.57</u>

(In millions, except per share amounts)

	Guidance Range	
Revenue		
Advertising and sponsorship		
Biopharma and medical device	\$ 428.0	\$ 436.0
OTC, CPG and other	131.0	134.0
	<u>559.0</u>	<u>570.0</u>
Health services	109.0	110.0
Information services	27.0	28.0
	<u>\$ 695.0</u>	<u>\$ 708.0</u>
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	\$ 224.0	\$ 232.0
Interest, taxes, non-cash and other items (b)		
Interest expense, net	(22.0)	(22.0)
Depreciation and amortization	(33.0)	(31.0)
Non-cash stock-based compensation	(34.0)	(32.0)
Income before income tax provision	135.0	147.0
Income tax provision	(53.0)	(57.5)
Net income	<u>\$ 82.0</u>	<u>\$ 89.5</u>
Income per share:		
Basic	<u>\$ 2.15</u>	<u>\$ 2.32</u>
Diluted (c)	<u>\$ 1.78</u>	<u>\$ 1.90</u>
Calculation of income per share:		
Net income (numerator for basic income per share)	\$ 82.0	\$ 89.5
Add-back of interest expense, net of tax, related to:		
1.50% convertible notes	3.5	3.5
2.50% convertible notes	7.3	7.3
2.25% convertible notes	0.5	0.5
2.625% convertible notes	3.9	3.9
Numerator for diluted income per share	<u>\$ 97.2</u>	<u>\$ 104.7</u>
Weighted average shares outstanding (denominator for basic income per share)	38.2	38.5
Stock options and restricted stock	1.7	2.0
Weighted average shares issuable upon conversion of:		
1.50% convertible notes	5.7	5.7
2.50% convertible notes	6.2	6.2
2.25% convertible notes	0.4	0.4
2.625% convertible notes	2.4	2.4
Denominator for diluted income per share	<u>54.6</u>	<u>55.2</u>

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

(b) Reconciliation of Adjusted EBITDA to net income

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

Additional information regarding forecast for the quarter ending September 30, 2016:

- Revenue is forecasted to be between \$168 million to \$171 million
- Revenue distribution is forecasted to be: approximately 62% from Advertising and sponsorship - Biopharma and medical device; 17.5% from Advertising and sponsorship - OTC, CPG and other; 16.5% from health services; and 4% from information services
- Net income is forecasted to be between \$17 million to \$18.5 million
- Adjusted EBITDA is forecasted to be between \$50.5 million to \$52.5 million

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.

Based on the Company's Financial Guidance for the 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 full year guidance range. Additionally, the 1.50% convertible notes, the 2.50% convertible notes and the 2.625% convertible notes may be dilutive in certain future quarters, depending on the amount of net income for such quarter. The following table contains the approximate level of net income for an individual future 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)	\$ 6.2	\$ 12.5	\$ 18.4	\$ 24.6	\$ 50.2	\$ 56.1	\$ 73.7
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 39.9 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") 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:

- 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		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Non-cash stock-based compensation included in:				
Cost of operations	\$ 1,140	\$ 1,032	\$ 2,430	\$ 2,421
Sales and marketing	\$ 1,382	\$ 1,683	\$ 2,944	\$ 3,131
General and administrative	\$ 5,350	\$ 5,493	\$ 11,026	\$ 10,037

- 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		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Non-cash interest expense				
2.25% Convertible Notes	\$ —	\$ 390	\$ 159	\$ 780



2.50% Convertible Notes	\$	447	\$	446	\$	893	\$	892
1.50% Convertible Notes	\$	291	\$	292	\$	583	\$	584
2.625% Convertible Notes	\$	115	\$	—	\$	115	\$	—
Cash interest expense								
2.25% Convertible Notes	\$	—	\$	1,418	\$	577	\$	2,837
2.50% Convertible Notes	\$	2,500	\$	2,500	\$	5,000	\$	5,000
1.50% Convertible Notes	\$	1,125	\$	1,125	\$	2,250	\$	2,250
2.625% Convertible Notes	\$	788	\$	—	\$	788	\$	—

- 1 **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.
- 1 **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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