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WebMD First Quarter Results to Exceed Analyst Estimates

NEW YORK, April 12, 2011 /PRNewswire/ -- WebMD Health Corp. (Nasdaq: WBMD), the leading source of health information, today announced that it expects that its results for the quarter ended March 31, 2011 will exceed First Call consensus analyst estimates of \$126.2 million for revenue and \$34.0 million for earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA").

WebMD also reaffirmed the financial guidance for calendar year 2011 that it provided on February 23, 2011, adjusted only for the effects on income from continuing operations and income from continuing operations per share resulting from WebMD's issuance of its 2.25% Convertible Notes due 2016 in March 2011. The issuance of these Notes was not contemplated when the guidance was issued in February 2011. WebMD is providing a schedule (attached to this press release) that updates the previous guidance for the impact of the 2.25% Notes.

Traffic to the WebMD Health Network continued to grow, reaching an average of 97.7 million unique users per month and total traffic of 2.05 billion page views during the first quarter, increases of 19% and 14%, respectively, from a year ago. The March 2011 quarter is the first quarter where drugs.com (the Company's largest affiliate site) is included in both the current and prior year period.

As previously announced, WebMD will release its first quarter results on Thursday, May 5, 2011, at approximately 4:00 p.m. (Eastern time) and will hold a conference call with investors and analysts to discuss its first quarter results at 4:45 p.m. (Eastern time) on that day. The call can be accessed at www.wbmd.com (in the Investor Relations section). A replay of the audio webcast will be available at the same web address.

About WebMD

WebMD Health Corp. (Nasdaq: WBMD) is the leading provider of health information services, serving consumers, physicians, healthcare professionals, employers, and health plans through our public and private online portals, mobile platforms and health-focused publications. The WebMD Health Network includes WebMD Health, Medscape, MedicineNet, emedicineHealth, RxList, theheart.org, drugs.com and Medscape Education.

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 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 strategic partners; 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. 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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FINANCIAL GUIDANCE SUMMARY

(in millions, except per share amounts)

	Year Ended December 31, 2011 Guidance Range	
Revenue	\$ 610.0	\$ 640.0
Earnings before interest, taxes, depreciation, amortization and other non-cash items ("Adjusted EBITDA") (a)	\$ 215.0	\$ 230.0
Interest, taxes, depreciation, amortization and other non-cash items (b)		
Interest income	0.5	0.5
Interest expense	(20.7)	(20.7)
Depreciation and amortization	(30.0)	(28.0)
Non-cash stock-based compensation	(41.0)	(38.0)
Pre-tax income from continuing operations	123.8	143.8
Income tax provision	(52.0)	(60.0)
Income from continuing operations	\$ 71.8	\$ 83.8
Income from continuing operations per share		
Basic	\$ 1.21	\$ 1.41
Diluted	\$ 1.16	\$ 1.34
Weighted-average shares outstanding used in computing income from continuing operations per common share:		
Basic	59.0	59.0
Diluted	67.0	71.0

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

(b) Reconciliation of Adjusted EBITDA to consolidated income from continuing operations

The Company expects that its results for the quarter ended March 31, 2011 will exceed First Call consensus analyst estimates of \$126.2 million for revenue, \$34.0 million for Adjusted EBITDA and \$8.9 million for income from continuing operations.

Additional information regarding full year forecast:

- Income tax rate for 2011 is forecasted to be approximately 42% of pretax income.
- The distribution of the annual revenue is expected to be approximately 85% public portals advertising and sponsorship and 15% private portal licensing. Quarterly revenue distributions may vary from this annual estimate
- 2011 guidance excludes any gains or losses related to investments / convertible notes.

Additional information regarding full year income per share calculation:

- Basic income per share: Reflects a reduction to income from continuing operations of \$0.6 million to consider the effect of restricted stock.
- Diluted income per share:
 - The low end of the guidance range reflects an increase to income from continuing operations of \$6.1 million for the interest expense (net of tax) on the 2.5% Notes of \$6.7 million, offset by \$0.6 million to consider the effect of restricted stock. The low end of the guidance range for diluted share count includes the weighted impact of 6 million shares related to the 2.5% Notes.

- The high end of the guidance range reflects these same items plus an additional increase to income from continuing operations for the interest expense (net of tax) on the 2.25% Notes of \$5.2 million. The high end of the guidance range for diluted share count also includes the additional weighted impact of 4 million shares related to the 2.25% Notes.

ANNEX A

Explanation of Non-GAAP Financial Measures

The accompanying WebMD Health Corp. press release and financial guidance summary 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, "consolidated income (loss) from continuing operations" or "net income (loss) attributable to Company stockholders" calculated in accordance with GAAP. The accompanying financial guidance summary includes 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 consolidated income (loss) from continuing operations or net income (loss) attributable to Company stockholders. In addition, we use Adjusted EBITDA in the incentive compensation programs applicable to many 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 consolidated income (loss) from continuing operations or net income (loss) attributable to Company stockholders, 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 consolidated income (loss) from continuing operations or to net income (loss) attributable to Company stockholders that accompany our press releases and disclosure documents containing non-GAAP financial measures, including the reconciliations contained in the accompanying financial guidance summary.

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 consolidated income (loss) from continuing operations or to net income (loss) attributable to Company stockholders, 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 "consolidated income (loss) from continuing operations" or "net income (loss) attributable to Company stockholders" calculated in accordance with GAAP. 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 consolidated income (loss) 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 its 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 operating performance and the operating performance of other companies that may use different forms of employee compensation or different valuation methodologies for their stock-based compensation.

Investors should note that stock-based compensation is a key incentive offered to employees whose efforts contributed to the operating results in the periods presented and are expected to contribute to operating results in future periods.

Investors should also note that such expenses will recur in the future

- **Interest Income and Expense.** Interest income is associated with the level of marketable debt securities and other interest bearing accounts in which we invest, as well as with interest expense arising from our company's capital structure (including non-cash interest expense relating to our convertible notes). Interest income and expense varies over time due to a variety of financing transactions and due to acquisitions and divestitures that we have entered into or may enter into in the future. We have, in the past, issued convertible debentures, repurchased shares in cash tender offers and repurchased shares and convertible debentures through other repurchase transactions, and completed the divestiture of certain businesses. We exclude interest income and interest expense from Adjusted EBITDA (i) because these items are not directly attributable to the performance of our business operations and, accordingly, their exclusion assists management and investors in making period-to-period comparisons of operating performance and (ii) to assist management and investors in making comparisons to companies with different capital structures. Investors should note that interest income and expense will recur in future periods.
- **Income Tax Provision (Benefit).** We maintain a valuation allowance on a portion of our net deferred tax assets (including our net operating loss carryforwards), the amount of which may change from quarter to quarter based on factors that are not directly related to our results for the quarter. The valuation allowance is either reversed through the statement of operations or additional paid-in capital. The timing of such reversals 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 overall consolidated income (loss) from continuing operations. In recent periods, these other items have included, but were not limited to, (i) legal expenses relating to the ongoing Department of Justice investigation, (ii) gain or loss on repurchases and conversions of our convertible notes, (iii) a reduction of certain sales and use tax contingencies resulting from the expiration of certain applicable statutes of limitations, and (iv) gain or loss on investments. 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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