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## **WebMD Provides Preliminary Second Quarter Results and Updates Financial Guidance for 2011**

NEW YORK, July 18, 2011 /PRNewswire/ -- WebMD Health Corp. (Nasdaq: WBMD), the leading source of health information, today announced preliminary financial results for the three months ended June 30, 2011 and updated financial guidance for 2011.

### **Preliminary Results For the Three Months Ended June 30, 2011**

WebMD expects that its second quarter results will be in line with previously stated financial guidance for the quarter.

- Revenue for the June quarter is expected to be approximately \$141 million, an increase of approximately 15% over the prior year period. Advertising revenue increased approximately 20% over the prior year period.
- Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") for the June quarter is expected to be approximately \$45 million or 32% of revenues, an increase of approximately 31% over the prior year period.
- Income from continuing operations for the June quarter is expected to be approximately \$14 million or \$0.23 per diluted share, an increase of 82%. Income from continuing operations includes an after tax gain on investments of approximately \$1.0 million, or \$0.02 per diluted share.
- Net income for the June quarter is expected to be approximately \$21.4 million or \$0.35 per diluted share which includes an after tax gain from investments of approximately \$1.0 million, or \$0.02 per diluted share and an after tax gain from discontinued operations of approximately \$7.4 million, or \$0.12 per diluted share attributable to the final resolution of a Department of Justice investigation relating to a business that was divested in 2006.

Traffic to the WebMD Health Network continued to grow, reaching an average of 104.8 million unique users per month and total traffic of 2.17 billion page views during the second quarter, increases of 30% and 24%, respectively, from a year ago. Excluding a small affiliate site that will cease to be a part of the WebMD Health Network beginning in the September 2011 quarter, unique users would have been 100.4 million and page views would have been 2.14 billion. When excluding this affiliate site from both the current and prior periods, users and page views would have increased 28% and 24%, respectively.

### **Updated 2011 Financial Guidance**

Based on current visibility into the second half of this year, WebMD has updated its financial guidance for 2011 and expects the following:

- Revenue of \$580 million to \$600 million,
- Adjusted EBITDA of \$200 million to \$210 million, and
- Income from continuing operations of \$71 million to \$80 million.

WebMD expects 2011 revenue of \$580 million to \$600 million to assume the following distribution:

- Approximately 86% from public portals advertising and sponsorship, representing growth of approximately 12% to 15% over the prior year, and
- Approximately 14% from private portal licensing, representing a decrease of 4% to 7% over the prior year.

WebMD's prior financial guidance for 2011, as last disseminated on May 5, 2011, was:

- Revenue of \$610 million to \$640 million,
- Adjusted EBITDA of \$215 million to \$230 million, and
- Income from continuing operations of \$79.8 million to \$91.8 million.

For the September 2011 quarter, WebMD expects:

- Revenue of \$135 million to \$140 million, with approximately 85% from public portals advertising and sponsorship and 15% from private portal licensing. Advertising revenue is expected to increase 1% to 5%, while private portal revenue is expected to decrease 5% to 9%, compared to the prior year period,
- Adjusted EBITDA is expected to be approximately 29% of revenue, and
- Income from continuing operations is expected to be approximately 6.4% of revenue.

The revisions to the Company's financial guidance for the second half of 2011 are the result of several factors, including:

- Extended internal legal and regulatory review of larger biopharmaceutical sponsorship programs in both the consumer and professional markets that were sold in previous quarters which is causing longer delays in the launch of these programs than was previously anticipated,
- Unexpected delays and cancellations of new consumer sponsorships sold in previous quarters that were scheduled to launch later this year. The cancellations were due to budget cuts on the part of several consumer products companies,
- A reduction in sales estimates and related revenue contribution for the second half of 2011 due to the impact of the items mentioned above, and
- Lower licensing revenue as a result of less than anticipated new customer additions that would have offset customer attrition in the private portals business.

"While I am disappointed in our growth in the back half of this year, I am confident that the long term opportunity for WebMD is substantial," said Wayne Gattinella, President and CEO, WebMD. "We will be launching a new portfolio of streamlined sponsorship services this quarter that are designed to enhance program performance, better facilitate the internal approval process of our biopharmaceutical customers and speed the time to implementation. We expect our advertising and sponsorship revenue growth to improve commencing in the middle of next year."

A schedule outlining WebMD's updated 2011 financial guidance is attached to this press release.

### **Final Results to Be Released on August 2, 2011**

The information in this release is preliminary. WebMD is completing its normal closing process and will release its second quarter results on August 2, 2011, at approximately 4:00 p.m. (Eastern time) and will hold a conference call with investors and analysts to discuss its second quarter results at 4:45 p.m. (Eastern time) on that day. 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. More than 100 million unique visitors access the WebMD Health Network each month.

The WebMD Health Network includes WebMD Health, Medscape, MedicineNet, emedicineHealth, RxList, theheart.org, drugs.com and Medscape Education.

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*All statements contained in this press release other than statements of historical fact, are forward-looking statements, including those regarding: our preliminary second quarter results (which reflect what we currently expect to report and is subject to adjustment); 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.

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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**  
**Preliminary Financial Information for the Quarter Ended June 30, 2011**  
**and Updated Financial Guidance Summary**  
(in millions, except per share amounts)

	Quarter Ended June 30, 2011 Preliminary	Year Ended December 31, 2011 Guidance Range	
Revenue	\$ 141.0	\$ 580.0	\$ 600.0
Earnings before interest, taxes, depreciation, amortization and other non-cash items ("Adjusted EBITDA") (a)	\$ 45.0	\$ 200.0	\$ 210.0
Interest, taxes, depreciation, amortization and other non-cash items (b)			
Interest income	-	0.5	0.5
Interest expense	(5.8)	(20.7)	(20.7)
Depreciation and amortization	(6.8)	(30.0)	(28.0)
Non-cash stock-based compensation	(9.4)	(41.0)	(38.0)
Gain on investments	1.8	13.5	13.5
Other expense, net	-	(0.1)	(0.1)
Pre-tax income from continuing operations	24.8	122.2	137.2
Income tax provision	(10.8)	(51.2)	(57.2)
Income from continuing operations	\$ 14.0	\$ 71.0	\$ 80.0
Income from discontinued operations, net of tax	7.4	7.4	7.4
Net income	\$ 21.4	\$ 78.4	\$ 87.4
Income from continuing operations per share:			
Basic	\$ 0.24	\$ 1.19	\$ 1.35
Diluted	\$ 0.23	\$ 1.16	\$ 1.29
Net income per share:			
Basic	\$ 0.37	\$ 1.32	\$ 1.47
Diluted	\$ 0.35	\$ 1.26	\$ 1.39
Weighted-average shares outstanding used in computing per share amounts:			
Basic	58.1	59.0	59.0

Diluted	60.2	71.0	71.0
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(a) See Annex A - Explanation of Non-GAAP Financial Measures

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

Additional information regarding forecast for the quarter ending September 30, 2011:

- Revenue is forecasted to be \$135 million to \$140 million in the quarter ending September 30, 2011
- Adjusted EBITDA as a percentage of revenue is forecasted to be approximately 29% in the quarter ending September 30, 2011
- Income from continuing operations as a percentage of revenue is forecasted to be approximately 6.4% in the quarter ending September 30, 2011
- Basic and diluted share count is forecasted to be approximately 59 million and 61 million, respectively. The 2.50% and 2.25% Convertible Notes are not expected to be dilutive to income from continuing operations per share during the quarter ended September 30, 2011.
- Basic and diluted income from continuing operations per share is forecasted to be in excess of \$0.15 and \$0.14, respectively.

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 86% public portals advertising and sponsorship and 14% private portal licensing. Quarterly revenue distributions may vary from this annual estimate
- 2011 guidance includes actual gains on investments during the six months ended June 30, 2011 and forecasted amortization of the ARS Option for the six months ended December 31, 2011, but excludes any potential gains on investments during the six months ended December 31, 2011

Additional information regarding full year income per share calculations:

- Basic income per share: Reflects a reduction to income of \$0.6 million to consider the effect of restricted stock.
- Diluted income per share: Reflects an increase to income of \$6.7 million and \$5.2 million for the interest expense (net of tax) on the 2.50% and 2.25% Convertible Notes, respectively, offset by a reduction to income of \$0.6 million to consider the effect of restricted stock. The diluted share count reflects an additional 6 million and 4 million shares, related to the 2.50% and 2.25% Convertible Notes, respectively.

## ANNEX A

### Explanation of Non-GAAP Financial Measures

The accompanying WebMD Health Corp. press release and the attached financial information and guidance 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, "income from continuing operations" or "net income" calculated in accordance with GAAP. The financial information and guidance accompanying the press release 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 income from continuing operations or net income. In addition, we 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 income from continuing operations or 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 income from continuing operations or 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 attachment.

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 income from continuing operations or 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 income from continuing operations or 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 income from continuing operations and 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 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 income from continuing operations and net income. In recent periods, these other items have included, but were not limited to, (i) legal expenses relating to the 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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