WebMD Announces Fourth Quarter Financial Results

WebMD Total Revenue Increased 22%; Advertising Revenue Increased 28%
WebMD Adjusted EBITDA Increased 49%

NEW YORK, Feb. 23, 2011 /PRNewswire/ -- WebMD Health Corp. (Nasdaq: WBMD), the leading source of health information, today announced financial results for its fourth quarter ended December 31, 2010.

"WebMD finished 2010 with another quarter of strong financial and operating performance," said Wayne Gattinella, President and CEO, WebMD. "We solidified our position as the most recognized and trusted brand of health and wellness information as more than 86 million visitors are engaging with our content each month on both our desktop and mobile platforms."

For the fourth quarter ended December 31, 2010:

- Revenue increased 22% to $168.5 million for the fourth quarter, compared to $138.1 million in the prior year period.
- Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") increased 49% to $69.1 million, compared to $46.4 million in the prior year period.
- Income from continuing operations was $33.8 million compared to $63.6 million in the prior year period. Income from continuing operations would have increased 140%, or $17.1 million, to $29.3 million for the current period, compared to $12.2 million a year ago, without the effect of the following non-operating items (expressed on an after-tax basis): a gain on investments of $8.3 million and a loss on the redemption of the Company's 3 1/8% convertible notes of $(3.8) million, both in the current period; and, in the prior year period, a net gain of $58.6 million primarily from reversal of valuation allowances related to tax NOLs, a loss of $(6.6) million for merger-related expenses and $(0.5) million attributable to non-controlling interest.
- Net income was $36.6 million or $0.59 per share, compared to $98.3 million or $1.39 per share in the prior year period. Net income would have increased 140%, or $17.1 million, to $29.3 million for the current period, compared to $12.2 million a year ago, without the effect of the following non-operating items (expressed on an after-tax basis): a gain on investments of $8.3 million, a loss on the redemption of the 3 1/8% Notes of $(3.8) million, and a gain from discontinued operations of $2.8 million, all in the current year period; and, in the prior year period, a net gain of $58.6 million primarily from reversal of valuation allowances related to tax NOLs, a loss of $(6.6) million for merger-related expenses, a gain from discontinued operations of $34.7 million and $(0.5) million attributable to non-controlling interest.

Revenue Highlights

Revenue increased 22% to $168.5 million for the fourth quarter, compared to $138.1 million in the prior year period.

Public portal advertising and sponsorship revenue increased 28% to $147.0 million, compared to $114.9 million in the prior year period. Traffic to the WebMD Health Network continued to grow, reaching a record average of 86.4 million unique users per month and total traffic of 1.8 billion page views during the fourth quarter, increases of 38% and 22%, respectively, from a year ago.

Private portal services revenue decreased 8% to $21.4 million, compared to $23.2 million in the prior year period. The base of large employers and health plans using WebMD's private Health and Benefits portals during the fourth quarter was 124.

Balance Sheet Highlights

During the fourth quarter, WebMD completed the optional redemption of all of its outstanding 3 1/8% Convertible Notes. Substantially all of these notes converted into approximately 2.4 million shares of WebMD common stock and the remaining notes were redeemed. WebMD recorded a non-cash pre-tax charge of approximately $6.4 million during the quarter ended December 31, 2010 related to the conversions and redemptions of these Notes.

As of December 31, 2010, WebMD had $401 million in cash and cash equivalents.

On January 11, 2011, WebMD completed the private placement of $400 million aggregate principal amount of 2.5% Convertible

Notes due 2018. In connection with the private placement, WebMD repurchased 1.9 million shares of its common stock for $100 million. WebMD had $688 million in cash and cash equivalents after completing this transaction.

Financial Guidance

The Company issued financial guidance for 2011 today.

"We enter 2011 strongly positioned to benefit as biopharma and consumer products companies continue to shift their marketing spend to online channels," said Gattinella.

For 2011, WebMD expects:

- Revenue to be approximately $610 million to $640 million, an increase of 14% to 20% over 2010. These amounts represent expected growth of approximately 16% to 23% in public portal advertising and sponsorship revenue over 2010 while private portal services revenue is expected to be essentially flat compared to 2010.
- Adjusted EBITDA to be approximately $215 million to $230 million, an increase of 24% to 32% over 2010.
- Income from continuing operations to be approximately $77 million to $89 million, or $1.22 to $1.40 per diluted share, an increase of 47% to 70% over 2010.

For the first quarter of 2011, WebMD expects:

- Revenue to be in excess of $125 million, an increase of at least 16% over the prior year period. Advertising revenue is expected to increase at least 20% while private portal revenue is expected to be consistent with the prior year period.
- Adjusted EBITDA to be approximately 27% of revenue.
- Income from continuing operations to be approximately 7% of revenue.

WebMD is providing a schedule (attached to this press release) with additional detail.

Analyst and Investor Conference Call

As previously announced, WebMD will hold a conference call with investors and analysts to discuss its fourth quarter results 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. More than 80 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.

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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WEBMD HEALTH CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data, unaudited)

	Three Months Ended December 31,		Years Ended December 31,	
	2010	2009	2010	2009
Revenue	$ 168,477	$ 138,073	$ 534,519	$ 438,536
Cost of operations	51,859	47,994	187,831	165,753
Sales and marketing	34,085	31,478	120,874	112,101
General and administrative	23,146	23,802	85,496	89,620
Depreciation and amortization	7,310	6,992	27,578	28,185
Interest income	99	3,089	3,949	9,149
Interest expense	1,347	5,657	11,453	23,515
(Loss) gain on convertible notes	(6,362)	-	(23,332)	10,120
Gain (loss) on investments	13,460	-	(9,517)	-
Severance and other transaction expenses	-	11,066	-	11,066
Other income (expense), net	20	(425)	(72)	(1,369)
Income from continuing operations before income tax provision (benefit)	57,947	13,748	72,315	26,196
Income tax provision (benefit)	24,183	(50,413)	20,043	(45,491)
Consolidated income from continuing operations	33,764	64,161	52,272	71,687
Consolidated income from discontinued operations, net of tax	2,824	34,659	1,800	49,354
Consolidated net income inclusive of noncontrolling interest	36,588	98,820	54,072	121,041
Income attributable to noncontrolling interest	-	(524)	-	(3,705)
Net income attributable to Company stockholders	$ 36,588	$ 98,296	$ 54,072	$ 117,336
Amounts attributable to Company stockholders:				
Income from continuing operations	$ 33,764	$ 63,637	$ 52,272	$ 67,018
Income from discontinued operations	2,824	34,659	1,800	50,318
Net income attributable to Company stockholders	$ 36,588	$ 98,296	$ 54,072	$ 117,336
Basic income per common share:				
Income from continuing operations	$ 0.58	$ 1.19	$ 0.93	$ 1.40
Income from discontinued operations	0.05	0.65	0.04	1.05
Net income attributable to Company stockholders	$ 0.63	$ 1.84	$ 0.97	$ 2.45
Diluted income per common share:				
Income from continuing operations	$ 0.55	$ 0.92	$ 0.85	$ 1.21
Income from discontinued operations	0.04	0.47	0.03	0.86
Net income attributable to Company stockholders	$ 0.59	$ 1.39	$ 0.88	$ 2.07
Weighted-average shares outstanding used in computing income per common share:				
Basic	57,505	52,688	55,328	47,400
Diluted	62,330	71,945	62,228	57,740

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

	Three Months Ended December 31,		Years Ended December 31,	
	2010	2009	2010	2009
Revenue				
Public portal advertising and sponsorship	$ 147,042	$ 114,875	$ 446,969	$ 347,570
Private portal services	21,435	23,198	87,550	90,966
	$ 168,477	$ 138,073	$ 534,519	$ 438,536
Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	$ 69,082	$ 46,428	$ 173,618	$ 112,274
Interest, taxes, non-cash and other items (b)				
Interest income	99	3,089	3,949	9,149
Interest expense	(1,347)	(5,657)	(11,453)	(23,515)
Income tax (provision) benefit	(24,183)	50,413	(20,043)	45,491
Depreciation and amortization	(7,310)	(6,992)	(27,578)	(28,185)
Non-cash stock-based compensation	(9,695)	(11,629)	(33,300)	(39,412)
Non-cash advertising	-	-	-	(1,753)
(Loss) gain on convertible notes	(6,362)	-	(23,332)	10,120
Gain (loss) on investments	13,460	-	(9,517)	-
Severance and other transaction expenses	-	(11,066)	-	(11,066)
Other income (expense), net	20	(425)	(72)	(1,416)
Consolidated income from continuing operations	33,764	64,161	52,272	71,687
Consolidated income from discontinued operations, net of tax	2,824	34,659	1,800	49,354
Consolidated net income inclusive of noncontrolling interest	36,588	98,820	54,072	121,041
Income attributable to noncontrolling interest	-	(524)	-	(3,705)
Net income attributable to Company stockholders	$ 36,588	$ 98,296	$ 54,072	$ 117,336

(a) See Annex A-Explanation of Non-GAAP Financial Measures.
(b) Reconciliation of Adjusted EBITDA to consolidated income from continuing operations.

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

	December 31, 2010	December 31, 2009
Assets		
Cash and cash equivalents	$ 400,501	$ 459,766
Accounts receivable, net	134,448	118,155
Prepaid expenses and other current assets	12,161	11,419
Investments	-	9,932
Deferred tax assets	23,467	-
Total current assets	570,577	599,272
Investments	-	338,446
Property and equipment, net	61,516	52,194
Goodwill	202,104	202,104
Intangible assets, net	22,626	26,020
Deferred tax assets	71,125	50,789
Other assets	14,254	19,723
Total Assets	$ 942,202	$ 1,288,548
Liabilities and Equity		
Accrued expenses	$ 53,181	$ 63,721

Deferred revenue	97,043	98,474
1.75% convertible notes	-	264,583
Deferred tax liabilities	-	12,955
Liabilities of discontinued operations	17,327	34,197
Total current liabilities	167,551	473,930
3 1/8% convertible notes, net of discount of $22,641 at December 31, 2009	-	227,659
Other long-term liabilities	21,756	22,191
Stockholders' equity	752,895	564,768
Total Liabilities and Equity	$ 942,202	$ 1,288,548

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

	Years Ended December 31,	
	2010	2009
Cash flows from operating activities:		
Consolidated net income inclusive of noncontrolling interest	$ 54,072	$ 121,041
Adjustments to reconcile consolidated net income inclusive of noncontrolling interest to net cash provided by operating activities:		
Consolidated income from discontinued operations, net of tax	(1,800)	(49,354)
Depreciation and amortization	27,578	28,185
Non-cash interest, net	5,594	10,205
Non-cash advertising	-	1,753
Non-cash stock-based compensation	33,300	39,412
Deferred income taxes	(403)	(42,143)
Loss (gain) on convertible notes	23,332	(10,120)
Loss on investments	9,517	-
Changes in operating assets and liabilities:		
Accounts receivable	(16,292)	(25,073)
Prepaid expenses and other, net	4,617	6,979
Accrued expenses and other long-term liabilities	213	7,677
Deferred revenue	(1,431)	18,861
Net cash provided by continuing operations	138,297	107,423
Net cash (used in) provided by discontinued operations	(16,474)	305
Net cash provided by operating activities	121,823	107,728
Cash flows from investing activities:		
Proceeds from sales of available-for-sale securities	361,852	2,300
Proceeds received from ARS option	10,467	-
Purchases of property and equipment	(32,254)	(17,886)
Proceeds (payments made) from the sale of discontinued operations	(1,430)	72,318
Net cash provided by continuing operations	338,635	56,732
Net cash used in discontinued operations	-	(3,552)
Net cash provided by investing activities	338,635	53,180
Cash flows from financing activities:		
Proceeds from exercise of stock options	59,825	42,898
Cash used for withholding taxes due on stock-based awards	(86,533)	(17,645)
Repurchases of convertible notes	(94,525)	(123,857)

Purchase of treasury stock under repurchase program and tender offers	(420,948)	(228,402)
Cash paid for merger related costs	-	(5,021)
Excess tax benefit on stock-based awards	22,458	480
Net cash used in financing activities	(519,723)	(331,547)
Effect of exchange rates on cash	-	557
Net decrease in cash and cash equivalents	(59,265)	(170,082)
Cash and cash equivalents at beginning of period	459,766	629,848
Cash and cash equivalents at end of period	$ 400,501	$ 459,766

WEBMD HEALTH CORP.
CONSOLIDATED NET INCOME ATTRIBUTABLE TO COMPANY STOCKHOLDERS
(In thousands, except per share data, unaudited)

	Three Months Ended December 31,		Years Ended December 31,	
	2010	2009	2010	2009
Numerator:				
Income from continuing operations	$33,764	$63,637	$52,272	$67,018
Effect of participating non-vested restricted stock	(339)	(886)	(601)	(787)
Income from continuing operations -- Basic	33,425	62,751	51,671	66,231
Interest expense on 1.75% Convertible Notes, net of tax	-	876	1,469	3,714
Interest expense on 3 1/8% Convertible Notes, net of tax	809	2,472	-	-
Effect of dilutive securities of subsidiary	-	(57)	-	(343)
Income from continuing operations - Diluted	$34,234	$66,042	$53,140	$69,602
Income from discontinued operations net of tax	$ 2,824	$34,659	$ 1,800	$50,318
Effect of participating non-vested restricted stock	(28)	(483)	(21)	(591)
Income from discontinued operations --Basic	2,796	34,176	1,779	49,727
Effect of dilutive securities of subsidiary	-	-	-	53
Income from discontinued operations --Diluted	$ 2,796	$34,176	$ 1,779	$49,780
Denominator:				
Weighted-average shares -- Basic	57,505	52,688	55,328	47,400
Employee stock options and restricted stock	2,651	4,470	3,706	2,265
1.75% Convertible Notes	-	7,640	3,194	8,075
3 1/8% Convertible Notes	2,174	7,147	-	-
Adjusted weighted-average shares after assumed conversions -- Diluted	62,330	71,945	62,228	57,740
Basic income per common share:				
Income from continuing operations	$ 0.58	$ 1.19	$ 0.93	$ 1.40
Income from discontinued operations	0.05	0.65	0.04	1.05
Net income attributable to Company stockholders	$ 0.63	$ 1.84	$ 0.97	$ 2.45
Diluted income per common share:				
Income from continuing operations	$ 0.55	$ 0.92	$ 0.85	$ 1.21
Income from discontinued operations	0.04	0.47	0.03	0.86
Net income attributable to Company stockholders	$ 0.59	$ 1.39	$ 0.88	$ 2.07

WebMD Health Corp.
2011 Financial Guidance
(in millions, except per share amounts)

	Year Ending 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	(11.5)	(11.5)
Depreciation and amortization	(30.0)	(28.0)
Non-cash stock-based compensation	(41.0)	(38.0)
Pre-tax income from continuing operations	133.0	153.0
Income tax provision	(56.0)	(64.0)
Income from continuing operations	$ 77.0	$ 89.0
Income from continuing operations per share :		
Basic	$ 1.27	$ 1.47
Diluted	$ 1.22	$ 1.40
Weighted-average shares outstanding used in computing income from continuing operations per common share:		
Basic	60.0	60.0
Diluted	68.0	68.0

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

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

Additional information regarding forecast for the first quarter of 2011:

- Revenue is forecasted to be in excess of $125 million in the quarter ending March 31, 2011
- Adjusted EBITDA as a percentage of revenue is forecasted to be approximately 27% in the quarter ending March 31, 2011
- Income from continuing operations as a percentage of revenue is forecasted to be approximately 7% in the quarter ending March 31, 2011

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: 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 diluted share count of 68 million includes the weighted impact of 6 million shares related to the 2.5% Notes.

ANNEX A

Explanation of Non-GAAP Financial Measures

(All dollar amounts in thousands)

The accompanying WebMD Health Corp. press release and financial tables 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 tables 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 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 tables.

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. Stock-based compensation expenses included in the Consolidated Statement of Operations are summarized as follows:

	Three Months Ended December 31,		Year Ended December 31,	
	2010	2009	2010	2009
Non-cash stock-based compensation included in:				
Cost of operations	$ 2,058	$ 1,802	$ 7,211	$ 6,723
Sales and marketing	$ 2,284	$ 2,570	$ 8,033	$ 8,069
General and administrative	$ 5,353	$ 7,257	$ 18,056	$ 24,620
Income from discontinued operations	$ —	$ 39	$ —	$ 693

- ***Non-Cash Advertising Expense.*** This expense relates to the usage of non-cash advertising obtained from News Corporation ("Newscorp") in exchange for equity securities issued in 2000. The advertising was available only on various Newscorp properties, primarily its television network and cable channels, without any cash cost to us and expired in 2009. We exclude this expense from Adjusted EBITDA (i) because it is a non-cash expense, (ii) because it is incremental to other non-television cash advertising expense that we may otherwise incur and (iii) to assist management and investors in comparing its operating results over multiple periods. Investors should note that it is likely that we derived some benefit from such advertising. Non-cash advertising expenses included in the Consolidated Statement of Operations in Sales and Marketing expense were $1,753 for the year ended December 31, 2009.

- ***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. The following provides detail of the components of interest expense of our convertible notes:

	Three Months Ended December 31,		Year Ended December 31,	
	2010	2009	2010	2009
Non-cash interest expense				
1.75% Convertible Notes	$ —	$ 302	$ 885	$ 1,272
3 1/8% Convertible Notes	$ 732	$ 2,166	$ 4,996	$ 8,933
Cash interest expense				
1.75% Convertible Notes	$ —	$ 1,158	$ 1,564	$ 4,918
3 1/8% Convertible Notes	$ 615	$ 1,956	$ 4,007	$ 8,310

- ***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, (iv) advisory expenses relating to the merger of HLTH Corporation into our company in 2009, and (v) 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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