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July 24, 2012

WebMD Provides Preliminary Second Quarter Results and Updates Financial Guidance for 2012

NEW YORK, July 24, 2012 /PRNewswire/ -- WebMD Health Corp. (NASDAQ: WBMD), the leading source of health information, today announced preliminary financial results for the three months ended June 30, 2012 and updated financial guidance for 2012.

Preliminary Results for the Three Months Ended June 30, 2012

WebMD expects that its second quarter revenue, Adjusted EBITDA and net loss will be in line with previously stated financial guidance for the quarter.

- Revenue for the second quarter is expected to be approximately \$112 million. Prior financial guidance for the quarter was \$110 million to \$115 million.
- Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") for the second quarter is expected to be approximately \$14 million, or 12.5% of revenue. Prior financial guidance for the quarter was 10% to 12% of revenue.
- Loss from continuing operations for the second quarter is expected to be approximately \$(6.3) million, or \$(0.13) per diluted share, or 5.6% of revenue. Prior financial guidance for the quarter was 4% to 6% of revenue.
- Net loss for the second quarter is expected to be approximately \$(5.8) million or \$(0.12) per diluted share.

This information is preliminary. WebMD is completing its normal closing process and, as previously announced, will provide second quarter financial results on July 31, 2012 and host a conference call to discuss those results at 4:45 PM, Eastern time, on that day.

Balance Sheet Highlights

As of June 30, 2012, WebMD had \$964 million in cash and cash equivalents and \$800 million in aggregate principal amount of convertible notes outstanding. During the second quarter, the Company utilized \$150 million of cash to purchase 5.8 million shares of its common stock in a tender offer. Additionally, during the quarter, the Company utilized \$22.8 million of cash to purchase approximately 1 million shares of its common stock under its buyback program. The Company has approximately \$66 million remaining in its authorized buyback program.

Traffic Highlights

Traffic to the WebMD Health Network during the second quarter continued to grow, reaching an average of 106.9 million unique users per month and 2.50 billion page views for the quarter, increases of 29% and 25%, respectively, from the prior year period. The prior year comparisons exclude traffic from WebMD's former affiliate partner sites, which were phased out at the end of 2011.

Updated 2012 Financial Guidance

Based on current visibility into the second half of this year, WebMD has updated its financial guidance for 2012 and expects the following:

- Revenue of \$455 million to \$480 million;
- Adjusted EBITDA of \$60 million to \$75 million; and
- Loss from continuing operations of \$(12.4) million to \$(23.4) million.

WebMD's prior financial guidance for 2012, as last disseminated on May 1, 2012, was:

- Revenue of \$500 million to \$535 million;
- Adjusted EBITDA of \$100 million to \$125 million; and
- Net income of \$2.8 million to \$19.9 million.

For the third quarter of 2012, WebMD expects:

- Revenue of \$115 to \$120 million;
- Adjusted EBITDA is expected to be approximately 13% to 15% of revenue; and
- Loss from continuing operations is expected to be approximately 3% to 5% of revenue.

The Company adjusted its financial guidance after its review of actual sales for the second quarter and its sales expectations and related revenue contribution for the third and fourth quarters of 2012. The updated guidance assumes lower sales commitments and related revenue for the balance of 2012 than was previously anticipated. The Company anticipates that many of its customers will reevaluate expenditures in various areas, including marketing expenditures across their entire product portfolios, as they deal with both the ongoing and anticipated impact of patent expirations across their businesses as well as greater than expected delays in new product launches as a result of unanticipated delays in FDA approvals.

Cavan M. Redmond, Chief Executive Officer of WebMD, said: "As shown by the usage of the WebMD Health Network in the June quarter, WebMD continues to be the most trusted and credible brand of healthcare information today and is truly at the crossroads of patient, physician and consumer engagement. My immediate focus has been to review the business and to prioritize the steps necessary to meet our clients' needs. Of equal importance, I am reevaluating the company's infrastructure across-the-board to drive operational improvements and cost efficiencies. The challenges are clear. However, I believe the opportunities are considerable and I look forward to leading the organization in our efforts to realize them."

A schedule outlining WebMD's updated 2012 financial guidance is attached to this press release.

Annual Meeting of Stockholders

As previously announced, a live audio webcast of the Annual Meeting of Stockholders of WebMD will be available over the Internet beginning at 9:30 A.M., Eastern time, today. To listen to the audio webcast of the meeting, investors can go to www.wbmd.com (in the Investor Relations section) at that time. 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 and Medscape Education.

All statements contained in this press release and the related presentation at the Annual Meeting of WebMD, other than statements of historical fact, are forward-looking statements, including those regarding: our preliminary second quarter results (which reflect what WebMD currently expects to report and are 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 other factors affecting their use of our products and services, including regulatory matters affecting their products; 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
Preliminary Financial Information for the Quarter Ended June 30, 2012
and Financial Guidance Summary
(in millions, except per share amounts)

	Quarter Ended June 30, 2012 Preliminary	Year Ending December 31, 2012 Guidance Range	
Revenue	\$ 112.0	\$ 455.0	\$ 480.0

Earnings before interest, taxes, non-cash and other items ("Adjusted EBITDA") (a)	\$ 14.0	\$ 60.0	\$ 75.0
Interest, taxes, non-cash and other items (b)			
Interest expense	(5.8)	(23.2)	(23.2)
Depreciation and amortization	(6.7)	(28.0)	(27.0)
Non-cash stock-based compensation	(9.4)	(48.0)	(46.0)
Gain on investments	-	8.1	8.1
Other expense	(1.1)	(2.3)	(2.3)
Pre-tax loss from continuing operations	\$ (9.0)	\$ (33.4)	\$ (15.4)
Income tax benefit	2.7	10.0	3.0
Loss from continuing operations	\$ (6.3)	\$ (23.4)	\$ (12.4)
Income from discontinued operations, net of tax	0.5	0.5	0.5
Net loss	\$ (5.8)	\$ (22.9)	\$ (11.9)
Loss from continuing operations per share:			
Basic and diluted	\$ (0.13)	\$ (0.45)	\$ (0.24)
Net loss per share:			
Basic and diluted	\$ (0.12)	\$ (0.44)	\$ (0.23)
Weighted-average shares outstanding used in computing per share amounts:			
Basic and diluted	49.6	52.0	52.0

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

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

Additional information regarding preliminary results for the quarter ended June 30, 2012:

- Other expense represents one time expenses related to recruitment of the Company's CEO
- Income from discontinued operations represents a tax refund related to a business the Company divested in 2006

Additional information regarding forecast for the quarter ending September 30, 2012:

- Revenue is forecasted to be between \$115 million to \$120 million
- Adjusted EBITDA as a percentage of revenue is forecasted to be approximately 13% to 15%
- Loss from continuing operations as a percentage of revenue is forecasted to be approximately 3% to 5%

Additional information regarding full year forecast:

- The distribution of the annual revenue is expected to be approximately 83% public portals advertising and sponsorship and 17% private portal licensing. Quarterly revenue distributions may vary from this annual estimate.
- 2012 guidance includes actual gains on investments and income from discontinued operations during the six months ended June 30, 2012 but excludes any estimate for these items during the six months ending December 31, 2012
- Convertible notes are not expected to be dilutive for the full year or any quarter

ANNEX A

Explanation of Non-GAAP Financial Measures

The accompanying WebMD Health Corp. press release and attachment 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 or loss from continuing operations calculated in accordance with GAAP (referred to below as "income from continuing operations"); or net income or loss calculated in accordance with GAAP (referred to below as "net income"). The attachment to 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 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 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) a reduction of certain sales and use tax contingencies resulting from the expiration of certain applicable statutes of limitations, (iii) gain or loss on investments, and (iv) legal fees and other expenses incurred in connection with the process conducted by our Board of Directors to explore strategic alternatives for our company. 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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