TRANSCRIPT OF Q3 2016 WEBMD EARNINGS CONFERENCE CALL – Nov. 1, 2016

All statements included in this transcript of WebMD's November 1, 2016 analyst and investor conference call and in the related earnings press release issued by WebMD on that date (the "November 1 Press Release"), other than statements of historical fact, are forward-looking statements, including those regarding: guidance on WebMD's future financial results and other projections or measures of WebMD's future performance; market opportunities or momentum and WebMD's 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 November 1, 2016, are based on WebMD's current plans and expectations on that date, 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 WebMD's products and services; WebMD's relationships with customers and other factors affecting their use of WebMD's services and the timing of entry into and implementation of specific contracts with customers, including regulatory matters affecting their products and services; WebMD's ability to deploy new or updated services and to create new or enhanced revenue streams from those services; WebMD's 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 WebMD's Securities and Exchange Commission filings and this transcript is intended to be read in conjunction with information contained in those filings and in the November 1 Press Release. Except as required by applicable law or regulation, WebMD does not undertake any obligation to update its forward -looking statements to reflect future events or circumstances.

****

This transcript and the November 1 Press Release 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 the November 1 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 the November 1 Press Release as Annex A.

Operator:

Good afternoon and welcome to WebMD Health Corp.'s third quarter 2016 conference call. Today's call is being recorded. I will now turn the call over to Risa Fisher, Vice President of Investor Relations.

RISA FISHER:

Good afternoon. This conference call is to discuss WebMD's third quarter results. The earnings release issued today by WebMD is available at www.wbmd.com (in the Investor Relations section). The release includes reconciliations between GAAP and non-GAAP financial measures, which will be discussed during this call. The explanatory paragraphs in the release concerning forward-looking disclosures, and related risks and uncertainties, also apply to forward-looking disclosures made during this call, including those regarding our guidance on future financial results and other projections or measures of WebMD's future performance. Further information regarding WebMD, including information concerning risks and uncertainties can be found in WebMD's SEC filings and the information on this conference call is intended to be presented in conjunction with the information contained in such filings. Joining us with prepared remarks today are:

- Steve Zatz, Chief Executive Officer; and
- Blake DeSimone, Chief Financial Officer

We will take questions at the conclusion of our prepared remarks. I would now like to turn it over to Steve Zatz, CEO of WebMD.

STEVE ZATZ:

Thank you for joining us this afternoon. I am very pleased to be here with you in my new role as CEO. As I said at our Annual Meeting of Stockholders last month, it is an honor and a privilege to lead WebMD. We are a unique company in a dynamic and important industry. Given my tenure at the Company, the transition into my new role, and for Blake as well, has been smooth for our employees, customers and partners.

Turning now to the financial results we reported today: Our third quarter revenue increased 12% to $171.4 million, which is consistent with the high end of the guidance range we provided in August. Net income increased 64% to $21.6 million and Adjusted EBITDA increased 19% to $55.3 million, which is above the high end of our guidance. Our overall revenue growth in the quarter was fueled by strength in biopharma advertising, as we continued to demonstrate the value of our professional and consumer platforms.

Medscape, which accounts for approximately 60% of our annual advertising revenue, is the premier source of medical news, clinical reference and medical education for physicians and healthcare professionals around the world. Our professional marketing capabilities drive value for our pharma customers throughout the lifecycle of the products they market – from launch through growth phase to the period around loss of exclusivity.

We continue to expand and enhance our content offerings for physicians as well as the marketing solutions that we provide to our pharma industry customers. In September, we launched an exciting addition to our professional-facing video offerings called Medscape TV. These highly-produced series feature internationally recognized thought leaders and compelling stories about patients who are dealing with serious medical conditions, which help educate physicians about the latest advances in their field. This month we will launch Medscape Physician Business Academy, a new education offering for physicians to help them manage the business aspects of medical practice.

During the third quarter, worldwide, we averaged approximately 7.7 million physician sessions per month on Medscape, an increase of approximately 14% over the prior year period. Medscape is a fully registered site and, as a reminder, most of our health professional members come directly to Medscape, rather than through search. In the US, Medscape has approximately 658,000 registered US physicians that are active on an annual basis. They represent a substantial majority of the practicing physicians in the US. During the third quarter, an average of approximately 394,000 US physicians were active monthly. We also reach approximately 2 million other health care professionals in the US annually, many of whom engage with patients and affect prescribing decisions, such as nurse practitioners and physician assistants, and therefore are an important audience for our advertisers.

Outside the US, we reach approximately 1.6 million active physicians and, according to Manhattan Research, Medscape is #1 in each of the EU, Latin America, India and Australia and, with our partner DXY, we have access to the largest physician audience in China. We now have five language editions of Medscape. In addition to English, we have French, German, Spanish and Portuguese editions. We have also created commercial programs for our customers in more than a dozen additional languages. With pharmaceutical companies spending roughly the same amount outside the US as they spend in the US, Medscape's global business presents significant opportunities for growth.

WebMD, which accounts for approximately 40% of our annual advertising revenue, is the leading source and brand of health information and tools for consumers. According to comScore, average US monthly visitors to the WebMD Health Network across both mobile and desktop on a de-duplicated basis was approximately 70 million during the third quarter, meaning that more than one-quarter of the total US online population visits the WebMD Health Network monthly.

Within the health category, we are the clear leader, by a significant margin, across unique visitors, page views and time spent on both desktop and mobile.
We have approximately 60% more monthly visitors and 3 times more page views than our next largest competitor. We are also # 1 in all of the 50 most important condition-suffering populations online.

According to our internal traffic analysis, which does not de-duplicate users across properties or devices, traffic to the WebMD Health Network averaged 184.1 million unique users per month and generated 3.84 billion page views for the third quarter, representing an 11% decrease in users and a 4% decrease in page views, when compared to the prior year period. Over the last year, we have seen declines in the number of search referrals we receive from Google and this has impacted our aggregate traffic. In the third quarter, 57% of our traffic came from search engines, as compared to 66% in the prior year period. We have offset much of the decline with growth in direct sources of traffic. In the third quarter, we grew non-search-related traffic by approximately 20% over the prior year period.

Of the 3.84 billion page views we served in the third quarter, 41% of our page view traffic was from a US smartphone; 20% was from a US PC; 6% was from a US tablet device; and 33% was international.

While our leadership position in overall traffic is a reflection of our strong brand and the trust consumers place in us, it is important to note that overall traffic is not a direct driver of our revenue. Growth in our aggregate traffic, in fact, does not correlate with our revenue growth. For example, this quarter, we delivered 15% growth in advertising revenue, despite a 4% decline in our aggregate page views.

Given the lack of correlation between our overall traffic and our advertising revenue, we will not be reporting these aggregate traffic statistics beginning with the first quarter of 2017. Investors will still have third-party measures, like comScore, which may be useful to understand our market leadership and relative size vis a vis our competitors.

Of course, what is most important, is that we reach the audiences that our customers value and that we provide the right context for our advertisers to communicate their messages. Accordingly, we focus our content and editorial efforts on areas that yield the greatest return; and we drive direct traffic to these areas mainly through site design, newsletters and referrals from social platforms. In the last nine months, approximately 75% of our advertising revenue used less than 20% of our page views. In the areas of greatest demand, that our customers value the most, we have been able to grow our traffic and manage our inventory, and expect to be able to continue to do so.

We continue to invest in our user experiences and our advertiser products. We are converting our flagship sites to a fully responsive design that provides an optimal user experience regardless of the device used to access our content. In addition, we will be launching a complete redesign of our iconic symptom checker in early 2017, which we believe will improve the usefulness of its results for consumers that are trying to understand their symptoms and have more effective conversations with their physicians. We have innovative initiatives underway to make our brand of health information accessible via increasingly popular alternative voice and text interfaces, like Amazon Echo, Google Home and Facebook Messenger.

In October, we began the national rollout of WebMDRx by featuring it on relevant areas of our sites and by leveraging WebMD Magazine's extensive reach at the point of care. WebMDRx is featured in the current issue of the Magazine, which is now available in over 200,000 physician offices. WebMDRx enables consumers and physicians to better understand the costs of medications and, in many cases, enables consumers to save money on prescription drugs at pharmacy retailers.

Later this week at the third annual WebMD Health Hero Award Gala hosted by Robin Roberts, we will gather with many of our advertisers, sponsors, and business partners to recognize five outstanding individuals for the work they are doing to improve the lives of others. In addition to honoring our Advocate, Prodigy and Scientist winners, this year's People's Choice award, chosen by WebMD users, will be presented to Seth Rogen and Lauren Miller Rogen for their work to raise awareness and support research and care for Alzheimer's Disease.

Turning to WebMD Health Services, which we formerly referred to as private portal services, health services revenue increased 3% in the third quarter compared to the prior year period. We did announce at our Annual Meeting last month that we expect health services revenue to decline in 2017 by approximately 10%, to approximately $100 million. While I was not previously responsible for Health Services, I am now working closely with the WHS management team to restore growth in this segment. We recently hired a new head of sales for Health Services along with other recent additions we've made to the senior team – including a new Chief Technology Officer and a new Chief Medical Officer.

We continue to believe that the opportunity for our population health management platform and related services is substantial and that we are well positioned in the market, as our programs and solutions have demonstrated measurable clinical improvements, including in medication adherence, smoking cessation and weight loss. I also believe that our population health services, including our digital and telephonic coaching tools have applications outside of the employer/payer space where we are currently focused. I see potential opportunities in the provider and pharma markets and will be looking to explore this further as we plan for 2017 and beyond.

Turning to information services: Our information services comprise subscription-based data products and services that we license to data services, informatics and consulting companies. Revenue from information services was $7.1 million in the third quarter compared to $6.4 million in the prior year period. Our information services revenue is driven by our ability to resell data from a legacy agreement that we have with Change Health, which is due to expire in early 2018. As we have previously indicated, Change Health is in the process of merging with McKesson, and as a result, discussions around extending our agreement have stalled. This will not impact 2016 or 2017 revenue or earnings but will have an impact on 2018. We are exploring other sources of third-party data and uses of our first party data to generate additional revenue streams, but we are early in that process.

I'd like to turn the call over to Blake at this time so he can walk you through the financial results.

BLAKE DESIMONE:

Thanks Steve. As Steve mentioned, we are pleased to report third quarter results that are slightly above the high end of the range of financial guidance we provided in August.

Third quarter revenue was $171.4 million, compared to $152.6 million last year, an increase of 12%.

Advertising and sponsorship revenue grew 15% to $136.1 million, compared to $118.7 million in the prior year period. Breaking down our advertising and sponsorship revenue further:

- revenue from biopharma and medical device clients increased 19% compared to the prior year period; and
- revenue from OTC, CPG and other clients was comparable to the prior year period.

Health services revenue was $28.2 million, an increase of 3% compared to $27.5 million in the prior year period.

Information services revenue was $7.1 million, an increase of 11% compared to $6.4 million in the prior year period.

Third quarter net income increased 64% to $21.6 million or $0.47 per diluted share compared to $13.2 million, or $0.32 per diluted share in the prior year period. Net income in the current period would have been $21.2 million or $0.46 per diluted share, excluding $1.1 million of an after-tax severance expense and $1.5 million of an after-tax net reversal of stock-based compensation expense, both related to executive management changes made during the quarter. In the prior year period, net income would have been $14.4 million, or $0.34 per diluted share, excluding an after-tax loss on convertible notes of $(1.2) million.

Third quarter Adjusted EBITDA increased 19% to $55.3 million, or 32% of revenue, compared to $46.4 million, or 30% of revenue, in the prior year period. Adjusted EBITDA was approximately 5% above the high end of our prior guidance primarily due to the timing of certain expenses and the continued leverage of our infrastructure.

Capital expenditures were $4.6 million in the quarter.

Operating cash flow was approximately $45.9 million in the quarter. This includes a cash tax benefit of $9.8 million related to the use of our tax NOL's generated by stock based compensation which, as required by GAAP, are included in the financing section of the cash flow statement rather than in the operating section.

As we have stated previously, quarterly operating cash flows can be impacted by the timing of billing and collection of receivables from our customers, compensation accruals and other accruals in relation to quarter's end, and the timing of interest payments on our convertible notes.

During the third quarter, we used $22.4 million in cash to repurchase 432 thousand shares of our common stock under our stock repurchase program at an average price of $51.95. As of September 30, approximately $47 million remained available for repurchases under our stock repurchase program. Under the repurchase program, we 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.

As a reminder, we adopted a new accounting pronouncement at the beginning of this year that requires debt issuance costs to be netted against the principal amount of the convertible notes on the balance sheet, rather than be reflected in other assets. The prior year balances were reclassified to reflect this change.

As of September 30th, we had approximately $1.04 billion in cash and investments; $1.06 billion in aggregate principal amount of convertible notes outstanding; and approximately 38.7

million common shares outstanding, which includes approximately 600 thousand unvested shares of restricted stock.

Turning to our financial guidance: Today, we updated our 2016 financial guidance. For the full year 2016, we raised the low end of our revenue guidance by $3 million and reaffirmed the high end of our revenue range. We now expect revenue to be $698 million to $708 million, an increase of approximately 10% to 11% from 2015.

Our mix of revenue has been adjusted slightly.

- Advertising and sponsorship revenue is expected to be approximately $557 million to $565 million, an increase of 12% to 13% over 2015. Advertising and sponsorship revenue from biopharma clients is expected to grow approximately 15% to 16% in 2016. Advertising and sponsorship revenue from OTC, CPG and other clients is expected to grow 2.5% to 5% in 2016.
- Health services revenue is expected to be approximately $112 million to $113 million, compared to $110.4 million in 2015.
- Information services revenue is expected to be approximately $29 million to $30 million, compared to $26.9 million in 2015.

We expect net income in 2016 to be approximately $86.8 million to $92.3 million, or $1.88 to $1.97 per diluted share, compared to $64.0 million, or $1.48 per diluted share, in 2015.

We expect Adjusted EBITDA in 2016 to be approximately $226 million to $233 million, an increase of 17% to 21% from 2015. Adjusted EBITDA as a percentage of revenue is expected to be approximately 32% to 33%, compared to 30% in 2015.

While the timing and implementation of programs can shift, we had approximately 95% of our remaining 2016 advertising revenue expectations in our backlog as of September 30th. This is about the same percentage as we had this time last year.

Depending on the amount of our quarterly and annual net income, some or all of our outstanding convertible notes may become dilutive. We have attached a schedule to the press release we issued today which provides the calculations under which the convertible notes would become dilutive.

We expect capital expenditures for the full year to be approximately $30 million.

For the fourth quarter of 2016, we expect:

- Revenue to be approximately $200 million to $210 million, an increase of approximately 4% to 10% from the prior year period.
- Net income to be approximately $32 million to $37 million, an increase of approximately 15% to 35% from the prior year period.

- Adjusted EBITDA to be approximately $73.5 million to $80.5 million, an increase of approximately 9% to 20% from the prior year period.

To highlight further the revenue breakdown in the fourth quarter:

- We expect advertising revenue from biopharma and medical device customers to be approximately $130 million to $135 million, compared to $119.5 million in the prior year period.
- We expect advertising revenue from OTC, CPG and other advertisers to be approximately $37 million to $40 million, compared to $38.8 million in the prior year period.
- We expect health services revenue to be approximately $27 million to $28 million, compared to $27.2 million in the prior year period.
- We expect information services revenue to be approximately $7 million to $8 million, compared to $6.6 million in the prior year period.

Our guidance does not include the impact, if any, of future deployment of capital for items such as share repurchases, convertible note repurchases or acquisitions, gains or losses from discontinued operations, or other non-recurring, one-time or unusual items.

Please note that there is a schedule summarizing our guidance included in today's press release.

Before I turn it back over to Steve, I wanted to echo Steve's opening remarks. I too am very excited to have been given the opportunity to serve as the Company's CFO and I am looking forward to working with, and getting to know, all of you. I'd like to turn it back over to Steve.

STEVE ZATZ:

Thanks Blake. In summary, we reported a strong third quarter today driven by our pharma advertising segment. With 95% of our advertising revenue expectations in backlog as of September 30th, we are positioned to deliver strong fourth quarter and full year performance.

Of course, like you, we are looking ahead to next year. It is still the beginning of the sales season so it is too early for us to have much visibility into 2017. We are expecting the FDA pipeline of new pharma product launches and the number of products currently being marketed by pharma to remain strong. However, the overall environment is clearly different than it was at this time last year. The heightened scrutiny regarding pharmaceutical price increases, the increased formulary restrictions on high priced launches and the highly-charged political climate were not issues facing our pharma customers in the same way last year. We have received no specific indications from our customers as to how these external factors may impact their marketing plans for 2017. In fact, we have a strong sales pipeline that we are pursuing. However, looking at our pipeline against this backdrop, and considering that we will be growing off of a larger base, I currently believe that a reasonable expectation for our 2017 pharma advertising growth would be approximately 10%.

Our sales in the next few months, as well as the expected timing of when those programs will deliver, are the key factors that will enable us to better understand the year ahead and we intend to provide financial guidance for 2017 when we report our 2016 results in February, as we have done in prior years. We are well positioned as the market leader with strong brands and unparalleled engagement of consumer health and physician audiences, and a proven ability to demonstrate value to our customers.

We are currently in the midst of the 2017 planning process and we will be determining areas of top priority and investment, both internal and external. We are looking to strengthen those areas where we have the greatest differentiation, specifically across Medscape; and within WebMD on the more health endemic aspects that drive the greatest value for our users and advertisers. We have a strong balance sheet and will pursue acquisitions and partnerships that can accelerate our long term growth. I am honored to be leading the Company. I strongly believe that WebMD and Medscape can make a significant difference in how health care is understood, managed and delivered, both domestically and internationally, and I am excited about our future.

Operator, at this time we will take questions.

Q&A

(Operator Instructions): Our first question is from Neil Doshi with Mizuho Securities.

Neil Doshi, Mizuho Securities Co., Ltd. – Analyst: Great. Thank you guys. Steve, as you talk to your existing customers, can you maybe give a little bit of insight as to how they are thinking about 2017 given the backdrop of kind of a different political climate and the changes that you see in the market? And then in terms of traffic, as we look at the OTC and CPG line items, we are seeing a bit of deceleration from the first half of the year, how much of that revenue is dependent on traffic and is there anything you can do to de-couple that from the broader traffic trends that you guys are experiencing? Thank you.

Steve Zatz, WebMD Health Corp – CEO: Sure, I will start with the first question in terms of what we are hearing from our customers. At this point, we are not. We are out there selling and we have not heard anything specific about their plans for 2017. On the other hand we are certainly seeing the things you are seeing in the environment. We have the recent announcements both from McKesson and Cardinal in terms of pricing moderation, but we haven't heard anything from our customers regarding that in terms of how it might affect their marketing plans for 2017. With regard to traffic, whether it's traffic related to our high-value areas we have not had limitations in terms of our ability to monetize whether it is RX products or OTC products based on any traffic limitations. As we've said, we continue to be able to manage the traffic in our areas that we monetize.

Neil Doshi, Mizuho Securities Co., Ltd. – Analyst: Great, thank you.

Operator: Our next question is from Charles Rhyee from Cowen and Company.

Charles Rhyee, Cowen and Company: Thanks for taking the question. Steve, getting back to the question on brand pricing, obviously we see a lot of heightened sensitivity around that but when we look back the last couple of years, in what would arguably be a fairly consistent brand price inflation environment, let's say low double digits we've seen actually WebMD ad spend revenue accelerating so now we get to this point where we've seen some deceleration. Looking back historically it doesn't look like there is that great a correlation. Obviously I think it sounds prudent to be conservative here, but can you talk about maybe historically what you've seen in relation when we think about broader market inflation on branded drugs versus maybe what you are seeing specifically in launches and what is driving your ad growth? Thanks.

Steve Zatz, WebMD Health Corp – CEO: Sure. Our business has been relatively consistent and certainly launches are important to growth as well as in-line brands that are being actively marketed. You could certainly look at the coming environment and wonder as to whether pharma would be a little bit more concerned about the efficiency of their spend. As you know they continue to spend a relatively modest proportion in digital and are still spending pretty significantly on things like TV and print. So, we are going to be out there selling in the way we normally do and certainly listening to our customers but as I said, it's early in this fourth quarter selling season. We are not hearing anything specific. We are just looking at an environment in probably a way that's similar to the way you are but we don't have specific information at this point. We will know a lot more obviously in February when we report guidance for 2017, but we are confident certainly in the services we provide both on the consumer and the professional side of our business. We know they bring value to our customers and we continue to make that case regardless of what's going on in the macro environment.

Charles Rhyee, Cowen and Company – Analyst: So the double-digit, the 10% base line you put out there for next year, it sounds like you feel good that is sort of maybe a minimum we can see given that we are still early in the cycle here given the confidence in the services that you are delivering to clients?

Steve Zatz, WebMD Health Corp – CEO: I think all we can say again it is really early. That is where our expectations are at the moment. We will know a lot more and have a lot more information when this current selling season concludes and we have a little bit of information from selling in 2017, so at the moment, it's a little bit of crystal ball gazing but that is where we are at.

Charles Rhyee, Cowen and Company – Analyst: Blake, just to clarify the G&A had a nice step down sequentially, you mentioned something about timing. Is this G&A the right run rate to think about going forward?

Blake DeSimone, WebMD Health – CFO: The G&A decline is also attributable to the stock based compensation adjustment that we talked about, the non-cash adjustment from the management changes that is primarily reflective in the G&A line.

Charles Rhyee, Cowen and Company – Analyst: OK. Thank you.

Operator: Our next question comes from Nicholas Jensen from Raymond James.

Nicholas Jensen, Raymond James – Analyst: Hey, guys. Just wanted to dig a little deeper into the fourth-quarter comments regarding biopharma. You exceeded expectations in 3Q but the full-year I think you took down at least the high end slightly, I just wasn't sure if there were any timing dynamics or how we should think about that and how it relates to 17? I know it is premature and it's good to manage expectations the way you are handling it, but I guess I wanted to get your confidence level in terms of some of those moving parts. It feels like 10% might be a reasonable bogey but I just don't know your level of confidence in context of the other remarks you've made regarding the end market still being uncertain even though your customers aren't yet telling you things.

Steve Zatz, WebMD Health Corp – CEO: To start, the fourth quarter is really on the basis of adjustments that are due to timing and we are within the guidance range that we had given in May. I wouldn't look at those numbers in relation to 2017. We are really looking separately at that and I know we've said this now a couple of times and we just have to repeat, we are early enough that we just don't have detailed information, but are trying to provide you at least with the sense of where we think things are at the moment.

Nicholas Jensen, Raymond James – Analyst: OK. That's helpful. Switching gears when you think about your philosophy towards M&A, as you sit here now, you are still less than 45 days in, just trying to get your views of the laws of the land and how we think about your strategic vision relative to your predecessors and how we think about Medscape in context of that from a faster growth perspective relative to the overall pie? Thanks.

Steve Zatz, WebMD Health Corp – CEO: Sure. One of the priorities is to work very closely with our board and look very hard at, not just at M&A opportunities but strategic partnerships. You mentioned Medscape, we think there are opportunities both in the U.S. and outside the U.S. Medscape is such an unusual global brand and we are certainly looking for opportunities to strengthen Medscape. Turning to the consumer side of our business, we are certainly looking at the more serious side of healthcare and what opportunities there are there, but acquisitions that would strengthen our position in the market, allow us to bring additional services to our customers as well as our visitors are certainly going to drive what we're going to do in the future. Our commitment is to work closely with our board and evaluate opportunities as we see them. Obviously the outcome of that is not predictable but we are certainly committed both around M&A and strategic partnerships as well to strengthen our position to market and the services we provide.

Nicholas Jensen, Raymond James – Analyst: Thanks for the color.

Operator: Our next question comes from Peter Stabler from Wells Fargo.

Peter Stabler, Wells Fargo- Analyst: Thank you and good afternoon and welcome, Steve. Two questions if I could. The first one on health services, starting about three years ago or so, there was a view from management that the health services offering could evolve to be more substantial and that the structural changes coming as a result of the ACA were going to be a tailwind and it seems like the enthusiasm around health services has dimmed a bit so I was wondering if you could update us on your view. You gave us a look into 17 sounds like a bit of a challenge set up for 17 but as you look past 17, can you give us a strategic view of the health services offering and how it is positioned and secondly, wondering if you would be willing to venture out on a limb in terms of 2017 for the OTC and CPG? Thank you very much.

Steve Zatz, WebMD Health Corp – CEO: Sure. I think as you know health services was one of the areas of the company that I wasn't previously responsible for so certainly in the last six weeks I have been getting up to speed and meeting with and working with management. We have needed to rebuild that management team. As we said in the prepared remarks, we brought on both a chief medical officer, a chief technology officer as well as now a head of sales. I think that part of our business is both very important and something we really need to focus on and to really rebuild. The population management services that WHS provides I think have applications not just in the employer insurer market with where we are pursuing today but in other markets, particularly provider and in Pharma. It is certainly a focus of mine. As I think you know, the sales cycle is relatively long and so we were not able to positively impact our performance for next year and we provided you with that information but we are looking very hard at the opportunities there. We are rebuilding the management team and we also think we need to focus on products and improve the products but it's going to become more and more important across a range of sectors and healthcare to manage the population through wellness and certainly manage conditions to try to prevent them from becoming more serious and we think both the coaching and digital health assistance tools that we have are well suited to do that and worth the investment to really make that business stronger so it's certainly one of my focuses moving forward will be to do that. With regard to OTC, our focus in that part of the market is more on again the healthcare side of OTC which is roughly similar to what we see on the prescription side. The long tail of lifestyle products is less important to us. The one thing I would say from a focus standpoint is you will see us very much focusing on the health side of what has been OTC, CPG and other and I think for us there remains significant opportunity. People who are looking for prescription products are often similarly looking for opportunities to self-manage their condition and so the tools we put together in the environment we created is both very useful for our Pharma advertisers, it also applies very well to OTC advertisers as well.

Peter Stabler, Wells Fargo- Analyst: Thanks Steve. That's helpful.

Operator: Our next question comes from Heath Terry with Goldman Sachs.

Heath Terry, Goldman Sachs- Analyst: Great, thanks. I was wondering if you could give us a sense, you mentioned the 75% of revenue coming from 20% of page views, can you give us a sense of what percentage of page views are specifically Medscape page views. To the extent you are seeing these declines in page views on the platform, is there a point where you would expect that to bottom out where you can grow again and grow traffic specifically again or is it just sort of an unknown at this point?

Steve Zatz, WebMD Health Corp – CEO: Let me start with the first question. We have not reported that split in page views, but obviously Medscape page views are highly valuable given the audience that use those pages. With regard to growing our aggregate page views, our focus is as we've said is more in growing the page views that are of most value to our advertisers and that we monetize at the highest rates and we have been able to grow those page views and manage our inventory there. We think the focus should be less on aggregate page views and certainly our focus is on growing the page views that really matter to our business. In terms of what is the trajectory of what our aggregate page views will be, I'm not sure I would predict it at the moment, but again as long as we can manage the inventory in the areas that really drive our business that is where we are focused. We've been able to do that and we expect to be able to do that.

Heath Terry, Goldman Sachs- Analyst: Great, thank you for the answer.

Operator: Our next question is from Sandy Draper with SunTrust.

Sandy Draper, SunTrust- Analyst: Actually, my questions have all been answered but I will echo and say welcome aboard guys and I look over to working with you and I really appreciate the preliminary commentary on 17 and we will see how things play out. Thanks.

Steve Zatz, WebMD Health Corp – CEO: Thanks.

Operator: Our next question is from David Larsen from Leerink Partners.

David Larsen, Leerink Partners- Analyst: Hi. It is actually Matt in for Dave. I'm wondering if you can speak briefly about telehealth, your predecessors had expressed some views before on it and I'm wondering what your views are in terms of different business models that are out there and your thoughts on the industry and what if anything have you been demoing internally as you think about that potential market?

Steve Zatz, WebMD Health Corp – CEO: Sure. I think we have a pretty unique opportunity not just with telehealth, but in our consumer business and services to provide patients who are looking either for information or actually to take an action with the opportunity to do that. The way we see it is we think WebMD has a pretty unique opportunity to have someone come in for example to use our Symptom Checker to try to understand what is going on with themselves in terms of a health related problem and when they conclude that today typically then they have to go off on their own and decide whether they're going to visit a physician or they are going to try to use self-care as a way to manage what they have learned. In the future I think there is a real opportunity for us whether it is telehealth, whether it's making an appointment with their regular physician, but an appointment that can take place in a few weeks because it is not an emergency condition, whether it is going to involve self-care so they don't need to be in contact with a health professional, but they can go and make sure that they can get the right products to take care of themselves, we see that WebMD could be the hub for that activity so telehealth and linking to telehealth becomes a part of that process but isn't the only service that we would link to or provide access to. I think there is a much more general opportunity in a relatively confusing healthcare system to have consumers come in and evaluate what is going on with themselves and then at least to be provided with some of the steps, whether that's making an appointment with a physician or taking care of themselves and telehealth fits into that model but isn't currently the only service.

David Larsen, Leerink Partners- Analyst: Great, thanks for the color. On the pharma advertising which was pretty strong in the quarter, it looks like 19% growth year over year, can you give us a sense that maybe the number of new brands you're interacting with or doing business with this year versus last year?

Steve Zatz, WebMD Health Corp – CEO: We haven't provided that number so we are not able to do that on this call.

David Larsen, Leerink Partners- Analyst: Okay, thanks.

Operator: Our next question comes from Mark Kelly with Citigroup.

Mark Kelly, Citigroup- Analyst: Thanks for taking the question. I just have one quick one. Steve, you have seen a few elections while managing the ads over the years, just curious, I know this is a unique election in terms of the candidates and the rhetoric coming out of both parties, but is a wait and see attitude typical in most election years or is this one a stand out? Thanks.

Steve Zatz, WebMD Health Corp – CEO: I wouldn't be would be the only person to say that this is an unusual election year so I'm not sure actually past experiences is of that much value and part of the reason we are saying we are really going to have to see both how the election comes out and how this quarter concludes and how we start 2017, but like others, I think this is an unusual enough election that it can at least be a little challenging to compare it to previous experience.

Mark Kelly, Citigroup- Analyst: That's fair. I think that echoes everyone else on the call. I appreciate it, thank you.

Operator: Our next question comes from Adam Klauber from William Blair.

Adam Klauber, William Blair- Analyst: Thanks. Could you tell us what led to the management transition?

Steve Zatz, WebMD Health Corp – CEO: What we've said publicly is that the board and David Schlanger mutually agreed on David's departure. Following my becoming CEO we worked closely with the board and determined that Blake DeSimone was the right person to be the CFO moving forward and so made that decision. And I'm very excited to be working with Blake who in addition to his financial experience has great operational experience and a lot of healthcare experience and have been working closely particularly with a lot of members of the team that reported to me.

Adam Klauber, William Blair- Analyst: Ok. You have a lot of cash on the balance sheet, what are you thinking about doing with it?

Steve Zatz, WebMD Health Corp – CEO: Well we certainly work closely with the board around capital allocation and so will be as previously working closely to look at what the best uses of that cash are. We have said that we're certainly looking at M&A opportunities and we will continue to do that and the company is periodically evaluated buyback opportunities as well and we will do that in conjunction with the board.

Adam Klauber, William Blair- Analyst: Okay, thanks a lot.

Operator: Our next question is a follow-up from Charles Rhyee from Cowen and Company.

Charles Rhyee, Cowen and Company- Analyst: Thanks for taking the follow up. Steve, in the past you talked about a lot of your ad business is driven by the top categories, and I don't recall if you've given a breakdown in the past, but is it possible to give us a sense on how much your ad spending revenue dollars are coming from the top 10-plus categories that you're kind of working with?

Steve Zatz, WebMD Health Corp – CEO: We haven't given that breakdown, but the categories that are important wouldn't surprise you. They are categories like multiple sclerosis, rheumatoid arthritis, some areas in cancer care and they are important both on the patient side as well as the physicians who treat those patients. But in any given year that can shift a little bit depending on both products that have been launched and what is being marketed by pharma, but they are the categories that you would think are important to our business continue to be. And as we've said previously, those are also the areas in which we look hard at our content and page views and carefully manage our inventory.

Charles Rhyee, Cowen and Company- Analyst: Great, you might have alluded to or mentioned it earlier but when you think about other services like Medscape for example in some of what you can do with Medscape consult, can you talk about other services you think would make sense to kind of increase your penetration with Pharma maybe outside sort of a traditional marketing role? Has that been something you thought about or is this something you can maybe just opine a little bit about as you think a little further out?

Steve Zatz, WebMD Health Corp – CEO: Sure. There are certainly some areas that our reach to physicians could be used in. To give you some examples, certainly market research is one of them. Pharma, it is very important to them to understand what physicians are thinking, understand how the competitive marketplace looks to physicians and what is influencing their prescribing decisions and we have a pretty unique relationship with a large number of active physicians. As an example, it is an area we think has opportunity. There others ranging from clinical trial recruitment, which both has patient aspects and as you know we reach more patients, particularly patients with serious conditions than anyone else, but physicians as well our sources of those patients. Just two examples of areas we're certainly looking at when we look at the strengths we have and the assets we have and look at non-advertising, for example, sources of revenue that can be generated by those assets.

Charles Rhyee, Cowen and Company- Analyst: That's very helpful. Thank you, very much.

Operator: (Operator Instructions). I'm showing no further questions at this time. As a reminder, if necessary there is a replay available of this call which can be accessed toll-free at (855) 859-2056 or if you're calling from outside the U.S. at (404) 537-3406. The passcode is 96968787. There is also a webcast replay available on www.wbmd.com. Thank you for joining us today.