INTERSECTIONS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
REVENUE	$ 45,648	$ 55,512
OPERATING EXPENSES:		
Marketing	4,565	5,631
Commission	11,221	13,836
Cost of revenue	14,798	17,845
General and administrative	17,146	18,293
Depreciation	1,657	1,297
Amortization	192	119
Total operating expenses	49,579	57,021
LOSS FROM OPERATIONS	(3,931)	(1,509)
Interest expense	(242)	(104)
Other expense, net	(86)	(82)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(4,259)	(1,695)
INCOME TAX (EXPENSE) BENEFIT	(7)	471
NET LOSS	$ (4,266)	$ (1,224)
Net loss per common share—basic and diluted	$ (0.19)	$ (0.06)
Weighted average common shares outstanding—basic and diluted	22,887	18,837

INTERSECTIONS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)
(unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 26,949	$ 11,471
Accounts receivable, net of allowance for doubtful accounts of $123 (2016) and $115 (2015)	9,101	8,163
Prepaid expenses and other current assets	8,306	7,524
Inventory, net	2,177	2,253
Income tax receivable	6,905	7,730
Deferred subscription solicitation and commission costs	5,469	6,961
Total current assets	58,907	44,102
PROPERTY AND EQUIPMENT, net	13,448	13,438
GOODWILL	9,763	9,763
INTANGIBLE ASSETS, net	1,501	1,693
OTHER ASSETS	1,365	1,034
TOTAL ASSETS	$ 84,984	$ 70,030
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 4,311	$ 3,207
Accrued expenses and other current liabilities	15,849	15,845
Accrued payroll and employee benefits	4,272	7,091
Commissions payable	382	375
Current portion of long-term debt, net	7,283	—
Capital leases, current portion	652	631
Deferred revenue	4,340	2,380
Total current liabilities	37,089	29,529
LONG-TERM DEBT, net	10,914	—
OBLIGATIONS UNDER CAPITAL LEASES, less current portion	1,089	1,147
OTHER LONG-TERM LIABILITIES	3,848	3,971
DEFERRED TAX LIABILITY, net	1,905	1,905
TOTAL LIABILITIES	54,845	36,552
STOCKHOLDERS' EQUITY:		
Common stock at $0.01 par value, shares authorized 50,000; shares issued 26,961 (2016) and 26,730 (2015); shares outstanding 23,437 (2016) and 23,236 (2015)	270	267
Additional paid-in capital	138,714	137,705
Treasury stock, shares at cost; 3,524 (2016) and 3,494 (2015)	(33,717)	(33,632)
Accumulated deficit	(75,128)	(70,862)
TOTAL STOCKHOLDERS' EQUITY	30,139	33,478
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 84,984	$ 70,030

INTERSECTIONS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,266)	$ (1,224)
Adjustments to reconcile net loss to cash flows (used in) provided by operating activities:		
Depreciation	1,657	1,297
Amortization	192	119
Deferred income tax, net	—	(734)
Amortization of debt issuance cost	120	22
Provision for doubtful accounts	19	(2)
Loss on disposal of fixed assets	—	61
Share based compensation	1,155	1,574
Amortization of deferred subscription solicitation costs	3,930	4,321
Changes in assets and liabilities:		
Accounts receivable	(958)	422
Prepaid expenses and other current assets	(408)	978
Inventory, net	76	(383)
Income tax receivable, net	825	1,770
Deferred subscription solicitation and commission costs	(2,437)	(5,226)
Other assets	(418)	188
Accounts payable	988	(509)
Accrued expenses and other current liabilities	93	272
Accrued payroll and employee benefits	(2,892)	(1,209)
Commissions payable	7	(60)
Deferred revenue	1,961	(394)
Other long-term liabilities	(123)	(93)
Cash flows (used in) provided by operating activities	(479)	1,190
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for the business acquired from Health at Work Wellness Actuaries LLC	—	(1)
Increase in restricted cash	(375)	—
Acquisition of property and equipment	(1,503)	(1,923)
Cash flows used in investing activities	(1,878)	(1,924)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	20,000	—
Cash paid for debt issuance costs	(1,835)	—
Capital lease payments	(174)	(197)
Withholding tax payment on vesting of restricted stock units and stock option exercises	(156)	(317)
Cash flows provided by (used in) financing activities	17,835	(514)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,478	(1,248)
CASH AND CASH EQUIVALENTS — Beginning of period	11,471	11,325
CASH AND CASH EQUIVALENTS — End of period	$ 26,949	$ 10,077
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Equipment obtained under capital lease, including acquisition costs	$ 137	$ —
Equipment additions accrued but not paid	$ 141	$ 251
Withholding tax payments accrued on vesting of restricted stock units and stock option exercises	$ 73	$ 294
Shares withheld in lieu of withholding taxes on vesting of restricted stock awards	$ 83	$ 58
Shares issued in the business acquired from Health at Work Wellness Actuaries LLC	$ —	$ 1,551

INTERSECTIONS INC.
OTHER DATA
(unaudited)

Personal Information Services Segment Revenue

The following tables provide details of our Personal Information Services segment revenue information for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,			
	2016	2015	2016	2015
	(In thousands)		(Percent of total)	
Bank of America	$ 20,476	$ 23,855	48.2%	46.5%
All other financial institution clients	4,859	8,841	11.5%	17.3%
Consumer direct	14,123	12,664	33.2%	24.7%
Canadian business lines	3,021	5,888	7.1%	11.5%
Total Personal Information Services revenue	$ 42,479	$ 51,248	100.0%	100.0%

Personal Information Services Segment Subscribers

The following tables provide details of our Personal Information Services segment subscriber information for the three months ended March 31, 2016 and 2015:

	Financial Institution	Consumer Direct	Canadian Business Lines	Total
		(in thousands)		
Balance at December 31, 2015	829	363	165	1,357
Reclassification (1)	(11)	11	—	—
Additions	1	81	35	117
Cancellations	(33)	(57)	(36)	(126)
Balance at March 31, 2016	786	398	164	1,348
Balance at December 31, 2014	1,421	342	296	2,059
Additions	1	83	19	103
Cancellations	(68)	(44)	(35)	(147)
Balance at March 31, 2015	1,354	381	280	2,015

(1) We periodically refine the criteria used to calculate and report our subscriber data. In the three months ended March 31, 2016, we reclassified certain subscribers that receive our breach response services, and the associated revenue, from the Financial Institution category to the Consumer Direct category. The reclassification is excluded from our calculations of decrease and increase in subscribers in our Financial Institution and Consumer Direct categories, respectively.

INTERSECTIONS INC.
OTHER DATA, continued
(unaudited)

Intersections Inc.
Reconciliation of Non-GAAP Financial Measures

The table below includes financial information prepared in accordance with accounting principles generally accepted in the United States, or GAAP, as well as other financial measures referred to as non-GAAP financial measures. Consolidated adjusted EBITDA before share related compensation and non-cash impairment charges is presented in a manner consistent with the way management evaluates operating results and which management believes is useful to investors and others. Share related compensation includes non-cash share based compensation. An explanation regarding the company's use of non-GAAP financial measures and a reconciliation of non-GAAP financial measures used by the company to GAAP measures is provided below. These non-GAAP financial measures should be considered in addition to, but not as a substitute for, net income (loss) and the other information prepared in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies. Management strongly encourages shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

Consolidated adjusted EBITDA before share related compensation and non-cash impairment charges represents consolidated loss before income taxes plus: share related compensation; non-cash impairment of goodwill, intangibles and other long-lived assets; depreciation and amortization; interest (income) expense; and other (income) expense. We believe that the consolidated adjusted EBITDA before share related compensation and non-cash impairment charges calculation provides useful information to investors because they are indicators of our operating performance, and we use these measures in communications with our board of directors, creditors, investors and others concerning our financial performance. Consolidated adjusted EBITDA before share related compensation and non-cash impairment charges is commonly used as a basis for investors and analysts to evaluate and compare the periodic and future operating performance and value of companies within our industry. Our Board of Directors and management use consolidated adjusted EBITDA before share related compensation and non-cash impairment charges to evaluate the operating performance of the company and to make compensation determinations. In addition, adjusted EBITDA before share related compensation and non-cash impairment charges contains some, but not all, adjustments that are taken into account in the calculation of the components of the various covenants in our credit agreement, which may differ in material respects from the adjusted EBITDA definition described herein.

We provide this information to show the impact of share related compensation on our operating results, as it is excluded from our internal operating and budgeting plans and measurements of financial performance; however, we do consider the dilutive impact to our shareholders when awarding share related compensation and consider both the Black-Scholes value and GAAP value (to the extent applicable) in connection therewith, and value such awards accordingly.

INTERSECTIONS INC.
OTHER DATA, continued
(unaudited)

We do not consider share related compensation charges when we evaluate the performance of our individual business groups or formulate our short and long-term operating plans. Due to its nature, individual managers generally are unable to project the impact of share related compensation and accordingly we do not hold them accountable for the impact of equity award grants. When we consider making share related compensation grants, we primarily take into account the need to attract and retain high quality employees, overall shareholder dilution and the Black-Scholes values of the equity grant to the recipient, rather than the potential accounting charges associated with such grants. For comparability purposes, we believe it is useful to provide a non-GAAP financial measure that excludes share related compensation in order to better understand the long-term performance of our core business and to compare our results to the results of our peer companies because of varying available valuation methodologies and the variety of award types that companies can use under GAAP. Furthermore, the value of share related compensation is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. Accordingly, we believe that the presentation of consolidated adjusted EBITDA before share related compensation and non-cash impairment charges when read in conjunction with our reported GAAP results can provide useful supplemental information to our management, to investors and to our lenders regarding financial and business trends relating to our financial condition and results of operations.

Consolidated adjusted EBITDA before share related compensation and non-cash impairment charges has limitations due to the fact it does not include all compensation related expenses. For example, if we only paid cash based compensation as opposed to a portion in share related compensation, the cash compensation expense included in our general and administrative expenses would be higher. We compensate for this limitation by providing information required by GAAP about outstanding share based awards in the footnotes to our financial statements in our SEC filings. We believe equity based compensation is an important element of our compensation program and all forms of share related awards are valued and included as appropriate in our operating results.

The following table reconciles consolidated loss before income taxes to consolidated adjusted EBITDA before share related compensation and non-cash impairment charges, as defined, for the previous five quarters through March 31, 2016. In managing our business, we analyze our performance quarterly on a consolidated income (loss) before income tax basis.

INTERSECTIONS INC.
OTHER DATA, continued
(in thousands)
(unaudited)

Consolidated adjusted EBITDA before share related compensation and non-cash impairment charges:

	2015				2016
	Three Months Ended				Three Months Ended
	March 31	June 30	September 30	December 31	March 31
Reconciliation from consolidated loss before income taxes to consolidated adjusted EBITDA before share related compensation and non-cash impairment charges:					
Consolidated loss before income taxes	$ (1,695)	$ (11,036)	$ (6,711)	$ (18,944)	$ (4,259)
Non-cash share based compensation	1,574	1,427	1,422	1,018	1,155
Impairment of goodwill, intangibles and other long-lived assets	—	7,355	—	10,318	—
Depreciation	1,297	1,613	1,488	1,579	1,657
Amortization	119	156	206	206	192
Interest expense (income), net	104	(22)	71	160	242
Other expense (income), net	82	(9)	65	(319)	86
Consolidated adjusted EBITDA before share related compensation and non-cash impairment charges	$ 1,481	$ (516)	$ (3,459)	$ (5,982)	$ (927)

Adjusted EBITDA before share related compensation for our Pet Health Monitoring segment (included in the consolidated information provided above):

	2015				2016
	Three Months Ended				Three Months Ended
	March 31	June 30	September 30	December 31	March 31
Reconciliation from consolidated loss before income taxes to consolidated adjusted EBITDA before share related compensation:					
Loss before income taxes (1)	$ (4,809)	$ (4,827)	$ (4,668)	$ (5,109)	$ (5,128)
Depreciation	32	376	392	404	407
Amortization	—	14	18	18	18
Other income, net	—	—	—	(1)	(4)
Adjusted EBITDA before share related compensation	$ (4,777)	$ (4,437)	$ (4,258)	$ (4,688)	$ (4,707)

(1) In the three months ended March 31, 2016, we implemented an allocation policy to charge a portion of general and administrative expenses from our Corporate business unit into our other segments. The charge is a reasonable estimate of the services provided by our Corporate business unit to support each segment's operations. For comparability, the results of operations for the three months ended March 31, 2015 have been recast to reflect this allocation.

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