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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
REVENUE	$ 39,935	$ 44,751	$ 80,384	$ 90,399
OPERATING EXPENSES:				
Marketing	3,165	3,532	6,630	8,097
Commission	9,756	10,887	19,504	22,109
Cost of revenue	13,569	13,151	26,572	27,949
General and administrative	16,145	19,773	33,140	36,919
(Gain) loss on dispositions of Captira and Habits at Work	(24)	—	106	—
Impairment of intangibles and other assets	164	—	180	—
Depreciation	1,288	1,589	2,588	3,245
Amortization	47	192	93	384
Total operating expenses	44,110	49,124	88,813	98,703
LOSS FROM OPERATIONS	(4,175)	(4,373)	(8,429)	(8,304)
Interest expense, net	(603)	(840)	(1,195)	(1,082)
Loss on extinguishment of debt	(1,525)	—	(1,525)	—
Other income (expense), net	103	(94)	137	(181)
LOSS BEFORE INCOME TAXES	(6,200)	(5,307)	(11,012)	(9,567)
Income tax benefit (expense)	18	—	28	(7)
NET LOSS	$ (6,182)	$ (5,307)	$ (10,984)	$ (9,574)
Net loss per common share—basic and diluted	$ (0.26)	$ (0.23)	$ (0.46)	$ (0.41)
Weighted average common shares outstanding—basic and diluted	24,155	23,268	23,916	23,078

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

	June 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,505	$ 10,857
Accounts receivable, net of allowance for doubtful accounts of $11 (2017) and $15 (2016)	7,159	7,972
Prepaid expenses and other current assets	4,122	3,864
Inventory	—	250
Income tax receivable	2,553	3,314
Deferred subscription solicitation and commission costs	4,313	5,050
Assets held for sale	—	104
Total current assets	27,652	31,411
PROPERTY AND EQUIPMENT, net	10,519	10,611
GOODWILL	9,763	9,763
INTANGIBLE ASSETS, net	117	210
OTHER ASSETS	1,128	862
TOTAL ASSETS	$ 49,179	$ 52,857
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,536	$ 2,536
Accrued expenses and other current liabilities	11,357	11,068
Accrued payroll and employee benefits	5,236	4,256
Commissions payable	377	316
Current portion of long-term debt, net	—	2,146
Capital leases, current portion	448	471
Deferred revenue	6,973	8,295
Liabilities held for sale	—	104
Total current liabilities	25,927	29,192
LONG-TERM DEBT, net	19,129	10,092
OBLIGATIONS UNDER CAPITAL LEASES, less current portion	633	865
OTHER LONG-TERM LIABILITIES	3,218	3,436
DEFERRED TAX LIABILITY, net	1,905	1,905
TOTAL LIABILITIES	50,812	45,490
STOCKHOLDERS' EQUITY:		
Common stock at $0.01 par value, shares authorized 50,000; shares issued 27,920 (2017) and 27,303 (2016); shares outstanding 23,897 (2017) and 23,733 (2016)	279	273
Additional paid-in capital	143,729	142,247
Warrants	2,140	—
Treasury stock, shares at cost; 4,022 (2017) and 3,570 (2016)	(35,466)	(33,822)
Accumulated deficit	(112,315)	(101,331)
TOTAL STOCKHOLDERS' EQUITY	(1,633)	7,367
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 49,179	$ 52,857

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

	Six Months Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (10,984)	$ (9,574)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Depreciation and amortization	2,681	3,645
Amortization of debt issuance costs	168	387
Accretion of debt discount	29	—
Provision for doubtful accounts	(4)	25
(Gain) loss on disposal of fixed assets	(4)	256
Share based compensation	2,420	2,601
Amortization of deferred subscription solicitation costs	6,053	7,170
Loss on disposition of Captira Analytical	130	—
Gain on disposition of Habits at Work	(24)	—
Loss on extinguishment of debt	1,525	—
Impairment of intangibles and other long-lived assets	250	—
Changes in assets and liabilities:		
Accounts receivable	816	(2,824)
Prepaid expenses, other current assets and other assets	(649)	575
Income tax receivable, net	760	720
Deferred subscription solicitation and commission costs	(5,316)	(4,682)
Accounts payable and accrued liabilities	88	(4,545)
Commissions payable	46	(40)
Deferred revenue	(1,290)	1,463
Other long-term liabilities	(218)	790
Cash flows used in operating activities	(3,523)	(4,033)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash paid for the disposition of Captira Analytical	(315)	—
Decrease (increase) in restricted cash	115	(375)
Proceeds from sale of property and equipment	4	394
Acquisition of property and equipment	(2,748)	(2,972)
Cash flows used in investing activities	(2,944)	(2,953)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	20,000	20,000
Repayments of debt	(13,920)	(1,644)
Repurchase of common stock	(1,510)	—
Proceeds from issuance of warrants	1,500	—
Cash paid for debt and equity issuance costs	(323)	(1,856)
Capital lease payments	(286)	(347)
Withholding tax payment on vesting of restricted stock units	(667)	(321)
Cash flows provided by financing activities	4,794	15,832
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,673)	8,846
CASH AND CASH EQUIVALENTS — Beginning of period	10,857	11,471
Cash reclassified to assets held for sale at beginning of period	321	—
CASH AND CASH EQUIVALENTS — End of period	$ 9,505	$ 20,317
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Equipment obtained under capital lease, including acquisition costs	$ —	$ 105
Equipment additions accrued but not paid	$ 133	$ 130
Withholding tax payments accrued on vesting of restricted stock units and stock option exercises	$ 185	$ 33
Shares withheld in lieu of withholding taxes on vesting of restricted stock awards	$ 163	$ 18

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

Personal Information Services Segment Revenue

The following tables provide comparative details of our Personal Information Services segment revenue information for the three month periods ended June 30, 2017, March 31, 2017 and June 30, 2016, and for the six month periods ended June 30, 2017 and 2016:

	Quarter Ended				
	June 30, 2017	March 31, 2017	Change	June 30, 2016	Change
Identity Guard® (1)	$ 12,482	$ 12,012	3.9%	$ 12,920	(3.4)%
Canadian business	3,220	3,059	5.3%	3,227	(0.2)%
U.S. financial institutions	21,365	21,903	(2.5)%	24,530	(12.9)%
Breach services & other (1)	1,311	1,636	(19.9)%	890	47.3%
Sub total	38,378	38,610	(0.6)%	41,567	(7.7)%
Other business units	1,557	1,839	(15.3)%	3,184	(51.1)%
Consolidated revenue	$ 39,935	$ 40,449	(1.3)%	$ 44,751	(10.8)%

	Six Months Ended		
	June 30, 2017	June 30, 2016	Change
Identity Guard® (1)	$ 24,494	$ 26,105	(6.2)%
Canadian business	6,279	6,247	0.5%
U.S. financial institutions	43,268	49,866	(13.2)%
Breach services & other (1)	2,947	1,828	61.2%
Sub total	76,988	84,046	(8.4)%
Other business units	3,396	6,353	(46.5)%
Consolidated revenue	$ 80,384	$ 90,399	(11.1)%

(1) We periodically refine the criteria used to calculate and report our subscriber data. In the six months ended June 30, 2017, we determined that certain subscribers who receive our breach response services should no longer be included in the presentation of Identity Guard® subscribers or revenue due to the nonrecurring nature of our breach response services. For comparability, all periods presented have been recast to reflect this change in subscribers and revenue.

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

Personal Information Services Segment Subscribers

The following tables provide details of our Personal Information Services segment subscriber information for the three and six months ended June 30, 2017:

Three months ended:

	Financial Institution	Identity Guard® (1)	Canadian Business Lines	Total
		(in thousands)		
Balance at March 31, 2017	682	333	160	1,175
Additions	—	30	28	58
Cancellations	(19)	(34)	(27)	(80)
Balance at June 30, 2017	663	329	161	1,153

Six months ended:

	Financial Institution	Identity Guard® (1)	Canadian Business Lines	Total
		(in thousands)		
Balance at December 31, 2016	705	317	162	1,184
Additions	2	78	58	138
Cancellations	(44)	(66)	(59)	(169)
Balance at June 30, 2017	663	329	161	1,153

(1) We periodically refine the criteria used to calculate and report our subscriber data. In the six months ended June 30, 2017, we determined that certain subscribers who receive our breach response services should no longer be included in the presentation of Identity Guard® subscribers or revenue due to the nonrecurring nature of our breach response services. For comparability, all periods presented have been recast to reflect this change in subscribers and revenue.

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, ("GAAP"), as well as other financial measures referred to as non-GAAP financial measures. Consolidated adjusted EBITDA (loss) before share related compensation and non-cash impairment charges ("Adjusted EBITDA") 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 represents consolidated loss before income taxes plus: share related compensation; non-cash impairment of goodwill, intangibles and other assets; adjustment for surplus and obsolete inventories; (gain) loss on disposal of fixed assets; (gain) loss on sale of Captira Analytical and Habits at Work; loss on extinguishment of debt; depreciation and amortization; and interest expense. We believe that the consolidated Adjusted EBITDA 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 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 to evaluate the operating performance of the Company. In addition, consolidated Adjusted EBITDA, as defined in our New Credit Agreement with PEAK6 Investments, L.P., as amended, is used to measure covenant compliance.

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.

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 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 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 Core Business, Voyce and consolidated income (loss) before income taxes to consolidated Adjusted EBITDA, as defined, for the previous six quarters through June 30, 2017. In managing our business, we analyze our performance quarterly on a consolidated income (loss) before income tax basis.

In the second quarter of 2016, we ceased adding other expense (income) to consolidated loss before income taxes as part of our calculation of Adjusted EBITDA, to be consistent with the definition of Adjusted EBITDA in our Prior Credit Agreement. Prior periods have been recast to reflect the new presentation. For additional information, Please see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” in our most recent Form 10-Q.

INTERSECTIONS INC.
OTHER DATA, continued
(unaudited)

Core Business, Voyce and consolidated Adjusted EBITDA (in thousands):

	2017 Quarter Ended		2016 Quarter Ended			
	June 30	March 31	December 31	September 30	June 30	March 31
Reconciliation from consolidated (loss) income before income taxes to consolidated Adjusted EBITDA:						
Core Business (1):						
(Loss) income before income taxes	$ (5,313)	$ (4,214)	$ 190	$ (1,857)	$ (257)	$ 869
Non-cash share based compensation	1,290	1,130	(38)	2,319	1,446	1,155
Impairment of goodwill, intangibles and other assets	(86)	86	1,428	—	—	—
Loss on disposal of fixed assets	—	—	6	6	256	—
(Gain) loss on sale of Captira Analytical and Habits at Work	(24)	130	—	—	—	—
Loss on extinguishment of debt	1,525	—	—	—	—	—
Depreciation and amortization	1,332	1,342	1,320	1,163	1,353	1,424
Interest expense, net	603	592	664	620	840	242
Core Business Adjusted EBITDA	$ (673)	$ (934)	$ 3,570	$ 2,251	$ 3,638	$ 3,690
Voyce Business:						
Loss before income taxes	$ (887)	$(598)	$ (12,833)	$ (6,384)	$ (5,050)	$ (5,129)
Impairment of goodwill, intangibles and other assets	250	(70)	7,043	—	—	—
Adjustment for surplus and obsolete inventories	—	—	—	801	—	—
(Gain) loss on disposal of fixed assets	—	(4)	91	96	—	—
Depreciation and amortization	3	4	284	426	444	424
Interest expense, net	—	—	2	1	—	—
Voyce Adjusted EBITDA	$ (634)	$ (668)	$ (5,413)	$ (5,060)	$ (4,606)	$ (4,705)
Consolidated:						
Consolidated loss before income taxes	$ (6,200)	$ (4,812)	$ (12,643)	$ (8,241)	$ (5,307)	$ (4,260)
Non-cash share based compensation	1,290	1,130	(38)	2,319	1,446	1,155
Impairment of goodwill, intangibles and other assets	164	16	8,471	—	—	—
Adjustment for surplus and obsolete inventories	—	—	—	801	—	—
(Gain) loss on disposal of fixed assets	—	(4)	97	102	256	—
(Gain) loss on sale of Captira Analytical and Habits at Work	(24)	130	—	—	—	—
Loss on extinguishment of debt	1,525	—	—	—	—	—
Depreciation and amortization	1,335	1,346	1,604	1,589	1,797	1,848
Interest expense, net	603	592	666	621	840	242
Consolidated Adjusted EBITDA	$ (1,307)	$ (1,602)	$ (1,843)	$ (2,809)	$ (968)	$ (1,015)

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Core Business (1)	Voyce	Consolidated	Core Business (1)	Voyce	Consolidated
Reconciliation from consolidated (loss) income before income taxes to consolidated Adjusted EBITDA:						
Consolidated (loss) income before income taxes	$ (9,527)	$ (1,485)	$ (11,012)	$ 612	$ (10,179)	$ (9,567)
Non-cash share based compensation	2,420	—	2,420	2,601	—	2,601
Impairment of goodwill, intangibles and other assets	—	180	180	—	—	—
(Gain) loss on disposal of fixed assets	—	(4)	(4)	256	—	256
Loss on sale of Captira Analytical and Habits at Work	106	—	106	—	—	—
Loss on extinguishment of debt	1,525	—	1,525	—	—	—
Depreciation and amortization	2,674	7	2,681	2,777	868	3,645
Interest expense, net	1,195	—	1,195	1,082	—	1,082
Consolidated Adjusted EBITDA	$ (1,607)	$ (1,302)	$ (2,909)	$ 7,328	$ (9,311)	$ (1,983)

(1) "Core Business" comprises all the business of Intersections Inc. with the exception of its Voyce business