

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
REVENUE:				
Services	\$ 44,742	\$ 51,937	\$ 90,381	\$ 107,447
Hardware	9	31	18	33
Net revenue	44,751	51,968	90,399	107,480
OPERATING EXPENSES:				
Marketing	3,532	5,405	8,097	11,036
Commission	10,887	13,083	22,109	26,919
Cost of services revenue	12,984	15,160	27,674	32,945
Cost of hardware revenue	167	182	275	242
General and administrative	19,773	20,081	36,919	38,374
Impairment of intangibles and other long-lived assets	—	7,355	—	7,355
Depreciation	1,589	1,613	3,245	2,910
Amortization	192	156	384	275
Total operating expenses	49,124	63,035	98,703	120,056
LOSS FROM OPERATIONS	(4,373)	(11,067)	(8,304)	(12,576)
Interest (expense) income, net	(840)	21	(1,082)	(82)
Other (expense) income, net	(94)	10	(181)	(72)
LOSS BEFORE INCOME TAXES	(5,307)	(11,036)	(9,567)	(12,730)
INCOME TAX EXPENSE	—	(13,804)	(7)	(13,333)
NET LOSS	<u>\$ (5,307)</u>	<u>\$ (24,840)</u>	<u>\$ (9,574)</u>	<u>\$ (26,063)</u>
Net loss per common share—basic and diluted	\$ (0.23)	\$ (1.28)	\$ (0.41)	\$ (1.36)
Weighted average common shares outstanding—basic and diluted	23,268	19,369	23,078	19,104

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

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 20,317	\$ 11,471
Accounts receivable, net of allowance for doubtful accounts of \$130 (2016) and \$115 (2015)	10,961	8,163
Prepaid expenses and other current assets	7,610	7,524
Inventory	2,133	2,253
Income tax receivable	7,010	7,730
Deferred subscription solicitation and commission costs	4,474	6,961
Total current assets	<u>52,505</u>	<u>44,102</u>
PROPERTY AND EQUIPMENT, net	12,849	13,438
GOODWILL	9,763	9,763
INTANGIBLE ASSETS, net	1,308	1,693
OTHER ASSETS	560	1,034
TOTAL ASSETS	<u><u>\$ 76,985</u></u>	<u><u>\$ 70,030</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,133	\$ 3,207
Accrued expenses and other current liabilities	15,580	15,845
Accrued payroll and employee benefits	3,992	7,091
Commissions payable	334	375
Current portion of long-term debt, net	7,975	—
Capital leases, current portion	603	631
Deferred revenue	3,843	2,380
Total current liabilities	<u>34,460</u>	<u>29,529</u>
LONG-TERM DEBT, net	8,823	—
OBLIGATIONS UNDER CAPITAL LEASES, less current portion	901	1,147
OTHER LONG-TERM LIABILITIES	4,761	3,971
DEFERRED TAX LIABILITY, net	1,905	1,905
TOTAL LIABILITIES	<u>50,850</u>	<u>36,552</u>
COMMITMENTS AND CONTINGENCIES (see Notes 14 and 16)		
STOCKHOLDERS' EQUITY:		
Common stock at \$0.01 par value, shares authorized 50,000; shares issued 27,232 (2016) and 26,730 (2015); shares outstanding 23,679 (2016) and 23,236 (2015)	272	267
Additional paid-in capital	140,089	137,705
Treasury stock, shares at cost; 3,553 (2016) and 3,494 (2015)	(33,790)	(33,632)
Accumulated deficit	(80,436)	(70,862)
TOTAL STOCKHOLDERS' EQUITY	<u>26,135</u>	<u>33,478</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 76,985</u></u>	<u><u>\$ 70,030</u></u>

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

	Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (9,574)	\$ (26,063)
Adjustments to reconcile net loss to cash flows (used in) provided by operating activities:		
Depreciation	3,245	2,910
Depreciation of other operating assets	16	—
Amortization	384	275
Deferred income tax, net	—	15,252
Amortization of debt issuance cost	387	50
Provision for doubtful accounts	25	(2)
Loss on disposal of fixed assets	256	60
Share based compensation	2,601	3,001
Amortization of deferred subscription solicitation costs	7,170	8,748
Impairment of intangibles and other long-lived assets	—	7,355
Changes in assets and liabilities:		
Accounts receivable	(2,824)	3,327
Prepaid expenses and other current assets	67	1,665
Inventory	120	(1,873)
Income tax receivable, net	720	(445)
Deferred subscription solicitation and commission costs	(4,682)	(9,431)
Other assets	388	1,959
Accounts payable	(1,097)	(892)
Accrued expenses and other current liabilities	(298)	(1,440)
Accrued payroll and employee benefits	(3,150)	(1,948)
Commissions payable	(40)	(33)
Deferred revenue	1,463	330
Other long-term liabilities	790	(202)
Cash flows (used in) provided by operating activities	(4,033)	2,603
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisition of technology related intangible	—	(202)
Cash paid for business acquisitions	—	(626)
Increase in restricted cash	(375)	—
Proceeds from sale of property and equipment	394	—
Acquisition of property and equipment	(2,972)	(2,275)
Cash flows used in investing activities	(2,953)	(3,103)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	20,000	—
Repayments of debt	(1,644)	—
Cash paid for debt issuance costs	(1,856)	—
Capital lease payments	(347)	(417)
Withholding tax payment on vesting of restricted stock units and stock option exercises	(321)	(824)
Cash flows provided by (used in) financing activities	15,832	(1,241)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,846	(1,741)
CASH AND CASH EQUIVALENTS — Beginning of period	11,471	11,325
CASH AND CASH EQUIVALENTS — End of period	<u>\$ 20,317</u>	<u>\$ 9,584</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Equipment obtained under capital lease, including acquisition costs	<u>\$ 105</u>	<u>\$ 427</u>
Equipment additions accrued but not paid	<u>\$ 130</u>	<u>\$ 289</u>
Withholding tax payments accrued on vesting of restricted stock units and stock option exercises	<u>\$ 33</u>	<u>\$ —</u>
Shares withheld in lieu of withholding taxes on vesting of restricted stock awards	<u>\$ 18</u>	<u>\$ 91</u>
Shares issued in the business acquired from White Sky, Inc.	<u>\$ —</u>	<u>\$ 1,200</u>
Shares issued in the business acquired from Health at Work Wellness Actuaries LLC	<u>\$ —</u>	<u>\$ 1,551</u>

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 and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,			
	2016	2015	2016	2015
	(In thousands)		(Percent of total)	
Bank of America	\$ 19,776	\$ 22,783	47.6%	47.7%
All other financial institution clients	4,754	6,001	11.4%	12.5%
Consumer direct	13,810	13,837	33.2%	28.9%
Canadian business lines	3,227	5,223	7.8%	10.9%
Total Personal Information Services revenue	\$ 41,567	\$ 47,844	100.0%	100.0%

	Six Months Ended June 30,			
	2016	2015	2016	2015
	(In thousands)		(Percent of total)	
Bank of America	\$ 40,252	\$ 46,638	47.9%	47.1%
All other financial institution clients	9,614	14,842	11.5%	15.0%
Consumer direct	27,933	26,501	33.2%	26.7%
Canadian business lines	6,247	11,111	7.4%	11.2%
Total Personal Information Services revenue	\$ 84,046	\$ 99,092	100.0%	100.0%

INTERSECTIONS INC.
OTHER DATA, continued
(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, 2016 and 2015:

	Financial Institution	Consumer Direct	Canadian Business Lines	Total
	(in thousands)			
Balance at March 31, 2016	786	398	164	1,348
Additions	—	45	31	76
Cancellations	(29)	(49)	(29)	(107)
Balance at June 30, 2016	<u>757</u>	<u>394</u>	<u>166</u>	<u>1,317</u>
Balance at March 31, 2015	1,354	381	280	2,015
Additions	1	72	23	96
Cancellations	(462)	(74)	(127)	(663)
Balance at June 30, 2015	<u>893</u>	<u>379</u>	<u>176</u>	<u>1,448</u>

	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	126	66	193
Cancellations	(62)	(106)	(65)	(233)
Balance at June 30, 2016	<u>757</u>	<u>394</u>	<u>166</u>	<u>1,317</u>
Balance at December 31, 2014	1,421	342	296	2,059
Additions	2	155	42	199
Cancellations	(530)	(118)	(162)	(810)
Balance at June 30, 2015	<u>893</u>	<u>379</u>	<u>176</u>	<u>1,448</u>

(1) We periodically refine the criteria used to calculate and report our subscriber data. In the six months ended June 30, 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; (gain) loss on disposal of fixed assets; depreciation and amortization; and interest (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. In addition, consolidated and Core Business adjusted EBITDA before share related compensation and non-cash impairment charges are used to measure covenant compliance under our credit agreement with Crystal Financial SPV LLC ("Credit Agreement").

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 Core Business, Voyce and consolidated income (loss) before income taxes to consolidated adjusted EBITDA (loss) before share related compensation and non-cash impairment charges, as defined, for the previous six quarters through June 30, 2016. In managing our business, we analyze our performance quarterly on a consolidated income (loss) before income tax basis.

We changed the way we calculate consolidated adjusted EBITDA before share related compensation and non-cash impairment charges and beginning in the second quarter of 2016, we present consolidated adjusted EBITDA before share related compensation and non-cash impairment charges as it is defined in the Credit Agreement. Prior periods have been recast to reflect the new presentation. For additional information, Please see “Item 2. 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
(in thousands)
(unaudited)

Core Business, Voyce and consolidated adjusted EBITDA before share related compensation and non-cash impairment charges:

	2015				2016	
	Quarter Ended				Quarter Ended	
	March 31	June 30	September 30	December 31	March 31	June 30
Reconciliation from consolidated income (loss) before income taxes to consolidated adjusted EBITDA before share related compensation and non-cash impairment charges:						
Core Business adjusted EBITDA: (1)						
Income (loss) before income taxes (2)	\$ 3,115	\$ (6,209)	\$ (2,043)	\$ (13,835)	\$ 869	\$ (257)
Non-cash share based compensation	1,574	1,427	1,422	1,018	1,155	1,446
Impairment of goodwill, intangibles and other long-lived assets	—	7,355	—	10,318	—	—
Loss on disposal of fixed assets	7	—	1	2	—	256
Depreciation	1,265	1,237	1,096	1,175	1,249	1,179
Amortization	119	142	189	189	175	174
Interest expense (income), net	103	(21)	70	161	242	840
Core Business adjusted EBITDA	<u>\$ 6,183</u>	<u>\$ 3,931</u>	<u>\$ 735</u>	<u>\$ (972)</u>	<u>\$ 3,690</u>	<u>\$ 3,638</u>
Voyce adjusted EBITDA:						
Loss before income taxes (2)	\$ (4,809)	\$ (4,827)	\$ (4,668)	\$ (5,109)	\$ (5,129)	\$ (5,050)
Loss on disposal of fixed assets	53	—	—	2	—	—
Depreciation	32	376	392	404	407	410
Depreciation of other operating assets	—	—	—	—	1	15
Amortization	—	14	17	17	17	18
Voyce adjusted EBITDA	<u>\$ (4,724)</u>	<u>\$ (4,437)</u>	<u>\$ (4,259)</u>	<u>\$ (4,686)</u>	<u>\$ (4,704)</u>	<u>\$ (4,607)</u>
Consolidated adjusted EBITDA:						
Consolidated loss before income taxes	\$ (1,694)	\$ (11,036)	\$ (6,711)	\$ (18,944)	\$ (4,260)	\$ (5,307)
Non-cash share based compensation	1,574	1,427	1,422	1,018	1,155	1,446
Impairment of goodwill, intangibles and other long-lived assets	—	7,355	—	10,318	—	—
Loss on disposal of fixed assets	60	—	1	4	—	256
Depreciation	1,297	1,613	1,488	1,579	1,656	1,589
Depreciation of other operating assets	—	—	—	—	1	15
Amortization	119	156	206	206	192	192
Interest expense (income), net	103	(21)	70	161	242	840
Consolidated adjusted EBITDA	<u>\$ 1,459</u>	<u>\$ (506)</u>	<u>\$ (3,524)</u>	<u>\$ (5,658)</u>	<u>\$ (1,014)</u>	<u>\$ (969)</u>

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

	Six Months Ended June 30, 2015			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 before share related compensation and non-cash impairment charges:						
Consolidated (loss) income before income taxes (2)	\$ (3,094)	\$ (9,636)	\$ (12,730)	\$ 612	\$ (10,179)	\$ (9,567)
Non-cash share based compensation	3,001	—	3,001	2,601	—	2,601
Impairment of goodwill, intangibles and other long-lived assets	7,355	—	7,355	—	—	—
Loss on disposal of fixed assets	7	53	60	256	—	256
Depreciation	2,502	408	2,910	2,428	817	3,245
Depreciation of other operating assets	—	—	—	—	16	16
Amortization	261	14	275	349	35	384
Interest expense, net	82	—	82	1,082	—	1,082
Consolidated adjusted EBITDA	<u>\$ 10,114</u>	<u>\$ (9,161)</u>	<u>\$ 953</u>	<u>\$ 7,328</u>	<u>\$ (9,311)</u>	<u>\$ (1,983)</u>

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

(2) In the six months ended June 30, 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 year ended December 31, 2015 have been recast to reflect this allocation.

Contact:

Intersections Inc.
Ron Barden
(703) 488-6810
IR@intersections.com