

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
REVENUE:				
Services	\$ 48,932	\$ 59,814	\$ 156,379	\$ 190,086
Hardware	7	0	40	0
Net revenue	<u>48,939</u>	<u>59,814</u>	<u>156,419</u>	<u>190,086</u>
OPERATING EXPENSES:				
Marketing	5,289	5,272	16,325	18,710
Commission	12,307	15,712	39,226	48,827
Cost of services revenue	16,038	23,566	48,983	66,706
Cost of hardware revenue	149	43	391	78
General and administrative	20,037	22,352	58,411	62,679
Impairment of intangibles and other long-lived assets	0	0	7,355	0
Depreciation	1,488	1,276	4,398	4,254
Amortization	206	853	481	2,559
Total operating expenses	<u>55,514</u>	<u>69,074</u>	<u>175,570</u>	<u>203,813</u>
LOSS FROM OPERATIONS	<u>(6,575)</u>	<u>(9,260)</u>	<u>(19,151)</u>	<u>(13,727)</u>
Interest expense	(71)	(257)	(153)	(518)
Other expense, net	(65)	(239)	(137)	(377)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	<u>(6,711)</u>	<u>(9,756)</u>	<u>(19,441)</u>	<u>(14,622)</u>
INCOME TAX BENEFIT (EXPENSE)	<u>2,383</u>	<u>5,850</u>	<u>(10,950)</u>	<u>7,043</u>
LOSS FROM CONTINUING OPERATIONS	<u>(4,328)</u>	<u>(3,906)</u>	<u>(30,391)</u>	<u>(7,579)</u>
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,147)</u>
NET LOSS	<u>\$ (4,328)</u>	<u>\$ (3,906)</u>	<u>\$ (30,391)</u>	<u>\$ (8,726)</u>
Basic and diluted loss per common share:				
Loss from continuing operations	\$ (0.22)	\$ (0.21)	\$ (1.57)	\$ (0.41)
Loss from discontinued operations	0.00	0.00	0.00	(0.06)
Basic and diluted loss per common share	<u>\$ (0.22)</u>	<u>\$ (0.21)</u>	<u>\$ (1.57)</u>	<u>\$ (0.47)</u>
Cash dividends declared per common share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.20
Weighted average shares outstanding, basic and diluted	19,673	18,539	19,304	18,455

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

	September 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,178	\$ 11,325
Accounts receivable, net of allowance for doubtful accounts of \$89 (2015) and \$5 (2014)	8,618	15,479
Prepaid expenses and other current assets	6,170	8,289
Inventory, net	1,949	0
Income tax receivable	12,292	8,107
Deferred subscription solicitation costs	7,347	6,922
Total current assets	44,554	50,122
PROPERTY AND EQUIPMENT, net	14,137	14,764
DEFERRED TAX ASSET, net	0	11,849
LONG-TERM INVESTMENT	0	8,384
GOODWILL	20,081	17,398
INTANGIBLE ASSETS, net	1,899	763
OTHER ASSETS	268	1,301
TOTAL ASSETS	\$ 80,939	\$ 104,581
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,479	\$ 5,356
Accrued expenses and other current liabilities	17,095	18,907
Accrued payroll and employee benefits	4,180	5,034
Commissions payable	412	468
Capital leases, current portion	578	592
Deferred revenue	2,791	2,869
Deferred tax liability, net, current portion	2,319	702
Total current liabilities	31,854	33,928
OBLIGATIONS UNDER CAPITAL LEASES, less current portion	1,125	981
OTHER LONG-TERM LIABILITIES	4,212	4,545
DEFERRED TAX LIABILITY	4,141	0
TOTAL LIABILITIES	41,332	39,454
STOCKHOLDERS' EQUITY:		
Common stock at \$0.01 par value, shares authorized 50,000; shares issued 23,664 (2015) and 22,158 (2014); shares outstanding 20,200 (2015) and 18,978 (2014)	237	222
Additional paid-in capital	129,455	123,975
Treasury stock, shares at cost; 3,464 (2015) and 3,180 (2014)	(33,320)	(32,696)
Accumulated deficit	(56,765)	(26,374)
TOTAL STOCKHOLDERS' EQUITY	39,607	65,127
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 80,939	\$ 104,581

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

	Nine Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (30,391)	\$ (8,726)
Adjustments to reconcile net loss to cash flows provided by operating activities:		
Depreciation	4,398	5,214
Amortization	481	2,559
Amortization of debt issuance cost	80	135
Provision for doubtful accounts	84	(20)
Loss on disposal of fixed assets	61	510
Share based compensation	4,423	3,186
Excess tax benefit upon vesting of restricted stock units and stock option exercises	0	(275)
Amortization of non-cash consideration exchanged for additional investment	0	(618)
Amortization of deferred subscription solicitation costs	13,167	12,608
Impairment of intangibles and other long-lived assets	7,355	0
Changes in assets and liabilities:		
Accounts receivable	6,781	5,006
Prepaid expenses and other current assets	2,118	(1,236)
Inventory, net	(1,949)	0
Income tax, net	(2,829)	(14,777)
Deferred subscription solicitation costs	(13,593)	(12,339)
Other assets	1,600	165
Accounts payable	(876)	1,069
Accrued expenses and other current liabilities	(2,167)	5,612
Accrued payroll and employee benefits	(1,021)	3,591
Commissions payable	(56)	22
Deferred revenue	(121)	(203)
Deferred income tax, net	15,252	315
Other long-term liabilities	(333)	832
Cash flows provided by operating activities	<u>2,464</u>	<u>2,630</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisition of technology related intangible	(202)	(150)
Cash paid for the business acquired from White Sky, Inc., net of cash received	(625)	0
Cash paid for the business acquired from Health at Work Wellness Actuaries LLC	(1)	0
Acquisition of property and equipment	(3,237)	(5,668)
Cash flows used in investing activities	<u>(4,065)</u>	<u>(5,818)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid on common shares	0	(3,674)
Excess tax benefit upon vesting of restricted stock units and stock option exercises	0	275
Capital lease payments	(559)	(659)
Cash proceeds from stock option exercises	0	5
Withholding tax payment on vesting of restricted stock units and stock option exercises	(987)	(2,190)
Cash flows used in financing activities	<u>(1,546)</u>	<u>(6,243)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(3,147)	(9,431)
CASH AND CASH EQUIVALENTS — Beginning of period	11,325	20,920
CASH AND CASH EQUIVALENTS — End of period	<u>\$ 8,178</u>	<u>\$ 11,489</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Equipment obtained under capital lease, including acquisition costs	\$ 713	\$ 0
Equipment additions accrued but not paid	\$ 205	\$ 79
Shares withheld in lieu of withholding taxes on vesting of restricted stock awards	\$ 62	\$ 0
Shares issued in the business acquired from White Sky, Inc., net of liquidating distributions	\$ 576	\$ 0
Shares issued in the business acquired from Health at Work Wellness Actuaries LLC	<u>\$ 1,551</u>	<u>\$ 0</u>

INTERSECTIONS INC.
OTHER DATA
(unaudited)

In 2014, we reorganized our business into one that we believe will build our Identity Guard® brand and Canadian business lines as growth engines for our identity theft and privacy protection solution, and we believe we continue to provide the highest level of service for our existing U.S. financial institution clients. As a result of the reorganization, we refined our criteria used to calculate and report the other data in the tables below.

The following tables provide details of our Personal Information Services segment revenue information for the three and nine months ended September 30, 2015 and 2014 (in thousands):

Personal Information Services Segment Revenue

	Three Months Ended September 30,			
	2015	2014	2015	2014
Bank of America	\$ 22,045	\$ 25,749	48.4%	46.6%
All other financial institution clients	5,234	9,950	11.5%	18.0%
Consumer direct	14,914	12,018	32.8%	21.7%
Canadian business lines	3,325	7,569	7.3%	13.7%
Total Personal Information Services revenue	\$ 45,518	\$ 55,286	100.0%	100.0%

	Nine Months Ended September 30,			
	2015	2014	2015	2014
Bank of America	\$ 68,685	\$ 80,443	47.5%	45.7%
All other financial institution clients	20,076	36,689	13.9%	20.9%
Consumer direct	41,415	35,770	28.6%	20.4%
Canadian business lines	14,435	22,821	10.0%	13.0%
Total Personal Information Services revenue	\$ 144,611	\$ 175,723	100.0%	100.0%

INTERSECTIONS INC.
OTHER DATA, continued
(unaudited)

The following tables provide details of our Personal Information Services segment subscriber information for the three and nine months ended September 30, 2015 and 2014 (in thousands):

Personal Information Services Segment Subscribers

Three months ended September 30, 2015:

	Financial Institution	Consumer Direct	Canadian Business Lines	Total
Balance at June 30, 2015	893	379	176	1,448
Additions	1	61	30	92
Cancellations	(33)	(51)	(42)	(126)
Balance at September 30, 2015	<u>861</u>	<u>389</u>	<u>164</u>	<u>1,414</u>
Balance at June 30, 2014	1,559	331	325	2,215
Additions	4	57	31	92
Cancellations	(86)	(51)	(41)	(178)
Balance at September 30, 2014	<u>1,477</u>	<u>337</u>	<u>315</u>	<u>2,129</u>

Nine months ended September 30, 2015:

	Financial Institution	Consumer Direct	Canadian Business Lines	Total
Balance at December 31, 2014	1,421	342	296	2,059
Additions	2	216	73	291
Cancellations	(562)	(169)	(205)	(936)
Balance at September 30, 2015	<u>861</u>	<u>389</u>	<u>164</u>	<u>1,414</u>
Balance at December 31, 2013	2,067	301	332	2,700
Additions	27	183	100	310
Cancellations	(617)	(147)	(117)	(881)
Balance at September 30, 2014	<u>1,477</u>	<u>337</u>	<u>315</u>	<u>2,129</u>

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, as well as dividend equivalent cash payments to restricted stock unit (“RSU”) holders. 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 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. 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.

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 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 seven quarters and year-to-date through September 30, 2014 and 2015. 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)

	2014				2015		
	Three Months Ended				Three Months Ended		
	March 31	June 30	September 30	December 31	March 31	June 30	September 30
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	\$ (1,840)	\$ (3,026)	\$ (9,756)	\$ (29,011)	\$ (1,695)	\$ (11,035)	\$ (6,711)
Non-cash share based compensation	1,191	1,486	509	1,240	1,574	1,427	1,422
Dividend equivalent payments to RSU holders and option holders	448	0	0	0	0	0	0
Impairment of goodwill, intangibles and other long-lived assets	0	0	0	25,837	0	7,355	0
Depreciation	1,539	1,439	1,276	1,401	1,297	1,613	1,488
Amortization	853	853	853	848	119	156	206
Interest expense (income), net	91	170	257	87	104	(22)	71
Other (income) expense, net	(149)	287	239	291	82	(10)	65
Consolidated adjusted EBITDA before share related compensation and non-cash impairment charges	<u>\$ 2,133</u>	<u>\$ 1,209</u>	<u>\$ (6,622)</u>	<u>\$ 693</u>	<u>\$ 1,481</u>	<u>\$ (516)</u>	<u>\$ (3,459)</u>

	Nine Months Ended September 30,	
	2014	2015
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	\$ (14,622)	\$ (19,441)
Non-cash share based compensation	3,186	4,423
Dividend equivalent payments to RSU holders and option holders	448	0
Impairment of goodwill, intangibles and other long-lived assets	0	7,355
Depreciation	4,254	4,398
Amortization	2,559	481
Interest expense (income), net	518	153
Other (income) expense, net	377	137
Consolidated adjusted EBITDA before share related compensation and non-cash impairment charges	<u>\$ (3,280)</u>	<u>\$ (2,494)</u>

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

Adjusted EBITDA before share related compensation for our Pet Health Monitoring segment:

	Three Months Ended	
	September 30,	
	2014	2015
Reconciliation from consolidated loss before income taxes to consolidated adjusted EBITDA before share related compensation		
Loss before income taxes	\$ (3,898)	\$ (4,359)
Depreciation	28	392
Amortization	0	18
Adjusted EBITDA before share related compensation	<u>\$ (3,870)</u>	<u>\$ (3,949)</u>

	Nine Months Ended	
	September 30,	
	2014	2015
Reconciliation from consolidated loss before income taxes to consolidated adjusted EBITDA before share related compensation		
Loss before income taxes	\$ (10,416)	\$ (13,297)
Dividend equivalent payments to RSU holders and option holders	17	0
Depreciation	60	800
Amortization	0	32
Adjusted EBITDA before share related compensation	<u>\$ (10,339)</u>	<u>\$ (12,465)</u>

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