WebMD crashes on weak outlook

Kavyanjali Kaushik, Reuters

Shares of WebMD Health Corp crashed to their lowest in more than two years on Thursday, a day after the healthcare information provider lowered its revenue outlook.

Shares of New York-based WebMD lost as much as a quarter of their value in heavy trading, making them one of the top percentage losers on Nasdaq. More than three million shares changed hands by 1037 ET.

Cowen and Co analyst Kevin Kopelman said the lower forecast reflects a reduction in marketing spend from pharmaceutical advertisers.

"The company, for the last couple of years, has had a very strong seasonal uptake in the fourth quarter and it's coming from pharmaceutical advertisers," Kopelman told Reuters.

"They didn't have the same level of seasonal uptake from the excess budgets, in part because some of the large advertisers are trying to manage their own margins right now."

The company, which provides health information to doctors and other consumers through its online portals and mobile platforms, expects to post 2011 revenue of $555-$565 million, down from its prior view of $580-$600 million.

"We are not expecting the company to really return to meaningful growth till 2013," Kopelman said.

Stifel Nicolaus & Co downgraded the stock to "hold" from "buy" while Barclays Capital cut its price target to $33 from $36.

Separately, on late Wednesday, WebMD said it adopted a stockholder rights plan with a 12 percent trigger.

In October, activist investor Carl Icahn revealed an active stake of 7.94 percent in the company, while Soros Fund Management LLC, owned by billionaire investor George Soros, reported a 5.6 percent stake.

"Part of the reason for (the plan) is that the current management sees an opportunity in pharmaceutical advertisement," analyst Kopelman said.

"They have long-term projects like investing in mobiles, in international websites and they don't want an outsider coming in and stripping down the business for short-term gains at the expense of long-term value."

Icahn's stake now is the largest single position in the company.

Icahn's investment in a company usually precedes a demand to either bring a change in the company's management or a proposal to consider strategic alternatives, including a sale or merger of the company.

Shareholder rights plan, or "poison pill," gives shareholders a right to buy shares in the company at a deeply discounted price.

Shares of the company were trading down 16 percent at $28.26 in morning trade. They touched a low of $25.56 earlier in the session.

(Reporting by Kavyanjali Kaushik in Bangalore; Editing by Gopakumar Warrier)