

Announcement: Moody's says Red Ventures' term loan paydown with proceeds from contributed health assets into JV with UnitedHealth Group is credit positive; no impact to B1 CFR

07 Jul 2022

Approximately \$2 billion of rated debt affected

NOTE: On July 8, 2022, after receiving corrected information from the issuer, the press release was corrected as follows: The third sentence of the first paragraph of the press release was changed to "Under the terms of the JV arrangement, in exchange for the contributed assets, RV received cash proceeds, which were used to pay down the term loan;" the third and fourth sentences of the sixth paragraph of the press release were removed; and in the third sentence of the seventh paragraph of the press release, the website was changed to "Healthgrades.com." Revised release follows.

New York, July 07, 2022 -- Moody's Investors Service ("Moody's") said Red Ventures, LLC's ("Red Ventures", "RV" or the "company") B1 Corporate Family Rating (CFR), B1 ratings on the senior secured first-lien credit facilities, comprising the \$754.25 million revolving credit facility (RCF) due November 2023 (\$460 million outstanding) and \$2.52 billion term loan due November 2024, and stable outlook are not impacted by last week's announcement that the company repaid \$1.289 billion of the term loan on 30 June 2022 (\$1.23 billion currently outstanding post-repayment). In connection with the debt repayment, Red Ventures announced that it completed the formation of a new joint venture called RVO Health (JV) with UnitedHealth Group Inc. (UHG) in which RV contributed its healthcare assets (RV Health, primarily consisting of the Healthline and Healthgrades businesses and accounting for roughly 20% of company earnings) and UHG contributed a portion of its Optum Health assets. Under the terms of the JV arrangement, in exchange for the contributed assets, RV received cash proceeds, which were used to pay down the term loan. UHG will consolidate the financials of RVO Health in its future financial statements.

Red Ventures has repaid a significant amount of debt, which is credit positive. However, the company will no longer consolidate the health assets in its financial statements, which means RV Health's EBITDA will be eliminated from RV's consolidated earnings. As of LTM 31 March 2022, RV's EBITDA pro forma for the deconsolidation of RV Health is \$319 million on a Moody's adjusted basis. While Moody's adjusted EBITDA calculation makes an adjustment for loss on equity investments, we do not adjust out expenses associated with equity incentive-based compensation or start-up losses. Nonetheless, owing to the disproportionately higher amount of debt repayment relative to deconsolidated EBITDA, gross financial leverage declines from approximately 7x at LTM 31 March 2022 to 5.5x pro forma on a Moody's adjusted basis.

Moody's expects Red Ventures will de-lever further to the 4.5x-5x area over the next 12-18 months, notwithstanding the challenging macroeconomic environment. Over the past three years, Red Ventures' gross leverage has consistently remained above 6x chiefly due to debt-financed acquisitions. While these asset purchases helped to diversify the business, their EBITDA contributions did not increase fast enough to offset weakening EBITDA from legacy clients in the home and media verticals. Additionally, during the pandemic-induced recession, RV's consumer finance and travel segments experienced sharp declines. Leverage has now returned to the appropriate level for the rating category as a result of the recent debt paydown.

Following the deconsolidation of RV Health, Red Ventures' largest verticals will be (in descending order): consumer finance, travel, home, media & commerce, red digital (includes Red Ventures' partnerships) and education. As the economy slows and risk of recession rises, Moody's expects consumer finance, travel and media & commerce to experience the biggest headwinds offset by relative stability in home, red digital and education. Red digital's performance is expected to be consistent with the overall digital advertising market, though likely experience some pressure in certain areas as advertisers pull back on overall spend. However, Moody's remains constructive for online ad spending growth over the medium to long-term as advertisers increasingly allocate a greater portion of their ad budgets to performance-based digital advertising, which has historically delivered higher customer traffic and sales conversions than traditional marketing programs.

As the economy slows, Moody's expects that Red Ventures will maintain good liquidity given that the business model is profitable on an EBITDA basis and requires minimal capex and working capital. This will be supported

by cash levels of at least \$100 million (pro forma cash balances at 31 March 2022 were roughly \$500 million, including \$300 million of proceeds from the contribution of RV Health to the JV), access to the \$754.25 million RCF (currently \$460 million outstanding) and projected annual free cash flow (FCF) in the range of \$200-\$300 million.

RVO Health combines UHG's scale of 120 million customers and 50 million members with RV Health's 95+ million monthly unique visitors to create a compelling consumer digital health platform of complementary assets. The JV will accelerate RV Health's access to new products, services and solutions, as well as provide access to a sizable first-party data audience, while UHG will enhance its digital transformation and momentum from Red Venture's technology platform and digital marketing expertise. To the extent that RVO Health issues debt in the future, Red Ventures will not be a guarantor.

Founded in 2000 and headquartered in Fort Mill, South Carolina, Red Ventures, LLC is a wholly-owned operating subsidiary of Red Ventures Holdco, LP, which owns a portfolio of growing digital businesses that bring consumers and brands together through integrated e-commerce, strategic partnerships, and proprietary brands across the consumer finance & travel, home, health and education end markets. In November 2017, Red Ventures completed the acquisition of Bankrate, Inc. for approximately \$1.4 billion. RV completed four mid-sized acquisitions in the recent past, including: HigherEducation.com in April 2019; Healthline Media in July 2019; CNET Media Group in October 2020; and Healthgrades.com in August 2021. Revenue totaled \$1.7 billion for the twelve months ended 31 March 2022.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

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