



IAC Q4 2019 Shareholder Letter

February 5, 2020

Dear Shareholders,

Later this year, we'll mark the 25th anniversary of Barry Diller taking the helm of what is now IAC. By then, we expect that we will have completed the separation from IAC of Match Group ("MTCH") – the 8th public company to come out of what was once a collection of television stations called Silver King Communications worth \$250 million. Today IAC and its progeny are worth over \$60 billion, and a shareholder who's held on for that journey has compounded returns at 14% annually compared to the S&P 500's 10%. Returns for shareholders joining 10 years, 5 years, or three years ago have been 29%, 34%, and 50%, respectively, all outperforming the S&P 500 handily. IAC's journey has been one of building, distributing and building anew. Our 25th year will be another new beginning.

Separate from IAC, when the transaction closes, our shareholders will have a direct interest in MTCH. High growth, high margins, and high cash flow make MTCH the complete package and we are proud to be putting a security that is virtually unrivaled into our shareholders' hands (only 3 companies in the S&P 500 have MTCH's combination of revenue, growth, margins, and cash conversion). MTCH has a timeless mission, a simple business model, and global opportunities for market expansion. People from every walk of life increasingly embrace the concept of meeting online, and we intend to have products for all of them. You're encouraged to get the full story from MTCH's latest filings.

Last quarter we shared some figures (click [here](#)) showing how we've performed around previous spins, so I won't rehash that here beyond reminding everyone that we're quite comfortable shrinking to grow again. While nearly a billion dollars of cash flow affords us some fancier conference invitations and the ability to lean on things with a bit more weight, we believe a

nimbler size and narrowed focus forces us to grow new areas and helps avoid some pitfalls that inhibit innovation.

When we completed our last round of spinoffs in 2008, IAC shrunk from an equity market capitalization of \$8 billion to \$2.5 billion — we started with \$1.6 billion of net cash and businesses that generated \$167 million of Adjusted EBITDA in that first full calendar year. This time we will have a bit more cash (we expect at least \$2.4 billion) and more Adjusted EBITDA at the outset. The rise of social platforms, cloud-based technology, and a growing mobile-first generation have made the time and capital required to start disruptive businesses only faster and cheaper as compared to 2008. Accordingly, it's only gotten tougher to find cash flow generating businesses. Fortunately, cash flow remains a relatively unfavored metric among many of the abundant capital sources in our universe, and this should present opportunities for IAC.

Tremendous value is still being created every day as the forces enumerated above facilitate the ongoing digital evolution, and we intend to back those companies with enough capital, capable teams, and lessons learned over our history in the category. We've set a high bar for defining success — that old 2008 “stub” is now worth \$22 billion, produced nearly \$1 billion of Adjusted EBITDA last year, and generated a compound annual return of 28% over the last 12 years.

We'll take opportunities wherever we find them, but will likely find only smaller assets in the private markets and find the larger opportunities available in the public markets. While valuation transitions from private to public markets has been challenging for a number of companies recently, we're not predicting any kind of “correction” in the private markets. Private markets don't have the features that would allow for a quick “correction.” In public companies, a shareholder can sell the moment they lose faith, or when someone else's faith exceeds theirs, and shares trade hands every millisecond. In private companies, shareholders frequently sign an agreement prohibiting sales except under special circumstances, usually governed by the company's management and board, who you'd imagine aren't too keen to see shares sold cheaper. Months or years may pass between share sales. Even when transactions do happen in private companies, they usually only involve two highly optimistic parties — the naysayers aren't invited to that discussion. For public companies, the law requires that everyone gets to see all the important information on a company, but the only people who can access

private company information are the people who are incentivized to promote the stock. But the biggest barrier to a timely correction in the private markets is the source of the capital – most of the capital funding deals in the private market has an expiration date. If the money isn't spent by its “spend by date”, usually locked in five to seven year windows, the people deploying it lose their chance to earn fees. So they're going to have to deploy that capital, even if the market throughout their designated deployment window offers very little premium for risk. That means an adjustment could take years. So, while it's possible that the unicorn becomes a mythical creature again, I suspect no time soon. In the meantime, to state the wildly obvious, we will seek out opportunities where we believe both risk and cash flow potential are factored into valuation and when we find the right ones, we will be ready to act.

The Year in Review and 2020 Priorities

This time of year we like to briefly reflect on the year just completed, and delve deeper on the priorities for the one ahead. In 2019 we:

- Grew revenue 12% while generating nearly \$1 billion of Adjusted EBITDA and over \$800 million of free cash flow;
- Retired 2% of ANGI's shares and 1% of MTCH's shares;
- Raised \$1.2 billion of exchangeable debt at IAC and \$350 million of debt at MTCH;
- Made 6 acquisitions, 3 divestitures and 2 investments;
- Renewed our 18-year partnership with Google for another 3 years;
- Added 10% more jobs while improving benefits, increased our 401k match, and expanded medical insurance coverage;
- Launched the “IAC Fellows” program providing exceptional high school students in under-resourced communities with long term support through internships, mentorship, career opportunities, and student loan repayment for promising young talent;

- Entered into an agreement to separate MTCH from IAC; and
- Announced our agreement to acquire Care.com for approximately \$500 million, our largest acquisition in nearly 3 years.

Care.com

In a few days we expect to close the acquisition of Care.com, the leading marketplace connecting families around the world with care providers. The need for quality, affordable care continues to grow and Care.com has many attributes that we know and love:

- The leader in a large and growing global addressable market (\$300 billion in the U.S.);
- Demographic tailwinds (an aging population in need of elder care and tech-savvy millennials with two working parents having children);
- A category in the earliest stages of an offline to online transition;
- Highly fragmented supply and demand (4 million+ caregivers and 40 million+ addressable households in need of child and senior care); and
- Network effects where each incremental user improves the platform for all participants.

The team at Care.com built the world's largest pool of care givers and seekers and a highly recognized brand cultivated by 13 years of investment. In retrospect, the business probably entered the public markets at an inopportune moment in its lifecycle, limiting its appetite for risk. We now see a real opportunity to invest and reset the product for current market demands and accelerate leadership within family care and adjacent categories. Given the size of the acquisition and our ambition for the business, Care.com certainly warrants a deeper discussion, but we'll wait until we have our hands firmly on the wheel before we lay out our plans.

MTCH

This time last year, we said our focus for 2019 would be international expansion and emerging brands. Non-US subscribers surpassed US subscribers in the year, and one of our emerging brands, Hinge, became the fastest growing in our portfolio. We also said we'd generate a lot of cash flow, and this most recent quarter was our third consecutive quarter with over \$200 million of Adjusted EBITDA. Both those goals continue into 2020, during which we also expect to:

- Resume growth in non-Tinder subscribers
- Make Tinder more socially relevant
- Expand our capabilities in video

The consistent cash flow and global presence of MTCH is something we'll miss at IAC, but fortunately our shareholders can continue the journey with MTCH.

ANGI

ANGI accelerated revenue growth this past year – a nice achievement for a 20-year-old business with over \$1 billion in revenue. Service professionals are spending more on our platform than ever before, and consumers can now instantly purchase services in more than 150 categories. We believe the future of the category can be one where most jobs are fulfilled at the push of a button, and our product and engineering efforts are focused on handling more transactions on our platform to achieve our three biggest goals:

- Always Available – able to deliver some form of solution for every service request
- Always Reliable – guaranteed satisfaction with project outcomes
- Always Easy – a service experience that is fast and frictionless

We aren't there yet, but we know exactly where we're headed, and what success looks like. Last year we generated requests worth over \$10 billion of job value that we couldn't fulfill because we're only able to offer a busy service professional a chance to win a job as opposed to a guarantee of actual work. We generated another \$20 billion of jobs that we did fulfill through our network, but we can't always guarantee satisfaction because the transaction itself happens off our platform after we connect the service professional with the homeowner. And there's probably tens of billions more in job value we do not see on our platform, because it simply isn't easy enough, yet, to book on demand, pay and be done, worry-free. A fixed price service enables us to solve these problems.

If fixed price offerings only serve to unlock components of the existing \$400 billion TAM, it would clearly be a worthy opportunity. But these offerings do more than that. Platforms like ours bring order and remove friction in fragmented markets through greater convenience, data transparency, and often lower prices at higher quality. A successful marketplace captures market share not only from incumbents, but creates incremental demand as the simple and reliable experiences lure buyers who otherwise might not transact. We believe that is particularly true in home services, where job complexity and a lack of confidence keeps many customers on the sidelines, often for jobs which should be done in order to preserve the long term value of what is the largest investment most individuals will ever make, their homes. Our results this quarter gave us an early glimpse into what these efforts could mean for user satisfaction, repeat rates, service professional acquisition and retention, and monetization, so we're going to accelerate our efforts. The 150 categories we've unlocked to date represent about \$50 billion of our current addressable market, all of which can now flow through our platform and our earnings.

Vimeo

Vimeo revenue growth came in at 23% in the 4th quarter, capping a year in which the platform took some important steps to build out its SaaS offering to serve businesses of all sizes. If we can hold that growth rate, the business should double in size every three years. Current bookings (a precursor to revenue) suggest that's possible. We launched a beta version of a new video creation tool for small to medium-sized businesses built on some exciting artificial intelligence,

and our Enterprise offerings continue to flourish with Q4 revenue up 45% year-over-year and bookings up 95% as the sales team gained in both size and effectiveness. Appropriately, 2020 priorities revolve around Creation and Enterprise:

- Grow Vimeo Create by integrating creation tools through the Vimeo ecosystem, especially mobile
- Optimize and scale the Enterprise business with customers ranging from large corporations and entertainment companies to religious organizations and fitness classes

Dotdash

Dotdash had another standout quarter, accelerating revenue growth once again and delivering a record margin to bring the year to \$40 million of Adjusted EBITDA. “Freshest, fastest, fewest” is our mantra as each of our sites is focused on publishing high-quality, constantly-updated *fresh* content, on sites that load *faster* than any competitors’, and feature the *fewest* ads to ensure a first-class user experience and excellent returns for advertisers. In 2020, we’re planning to:

- Outspend competitors on content, drive organic traffic growth, and establish brands with lasting franchise value
- Diversify revenue to prioritize areas that deliver transactions, not just ad impressions
- Opportunistically acquire publishers where we can apply our proven playbook. We’ve already begun: Dotdash announced yesterday the acquisition of the Mother Nature Network and TreeHugger to enter the growing and vital sustainability category.

Applications

Mosaic Group is now approaching \$200 million of annual mobile subscription revenue and profitable, up from nothing a few years ago. We built this business through a series of acquisitions and it relies on many of the same tools we used in the Desktop business to aggregate

a globally-distributed audience of mobile subscribers and developers on our platform. With most of these acquisitions we've been able to drive a nice step up in marketing and audience under our ownership, so we'll look for more opportunities in 2020 and expect the mobile growth will eventually replace the challenged Desktop business. Impacted by ecosystem changes throughout 2019, the Desktop business had a difficult Q4 and revenue declines steepened, but we continue to generate meaningful cash flow and expect to stabilize again in the first half of this year.

For 2020 the focus at Applications will be to:

- Use proprietary data and analytics to drive meaningful increases in profitable marketing spend to find new audience globally
- Optimize cash flow in the Desktop business to absorb changes in browser behavior

Bluecrew and NurseFly

This year we added another platform helping match employers with workers, now in the healthcare sector, called NurseFly. Like Bluecrew, it's tiny – but also like Bluecrew, it's growing quickly. Both companies are still small bets in a large category, and we're pressing our bets on the belief that software can better match workers with opportunities. The priorities:

- Drive liquidity in concentrated geographical areas (more employers, more workers)
- Scale outbound sales
- Add product features to delight customers and surpass incumbent solutions

Looking Back and Looking Forward

As we look back on IAC's first quarter century, we celebrate the successes we've had and the philosophy and culture that's gotten us there. For 25 years, we've fostered the kind of leaders who favor talent and instinct over pedigree, and reward those who take risk and rise to the

challenges presented to them. In 2019, we introduced the IAC Fellows program to provide long-term support to the next generation of leaders: an exceptionally talented group of young men and women from underserved and under-resourced communities. Through internships, mentorships, career opportunities and tuition assistance, we hope to help these students become the strong leaders that they're meant to be.

We've had such success in the program's first year that we're excited to announce, in celebration of our history, we are funding a \$25 million endowment to ensure that this program continues in perpetuity. Of course, we hope that our Fellows become IAC's leaders of tomorrow. But whether they stay with us or let their talents shine elsewhere, we'll feel great about having played a part in giving these extraordinary students a voice and an opportunity.

Sincerely,
Joey Levin
CEO

Full Year 2020 Outlook

Please find below our full year 2020 outlook. We confront investment choices every day, and as stewards of your capital, will deviate from this outlook when we have attractive opportunities that drive long-term value at the expense of short-term results. And of course, sometimes we'll simply be wrong about the future. Amply warned, here's our current outlook:

(in millions)	FY 2020 Outlook				
	Adjusted EBITDA	Amortization of Intangibles	Depreciation	Stock-based compensation expense ^(a)	Operating income (loss)
ANGI Homeservices	\$200-\$250	45	50	75	\$30-\$80
Vimeo	(\$35-\$25)	12	1	-	(\$48-\$38)
Dotdash	\$45-\$55	5	1	-	\$39-\$49
Applications	\$60-\$70	6	1	-	\$53-\$63
Emerging & Other ^(b)	(\$10)-0	-	3	-	(\$13-\$3)
Corporate ^(c)	(\$125)	-	10	75-100	(\$235-\$210)

(a) ANGI Homeservices includes ~\$20 million of charges in connection with the Angie's List transaction. Corporate does not reflect any potential impact from the Match Group separation and in the context of IAC post the Match Group separation, actual expense may vary materially from historical trends.

(b) Excludes the Care.com acquisition which is expected to close in Q1 2020. We expect approximately \$40 million of full year transaction-related items from the Care.com acquisition including deferred revenue write-offs and transaction costs, approximately 2/3 of which is expected in Q1.

(c) 2020 Adjusted EBITDA includes approximately \$20 million of costs related to the full separation of Match Group (expected to be incurred largely in Q1 and Q2) and \$25 million related to the IAC Fellows endowment (expected in the 2nd half of 2020).

See below for additional Q1/FY 2020 detail. As we embark on a new chapter at IAC and want to provide ample flexibility for our business leaders to invest in our businesses, starting next quarter we will no longer provide a quarterly outlook. We will continue to provide our full year targets, and update them as the year progresses, but we remain steadfast in our desire to resist the shackles of short-term thinking in order to continue to penetrate the large addressable markets in which we compete.

- *Match Group* – In Q1 we expect revenue of \$545 to \$555 million and Adjusted EBITDA of \$170-\$175 million. For the full year, we expect revenue and Adjusted EBITDA growth in the mid-to-high teens.
- *ANGI Homeservices* – In Q1 we expect revenue of \$355-\$370 million and Adjusted EBITDA of \$30-\$35 million. Effective January 1, 2020, the Company will be required to record revenue for fixed price services (including Handy) on a gross basis vs. net basis previously, which will be low-single digits accretive to our growth rate in 2020.
- *Vimeo* – In Q1 we expect 25% total revenue growth and Adjusted EBITDA losses around \$10 million.
- *Dotdash* – In Q1 we expect revenue growth around 20% and Adjusted EBITDA of \$5-\$10 million.
- *Applications* – In Q1 we expect revenue of \$100-\$105 million and Adjusted EBITDA less than \$15 million.
- *Emerging & Other* – In Q1 we expect revenue around \$110 million and Adjusted EBITDA losses approaching \$10 million (both excluding the Care.com acquisition which is expected to close in Q1 2020). We expect approximately \$40 million of full year transaction-related items from the Care.com acquisition including deferred revenue write-offs and transaction costs, approximately 2/3 of which is expected in Q1.
- *Corporate* – 2020 Adjusted EBITDA includes approximately \$20 million of costs related to the full separation of Match Group (expected to be incurred largely in Q1 and Q2) and \$25 million related to the IAC Fellows endowment (expected in the 2nd half of 2020).

Appendix

Webcast and Conference Call Details

IAC executives will participate in the ANGI Homeservices quarterly conference call to answer questions regarding IAC on Thursday, February 6, 2020 at 8:30 a.m. Eastern Time. The live audiocast will be open to the public at www.iac.com/Investors or ir.angihomeservices.com. This letter will not be read on the call.

Non-GAAP Financial Measures

This letter contains references to certain non-GAAP measures. These non-GAAP measures should be considered in conjunction with, but not as a substitute for, financial information presented in accordance with GAAP.

For reconciliations of GAAP measures to material non-GAAP measures not set forth above, please refer to our 4th quarter 2019 press release, the investor relations section (quarterly earnings tab) of our website, Match Group's 2nd, 3rd and 4th quarter 2019 press release and Match Group's 4th quarter investor presentation.

IAC Q1 2020 Outlook Operating Income to Adjusted EBITDA Reconciliation:

<i>(in millions)</i>	Adjusted EBITDA	Amortization of Intangibles	Depreciation	Stock-based compensation expense ^(a)	Operating income (loss)
ANGI Homeservices	\$30-\$35	13	12	20	(\$15-\$10)
Vimeo	(\$10)	3	0	-	(\$13)
Dotdash	\$5-\$10	1	0	-	\$4-\$9
Applications	\$15	2	0	-	\$13
Emerging & Other ^(b)	(\$10)	-	1	-	(11)
Corporate ^(c)	(\$30)	-	3	20-25	(\$58-\$53)

(a) Does not reflect any potential impact from the Match Group separation and in the context of IAC post the Match Group separation, actual expense may vary materially from historical trends.

(b) Excludes the Care.com acquisition which is expected to close in Q1 2020. We expect approximately \$40 million of full year transaction-related items from the Care.com acquisition including deferred revenue write-offs and transaction costs, approximately 2/3 of which is expected in Q1.

(c) 2020 Adjusted EBITDA includes approximately \$20 million of costs related to the full separation of Match Group. These costs are expected to be incurred largely in Q1 and Q2.

IAC FY 2009 Operating Income to Adjusted EBITDA Reconciliation:

<i>(in millions)</i>	FY 2009
Adjusted EBITDA	\$ 167
Stock-based compensation expense	(70)
Depreciation	(65)
Amortization of intangibles and goodwill impairment	(1,076)
Amortization of non-cash marketing	(16)
Operating income	\$ (1,059)

Cautionary Statement Regarding Forward-Looking Information

This letter and the ANGI Homeservices conference call, which will be held at 8:30 a.m. Eastern Time on Thursday, February 6, 2020 (with IAC executives participating to answer questions regarding IAC), may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipates," "estimates," "expects," "plans" and "believes," among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to: IAC's future financial performance, business prospects and strategy, anticipated trends and prospects in the industries in which IAC's businesses operate and other similar matters. Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, among others: the risks inherent in separating Match Group from IAC (including uncertainties related to, among other things, the costs and expected benefits of the proposed transaction, the expected timing of the transaction or whether it will be completed, the factors that may impact the calculation of the exchange ratio which will determine the number of new shares of the post-transaction Match Group to be received by IAC shareholders, the expected tax treatment of the transaction, any litigation arising out of or relating to the transaction, and the impact of the transaction on the businesses of IAC and Match Group), any change in our intention with respect to our investment in ANGI Homeservices, our continued ability to successfully market, distribute and monetize our products and services through search engines, social media platforms and digital app stores, the failure or delay of the markets and industries in which our businesses operate to migrate online, our ability to build, maintain and/or enhance our various brands, our ability to develop and monetize versions of our products and services for mobile and other digital devices, adverse economic events or trends, either generally and/or in any of the markets in which our businesses operate, our continued ability to communicate with users and consumers via e-mail (or other sufficient means), our ability to successfully offset increasing digital app store fees, our ability to establish and maintain relationships with quality service professionals, changes in our relationship with (or policies implemented by) Google, foreign exchange currency rate fluctuations, our ability to protect our systems from cyberattacks and to protect personal and confidential user information, the occurrence of data security breaches, fraud and/or additional regulation involving or impacting credit card payments, the integrity, quality, scalability and redundancy of our systems, technology and infrastructure (and those of third parties with whom we do business), changes in key personnel, our ability to service our outstanding indebtedness and interest rate risk, dilution with respect to our investments in Match Group and ANGI Homeservices, operational and financial risks relating to acquisitions and our continued ability to identify suitable acquisition candidates, our ability to expand successfully into international markets, regulatory changes and our ability to adequately protect our intellectual property rights and not infringe the intellectual property rights of third parties. Certain of these and other risks and uncertainties are discussed in IAC's filings with the Securities and Exchange Commission. Other unknown or unpredictable factors that could also adversely affect IAC's business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, these forward-looking statements may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of IAC's management as of the date of this press release. IAC does not undertake to update these forward-looking statements.