

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 9, 2023

IAC Inc.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction
of incorporation)

001-39356
(Commission
File Number)

84-3727412
(IRS Employer
Identification No.)

555 West 18th Street, New York, NY
(Address of principal executive offices)

10011
(Zip Code)

Registrant's telephone number, including area code: **(212) 314-7300**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of exchange on which registered</u>
Common Stock, par value \$0.0001	IAC	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01. Regulation FD Disclosure.

On December 1, 2021, Dotdash Meredith, Inc., a subsidiary of IAC Inc., (the “Borrower”) entered into a Credit Agreement among the Borrower, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and the other parties thereto (the “Credit Agreement”). The Borrower is required under the Credit Agreement to provide the administrative agent and lenders with certain financial statements of the Borrower. Following the filing of this report, the Borrower will provide the administrative agent and lenders with the financial statements of Dotdash Meredith, Inc. consisting of the consolidated balance sheet as of March 31, 2023 and December 31, 2022, and the related consolidated statements of operations, comprehensive operations, shareholder's equity, and cash flows for the three months ended March 31, 2023 and 2022, and the related notes, as set forth in Exhibit 99.1 hereto.

Exhibit 99.1 is being furnished under Item 7.01 “Regulation FD Disclosure.”

Item 9.01. Financial Statements and Exhibits

Exhibits.

Exhibit Number	Description
99.1	Consolidated Financial Statements of Dotdash Meredith, Inc., consisting of the consolidated balance sheet as of March 31, 2023 and December 31, 2022, and the related consolidated statements of operations, comprehensive operations, shareholder's equity, and cash flows for the three months ended March 31, 2023 and 2022, and the related notes.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

IAC Inc.

By: /s/ KENDALL HANDLER
Name: Kendall Handler
Title: *Executive Vice President, Chief Legal Officer & Secretary*

Date: May 9, 2023

CONSOLIDATED FINANCIAL STATEMENTS OF DOTDASH MEREDITH, INC.

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Consolidated Financial Statements

DOTDASH MEREDITH, INC.
CONSOLIDATED BALANCE SHEET
(Unaudited)

	March 31, 2023	December 31, 2022
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 275,819	\$ 123,866
Accounts receivable, net	304,768	367,512
Other current assets	118,734	166,470
Total current assets	699,321	657,848
Leasehold improvements, equipment, land, capitalized software and buildings, net	169,872	209,818
Goodwill	1,499,873	1,499,873
Intangible assets, net of accumulated amortization	845,582	895,242
Other non-current assets	367,518	430,657
TOTAL ASSETS	\$ 3,582,166	\$ 3,693,438
LIABILITIES AND SHAREHOLDER'S EQUITY		
LIABILITIES:		
Current portion of long-term debt	\$ 30,000	\$ 30,000
Accounts payable, trade	36,421	48,702
Deferred revenue	28,615	26,709
Accrued expenses and other current liabilities	359,156	426,184
Total current liabilities	454,192	531,595
Long-term debt, net	1,517,638	1,524,475
Deferred income taxes	39,489	77,596
Other long-term liabilities	466,214	484,226
Commitments and contingencies		
SHAREHOLDER'S EQUITY:		
Common Stock, \$0.01 par value per share; authorized 1,000 shares; 1,000 shares issued and outstanding	—	—
Additional paid-in capital	1,657,024	1,518,722
Accumulated deficit	(538,080)	(430,914)
Accumulated other comprehensive loss	(14,311)	(12,262)
Total shareholder's equity	1,104,633	1,075,546
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 3,582,166	\$ 3,693,438

The accompanying [Notes to Consolidated Financial Statements](#) are an integral part of these statements.

DOTDASH MEREDITH, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Revenue	\$ 387,582	\$ 500,471
Operating costs and expenses:		
Cost of revenue (exclusive of depreciation shown separately below)	167,558	227,370
Selling and marketing expense	112,634	166,872
General and administrative expense	99,875	68,207
Product development expense	35,723	33,148
Depreciation	33,366	13,265
Amortization of intangibles	49,660	47,854
Total operating costs and expenses	498,816	556,716
Operating loss	(111,234)	(56,245)
Interest expense	(33,143)	(16,890)
Other income (expense), net	1,542	(35,538)
Loss before income taxes	(142,835)	(108,673)
Income tax benefit	35,669	25,524
Net loss	\$ (107,166)	\$ (83,149)
Stock-based compensation expense by function:		
Selling and marketing expense	\$ 297	\$ 100
General and administrative expense	3,417	3,621
Product development expense	1,377	551
Total stock-based compensation expense	\$ 5,091	\$ 4,272

The accompanying [Notes to Consolidated Financial Statements](#) are an integral part of these statements.

DOTDASH MEREDITH, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE OPERATIONS
(Unaudited)

	<u>Three Months Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>(In thousands)</u>		
Net loss	\$ (107,166)	\$ (83,149)
Other comprehensive income (loss):		
Change in foreign currency translation adjustment	238	(2,947)
Change in unrealized losses on interest rate swaps	(2,287)	—
Total other comprehensive loss, net of income taxes	(2,049)	(2,947)
Comprehensive loss	<u>\$ (109,215)</u>	<u>\$ (86,096)</u>

The accompanying [Notes to Consolidated Financial Statements](#) are an integral part of these statements.

DOTDASH MEREDITH, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY
Three Months ended March 31, 2023
(Unaudited)

	Common Stock, \$0.01 par value		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholder's Equity
	\$	Shares				
(In thousands, except share count)						
Balance at December 31, 2022	\$ —	1,000	\$ 1,518,722	\$ (430,914)	\$ (12,262)	\$ 1,075,546
Net loss	—	—	—	(107,166)	—	(107,166)
Other comprehensive loss	—	—	—	—	(2,049)	(2,049)
Stock-based compensation expense	—	—	5,091	—	—	5,091
Contribution from IAC	—	—	135,000	—	—	135,000
Reimbursement to IAC for settlement of subsidiary denominated equity awards	—	—	(1,789)	—	—	(1,789)
Balance at March 31, 2023	<u>\$ —</u>	<u>1,000</u>	<u>\$ 1,657,024</u>	<u>\$ (538,080)</u>	<u>\$ (14,311)</u>	<u>\$ 1,104,633</u>

	Common Stock, \$0.01 par value		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholder's Equity
	\$	Shares				
(In thousands, except share count)						
Balance at December 31, 2021	\$ —	1,000	\$ 1,494,176	\$ (63,365)	\$ 1,652	\$ 1,432,463
Net loss	—	—	—	(83,149)	—	(83,149)
Other comprehensive loss	—	—	—	—	(2,947)	(2,947)
Stock-based compensation expense	—	—	4,272	—	—	4,272
Balance at March 31, 2022	<u>\$ —</u>	<u>1,000</u>	<u>\$ 1,498,448</u>	<u>\$ (146,514)</u>	<u>\$ (1,295)</u>	<u>\$ 1,350,639</u>

The accompanying [Notes to Consolidated Financial Statements](#) are an integral part of these statements.

DOTDASH MEREDITH, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Cash flows from operating activities:		
Net loss	\$ (107,166)	\$ (83,149)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Stock-based compensation	5,091	4,272
Amortization of intangibles	49,660	47,854
Depreciation	33,366	13,265
Provision for credit losses	(19)	1,632
Deferred income taxes	(37,220)	(26,579)
Non-cash lease expense (including right-of-use asset impairments)	53,846	9,051
Pension and postretirement benefit expense	728	36,343
Other adjustments, net	1,331	1,181
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	63,069	92,798
Other assets	19,641	675
Operating lease liabilities	(13,471)	(9,432)
Accounts payable and other liabilities	(76,323)	(71,284)
Income taxes payable and receivable	122	690
Deferred revenue	1,588	(5,441)
Net cash (used in) provided by operating activities	(5,757)	11,876
Cash flows from investing activities:		
Net proceeds from the sales of assets	29,300	—
Capital expenditures	(1,318)	(2,727)
Other, net	4,290	—
Net cash provided by (used in) investing activities	32,272	(2,727)
Cash flows from financing activities:		
Contribution from IAC	135,000	—
Principal payments on Dotdash Meredith Term Loans	(7,500)	(7,500)
Withholding taxes paid on behalf of Dotdash Meredith employees for the exercise of stock appreciation rights	(1,378)	(370)
Debt issuance costs	—	(785)
Other, net	(579)	—
Net cash provided by (used in) financing activities	125,543	(8,655)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	14	(393)
Net increase in cash and cash equivalents and restricted cash	152,072	101
Cash and cash equivalents and restricted cash at beginning of period	130,507	234,620
Cash and cash equivalents and restricted cash at end of period	\$ 282,579	\$ 234,721

The accompanying [Notes to Consolidated Financial Statements](#) are an integral part of these statements.

DOTDASH MEREDITH, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Nature of Operations**

Dotdash Meredith is one of the largest digital and print publishers in America. From mobile to magazines, nearly 200 million people trust Dotdash Meredith to help them make decisions, take action and find inspiration. Dotdash Meredith's over 40 iconic brands include PEOPLE, Better Homes & Gardens, Verywell, FOOD & WINE, The Spruce, Allrecipes, Byrdie, REAL SIMPLE, Investopedia and Southern Living. Dotdash Meredith is a wholly-owned subsidiary of IAC Inc. ("IAC").

As used herein, the "Company," "we," "our" or "us" and similar terms refer to Dotdash Meredith and its subsidiaries (unless the context requires otherwise).

The Company has two operating segments: (i) Digital, which includes its digital, mobile and licensing operations; and (ii) Print, which includes its magazine subscription and newsstand operations.

Basis of Presentation

The Company prepares its consolidated financial statements (collectively referred to herein as "financial statements") in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP"). All intercompany transactions and balances between and among the entities comprising the Company have been eliminated.

For the purpose of the financial statements, income taxes have been computed for the Company on an as if standalone, separate tax return basis and payments to and refunds from IAC for the Company's share of IAC's consolidated federal and state tax return liabilities/receivables have been reflected within cash flows from operating activities in the statement of cash flows.

The unaudited interim financial statements have been prepared in accordance with GAAP for interim financial information and with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by GAAP for complete annual financial statements. In the opinion of management, the unaudited interim financial statements include all normal recurring adjustments considered necessary for a fair presentation. Interim results are not necessarily indicative of the results that may be expected for the full year. The unaudited interim financial statements should be read in conjunction with the annual audited financial statements of the Company and notes thereto for the year ended December 31, 2022.

Accounting Estimates

Management of the Company is required to make certain estimates, judgments and assumptions during the preparation of its financial statements in accordance with GAAP. These estimates, judgments and assumptions impact the reported amounts of assets, liabilities, revenue and expenses and the related disclosure of assets and liabilities. Actual results could differ from these estimates.

On an ongoing basis, the Company evaluates its estimates, judgments and assumptions, including those related to: the fair value of cash equivalents; the carrying value of accounts receivable, including the determination of the allowance for credit losses; the recoverability of right-of-use assets ("ROU assets"); the useful lives and recoverability of leasehold improvements, equipment, capitalized software and buildings and definite-lived intangible assets; the recoverability of goodwill and indefinite-lived intangible assets; the fair value of interest rate swaps; contingencies; unrecognized tax benefits; the valuation allowance for deferred income tax assets; pension and postretirement benefit expenses, including actuarial assumptions regarding discount rates, expected returns on plan assets, inflation and healthcare costs; and the fair value of and forfeiture rates for stock-based awards, among others. The Company bases its estimates, judgments and assumptions on historical experience, its forecasts and budgets and other factors that the Company considers relevant.

DOTDASH MEREDITH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Interest Rate Swaps

In March 2023, the Company entered into interest rate swaps for a total notional amount of \$350 million to synthetically convert a portion of the Term Loan B from floating rate to fixed rate to manage interest rate risk exposure. The Company designated the interest rate swaps as cash flow hedges and applies hedge accounting to these contracts in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification 815, *Derivatives and Hedging*. As cash flow hedges, the interest rate swaps are recognized at fair value on the balance sheet as either assets or liabilities, with the changes in fair value recorded in "Accumulated other comprehensive loss" in the balance sheet and reclassified into "Interest expense" in the statement of operations in the periods in which the interest rate swaps affect earnings. The Company assessed hedge effectiveness at the time of entering into these agreements and determined these interest rate swaps are expected to be highly effective. The Company evaluates the hedge effectiveness of the interest rate swaps quarterly, or more frequently, if necessary, by verifying (i) that the critical terms of the interest rate swaps continue to match the critical terms of the hedged interest payments and (ii) that it is probable the counterparties will not default. If the two requirements are met, the interest rate swaps are determined to be effective and all changes in the fair value of the interest rate swaps are recorded in "Accumulated other comprehensive loss." The cash flows related to interest settlements of the hedged monthly interest payments are classified as operating activities in the statement of cash flows, consistent with the interest expense on the related Term Loan B. See "[Note 4—Long-Term Debt](#)" for additional information.

General Revenue Recognition

Revenue is recognized when control of the promised services or goods is transferred to the Company's customers and in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services or goods.

The Company's disaggregated revenue disclosures are presented in "[Note 6—Segment Information](#)."

Deferred Revenue

Deferred revenue consists of payments that are received or are contractually due in advance of the Company's performance obligation. The Company's deferred revenue is reported on a contract-by-contract basis at the end of each reporting period. The Company classifies deferred revenue as current when the expected completion of its performance obligation is one year or less. The deferred revenue balances were \$28.6 million at March 31, 2023 and \$26.7 million at December 31, 2022 and was all current, except for less than \$0.1 million in both periods that was non-current. During the three months ended March 31, 2023, the Company recognized \$23.4 million of revenue that was included in the deferred revenue balance at December 31, 2022. During the three months ended March 31, 2022, the Company recognized \$10.4 million of revenue that was included in the deferred revenue balance at December 31, 2021. The current and non-current deferred revenue balances were \$23.4 million and \$0.1 million, respectively, at December 31, 2021. Non-current deferred revenue is included in "Other long-term liabilities" in the balance sheet.

Practical Expedients and Exemptions

For contracts that have an original duration of one year or less, the Company uses the practical expedient available under Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, applicable to such contracts and does not consider the time value of money.

In addition, as permitted under the practical expedient available under ASU 2014-09 the Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts with variable consideration that is tied to sales-based or usage-based royalties, allocated entirely to unsatisfied performance obligations, or to a wholly unsatisfied promise accounted for under the series guidance and (iii) contracts for which the Company recognizes revenue at the amount which it has the right to invoice for services performed.

DOTDASH MEREDITH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Three months ended March 31, 2022			Accrued March 31, 2022
	Charges Incurred	Payments	Non-cash ^(b)	
	(In thousands)			
Digital	\$ 5,090	\$ (394)	\$ —	\$ 4,696
Print	15,625	(2,127)	(377)	13,121
Other ^(a)	1,722	(106)	—	1,616
Total	\$ 22,437	\$ (2,627)	\$ (377)	\$ 19,433

^(b) Includes \$0.4 million related to the write-off of inventory.

The costs are allocated as follows in the statement of operations:

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Cost of revenue	\$ 557	\$ 12,182
Selling and marketing expense	(862)	5,599
General and administrative expense	243	4,313
Product development expense	21	343
Total	\$ (41)	\$ 22,437

Transaction-Related Expenses

For the three months ended March 31, 2023 and 2022, Dotdash Meredith incurred less than \$0.1 million and \$4.0 million, respectively, of transaction-related expenses related to the acquisition of Meredith.

NOTE 3—FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

The Company categorizes its financial instruments measured at fair value into a fair value hierarchy that prioritizes the inputs used in pricing the asset or liability. The three levels of the fair value hierarchy are:

- Level 1: Observable inputs obtained from independent sources, such as quoted market prices for identical assets and liabilities in active markets.
- Level 2: Other inputs, which are observable directly or indirectly, such as quoted market prices for similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active and inputs that are derived principally from or corroborated by observable market data. The fair values of the Company's Level 2 financial assets are primarily obtained from observable market prices for identical underlying securities that may not be actively traded. Certain of these securities may have different market prices from multiple market data sources, in which case an average market price is used.
- Level 3: Unobservable inputs for which there is little or no market data and require the Company to develop its own assumptions, based on the best information available in the circumstances, about the assumptions market participants would use in pricing the assets or liabilities.

DOTDASH MEREDITH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The following tables present the Company's financial instruments that are measured at fair value on a recurring basis:

	March 31, 2023			
	Quoted Market Prices for Identical Assets in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	\$ 243,881	\$ —	\$ —	\$ 243,881
Time deposits	—	10,020	—	10,020
Total	\$ 243,881	\$ 10,020	\$ —	\$ 253,901
Liabilities:				
Interest rate swaps ^(a)	\$ —	\$ (2,996)	\$ —	\$ (2,996)

^(a) Interest rate swaps relate to the \$350 million notional amount of the Company's Term Loan B and are included in "Other long-term liabilities" in the balance sheet. See ["Note 1—The Company and Summary of Significant Accounting Policies"](#) and ["Note 4—Long-term Debt"](#) for additional information. The fair value of interest rate swaps was determined using discounted cash flows derived from observable market prices, including swap curves, which are Level 2 inputs.

	December 31, 2022			
	Quoted Market Prices for Identical Assets in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	\$ 43,000	\$ —	\$ —	\$ 43,000
Time deposits	—	10,871	—	10,871
Total	\$ 43,000	\$ 10,871	\$ —	\$ 53,871

Assets measured at fair value on a nonrecurring basis

The Company's non-financial assets, such as goodwill, intangible assets, ROU assets, leasehold improvements, equipment, capitalized software and buildings, are adjusted to fair value only when an impairment is recognized. Such fair value measurements are based predominantly on Level 3 inputs.

During the first quarter of 2023, the Company recorded impairment charges related to unoccupied leased office space due to the continued decline in the commercial real estate market; a \$44.7 million impairment of an ROU asset and a \$25.3 million impairment of leasehold improvements, furniture and equipment, which are included in "General and administrative expense" and "Depreciation," respectively, in the consolidated statement of operations. The impairment charges represent the amount by which the carrying value of the asset group exceeded its estimated fair value, calculated using a discounted cash flow approach using sublease market assumptions of the expected cash flows and discount rate. The impairment charges were allocated between the ROU assets and related leasehold improvements, furniture and equipment of the asset group based on their relative carrying values.

DOTDASH MEREDITH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The excess of fair value over carrying value for a \$126.0 million Digital indefinite-lived intangible asset is less than 20%, based upon the most recent estimate.

Financial instruments measured at fair value only for disclosure purposes

The following table presents the carrying value and the fair value of financial instruments measured at fair value only for disclosure purposes:

	March 31, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Current portion of long-term debt	\$ (30,000)	\$ (27,750)	\$ (30,000)	\$ (26,700)
Long-term debt, net ^(a)	\$ (1,517,638)	\$ (1,405,219)	\$ (1,524,475)	\$ (1,339,213)

^(a) At March 31, 2023 and December 31, 2022, the carrying value of long-term debt, net includes unamortized original issue discount and debt issuance costs of \$14.9 million and \$15.5 million, respectively.

At March 31, 2023 and December 31, 2022, the fair value of long-term debt, including the current portion, is estimated using observable market prices or indices for similar liabilities, which are Level 2 inputs.

NOTE 4—LONG-TERM DEBT

Long-term debt consists of:

	March 31, 2023		December 31, 2022	
	(In thousands)			
Term Loan A due December 1, 2026	\$	328,125	\$	332,500
Term Loan B due December 1, 2028		1,234,375		1,237,500
Total long-term debt		1,562,500		1,570,000
Less: current portion of long-term debt		30,000		30,000
Less: original issue discount		5,100		5,310
Less: unamortized debt issuance costs		9,762		10,215
Total long-term debt, net	\$	1,517,638	\$	1,524,475

Term Loans and Revolving Facility

On December 1, 2021, the Company entered into a credit agreement ("Credit Agreement"), which provides for (i) the five-year \$350 million Term Loan A, (ii) the seven-year \$1.25 billion Term Loan B (and together with Term Loan A, the "Term Loans") and (iii) a five-year \$150 million revolving credit facility ("Revolving Facility"). The Term Loan A bears interest at an adjusted term secured overnight financing rate ("Adjusted Term SOFR") as defined in the Credit Agreement plus an applicable margin depending on the Company's most recently reported consolidated net leverage ratio, as defined in the Credit Agreement. The adjustment to the secured overnight financing rate is fixed at 0.10% for the Term Loan A. The Term Loan B has a varying adjustment of 0.10%, 0.15% or 0.25% based upon the duration of the borrowing period. At March 31, 2023 and December 31, 2022, the Term Loan A bore interest at Adjusted Term SOFR plus 2.25%, or 6.94% and 5.91%, respectively, and the Term Loan B bore interest at Adjusted Term SOFR, subject to a minimum of 0.50%, plus 4.00%, or 8.77% and 8.22%, respectively. Interest payments are due at least quarterly through the terms of the Term Loans.

The Term Loan A requires quarterly principal payments of approximately \$4.4 million through December 31, 2024, \$8.8 million through December 31, 2025 and approximately \$13.1 million thereafter through maturity. The Term Loan B requires quarterly payments of \$3.1 million through maturity. The Term Loan B may require additional annual principal payments as part of an excess cash flow sweep provision, the amount of which, in part, is governed by the applicable net leverage ratio. No such payment was required related to the period ended December 31, 2022.

DOTDASH MEREDITH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

In March 2023, the Company entered into interest rate swaps on the Term Loan B for a total notional amount of \$350 million with a maturity date of April 1, 2027. The interest rate swaps synthetically convert \$350 million of the Term Loan B for the duration of the interest rate swaps to a fixed rate of approximately 7.92% ((i) the weighted average fixed interest rate of approximately 3.82% on the interest rate swaps plus (ii) the adjustment to the secured overnight financing rate of 0.10% plus (iii) the base rate of 4.00%), beginning April 2023.

The interest rate swaps are expected to be highly effective. For the three months ended March 31, 2023, the unrealized loss recognized in "Accumulated other comprehensive loss" was \$2.3 million, net of income tax benefit, and the related liability of \$3.0 million is included in "Other non-current liabilities" in the balance sheet at March 31, 2023. There were no realized gains or losses reclassified into "Interest expense" in the three months ended March 31, 2023. At March 31, 2023, \$3.0 million is expected to be reclassified into interest expense within the next twelve months as a realized gain.

There were no outstanding borrowings under the Revolving Facility at March 31, 2023 and December 31, 2022. The annual commitment fee on undrawn funds is based on the Company's consolidated net leverage ratio, as defined in the Credit Agreement, most recently reported and was 40 basis points at both March 31, 2023 and December 31, 2022. Any borrowings under the Revolving Facility would bear interest, at the Company's option, at either a base rate or Adjusted Term SOFR, plus an applicable margin, which is based on the Company's consolidated net leverage ratio.

As of the last day of any calendar quarter, if either (i) \$1.00 or more of loans under the Revolving Facility or Term Loan A are outstanding, or (ii) the outstanding face amount of undrawn letters of credit, other than cash collateralized letters of credit at 102% of face value, exceeds \$25 million, subject to certain increases for qualifying material acquisitions, then the Company will not permit the consolidated net leverage ratio, which permits netting of up to \$250 million in cash and cash equivalents, as of the last day of such quarter to exceed 5.5 to 1.0. The Credit Agreement also contains covenants that would limit the Company's ability to pay dividends, incur incremental secured indebtedness, or make distributions or certain investments in the event a default has occurred or if the Company's consolidated net leverage ratio exceeds 4.0 to 1.0, subject to certain available amounts as defined in the Credit Agreement. This ratio was exceeded for both test periods ended March 31, 2023 and December 31, 2022. The Credit Agreement also permits IAC to, among other things, contribute cash to the Company, which will provide additional liquidity to ensure that the Company does not exceed certain consolidated net leverage ratios for any test period, as further defined in the Credit Agreement. In connection with these capital contributions, the Company may make distributions to IAC in amounts not more than any such capital contributions, provided that no default has occurred and is continuing. Such capital contributions and subsequent distributions impact the consolidated net leverage ratios of the Company. In March 2023, IAC contributed \$135.0 million to the Company, which the Company subsequently distributed back to IAC in April 2023.

The obligations under the Credit Agreement are guaranteed by certain of the Company's wholly-owned subsidiaries and are secured by substantially all of the assets of the Company and certain of its subsidiaries.

NOTE 5—ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables present the components of accumulated other comprehensive loss:

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Balance at January 1	\$ (12,262)	\$ 1,652
Current period other comprehensive income (loss)		
Foreign currency translation adjustment	238	(2,947)
Unrealized losses on interest rate swaps	(2,287)	—
Balance at March 31	\$ (14,311)	\$ (1,295)

At March 31, 2023, there was \$0.7 million of income tax benefit related to unrealized losses on interest rate swaps. At March 31, 2022, there was no income tax benefit or provision on the accumulated other comprehensive loss.

DOTDASH MEREDITH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
NOTE 6—SEGMENT INFORMATION

The overall concept that the Company employs in determining its operating segments is to present the financial information in a manner consistent with the chief operating decision maker's view of the businesses. In addition, we consider how the businesses are organized as to segment management and the focus of the businesses with regards to the types of services or products offered or the target market.

The following table presents revenue by reportable segment:

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Revenue		
Digital	\$ 184,797	\$ 216,165
Print	207,016	289,978
Intersegment eliminations ^(a)	(4,231)	(5,672)
Total	\$ 387,582	\$ 500,471

The following table presents the revenue of the Company's segments disaggregated by type of service:

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Digital:		
Advertising revenue	\$ 111,817	\$ 137,090
Performance marketing revenue	50,055	50,105
Licensing and other revenue	22,925	28,970
Total digital revenue	184,797	216,165
Print:		
Subscription revenue	85,637	130,584
Advertising revenue	47,850	72,687
Newsstand revenue	32,246	31,239
Project and other revenue	28,109	33,025
Performance marketing revenue	13,174	22,443
Total print revenue	207,016	289,978
Intersegment eliminations ^(a)	(4,231)	(5,672)
Total revenue	\$ 387,582	\$ 500,471

^(a) Intersegment eliminations primarily related to Digital performance marketing commissions earned for the placement of magazine subscriptions for Print.

DOTDASH MEREDITH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Revenue by geography is based on where the customer is located. Geographic information about revenue and long-lived assets is presented below:

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Revenue:		
United States	\$ 387,582	\$ 499,724
All other countries	—	747
Total	<u>\$ 387,582</u>	<u>\$ 500,471</u>

	March 31, 2023	December 31, 2022
	(In thousands)	
	Long-lived assets (excluding goodwill, intangible assets and ROU assets):	
United States	\$ 168,916	\$ 208,744
All other countries	956	1,074
Total	<u>\$ 169,872</u>	<u>\$ 209,818</u>

The following tables present operating loss and Adjusted EBITDA by reportable segment:

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Operating loss:		
Digital	\$ (17,887)	\$ (1,868)
Print	(5,756)	(38,335)
Other ^{(b)(d)}	(87,591)	(16,042)
Total ^(c)	<u>\$ (111,234)</u>	<u>\$ (56,245)</u>

^(b) Other comprises unallocated corporate expenses.

^(c) Includes restructuring charges of \$22.4 million in the three months ended March 31, 2022. The three months ended March 31, 2022 also include transaction-related expenses of \$4.0 million related to the acquisition of Meredith. See "[Note 2—Restructuring Charges and Transaction-Related Expenses](#)" for additional information.

^(d) Includes impairment charges of \$70.0 million related to unoccupied leased office space for the three months ended March 31, 2023, of which \$25.3 million is included in "Depreciation" in the statement of operations. See "[Note 3—Financial Instruments and Fair Value Measurements](#)" for additional information.

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Adjusted EBITDA ^{(c)(e)}:		
Digital	\$ 24,403	\$ 34,800
Print	\$ 11,334	\$ (10,480)
Other ^{(b)(f)}	\$ (58,854)	\$ (15,786)

^(e) The Company's primary financial measure is Adjusted EBITDA, which is defined as operating income excluding: (1) stock-based compensation expense; (2) depreciation; and (3) acquisition-related items consisting of (i) amortization of intangible assets and impairments of goodwill and intangible assets, if applicable, and (ii) gains and losses recognized on changes in the fair value of contingent consideration arrangements.

^(f) Includes impairment charges of \$44.7 million related to unoccupied leased office space for the three months ended March 31, 2023. See "[Note 3—Financial Instruments and Fair Value Measurements](#)" for additional information.

DOTDASH MEREDITH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The following tables reconcile operating loss for the Company's reportable segments and net loss to Adjusted EBITDA:

	Three Months Ended March 31, 2023				
	Operating Loss ^{(c)(d)}	Stock-Based Compensation Expense	Depreciation	Amortization of Intangibles	Adjusted EBITDA ^{(c)(f)}
	(In thousands)				
Digital	\$ (17,887)	\$ 1,695	\$ 5,244	\$ 35,351	\$ 24,403
Print	(5,756)	\$ 146	\$ 2,635	\$ 14,309	\$ 11,334
Other ^(b)	(87,591)	\$ 3,250	\$ 25,487	\$ —	\$ (58,854)
Total ^(d)	(111,234)				
Interest expense	(33,143)				
Other income, net	1,542				
Loss before income taxes	(142,835)				
Income tax benefit	35,669				
Net loss	\$ (107,166)				

	Three Months Ended March 31, 2022					
	Operating Loss ^(c)	Stock-Based Compensation Expense	Depreciation	Amortization of Intangibles	Acquisition- related Contingent Consideration Fair Value Adjustments	Adjusted EBITDA ^{(c)(e)}
	(In thousands)					
Digital	\$ (1,868)	\$ 4,196	\$ 7,489	\$ 25,595	\$ (612)	\$ 34,800
Print	(38,335)	\$ 64	\$ 5,532	\$ 22,259	\$ —	\$ (10,480)
Other ^(b)	(16,042)	\$ 12	\$ 244	\$ —	\$ —	\$ (15,786)
Total ^(c)	(56,245)					
Interest expense	(16,890)					
Other expense, net	(35,538)					
Loss before income taxes	(108,673)					
Income tax benefit	25,524					
Net loss	\$ (83,149)					

NOTE 7—PENSION AND POSTRETIREMENT BENEFIT PLANS

The following table presents the components of net periodic benefit cost for the pension and postretirement benefit plans:

	Three Months Ended March 31, 2023			Three Months Ended March 31, 2022		
	Pension		Postretirement	Pension		Postretirement
	Domestic	International	Domestic	Domestic	International	Domestic
	(In thousands)					
Service cost	\$ 53	\$ —	\$ 1	\$ 982	\$ —	\$ 2
Interest cost	871	4,777	58	699	3,275	67
Expected return on plan assets	(501)	(4,771)	—	(1,578)	(4,624)	—
Actuarial loss recognition	240	—	—	12,532	24,988	—
Net periodic benefit cost	\$ 663	\$ 6	\$ 59	\$ 12,635	\$ 23,639	\$ 69

DOTDASH MEREDITH, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Settlements during the three months ended March 31, 2023 triggered a remeasurement of the pension plans in the U.S. The actuarial loss of \$0.2 million was the result of an adjustment in plan demographics, partially offset by gains on investment performance.

Settlements during the three months ended March 31, 2022 triggered a remeasurement of the funded pension plans in the United Kingdom ("U.K.") and U.S. The U.K. actuarial loss of \$25.0 million primarily relates to the decline in the fair value of the U.K. pension plan's assets exceeding the decline in the plan liabilities, in each case due to higher interest rates. The U.S. actuarial loss of \$12.5 million was primarily due to the decline in the fair value of plan assets.

The following table summarizes the weighted average expected return on plan assets used to determine the net periodic benefit costs at March 31, 2023, following the remeasurement, and December 31, 2022, respectively:

	March 31, 2023	December 31, 2022
	Pension	
	Domestic	Domestic
Expected return on plan assets	4.31 %	2.80 %

The components of net periodic benefit costs, other than the service cost component, are included in "Other income (expense), net" in the statement of operations.

NOTE 8—INCOME TAXES

The Company is included within IAC's tax group for purposes of federal and consolidated state income tax return filings. In all periods presented, the income tax provision and/or benefit has been computed for the Company on an as if standalone, separate tax return basis and payments to and refunds from IAC for the Company's share of IAC's consolidated federal and state tax return liabilities/receivables calculated on this basis have been reflected within operating activities in the statement of cash flows.

At the end of each interim period, the Company estimates the annual expected effective income tax rate and applies that rate to its ordinary year-to-date earnings or loss. The income tax provision or benefit related to significant, unusual, or extraordinary items, if applicable, that will be separately reported or reported net of their related tax effects are individually computed and recognized in the interim period in which they occur. In addition, the effect of changes in enacted tax laws or rates, tax status, judgment on the realizability of a beginning-of-the-year deferred tax asset in future years or unrecognized tax benefits is recognized in the interim period in which the change occurs.

The computation of the annual expected effective income tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected pre-tax income (or loss) for the year, projections of the proportion of income (and/or loss) earned and taxed in foreign jurisdictions, permanent and temporary differences and the likelihood of the realization of deferred tax assets generated in the current year. The accounting estimates used to compute the provision or benefit for income taxes may change as new events occur, more experience is acquired, additional information is obtained or the Company's tax environment changes. To the extent that the expected annual effective income tax rate changes during a quarter, the effect of the change on prior quarters is included in income tax provision or benefit in the quarter in which the change occurs.

For the three months ended March 31, 2023, the Company recorded an income tax benefit of \$35.7 million, which represents an effective income tax rate of 25%, which is higher than the statutory rate of 21% due primarily to state taxes and research credits. For the three months ended March 31, 2022, the Company recorded an income tax benefit of \$25.5 million, which represents an effective income tax rate of 23%, which is higher than the statutory rate of 21% due primarily to state taxes, partially offset by research credits.

The Company recognizes interest and, if applicable, penalties related to unrecognized tax benefits in the income tax provision. Accruals for interest and penalties are not material.

DOTDASH MEREDITH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The Company's income taxes are routinely under audit by federal, state, local and foreign authorities as a result of previously filed separate company and consolidated income tax returns with IAC. These audits include questioning the timing and the amount of income and deductions and the allocation of income and deductions among various tax jurisdictions. The Internal Revenue Service ("IRS") has substantially completed its audit of IAC's federal income tax returns for the years ended December 31, 2013 through 2019, which include the operations of the Company. The settlement of these tax years has been submitted to the Joint Committee of Taxation for approval. The statute of limitations for the years 2013 through 2019 has been extended to December 31, 2023. Returns filed in various other jurisdictions are open to examination for tax years beginning with 2014. Income taxes payable include unrecognized tax benefits considered sufficient to pay assessments that may result from the examination of prior year tax returns. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may not accurately anticipate actual outcomes and, therefore, may require periodic adjustment. Although management currently believes changes in unrecognized tax benefits from period to period and differences between amounts paid, if any, upon resolution of issues raised in audits and amounts previously provided will not have a material impact on the liquidity, results of operations or financial condition of the Company, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

At March 31, 2023 and December 31, 2022, unrecognized tax benefits, including interest and penalties, are \$3.6 million and \$3.5 million, respectively. Unrecognized tax benefits, including interest and penalties, at March 31, 2023 increased by \$0.1 million due primarily to state audits and research credits, offset by settlements. If unrecognized tax benefits at March 31, 2023 are subsequently recognized, \$3.4 million, net of related deferred tax assets and interest, would reduce income tax expense. The comparable amount at December 31, 2022 was \$3.3 million. The Company believes that it is reasonably possible that its unrecognized tax benefits could decrease by \$0.5 million by December 31, 2023 due to expected settlements of which \$0.4 million would reduce the income tax provision.

NOTE 9—FINANCIAL STATEMENT DETAILS**Cash and Cash Equivalents and Restricted Cash**

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the balance sheet to the total amounts shown in the statement of cash flows:

	March 31, 2023	December 31, 2022	March 31, 2022	December 31, 2021
	(In thousands)			
Cash and cash equivalents	\$ 275,819	\$ 123,866	\$ 229,888	\$ 233,393
Restricted cash included in other current assets	—	—	4,833	1,227
Restricted cash included in other non-current assets	6,760	6,641	—	—
Total cash and cash equivalents and restricted cash as shown on the statement of cash flows	<u>\$ 282,579</u>	<u>\$ 130,507</u>	<u>\$ 234,721</u>	<u>\$ 234,620</u>

Restricted cash included in "Other non-current assets" and "Other current assets" in the balance sheet primarily consists of cash held in escrow related to the funded pension plan in the U.K.

DOTDASH MEREDITH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Credit Losses

The following table presents the changes in the allowance for credit losses for the three months ended March 31, 2023 and 2022, respectively:

	2023	2022
	(In thousands)	
Balance at January 1	\$ 6,493	\$ 1,679
Current period provision for credit losses	(19)	1,632
Write-offs charged against the allowance	(1,139)	(199)
Recoveries collected	87	—
Other	—	81
Balance at March 31	<u>\$ 5,422</u>	<u>\$ 3,193</u>

Accumulated Amortization and Depreciation

The following table provides the accumulated amortization and depreciation within the balance sheet:

<u>Asset Category</u>	March 31, 2023	December 31, 2022
	(In thousands)	
ROU assets included in other non-current assets	\$ 117,031	\$ 63,256
Leasehold improvements, equipment, capitalized software and buildings	\$ 41,427	\$ 38,565
Intangible assets	\$ 362,919	\$ 313,259

Other income (expense), net

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Net periodic pension benefit costs, other than the service cost component ^(a)	\$ (674)	\$ (35,359)
Other	2,216	(179)
Other income (expense), net	<u>\$ 1,542</u>	<u>\$ (35,538)</u>

^(a) Includes pre-tax actuarial losses of \$0.2 million for the three months ended March 31, 2023 related to the pension plans in the U.S. and \$37.5 million for the three months ended March 31, 2022 related to the funded pension plans in the U.K. and U.S. See "[Note 7—Pension and Postretirement Benefit Plans](#)" for additional information.

NOTE 10—CONTINGENCIES

In the ordinary course of business, the Company is a party to various lawsuits. The Company establishes accruals for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Management has identified certain other legal matters where the Company believes an unfavorable outcome is not probable and, therefore, no accrual is established. Although management currently believes that resolving claims against the Company, including claims where an unfavorable outcome is reasonably possible, will not have a material impact on the liquidity, results of operations, or financial condition of the Company, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. The Company also evaluates other contingent matters, including income and non-income tax contingencies, to assess the likelihood of an unfavorable outcome and estimated extent of potential loss. It is possible that an unfavorable outcome of one or more of these lawsuits or other contingencies could have a material impact on the liquidity, results of operations or financial condition of the Company. See "[Note 8—Income Taxes](#)" for additional information related to income tax contingencies.

DOTDASH MEREDITH, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****NOTE 11—RELATED PARTY TRANSACTIONS**

The Company is allocated expenses from IAC for its participation in IAC's health and wellness plan in addition to obtaining certain support services through contracts that are held in IAC's name. The total charges for the three months ended March 31, 2023 and 2022 were \$10.7 million and \$3.8 million, respectively. The increase is principally due to Meredith's participation in IAC's health and wellness plan beginning January 1, 2023.

Additionally, the Company was allocated expenses from IAC for flight crew payroll and travel expenses based on usage of company owned aircraft. The charges for the three months ended March 31, 2023 and 2022 were \$0.5 million and \$0.3 million, respectively.

The Company recognized revenue of \$2.2 million and \$1.6 million for the three months ended March 31, 2023 and 2022, respectively, related to advertising and audience targeted advertising sold to other IAC owned businesses. At March 31, 2023 there were outstanding receivables of \$1.7 million related to the revenue earned.

At March 31, 2023, the Company had an outstanding payable due to IAC of \$8.6 million included in "Accrued expenses and other current liabilities" in the balance sheet related primarily to payments made by IAC on behalf of the Company, that was subsequently paid in April 2023. At December 31, 2022, there was \$1.5 million due to IAC that was subsequently paid in January 2023.

At March 31, 2023 and December 31, 2022, the Company had an outstanding payable of \$25.1 million due to IAC pursuant to the tax sharing agreement, which is included in "Accrued expenses and other current liabilities" in the balance sheet and was paid to IAC in April 2023.

Pursuant to the terms of the Company's stock-based awards granted under its equity incentive plan, until the common shares of the Company (or its successor(s)) trade on a national securities exchange, shares of IAC common stock are issued to employees in settlement of the exercise of the Company's vested awards after deduction for required tax withholdings, which are remitted on the employees' behalf. The Company reimburses IAC in the form of cash and/or Dotdash Meredith common shares at IAC's election.

NOTE 12—SUBSEQUENT EVENTS

In preparing these financial statements, management evaluated subsequent events through May 9, 2023, on which date the financial statements were available for issue.