IAC Q3 2019 Shareholder Letter

November 6, 2019

Dear Shareholders,

Earlier this quarter we made a preliminary proposal to separate IAC from its 80% ownership stake in Match Group (MTCH). We made the proposal to a special committee of independent directors of the MTCH board, and we′re in discussions with that committee about a possible deal. That process will take longer and involve more advisors than any of us would like, but if we reach agreement on deal terms and complete the transaction, our shareholders will separately own shares in two public companies, one of which owns MTCH′s business (let′s call it ″New Match" for simplicity) and the other a ″New" (and slimmer) IAC. We're excited about the prospects for both securities.

Of course, IAC shares the same interests as MTCH′s other shareholders in making sure that post-spin New Match will be well positioned for success as an independent company – after all, IAC shareholders are going to end up holding a direct interest in New Match (and the overwhelming majority of it). And as important as it is for New Match to prosper, we need to make sure that New IAC is also well positioned. In 2019, we expect that MTCH will generate approximately 80% of IAC′s free cash flow, so we view it as critical that New IAC, which won′t have nearly as much near-term cash flow, is properly capitalized to pursue its next chapter in rebuilding. These guiding principles shaped our proposal.

For those interested in understanding the proposal better, we′ve tried to simplify and explain the main components in Addendum A beginning on page six of this letter.

There are details to be worked out, but the end result is simple: if the transaction is completed, our shareholders will keep their existing ownership stake in IAC via New IAC, and separately and directly hold shares in New Match. Every IAC shareholder effectively owns approximately 2.6 shares of MTCH per IAC share today (226 million MTCH shares owned by IAC divided by 86 million IAC shares outstanding), representing $179 of MTCH value per IAC share (2.6 x $69.00/share[1] = $179). The adjustments proposed in the transaction, if completed, would reduce that ownership in New Match a bit, but the New IAC in which those shareholders own an interest would have significantly more cash and no debt to replace the shares foregone in New Match.

Meanwhile, the people operating the businesses have been hard at work moving the businesses forward while the lawyers and bankers were hard at work moving this process forward. For IAC overall, we had a solid quarter with revenue growth accelerating to nearly $1.25 billion. We continued to reinvest margins to achieve accelerating revenue growth, and expect that to continue next year. MTCH, ANGI, Vimeo, Dotdash, Mosaic Group and Bluecrew all contributed to growth in the quarter – even the slowest among them grew 22% in Q3.

MTCH grew while investing in both new products and new regions (not to mention, share repurchases). Tinder broke new ground with Swipe Night – those who survived in the bunker with the puppy know what I'm talking about. The rest of you need to download Tinder. Even our non-Tinder brands, in aggregate, look like they're finally growing subscribers again.

ANGI accelerated revenue to the highest growth rate since Angie's List and HomeAdvisor combined. Paid search, which needed real work last quarter, has stabilized and we've added partnerships with Realogy and Nextdoor, among others. On the supply side we are now up to 263,000 paying service professionals, spending meaningfully more with us on average this year than they did last year, and Angie's List revenue grew for the first time since 2016.

We're also increasing our investment on fixed price services. To be clear, this is still a bet, but so far we've seen promising conversion rates, rapid transaction growth, and strong repeat use

[1] MTCH share price as of market close on November 5, 2019.

characteristics, so we're accelerating our investment, both through the P&L and through share repurchases (ANGI bought back nearly 1% of the company this quarter). We now offer fixed pricing on 133 tasks on the platform, meaning a user can find a service, click, and pay through our platform on all 133 of those tasks. We handle curation, scheduling, and payment to the service professional from there. The homeowner just taps some buttons, and the job gets done.

At the moment, we're not pursuing any form of separation with ANGI. That doesn't mean we won't consider it in the reasonable future, but we're focused on getting the MTCH transaction done right now, and believe ANGI could benefit from remaining inside IAC for the time being.

Vimeo, aided by the Magisto acquisition, had its best bookings quarter ever, accelerating revenue growth to 29% and now serving over 1.2 million paying customers. We launched the initial phases of our video creation product this past quarter, integrating the key features from the acquisition. With the 2020 roll-out of the complete product suite including video creation on mobile, we should start to see the full impact on the customer lifecycle.

Dotdash did it again – Adjusted EBITDA doubled and revenue grew 34% year-over-year, up from 23% growth in the prior quarter. We now have emerging brands in seven high-intent categories — Health, Finance, Home, Food, Tech, Travel and Beauty. The opportunity in Beauty alone is measured in billions.

Our newer businesses all continued to contribute to overall growth. Mosaic Group posted another impressive quarter and now comprises over 40% of Applications revenue, Bluecrew and NurseFly are changing the future of work, and Turo's growth is rocking. Each of those businesses still have a lot to prove, but we know they're each serving a large market with a product better than the incumbent's and an entrepreneurial energy.

In the fourth quarter we also sold 4.6 million shares of Pinterest. We don't like counting our chickens, but this one's now hatched. In aggregate, we invested $3 million in Pinterest and returned almost $160 million to IAC. We're not projecting a pattern here – while we'd love to do it again, we still don't view small minority investments at very early stage companies as a core focus of IAC. We're continuing to hone our bets to areas where we believe we can make a meaningful difference or learn something, and we'd prefer to keep the rest in cash.

If we complete a MTCH spin, New IAC could end up with a comfortable increase in net cash. We won't have nearly as much cash flow, but we'll be in a rebuild scenario that we'll find quite familiar – and we'll use that cash to help finance it. Our first major spinoff was Expedia in 2005. That looked like this:

(Note: Share prices in the "Now" columns are different than actual prices you'd see today because the charts are adjusted for any effective share splits, exchanges and reinvestment of dividends):

Share Price Prior to Spin Announcement	**2004**
IAC	$24.97

12% CAGR

Adjusted Share Price	**Now**
IAC + Subsequent Spins	$81.60
Expedia	$47.90
Total	**$129.49**

At the time of that original spin, Expedia dominated the IAC story and everything else was an afterthought. Fifteen years later, not only did a separated Expedia thrive, but the combined securities delivered a 12% CAGR, and the "afterthoughts" now comprises nearly $2/3^{rd}$ of that value.

We did it again in 2008. We spun off four of our largest businesses (Ticketmaster, HSN, Interval, and Lending Tree), leaving behind a grab-bag of misunderstood and underappreciated businesses (i.e. "the stub"). Ten years later, the spun-out businesses did well on their own, the combined securities delivered a 17% CAGR, and what was once "the stub" now comprises $3/4^{th}$ of the value:

Share Price Prior to Spin Announcement	2007	Adjusted Share Price		Now
IAC	$25.93	IAC		$119.71
		Ticketmaster →	Live Nation	$18.27
		HSN →	Qurate Retail Group	$4.27
17% CAGR		ILG →	Marriott Vacations Worldwide	$7.87
		Lending Tree		$13.07
	→	**Total**		**$163.19**

"The stub" started with $1.5 billion of cash on the balance sheet (and at one point traded below the value of its cash) and 149 million shares outstanding, and through a combination of free cash flow growth and prudent use of leverage and equity, ended Q3 2019 with $2.3 billion of cash and 86 million shares outstanding, while spending $3.7 billion on acquisitions, $3.6 billion on buybacks and $0.4 billion on dividends.

We're energized to do it again. We see innovation and performance unleashed when talented entrepreneurial managers have the capacity and foundation to chart their own course, and a stripped-down IAC must build anew. That's our plan with MTCH and the stable of growing opportunities in the IAC portfolio, and we hope to keep going from there…

Sincerely,
Joey Levin
CEO

Addendum A

Here is IAC's proposal, which is being discussed with the MTCH committee, simplified as best we can:

1. MTCH would raise debt and pay a cash dividend to all shareholders. This would effectively serve as an advance distribution to all MTCH shareholders (primarily, IAC) of future cash flow.

2. New Match would assume IAC's exchangeable notes and corresponding hedging instruments (this one starts to get a little complicated, but to save some ink and simplify, we'll just call this "debt"). In exchange, the number of shares of New Match that IAC shareholders would otherwise receive in the transaction would be reduced to reflect the value of the debt.

   The allocation of this debt and the adjustment in equity ownership would be designed to be value neutral to MTCH and IAC shareholders: every dollar of debt that New Match assumes would be effectively offset by a reduction in shares of New Match that are received by IAC shareholders in the transaction. In the end, New Match would have fewer shares outstanding and more debt; IAC shareholders would own fewer shares in New Match, but the shares they own in New IAC will represent more cash and less debt.

   For illustrative purposes only (and with simplified steps), imagine New Match becomes responsible for $1 billion of IAC's debt in the transaction. IAC would be released from $1 billion of obligations, and in exchange IAC shareholders would effectively give up 14.5 million New Match shares ($1 billion ÷ $69.00/share[2] = 14.5 million shares) that would have otherwise ended up in their hands in the transaction (relative to the 226 million MTCH shares IAC owns today). And New Match takes on $1 billion of new

[2] MTCH share price as of market close on November 5, 2019. For this illustration, we assume New Match's stock price is the same as MTCH.

obligations, but in exchange would have 14.5 million fewer shares outstanding (similar to a share repurchase financed by debt).

3. Prior to the closing, IAC may sell New Match shares to targeted third party investors interested in owning a large stake in New Match, with the proceeds being paid to New IAC in exchange for a corresponding reduction in the number of New Match shares to be received by IAC shareholders in the transaction.

   Again, the intention is that no value is created or destroyed here, only shifted between cash and equity – New Match's share count would not increase, and IAC shareholders would simply own fewer shares in New Match – but the shares in New IAC that they own will represent more cash in New IAC, compensating them for the forfeited New Match shares.

4. As part of these transactions, all of the Class B MTCH shares held by IAC would be converted into common shares, and all of New Match's shares would be 'single vote' common shares of the same class, including the shares that IAC shareholders receive in New Match. As a result, following consummation of these transactions, MTCH will transition from having a control shareholder (IAC) with a 97.5% voting interest to a widely distributed one share, one vote capital structure as New Match.

5. Real estate assets, tax attributes and outstanding IAC employee equity awards will be split between New Match and New IAC as agreed by the parties. As with some of the elements of our proposal described above, the allocation of these items may result in adjustments, up or down, to the number of New Match shares owned by IAC shareholders after the transaction.

Full Year 2019 Outlook

Please find below our updated full year 2019 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 for the year:

(in millions)	**FY 2019 Outlook**
Adjusted EBITDA	
Match Group	$770-$775
ANGI Homeservices	200-205
Vimeo	(40)
Dotdash	40
Applications	100
Emerging & Other	(10-5)
Corporate	(85-80)
Total IAC Adjusted EBITDA	**$975-$995**
Stock-based compensation expense [(a)]	(235-230)
Depreciation	(85-80)
Amortization of intangibles	(85-80)
Acquisition-related fair value adjustments	10-15
Operating income	**$580 - $620**

(a) Includes ~$50 million of charges in connection with the Angie's List transaction and the modification of certain equity awards.

Additional Q4/FY 2019 Observations

- *Match Group* – In Q4 we expect revenue of $545 to $555 million.
- *ANGI Homeservices* – In Q4 we expect Pro Forma Revenue growth of 20% (excluding Felix in the prior year period as Felix was sold on December 31, 2018); Pro Forma revenue excluding Felix in Q4 2018 was $271.3 million).
- *Vimeo* – In Q4 we expect 20-25% total revenue growth (reflecting the sale of the Hardware business and Magisto acquisition).
- *Dotdash* – In Q4 we expect revenue growth over 25%.
- *Applications* – In Q4 we expect revenue in excess of $120 million.
- *Emerging & Other* – In Q4 we expect revenue in excess of $120 million.

Appendix

Webcast and Conference Call Details

IAC executives will participate in the ANGI Homeservices quarterly conference call to answer questions regarding IAC on Thursday, November 7, 2019 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 3rd quarter 2019 press release, the investor relations section (quarterly earnings tab) of our website, Match Group's 3rd quarter 2019 press release and Match Group's related investor presentation.

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, November 7, 2019 (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, including the possibility of separating Match Group from IAC, IAC′s intentions with respect to its investment in ANGI Homeservices, 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, whether any agreement will be reached to proceed with a transaction, whether IAC will determine to proceed with any such transaction if an agreement can be reached, the final terms and conditions of any such transaction if such an agreement is reached, the costs and expected benefits of the proposed transaction, the expected timing of the transaction, whether any conditions to the transaction can be satisfied, the expected tax treatment of 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, our ability to adequately protect our intellectual property rights and not infringe the intellectual property rights of third parties and the determination of whether to proceed with the distribution transactions referenced above and risks related thereto. 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.