



IAC Q3 2024 Shareholder Letter

November 11, 2024

Dear Shareholders,

Our quarterly operating performance has now checked the short-term performance box for several quarters running. You'll find the story familiar: we're substantially growing cash flow, improving revenue (for some of our businesses in quantity, others in quality), and creating markedly better customer experiences. In aggregate, business is going well.

While we expect that pattern to continue, we can't count on that execution alone to lift the value of IAC's equity. Critical to delivering on our long-term promise of building businesses and creating value is our ability to reshape IAC's structure at key moments, catalyzing change in a way shareholders have come to expect.

We are again at one of those inflection points, and here's what we plan to do:

- We are exploring a spinoff of our 85% ownership in Angi to IAC shareholders, which would make Angi the 10th fully standalone public company to come from IAC;
- We have decided to report Care.com as a separate segment in our financials beginning with the fourth quarter of 2024 to showcase the earnings of the leading consumer marketplace for care – in the last twelve months, that was \$46 million of Adjusted EBITDA;
- In the event of an Angi spin, we will be a smaller IAC, and our corporate costs will need to reflect that. We'll be reviewing corporate costs with an Angi spin-off in mind;
- We will opportunistically analyze strategic sales of IAC businesses to simplify IAC and free up capital for better value creation, with the expectation that Dotdash Meredith ("DDM") and MGM would comprise the core of IAC should an Angi spin occur; and

- We will continue to actively evaluate new areas to deploy our capital, but attractively valued assets are not easy to acquire in this current market environment. We remain patient for the right opportunity, and the bar on new acquisitions remains high.

Of course, the most significant step outlined above, though perhaps not the most surprising, is the potential separation of Angi from IAC. In a consistent pattern of anti-conglomerating, Angi would join a long list of businesses built up over time and spun off by IAC. Strategically, operationally, and financially, Angi is now ready to stand separately with a more liquid equity currency and the ambition to win, while IAC continues to simplify and focus. I deeply believe in the breakout potential of the Angi business, and, while we haven't yet delivered it durably inside of IAC, our shareholders would be able to participate directly in Angi's bright future on its own. Plus, with increased liquidity in the stock, we expect Angi to have a more attractive currency to optimize its business – whether for category consolidation, capital formation, or employee compensation.

Angi

We acquired Angie's List seven years ago, combining two powerful forces in the home services industry — Angie's List and HomeAdvisor — to go after what today is a \$650 billion market opportunity. Over time, we unified a patchwork of businesses into a singular, modern brand — Angi — combining the rich history of Angie's List with the promise of a new digital-first era of home care. We expanded and innovated our product for both Pros and homeowners, built a growing international business, and today offer the most comprehensive solution on the market. While we are clear-eyed about the challenges of serving these local customers globally, the business today is healthy, profitable, and on a path to resume revenue growth.

Jeff Kip took over the CEO role at Angi earlier this year and accelerated the company's execution with experience, talent, and greater focus, exactly as we had hoped. We have long held the broad capability to serve most customers in the category through a range of products we built or acquired, but Jeff and team are now turning those capabilities into one consistent customer experience, on one powerful platform, with absolute clarity of purpose: Jobs Done Well. And it's resonating. In Q3, Pro retention at six months was up 14% year-over-year and homeowner Net Promoter Score was up nearly 60% year-over-year. Prioritizing Pro and homeowner satisfaction and eliminating wasted spend drives more than just retention and word-of-mouth — it also drives better margins.

Adjusted EBITDA margins in Q3 were up 400 basis points year-over-year. We have real operating momentum. Eventually, revenue should follow.

In the meantime, we still have some (relatively) easy upside on customer experience and margins as we migrate all our Pros to a single product and platform. The company has maintained both the Ads Pro product and the Leads Pro product, reflecting the Angie's List and HomeAdvisor legacies, respectively. Though two platforms preserved a consistent product experience for existing customers, using two different salesforces to sell two different products to the same customers for the same purpose is no way to run a railroad. We have been testing consolidating a single Pro product which retains the key elements of both legacy products – the tighter matching offered with Leads and the predictably steady subscription commitment from Ads. Seeing favorable test results, we've accelerated our pace towards selling the new single product with an expanding segment of our sales force and migrating Pros to a single platform. This move is a cornerstone for Jobs Done Well, operating efficiency, and Angi's return to profitable growth.

We are also delivering better Pro matches to our homeowners to get more Jobs Done Well. We have rebuilt our homeowner Q&A technology with an AI engine that we will begin testing by the end of the month. Our goal is to ask homeowners fewer and better questions to make sure we have the task details to match the right Pros – jobs only get done well if the right match is made. We are also putting more control in the hands of homeowners – whether that means allowing homeowners to proactively choose the list of Pros to bid on a job, more precisely dictating communication preferences, or holding our marketing channels to a higher standard of customer satisfaction. We believe that putting choice and control in the hands of homeowners is the best path to drive repeat business and positive word-of-mouth. We will continue to invest in tradeoffs to elevate the customer experience, just as we did in Europe, which positioned that business to achieve 15% revenue growth over the last year at nearly 15% Adjusted EBITDA margins.

Finally, we are running the business much more efficiently, especially in marketing. Our paid marketing channel profit has been growing all year and was up 28% in the third quarter. Our Angi.com SEO returned to year-on-year profit growth in October and, while legacy HomeAdvisor.com traffic remains a drag, we are looking ahead to a return to aggregate volume growth in the channel. Our sales efficiency has also continued to improve. The value of new Pro

accounts sold relative to the cost of those sales (often referred to as the ratio of Lifetime Value to Customer Acquisition Costs or “LTV to CAC”) improved 16% year-over-year in the third quarter. We have expanded the total margin for revenue net of variable marketing and sales expenses (a measure we use internally to assess the efficiency of our profit growth engine) year-over-year for 10 straight quarters and expect another in the fourth quarter.

With the considerable progress made and developments on the horizon, we have real upside in the business. Angi’s economic foundation continues to strengthen, and we suspect that Angi’s best shot at realizing that upside to the benefit of our shareholders may be as a standalone company.

Dotdash Meredith

DDM produced its best quarter of revenue growth since the merger, advancing its leadership among digital publishers. Digital revenue grew 16% year-over-year in Q3 with both traffic and advertising monetization up double digits. The good news and bad news of delivering growth steadily for over a year is the comparisons start to get harder, but we are continuing to grow healthily and, we believe, outpace competitors.

On the traffic front, Core Sessions grew 14%, and Total Sessions were positive for the first time since the Meredith acquisition. Our Entertainment, Food, and Health categories were particularly strong, with PEOPLE, Allrecipes, and Health leading the way, offsetting secular weakness in our Home properties. Diversifying our traffic sources has been a major point of focus and the momentum is excellent. Sources of engagement were all strong, with a growing audience accessing our brands across direct traffic, search, email, social and AppleNews+. We continue to track the impact of Google’s AI Overviews on engagement and saw no significant changes: AI answers appeared in roughly 20% of DDM’s relevant searches in the quarter and the impact on overall traffic remained minimal, but we remain vigilant on protecting our intellectual property.

Both premium sales and programmatic monetization were excellent in the quarter, driven by the scale of DDM’s platform, the performance of our inventory, and the grit of our sales team. Though Performance Marketing declined 7% in the quarter with some softness in consumer finance categories, we expect our commerce business will push a return to growth in Q4.

D/Cipher continues to be a differentiating tool for DDM, and advertisers are responding with more spend at higher prices. Approximately half of our total digital advertising revenue comes from advance contractual commitments between DDM and premium advertisers (the remainder is purchased by advertisers without an advanced commitment, either directly from DDM in real-time or programmatically). That advertising revenue with upfront commitments is where we offer D/Cipher to advertisers today, and a little over half of that committed revenue comes from campaigns that include D/Cipher. In Q3, revenue from the cohort of advertisers whose buys include D/Cipher targeting grew 5x faster and the average deal size was 54% larger than the cohort of potential advertisers that did not use D/Cipher.

Naturally, we are working to extend D/Cipher's targeting capability to both the rest of DDM's advertising offerings and third-party sites across the entire open web. To this end, the integration of D/Cipher with OpenAI is now complete. OpenAI-powered D/Cipher leverages the data and intent signals gained from tens of millions of daily visits to our 40+ iconic brands and now allows us to very quickly identify and match that same intent at scale across the broader Internet. We believe this capability will generate additional revenue growth for us in 2025.

The election and politics took up most of the consumer's attention in October (we don't accept political ads), with some advertisers holding spend until the election passed, so growth will slow a bit in the fourth quarter. But we've already begun to see traffic and advertisers return, and we expect solid growth during November and December. For the fourth quarter, we still expect mid to high single-digit Digital revenue growth with 40% incremental margins. That should put us comfortably within our expected range of \$290-\$310 million of Adjusted EBITDA for the year.

IAC

The table below, outlining the value of our publicly-traded securities and cash net of debt, suggests a value of slightly *below* zero for all of IAC's private holdings, which include DDM, Search, Care.com, Vivian and 32% of Turo, among other assets:

Today's Market Value	
	<i>(billions except per share)</i>
IAC Share Price	\$53.46
Shares Outstanding (millions)	84
Equity Value	\$4.5
Less: ANGI Stake (@ \$2.51/sh)	(\$1.1)
Less: MGM Stake (@ \$36.69/sh)	(\$2.4)
Less: Q3' 24 IAC Cash (excl. Angi/DDM cash and debt)	(\$1.1)
Implied ex-Angi, ex-MGM Enterprise Value	(\$0.0)

I'd acknowledge a wide theoretical range on how to value IAC's private holdings, but I'm certain that any reasonable number has to be meaningfully above the current less-than-zero. Our embedded discount today is simply too big.

This is not a new story. Because IAC has always comprised multiple businesses and an unallocated pool of capital for new or existing opportunities, we've generally traded at a discount to the sum of our parts. Each of our businesses, therefore, constitutes a unique embedded option to reduce some of that discount through IAC selling, spinning, or merging it into something else at a higher valuation than implied by our stock price. The market typically doesn't value these options much until they're close to exercise. Therefore, many of these options are "in-the-money" in the sense that, upon flying the IAC nest, the discount applied by the market to a business during its time within IAC is removed, and the benefit of removing that discount accrues to all IAC shareholders (as well as to IAC and the separated business). The bigger the discount at IAC, the more the option to sell or spin a business is in-the-money.

With the spin of Angi, we would effectively exercise an option, as we have throughout our history, giving Angi a more liquid currency and distinct shareholder base to pursue its ambitions. While we suspect now is the time to exercise the Angi option, all options are on the table as we work to reduce the discount, start a familiar cycle anew, and build IAC's future with simplicity and focus.

Sincerely,

Joey Levin, CEO

Full Year 2024 Outlook

Please find below our full year 2024 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:

<i>(in millions)</i>	FY 2024 Outlook
<i>Adjusted EBITDA</i>	
Dotdash Meredith	\$290-\$310
Angi Inc.	140-145
Search	15-20
Emerging & Other (a)	5-15
Corporate (b)	(95-90)
Total	\$355-\$400
Stock-based compensation expense	(120-110)
Depreciation	(130-120)
Amortization of intangibles	(145-135)
Total Operating (loss) income	(\$40)-\$35

(a) Includes \$16 million in severance and transaction-related costs at Mosaic Group and \$9.5 million at Care.com in legal accruals related to the resolution of certain legal matters.

(b) Includes \$10 million from a favorable legal settlement.

Additional Q4/FY 2024 Observations

- *Dotdash Meredith* – In Q4 we expect mid to high single-digit Digital revenue growth and incremental Digital Adjusted EBITDA margins of 40%. We expect Print Adjusted EBITDA profits to exceed Corporate Adjusted EBITDA losses.
- *Angi* – In Q4 we expect revenue declines comparable to Q3 2024.
- *Search* – In Q4 we expect revenue of \$85-\$90 million.
- *Emerging & Other* – In Q4 we expect revenue of \$105-\$110 million.

Non-GAAP Financial Measures

This letter contains references to certain non-GAAP measures, including Adjusted EBITDA. These non-GAAP measures should be considered in conjunction with, but not as a substitute for, financial information presented in accordance with GAAP. Please refer to our Q3 2024 Earnings Release furnished on form 8-K on November 12, 2024 for a complete reconciliation of operating (loss) income to Adjusted EBITDA.

Care.com Trailing Twelve Months Operating Income to Adjusted EBITDA Reconciliation:

<i>(\$ in millions)</i>	TTM
	9/30/2024
Operating income (a)	\$ 34
Depreciation	5
Amortization of intangibles	6
Adjusted EBITDA (a)	\$ 46

(a) Operating income and Adjusted EBITDA reduced by \$9.5 million legal accruals recognized in Q2 2024 related to the resolution of certain legal matters.

Webcast and Conference Call Details

IAC and Angi Inc. will host a joint conference call to answer questions on November 12, 2024 at 8:30 a.m. Eastern Time. The conference call will be open to the public at ir.iac.com or ir.angi.com. This letter will not be read on the call.

Cautionary Statement Regarding Forward-Looking Information

This letter and the conference call, which will be held at 8:30 a.m. Eastern Time on Wednesday, November 12, 2024, 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: the future financial performance of IAC and its businesses, business prospects and strategy, the contemplated Angi spin 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: (i) our ability to market our products and services in a successful and cost-effective manner, (ii) the display prominence of links to websites offering our products and services in search results, (iii) changes in our relationship with (or policies implemented by) Google, (iv) our ability to compete with generative artificial intelligence technology and the related disruption to marketing technologies, (v) the failure or delay of the markets and industries in which our businesses operate to migrate online and the continued growth and acceptance of online products and services as effective alternatives to traditional products and services, (vi) our continued ability to develop and monetize versions of our products and services for mobile and other digital devices, (vii) unstable market and economic conditions (particularly those that adversely impact advertising spending levels and consumer confidence and spending behavior), either generally and/or in any of the markets in which our businesses operate, as well as geopolitical conflicts, (viii) the ability of our Digital business to successfully expand the digital reach of our portfolio of publishing brands, (ix) our continued ability to market, distribute and monetize our products and services through search engines, digital app stores, advertising networks and social media platforms, (x) risks related to our Print business (declining revenue, increased paper and postage costs, reliance on a single supplier to print our magazines

and potential increases in pension plan obligations), (xi) our ability to establish and maintain relationships with quality and trustworthy professionals and caregivers, (xii) the ability of Angi Inc. to expand its pre-priced offerings, while balancing the overall mix of service requests and directory services on Angi platforms, (xiii) the ability of Angi Inc. to continue to generate leads for professionals given changing requirements applicable to certain communications with consumers, (xiv) our ability to access, collect, use and protect the personal data of our users and subscribers, (xv) our ability to engage directly with users, subscribers, consumers, professionals and caregivers on a timely basis, (xvi) the ability of our Chairman and Senior Executive, certain members of his family and our Chief Executive Officer to exercise significant influence over the composition of our board of directors, matters subject to stockholder approval and our operations, (xvii) risks related to our liquidity and indebtedness (the impact of our indebtedness on our ability to operate our business, our ability to generate sufficient cash to service our indebtedness and interest rate risk), (xviii) our inability to freely access the cash of Dotdash Meredith and /or Angi Inc. and their respective subsidiaries, (xix) dilution with respect to investments in IAC and Angi Inc., (xx) our ability to compete, (xxi) our ability to build, maintain and/or enhance our various brands, (xxii) our ability to protect our systems, technology and infrastructure from cyberattacks (including cyberattacks experienced by third parties with whom we do business), (xxiii) the occurrence of data security breaches and/or fraud, (xxiv) increased liabilities and costs related to the processing, storage, use and disclosure of personal and confidential user information, (xxv) the integrity, quality, efficiency and scalability of our systems, technology and infrastructure (and those of third parties with whom we do business), (xxvi) changes in key personnel, and (xxvii) matters relating to the evaluation of a separation of IAC's ownership interest in Angi Inc., including whether such a separation will be completed, and if so the timing and terms of any such separation. Certain of these and other risks and uncertainties are described in IAC's filings with the Securities and Exchange Commission (the "SEC"), including the most recent Annual Report on Form 10-K filed with the SEC on February 29, 2024, and subsequent reports that IAC files with the SEC. 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. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed in any forward-looking statements we may make. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this letter.