Financial Overview for IAC's Q1 2014 Quarterly Earnings Call

Set forth below are IAC management's notes for the financial overview portion of IAC's Q1 2014 conference call held on April 30, 2014. Actual remarks made on the call may vary. A replay of the entire conference call will be available on IAC's website at http://ir.iac.com/results.cfm until 12:30 PM on May 14, 2014. Management discussed certain non-GAAP measures. Please see IAC's press release issued on April 30, 2014 and the Investor Relations section of IAC's website for all comparable GAAP measures and full reconciliations for all material non-GAAP measures.

Safe Harbor

The below contains "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipates," "estimates," "expects," "intends," "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, IAC's business prospects and strategy, anticipated trends and prospects in the industries in which IAC's businesses operate and other similar matters. These forward looking statements are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Actual results could differ materially from those contained in these forward looking statements for a variety of reasons, including, among others: changes in senior management at IAC and/or its businesses, changes in our relationship with, or policies implemented by Google, adverse changes in economic conditions, either generally or in any of the markets in which IAC's businesses operate, adverse trends in the online advertising industry or the advertising industry generally, our ability to convert visitors to our various websites into users and customers, our ability to offer new or alternative products and services in a cost-effective manner and consumer acceptance of these products and services, operational and financial risks relating to acquisitions, changes in industry standards and technology, our ability to expand successfully into international markets and regulatory changes. 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 management as of April 30, 2014. IAC does not undertake to update these forward-looking statements.

* * * * *

Financial Overview – Jeff Kip

In the first quarter, on a consolidated basis, IAC earned revenues of $740 million and EBITDA of $108 million, about flat and down (15)%, respectively, from the 1st quarter last year.

Taking the segments one by one, in the 1st quarter, The Match Group's revenues increased nearly 10% and the segment's EBITDA decreased (1)% versus the prior year, although segment EBITDA growth was impacted by $(11) of losses this year in our investment businesses – Tutor, DailyBurn, and Tinder –versus approximately $(3)

million last year, as well as a positive $3.9 million adjustment for VAT taxes this year. Excluding those impacts, segment EBITDA would be up mid-single digits over last year and dating EBITDA by itself would be up as well.

- We expect The Match Group's revenue growth to be modestly higher in Q2 than Q1, with EBITDA growth mid-single digits after taking into account high single digits millions of investment in Tutor, DailyBurn, and Tinder during the quarter.
- For the full year 2014, revenue and EBITDA growth will accelerate from 2013 for both The Match Group in total and the dating business by itself, even at expanded levels of investment for Tutor and DailyBurn within the Group and significant expansion of investment at Tinder within the dating business. In terms of overall investment levels, which could change, we are currently expecting to expand investment to roughly $25 to $30 million in 2014 across Tutor, DailyBurn, and Tinder combined.

The Search & Applications segment had a solid 1st quarter, growing revenue sequentially on both an as reported and an organic basis. Growth was driven by the Websites business – the Applications business was about flat sequentially. Adjusted EBITDA margin was down approximately 400 basis points in the segment from 1st quarter 2013, primarily driven by significant marketing spend in the B2C business, which will be ROI positive for the year.

- Our full year outlook for 2014 remains the same for Websites – mid-single digit sequential growth in revenue each quarter, resulting in modest growth for the year.
- Our Applications outlook has changed somewhat, however, based
  - First, on some softness in the business – we expected to be modestly up sequentially in the first quarter, and we were flattish, and
  - Secondly, on the accounting impacts from the acquisition of Slimware, a small but rapidly growing PC software subscription business which Joey will discuss in more detail shortly. We purchased Slimware for a low single digit multiple of actual cash flow – the deal is accretive on a cash basis. However, the deal has two accounting impacts which will make the deal mid-single digits percent dilutive to Search & Applications EBITDA in 2014. The majority of dilution is is purely an M&A accounting impact and not reflective of the company's ongoing profitability on either a cash or an accounting basis. The remainder of the dilution is the impact of deferring the subscription revenue over the subscription's life, which at this stage of the company's growth turns positive operating cash flow into a negative impact to EBITDA.
- We now expect that Search & Applications will see flat to modest revenue growth this year, and that, although free cash flow will benefit from the Slimware deal, EBITDA will be modestly down year over year given the Slimware accounting impacts and the softness in the Applications business. In the second quarter we expect modest sequential revenue growth and flattish margins for the segment—flattish to the first quarter.

Media and eCommerce revenue together fell (14)% year-over-year; excluding Newsweek and CityGrid, the segments together grew 6%, driven by growth at Vimeo first and also at HomeAdvisor.

- EBITDA in the two segments combined was $(5.1) million, a significant improvement from the 1st quarter of 2013 if we exclude one-time related to the closure of Newsweek print.

- In the second quarter, we expect about $160 million of revenue from the two segments and a few million in EBITDA losses, and for the year we expect mid-single digits growth in revenue – high teens excluding Newsweek and CityGrid – and low double digits millions in EBITDA losses, driven primarily by expanded investment in marketing and mobile product at Vimeo.