

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

**FORM 10-Q**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Quarterly Period Ended September 30, 2021**  
**Or**  
 **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**  
**Commission File No. 001-39356**



**IAC/INTERACTIVECORP**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**84-3727412**  
(I.R.S. Employer Identification No.)

**555 West 18th Street, New York, New York 10011**  
(Address of registrant's principal executive offices)  
**(212) 314-7300**  
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common stock, par value \$0.0001	IAC	The Nasdaq Stock Market LLC

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

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 29, 2021, the following shares of the registrant's common stock were outstanding:

Common Stock	83,777,441
Class B common stock	5,789,499
<b>Total</b>	<b>89,566,940</b>

## TABLE OF CONTENTS

	<u>Page Number</u>
<b><u>PART I</u></b>	
<u>Item 1.</u>	<u>3</u>
<u>Consolidated and Combined Financial Statements</u>	<u>3</u>
<u>Consolidated Balance Sheet</u>	<u>3</u>
<u>Consolidated and Combined Statement of Operations</u>	<u>4</u>
<u>Consolidated and Combined Statement of Comprehensive Operations</u>	<u>5</u>
<u>Consolidated Statement of Shareholders' Equity</u>	<u>6</u>
<u>Combined Statement of Parent's Equity and Consolidated Statement of Shareholders' Equity</u>	<u>7</u>
<u>Consolidated and Combined Statement of Cash Flows</u>	<u>8</u>
<u>Note 1—The Company and Summary of Significant Accounting Policies</u>	<u>9</u>
<u>Note 2—Income Taxes</u>	<u>14</u>
<u>Note 3—Discontinued Operations</u>	<u>16</u>
<u>Note 4—Business Combination</u>	<u>17</u>
<u>Note 5—Financial Instruments and Fair Value Measurements</u>	<u>18</u>
<u>Note 6—Long-term Debt</u>	<u>24</u>
<u>Note 7—Accumulated Other Comprehensive Income (Loss)</u>	<u>25</u>
<u>Note 8—Earnings (Loss) Per Share</u>	<u>26</u>
<u>Note 9—Segment Information</u>	<u>28</u>
<u>Note 10—Financial Statement Details</u>	<u>34</u>
<u>Note 11—Contingencies</u>	<u>36</u>
<u>Note 12—Related Party Transactions</u>	<u>38</u>
<u>Item 2.</u>	<u>41</u>
<u>Item 3.</u>	<u>66</u>
<u>Item 4.</u>	<u>67</u>
<b><u>PART II</u></b>	
<u>Item 1.</u>	<u>68</u>
<u>Item 1A.</u>	<u>70</u>
<u>Item 2.</u>	<u>72</u>
<u>Item 6.</u>	<u>73</u>
<u>Signatures</u>	<u>76</u>

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**PART I**  
**FINANCIAL INFORMATION**

**Item 1. Consolidated and Combined Financial Statements**

**IAC/INTERACTIVECORP AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET**

(Unaudited)

	September 30, 2021	December 31, 2020
	(In thousands, except par value amounts)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,404,913	\$ 3,366,176
Marketable securities	26,794	224,979
Accounts receivable, net	322,757	257,668
Other current assets	158,164	140,022
Current assets of discontinued operations	—	130,477
Total current assets	3,912,628	4,119,322
Building, capitalized software, leasehold improvements and equipment, net	289,794	274,930
Goodwill	1,659,808	1,660,102
Intangible assets, net	350,105	394,986
Investment in MGM Resorts International	2,547,313	1,860,158
Long-term investments	328,090	297,643
Other non-current assets	339,987	288,021
Non-current assets of discontinued operations	—	266,547
<b>TOTAL ASSETS</b>	<b>\$ 9,427,725</b>	<b>\$ 9,161,709</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable, trade	\$ 117,892	\$ 88,849
Deferred revenue	172,683	137,658
Accrued expenses and other current liabilities	458,061	340,406
Current liabilities of discontinued operations	—	183,988
Total current liabilities	748,636	750,901
Long-term debt, net	494,373	712,277
Income taxes payable	292	6,444
Deferred income taxes	178,388	78,789
Other long-term liabilities	203,809	227,406
Non-current liabilities of discontinued operations	—	2,972
Redeemable noncontrolling interests	26,084	231,992
Commitments and contingencies		
<b>SHAREHOLDERS' EQUITY:</b>		
Common Stock, \$0.0001 par value; authorized 1,600,000 shares; 8,352 issued and outstanding at September 30, 2021	8	—
Class B common stock, \$0.0001 par value; authorized 400,000 shares; 579 issued and outstanding at September 30, 2021	1	—
Common Stock, \$0.001 par value; authorized 1,600,000 shares; 82,976 shares issued and outstanding at December 31, 2020	—	83
Class B common stock, \$0.001 par value; authorized 400,000 shares; 5,789 shares issued and outstanding at December 31, 2020	—	6
Additional paid-in-capital	6,312,370	5,909,614
Retained earnings	892,179	694,042
Accumulated other comprehensive income (loss)	4,627	(6,170)
Total IAC shareholders' equity	7,209,185	6,597,575
Noncontrolling interests	566,958	553,353
Total shareholders' equity	7,776,143	7,150,928
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 9,427,725</b>	<b>\$ 9,161,709</b>

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

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands, except per share data)			
Revenue	\$ 924,068	\$ 713,248	\$ 2,540,185	\$ 1,999,491
Operating costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	331,384	184,888	802,408	501,854
Selling and marketing expense	348,187	315,220	1,001,760	881,382
General and administrative expense	183,299	158,286	521,170	551,356
Product development expense	61,403	51,725	183,929	145,175
Depreciation	17,795	18,647	54,093	50,583
Amortization of intangibles	14,067	53,538	44,542	119,562
Goodwill impairment	—	53,173	—	265,146
Total operating costs and expenses	956,135	835,477	2,607,902	2,515,058
Operating loss	(32,067)	(122,229)	(67,717)	(515,567)
Interest expense	(6,032)	(5,807)	(18,463)	(9,579)
Unrealized gain on investment in MGM Resorts International	29,517	289,097	687,155	264,379
Other income (expense), net	79,539	1,602	133,388	(52,475)
Earnings (loss) from continuing operations before income taxes	70,957	162,663	734,363	(313,242)
Income tax (provision) benefit	(9,910)	25,060	(151,046)	96,440
<b>Net earnings (loss) from continuing operations</b>	<b>61,047</b>	<b>187,723</b>	<b>583,317</b>	<b>(216,802)</b>
Loss from discontinued operations, net of tax	—	(1,862)	(1,831)	(21,972)
<b>Net earnings (loss)</b>	<b>61,047</b>	<b>185,861</b>	<b>581,486</b>	<b>(238,774)</b>
Net (earnings) loss attributable to noncontrolling interests	(357)	(944)	3,089	(625)
<b>Net earnings (loss) attributable to IAC shareholders</b>	<b>\$ 60,690</b>	<b>\$ 184,917</b>	<b>\$ 584,575</b>	<b>\$ (239,399)</b>
<b>Per share information from continuing operations:</b>				
Basic earnings (loss) per share	\$ 0.68	\$ 2.19	\$ 6.58	\$ (2.55)
Diluted earnings (loss) per share	\$ 0.65	\$ 2.06	\$ 6.16	\$ (2.55)
<b>Per share information attributable to IAC Common Stock and Class B common stock shareholders:</b>				
Basic earnings (loss) per share	\$ 0.68	\$ 2.17	\$ 6.56	\$ (2.81)
Diluted earnings (loss) per share	\$ 0.65	\$ 2.04	\$ 6.14	\$ (2.81)
<b>Stock-based compensation expense by function:</b>				
Cost of revenue	\$ 18	\$ 8	\$ 52	\$ 111
Selling and marketing expense	1,449	2,467	3,766	4,543
General and administrative expense	11,762	24,385	48,695	132,536
Product development expense	2,209	1,761	5,291	4,671
Total stock-based compensation expense	\$ 15,438	\$ 28,621	\$ 57,804	\$ 141,861

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

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**CONSOLIDATED AND COMBINED STATEMENT OF COMPREHENSIVE OPERATIONS**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Net earnings (loss)	\$ 61,047	\$ 185,861	\$ 581,486	\$ (238,774)
Other comprehensive (loss) income, net of income taxes:				
Change in foreign currency translation adjustment	(1,560)	3,513	11,260	1,049
Change in unrealized gains and losses on available-for-sale marketable debt securities	—	4	(2)	3
Total other comprehensive (loss) income, net of income taxes	(1,560)	3,517	11,258	1,052
Comprehensive income (loss), net of income taxes	59,487	189,378	592,744	(237,722)
Components of comprehensive loss (income) attributable to noncontrolling interests:				
Net (earnings) loss attributable to noncontrolling interests	(357)	(944)	3,089	(625)
Change in foreign currency translation adjustment attributable to noncontrolling interests	477	(1,565)	(474)	(608)
Comprehensive loss (income) attributable to noncontrolling interests	120	(2,509)	2,615	(1,233)
Comprehensive income (loss) attributable to IAC shareholders	\$ 59,607	\$ 186,869	\$ 595,359	\$ (238,955)

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

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**Three and nine months ended September 30, 2021**  
**(Unaudited)**

	Redeemable Noncontrolling Interests	IAC Shareholders' Equity													
		Common Stock, \$0.0001 par value		Class B common stock, \$0.0001 par value		Common Stock, \$0.001 par value		Class B common stock, \$0.001 par value		Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total IAC Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
		\$	Shares	\$	Shares	\$	Shares	\$	Shares						
(In thousands)															
<b>Balance as of June 30, 2021</b>	\$ 24,193	\$ 8	8,344	\$ 1	579	\$ —	—	\$ —	—	\$ 6,341,667	\$ 831,489	\$ 5,686	\$ 7,178,851	\$ 566,297	\$ 7,745,148
Net earnings (loss)	2,778	—	—	—	—	—	—	—	—	60,690	—	—	60,690	(2,421)	58,269
Other comprehensive loss, net of income taxes	(74)	—	—	—	—	—	—	—	—	—	(1,083)	(1,083)	(1,083)	(403)	(1,486)
Stock-based compensation expense	—	—	—	—	—	—	—	—	6,626	—	—	—	6,626	8,816	15,442
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	—	8	—	—	—	—	—	(8,792)	—	—	—	(8,792)	—	(8,792)
Issuance of Angi Inc. common stock pursuant to stock-based awards, net of withholding taxes	—	—	—	—	—	—	—	—	4,081	—	24	4,105	(5,171)	(1,066)	
Purchase of Angi Inc. treasury stock	—	—	—	—	—	—	—	—	(29,766)	—	—	(29,766)	—	(29,766)	
Distribution to and purchase of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(570)	(570)
Adjustment of noncontrolling interests to fair value	1,061	—	—	—	—	—	—	—	(1,061)	—	—	(1,061)	—	(1,061)	
Other	(1,874)	—	—	—	—	—	—	—	(385)	—	—	(385)	410	25	
<b>Balance as of September 30, 2021</b>	<b>\$ 26,084</b>	<b>\$ 8</b>	<b>8,352</b>	<b>\$ 1</b>	<b>579</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ 6,312,370</b>	<b>\$ 892,179</b>	<b>\$ 4,627</b>	<b>\$ 7,209,185</b>	<b>\$ 566,958</b>	<b>\$ 7,776,143</b>
<b>Balance as of December 31, 2020</b>	<b>\$ 231,992</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ 83</b>	<b>82,976</b>	<b>\$ 6</b>	<b>5,789</b>	<b>\$ 5,909,614</b>	<b>\$ 694,042</b>	<b>\$ (6,170)</b>	<b>\$ 6,597,575</b>	<b>\$ 553,353</b>	<b>\$ 7,150,928</b>
Net earnings (loss)	3,487	—	—	—	—	—	—	—	—	584,575	—	—	584,575	(6,576)	577,999
Other comprehensive income (loss), net of income taxes	515	—	—	—	—	—	—	—	—	—	10,746	10,746	(41)	10,705	
Stock-based compensation expense	—	—	—	—	—	—	—	—	45,914	—	—	45,914	22,836	68,750	
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	—	16	—	—	—	382	—	(37,866)	—	—	(37,866)	—	(37,866)	
Issuance of Angi Inc. common stock pursuant to stock-based awards, net of withholding taxes	—	—	—	—	—	—	—	—	(53,366)	—	13	(53,353)	(2,454)	(55,807)	
Purchase of Angi Inc. treasury stock	—	—	—	—	—	—	—	—	(35,403)	—	—	(35,403)	—	(35,403)	
Issuance of Vimeo common stock and creation of noncontrolling interests, net of fees	40,785	—	—	—	—	—	—	—	258,965	—	—	258,965	—	258,965	
Distribution to and purchase of noncontrolling interests	(24,085)	—	—	—	—	—	—	—	—	—	—	—	—	(570)	(570)
Adjustment of noncontrolling interests to fair value	777,592	—	—	—	—	—	—	—	(777,592)	—	—	(777,592)	—	(777,592)	
Recapitalization of IAC upon Vimeo spin-off	—	8	8,336	1	579	(83)	(83,358)	(6)	(5,789)	80	—	—	—	—	
Spin-off of IAC's investment in Vimeo	—	—	—	—	—	—	—	—	(38)	(386,438)	38	(386,438)	—	(386,438)	
Elimination of Vimeo noncontrolling interest	(1,002,324)	—	—	—	—	—	—	—	1,002,324	—	—	1,002,324	—	1,002,324	
Other	(1,878)	—	—	—	—	—	—	—	(262)	—	—	(262)	410	148	
<b>Balance as of September 30, 2021</b>	<b>\$ 26,084</b>	<b>\$ 8</b>	<b>8,352</b>	<b>\$ 1</b>	<b>579</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ 6,312,370</b>	<b>\$ 892,179</b>	<b>\$ 4,627</b>	<b>\$ 7,209,185</b>	<b>\$ 566,958</b>	<b>\$ 7,776,143</b>

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

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**COMBINED STATEMENT OF PARENT'S EQUITY AND CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**Three and nine months ended September 30, 2020**  
**(Unaudited)**

	Redeemable Noncontrolling Interests	IAC Shareholders' Equity										
		Common Stock \$0.001 par value		Class B common stock, \$0.001 par value		Additional Paid-in-Capital	Retained Earnings	Invested Capital	Accumulated Other Comprehensive Loss	Total IAC Invested Equity and Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
		\$	Shares	\$	Shares							
(In thousands)												
<b>Balance as of June 30, 2020</b>	\$ 43,583	\$ 79	79,343	\$ 6	5,789	\$ 4,661,231	\$ —	\$ —	\$ (13,781)	\$ 4,647,535	\$ 498,792	\$ 5,146,327
Net (loss) earnings	(30)	—	—	—	—	—	184,917	—	—	184,917	974	185,891
Other comprehensive income, net of income taxes	920	—	—	—	—	—	—	—	1,952	1,952	645	2,597
Stock-based compensation expense	—	—	—	—	—	20,865	—	—	—	20,865	13,846	34,711
Adjustment of redeemable noncontrolling interests to fair value	(243)	—	—	—	—	243	—	—	—	243	—	243
Issuance of Angi Inc. common stock pursuant to stock-based awards, net of withholding taxes	—	—	—	—	—	(46,336)	—	—	11	(46,325)	7,855	(38,470)
Proceeds from the sale of Old IAC Class M common stock	—	—	—	—	—	1,408,298	—	—	—	1,408,298	—	1,408,298
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	1	206	—	—	(22,654)	—	—	—	(22,653)	—	(22,653)
Purchase of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(1,115)	(1,115)
Other	(66)	—	—	—	—	(602)	—	—	—	(602)	690	88
<b>Balance as of September 30, 2020</b>	<u>\$ 44,164</u>	<u>\$ 80</u>	<u>79,549</u>	<u>\$ 6</u>	<u>5,789</u>	<u>\$ 6,021,045</u>	<u>\$ 184,917</u>	<u>\$ —</u>	<u>\$ (11,818)</u>	<u>\$ 6,194,230</u>	<u>\$ 521,687</u>	<u>\$ 6,715,917</u>
<b>Balance as of December 31, 2019</b>	\$ 43,818	\$ —	—	\$ —	—	\$ —	\$ —	\$ 2,547,251	\$ (12,226)	\$ 2,535,025	\$ 470,121	\$ 3,005,146
Net (loss) earnings	(1,235)	—	—	—	—	—	184,917	(424,316)	—	(239,399)	1,860	(237,539)
Other comprehensive income, net of income taxes	233	—	—	—	—	—	—	—	444	444	375	819
Stock-based compensation expense	15	—	—	—	—	20,865	—	72,891	—	93,756	54,664	148,420
Purchase of redeemable noncontrolling interests	(3,165)	—	—	—	—	—	—	—	—	—	—	—
Adjustment of redeemable noncontrolling interests to fair value	4,564	—	—	—	—	243	—	(4,807)	—	(4,564)	—	(4,564)
Issuance of Angi Inc. common stock pursuant to stock-based awards, net of withholding taxes	—	—	—	—	—	(46,336)	—	1,248	(36)	(45,124)	(4,908)	(50,032)
Purchase of Angi Inc. treasury stock	—	—	—	—	—	—	—	(54,859)	—	(54,859)	—	(54,859)
Net increase in Old IAC's investment in the Company prior to the Separation	—	—	—	—	—	—	—	1,685,995	—	1,685,995	—	1,685,995
Cash merger consideration paid by Old IAC in connection with the Separation	—	—	—	—	—	—	—	837,913	—	837,913	—	837,913
Capitalization as a result of the Separation	—	79	79,343	6	5,789	4,661,231	—	(4,661,316)	—	—	—	—
Proceeds from the sale of Old IAC Class M common stock	—	—	—	—	—	1,408,298	—	—	—	1,408,298	—	1,408,298
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	1	206	—	—	(22,654)	—	—	—	(22,653)	—	(22,653)
Purchase of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(1,115)	(1,115)
Other	(66)	—	—	—	—	(602)	—	—	—	(602)	690	88
<b>Balance as of September 30, 2020</b>	<u>\$ 44,164</u>	<u>\$ 80</u>	<u>79,549</u>	<u>\$ 6</u>	<u>5,789</u>	<u>\$ 6,021,045</u>	<u>\$ 184,917</u>	<u>\$ —</u>	<u>\$ (11,818)</u>	<u>\$ 6,194,230</u>	<u>\$ 521,687</u>	<u>\$ 6,715,917</u>

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

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS**  
**(Unaudited)**

	Nine Months Ended September 30,	
	2021	2020
(In thousands)		
<b>Cash flows from operating activities attributable to continuing operations:</b>		
Net earnings (loss)	\$ 581,486	\$ (238,774)
Less: Loss from discontinued operations, net of tax	(1,831)	(21,972)
<b>Net earnings (loss) from continuing operations</b>	<b>583,317</b>	<b>(216,802)</b>
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities attributable to continuing operations:		
Stock-based compensation expense	57,804	141,861
Amortization of intangibles	44,542	119,562
Depreciation	54,093	50,583
Provision for credit losses	66,428	61,049
Goodwill impairment	—	265,146
Deferred income taxes	150,617	(72,354)
Unrealized gain on investment in MGM Resorts International	(687,155)	(264,379)
(Gains) losses on investments in equity securities, net	(44,963)	48,785
Unrealized (increase) decrease in the estimated fair value of a warrant	(102,331)	3,747
Non-cash lease expense (including right-of-use asset impairments)	24,497	18,043
Other adjustments, net	41,278	13,195
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	(114,645)	(82,792)
Other assets	19,001	(20,275)
Accounts payable and other liabilities	83,243	47,266
Income taxes payable and receivable	(6,037)	(2,738)
Deferred revenue	39,940	31,335
<b>Net cash provided by operating activities attributable to continuing operations</b>	<b>209,629</b>	<b>141,232</b>
<b>Cash flows from investing activities attributable to continuing operations:</b>		
Acquisitions, net of cash acquired	(25,364)	(529,273)
Capital expenditures	(69,401)	(40,947)
Proceeds from maturities of marketable debt securities	225,000	125,000
Purchases of marketable debt securities	—	(424,875)
Cash distribution related to the spin-off of IAC's investment in Vimeo	(333,184)	—
Net proceeds from the sale of businesses and investments	11,915	17,573
Purchases of investment in MGM Resorts International	—	(1,019,608)
Purchases of investments	(23,892)	—
Decrease in notes receivable—related party	—	54,828
Other, net	(1,627)	(10,678)
<b>Net cash used in investing activities attributable to continuing operations</b>	<b>(216,553)</b>	<b>(1,827,980)</b>
<b>Cash flows from financing activities attributable to continuing operations:</b>		
Proceeds from the issuance of ANGI Group Senior Notes	—	500,000
Principal payments on ANGI Group Term Loan	(220,000)	(10,313)
Debt issuance costs	—	(5,635)
Purchase of Angi Inc. treasury stock	(35,403)	(54,400)
Proceeds from the exercise of IAC stock options	1,496	—
Withholding taxes paid on behalf of IAC employees on net settled stock-based awards	(35,093)	(23,970)
Withholding taxes paid on behalf of Angi Inc. employees on net settled stock-based awards	(56,135)	(49,993)
Purchase of noncontrolling interests	(24,655)	(4,280)
Cash merger consideration paid by Old IAC in connection with the MTCH Separation	—	837,913
Transfers from Old IAC for periods prior to the MTCH Separation	—	1,706,479
Proceeds from the sale of Old IAC Class M common stock	—	1,408,298
Other, net	685	784
<b>Net cash (used in) provided by financing activities attributable to continuing operations</b>	<b>(369,105)</b>	<b>4,304,883</b>
<b>Total cash (used in) provided by continuing operations</b>	<b>(376,029)</b>	<b>2,618,135</b>
Net cash provided by operating activities attributable to discontinued operations	18,053	26,815
Net cash provided by (used in) investing activities attributable to discontinued operations	7,602	(318)
Net cash provided by financing activities attributable to discontinued operations	293,577	—
<b>Total cash provided by discontinued operations</b>	<b>319,232</b>	<b>26,497</b>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(156)	(511)
<b>Net (decrease) increase in cash and cash equivalents and restricted cash</b>	<b>(56,953)</b>	<b>2,644,121</b>
Cash and cash equivalents and restricted cash at beginning of period	3,477,110	840,732
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>\$ 3,420,157</b>	<b>\$ 3,484,853</b>

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



**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Vimeo Spin-off:**

On May 25, 2021, IAC completed the spin-off of its full stake in Vimeo to IAC shareholders (which we refer to as the "Spin-off"). Following the Spin-off, Vimeo, Inc. (formerly Vimeo Holdings, Inc. ("Vimeo")) became an independent, separately traded public company. Therefore, Vimeo is presented as a discontinued operation within IAC's accompanying financial statements for all periods prior to May 25, 2021.

**MTCH Separation:**

On December 19, 2019, IAC/InterActiveCorp ("Old IAC") entered into a Transaction Agreement (as amended, the "Transaction Agreement") with Match Group, Inc. ("Old MTCH"), IAC Holdings, Inc. ("New IAC" or the "Company"), a direct wholly-owned subsidiary of Old IAC, and Valentine Merger Sub LLC, an indirect wholly-owned subsidiary of Old IAC. On June 30, 2020, the businesses of Old MTCH were separated from the remaining businesses of Old IAC through a series of transactions that resulted in the pre-transaction stockholders of Old IAC owning shares in two, separate public companies—(1) Old IAC, which was renamed Match Group, Inc. ("New Match") and which owns the businesses of Old MTCH and certain Old IAC financing subsidiaries, and (2) New IAC, which was renamed IAC/InterActiveCorp, and which owns Old IAC's other businesses—and the pre-transaction stockholders of Old MTCH (other than Old IAC) owning shares in New Match. This transaction is referred to as the "MTCH Separation."

**Acquisition of Meredith:**

On October 6, 2021, IAC and Meredith Corporation entered into an agreement pursuant to which Dotdash will acquire the entity that will hold Meredith Corporation's National Media Group, which is comprised of its Digital and Magazine businesses, and corporate operations ("Meredith"), in an all cash transaction at a purchase price of \$42.18 per share, subject to downward adjustment in certain scenarios described in the acquisition agreement, representing an enterprise value of approximately \$2.7 billion. Following the acquisition, the combined entity will be named Dotdash Meredith Inc. ("Dotdash Meredith"). The transaction is expected to be funded by IAC with a combination of cash on hand and newly incurred debt at Dotdash Meredith and is subject to customary closing conditions, including regulatory approvals and completion of the spin-off of Meredith from Meredith Corporation. Additionally, IAC has received a commitment for an \$850 million bridge facility.

**Nature of Operations**

The Company has majority ownership of Angi Inc., which also includes HomeAdvisor, powered by Angi, and Handy, and operates Dotdash and Care.com, among many others.

**Basis of Presentation**

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

The Company prepares its consolidated and combined financial statements (collectively referred to herein as "financial statements") in accordance with U.S. generally accepted accounting principles ("GAAP").

The Company's financial statements were prepared on a consolidated basis beginning June 30, 2020 and on a combined basis for periods prior thereto. The difference in presentation is due to the fact that the final steps of the legal reorganization, including the contribution to New IAC of all the entities that comprise the Company following the MTCH Separation, were not completed until June 30, 2020. The preparation of the financial statements on a combined basis for periods prior to June 30, 2020 allows for the financial statements to be presented on a consistent basis for all periods presented.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

The historical combined financial statements of the Company have been derived from the historical accounting records of Old IAC. The combined financial statements reflect the historical financial position, results of operations and cash flows of the entities comprising the Company since their respective dates of acquisition by Old IAC and the allocation to the Company of certain Old IAC corporate expenses based on the historical accounting records of Old IAC through June 30, 2020. The consolidated financial statements include the accounts of the Company, all entities that are wholly-owned by the Company and all entities in which the Company has a controlling financial interest. For the purpose of the combined financial statements, income taxes have been computed as if the entities comprising the Company filed tax returns on a standalone, separate basis for periods prior to the MTCH Separation.

All intercompany transactions and balances between and among the Company and its subsidiaries have been eliminated. All intercompany transactions between (i) the Company and (ii) Old IAC and its subsidiaries for periods prior to the MTCH Separation are considered to be effectively settled for cash at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the statement of cash flows as a financing activity and in the statement of parent's equity as "Invested capital."

In management's opinion, the assumptions underlying the historical financial statements of the Company, including the basis on which the expenses have been allocated from Old IAC, are reasonable. However, the allocations may not reflect the expenses that the Company would have incurred as an independent, stand-alone company for the periods presented.

The accompanying unaudited 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 ("SEC"). 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 accompanying unaudited 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 accompanying unaudited interim financial statements should be read in conjunction with the annual audited financial statements and notes thereto for the year ended December 31, 2020 included on Form 8-K filed with the SEC on June 1, 2021.

#### **COVID-19 Update**

The impact on the Company from the COVID-19 pandemic and the measures designed to contain its spread has been varied and volatile.

As previously disclosed, the initial impact of COVID-19 on the businesses in IAC's Angi Inc. segment resulted in a decline in demand for service requests, driven primarily by decreases in demand in certain categories of jobs (particularly discretionary indoor projects). While these businesses have experienced a rebound in service requests in the second half of 2020 and through early 2021, service requests did start to decline in May 2021 compared to the comparable months of 2020 as a result of the surge in 2020 and due to impacts of the brand integration initiative launched on March 17, 2021. Moreover, many service professionals' businesses had been adversely impacted by labor and material constraints and many service professionals had limited capacity to take on new business, which negatively impacted the ability of these businesses to monetize this increased level of service requests through the first quarter of 2021. While Angi Inc.'s ability to monetize service requests rebounded modestly in the second and third quarters of 2021, it is still not back to levels it experienced pre-COVID-19. No assurances can be provided that Angi Inc. will continue to be able to improve monetization, or that service professionals' businesses will not continue to be adversely impacted in the future. The Search segment has experienced an increase in revenue in the first nine months of 2021 compared to the prior year due, in part, to lower advertising rates in 2020 due to the impact of COVID-19.

The volatile nature of our operating results in 2020 due to COVID-19 will impact the comparability of our year-over-year results of operations.

In the quarter ended March 31, 2020, the Company determined that the effects of COVID-19 were an indicator of possible impairment for certain of its assets and identified the following impairments:

- a \$212.0 million impairment related to the goodwill of the Desktop reporting unit (included in the Search segment);
- a \$21.4 million impairment related to certain indefinite-lived intangible assets of the Desktop reporting unit;
- a \$51.5 million impairment of certain equity securities without readily determinable fair values; and

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

- a \$7.5 million impairment of a note receivable and a warrant related to certain investees.

In the quarter ended September 30, 2020, the Company recorded impairments of \$53.2 million and \$10.8 million related to the goodwill and intangible assets, respectively, of the Desktop reporting unit. These impairments were due in part to the effects of COVID-19 on monetization. Refer to "Certain Risks and Concentrations—Services Agreement with Google" for additional information.

The extent to which developments related to the COVID-19 pandemic and measures designed to curb its spread continue to impact the Company's business, financial condition and results of operations will depend on future developments, all of which are highly uncertain and many of which are beyond the Company's control, including the continuing spread of COVID-19, the severity of resurgences of COVID-19 caused by variant strains of the virus, the effectiveness of vaccines and attitudes toward receiving them, materials and supply chain constraints, labor shortages, the scope of governmental and other restrictions on travel, discretionary services and other activity, and public reactions to these developments.

### **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 values of cash equivalents and marketable debt and equity securities; the carrying value of accounts receivable, including the determination of the allowance for credit losses and the determination of revenue reserves; the determination of the customer relationship period for certain costs to obtain a contract with a customer; the carrying value of right-of-use assets ("ROU assets"); the useful lives and recoverability of building, capitalized software, leasehold improvements and equipment and definite-lived intangible assets; the recoverability of goodwill and indefinite-lived intangible assets; the fair value of equity securities without readily determinable fair values; contingencies; the fair value of acquisition-related contingent consideration arrangements; unrecognized tax benefits; the valuation allowance for deferred income tax assets; 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.

### **Accounting for Investments in Equity Securities**

Investments in equity securities, other than those of the Company's consolidated subsidiaries and those accounted for under the equity method, if applicable, are accounted for at fair value or under the measurement alternative, with any changes to fair value recognized in "Other income (expense), net" in the accompanying statement of operations each reporting period. Under the measurement alternative, equity investments without readily determinable fair values are carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar securities of the same issuer; fair value is generally determined based on a market approach as of the transaction date. A security will be considered identical or similar if it has identical or similar rights to the equity securities held by the Company. See "[Note 5—Financial Instruments and Fair Value Measurements](#)" for additional information on the impairments of certain equity securities without readily determinable fair values recorded during the three months ended March 31, 2020.

The Company accounts for investments in the common stock or in-substance common stock of entities in which the Company has the ability to exercise significant influence over the operating and financial matters of the investee, but does not have a controlling financial interest, using the equity method. At September 30, 2021 and December 31, 2020, the Company has one investment accounted for using the equity method which is included in "Long-term investments" in the accompanying balance sheet.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

### **General Revenue Recognition**

Revenue is recognized when control of the promised services or goods is transferred to the Company's customers and in the 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 9—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 remaining term of the applicable subscription period or expected completion of its performance obligation is one year or less. The current and non-current deferred revenue balances are \$137.7 million and \$0.7 million, respectively, at December 31, 2020, and \$94.7 million and \$0.6 million, respectively, at December 31, 2019. During the nine months ended September 30, 2021, the Company recognized \$123.5 million of revenue that was included in the deferred revenue balance as of December 31, 2020. During the nine months ended September 30, 2020, the Company recognized \$83.0 million of revenue that was included in the deferred revenue balance as of December 31, 2019. The current and non-current deferred revenue balances are \$172.7 million and \$0.5 million, at September 30, 2021, respectively. Non-current deferred revenue is included in "Other long-term liabilities" in the accompanying balance sheet.

#### ***Practical Expedients and Exemptions***

As permitted under the practical expedient available under Accounting Standards Updated ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, 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 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.

#### ***Assets Recognized from the Costs to Obtain a Contract with a Customer***

The Company uses a portfolio approach to assess the accounting treatment of the incremental costs to obtain a contract with a customer. The Company recognizes an asset for these costs if we expect to recover those costs. To the extent that these costs are capitalized, the resultant asset is amortized on a systematic basis consistent with the pattern of the transfer of the services to which the asset relates. The current and non-current capitalized costs to obtain a contract with a customer are included in "Other current assets" and "Other non-current assets" in the accompanying balance sheet and are \$51.2 million and \$5.5 million, and \$58.8 million and \$4.4 million, at September 30, 2021 and December 31, 2020, respectively.

#### ***Commissions Paid to Employees Pursuant to Sales Incentive Programs***

The Company has determined that commissions paid to employees pursuant to certain sales incentive programs meet the requirements to be capitalized as the incremental costs to obtain a contract with a customer. When customer renewals are expected and the renewal commission is not commensurate with the initial commission, the average customer life includes renewal periods. Capitalized commissions paid to employees pursuant to these sales incentive programs are amortized over the estimated customer relationship period. The Company calculates the anticipated customer relationship period as the average customer life, which is based on historical data.

For sales incentive programs where the anticipated customer relationship period is one year or less, the Company has elected the practical expedient to expense the commissions as incurred.

#### ***App Store Fees***

The Company pays fees to the Apple App Store and the Google Play Store for the distribution of our paid mobile apps. The Company capitalizes and amortizes mobile app store fees related to subscriptions over the term of the applicable subscription.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Certain Risks and Concentrations—Services Agreement with Google (the "Services Agreement")**

A meaningful portion of the Company's revenue (and a substantial portion of IAC's net cash from operating activities attributable to continuing operations that it can freely access) is attributable to the Services Agreement. In addition, the Company earns certain other advertising revenue from Google that is not attributable to the Services Agreement. For the three and nine months ended September 30, 2021, total revenue earned from Google was \$185.6 million and \$527.0 million, respectively, representing 20% and 21%, respectively, of the Company's revenue. For the three and nine months ended September 30, 2020, total revenue earned from Google was \$132.3 million and \$385.6 million, respectively, representing 19% of the Company's revenue for both periods. The related accounts receivable totaled \$70.2 million and \$61.9 million at September 30, 2021 and December 31, 2020, respectively.

The total revenue earned from the Services Agreement for the three and nine months ended September 30, 2021 was \$168.0 million and \$471.3 million, respectively, representing 18% and 19%, respectively, of the Company's total revenue. The total revenue earned from the Services Agreement for the three and nine months ended September 30, 2020 was \$119.3 million and \$350.0 million, respectively, representing 17% and 18%, respectively, of the Company's total revenue.

The revenue attributable to the Services Agreement is earned by Ask Media Group and the Desktop business, both within the Search segment. For the three and nine months ended September 30, 2021, revenue earned from the Services Agreement was \$137.9 million and \$382.5 million, respectively, within Ask Media Group and \$30.1 million and \$88.8 million, respectively, within the Desktop business. For the three and nine months ended September 30, 2020, revenue earned from the Services Agreement was \$83.7 million and \$231.2 million, respectively, within Ask Media Group and \$35.6 million and \$118.9 million, respectively, within the Desktop business.

On August 23, 2021, the Company and Google amended the Services Agreement, effective as of August 1, 2021, to extend the expiration date from March 31, 2023 to March 31, 2024 and to provide for an automatic renewal for an additional one year period absent a notice of non-renewal from either party on or before March 31, 2023. The Company believes that the amended agreement, taken as a whole, is comparable to its previously existing agreement with Google. The Services Agreement requires that the Company comply with certain guidelines promulgated by Google. Google may generally unilaterally update its policies and guidelines without advance notice. These updates may be specific to the Services Agreement or could be more general and thereby impact the Company as well as other companies. These policy and guideline updates have in the past and could in the future require modifications to, or prohibit and/or render obsolete certain of our products, services and/or business practices, which have been and could be costly to address or negatively impact revenue and have had and in the future could have an adverse effect on our financial condition and results of operations. As described below, Google has made changes to the policies under the Services Agreement and has also made industry-wide changes that have negatively impacted the Desktop business-to-consumer ("B2C") business and it may do so in the future.

Certain industry-wide policy changes became effective on August 27, 2020. These industry-wide changes, combined with increased enforcement of policies under the Services Agreement, have had a negative impact on the results of operations of the B2C business. In the quarter ended September 30, 2020, the Company reassessed the fair values of the Desktop reporting unit and the related indefinite-lived intangible assets and recorded impairments equal to the remaining carrying value of the goodwill of \$53.2 million and \$10.8 million related to the intangible assets. The reduction in the Company's fair value estimates was due to lower consumer queries, increasing challenges in monetization and the reduced ability to market profitably due to policy changes implemented by Google and other browsers. The effects of COVID-19 on monetization were an additional factor.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

In addition, during the fourth quarter of 2020, Google suspended services with respect to some B2C's products and may do so with respect to other products in the future. As a result, the B2C business elected to modify certain marketing strategies in early January 2021. Subsequently, Google informed us of another policy change in the first quarter of 2021 that became effective on May 10, 2021. We anticipated that this Google policy change would eliminate our ability to successfully introduce and market new B2C products that would be profitable. Therefore, we undertook cost reduction measures and effectively eliminated all marketing of B2C products beginning in March 2021. This elimination of marketing has and will positively impact profitability in 2021 because revenue from B2C products is earned over multiple periods beyond just the period in which the initial marketing is incurred. Following the cessation of the introduction of new products in March 2021, the B2C revenue stream relates solely to the then existing installed base of products. For the three and nine months ended September 30, 2021, B2C revenue declined by \$15.0 million to \$16.3 million and \$39.7 million to \$63.4 million, respectively, while Desktop operating income, excluding the goodwill and intangible asset impairment charges in 2020, increased by \$10.2 million to \$13.7 million and \$22.4 million to \$35.6 million, versus the comparable prior year periods. For the remainder of 2021, we expect this trend to continue and B2C revenue to decline substantially while Desktop operating income will increase versus the comparable prior year period. Beyond 2021, we expect the revenue and profits of the B2C business and Desktop, respectively, to decline significantly.

### **Recent Accounting Pronouncements**

#### ***Accounting Pronouncement Not Yet Adopted by IAC***

*ASU 2021-08 – Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*

In October 2021, the Financial Accounting Standards Board issued ASU No. 2021-08, which changes how entities recognize assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers. The provisions of ASU No. 2021-08 require acquiring entities to recognize and measure contract assets and contract liabilities, including deferred revenue, acquired in a business combination in accordance with ASU No. 2014-09 (Topic 606), *Revenue from Contracts with Customers*, as if it had originated the contracts. The provisions of ASU No. 2021-08 are effective for fiscal years beginning after December 15, 2022, with early adoption permitted, including adoption in an interim period. The Company will early adopt ASU 2021-08 effective in the fourth quarter of 2021. An entity that early adopts in an interim period is required to apply the amendments (i) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early adoption and (ii) prospectively to all business combinations that occur on or after the date of initial application. Early adoption has no retrospective impact on the Company. The adoption of ASU 2021-08 will have a material impact on the purchase accounting for the acquisition of Meredith. Meredith had deferred revenue of \$610.8 million as of June 30, 2021.

### **Discontinued Operations**

Discontinued operations in the accompanying financial statements include Vimeo for all periods prior to May 25, 2021. The notes accompanying these financial statements reflect our continuing operations and, unless otherwise noted, exclude information related to Vimeo. See "[Note 3—Discontinued Operations](#)" for additional details.

### **Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

### **NOTE 2—INCOME TAXES**

The Company was included within Old IAC's tax group for purposes of federal and consolidated state income tax return filings through June 30, 2020, the date of the MTCH Separation. For periods prior thereto, the income tax benefit/provision were computed for the Company on an as if standalone, separate return basis and payments to and refunds from Old IAC for the Company's share of Old IAC's consolidated federal and state tax return liabilities/receivables calculated on this basis have been reflected within cash flows from operating activities in the accompanying statement of cash flows.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

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 and nine months ended September 30, 2021, the Company recorded an income tax provision of \$9.9 million and \$151.0 million, which represents an effective income tax rate of 14% and 21%, respectively. For the three months ended September 30, 2021, the effective income tax rate is lower than the statutory rate of 21% due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards, partially offset by state taxes, nondeductible stock-based compensation expense, and foreign income taxed at different rates. For the nine months ended September 30, 2021, the effective income tax rate was the same as the statutory rate of 21% due to excess tax benefits generated by the exercise and vesting of stock-based awards, offset by an increase in the valuation allowance on beginning-of-the-year deferred tax assets related to the Spin-off and state taxes. For the three months ended September 30, 2020, the Company recorded an income tax benefit, despite pre-tax income, of \$25.1 million due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards, partially offset by the non-deductible portion of the Desktop goodwill impairment charge, nondeductible stock-based compensation expense, and state taxes. For the nine months ended September 30, 2020, the Company recorded an income tax benefit of \$96.4 million, which represents an effective income tax rate of 31%, which is higher than the statutory rate of 21%, due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards and the revaluation of net operating loss deferred taxes due to the Coronavirus Aid, Relief, and Economic Security Act, partially offset by the non-deductible portion of the Desktop goodwill impairment charge, the unbenefited losses related to other investment impairments, and nondeductible share based compensation expense.

As a result of the MTCH Separation, the Company's net deferred tax liability was adjusted via invested capital for tax attributes allocated to it from Old IAC's consolidated federal and state tax filings. The allocation of tax attributes that was recorded as of June 30, 2020 was preliminary. Any subsequent adjustment to allocated tax attributes will be recorded as an adjustment to deferred taxes and additional paid-in capital. This adjustment is expected to be made in the fourth quarter of 2021 following the filing of income tax returns for the year ended December 31, 2020.

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.

The Company is routinely under audit by federal, state, local and foreign authorities in the area of income tax as a result of previously filed separate company and consolidated tax returns with Old IAC and will be under audit for its tax returns filed on a standalone basis following the MTCH Separation. 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 Old IAC's federal income tax returns for the years ended December 31, 2013 through 2017, and has begun its audit of the years ended December 31, 2018 through 2019, which includes the operations of the Company. The statute of limitations for the years 2013 through 2017 has been extended to June 30, 2022. Returns filed in various other jurisdictions are open to examination for tax years beginning with 2009. 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.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

At September 30, 2021 and December 31, 2020, unrecognized tax benefits, including interest and penalties, are \$15.4 million and \$20.1 million, respectively. Unrecognized tax benefits, including interest and penalties, at September 30, 2021 decreased by \$4.8 million due primarily to statute expirations. If unrecognized tax benefits at September 30, 2021 are subsequently recognized, \$14.2 million, net of related deferred tax assets and interest, would reduce income tax expense. The comparable amount as of December 31, 2020 was \$18.5 million. The Company believes that it is reasonably possible that its unrecognized tax benefits could decrease by \$0.1 million by September 30, 2022, due to settlements; all of which would reduce the income tax provision from continuing operations.

**NOTE 3—DISCONTINUED OPERATIONS**

On May 25, 2021, IAC completed the Spin-off. Following the Spin-off, Vimeo became an independent, separately traded public company. Therefore, Vimeo is presented as a discontinued operation within IAC's accompanying financial statements for all periods prior to May 25, 2021.

The components of assets and liabilities of discontinued operations in the accompanying balance sheet at December 31, 2020 consisted of the following:

	<b>December 31, 2020</b>
	<b>(In thousands)</b>
<b>Current assets</b>	
Cash and cash equivalents	\$ 110,011
Accounts receivable, net	12,785
Other current assets	7,681
<b>Total current assets of discontinued operations</b>	<b>\$ 130,477</b>
<b>Non-current assets</b>	
Leasehold improvements and equipment, net	\$ 3,321
Goodwill	219,336
Intangible assets, net	10,854
Deferred income taxes	26,216
Other non-current assets	6,820
<b>Total non-current assets of discontinued operations</b>	<b>\$ 266,547</b>
<b>Current liabilities</b>	
Accounts payable, trade	\$ 3,324
Deferred revenue	137,436
Accrued expenses and other current liabilities	43,228
<b>Total current liabilities of discontinued operations</b>	<b>\$ 183,988</b>
<b>Non-current liabilities</b>	
Lease liability	\$ 1,027
Other non-current liabilities	1,945
<b>Total non-current liabilities of discontinued operations</b>	<b>\$ 2,972</b>

Redeemable noncontrolling interests attributable to discontinued operations at December 31, 2020 was \$188.0 million.

The components of the loss from discontinued operations for the period January 1, 2021 through May 25, 2021 and the three and nine months ended September 30, 2020 in the accompanying statement of operations consisted of the following:



**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

	January 1 through May 25, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
	(In thousands)		
Revenue	\$ 145,514	\$ 75,130	\$ 199,371
Operating costs and expenses:			
Cost of revenue (exclusive of depreciation shown separately below)	39,995	22,869	64,126
Selling and marketing expense	54,774	25,630	77,194
General and administrative expense	23,343	9,833	29,519
Product development expense	35,651	16,476	48,031
Depreciation	182	106	266
Amortization of intangibles	2,983	6,613	12,651
Total operating costs and expenses	156,928	81,527	231,787
Operating loss from discontinued operations	(11,414)	(6,397)	(32,416)
Interest expense	(140)	—	—
Other income (expense), net	10,172	87	(135)
Loss from discontinued operations before tax	(1,382)	(6,310)	(32,551)
Income tax (provision) benefit	(449)	4,448	10,579
Loss from discontinued operations, net of tax	\$ (1,831)	\$ (1,862)	\$ (21,972)

**NOTE 4—BUSINESS COMBINATION**

On February 11, 2020, the Company acquired 100% of Care.com, the leading online destination for families to easily connect with caregivers, for a total purchase price of \$626.9 million, which includes cash consideration of \$587.0 million paid by the Company and the settlement of all outstanding vested employee equity awards for \$40.0 million paid by Care.com prior to the completion of the acquisition. The Company completed the purchase accounting for the Care.com acquisition during the first quarter of 2021.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Unaudited pro forma financial information**

The unaudited pro forma financial information in the table below presents the combined results of the Company and Care.com as if the acquisition had occurred on January 1, 2019. The unaudited pro forma financial information includes adjustments required under the acquisition method of accounting and is presented for informational purposes only and is not necessarily indicative of the results that would have been achieved had the acquisition occurred on January 1, 2019. For the three and nine months ended September 30, 2020, pro forma adjustments include a reduction in transaction related costs (including stock-based compensation expense related to the acceleration of vesting of outstanding employee equity awards) of \$2.6 million and \$65.7 million, respectively, because they are one-time in nature and will not have a continuing impact on operations and an increase in revenue of \$2.4 million and \$15.6 million related to deferred revenue written off as a part of the acquisition.

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
(In thousands except per share data)		
Revenue	\$ 715,654	\$ 2,041,081
Net earnings (loss) from continuing operations	\$ 193,573	\$ (198,691)
Basic earnings (loss) per share from continuing operations	\$ 2.26	\$ (2.34)
Diluted earnings (loss) per share from continuing operations	\$ 2.13	\$ (2.34)
Net earnings (loss) attributable to IAC shareholders	\$ 190,766	\$ (221,290)
Basic earnings (loss) per share attributable to IAC shareholders	\$ 2.24	\$ (2.59)
Diluted earnings (loss) per share attributable to IAC shareholders	\$ 2.11	\$ (2.59)

**NOTE 5—FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**
**Marketable Securities**

At September 30, 2021 and December 31, 2020, the fair value of marketable securities are as follows:

	September 30, 2021	December 31, 2020
(In thousands)		
Marketable equity security	\$ 26,794	\$ —
Available for sale marketable debt securities	—	224,979
Total marketable securities	\$ 26,794	\$ 224,979

The Company has one investment in a marketable equity security at September 30, 2021, which is carried at fair value following the investee's initial public offering in 2021; prior to this investee's initial public offering, the investment was accounted for as an equity security without a readily determinable fair value. The Company recorded an unrealized gain of \$25.8 million in both the three and nine months ended September 30, 2021 for this investment. The Company sold its shares in another marketable equity security in the third quarter of 2021, which investment, prior to this investee's initial public offering, was accounted for as an equity security without a readily determinable fair value, and recorded a realized loss of \$3.5 million and a realized gain of \$7.2 million on the sale of this investment in the three and nine months ended September 30, 2021, respectively. The realized and unrealized gains related to these investments are included in "Other income (expense), net" in the accompanying statement of operations.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

At December 31, 2020, current available-for-sale marketable debt securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Treasury discount notes	\$ 224,976	\$ 3	\$ —	\$ 224,979
Total available-for-sale marketable debt securities	<u>\$ 224,976</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 224,979</u>

The contractual maturities of debt securities classified as current available-for-sale at December 31, 2020 were within one year. There were no investments in available-for-sale marketable debt securities that had been in a continuous unrealized loss position for longer than twelve months as of December 31, 2020.

**Investment in MGM Resorts International**

	September 30, 2021	December 31, 2020
(In thousands)		
Investment in MGM Resorts International	<u>\$ 2,547,313</u>	<u>\$ 1,860,158</u>

During the second and third quarters of 2020, the Company purchased a total of 59.0 million shares of MGM. The fair value of the investment in MGM is remeasured each reporting period based upon MGM's closing stock price on the New York Stock Exchange on the last trading day in the reporting period and any unrealized gains or losses are included in the accompanying statement of operations. For the three and nine months ended September 30, 2021, the Company recorded unrealized gains on its investment in MGM of \$29.5 million and \$687.2 million, respectively. For the three and nine months ended September 30, 2020, the Company recorded unrealized gains of \$289.1 million and \$264.4 million, respectively. The cumulative unrealized gain through September 30, 2021 is \$1.5 billion.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**Long-term Investments**

Long-term investments consist of:

	September 30, 2021	December 31, 2020
	(In thousands)	
Equity securities without readily determinable fair values	\$ 324,649	\$ 296,491
Equity method investment	3,441	1,152
<b>Total long-term investments</b>	<b>\$ 328,090</b>	<b>\$ 297,643</b>

**Equity Securities without Readily Determinable Fair Values**

The following table presents a summary of unrealized gains and losses recorded in "Other income (expense), net," as adjustments to the carrying value of equity securities without readily determinable fair values held as of September 30, 2021 and 2020.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Upward adjustments (gross unrealized gains)	\$ 7,616	\$ —	\$ 8,992	\$ —
Downward adjustments including impairments (gross unrealized losses)	(100)	—	(100)	(48,985)
<b>Total</b>	<b>\$ 7,516</b>	<b>\$ —</b>	<b>\$ 8,892</b>	<b>\$ (48,985)</b>

During the first quarter of 2020, the Company recorded impairments of \$51.5 million related to certain equity securities without readily determinable fair values due to the impact of COVID-19.

The cumulative upward and downward adjustments (including impairments) to the carrying value of equity securities without readily determinable fair values held at September 30, 2021 were \$28.7 million and \$43.6 million, respectively.

Realized and unrealized gains and losses for the Company's investments without readily determinable fair values for the three and nine months ended September 30, 2021 and 2020 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Realized gains, net, for equity securities sold	\$ 3,022	\$ 2,688	\$ 3,103	\$ 200
Unrealized gains (losses), net, on equity securities held	7,516	—	8,892	(48,985)
<b>Total gains (losses), net recognized</b>	<b>\$ 10,538</b>	<b>\$ 2,688</b>	<b>\$ 11,995</b>	<b>\$ (48,785)</b>

All gains and losses on equity securities without readily determinable fair values, realized and unrealized, are recognized in "Other income (expense), net" in the accompanying statement of operations.

**Equity Method Investment**

During 2020 and 2021, the Company acquired common shares of Turo Inc. ("Turo"), a peer-to-peer car sharing marketplace. This investment is accounted for under the equity method of accounting given the Company's ownership interest of approximately 27.3% on a fully diluted basis in the form of preferred shares, which are not common stock equivalents. The Company accounts for this investment on a one quarter lag.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**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.

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

	September 30, 2021			
	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)			
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 2,802,115	\$ —	\$ —	\$ 2,802,115
Treasury discount notes	—	174,993	—	174,993
Marketable equity security	26,794	—	—	26,794
Investment in MGM	2,547,313	—	—	2,547,313
Other non-current assets:				
Warrant	—	—	107,607	107,607
<b>Total</b>	<b>\$ 5,376,222</b>	<b>\$ 174,993</b>	<b>\$ 107,607</b>	<b>\$ 5,658,822</b>
<b>Liabilities:</b>				
Contingent consideration arrangement			\$ (15,000)	\$ (15,000)

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

	December 31, 2020			
	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)			
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 1,769,239	\$ —	\$ —	\$ 1,769,239
Treasury discount notes	—	1,224,966	—	1,224,966
Time deposits	—	2,721	—	2,721
Marketable debt securities:				
Treasury discount notes	—	224,979	—	224,979
Investment in MGM	1,860,158	—	—	1,860,158
Other non-current assets:				
Warrant	—	—	5,276	5,276
<b>Total</b>	<b>\$ 3,629,397</b>	<b>\$ 1,452,666</b>	<b>\$ 5,276</b>	<b>\$ 5,087,339</b>
<b>Liabilities:</b>				
Contingent consideration arrangement			\$ —	\$ —

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

The following tables present the changes in the Company's financial instruments that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Three Months Ended September 30,			
	2021		2020	
	Warrant	Contingent Consideration Arrangement	Warrant	Contingent Consideration Arrangement
	(In thousands)			
Balance at July 1	\$ 60,532	\$ —	\$ 7,079	
Total net gains (losses):				
Fair value adjustments included in earnings	47,075	(15,000)	(2,331)	
Balance at September 30	<u>\$ 107,607</u>	<u>\$ (15,000)</u>	<u>\$ 4,748</u>	

	Nine Months Ended September 30,			
	2021		2020	
	Warrant	Contingent Consideration Arrangement	Warrant	Contingent Consideration Arrangement
	(In thousands)			
Balance at January 1	\$ 5,276	\$ —	\$ 8,495	\$ (6,918)
Fair value at date of acquisition	—	—	—	(1,000)
Total net gains (losses):				
Fair value adjustments included in earnings	102,331	(15,000)	(3,747)	6,918
Settlements	—	—	—	1,000
Balance at September 30	<u>\$ 107,607</u>	<u>\$ (15,000)</u>	<u>\$ 4,748</u>	<u>\$ —</u>

#### **Warrant**

As part of the Company's investment in Turo preferred shares, the Company received a warrant that is recorded at fair value each reporting period with any change included in "Other income (expense), net" in the accompanying statement of operations. The warrant is measured using significant unobservable inputs and is classified in the fair value hierarchy table as Level 3. The warrant is included in "Other non-current assets" in the accompanying balance sheet.

#### **Contingent Consideration Arrangement**

At September 30, 2021, the Company has one outstanding contingent consideration arrangement related to a business combination. The maximum contingent payments related to this arrangement for periods subsequent to December 31, 2020, which is the end of the most recent measurement period, is \$15.0 million. In the three months ended September 30, 2021, the Company recorded \$15.0 million related to this contingent consideration arrangement due to a change in estimate of the liability related to this arrangement. In connection with the Care.com acquisition on February 11, 2020, the Company assumed a contingent consideration arrangement liability of \$1.0 million, which was subsequently paid and settled during the first quarter of 2020. The contingent consideration arrangement liability at September 30, 2021 is included in "Accrued expenses and other current liabilities" in the accompanying balance sheet.

#### **Assets measured at fair value on a nonrecurring basis**

The Company's non-financial assets, such as goodwill, intangible assets, ROU assets and building, capitalized software, leasehold improvements and equipment, are adjusted to fair value only when an impairment is recognized. The Company's financial assets, comprising equity securities without readily determinable fair values, are adjusted to fair value when observable price changes are identified or an impairment is recognized. Such fair value measurements are based predominantly on Level 3 inputs.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

***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:

	September 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Long-term debt, net <sup>(a)</sup>	\$ (494,373)	\$ (495,625)	\$ (712,277)	\$ (725,700)

<sup>(a)</sup> At September 30, 2021 and December 31, 2020, the carrying value of long-term debt, net includes unamortized debt issuance costs of \$5.6 million and \$7.7 million, respectively.

At September 30, 2021 and December 31, 2020, the fair value of long-term debt is estimated using observable market prices or indices for similar liabilities, which are Level 2 inputs.

**NOTE 6—LONG-TERM DEBT**

Long-term debt consists of:

	September 30, 2021	December 31, 2020
	(In thousands)	
3.875% ANGI Group Senior Notes due August 15, 2028 ("ANGI Group Senior Notes"); interest payable each February 15 and August 15, commencing February 15, 2021	\$ 500,000	\$ 500,000
ANGI Group Term Loan due November 5, 2023 ("ANGI Group Term Loan")	—	220,000
<b>Total long-term debt</b>	<b>500,000</b>	<b>720,000</b>
Less: unamortized debt issuance costs	5,627	7,723
<b>Total long-term debt, net</b>	<b>\$ 494,373</b>	<b>\$ 712,277</b>

***ANGI Group Senior Notes***

The ANGI Group Senior Notes were issued on August 20, 2020, the proceeds of which have been used for general corporate purposes, including the acquisition of Total Home Roofing, Inc. ("Angi Roofing") on July 1, 2021, and treasury share purchases. At any time prior to August 15, 2023, these notes may be redeemed at a redemption price equal to the sum of the principal amount thereof, plus accrued and unpaid interest and a make-whole premium. Thereafter, these notes may be redeemed at the redemption prices set forth in the indenture governing the notes, plus accrued and unpaid interest thereon, if any, to the applicable redemption date.

The indenture governing the ANGI Group Senior Notes contains a covenant that would limit ANGI Group's ability to incur liens for borrowed money in the event a default has occurred or ANGI Group's secured leverage ratio (as defined in the indenture) exceeds 3.75 to 1.0. At September 30, 2021 there were no limitations pursuant thereto.

***ANGI Group Revolving Facility***

The \$250 million ANGI Group Revolving Facility, which otherwise would have expired on November 5, 2023, was terminated effective August 3, 2021. No amounts were ever drawn under the ANGI Group Revolving Facility prior to its termination.



**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**ANGI Group Term Loan**

As of May 6, 2021, the outstanding balance of the ANGI Group Term Loan was repaid in its entirety. The outstanding balance of the ANGI Group Term Loan at December 31, 2020 was \$220.0 million and bore interest at 2.16%.

**NOTE 7—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

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

	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020		
	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income	Foreign Currency Translation Adjustment	Unrealized (Losses) Gains On Available-For-Sale Marketable Debt Securities	Accumulated Other Comprehensive Loss
	(In thousands)				
Balance at July 1	\$ 5,686	\$ 5,686	\$ (13,780)	\$ (1)	\$ (13,781)
Other comprehensive (loss) income before reclassifications	(1,083)	(1,083)	1,948	4	1,952
Amounts reclassified to earnings	—	—	—	—	—
Net current period other comprehensive (loss) income	(1,083)	(1,083)	1,948	4	1,952
Accumulated other comprehensive loss allocated to noncontrolling interests during the period	24	24	11	—	11
Balance at September 30	<u>\$ 4,627</u>	<u>\$ 4,627</u>	<u>\$ (11,821)</u>	<u>\$ 3</u>	<u>\$ (11,818)</u>

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Foreign Currency Translation Adjustment	Unrealized Gains (Losses) On Available-For- Sale Marketable Debt Securities	Accumulated Other Comprehensive (Loss) Income	Foreign Currency Translation Adjustment	Unrealized Gains On Available-For- Sale Marketable Debt Securities	Accumulated Other Comprehensive Loss
	(In thousands)					
Balance at January 1	\$ (6,172)	\$ 2	\$ (6,170)	\$ (12,226)	\$ —	\$ (12,226)
Other comprehensive income (loss) before reclassifications	754	(2)	752	585	3	588
Amounts reclassified to earnings	10,032	—	10,032	(144)	—	(144)
Net current period other comprehensive income (loss)	10,786	(2)	10,784	441	3	444
Accumulated other comprehensive loss (income) allocated to noncontrolling interests during the period	13	—	13	(36)	—	(36)
Balance at September 30	<u>\$ 4,627</u>	<u>\$ —</u>	<u>\$ 4,627</u>	<u>\$ (11,821)</u>	<u>\$ 3</u>	<u>\$ (11,818)</u>

The amounts reclassified out of foreign currency translation adjustment into earnings for the nine months ended September 30, 2021 and 2020 relate to the substantial liquidation of certain international subsidiaries.

At both September 30, 2021 and 2020, there was no income tax benefit or provision on the accumulated other comprehensive income (loss).

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**NOTE 8—EARNINGS (LOSS) PER SHARE**

The Company treats its common stock and Class B common stock as one class of stock for net earnings (loss) per share ("EPS") purposes as both classes of stock participate in earnings, dividends and other distributions on the same basis. The restricted stock award granted to our Chief Executive Officer ("CEO") on November 5, 2020 is a participating security and the Company calculates EPS using the two-class method since those restricted shares are unvested and have a non-forfeitable dividend right in the event the Company declares a cash dividend on common shares and participate in all other distributions of the Company in the same manner as all other IAC common shares.

Undistributed earnings allocated to the participating security is subtracted from earnings in determining earnings attributable to holders of IAC common stock and Class B common stock for basic EPS. Basic EPS is computed by dividing net earnings (loss) attributable to holders of IAC common stock and Class B common stock by the weighted-average number of shares of common stock and Class B common stock outstanding during the period.

For the calculation of diluted EPS, net earnings (loss) attributable to holders of IAC common stock and Class B common stock is adjusted for the impact from our public subsidiary's dilutive securities, if applicable, and the reallocation of undistributed earnings allocated to the participating security by the weighted-average number of common stock and Class B common stock outstanding plus dilutive securities during the period.

The numerator and denominator of basic and diluted EPS computations for the Company's common stock and Class B common stock are calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(In thousands, except per share data)				
<b>Basic EPS:</b>				
<b>Numerator:</b>				
Net earnings (loss) from continuing operations	\$ 61,047	\$ 187,723	\$ 583,317	\$ (216,802)
Net (earnings) loss attributable to noncontrolling interests of continuing operations	(357)	(1,010)	3,275	(920)
Net earnings attributed to unvested participating security	(2,040)	—	(19,749)	—
Net earnings (loss) from continuing operations attributable to IAC Common Stock and Class B common stock shareholders	\$ 58,650	\$ 186,713	\$ 566,843	\$ (217,722)
Net loss from discontinued operations, net of tax	\$ —	\$ (1,862)	\$ (1,831)	\$ (21,972)
Net loss (earnings) attributable to noncontrolling interests of discontinued operations	—	66	(186)	295
Net loss attributed to unvested participating security	—	—	68	—
Net loss from discontinued operations attributable to IAC Common Stock and Class B common stock shareholders	\$ —	\$ (1,796)	\$ (1,949)	\$ (21,677)
Net earnings (loss) attributable to IAC Common Stock and Class B common stock shareholders	\$ 58,650	\$ 184,917	\$ 564,894	\$ (239,399)
<b>Denominator:</b>				
Weighted average basic IAC Common Stock and Class B common stock shares outstanding <sup>(a)</sup>	86,258	85,297	86,106	85,295

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

<b>Earnings (loss) per share:</b>								
Earnings (loss) per share from continuing operations attributable to IAC Common Stock and Class B common stock shareholders	\$	0.68	\$	2.19	\$	6.58	\$	(2.55)
Loss per share from discontinued operations, net of tax, attributable to IAC Common Stock and Class B common stock shareholders	\$	—	\$	(0.02)	\$	(0.02)	\$	(0.26)
Earnings (loss) per share attributable to IAC Common Stock shareholders and Class B common stock shareholders	\$	0.68	\$	2.17	\$	6.56	\$	(2.81)

<u>Three Months Ended September 30,</u>	<u>Nine Months Ended September 30,</u>
<u>2021</u>	<u>2020</u>
<u>2021</u>	<u>2020</u>

(In thousands, except per share data)

**Diluted EPS:**
**Numerator:**

Net earnings (loss) from continuing operations	\$	61,047	\$	187,723	\$	583,317	\$	(216,802)
Net (earnings) loss attributable to noncontrolling interests of continuing operations		(357)		(1,010)		3,275		(920)
Net earnings attributed to unvested participating security		(1,938)		—		(18,494)		—
Impact from public subsidiaries' dilutive securities <sup>(c)</sup>		91		(79)		245		(150)
Net earnings (loss) from continuing operations attributable to IAC Common Stock and Class B common stock shareholders	\$	58,843	\$	186,634	\$	568,343	\$	(217,872)
Net loss from discontinued operations, net of tax	\$	—	\$	(1,862)	\$	(1,831)	\$	(21,972)
Net loss (earnings) attributable to noncontrolling interests of discontinued operations		—		66		(186)		295
Net loss attributed to unvested participating security		—		—		64		—
Net loss from discontinued operations attributable to shareholders	\$	—	\$	(1,796)	\$	(1,953)	\$	(21,677)
Net earnings (loss) attributable to IAC Common Stock and Class B common stock shareholders	\$	58,843	\$	184,838	\$	566,390	\$	(239,549)

**Denominator:**

Weighted average basic IAC Common Stock and Class B common stock shares outstanding <sup>(a)</sup>	86,258	85,297	86,106	85,295
Dilutive securities <sup>(b)(c)(d)(e)</sup>	4,818	5,180	6,089	—
Denominator for earnings per share—weighted average shares <sup>(b)(c)(d)(e)</sup>	91,076	90,477	92,195	85,295

<b>Earnings (loss) per share:</b>								
Earnings (loss) per share from continuing operations attributable to IAC Common Stock and Class B common stock shareholders	\$	0.65	\$	2.06	\$	6.16	\$	(2.55)
Loss per share from discontinued operations, net of tax, attributable to IAC Common Stock and Class B common stock shareholders	\$	—	\$	(0.02)	\$	(0.02)	\$	(0.26)
Earnings (loss) per share attributable to IAC Common Stock and Class B common stock shareholders	\$	0.65	\$	2.04	\$	6.14	\$	(2.81)

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

- (a) On November 5, 2020, IAC's CEO was granted a stock-based award in the form of 3.0 million shares of restricted common stock. The number of shares that ultimately vests is subject to the satisfaction of growth targets in IAC's stock price over the 10-year service condition of the award. These restricted shares have a non-forfeitable dividend right in the event the Company declares a cash dividend on its common shares and participate in all other distributions of the Company in the same manner as all other IAC common shares. Accordingly, the two-class method of calculating EPS is used. While the restricted shares are presented as outstanding shares in the accompanying balance sheet, these shares are excluded from the weighted average shares outstanding in calculating basic EPS and the allocable portion of net earnings are also excluded. Fully diluted EPS reflects the impact on earnings and fully diluted shares in the manner that is most dilutive.
- (b) The Company computed basic and diluted EPS for periods prior to the MTCH Separation using the shares issued on June 30, 2020 in connection with the MTCH Separation.
- (c) IAC has the option to settle certain Angi Inc. stock-based awards in its shares. For the three and nine months ended September 30, 2021, and the three months ended September 30, 2020, it is more dilutive for IAC to settle these Angi Inc. equity awards. For the nine months ended September 30, 2020, the Company had a net loss from operations, therefore it was more dilutive for Angi Inc. to settle these Angi Inc. equity awards. The impact on net earnings relates to the settlement of Angi Inc.'s dilutive securities in IAC common shares.
- (d) If the effect is dilutive, weighted average common shares outstanding include the incremental shares that would be issued upon the assumed exercise of stock options and subsidiary denominated equity and vesting of restricted common stock, restricted stock units ("RSUs") and market-based awards ("MSUs"). For both the three and nine months ended September 30, 2021, and the three months ended September 30, 2020, 3.0 million and less than 0.1 million, respectively, of potentially dilutive securities were excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive.
- (e) For the nine months ended September 30, 2020, the Company had a net loss from operations and, as a result, approximately 6.0 million potentially dilutive securities were excluded from computing diluted EPS because the impact would have been anti-dilutive. Accordingly, the weighted average basic shares outstanding were used to compute the EPS amounts for the nine months ended September 30, 2020.

**NOTE 9—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 how the chief operating decision maker views 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. Operating segments are combined for reporting purposes if they meet certain aggregation criteria, which principally relate to the similarity of their economic characteristics, which is the case for the Desktop and Ask Media Group operating segments in the Search reportable segment, or, in the case of the Emerging & Other reportable segment, do not meet the quantitative thresholds that require presentation as separate reportable segments.

The following table presents revenue by reportable segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
<b>Revenue</b>				
Angi Inc.	\$ 461,565	\$ 389,913	\$ 1,269,582	\$ 1,108,624
Dotdash	65,165	50,774	203,919	139,515
Search	228,445	145,208	593,086	430,890
Emerging & Other	168,923	127,425	473,735	320,594
Inter-segment eliminations	(30)	(72)	(137)	(132)
<b>Total</b>	<b>\$ 924,068</b>	<b>\$ 713,248</b>	<b>\$ 2,540,185</b>	<b>\$ 1,999,491</b>

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

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>(In thousands)</b>				
<b>Angi Inc.</b>				
<i>North America</i>				
<b>Angi Ads and Leads:</b>				
Consumer connection revenue <sup>(a)</sup>	\$ 238,421	\$ 244,184	\$ 699,867	\$ 694,804
Advertising revenue <sup>(b)</sup>	63,953	56,217	187,308	166,732
Membership subscription revenue <sup>(c)</sup>	17,079	17,760	51,026	56,810
Other revenue	6,703	8,922	21,412	25,144
<b>Total Angi Ads and Leads revenue</b>	<b>326,156</b>	<b>327,083</b>	<b>959,613</b>	<b>943,490</b>
Angi Services revenue <sup>(d)</sup>	117,375	45,143	244,904	110,285
<b>Total North America revenue</b>	<b>443,531</b>	<b>372,226</b>	<b>1,204,517</b>	<b>1,053,775</b>
<i>Europe</i>				
Consumer connection revenue <sup>(e)</sup>	14,530	14,006	54,226	43,640
Service professional membership subscription revenue	3,215	3,278	9,874	9,792
Advertising and other revenue	289	403	965	1,417
<b>Total Europe revenue</b>	<b>18,034</b>	<b>17,687</b>	<b>65,065</b>	<b>54,849</b>
<b>Total Angi Inc. revenue</b>	<b>\$ 461,565</b>	<b>\$ 389,913</b>	<b>\$ 1,269,582</b>	<b>\$ 1,108,624</b>
<p>(a) Includes fees paid by service professionals for consumer matches through Angi Ads and Leads.</p> <p>(b) Includes revenue from service professionals under contract for advertising.</p> <p>(c) Includes membership subscription revenue from service professionals and consumers.</p> <p>(d) Includes revenue from pre-priced offerings and revenue from Angi Roofing.</p> <p>(e) Includes fees paid by service professionals for consumer matches.</p>				
<b>Dotdash</b>				
Display advertising revenue	\$ 42,911	\$ 31,836	\$ 125,014	\$ 88,326
Performance marketing revenue	22,254	18,938	78,905	51,189
<b>Total Dotdash revenue</b>	<b>\$ 65,165</b>	<b>\$ 50,774</b>	<b>\$ 203,919</b>	<b>\$ 139,515</b>
<b>Search</b>				
Advertising revenue				
Google advertising revenue:	\$ 171,222	\$ 120,838	\$ 480,157	\$ 352,918
Non-Google advertising revenue	53,401	20,171	101,135	64,878
<b>Total advertising revenue</b>	<b>224,623</b>	<b>141,009</b>	<b>581,292</b>	<b>417,796</b>
Other revenue	3,822	4,199	11,794	13,094
<b>Total Search revenue</b>	<b>\$ 228,445</b>	<b>\$ 145,208</b>	<b>\$ 593,086</b>	<b>\$ 430,890</b>
<b>Emerging &amp; Other</b>				
Subscription revenue	\$ 96,763	\$ 84,369	\$ 268,993	\$ 217,974
Marketplace revenue	63,456	35,476	173,615	83,711
Media production and distribution revenue	730	1,406	11,142	3,335
Advertising revenue:				
Non-Google advertising revenue	5,039	4,255	12,351	10,470
Google advertising revenue	862	859	1,983	2,204
<b>Total advertising revenue</b>	<b>5,901</b>	<b>5,114</b>	<b>14,334</b>	<b>12,674</b>
Service and other revenue	2,073	1,060	5,651	2,900
<b>Total Emerging &amp; Other revenue</b>	<b>\$ 168,923</b>	<b>\$ 127,425</b>	<b>\$ 473,735</b>	<b>\$ 320,594</b>

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(In thousands)				
<b>Revenue:</b>				
United States	\$ 796,808	\$ 600,940	\$ 2,156,061	\$ 1,662,642
All other countries	127,260	112,308	384,124	336,849
Total	\$ 924,068	\$ 713,248	\$ 2,540,185	\$ 1,999,491

	September 30,	December 31,
	2021	2020
(In thousands)		
<b>Long-lived assets (excluding goodwill, intangible assets and ROU assets):</b>		
United States	\$ 281,383	\$ 263,620
All other countries	8,411	11,310
Total	\$ 289,794	\$ 274,930

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(In thousands)				
<b>Operating (loss) income:</b>				
ngi Inc.	\$ (14,973)	\$ (3,019)	\$ (47,595)	\$ (1,671)
otdash	7,082	11,773	44,383	21,860
earch	30,011	(52,979)	74,059	(264,761)
erging & Other	(22,239)	(35,123)	(23,946)	(61,979)
rporate	(31,948)	(42,881)	(114,618)	(209,016)
Total	\$ (32,067)	\$ (122,229)	\$ (67,717)	\$ (515,567)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(In thousands)				
<b>Adjusted EBITDA<sup>(f)</sup>:</b>				
ngi Inc.	\$ 12,395	\$ 38,485	\$ 31,139	\$ 130,820
otdash	\$ 8,205	\$ 16,181	\$ 48,673	\$ 35,304
earch	\$ 30,035	\$ 11,875	\$ 74,085	\$ 34,449
erging & Other	\$ 2,735	\$ (8,061)	\$ 21,592	\$ (30,648)
rporate	\$ (23,132)	\$ (26,732)	\$ (71,769)	\$ (115,258)

(f) 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. The Company believes this measure is useful for analysts and investors as this measure allows a more meaningful comparison between the Company's performance and that of its competitors. Adjusted EBITDA has certain limitations because it excludes the impact of these expenses.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

The following tables reconcile operating (loss) income for the Company's reportable segments and net earnings (loss) attributable to IAC shareholders to Adjusted EBITDA:

	Three Months Ended September 30, 2021					
	Operating (Loss) Income	Stock-based Compensation Expense	Depreciation	Amortization of Intangibles	Acquisition- related Contingent Consideration Fair Value Adjustments	Adjusted EBITDA
	(In thousands)					
Angi Inc.	\$ (14,973)	\$ 8,813	\$ 14,701	\$ 3,854	\$ —	\$ 12,395
Dotdash	7,082	\$ —	\$ 527	\$ 593	\$ —	\$ 8,202
Search	30,011	\$ —	\$ 20	\$ —	\$ —	\$ 30,031
Emerging & Other	(22,239)	\$ 25	\$ 331	\$ 9,620	\$ 15,000	\$ 2,737
Corporate	(31,948)	\$ 6,600	\$ 2,216	\$ —	\$ —	\$ (23,132)
Total	(32,067)					
Interest expense	(6,032)					
Unrealized gain on investment in MGM Resorts International	29,517					
Other income, net	79,539					
Earnings before income taxes	70,957					
Income tax provision	(9,910)					
Net earnings	61,047					
Net earnings attributable to noncontrolling interests	(357)					
Net earnings attributable to IAC shareholders	\$ 60,690					

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

	Three Months Ended September 30, 2020					
	Operating (Loss) Income	Stock-based Compensation Expense	Depreciation	Amortization of Intangibles	Goodwill Impairment	Adjusted EBITDA
	(In thousands)					
Angi Inc.	\$ (3,019)	\$ 14,697	\$ 13,921	\$ 12,888	\$ —	\$ 38,487
Dotdash	11,773	\$ —	\$ 742	\$ 3,666	\$ —	\$ 16,181
Search	(52,979)	\$ —	\$ 881	\$ 10,800	\$ 53,173	\$ 11,875
Emerging & Other	(35,123)	\$ 25	\$ 853	\$ 26,184	\$ —	\$ (8,061)
Corporate	(42,881)	\$ 13,899	\$ 2,250	\$ —	\$ —	\$ (26,732)
Total	(122,229)					
Interest expense	(5,807)					
Unrealized gain on investment in MGM Resorts International	289,097					
Other income, net	1,602					
Earnings before income taxes	162,663					
Income tax benefit	25,060					
Net earnings from continuing operations	187,723					
Loss from discontinued operations, net of tax	(1,862)					
Net earnings	185,861					
Net earnings attributable to noncontrolling interests	(944)					
Net earnings attributable to IAC shareholders	\$ 184,917					



**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

	Nine Months Ended September 30, 2021					
	Operating (Loss) Income	Stock-based Compensation Expense	Depreciation	Amortization of Intangibles	Acquisition- related Contingent Consideration Fair Value Adjustments	Adjusted EBITDA
	(In thousands)					
Angi Inc.	\$ (47,595)	\$ 20,390	\$ 45,728	\$ 12,616	\$ —	\$ 31,139
Dotdash	44,383	\$ —	\$ 1,706	\$ 2,584	\$ —	\$ 48,673
Search	74,059	\$ —	\$ 28	\$ —	\$ —	\$ 74,087
Emerging & Other	(23,946)	\$ 75	\$ 1,121	\$ 29,342	\$ 15,000	\$ 21,592
Corporate	(114,618)	\$ 37,339	\$ 5,510	\$ —	\$ —	\$ (71,769)
Total	(67,717)					
Interest expense	(18,463)					
Unrealized gain on investment in MGM Resorts International	687,155					
Other income, net	133,388					
Earnings before income taxes	734,363					
Income tax provision	(151,046)					
Net earnings from continuing operations	583,317					
Loss from discontinued operations, net of tax	(1,831)					
Net earnings	581,486					
Net loss attributable to noncontrolling interests	3,089					
Net earnings attributable to IAC shareholders	<u>\$ 584,575</u>					

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

Nine Months Ended September 30, 2020							
	Operating (Loss) Income	Stock-based Compensation Expense	Depreciation	Amortization of Intangibles	Acquisition- related Contingent Consideration Fair Value Adjustments	Goodwill Impairment	Adjusted EBITDA
	(In thousands)						
Angi Inc.	\$ (1,671)	\$ 55,031	\$ 38,614	\$ 38,846	\$ —	\$ —	\$ 130,820
Dotdash	21,860	\$ —	\$ 1,569	\$ 11,875	\$ —	\$ —	\$ 35,304
Search	(264,761)	\$ —	\$ 1,864	\$ 32,200	\$ —	\$ 265,146	\$ 34,449
Emerging & Other	(61,979)	\$ 75	\$ 1,533	\$ 36,641	\$ (6,918)	\$ —	\$ (30,648)
Corporate	(209,016)	\$ 86,755	\$ 7,003	\$ —	\$ —	\$ —	\$ (115,258)
Total	(515,567)						
Interest expense	(9,579)						
Unrealized gain on investment in MGM Resorts International	264,379						
Other expense, net	(52,475)						
Loss before income taxes	(313,242)						
Income tax benefit	96,440						
Net loss from continuing operations	(216,802)						
Loss from discontinued operations, net of tax	(21,972)						
Net loss	(238,774)						
Net earnings attributable to noncontrolling interests	(625)						
Net loss attributable to IAC shareholders	\$ (239,399)						

**NOTE 10—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 accompanying balance sheet to the total amounts shown in the accompanying statement of cash flows:

	September 30, 2021	December 31, 2020	September 30, 2020	December 31, 2019
	(In thousands)			
Cash and cash equivalents	\$ 3,404,913	\$ 3,366,176	\$ 3,459,207	\$ 837,916
Restricted cash included in other current assets	14,027	448	12,520	503
Restricted cash included in other non-current assets	1,217	449	429	409
Cash, cash equivalents, and restricted cash included in current assets of discontinued operations	—	110,037	12,697	1,904
Total cash and cash equivalents and restricted cash as shown on the statement of cash flows	\$ 3,420,157	\$ 3,477,110	\$ 3,484,853	\$ 840,732

Restricted cash included in other current assets at September 30, 2021 and 2020 primarily consists of cash received from customers at Care.com's payment solutions business, representing funds collected for payroll and related taxes, which were not remitted as of the period end.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

Restricted cash included in other current assets at December 31, 2020 primarily consists of funds collected from service providers for payments in dispute which are not settled as of the period end and cash reserved to fund insurance claims at Angi Inc.

Restricted cash included in other current assets at December 31, 2019 primarily consists of a deposit related to corporate credit cards at Angi Inc.

Restricted cash included in other non-current assets at September 30, 2021 consists of deposits for leases and an endorsement guarantee related to insurance at Angi Roofing. Restricted cash included in other non-current assets for all other periods presented consists of deposits related to leases.

**Credit Losses**

The following table presents the changes in the allowance for credit losses for the nine months ended September 30, 2021 and 2020, respectively:

	2021	2020
	(In thousands)	
Balance at January 1	\$ 27,178	\$ 19,984
Current period provision for credit losses	66,428	61,049
Write-offs charged against the allowance	(55,942)	(53,692)
Recoveries collected	1,896	1,883
Balance at September 30	<u>\$ 39,560</u>	<u>\$ 29,224</u>

**Accumulated Amortization and Depreciation**

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

<u>Asset Category</u>	September 30, 2021	December 31, 2020
	(In thousands)	
Right-of-use assets included in other non-current assets	\$ 75,781	\$ 51,284
Building, capitalized software, leasehold improvements and equipment	\$ 198,274	\$ 207,401
Intangible assets	\$ 256,449	\$ 148,073

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Other income (expense), net**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Unrealized increase (decrease) in the estimated fair value of a warrant	\$ 47,075	\$ (2,331)	\$ 102,331	\$ (1,741)
Unrealized gain related to an investment following its initial public offering	25,794	—	25,794	—
Net upward adjustments related to equity securities without readily determinable fair values.	7,516	—	8,892	—
Realized gains related to the sale of investments	3,022	2,688	3,103	2,700
Realized (loss) gain on the sale of a marketable equity security	(3,536)	—	7,174	—
Interest income	216	969	931	6,553
Foreign exchange (losses) gains, net <sup>(a)</sup>	(858)	107	(11,976)	(5)
Loss on the extinguishment of debt <sup>(b)</sup>	—	—	(1,110)	—
Impairments related to impact of COVID-19 <sup>(c)</sup>	—	—	—	(59,001)
Other	310	169	(1,751)	(981)
<b>Other income (expense), net</b>	<b>\$ 79,539</b>	<b>\$ 1,602</b>	<b>\$ 133,388</b>	<b>\$ (52,475)</b>

<sup>(a)</sup> Includes \$10.0 million in foreign exchange losses primarily related to the substantial liquidation of certain foreign subsidiaries in the three months ended March 31, 2021.

<sup>(b)</sup> Represents the write-off of deferred debt issuance costs related to the ANGI Group Term Loan, which was repaid in its entirety during the second quarter of 2021.

<sup>(c)</sup> Includes \$51.5 million in impairments related to investments in equity securities without readily determinable fair values and \$7.5 million in impairments of a note receivable and a warrant related to certain investees in the nine months ended September 30, 2020.

**NOTE 11—CONTINGENCIES**

In the ordinary course of business, the Company is a party to various lawsuits. The Company establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Management has also identified certain other legal matters where the Company believes an unfavorable outcome is not probable and, therefore, no reserve 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 2—Income Taxes](#)" for additional information related to income tax contingencies.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

***Tinder Optionholder Litigation against IAC and Match Group***

In August 2018, ten then-current and former employees of Match Group's Tinder business filed a lawsuit in New York state court against IAC and Match Group. See *Sean Rad et al. v. IAC/InterActiveCorp and Match Group, Inc.*, No. 654038/2018 (Supreme Court, New York County). The complaint alleges that in 2017, the defendants: (i) wrongfully interfered with a contractually established process for the independent valuation of Tinder by two investment banks, resulting in a substantial undervaluation of Tinder and a consequent underpayment to the plaintiffs upon exercise of their stock options, and (ii) then wrongfully merged Tinder into Match Group, thereby depriving the plaintiffs of their contractual right to later valuations of Tinder on a stand-alone basis. The complaint asserts inter alia claims for breach of contract and interference with contractual relations and prospective economic advantage and seeks compensatory damages in the amount of at least \$2 billion, as well as punitive damages. Shortly after filing suit, four plaintiffs who were still employed by Match Group filed a notice of discontinuance of their claims without prejudice, leaving the six former employees as the remaining plaintiffs.

In October 2018, the defendants filed a motion to dismiss the complaint on various grounds, including that the 2017 valuation of Tinder by the investment banks was an expert determination any challenge to which is time-barred under applicable law. In June 2019, the court issued a decision and order granting the motion in part but leaving the plaintiffs' principal claims based upon the 2017 valuation and subsequent merger intact. The defendants appealed from the partial denial of their motion to dismiss, and in October 2019, the Appellate Division, First Department, affirmed the lower court's decision. After additional appellate motion practice, in May 2020, the Appellate Division reaffirmed the lower court's decision on different grounds. In June 2020, the defendants filed a motion for leave to appeal that decision to the Court of Appeals; the Appellate Division denied the motion in July 2020.

In June 2019, the defendants filed a second motion to dismiss or for other relief based upon certain substantial advance and/or preferential payment provisions of the plaintiffs' agreement with a litigation funding firm; in July 2021, the court ruled that while it would not dismiss the case or preclude the payment recipients from testifying at trial, if they do testify, the defendants will have wide latitude on cross-examination to explore the circumstances of the payments. From July to November 2019, the defendants filed counterclaims against former Tinder CEO Sean Rad for breach of contract and unjust enrichment based upon his alleged misappropriation and unauthorized destruction of confidential company information, unauthorized recording of conversations with company employees, and breach of his non-solicitation obligations. In January 2020 and May 2021, the parties participated in mediation sessions that did not result in the resolution of the matter. Discovery in the case is complete.

In July 2020, the four individuals who earlier had discontinued their claims in the lawsuit commenced arbitration proceedings against IAC and Match Group before the American Arbitration Association in California, asserting the same claims and seeking the same relief as the six remaining plaintiffs in the New York lawsuit. In September 2020, the defendants filed a motion to stay the trial in the New York lawsuit in favor of the California arbitration; in November 2020, the court denied the motion. In December 2020, the claimants in the California arbitration filed a motion to stay those proceedings in favor of the New York action; in January 2021, the arbitrator denied the motion and scheduled a hearing on the merits for February 2022. In April 2021, the respondents in the California arbitration filed a motion for summary judgment dismissing the claimants' merger-related claims; in August 2021, the arbitrator issued an order granting the motion.

In June 2021, the defendants in the New York lawsuit filed a motion to strike the plaintiffs' jury demand; in July 2021, the court issued an order denying the motion, whereupon the defendants filed a notice of appeal from that order and a motion to stay the trial pending resolution of the appeal. In August 2021, the trial court denied the stay motion, whereupon the defendants filed a motion to stay the trial with the Appellate Division, First Department; in September 2021, the Appellate Division issued an order denying the motion. The appeal from the trial court's denial of the defendants' motion to strike the plaintiffs' jury demand has been fully briefed and is calendared for November 17, 2021.

In July 2021, the defendants filed a motion for summary judgment. In October 2021, the court issued an order granting the motion in part and denying it in part. The court dismissed the plaintiffs' merger-related contract claims and remaining tort claims, leaving for trial only the claims for breach of contract arising out of the 2017 valuation of Tinder by the independent investment banks. These claims center on whether the investment banks were provided with adequate information to conduct their valuation and whether plaintiff Rad had adequate access to the banks and to Tinder management during the valuation process. On October 29 and November 1, 2021, respectively, the plaintiffs and the defendants filed notices of appeal from the court's summary judgment order. Trial is scheduled to commence on November 8, 2021.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

IAC believes that the allegations against it in the New York lawsuit and the California arbitration are without merit and will continue to defend vigorously against them.

Pursuant to the Transaction Agreement (as defined in Note 1—The Company and Summary of Significant Accounting Policies-MTCH Separation), Match Group has agreed to indemnify the Company for matters relating to any business of Match Group, including indemnifying the Company for costs related to the matter described above.

**NOTE 12—RELATED PARTY TRANSACTIONS**

**Relationship with Old IAC prior to the MTCH Separation**

The Company's statement of operations includes allocations of costs, including stock-based compensation expense, related to Old IAC's accounting, treasury, legal, tax, corporate support and internal audit functions prior to the MTCH Separation. Old IAC historically allocated costs related to its accounting, treasury, legal, tax, corporate support and internal audit functions that were incurred at the Old IAC legal entity level to its publicly traded subsidiaries, Old MTCH and Angi Inc. for any services provided under the applicable services agreements. The remaining unallocated expenses of Old IAC related to its accounting, treasury, legal, tax, corporate support and internal audit functions were allocated to the Company. Allocated costs, inclusive of stock-based compensation expense, in 2020 prior to the MTCH Separation, were \$85.5 million. It is not practicable to determine the actual expenses that would have been incurred for these services had the Company operated as a standalone entity during the periods presented. Management considers the allocation method to be reasonable.

The portion of interest income reflected in the statement of operations that is related party in nature was \$0.1 million in 2020 prior to the MTCH Separation and is included in "Interest income, net" in the table below.

The following table summarizes the components of the net increase in Old IAC's investment in the Company for the periods prior to the MTCH Separation:

	<b>Six Months Ended June 30, 2020, the date of the MTCH Separation</b>
	<b>(In thousands)</b>
Cash transfers from Old IAC related to its centrally managed U.S. treasury management function, acquisitions and cash expenses paid by Old IAC on behalf of the Company, net	\$ (1,742,854)
Contribution of buildings to Match Group	34,973
Taxes	34,436
Allocation of costs from Old IAC	(12,652)
Interest income, net	102
Net increase in Old IAC's investment in the Company prior to the MTCH Separation	<u>\$ (1,685,995)</u>

**Notes Receivable—Related Party**

During 2019, the Company, through two subsidiaries, entered into loan agreements with Old IAC for cash transfers to Old IAC under its centrally managed U.S. treasury function. During the first quarter of 2020, the outstanding balance, which was \$55.3 million at December 31, 2019, was repaid.

On February 11, 2020, the Company, through a subsidiary, entered into a loan agreement with Old IAC for cash transfers to Old IAC under its centrally managed U.S. treasury function. During the second quarter of 2020, the outstanding balance, which was \$27.2 million at March 31, 2020, was repaid.

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**IAC and Old MTCH**

Prior to the MTCH Separation, for the six months ended June 30, 2020, the date of the MTCH Separation, Old MTCH incurred rent expense of \$1.4 million, for leasing office space for certain of its businesses at properties owned by the Company. The amount was paid in full by Old MTCH at the date of the MTCH Separation. After June 30, 2020, the date of the MTCH Separation, Match Group is no longer a related party.

On January 31, 2020, Old IAC contributed two office buildings in Los Angeles to Old MTCH, which are primarily occupied and were previously leased from the Company by Tinder. In connection with this contribution, the Company entered into a lease with Old MTCH for office space, which the Company currently occupies, in one of the buildings and for the six months ended June 30, 2020, the date of the MTCH Separation, the Company paid Old MTCH less than \$0.1 million under the lease. Old MTCH issued 1.4 million shares of Old MTCH common stock to Old IAC for the buildings.

**IAC and Angi Inc.**

Old IAC and Angi Inc., in connection with the transaction resulting in formation of Angi Inc., entered into a contribution agreement; an investor rights agreement; a services agreement; a tax sharing agreement; and an employee matters agreement. Upon the MTCH Separation, Old IAC assigned these agreements to the Company.

For the three and nine months ended September 30, 2021, less than 0.1 million and 0.2 million shares, respectively, of Angi Inc. Class B common stock were issued to a subsidiary of the Company pursuant to the employee matters agreement as reimbursement for shares of IAC common stock issued in connection with the exercise and vesting of IAC equity awards held by Angi Inc. employees. For the three and nine months ended September 30, 2020, 0.1 million and 0.3 million shares, respectively of Angi Inc. Class B common stock were issued to a subsidiary of the Company pursuant to the employee matters agreement as reimbursement for shares of IAC common stock, issued for periods after the MTCH Separation, and Old IAC common stock, issued for periods prior to the MTCH Separation, in connection with the exercise and vesting of IAC and Old IAC equity awards held by Angi Inc. employees. For the three and nine months ended September 30, 2021, less than 0.1 million and 2.6 million shares, respectively, of Angi Inc. Class A common stock were issued to a subsidiary of the Company pursuant to the employee matters agreement as reimbursement for IAC common stock issued in connection with the exercise and settlement of certain Angi Inc. stock appreciation rights. There were no shares of Angi Inc. Class A common stock issued to IAC during the three and nine months ended September 30, 2020.

For the three and nine months ended September 30, 2021 and 2020, Angi Inc. was charged \$0.9 million and \$3.2 million; and \$1.3 million and \$3.6 million, respectively, by IAC, for periods after the MTCH Separation and Old IAC, for periods prior to the MTCH Separation, for services rendered pursuant to the services agreement. At September 30, 2021 and December 31, 2020, there were no outstanding receivables or payables pursuant to the services agreement.

At September 30, 2021 and December 31, 2020, Angi Inc. had outstanding payables of \$1.7 million and \$0.9 million, respectively, due to the Company pursuant to the tax sharing agreement. There were no payments to or refunds from Angi Inc. pursuant to this agreement during the three and nine months ended September 30, 2021. There were \$3.1 million of refunds made to Angi Inc. pursuant to this agreement during the nine months ended September 30, 2020. There were no payments to or refunds from Angi Inc. pursuant to this agreement during the three months ended September 30, 2020.

Additionally, the Company subleases office space from Angi Inc. and was charged \$0.4 million and \$1.2 million; and \$0.5 million and \$1.4 million of rent for the three and nine months ended September 30, 2021 and 2020, respectively. Angi Inc. also subleases office space from the Company and was charged \$0.3 million of rent for both the three and nine months ended September 30, 2021. At September 30, 2021 there were no outstanding payables due to or receivables due from Angi Inc. pursuant to the sublease agreements. At December 31, 2020, there was an outstanding payable of less than \$0.1 million due to Angi Inc. pursuant to sublease agreements, which was subsequently paid in full in the first quarter of 2021.

**IAC and Vimeo**

Following the Spin-off, the relationship between IAC and Vimeo is governed by a number of agreements. These agreements include a separation agreement; a tax matters agreement; a transition services agreement; an employee matters

**IAC/INTERACTIVECORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

agreement; and an office lease agreement. The Company and Vimeo are related parties because Mr. Diller is the beneficial owner of more than 10% of the voting interests in both IAC and Vimeo.

At September 30, 2021, Vimeo had no outstanding payables or receivables due to or due from the Company pursuant to the tax sharing agreement. There were no payments to or refunds from Vimeo pursuant to this agreement for the three months ended September 30, 2021, as well as for the period of May 25, 2021 through September 30, 2021.

For the three months ended September 30, 2021 and for the period May 25, 2021 through September 30, 2021, Vimeo was charged \$0.4 million and \$0.6 million, respectively, by IAC for services rendered pursuant to the transition services agreement. At September 30, 2021, there were no outstanding receivables or payables pursuant to the transition services agreement.

Vimeo has an outstanding payable due to the Company of \$1.3 million at September 30, 2021 related primarily to reimbursements due to the Company for Vimeo's participation in the Company's employee benefit plans. This amount is included in "Other current assets" in the accompanying balance sheet at September 30, 2021. This amount was paid in full in October 2021.

For the three months ended September 30, 2021 and for the period of May 25, 2021 through September 30, 2021, Vimeo was charged \$1.1 million and \$1.5 million, respectively, of rent pursuant to the lease agreement. At September 30, 2021 there were no outstanding receivables due from Vimeo pursuant to the lease agreement.

### **IAC and Expedia**

The Company and Expedia each have a 50% ownership interest in three aircraft that may be used by both companies. In the third quarter of 2021, the Company and Expedia accepted delivery of the corporate aircraft that the Company and Expedia had entered into an agreement in 2019 to jointly acquire for a total cost of \$71.4 million (including purchase price and related costs), with each company bearing 50% of such cost. In connection with the purchase agreement, the Company paid approximately \$23 million in 2019 and approximately \$12.7 million in the third quarter of 2021 upon delivery of the new aircraft. Members of the aircraft flight crews are employed by an entity in which the Company and Expedia each have a 50% ownership interest. The Company and Expedia have agreed to share costs relating to flight crew compensation and benefits pro-rata according to each company's respective usage of the aircraft, for which they are separately billed by the entity described above. The Company and Expedia are related parties because Mr. Diller serves as Chairman and Senior Executive of both IAC and Expedia. For the three and nine months ended September 30, 2021 and 2020, total payments made to this entity by the Company were not material.



**Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations***

## GENERAL

### Vimeo Spin-off:

On May 25, 2021, IAC completed the spin-off of its full stake in Vimeo to IAC shareholders (which we refer to as the "Spin-off"). Following the Spin-off, Vimeo, Inc. (formerly Vimeo Holdings, Inc. ("Vimeo")) became an independent, separately traded public company. Therefore, Vimeo is presented as a discontinued operation within IAC's accompanying financial statements for all periods prior to May 25, 2021.

### MTCH Separation:

On December 19, 2019, IAC/InterActiveCorp ("Old IAC") entered into a Transaction Agreement (as amended, the "Transaction Agreement") with Match Group, Inc. ("Old MTCH"), IAC Holdings, Inc. ("New IAC" or the "Company"), a direct wholly-owned subsidiary of Old IAC, and Valentine Merger Sub LLC, an indirect wholly-owned subsidiary of Old IAC. On June 30, 2020, the businesses of Old MTCH were separated from the remaining businesses of Old IAC through a series of transactions that resulted in the pre-transaction stockholders of Old IAC owning shares in two, separate public companies—(1) Old IAC, which was renamed Match Group, Inc. ("New Match") and which owns the businesses of Old MTCH and certain Old IAC financing subsidiaries, and (2) New IAC, which was renamed IAC/InterActiveCorp, and which owns Old IAC's other businesses—and the pre-transaction stockholders of Old MTCH (other than Old IAC) owning shares in New Match. This transaction is referred to as the "MTCH Separation."

### Acquisition of Meredith:

On October 6, 2021, IAC and Meredith Corporation entered into an agreement pursuant to which Dotdash will acquire the entity that will hold Meredith Corporation's National Media Group, which is comprised of its Digital and Magazine businesses, and corporate operations ("Meredith"), in an all cash transaction at a purchase price of \$42.18 per share, subject to downward adjustment in certain scenarios described in the acquisition agreement, representing an enterprise value of approximately \$2.7 billion. Following the acquisition, the combined entity will be named Dotdash Meredith Inc. ("Dotdash Meredith"). The transaction is expected to be funded by IAC with a combination of cash on hand and newly incurred debt at Dotdash Meredith and is subject to customary closing conditions, including regulatory approvals and completion of the spin-off of Meredith from Meredith Corporation. Additionally, IAC has received a commitment for an \$850 million bridge facility.

### Management Overview

The Company has majority ownership of Angi Inc., which also includes HomeAdvisor, powered by Angi, and Handy, and operates Dotdash and Care.com, among many others.

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

For a more detailed description of the Company's operating businesses, see "Description of IAC Businesses" included in "Item 1—Business" to the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

### Defined Terms and Operating Metrics:

Unless otherwise indicated or as the context otherwise requires, certain terms used in this quarterly report, which include the principal operating metrics we use in managing our business, are defined below:

**Reportable Segments** (for additional information see "[Note 9—Segment Information](#)" to the financial statements included in "[Item 1—Consolidated and Combined Financial Statements](#)"):

- **Angi Inc.** - a publicly traded company that connects quality home service professionals with consumers across 500 different categories, from repairing and remodeling homes to cleaning and landscaping. At September 30, 2021, the Company's economic interest and voting interest in Angi Inc. were 84.6% and 98.2%, respectively.

- **Dotdash** - is a portfolio of digital publishing brands that collectively provide expert information and inspiration in select vertical content categories. Dotdash operates in six verticals: **Health** (*Verywell*), **Finance** (*Investopedia, the Balance*), **Home** (*the Spruce, MyDomaine*), **Food & Drink** (*the Spruce Eats, Simply Recipes, Serious Eats, Liquor.com*), **Beauty & Style** (*Byrdie, Brides*), and **Lifestyle** (*Lifewire, TripSavvy, TreeHugger.com*). Through these brands, Dotdash provides original and engaging digital content in a variety of formats, including articles, illustrations, videos and images.
- **Search** - consists of **Ask Media Group**, a collection of websites providing general search services and information, and **Desktop**, which includes our direct-to-consumer downloadable desktop applications and our business-to-business partnership operations.
- **Emerging & Other** - consists of:
  - **Care.com**, the leading online destination for families to easily connect with caregivers for their children, aging parents, pets and homes and for a wide variety of caregivers to easily connect with families. Care.com's brands include *Care@Work*, Care.com offerings to enterprises, and *HomePay*. Care.com acquired Lifecare, a leading provider of family care benefits, on October 27, 2020;
  - **Mosaic Group**, a leading developer and provider of global subscription mobile applications. Mosaic Group has a portfolio of some of the largest and most popular applications in the following verticals including **Communications** (*RoboKiller, TapeACall*), **Language** (*iTranslate, Grammatica*), **Weather** (*Clime: NOAA Weather Radar Live, Weather Live*), **Business** (*PDF Hero, Scan Hero*), **Health** (*Daily Burn, Window - Intermittent Fasting*) and **Lifestyle** (*Blossom, Pixomatic*); and
  - **Bluecrew, Vivian Health** (formerly NurseFly), **The Daily Beast, Newco** (an IAC incubator), **IAC Films** and, for periods prior to its sale on March 16, 2020, **College Humor Media**.

#### **Angi Inc.**

- **Angi Ads and Leads Revenue** - primarily reflects domestic ads and leads revenue, including consumer connection revenue for consumer matches, revenue from service professionals under contract for advertising and membership subscription revenue from service professionals and consumers.
- **Angi Services Revenue** - primarily reflects domestic revenue from pre-priced offerings by which the consumer purchases services directly from Angi Inc. and Angi Inc. engages a service professional to perform the service and includes revenue from Total Home Roofing, Inc. ("Angi Roofing"), which was acquired on July 1, 2021.
- **Angi Service Requests ("Service Requests")** - are fully completed and submitted domestic customer service requests and includes Angi Services requests in the period.
- **Angi Monetized Transactions** - are fully completed and submitted domestic customer service requests that were matched to and paid for by a service professional and includes completed and in-process Angi Services jobs in the period.
- **Angi Transacting Service Professionals ("Transacting SPs")** - are the number of service professionals that paid for consumer matches through Angi Leads or performed an Angi Services job in the quarter.
- **Angi Advertising Service Professionals ("Advertising SPs")** - are the number of service professionals under contract for advertising at the end of the period.

#### **Dotdash**

- **Display Advertising Revenue** - primarily includes revenue generated from display advertisements sold both directly through our sales team and via programmatic exchanges.

- **Performance Marketing Revenue** - primarily includes affiliate commerce and performance marketing commissions generated when consumers are directed from our properties to third-party service providers. Affiliate commerce commissions are generated when a consumer completes a purchase or transaction. Performance marketing commissions are generated on a cost-per-click or cost-per-action basis.

#### Operating Costs and Expenses:

- **Cost of revenue** - consists primarily of traffic acquisition costs, which includes (i) payments made to partners who direct traffic to our Ask Media Group websites, who distribute our business-to-business customized browser-based applications and who integrate our paid listings into their websites and (ii) the amortization of fees paid to Apple and Google related to the distribution of apps and the facilitation of in-app purchases of product features. Traffic acquisition costs include payment of amounts based on revenue share and other arrangements. Cost of revenue also includes payments made to independent third party service professionals who perform work contracted under Angi Services arrangements, compensation expense (including stock-based compensation expense) and other employee-related costs for Care.com customer care and support functions, payments made to workers staffed by Bluecrew, payments made to care providers for *Care@Work*, credit card processing fees, hosting fees, roofing material costs associated with Angi Roofing, content costs, and production costs related to IAC Films and College Humor, for periods prior to its sale on March 16, 2020.
- **Selling and marketing expense** - consists primarily of advertising expenditures, which include online marketing, including through search engines and social media sites, fees paid to third parties that distribute our direct-to-consumer downloadable desktop applications, offline marketing, which is primarily television advertising, partner-related payments to those who direct traffic to the brands within our Angi Inc. segment, and compensation expense (including stock-based compensation expense) and other employee-related costs for Angi Inc.'s sales force and marketing personnel, and outsourced personnel and consulting costs.
- **General and administrative expense** - consists primarily of compensation expense (including stock-based compensation expense) and other employee-related costs for personnel engaged in executive management, finance, legal, tax, human resources and customer service functions (except for Care.com, which include customer service costs within "Cost of revenue" in the accompanying statement of operations), provision for credit losses, fees for professional services (including transaction-related costs related to the MTCH Separation, the Spin-off and acquisitions), software license and maintenance costs, rent expense and facilities cost, and acquisition-related contingent consideration fair value adjustments (described below). The customer service function at Angi Inc. includes personnel who provide support to its service professionals and consumers.
- **Product development expense** - consists primarily of compensation expense (including stock-based compensation expense) and other employee-related costs and third-party contractor costs that are not capitalized for personnel engaged in the design, development, testing and enhancement of product offerings and related technology and software license and maintenance costs.
- **Acquisition-related contingent consideration fair value adjustments** - relate to the portion of the purchase price of certain acquisitions that is contingent upon the financial performance and/or operating metric targets of the acquired company. The fair value of the liability is estimated at the date of acquisition and adjusted each reporting period until the liability is settled. Significant changes in financial performance and/or operating metrics will result in a significantly higher or lower fair value measurement. The changes in the estimated fair value of the contingent consideration arrangements during each reporting period, including the accretion of the discount if the arrangement is longer than one year, are recognized in "General and administrative expense" in the accompanying statement of operations.

**Long-term debt** (for additional information see "[Note 6—Long-term Debt](#)" to the financial statements included in "[Item 1—Consolidated and Combined Financial Statements](#)"):

- **ANGI Group Senior Notes** - on August 20, 2020, ANGI Group, LLC ("ANGI Group"), a direct wholly-owned subsidiary of Angi Inc., issued \$500 million of its 3.875% Senior Notes due August 15, 2028, with interest payable February 15 and August 15 of each year, commencing February 15, 2021.

### **Non-GAAP financial measure:**

- **Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")** - is a non-GAAP financial measure. See "[Principles of Financial Reporting](#)" for the definition of Adjusted EBITDA and a reconciliation of net earnings (loss) attributable to IAC shareholders to operating loss to Adjusted EBITDA for the three and nine months ended September 30, 2021 and 2020.

### **Angi Inc.'s Brand Integration Initiative**

On March 17, 2021, Angi Inc. updated one of its leading websites and brands, Angie's List, to Angi, and concentrated its marketing investment in the Angi brand in order to focus its marketing, sales and branding efforts on a single brand.

Angi Inc. relies heavily on free, or organic, search results from search engine optimization and paid search engine marketing to drive traffic to its websites. This brand integration initiative has adversely affected the placement and ranking of Angi Inc. websites, particularly Angi.com, in organic search results as Angi does not have the same domain history as Angie's List. In addition, Angi Inc. shifted marketing to support Angi, away from HomeAdvisor, which has negatively affected the efficiency of its search engine marketing efforts.

Since the beginning of the integration process, these efforts had a pronounced negative impact on service requests from organic search results and via Angi Inc.'s mobile applications, which in turn has resulted in increased paid search engine marketing to generate service requests. The combined effect of this during the three months ended September 30, 2021, has reduced revenue and increased marketing spend, materially more than expected at the launch of the brand initiative in the first quarter of 2021 and more significantly than our forecasts at the beginning of May 2021. Angi Inc. expects the pronounced negative impact to organic search results, the increased paid search engine marketing costs and the reduced monetization from our mobile applications to continue until such time as the new brand establishes search engine optimization ranking and consumer awareness is established.

### **Angi Services Investment**

Angi Services was launched in August 2019 and Angi Inc. has invested significantly in Angi Services and expects to continue to do so going forward. In the fourth quarter of 2021, Angi Inc. expects significant revenue growth at Angi Services as it expands the business, refines the overall experience, and increases penetration in certain geographies. This increased investment in Angi Services has contributed to lower profitability for Angi Inc. for the three and nine months ended September 30, 2021 and is expected to continue to negatively impact profits through the remainder of 2021.

### **Certain Risks and Concentrations—Services Agreement with Google (the "Services Agreement")**

A meaningful portion of the Company's revenue (and a substantial portion of IAC's net cash from operating activities attributable to continuing operations that it can freely access) is attributable to the Services Agreement. In addition, the Company earns certain other advertising revenue from Google that is not attributable to the Services Agreement. For the three and nine months ended September 30, 2021, total revenue earned from Google was \$185.6 million and \$527.0 million, respectively, representing 20% and 21%, respectively, of the Company's revenue. For the three and nine months ended September 30, 2020, total revenue earned from Google was \$132.3 million and \$385.6 million, respectively, representing 19% of the Company's revenue for both periods. The related accounts receivable totaled \$70.2 million and \$61.9 million at September 30, 2021 and December 31, 2020, respectively.

The total revenue earned from the Services Agreement for the three and nine months ended September 30, 2021 was \$168.0 million and \$471.3 million, respectively, representing 18% and 19%, respectively, of the Company's total revenue. The total revenue earned from the Services Agreement for the three and nine months ended September 30, 2020 was \$119.3 million and \$350.0 million, respectively, representing 17% and 18%, respectively, of the Company's total revenue.

The revenue attributable to the Services Agreement is earned by Ask Media Group and the Desktop business, both within the Search segment. For the three and nine months ended September 30, 2021, revenue earned from the Services Agreement was \$137.9 million and \$382.5 million, respectively, within Ask Media Group and \$30.1 million and \$88.8 million, respectively, within the Desktop business. For the three and nine months ended September 30, 2020, revenue earned from the Services Agreement was \$83.7 million and \$231.2 million, respectively, within Ask Media Group and \$35.6 million and \$118.9 million, respectively, within the Desktop business.

On August 23, 2021, the Company and Google amended the Services Agreement, effective as of August 1, 2021, to extend the expiration date from March 31, 2023 to March 31, 2024 and to provide for an automatic renewal for an additional one year period absent a notice of non-renewal from either party on or before March 31, 2023. The Company believes that the amended agreement, taken as a whole, is comparable to its previously existing agreement with Google. The Services Agreement requires that the Company comply with certain guidelines promulgated by Google. Google may generally unilaterally update its policies and guidelines without advance notice. These updates may be specific to the Services Agreement or could be more general and thereby impact the Company as well as other companies. These policy and guideline updates have in the past and could in the future require modifications to, or prohibit and/or render obsolete certain of our products, services and/or business practices, which have been and could be costly to address or negatively impact revenue and have had and in the future could have an adverse effect on our financial condition and results of operations. As described below, Google has made changes to the policies under the Services Agreement and has also made industry-wide changes that have negatively impacted the Desktop business-to-consumer ("B2C") business and it may do so in the future.

Certain industry-wide policy changes became effective on August 27, 2020. These industry-wide changes, combined with increased enforcement of policies under the Services Agreement, have had a negative impact on the results of operations of the B2C business. In the quarter ended September 30, 2020, the Company reassessed the fair values of the Desktop reporting unit and the related indefinite-lived intangible assets and recorded impairments equal to the remaining carrying value of the goodwill of \$53.2 million and \$10.8 million related to the intangible assets. The reduction in the Company's fair value estimates was due to lower consumer queries, increasing challenges in monetization and the reduced ability to market profitably due to policy changes implemented by Google and other browsers. The effects of COVID-19 on monetization were an additional factor.

In addition, during the fourth quarter of 2020, Google suspended services with respect to some B2C's products and may do so with respect to other products in the future. As a result, the B2C business elected to modify certain marketing strategies in early January 2021. Subsequently, Google informed us of another policy change in the first quarter of 2021 that became effective on May 10, 2021. We anticipated that this Google policy change would eliminate our ability to successfully introduce and market new B2C products that would be profitable. Therefore, we undertook cost reduction measures and effectively eliminated all marketing of B2C products beginning in March 2021. This elimination of marketing has and will positively impact profitability in 2021 because revenue from B2C products is earned over multiple periods beyond just the period in which the initial marketing is incurred. Following the cessation of the introduction of new products in March 2021, the B2C revenue stream relates solely to the then existing installed base of products. For the three and nine months ended September 30, 2021, B2C revenue declined by \$15.0 million to \$16.3 million and \$39.7 million to \$63.4 million, respectively, while Desktop operating income, excluding the goodwill and intangible asset impairment charges in 2020, increased by \$10.2 million to \$13.7 million and \$22.4 million to \$35.6 million, versus the comparable prior year periods. For the remainder of 2021, we expect this trend to continue and B2C revenue to decline substantially while Desktop operating income will increase versus the comparable prior year period. Beyond 2021, we expect the revenue and profits of the B2C business and Desktop, respectively, to decline significantly.

#### **COVID-19 Update**

The impact on the Company from the COVID-19 pandemic and the measures designed to contain its spread has been varied and volatile.

As previously disclosed, the initial impact of COVID-19 on the businesses in IAC's Angi Inc. segment resulted in a decline in demand for service requests, driven primarily by decreases in demand in certain categories of jobs (particularly discretionary indoor projects). While these businesses have experienced a rebound in service requests in the second half of 2020 and through early 2021, service requests did start to decline in May 2021 compared to the comparable months of 2020 as a result of the surge in 2020 and due to impacts of the "Angi Inc.'s Brand Integration Initiative" discussed above. Moreover, many service professionals' businesses had been adversely impacted by labor and material constraints and many service professionals had limited capacity to take on new business, which negatively impacted the ability of these businesses to monetize this increased level of service requests through the first quarter of 2021. While Angi Inc.'s ability to monetize service requests rebounded modestly in the second and third quarters of 2021, it is still not back to levels it experienced pre-COVID-19. No assurances can be provided that Angi Inc. will continue to be able to improve monetization, or that service professionals' businesses will not continue to be adversely impacted in the future. The Search segment has experienced an increase in revenue in the first nine months of 2021 compared to the prior year due, in part, to lower advertising rates in 2020 due to the impact of COVID-19.

The volatile nature of our operating results in 2020 due to COVID-19 will impact the comparability of our year-over-year results of operations.

In the quarter ended March 31, 2020, the Company determined that the effects of COVID-19 were an indicator of possible impairment for certain of its assets and identified the following impairments:

- a \$212.0 million impairment related to the goodwill of the Desktop reporting unit (included in the Search segment);
- a \$21.4 million impairment related to certain indefinite-lived intangible assets of the Desktop reporting unit;
- a \$51.5 million impairment of certain equity securities without readily determinable fair values; and
- a \$7.5 million impairment of a note receivable and a warrant related to certain investees.

In the quarter ended September 30, 2020, the Company recorded impairments of \$53.2 million and \$10.8 million related to the goodwill and intangible assets, respectively, of the Desktop reporting unit. These impairments were due in part to the effects of COVID-19 on monetization. Refer to "Certain Risks and Concentrations—Services Agreement with Google" above for additional information.

The extent to which developments related to the COVID-19 pandemic and measures designed to curb its spread continue to impact the Company's business, financial condition and results of operations will depend on future developments, all of which are highly uncertain and many of which are beyond the Company's control, including the continuing spread of COVID-19, the severity of resurgences of COVID-19 caused by variant strains of the virus, the effectiveness of vaccines and attitudes toward receiving them, materials and supply chain constraints, labor shortages, the scope of governmental and other restrictions on travel, discretionary services and other activity, and public reactions to these developments.

**Results of Operations for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020**
**Revenue**

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
<b>(Dollars in thousands)</b>								
Angi Inc.	\$ 461,565	\$ 71,652	18%	\$ 389,913	\$ 1,269,582	\$ 160,958	15%	\$ 1,108,624
Dotdash	65,165	14,391	28%	50,774	203,919	64,404	46%	139,515
Search	228,445	83,237	57%	145,208	593,086	162,196	38%	430,890
Emerging & Other	168,923	41,498	33%	127,425	473,735	153,141	48%	320,594
Inter-segment eliminations	(30)	42	59%	(72)	(137)	(5)	(4)%	(132)
<b>Total</b>	<b>\$ 924,068</b>	<b>\$ 210,820</b>	<b>30%</b>	<b>\$ 713,248</b>	<b>\$ 2,540,185</b>	<b>\$ 540,694</b>	<b>27%</b>	<b>\$ 1,999,491</b>

For the three months ended September 30, 2021 compared to the three months ended September 30, 2020

- Angi Inc. revenue increased 18% to \$461.6 million driven by growth of \$72.2 million, or 160%, in Angi Services Revenue, while Angi Ads and Leads Revenue remained relatively flat. Approximately half of the Angi Services Revenue growth is due to organic growth and approximately half of the revenue growth is due to Angi Roofing, acquired July 1, 2021. Angi Ads and Leads Revenue was impacted by the decline of 11% in Service Requests during the quarter attributable to the brand integration initiative described above under "Angi Inc.'s Brand Integration Initiative."
- Dotdash revenue increased 28% to \$65.2 million due to growth of \$11.1 million, or 35%, in Display Advertising Revenue and \$3.3 million, or 18%, higher Performance Marketing Revenue. The growth in Display Advertising Revenue was driven by an increase in advertising sold at favorable rates as the prior year rates were negatively impacted by COVID-19. The increase in Performance Marketing Revenue was due primarily to growth in both affiliate commerce commission revenue and performance marketing commission revenue due to increased online sales and new performance marketing products.
- Search revenue increased 57% to \$228.4 million due to growth of \$90.3 million, or 88%, from Ask Media Group, partially offset by a decrease of \$7.1 million, or 17%, from Desktop. The increase in Ask Media Group revenue was due to higher and more efficient marketing driving increased visitors to ad supported search and content websites. The decrease in Desktop revenue was due primarily to the Google policy changes announced in the fourth quarter of 2020 and the first quarter of 2021 described above under "Certain Risks and Concentrations—Services Agreement with Google (the "Services Agreement")."
- Emerging & Other revenue increased 33% to \$168.9 million due primarily to an increase in revenue of \$29.2 million from Care.com to \$85.9 million driven, in part, by the addition of Lifecare, acquired in October 2020, and increased revenue from Bluecrew, Vivian Health and The Daily Beast.

For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

- Angi Inc. revenue increased 15% to \$1.3 billion driven by increases of \$134.6 million, or 122%, in Angi Services Revenue, \$16.1 million, or 2%, in Angi Ads and Leads Revenue and \$10.2 million, or 19%, at the European businesses. The increase in Angi Services Revenue is due primarily to organic growth and to a lesser extent from Angi Roofing, acquired July 1, 2021. The increase in Angi Ads and Leads Revenue is due primarily to an increase in advertising revenue of \$20.6 million or 12%. The revenue increase at the European businesses was due to strong growth across all of its markets due to increased consumer demand and the favorable impact of the weakening of the U.S. dollar relative to the Euro and British Pound.
- Dotdash revenue increased 46% to \$203.9 million due to growth of \$36.7 million, or 42%, in Display Advertising Revenue and \$27.7 million, or 54%, higher Performance Marketing Revenue. The increase in both Display Advertising Revenue and Performance Marketing Revenue were due to the factors described above in the three-month discussion.



- Search revenue increased 38% to \$593.1 million due to growth of \$196.1 million, or 67%, from Ask Media Group, partially offset by a decrease of \$33.9 million, or 24%, from Desktop. The increase in Ask Media Group revenue was due primarily to the factors described above in the three-month discussion and an increase in advertising rates in 2021 as the prior year rates were negatively impacted by COVID-19. The decrease in Desktop revenue was due to the factors described above in the three-month discussion.
- Emerging & Other revenue increased 48% to \$473.7 million due primarily to the contribution of Care.com, acquired February 11, 2020, the addition of Lifecare, acquired by Care.com in October 2020, and increased revenue from Bluecrew, IAC Films, Vivian Health, The Daily Beast and Mosaic Group.

**Cost of revenue (exclusive of depreciation shown separately below)**

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
	(Dollars in thousands)							
Cost of revenue (exclusive of depreciation shown separately below)	\$331,384	\$146,496	79%	\$184,888	\$802,408	\$300,554	60%	\$501,854
As a percentage of revenue	36%			26%	32%			25%

*For the three months ended September 30, 2021 compared to the three months ended September 30, 2020*

Cost of revenue in 2021 increased from 2020 due to increases of \$79.3 million from Search, \$51.2 million from Angi Inc. and \$10.4 million from Emerging & Other.

- The Search increase was primarily due to an increase of \$72.2 million in traffic acquisition costs at Ask Media Group resulting from the increase in revenue.
- The Angi Inc. increase was due primarily to the growth of Angi Services, including \$25.8 million of costs attributable to the inclusion of Angi Roofing, primarily for third-party contractors and roofing materials. The remaining increase represents payments to third-party professional service providers for other Angi Services arrangements.
- The Emerging & Other increase was due primarily to \$8.0 million in payments made to workers staffed by Bluecrew resulting from an increase in revenue, \$5.9 million of expense from the inclusion of Lifecare, partially offset by a decrease of \$4.3 million at Care.com related to a change from gross to net revenue recognition for certain Care@Work contracts.

*For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020*

Cost of revenue in 2021 increased from 2020 due to increases of \$155.4 million from Search, \$100.5 million from Angi Inc. and \$29.8 million from Emerging & Other.

- The Search increase was primarily due to an increase of \$148.7 million in traffic acquisition costs at Ask Media Group resulting from the increase in revenue.
- The Angi Inc. increase was due primarily to growth of Angi Services and payments made to independent third-party service professionals described above in the three-month discussion and costs attributable to the inclusion of Angi Roofing.
- The Emerging & Other increase was due primarily to \$18.6 million of expense from the inclusion of Lifecare, \$12.4 million in payments made to workers staffed by Bluecrew resulting from an increase in revenue and \$4.3 million in production costs at IAC Films due to recent theatrical releases, partially offset by a decrease of \$10.1 million at Care.com related to a change from gross to net revenue recognition for certain Care@Work contracts.

## Selling and marketing expense

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
	(Dollars in thousands)							
Selling and marketing expense	\$348,187	\$32,967	10%	\$315,220	\$1,001,760	\$120,378	14%	\$881,382
As a percentage of revenue	38%			44%	39%			44%

For the three months ended September 30, 2021 compared to the three months ended September 30, 2020

Selling and marketing expense in 2021 increased from 2020 due to increases of \$27.6 million from Angi Inc., \$11.2 million from Emerging & Other and \$5.2 million from Dotdash, partially offset by a decrease of \$11.0 million from Search.

- The Angi Inc. increase was due primarily to increases in advertising expense of \$11.9 million and compensation expense of \$7.6 million, expense of \$7.2 million from the inclusion of Angi Roofing and an increase in consulting costs of \$3.2 million. The increase in advertising expense was due principally to an increase of \$11.0 million in television spend in 2021, which reflects the return to historical spending amounts as compared to the cost cutting initiatives during the third quarter of 2020 due to the impact of COVID-19 as well as continued efforts related to the brand integration initiative described above under "Angi Inc.'s Brand Integration Initiative." The increase in compensation expense was due primarily to increased commission expense and an increase in sales force headcount, partially offset by lower compensation expense in France due to headcount reductions in the third quarter of 2020. The increase in consulting costs was due primarily to various sales initiatives at Angi Services.
- The Emerging & Other increase was due primarily to increases of \$7.1 million and \$0.7 million in online marketing spend at Care.com and Vivian Health, respectively, and \$1.8 million in expense from the inclusion of Lifecare.
- The Dotdash increase was due primarily to increases in online advertising expense of \$2.9 million and compensation expense of \$1.6 million. The increase in online advertising expense is due primarily to an increase relative to depressed levels in 2020 due to COVID-19. The increase in compensation expense was primarily due to higher headcount.
- The Search decrease was due primarily to a decrease in marketing of \$19.5 million at Desktop as it substantially reduced marketing of its B2C products in January 2021 and the subsequent elimination of all marketing of its B2C products beginning in early March 2021 due primarily to the Google policy changes in the fourth quarter of 2020 and the first quarter of 2021 described above under "Certain Risks and Concentrations—Services Agreement with Google (the "Services Agreement"), partially offset by an increase of \$8.6 million in online marketing at Ask Media Group.

For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

Selling and marketing expense in 2021 increased from 2020 due to increases of \$92.5 million from Angi Inc., \$40.5 million from Emerging & Other and \$15.0 million from Dotdash, partially offset by a decrease of \$27.6 million from Search.

- The Angi Inc. increase was due primarily to increases in advertising expense of \$48.6 million, compensation expense of \$29.7 million, outsourced personnel and consulting costs of \$10.4 million, and \$7.2 million in expense from the inclusion of Angi Roofing. The increase in advertising expense was due primarily to an increase of \$47.9 million in online marketing attributable to the brand integration initiative described above under "Angi Inc.'s Brand Integration Initiative." The increase in compensation expense was due primarily to the factors described above in the three-month discussion. The increase in outsourced personnel and consulting costs was due primarily to various sales initiatives at Angi Services.
- The Emerging & Other increase was due primarily to an increase of \$22.3 million in online marketing and television spend at Care.com, \$5.6 million in expense from the inclusion of Lifecare, increases of \$2.0 million in outsourced personnel costs at Bluecrew and \$1.9 million in compensation expense and \$1.6 million in online marketing at Vivian Health.
- The Dotdash increase was due primarily to increases in online advertising expense of \$8.2 million and compensation expense of \$5.8 million. The increase in online advertising expense and compensation expense were due primarily to the factors described above in the three-month discussion.

- The Search decrease was due primarily to a decrease in marketing of \$54.1 million at Desktop due primarily to the factors described above in the three-month discussion, partially offset by an increase of \$24.7 million in online marketing at Ask Media Group.

### General and administrative expense

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
	(Dollars in thousands)							
General and administrative expense	\$183,299	\$25,013	16%	\$158,286	\$521,170	\$(30,186)	(5)%	\$551,356
As a percentage of revenue	20%			22%	21%			28%

For the three months ended September 30, 2021 compared to the three months ended September 30, 2020

General and administrative expense in 2021 increased from 2020 due to increases of \$19.0 million from Emerging & Other, \$13.0 million from Angi Inc and \$6.4 million from Dotdash, partially offset by a decrease of \$11.1 million from Corporate.

- The Emerging & Other increase was due primarily to expense of \$15.0 million in an acquisition-related contingent consideration fair value adjustment related to a change in estimate of the liability related to the amount of contingent consideration to be paid out in connection with a previous Mosaic Group acquisition, \$2.2 million from the inclusion of Lifecare and an increase of \$1.4 million in compensation expense at Care.com due primarily to an increase in headcount.
- The Angi Inc. increase was due primarily to an increase of \$7.7 million in professional fees, expense of \$6.0 million from the inclusion of Angi Roofing, increases of \$2.4 million in software license and maintenance costs and \$1.7 million in the provision for credit losses, partially offset by a \$6.6 million decrease in compensation expense. The increase in professional fees was due primarily to an increase in outsourced personnel costs and to a lesser extent legal fees, consulting costs and recruiting fees. The increase in outsourced personnel costs is due primarily to an increase in call volume related to Angi Inc.'s customer service function. The increase in software license and maintenance costs is due to increased investment in software to support Angi Inc.'s customer service function. The increase in the provision for credit losses is primarily due to higher Angi Services revenue as the provision for credit losses as a percentage of revenue has remained relatively flat. The decrease in compensation expense was due primarily to a decrease in stock-based compensation expense and severance costs recorded in the European business in the third quarter of 2020 associated with headcount reductions in France.
- The Dotdash increase was due primarily to \$5.5 million in transaction-related costs in connection with the Meredith transaction.
- The Corporate decrease was due primarily to a decrease in compensation expense of \$12.4 million due primarily to lower stock-based compensation expense in 2021 related to the forfeiture of certain equity awards and the prior year period reflecting higher employer payroll taxes related to Match Group stock options exercised by IAC employees.

For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

General and administrative expense in 2021 decreased from 2020 due to a decrease of \$93.6 million from Corporate, partially offset by increases of \$33.1 million from Emerging & Other and \$28.6 million from Angi Inc.

- The Corporate decrease was due primarily to a decrease of \$50.2 million in stock-based compensation expense, a \$25 million contribution to the IAC Fellows endowment included in the prior year period and a decrease in transaction-related costs (\$18.2 million related to the MTCH Separation in 2020 compared to \$6.1 million in connection with the Spin-off in 2021). The decrease in stock-based compensation is due primarily to the inclusion in 2020 of \$54.4 million in modification charges related to the MTCH Separation, partially offset by the issuance of new equity awards since 2020.
- The Emerging & Other increase was due primarily to a change of \$21.9 million in acquisition-related contingent consideration fair value adjustments (expense of \$15.0 million in 2021 compared to income of \$6.9 million in 2020) due to the amount of contingent consideration to be paid out in connection with a previous Mosaic Group acquisition, \$9.5 million of expense from the inclusion of Lifecare, an increase of \$6.8 million in compensation expense at Care.com due primarily to an increase in headcount, partially offset by a decrease of \$4.3 million in compensation expense at Mosaic Group.

- The Angi Inc. increase was due primarily to an increase of \$21.1 million in professional fees, \$9.6 million in one-time costs related to Angi Inc. reducing its real estate footprint, \$6.0 million of expense from the inclusion of Angi Roofing, increases of \$5.1 million in the provision for credit losses and \$4.9 million in software and maintenance costs, partially offset by a decrease of \$22.1 million in compensation expense. The increase in professional fees, provision for credit losses and software licenses and maintenance costs were due primarily to the factors described above in the three-month discussion. The real estate related costs are the result of impairments of right-of-use lease assets, leasehold improvements and furniture and equipment associated with office space Angi Inc. is vacating. The decrease in compensation expense was due primarily to a decrease in stock-based compensation expense of \$35.0 million and severance costs recorded in the European business in the third quarter of 2020 associated with headcount reductions in France, partially offset by \$11.7 million in wage related expenses resulting primarily from wage increases and a \$6.0 million charge related to the acquisition of an additional 21% interest in MyBuilder at a premium to fair value. The decrease in stock-based compensation expense was due primarily to \$22.4 million in stock appreciation rights expense recognized in 2020 which was not incurred in 2021 as the awards became fully vested in 2020 and a net decrease of \$7.7 million due to the reversal of previously recognized expense related to unvested awards that were forfeited due to management departures in the first quarter of 2021, partially offset by the issuance of new equity awards since 2020.

### Product development expense

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
	(Dollars in thousands)							
Product development expense	\$61,403	\$9,678	19%	\$51,725	\$183,929	\$38,754	27%	\$145,175
As a percentage of revenue	7%			7%	7%			7%

For the three months ended September 30, 2021 compared to the three months ended September 30, 2020

Product development expense in 2021 increased from 2020 due to increases of \$5.1 million from both Dotdash and Emerging & Other.

- The Dotdash increase was due primarily to an increases of \$4.5 million in compensation expense due to higher headcount to aid in new and enhanced user experiences on its websites.
- The Emerging & Other increase was due primarily to the inclusion of \$1.4 million in expense from Lifecare and an increase of \$1.3 million in compensation expense at Care.com due to higher headcount.

For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

Product development expense in 2021 increased from 2020 due to increases of \$19.4 million from Emerging & Other, \$14.8 million from Dotdash and \$4.4 million from Angi Inc.

- The Emerging & Other increase was due primarily to increases of \$9.4 million and \$5.6 million in outsourced personnel costs and compensation expense, respectively, at Care.com, \$4.2 million in expense from the inclusion of Lifecare and an increase of \$1.5 million in compensation expense at Vivian Health. The increase in outsourced personnel costs at Care.com is primarily due to enhancing existing product offerings and developing new products. The increase in compensation expense at both Care.com and Vivian Health is primarily due to increases in headcount.
- The Dotdash increase was due primarily to increases of \$12.6 million in compensation expense and \$1.8 million in expense for third-party contractors. The increase in compensation expense is due primarily to the factors described above in the three-month discussion.
- The Angi Inc. increase was due primarily to an increase of \$3.1 million in compensation expense due primarily to fewer projects being capitalized at the European businesses.

## Depreciation

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
	(Dollars in thousands)							
Depreciation	\$17,795	\$(852)	(5)%	\$18,647	\$54,093	\$3,510	7%	\$50,583
As a percentage of revenue	2%			3%	2%			3%

For the three months ended September 30, 2021 compared to the three months ended September 30, 2020.

Depreciation decreased in 2021 from 2020 due primarily to the inclusion in 2020 of write-offs of leasehold improvements as a result of early lease terminations at Desktop and Mosaic Group, partially offset by increased depreciation related to investments in Angi Inc.'s capitalized software.

For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Depreciation increased in 2021 from 2020 due primarily to investments in Angi Inc.'s capitalized software.

## Operating (loss) income

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
	(Dollars in thousands)							
Angi Inc.	\$ (14,973)	\$ (11,954)	(396)%	\$ (3,019)	\$ (47,595)	\$ (45,924)	(2,749)%	\$ (1,671)
Dotdash	7,082	(4,691)	(40)%	11,773	44,383	22,523	103%	21,860
Search	30,011	82,990	NM	(52,979)	74,059	338,820	NM	(264,761)
Emerging & Other	(22,239)	12,884	37%	(35,123)	(23,946)	38,033	61%	(61,979)
Corporate	(31,948)	10,933	25%	(42,881)	(114,618)	94,398	45%	(209,016)
Total	\$ (32,067)	\$ 90,162	74%	\$ (122,229)	\$ (67,717)	\$ 447,850	87%	\$ (515,567)
As a percentage of revenue	(3)%			(17)%	(3)%			(26)%

For the three months ended September 30, 2021 compared to the three months ended September 30, 2020

Operating loss decreased \$90.2 million to a loss of \$32.1 million, despite the decrease of \$1.5 million in Adjusted EBITDA, described below, due primarily to the inclusion in 2020 of a goodwill impairment of \$53.2 million and \$10.8 million in indefinite-lived intangible asset impairments at Search related to the Desktop business, decreases of \$28.7 million in amortization of intangibles, excluding the \$10.8 million Desktop impairment noted above, and \$13.2 million in stock-based compensation expense, partially offset by the inclusion in 2021 of \$15.0 million of expense related to an acquisition-related contingent consideration fair value adjustment. The goodwill and the indefinite-lived intangible asset impairments in 2020 at the Desktop business were primarily due to lower consumer queries, increasing challenges in monetization and the reduced ability to market profitably due to browser policy changes implemented by Google and other browsers. The effects of COVID-19 on monetization were an additional factor. The remaining decrease of \$28.7 million in amortization of intangibles was due primarily to certain intangible assets becoming fully amortized in 2020, partially offset by an increase in amortization related to the acquisition of Lifecare. The decrease in stock-based compensation expense was due primarily to the forfeiture of certain equity awards in 2021 and stock appreciation rights expense recognized in 2020 which were not incurred in 2021.

For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

Operating loss decreased \$447.9 million to a loss of \$67.7 million due primarily to the inclusion in 2020 of a goodwill impairment of \$265.2 million and \$32.2 million in indefinite-lived intangible asset impairments at Search related to the Desktop business, a decrease of \$84.1 million in stock-based compensation expense, an increase in Adjusted EBITDA of \$49.1 million, described below, and a decrease of \$42.8 million in amortization of intangibles, excluding the \$32.2 million Desktop impairment noted above, partially offset by a change of \$21.9 million in acquisition-related contingent consideration fair value adjustments (expense of \$15.0 million in 2021 compared to income of \$6.9 million in 2020) and an increase of \$3.5 million in depreciation. The goodwill and the indefinite-lived intangible asset impairments in 2020 at the Desktop business were due to the factors described above in the three-month discussion. The remaining decrease in amortization of intangibles of \$42.8 million was due principally to certain intangible assets becoming fully amortized during 2020, partially offset by an increase in amortization related to acquisition of Lifecare. The decrease in stock-based compensation expense was due primarily to the inclusion in 2020 of \$54.6 million in modification charges related to the MTCH Separation and the factors described above in the three-month discussion. The increase in depreciation was due primarily to the investments in Angi Inc. capitalized software.

At September 30, 2021, there was \$355.8 million of unrecognized compensation cost, net of estimated forfeitures, related to all equity-based awards, which is expected to be recognized over a weighted average period of approximately 5.3 years.

### Adjusted EBITDA

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
	(Dollars in thousands)				(Dollars in thousands)			
Angi Inc.	\$ 12,395	\$ (26,092)	(68)%	\$ 38,487	\$ 31,139	\$ (99,681)	(76)%	\$ 130,820
Dotdash	8,202	(7,979)	(49)%	16,181	48,673	13,369	38%	35,304
Search	30,031	18,156	153%	11,875	74,087	39,638	115%	34,449
Emerging & Other	2,737	10,798	NM	(8,061)	21,592	52,240	NM	(30,648)
Corporate	(23,132)	3,600	13%	(26,732)	(71,769)	43,489	38%	(115,258)
Total	\$ 30,233	\$ (1,517)	(5)%	\$ 31,750	\$ 103,722	\$ 49,055	90%	\$ 54,667
As a percentage of revenue	3%			4%	4%			3%

For a reconciliation of net earnings (loss) attributable to IAC shareholders to operating loss to Adjusted EBITDA, see "[Principles of Financial Reporting](#)." For a reconciliation of operating (loss) income to Adjusted EBITDA for the Company's reportable segments, see "[Note 9—Segment Information](#)" to the financial statements included in "[Item 1—Consolidated and Combined Financial Statements](#)."

For the three months ended September 30, 2021 compared to the three months ended September 30, 2020

- Angi Inc. Adjusted EBITDA decreased 68% to \$12.4 million, despite higher revenue, due primarily to an increase of \$51.2 million in cost of revenue due primarily to the growth of Angi Services, including \$25.8 million of costs attributable to the inclusion of Angi Roofing, and an increase of \$11.9 million in advertising expense which reflects the return to historical spending amounts as compared to the cost cutting initiatives during the third quarter of 2020 due to the impact of COVID-19 as well as continued efforts related to the brand integration initiative described above under "Angi Inc.'s Brand Integration Initiative."
- Dotdash Adjusted EBITDA decreased 49% to \$8.2 million despite higher revenue, due primarily to higher compensation expense, an increase in third-party content creation costs to drive prospective audience and revenue growth, an increase in advertising expense of \$2.9 million and \$5.5 million in transaction related costs in connection with the Meredith transaction.
- Search Adjusted EBITDA increased 153% to \$30.0 million due to an increase in Ask Media Group revenue and the decrease of \$19.5 million in marketing at Desktop as it eliminated all marketing of its B2C products beginning in early March 2021 as a result of Google policy changes in the fourth quarter of 2020 and the first quarter of 2021 described above under "Certain Risks and Concentrations—Services Agreement with Google (the "Services Agreement")."

- Emerging & Other Adjusted EBITDA increased \$10.8 million to \$2.7 million from a loss of \$8.1 million due primarily to profits at Care.com as 2020 included \$5.0 million in transaction-related items from its acquisition (including \$2.6 million in transaction-related costs and \$2.4 million in deferred revenue write-offs), higher profits at Mosaic Group and reduced losses at The Daily Beast and Vivian Health.
- Corporate Adjusted EBITDA loss decreased 13% to \$23.1 million due primarily to a decrease in compensation expense due primarily to the prior year period reflecting higher employer payroll taxes related to Match Group stock options exercised by IAC employees.

For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

- Angi Inc. Adjusted EBITDA decreased 76% to \$31.1 million, despite higher revenue, due primarily to increases in cost of revenue due primarily to the growth of Angi Services, including \$25.8 million of costs attributable to the inclusion of Angi Roofing, advertising expense attributable to the brand integration initiative described above under "Angi Inc.'s Brand Integration Initiative," compensation expense due to increased commission expense and headcount, \$9.6 million in one-time costs as a result of Angi Inc. reducing its real estate footprint, and a \$6.0 million charge related to the acquisition of an additional 21% interest in MyBuilder at a premium to fair value.
- Dotdash Adjusted EBITDA increased 38% to \$48.7 million due primarily to higher revenue, partially offset by increases in compensation expense, increases in third-party content creation costs, \$8.2 million of advertising expense and \$5.5 million in transaction related costs in connection with the Meredith transaction.
- Search Adjusted EBITDA increased 115% to \$74.1 million due to an increase in Ask Media Group revenue and the decrease of \$54.1 million in marketing at Desktop as it substantially reduced marketing of its B2C products in January 2021 and the subsequent elimination all marketing of B2C products beginning in early March 2021 as a result of Google policy changes.
- Emerging & Other Adjusted EBITDA increased \$52.2 million to \$21.6 million from a loss of \$30.6 million due primarily to increased profits at Care.com as 2020 included \$25.3 million in transaction-related items from its acquisition (including \$15.7 million in deferred revenue write-offs and \$9.6 million in transaction-related costs), profits in the current year compared to losses in the prior year at IAC Films and higher profits at Mosaic Group.
- Corporate Adjusted EBITDA loss decreased 38% to \$71.8 million due primarily to the inclusion in 2020 of the \$25 million contribution to the IAC Fellows endowment and \$18.2 million in costs related to the MTCH Separation, partially offset by \$6.1 million in costs related to the Spin-off.

### Interest expense

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
(Dollars in thousands)								
Interest expense	\$6,032	\$225	4%	\$5,807	\$18,463	\$8,884	93%	\$9,579

For the three months ended September 30, 2021 compared to the three months ended September 30, 2020

Interest expense in 2021 increased from 2020 due primarily to the issuance of the ANGI Group Senior Notes in August 2020 and the write-off of deferred debt issuance costs associated with the termination of the ANGI Group Revolving Facility in August 2021, partially offset by a decrease in interest expense due to the repayment of the ANGI Group Term Loan during the second quarter of 2021 and the inclusion in 2020 of the write-off of deferred financing costs as a result of the termination of the IAC Group Credit Facility in October 2020.

For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

Interest expense in 2021 increased from 2020 due primarily to the factors described above in the three-month discussion. Interest expense was further impacted by a decrease in interest expense on the ANGI Group Term Loan due to lower interest rates and the decrease in the average outstanding balance compared to the prior year period.

### Unrealized gain on investment in MGM Resorts International

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
	(Dollars in thousands)							
Unrealized gain on investment in MGM Resorts International	\$29,517	\$(259,580)	(90)%	\$289,097	\$687,155	\$422,776	160%	\$264,379

For the three months ended September 30, 2021 compared to the three months ended September 30, 2020

The Company recognized unrealized gains of \$29.5 million and \$289.1 million on its investment in MGM Resorts International ("MGM") during the third quarter of 2021 and 2020, respectively.

For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

The Company recognized unrealized gains of \$687.2 million and \$264.4 million on its investment in MGM during the first nine months of 2021 and 2020, respectively. During the second and third quarters of 2020, the Company purchased a total of 59.0 million shares of MGM.

### Other income (expense), net

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
	(Dollars in thousands)							
Other income (expense), net	\$79,539	\$77,937	NM	\$1,602	\$133,388	\$185,863	NM	\$(52,475)

For the three months ended September 30, 2021 and 2020

Other income, net in 2021 includes: an unrealized increase of \$47.1 million in the estimated fair value of a warrant; an unrealized gain of \$25.8 million related to one of the Company's investments following its initial public offering in the third quarter of 2021; and net unrealized gains or upward adjustments of \$7.5 million related to equity securities without readily determinable fair values.

Other income, net in 2020 includes: \$2.7 million of realized gains on the sale of an investment; \$1.0 million of interest income, partially offset by a \$2.3 million unrealized reduction in the estimated fair value of a warrant.

For the nine months ended September 30, 2021 and 2020

Other income, net in 2021 includes: an unrealized increase of \$102.3 million in the estimated fair value of a warrant; an unrealized gain of \$25.8 million related to one of the Company's investments following its initial public offering in the third quarter of 2021; net unrealized gains or upward adjustments of \$8.9 million related to equity securities without readily determinable fair values; a realized gain of \$7.2 million related to the sale of a marketable equity security; partially offset by \$12.0 million of foreign exchange losses primarily related to the substantial liquidation of certain foreign subsidiaries.

Other expense, net in 2020 includes: \$51.5 million in impairments related to investments in equity securities without readily determinable fair values and \$7.5 million in impairments of a note receivable and a warrant related to certain investees due to the impact of COVID-19; and \$6.6 million of interest income.

### Income tax (provision) benefit

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
	(Dollars in thousands)							
Income tax (provision) benefit	\$(9,910)	\$(34,970)	NM	\$25,060	\$(151,046)	\$(247,486)	NM	\$96,440
Effective income tax rate	14%			NM	21%			31%



For further details of income tax matters, see "[Note 2—Income Taxes](#)" to the financial statements included in "[Item 1. Consolidated and Combined Financial Statements](#)."

*For the three months ended September 30, 2021 compared to the three months ended September 30, 2020*

In 2021, the effective income tax rate was lower than the statutory rate of 21% due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards, partially offset by state taxes, nondeductible stock-based compensation expense and foreign income taxed at different rates.

In 2020, the Company recorded an income tax benefit of \$25.1 million, despite pre-tax income. The income tax benefit was due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards, partially offset by the non-deductible portion of the Desktop goodwill impairment, nondeductible stock-based compensation expense and state taxes.

*For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020*

In 2021, the effective income tax rate was the same as the statutory rate of 21% due to excess tax benefits generated by the exercise and vesting of stock-based awards, offset by an increase in the valuation allowance on beginning-of-the-year deferred tax assets related to the Spin-off and state taxes.

In 2020, the income tax benefit represented an effective tax rate of 31%. The effective income tax rate was higher than the statutory rate of 21% due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards and the revaluation of net operating loss deferred taxes due to the Coronavirus Aid, Relief, and Economic Security Act, partially offset by the non-deductible portion of the Desktop goodwill impairment charge, unbenefited losses related to other investment impairments, and nondeductible stock-based compensation expense.

***Net (earnings) loss attributable to noncontrolling interests***

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2021	\$ Change	% Change	2020	2021	\$ Change	% Change	2020
	(Dollars in thousands)							
Net (earnings) loss attributable to noncontrolling interests	\$(357)	\$587	62%	\$(944)	\$3,089	\$3,714	NM	\$(625)

Net (earnings) loss attributable to noncontrolling interests in 2021 and 2020 primarily represents the publicly-held interest in Angi Inc.'s earnings. Net (earnings) loss attributable to noncontrolling interests in 2021 also includes a third party interest in a subsidiary that holds two marketable equity securities that the Company recorded gains on in 2021. The Company sold its shares in one of the investments in the third quarter of 2021.

## PRINCIPLES OF FINANCIAL REPORTING

The Company reports Adjusted EBITDA as a supplemental measure to U.S. generally accepted accounting principles ("GAAP"). This measure is one of the primary metrics by which we evaluate the performance of our businesses, on which our internal budgets are based and by which management is compensated. We believe that investors should have access to, and we are obligated to provide, the same set of tools that we use in analyzing our results. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. The Company endeavors to compensate for the limitations of the non-GAAP measure presented by providing the comparable GAAP measure with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measure. We encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measure, which we discuss below.

### Definition of Non-GAAP Measure

*Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")* 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. We believe this measure is useful for analysts and investors as this measure allows a more meaningful comparison between our performance and that of our competitors. Adjusted EBITDA has certain limitations because it excludes the impact of these expenses.

The following table reconciles net earnings (loss) attributable to IAC shareholders to operating loss to Adjusted EBITDA:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
<b>Net earnings (loss) attributable to IAC shareholders</b>	\$ 60,690	\$ 184,917	\$ 584,575	\$ (239,399)
Add back:				
Net earnings (loss) attributable to noncontrolling interests	357	944	(3,089)	625
Loss from discontinued operations, net of tax	—	1,862	1,831	21,972
Income tax provision (benefit)	9,910	(25,060)	151,046	(96,440)
Other (income) expense, net	(79,539)	(1,602)	(133,388)	52,475
Unrealized gain on investment in MGM Resorts International	(29,517)	(289,097)	(687,155)	(264,379)
Interest expense	6,032	5,807	18,463	9,579
<b>Operating loss</b>	<b>(32,067)</b>	<b>(122,229)</b>	<b>(67,717)</b>	<b>(515,567)</b>
Add back:				
Stock-based compensation expense	15,438	28,621	57,804	141,861
Depreciation	17,795	18,647	54,093	50,583
Amortization of intangibles	14,067	53,538	44,542	119,562
Acquisition-related contingent consideration fair value adjustments	15,000	—	15,000	(6,918)
Goodwill impairment	—	53,173	—	265,146
<b>Adjusted EBITDA</b>	<b>\$ 30,233</b>	<b>\$ 31,750</b>	<b>\$ 103,722</b>	<b>\$ 54,667</b>

For a reconciliation of operating (loss) income to Adjusted EBITDA for the Company's reportable segments, see "[Note 9—Segment Information](#)" to the financial statements included in "[Item 1—Consolidated and Combined Financial Statements](#)."

### **Non-Cash Expenses That Are Excluded from Our Non-GAAP Measure**

*Stock-based compensation expense* consists of expense associated with awards that were granted under various IAC stock and annual incentive plans and expense related to awards issued by certain subsidiaries of the Company. These expenses are not paid in cash and we view the economic costs of stock-based awards to be the dilution to our share base; we also include the related shares in our fully diluted shares outstanding for GAAP earnings per share using the treasury stock method. The Company is currently settling all stock-based awards on a net basis; IAC remits the required tax-withholding amounts for net-settled awards from its current funds.

*Depreciation* is a non-cash expense relating to our building, capitalized software, leasehold improvements and equipment and is computed using the straight-line method to allocate the cost of depreciable assets to operations over their estimated useful lives, or, in the case of leasehold improvements, the lease term, if shorter.

*Amortization of intangible assets and impairments of goodwill and intangible assets* are non-cash expenses related primarily to acquisitions. At the time of an acquisition, the identifiable definite-lived intangible assets of the acquired company, such as technology, service professional relationships, customer lists and user base, memberships, trade names and content, are valued and amortized over their estimated lives. Value is also assigned to acquired indefinite-lived intangible assets, which comprise trade names and trademarks, and goodwill that are not subject to amortization. An impairment is recorded when the carrying value of an intangible asset or goodwill exceeds its fair value. We believe that intangible assets represent costs incurred by the acquired company to build value prior to acquisition and the related amortization and impairments of intangible assets or goodwill, if applicable, are not ongoing costs of doing business.

*Gains and losses recognized on changes in the fair value of contingent consideration arrangements* are accounting adjustments to report contingent consideration liabilities at fair value. These adjustments can be highly variable and are excluded from our assessment of performance because they are considered non-operational in nature and, therefore, are not indicative of current or future performance or the ongoing cost of doing business.

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

### Financial Position

	September 30, 2021	December 31, 2020
	(In thousands)	
<b>Angi Inc. cash and cash equivalents and marketable debt securities:</b>		
United States	\$ 449,687	\$ 793,679
All other countries	26,938	19,026
Total cash and cash equivalents	476,625	812,705
Marketable debt securities (United States)	—	49,995
Total Angi Inc. cash and cash equivalents and marketable debt securities	476,625	862,700
<b>IAC (excluding Angi Inc.) cash and cash equivalents and marketable securities:</b>		
United States	2,875,024	2,466,404
All other countries	53,264	87,067
Total cash and cash equivalents	2,928,288	2,553,471
Marketable securities (United States)	26,794	174,984
Total IAC (excluding Angi Inc.) cash and cash equivalents and marketable securities	2,955,082	2,728,455
<b>Total cash and cash equivalents and marketable securities</b>	<b>\$ 3,431,707</b>	<b>\$ 3,591,155</b>
<b>Long-term debt:</b>		
ANGI Group Senior Notes	\$ 500,000	\$ 500,000
ANGI Group Term Loan	—	220,000
Total long-term debt	500,000	720,000
Less: unamortized debt issuance costs	5,627	7,723
Total long-term debt, net	\$ 494,373	\$ 712,277

The Company's international cash can be repatriated without significant tax consequences.

For a detailed description of long-term debt, see "[Note 6—Long-term Debt](#)" to the financial statements included in "[Item 1. Consolidated and Combined Financial Statements](#)."

### Cash Flow Information

In summary, IAC's cash flows are as follows:

	Nine Months Ended September 30,	
	2021	2020
	(In thousands)	
<b>Net cash provided by (used in):</b>		
Operating activities attributable to continuing operations	\$ 209,629	\$ 141,232
Investing activities attributable to continuing operations	\$ (216,553)	\$ (1,827,980)
Financing activities attributable to continuing operations	\$ (369,105)	\$ 4,304,883

Net cash provided by operating activities attributable to continuing operations consists of net earnings adjusted for non-cash items, the effect of changes in working capital and acquisition-related contingent consideration payments (to the extent greater than the liability initially recognized at the time of acquisition). Non-cash adjustments include the unrealized (gain) loss on the investment in MGM, goodwill impairment, deferred income taxes, stock-based compensation expense, amortization of intangibles, unrealized (increase) decrease in the estimated fair value of a warrant, provision for credit losses, depreciation, net (gains) losses on investments in equity securities, and non-cash lease expense (including right-of-use asset impairments).

## 2021

Adjustments to net earnings attributable to continuing operations consist primarily of an unrealized gain on the investment in MGM of \$687.2 million, an unrealized increase in the estimated fair value of a warrant of \$102.3 million, and net gains on investments in equity securities of \$45.0 million, partially offset by deferred income taxes of \$150.6 million, provision for credit losses of \$66.4 million, stock-based compensation expense of \$57.8 million, depreciation of \$54.1 million, amortization of intangibles of \$44.5 million, and non-cash lease expense (including right-of-use asset impairments) of \$24.5 million. The increase from changes in working capital primarily consists of an increase in accounts payable and other liabilities of \$83.2 million, an increase in deferred revenue of \$39.9 million, and a decrease in other assets of \$19.0 million, offset by an increase in accounts receivable of \$114.6 million and a decrease in income taxes payable and receivable of \$6.0 million. The increase in accounts payable and other liabilities is due primarily to increases in accrued traffic acquisition costs and related payables at Search, accrued advertising and related payables at Angi Inc., and accrued roofing material costs related to Angi Roofing at Angi Inc., partially offset by the reduction in lease liabilities. The increase in deferred revenue is due primarily to timing of cash received related to various production deals at IAC Films, growth in subscription sales at Care.com, as well as an increase in annual memberships and customer deposits for Angi Services jobs at Angi Inc. The decrease in other assets is due to decreases in capitalized downloadable search toolbar costs at Search and capitalized sales commissions at Angi Inc. The increase in accounts receivable is due primarily to revenue growth at Angi Inc., primarily attributable to Angi Services, and Search, partially offset by timing of cash receipts at Care.com. The decrease in income taxes payable and receivable is due primarily to the release of income tax reserves due to statute expirations and income tax payments in excess of income tax accruals.

Net cash used in investing activities attributable to continuing operations includes the cash distribution related to the spin-off of Vimeo of \$333.2 million, capital expenditures of \$69.4 million, primarily related to investments in capitalized software at Angi Inc. to support its products and services, and payment of \$12.7 million related to the purchase of a 50% interest in an aircraft at Corporate, acquisitions of \$25.4 million, principally related to the Angi Roofing acquisition at Angi Inc., and purchases of investments of \$23.9 million, primarily related to Turo, partially offset by maturities of marketable debt securities of \$225.0 million.

Net cash used in financing activities attributable to continuing operations includes the prepayment of the ANGI Group Term Loan of \$220.0 million, which otherwise would have matured on November 5, 2023, withholding taxes paid on behalf of Angi Inc. employees for stock-based awards that were net settled of \$56.1 million, the repurchase of 3.2 million shares of Angi Inc. Class A common stock, on a settlement date basis, of \$35.4 million at an average price of \$11.06 per share, withholding taxes paid on behalf of IAC employees for stock-based awards that were net settled of \$35.1 million, and the purchase of redeemable noncontrolling interests of \$24.7 million.

## 2020

Adjustments to net loss attributable to continuing operations consist primarily of goodwill impairment of \$265.1 million, stock-based compensation expense of \$141.9 million, amortization of intangibles of \$119.6 million, including impairments of \$32.2 million, provision for credit losses of \$61.0 million, depreciation of \$50.6 million, losses on equity securities of \$48.8 million, including \$51.5 million of impairments of certain equity securities without readily determinable fair values, and non-cash lease expense (including right-of-use impairments) of \$18.0 million, partially offset by an unrealized gain on the investment in MGM of \$264.4 million and deferred income taxes of \$72.4 million. The decrease from changes in working capital primarily consists of increases in accounts receivable of \$82.8 million and other assets of \$20.3 million, partially offset by increases in accounts payable and other liabilities of \$47.3 million and deferred revenue of \$31.3 million. The increase in accounts receivable is due primarily to revenue growth at Angi Inc. and Care.com, and timing of cash receipts at Mosaic Group. The increase in other assets is primarily due to an increase in capitalized production costs at IAC Films. The increase in accounts payable and other liabilities is due primarily to accrued advertising and related payables at Angi Inc., and accrued compensation costs due, in part, to the deferral of payroll tax payments under the Coronavirus Aid, Relief, and Economic Security Act, partially offset by the reduction in lease liabilities. The increase in deferred revenue is due primarily to growth in subscription sales at Care.com.

Net cash used in investing activities attributable to continuing operations includes cash used for the purchase of 59.0 million shares of MGM, on a settlement date basis, of \$1.0 billion, acquisitions of \$529.3 million, principally related to the Care.com acquisition, purchases (net of maturities) of marketable debt securities of \$299.9 million, and capital expenditures of \$40.9 million, primarily related to investments in capitalized software at Angi Inc. to support its products and services, and leasehold improvements, partially offset by a decrease in notes receivable—related party of \$54.8 million and proceeds from the sale of businesses and investments of \$17.6 million, principally related to the 2018 sales of Dictionary and Electus.

Net cash provided by financing activities attributable to continuing operations includes cash transfers from Old IAC to the Company pursuant to the terms of the MTCH Separation of \$1.7 billion and cash merger consideration paid by Old IAC in connection with the MTCH Separation of \$837.9 million, proceeds related to the sale of Old IAC Class M common stock of \$1.4 billion, and proceeds from the issuance of the ANGI Group Senior Notes of \$500.0 million, partially offset by the repurchase of 7.7 million shares of Angi Inc. common stock, on a settlement date basis, of \$54.4 million at an average price of \$7.02 per share, withholding taxes paid on behalf of Angi Inc. employees for stock-based awards that were net settled of \$50.0 million, withholding taxes paid on behalf of IAC employees for stock-based awards that were net settled of \$24.0 million, principal payments on the ANGI Group Term Loan of \$10.3 million, debt issuance costs of \$5.6 million, and the purchase of redeemable noncontrolling interests of \$4.3 million.

### ***Discontinued Operations***

Net cash provided by discontinued operations of \$319.2 million and \$26.5 million for the nine months ended September 30, 2021 and September 30, 2020, respectively, relates to the operations of Vimeo. The Company does not expect cash flows from discontinued operations following the Spin-off.

### **Liquidity and Capital Resources**

#### ***Financing Arrangements***

The ANGI Group Senior Notes were issued on August 20, 2020, the proceeds of which have been used for general corporate purposes, including the acquisition of Angi Roofing on July 1, 2021, and treasury share purchases.

As of May 6, 2021, the outstanding balance of the ANGI Group Term Loan was repaid in its entirety. The outstanding balance of the ANGI Group Term Loan at December 31, 2020 was \$220.0 million and bore interest at 2.16%.

The \$250 million ANGI Group Revolving Facility, which otherwise would have expired on November 5, 2023, was terminated effective August 3, 2021. No amounts were ever drawn under the ANGI Group Revolving Facility prior to its termination.

#### ***Share Repurchase Authorizations and Activity***

At September 30, 2021, IAC has 8.0 million shares remaining in its share repurchase authorization.

During the nine months ended September 30, 2021, Angi Inc. repurchased 3.2 million shares of its Class A common stock, on a trade date basis, at an average price of \$11.06 per share, or \$35.4 million in aggregate. At September 30, 2021 Angi Inc. has 16.1 million shares remaining in its share repurchase authorization.

IAC and Angi Inc. may purchase their shares over an indefinite period of time on the open market and in privately negotiated transactions, depending on those factors management deems relevant at any particular time, including, without limitation, market conditions, share price and future outlook.

#### ***Outstanding Stock-based Awards***

IAC and Angi Inc. may settle stock options, stock settled stock appreciation rights, restricted stock units ("RSUs") and restricted stock on a gross or a net basis based upon factors deemed relevant at the time. To the extent that equity awards are settled on a net basis, the holders of the awards receive shares of IAC or Angi Inc., as applicable, with a value equal to the fair value of the award on the vest date for RSUs and restricted stock and with a value equal to the intrinsic value of the award upon exercise for stock options or stock settled appreciation rights less, in each case, an amount equal to the required cash tax withholding payment, which will be paid by IAC or Angi Inc., as applicable, on the employee's behalf. All awards are being settled currently on a net basis.

Certain previously issued Angi Inc. stock appreciation rights are settleable in either shares of Angi Inc. common stock or shares of IAC common stock at IAC's option. If settled in IAC common stock, Angi Inc. reimburses IAC in shares of Angi Inc.'s common stock.

The following table summarizes (i) the aggregate intrinsic value of IAC options, Angi Inc. options, Angi Inc. stock settled stock appreciation rights, IAC and Angi Inc. non-publicly traded subsidiary denominated stock settled stock appreciation rights and (ii) the aggregate fair value (based on stock prices as of October 29, 2021) of IAC and Angi Inc. RSUs and IAC restricted stock outstanding as of that date; assuming these awards were net settled on that date, the withholding taxes that would be paid by the Company on behalf of employees upon exercise or vesting that would be payable (assuming these equity awards are net settled with a 50% tax rate), and the shares that would have been issued are as follows:

	Aggregate intrinsic value / fair value of awards outstanding	Estimated withholding taxes payable on vested shares and shares that will vest by September 30, 2022	Estimated withholding taxes payable on shares that will vest after September 30, 2022	Estimated IAC shares to be issued
(In thousands)				
<b>IAC</b>				
Stock settled stock appreciation rights denominated in shares of certain non-publicly traded IAC subsidiaries other than Angi Inc. subsidiaries <sup>(a)</sup>	\$ 69,371	\$ 20,548	\$ 14,137	228
IAC denominated stock options <sup>(b)</sup>	425,619	212,809	—	1,397
IAC RSUs <sup>(c)</sup>	233,266	14,774	101,859	765
IAC restricted stock <sup>(d)</sup>	326,679	—	163,340	1,072
Total IAC outstanding employee stock-based awards	1,054,935	248,131	279,336	3,462
<b>Angi Inc.</b>				
Angi Inc. stock appreciation rights	9,375	4,687	—	See footnote (f) below
Other Angi Inc. equity awards <sup>(a)(e)</sup>	190,775	19,903	74,588	See footnote (f) below
Total Angi Inc. outstanding employee stock-based awards	200,150	24,590	74,588	
Total outstanding employee stock-based awards	\$ 1,255,085	\$ 272,721	\$ 353,924	

<sup>(a)</sup> The number of shares ultimately needed to settle these awards and the cash withholding tax obligation may vary significantly as a result of the determination of the fair value of the relevant subsidiary at the time of exercise. In addition, the number of shares required to settle these awards will be impacted by movement in the stock price of IAC.

<sup>(b)</sup> The Company has the discretion to settle these awards net of withholding tax and exercise price (which is represented in the table above) or settle on a gross basis and require the award holder to pay its share of the withholding tax, which he or she may do so by selling IAC common shares. Assuming all IAC stock options outstanding on October 29, 2021 were settled on a gross basis, i.e., through the issuance of a number of IAC common shares equal to the number of stock options exercised, the Company would have issued 3.1 million common shares and would have received \$44.3 million in cash proceeds. These amounts reflect adjustments made to IAC awards upon the completion of the Spin-off.

<sup>(c)</sup> Approximately 85% of the estimated withholding taxes payable on shares that will vest after September 30, 2022 is related to awards that are scheduled to cliff vest on the five-year anniversary of the grant date in 2025.

<sup>(d)</sup> On November 5, 2020, the Company granted 3.0 million shares of IAC restricted common stock to its CEO, that cliff vest on the ten-year anniversary of the grant date based on satisfaction of IAC's stock price targets and continued employment through the vesting date.

<sup>(e)</sup> Includes stock options, RSUs and subsidiary denominated equity.

<sup>(f)</sup> Pursuant to the employee matters agreement between IAC and Angi Inc., certain stock appreciation rights of Angi, Inc. and equity awards denominated in shares of Angi Inc.'s subsidiaries may be settled in either shares of Angi Inc. common stock or IAC common stock. To the extent shares of IAC common stock are issued in settlement of these awards, Angi Inc. is obligated to reimburse IAC for the cost of those shares by issuing shares of Angi Inc. common stock.

### Capital Expenditures

The Company anticipates that it will need to make capital expenditures in connection with the development and expansion of its operations. The Company's 2021 capital expenditures are expected to be higher than 2020 capital expenditures of \$60.7 million by approximately 40% to 45%, due primarily to increased investments in capitalized software to support the development of products and services at Angi Inc. and payments related to the purchase of a 50% interest in an aircraft at Corporate, the final payment for which was made in the third quarter of 2021.

### ***Acquisition of Meredith***

On October 6, 2021, IAC and Meredith Corporation entered into an agreement pursuant to which Dotdash will acquire the entity that will hold Meredith Corporation's National Media Group, which is comprised of its Digital and Magazine businesses, and corporate operations ("Meredith"), in an all cash transaction at a purchase price of \$42.18 per share, subject to downward adjustment in certain scenarios described in the acquisition agreement, representing an enterprise value of approximately \$2.7 billion. Following the acquisition, the combined entity will be named Dotdash Meredith Inc. ("Dotdash Meredith"). The transaction is expected to be funded by IAC with a combination of cash on hand and newly incurred debt at Dotdash Meredith and is subject to customary closing conditions, including regulatory approvals and completion of the spin-off of Meredith from Meredith Corporation. Additionally, IAC has received a commitment for an \$850 million bridge facility.

### ***Liquidity Assessment***

As of September 30, 2021, the Company's consolidated cash, cash equivalents, and marketable equity securities was \$3.4 billion, of which \$476.6 million was held by Angi Inc. The Company's consolidated outstanding debt of \$500.0 million is a liability of ANGI Group, a subsidiary of Angi Inc. The Company generated \$209.6 million of consolidated operating cash flows attributable to continuing operations for the nine months ended September 30, 2021, of which \$25.9 million was generated by Angi Inc. Angi Inc. is a separate and distinct legal entity with its own public shareholders and board of directors and has no obligation to provide the Company with funds. As a result, the Company cannot freely access the cash of Angi Inc. and its subsidiaries.

The Company's liquidity could be negatively affected by a decrease in demand for its products and services due to COVID-19 or other factors. As described in the "COVID-19 Update" section above, to date, the COVID-19 outbreak and measures designed to curb its spread have adversely impacted the Company's businesses.

The Company's only indebtedness is the \$500 million of ANGI Group Senior Notes. This existing indebtedness could limit Angi Inc.'s ability to obtain additional financing, however, we do not believe that this indebtedness would limit IAC's ability to obtain additional financing. The Company may need to raise additional capital through future debt or equity financing to make additional acquisitions and investments. Additional financing may not be available on terms favorable to the Company or at all, which may also be impacted by any disruptions in the financial markets caused by COVID-19 or otherwise.

The Company believes its existing cash, cash equivalents, and marketable equity securities, and expected positive cash flows generated from operations (and if the acquisition of Meredith is completed, from the combined operations) will be sufficient to fund its normal operating requirements, including debt service for existing debt at Angi and, if incurred, newly incurred debt to fund the acquisition at Dotdash Meredith, capital expenditures, the payment of withholding taxes paid on behalf of employees for net-settled stock-based awards, and investing and other commitments for the foreseeable future.



**CONTRACTUAL OBLIGATIONS**  
**AS OF SEPTEMBER 30, 2021**

<b>Contractual Obligations<sup>(a)</sup></b>	<b>Payments Due by Period</b>				<b>Total</b>
	<b>Less Than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More Than 5 Years</b>	
	<b>(In thousands)</b>				
Long-term debt <sup>(b)</sup>	\$ 19,375	\$ 38,750	\$ 38,750	\$ 538,750	\$ 635,625
Operating leases <sup>(c)</sup>	38,999	73,551	55,156	207,734	375,440
Purchase obligations <sup>(d)</sup>	25,570	5,930	—	—	31,500
<b>Total contractual obligations</b>	<b>\$ 83,944</b>	<b>\$ 118,231</b>	<b>\$ 93,906</b>	<b>\$ 746,484</b>	<b>\$ 1,042,565</b>

<sup>(a)</sup> The Company has excluded \$14.2 million in unrecognized tax benefits and related interest from the table above as we are unable to make a reasonably reliable estimate of the period in which these liabilities might be paid. For additional information on income taxes, see "[Note 2—Income Taxes](#)" to the financial statements included in "[Item 1—Consolidated and Combined Financial Statements](#)."

<sup>(b)</sup> Long-term debt at September 30, 2021 consists of \$500.0 million of ANGI Group Senior Notes, which bear interest at a fixed rate of 3.875%. For additional information on long-term debt, see "[Note 6—Long-term Debt](#)" to the financial statements included in "[Item 1—Consolidated and Combined Financial Statements](#)."

<sup>(c)</sup> The Company leases land, office space, data center facilities and equipment used in connection with operations under various operating leases, the majority of which contain escalation clauses. Operating lease obligations include legally binding minimum lease payments for leases signed but not yet commenced. The Company is also committed to pay a portion of the related operating expenses under certain lease agreements. These operating expenses are not included in the table above.

<sup>(d)</sup> These purchase obligations primarily relate to arrangements for cloud computing, communications, advertising, and background check services.

### ***Item 3. Quantitative and Qualitative Disclosures about Market Risk***

At September 30, 2021, there have been no material changes to the Company's instruments or positions that are sensitive to market risk since the disclosure for the year ended December 31, 2020 included in the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on June 1, 2021, other than the Company's long-term investment in MGM described below.

#### **Equity Price Risk**

During the second and third quarters of 2020, the Company purchased a total of 59.0 million shares of MGM for a total consideration of \$1.0 billion. The Company's results of operations and financial condition have been and may be materially impacted by increases or decreases in the price of MGM common shares, which are traded on the New York Stock Exchange. The Company recorded an unrealized pre-tax gain of \$29.5 million and \$687.2 million for the three and nine months ended September 30, 2021, respectively. The cumulative unrealized pre-tax gain through September 30, 2021 is \$1.5 billion. The carrying value of the Company's investment in MGM was \$2.5 billion and \$1.9 billion at September 30, 2021 and December 31, 2020, respectively, which represents approximately 27% and 20% of IAC's consolidated total assets, respectively. A \$2.00 increase or decrease in the share price of MGM would, respectively, result in an unrealized gain or loss of \$118.1 million.

**Item 4. Controls and Procedures**

The Company monitors and evaluates on an ongoing basis its disclosure controls and procedures and internal control over financial reporting in order to improve their overall effectiveness. In the course of these evaluations, the Company modifies and refines its internal processes as conditions warrant.

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's management, including our principal executive and principal financial officers, or persons performing similar functions, evaluated the effectiveness of the Company's disclosure controls and procedures as defined by Rule 13a-15(e) under the Exchange Act. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes to our internal control over financial reporting during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### Item 1. *Legal Proceedings*

#### Overview

In the ordinary course of business, IAC and its subsidiaries may become parties to litigation involving property, personal injury, contract, intellectual property and other claims, as well as stockholder derivative actions, class action lawsuits and other matters. The amounts that may be recovered in such matters may be subject to insurance coverage. The litigation matters described below involve issues or claims that may be of particular interest to IAC's stockholders, regardless of whether any of these matters may be material to IAC's financial position or operations based upon the standard set forth in the rules of the Securities and Exchange Commission.

#### ***Tinder Optionholder Litigation against IAC and Match Group***

*The New York Lawsuit.* On August 14, 2018, ten then-current and former employees of Match Group, LLC or Tinder, Inc. ("Tinder"), an operating business of Match Group, filed a lawsuit in New York state court against IAC and Match Group. *See Sean Rad et al. v. IAC/InterActiveCorp and Match Group, Inc.*, No. 654038/2018 (Supreme Court, New York County). The complaint alleges that in 2017, the defendants: (i) wrongfully interfered with a contractually established process for the independent valuation of Tinder by two investment banks, resulting in a substantial undervaluation of Tinder and a consequent underpayment to the plaintiffs upon exercise of their stock options, and (ii) then wrongfully merged Tinder into Match Group, thereby depriving the plaintiffs of their contractual right to later valuations of Tinder on a stand-alone basis. The complaint asserts claims for breach of contract, breach of the implied covenant of good faith and fair dealing, unjust enrichment, interference with contractual relations (as against Match Group only), and interference with prospective economic advantage, and seeks compensatory damages in the amount of at least \$2 billion, as well as punitive damages. On August 31, 2018, four plaintiffs who were still employed by Match Group filed a notice of discontinuance of their claims without prejudice, leaving the six former employees as the remaining plaintiffs.

On October 9, 2018, the defendants filed a motion to dismiss the complaint on various grounds, including that the 2017 valuation of Tinder by the investment banks was an expert determination any challenge to which is both time-barred under applicable law and available only on narrow substantive grounds that the plaintiffs have not pleaded in their complaint; the plaintiffs opposed the motion. On June 13, 2019, the court issued a decision and order: (i) granting the motion to dismiss the claims for breach of the implied covenant of good faith and fair dealing and for unjust enrichment, (ii) granting the motion to dismiss the merger-related claim for breach of contract as to two of the remaining six plaintiffs, and (iii) otherwise denying the motion to dismiss. On June 21, 2019, the defendants filed a notice of appeal from the trial court's partial denial of their motion to dismiss, and the parties thereafter briefed the appeal. On October 29, 2019, the Appellate Division, First Department, issued an order affirming the lower court's decision. On November 22, 2019, the defendants filed a motion for reargument or, in the alternative, leave to appeal the Appellate Division's order to the New York Court of Appeals; the plaintiffs opposed the motion. On May 21, 2020, the Appellate Division issued an order: (i) granting the defendants' motion for reargument, vacating its prior decision, and replacing it with a new decision that affirmed the lower court's decision on different grounds, and (ii) denying the defendants' motion for leave to appeal the initial (and now vacated) decision to the Court of Appeals, without prejudice to the defendants' filing a motion for leave to appeal the new decision to the Court of Appeals. On June 5, 2020, the defendants filed a motion for leave to appeal the Appellate Division's May 21 decision to the Court of Appeals; the plaintiffs opposed the motion. On July 24, 2020, the Appellate Division issued an order denying the motion.

On June 3, 2019, the defendants filed a second motion to dismiss or for other relief based upon certain substantial advance and/or preferential payment provisions of the plaintiffs' agreement with a litigation funding firm; the plaintiffs opposed the motion. On July 14, 2021, after supplemental briefing and argument on the motion, the court ruled that while it would not dismiss the case or preclude the payment recipients from testifying at trial, if they do testify, the defendants will have wide latitude on cross-examination to explore the circumstances of the payments.

On July 15, 2019, the defendants filed an answer denying the material allegations of the complaint, as well as counterclaims against former Tinder CEO Sean Rad for breach of contract and unjust enrichment based upon his alleged misappropriation of confidential company information. On September 13, 2019, the defendants filed an amended answer and counterclaims, adding claims based on Rad's alleged unauthorized recording of conversations with company employees. On November 21, 2019, the defendants filed a second amended answer and counterclaims, adding claims based on Rad's alleged unauthorized destruction of company information and breach of his non-solicitation obligations. On January 30, 2020 and May 21, 2021, the parties participated in mediation sessions that did not result in the resolution of the matter. Discovery in the case is complete.

On June 14, 2021, the defendants filed a motion to strike the plaintiffs' demand for a jury trial; the plaintiffs opposed the motion, and on July 14, 2021, the court denied the motion. On July 29, 2021, the defendants filed a notice of appeal to the Appellate Division, First Department, from the trial court's order denying the motion. On July 30, 2021, the defendants filed a motion to stay the trial pending resolution of the appeal; the plaintiffs opposed the motion, and on August 16, 2021, the court denied the motion. On August 18, 2021, the defendants filed a motion in the Appellate Division, First Department, seeking a stay of trial pending their expedited appeal from the trial court's denial of their motion to strike the plaintiffs' jury demand; the plaintiffs opposed the motion, and on September 16, 2021, the Appellate Division issued an order denying the stay motion. The defendants' appeal from the trial court's denial of their motion to strike the plaintiffs' jury demand has been fully briefed, and is scheduled for oral argument on November 17, 2021.

On July 9, 2021, the defendants filed a motion for summary judgment; the plaintiffs opposed the motion. On October 1, 2021, the court issued a decision and order granting the motion in part and denying it in part. The court dismissed the plaintiffs' claims for breach of contract based upon the defendants' merger of Tinder into Match Group and conversion of the plaintiffs' Tinder options into Match Group options, as well as the plaintiffs' tort claims for interference with contractual relations and interference with prospective economic advantage. As a result, the only claims remaining for trial are the plaintiffs' claims for breach of contract based upon the defendants' alleged interference with the 2017 valuation of Tinder performed by two investment banks pursuant to the parties' contracts. The court also declined to grant summary judgment on the defendants' equitable defense that plaintiff Sean Rad ratified the 2017 valuation by exercising his options based upon the banks' valuation of Tinder; that defense will be tried to the court. On October 29 and November 1, 2021, respectively, the plaintiffs and the defendants filed notices of appeal from the court's summary judgment order. The jury trial is scheduled to commence on November 8, 2021.

*The California Arbitration.* On July 12, 2020, the four individuals who earlier had discontinued their claims in the New York lawsuit commenced separate arbitration proceedings against IAC and Match Group before the American Arbitration Association in California, asserting the same claims and seeking the same relief as the six remaining plaintiffs in the New York lawsuit. *See Rosette Pambakian et al. v. IAC/InterActiveCorp et al.*, No. 01-20-0009-9733. On September 14, 2020, the defendants in the New York lawsuit filed a motion to stay the trial in that action in favor of the California arbitration; the plaintiffs opposed the motion and on November 16, 2020, the court denied the motion.

On December 8, 2020, the claimants in the California arbitration filed a motion to stay the proceedings in favor of the New York lawsuit; the respondents opposed the motion. On December 22, 2020, the respondents requested permission to file a motion for summary judgment on the claims arising out of the merger of Tinder into Match Group; the claimants opposed the request. On January 28, 2021, the arbitrator issued a decision and order: (i) denying the claimants' motion to stay the proceedings, (ii) granting the respondents' request to file a motion for summary judgment on the merger claims, provided that the motion await the close of fact discovery in the New York lawsuit, and (iii) setting a provisional hearing date of February 7, 2022. On April 30, 2021, the respondents filed a motion for summary judgment dismissing the claimants' merger-related claims; the plaintiffs opposed the motion. On August 24, 2021, the arbitrator issued a ruling granting the respondents' motion.

IAC believes that the allegations against it in the New York lawsuit and the California arbitration are without merit and will continue to defend vigorously against them.

Pursuant to the Transaction Agreement (as defined in Item 2-Management's Discussion and Analysis of Financial Condition and Results of Operations-General-Separation), Match Group has agreed to indemnify the Company for matters relating to any business of Match Group, including indemnifying the Company for costs related to the matter described above.

### **Shareholder Litigation Arising Out of the MTCH Separation**

On June 24, 2020, a shareholder class action and derivative lawsuit was filed in Delaware state court against then IAC/InterActiveCorp (now Match Group, Inc.), then IAC Holdings, Inc. (now IAC/InterActiveCorp), IAC's Chairman and Senior Executive, Barry Diller, former Match Group (as a nominal defendant only), and the ten members of former Match Group's board of directors at the time of the MTCH Separation, challenging, on behalf of a putative class of then Match Group public shareholders, the agreed-upon terms of the MTCH Separation. See *David Newman v. IAC/InterActiveCorp et al.*, No. 2020-0505 (Delaware Chancery Court). The gravamen of the complaint is that the terms of the MTCH Separation are unfair to former Match Group and unduly beneficial to IAC as a result of undue influence by IAC and Mr. Diller over the then Match Group directors who unanimously approved the transaction. The complaint asserted direct and derivative claims for: (i) breach of fiduciary duty against IAC and Mr. Diller as former controlling shareholders of Match Group, (ii) breach of fiduciary duty against the Match Group directors who unanimously approved the MTCH Separation, (iii) breach of contract (i.e., a provision of former Match Group's charter), (iv) breach of the implied covenant of good faith and fair dealing, and (v) tortious interference with contract against IAC. The complaint sought various declarations and damages in an unspecified amount. On September 24, 2020, the defendants filed motions to dismiss the complaint.

On January 8, 2021, instead of responding to the motions to dismiss, the plaintiff, joined by another plaintiff, Boilermakers National Annuity Trust, filed an amended complaint. In addition, on January 7, 2021, another complaint challenging the MTCH Separation was filed against substantially the same defendants in the same court. See *Construction Industry & Laborers Joint Pension Trust for Southern Nevada Plan A v. IAC/InterActiveCorp et al.* (Delaware Chancery Court). The two cases have been consolidated under the caption *In re Match Group, Inc. Derivative Litigation*, No. 2020-0505. On March 15, 2021, the court issued an order appointing Construction Industry and Laborers Joint Pension Trust for Southern Nevada Plan A as lead plaintiff in the litigation and directing it to file a consolidated complaint by April 14, 2021, and on that date the lead plaintiff filed the consolidated complaint. On June 22, 2021, the defendants filed motions to dismiss the consolidated complaint. On September 3, 2021, instead of responding to the motions, the plaintiffs filed motions to add City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust as a co-lead plaintiff and to amend and supplement the consolidated complaint, which latter motion the defendants opposed. On October 27, 2021, the court issued an order granting the motions.

IAC believes that the allegations in this litigation are without merit and will continue to defend vigorously against them.

#### **Item 1A. Risk Factors**

##### **Cautionary Statement Regarding Forward-Looking Information**

This quarterly report on Form 10-Q 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," "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 IAC management's expectations and assumptions about future events as of the date of this quarterly report, 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: (i) our ability to market our products and services in a successful and cost-effective manner, (ii) the display of links to websites offering our products and services in a prominent manner in search results, (iii) changes in our relationship with (or policies implemented by) Google, (iv) our continued ability to market, distribute and monetize our products and services through search engines, digital app stores and social media platforms, (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) our ability to establish and maintain relationships with quality and trustworthy service professionals and caregivers, (viii) the ability of Angi Inc. to successfully implement its brand integration initiative (which could involve substantial costs, including as a result of a continued negative impact on its organic search placement) and expand Angi Services (its pre-priced offerings), (ix) our ability to engage directly with users, subscribers, consumers, service professionals and caregivers directly on a timely basis, (x) our ability to access, collect and use personal data about our users and subscribers, (xi) 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, (xii) our inability to freely access the cash of Angi Inc. and its subsidiaries, (xiii) dilution with respect to our investment in Angi Inc., (xiv) our ability to compete, (xv) adverse economic events or trends (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, (xvi) our ability to build, maintain and/or enhance our various brands, (xvii) the impact of the COVID-19 outbreak on our businesses, (xviii) our ability to protect our systems, technology and infrastructure from cyberattacks and to protect personal and confidential user information, as well as cyberattacks experienced by third parties, (xix) the occurrence of data security breaches and/or fraud, (xx) increased liabilities and costs related to the processing, storage, use and disclosure of personal and confidential user information, (xxi) the integrity, quality, efficiency and scalability of our systems, technology and infrastructure (and those of third parties with whom we do business), (xxii) changes in key personnel, (xxiii) the risks inherent in the completed separation of Vimeo, Inc. from our other businesses, including (among others) uncertainties related to whether the expected benefits of the transaction will be realized (on the anticipated timeline or at all), the expected tax treatment of the transaction and the impact of the transaction on our remaining businesses and (xxiv) the risks inherent in the consummation and success of the proposed acquisition of Meredith by Dotdash and the ability to achieve the expected benefits thereof, including (among others) the risk that the parties fail to obtain the required regulatory approvals or fulfill the other conditions to closing on the expected timeframe or at all, the occurrence of any other event, change or circumstance that could delay the transaction or result in the termination of the acquisition agreement or the risks that IAC's synergy estimates are inaccurate or that combined company faces higher than anticipated integration or other costs in connection with the proposed acquisition.

Certain of these and other risks and uncertainties are discussed in our filings with the SEC, including under the captions "Risks Relating to IAC Securities and SpinCo Securities Following the Spin-off," "Risks Relating to IAC's Business Following the Spin-off," "General Risk Factors" and "Risks Related to SpinCo and the Vimeo Business Following the Spin-off" in the Registration Statement on Form S-4 (Registration No. 333-251656), as amended, Part I-Item 1A-Risk Factors of our annual report on 10-K for the fiscal year ended December 31, 2020, Part II-Item 1A-Risk Factors of our quarterly report on 10-Q for the fiscal quarter ended March 31, 2021 and Part II-Item 1A-Risk Factors of our quarterly report on 10-Q for the fiscal quarter ended June 30, 2021. Other unknown or unpredictable factors that could also adversely affect IAC's business, financial condition and operating results may arise from time to time. In light of these risks and uncertainties, the forward-looking statements discussed in this quarterly report 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 the date of this quarterly report. IAC does not undertake to update these forward-looking statements.

## **Risk Factors**

In addition to the other information set forth in this quarterly report, you should carefully consider the risk factors discussed under the captions "Risks Relating to IAC Securities and SpinCo Securities Following the Spin-off," "Risks Relating to IAC's Business Following the Spin-off," "General Risk Factors" and "Risks Related to SpinCo and the Vimeo Business Following the Spin-off" in the Registration Statement on Form S-4 (Registration No. 333-251656), as amended, Part I-Item 1A-Risk Factors of our annual report on 10-K for the fiscal year ended December 31, 2020, Part II-Item 1A-Risk Factors of our quarterly report on 10-Q for the fiscal quarter ended March 31, 2021 and Part II-Item 1A-Risk Factors of our quarterly report on 10-Q for the fiscal quarter ended June 30, 2021, which could materially and adversely affect IAC's business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect IAC's business, financial condition and/or operating results.

**Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds***

**Unregistered Sales of Equity Securities**

The Company did not issue or sell any shares of its common stock or any other equity securities pursuant to unregistered transactions during the quarter ended September 30, 2021.

**Issuer Purchases of Equity Securities**

The Company did not purchase any shares of its common stock during the quarter ended September 30, 2021. As of that date, 8,036,226 shares of IAC common stock remained available for repurchase under the Company's previously announced June 2020 repurchase authorization. The Company may repurchase shares pursuant to this repurchase authorization over an indefinite period of time in the open market and in privately negotiated transactions, depending on those factors IAC management deems relevant at any particular time, including, without limitation, market conditions, share price and future outlook.



**Item 6. Exhibits**

The documents set forth below, numbered in accordance with Item 601 of Regulation S-K, are filed herewith, incorporated by reference to the location indicated or furnished herewith.

Exhibit Number	Description	Location
3.1	Restated Certificate of Incorporation of the Registrant.	<a href="#">Exhibit 3.1(c) to the Registrant's Form 8-K, filed on July 2, 2020.</a>
3.2	Amendment to Restated Certificate of Incorporation of the Registrant.	<a href="#">Exhibit 4.2 to the Registrant's Post-Effective Amendment No. 1 on Form S-8 to Registration Statement on Form S-4 (File No. 333-251656), filed on May 26, 2021.</a>
3.3	Certificate of Designations of Series A Cumulative Preferred Stock of the Registrant.	<a href="#">Exhibit 3.2 to the Registrant's Form 8-K, filed on July 2, 2020.</a>
3.4	Amended and Restated By-Laws of the Registrant.	<a href="#">Exhibit 3.1 to the Registrant's Form 8-K, filed on April 9, 2021.</a>
<a href="#">10.1</a>	Amendment No. 4 to Google Services Agreement, dated as of August 23, 2021 (with an effective date of August 1, 2021), between the Registrant and Google LLC and certain of their respective subsidiaries.(1)(2)	
<a href="#">10.2</a>	Amendment No. 2, as of July 22, 2021, to Transition Services Agreement by and between the Registrant and Match Group, Inc., dated as of June 30, 2020.(1)(3)	
<a href="#">10.3</a>	Extension Request, dated as of August 26, 2021, pursuant to Transition Services Agreement by and between the Registrant and Vimeo, Inc., dated as of May 24, 2021.(1)	
<a href="#">31.1</a>	Certification of the Chairman and Senior Executive pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.(1)	
<a href="#">31.2</a>	Certification of the Chief Executive Officer and Acting Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.(1)	
<a href="#">32.1</a>	Certification of the Chairman and Senior Executive pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.(4)	
<a href="#">32.2</a>	Certification of the Chief Executive Officer and Acting Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.(4)	
101.INS	Inline XBRL Instance.(1)	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema.(1)	
101.CAL	Inline XBRL Taxonomy Extension Calculation.(1)	
101.DEF	Inline XBRL Taxonomy Extension Definition.(1)	
101.LAB	Inline XBRL Taxonomy Extension Labels.(1)	
101.PRE	Inline XBRL Taxonomy Extension Presentation.(1)	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

(1) Filed herewith.

- (2) Certain identified information has been excluded from this exhibit because it is both not material and is the type that the Registrant treats as private or confidential.
- (3) Pursuant to Item 601(a)(5) of Regulation S-K, certain schedules and similar attachments have been omitted. The Registrant hereby agrees to furnish a copy of any omitted schedule or similar attachment to the Securities and Exchange Commission upon request.
- (4) Furnished herewith.



**CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM  
THE EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND IS THE TYPE  
THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.  
[\*\*\*] INDICATES THAT INFORMATION HAS BEEN REDACTED.  
AMENDMENT NUMBER FOUR TO GOOGLE SERVICES AGREEMENT**

This Amendment Number Four to the Google Services Agreement (“**Amendment**”), effective as of August 1, 2021 (“**Amendment Effective Date**”), is between Google LLC and Google Ireland Limited (collectively, “**Google**”) and IAC/InterActiveCorp and IAC Search & Media Europe Limited (collectively, “**Company**”) and amends the Google Services Agreement that has an effective date of April 1, 2016 (as amended, the “**Agreement**”). Capitalized terms not defined in this Amendment have the meanings given to those terms in the Agreement. The parties hereby agree as follows:

1. **Renewal Term.** The definition of “Term” as set forth on the cover page of the Agreement is hereby deleted in its entirety and replaced by the following:

“**TERM:** Starting on April 1, 2016 (“**Effective Date**”) and continuing through March 31, 2024 (inclusive). The Term will automatically renew for an additional one-year period, until March 31, 2025, unless either party gives notice of non-renewal (email to suffice) to the other party on or before March 31, 2023.”

2. **Termination.** Section 22.2(b) is hereby deleted in its entirety and replaced with: “[Intentionally omitted.]”

3. **Exhibit A.** Exhibit A is hereby deleted in its entirety and replaced with the Exhibit A attached to this Amendment.

4. **Exhibit B.** Exhibit B is hereby deleted in its entirety and replaced with the Exhibit B attached to this Amendment.

5. **Attachment 1 to Exhibit C.** Attachment 1 to Exhibit C of the Agreement is hereby deleted in its entirety and replaced with the Attachment 1 to Exhibit C attached to this Amendment.

6. **General.** The parties may execute this Amendment in counterparts, including facsimile, PDF, or other electronic copies, which taken together will constitute one instrument. Except as expressly modified herein, the terms of the Agreement remain in full force and effect.

*[Remainder of page intentionally left blank; Signature page follows]*

IN WITNESS WHEREOF, the parties have executed this Amendment by persons duly authorized. For avoidance of doubt, the person(s) who sign for the Company represent(s) and warrant(s) that they are duly authorized to bind the Company Site Affiliates to the terms of this Amendment.

**Google LLC**

By: /s/Phillip Schindler  
Name: Phillip Schindler  
Title: Authorized Signatory  
Date: August 23, 2021

**IAC/InterActiveCorp**

By: /s/Mark J. Stein  
Name: Mark J. Stein  
Title: EVP  
Date: August 20, 2021

**Google Ireland Limited**

By: /s/Tatjana Tarasjuka  
Name: Tatjana Tarasjuka, for Nick Leeder  
Title: Director  
Date: August 23, 2021

**IAC Search & Media Europe Limited**

By: /s/David Lally  
Name: David Lally  
Title: VP Finance  
Date: August 20, 2021

**EXHIBIT A**

**[\*\*\*]**

**EXHIBIT B**  
**[\*\*\*]**



**Attachment 1 to Exhibit C**

**\*\*\***

**SECOND AMENDMENT TO TRANSITION SERVICES AGREEMENT**

This SECOND AMENDMENT TO TRANSITION SERVICES AGREEMENT (“Amendment”) is made and entered into effective as of July 22, 2021 (the “Effective Date”), by and between Match Group, Inc., a Delaware corporation formerly known as IAC/InterActiveCorp (“New Match”), and IAC/InterActiveCorp, a Delaware corporation formerly known as IAC Holdings, Inc. (“New IAC”).

**RECITALS**

WHEREAS, the Parties entered into a Transition Services Agreement dated as of June 30, 2020, which was amended pursuant to that certain First Amendment to Transition Services Agreement dated effective as of March 31, 2021 (as amended, the “Original Agreement”); and

WHEREAS, the Parties desire to amend the Original Agreement effective as of the Effective Date on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and terms and conditions contained herein, the Parties hereby agree as follows:

1. **Definitions.** Capitalized terms used and not defined in this Amendment have the respective meanings assigned to them in the Original Agreement.
2. **Amendments to the Original Agreement.**
  - 2.1 Schedule A to the Original Agreement shall be amended as set forth on Appendix 1.
3. **Limited Effect.** Except as expressly provided in this Amendment, all of the terms and provisions of the Original Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. Without limiting the generality of the foregoing, the amendments contained herein will not be construed as an amendment to or waiver of any other provision of the Original Agreement or as a waiver of or consent to any further or future action on the part of any Party that would require the waiver or consent of the other Parties. On and after the Effective Date, each reference in the Original Agreement to “this Agreement,” “the Agreement,” “hereunder,” “hereof,” “herein,” or words of like import will mean and be a reference to the Original Agreement as amended by this Amendment.
4. **Counterparts.** This Amendment may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.
5. **Entire Agreement.** This Amendment constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements among the Parties, whether written or oral, relating to the same subject matter.

6. Governing Law. This Amendment will be governed by and construed in accordance with the internal laws of the State of Delaware, as applied to agreements entered into solely between residents of, and to be performed entirely in, such state, without reference to that body of law relating to conflicts of law or choice of law.

*[Signature pages follow.]*

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their duly authorized representatives as of the date first above written.

MATCH GROUP, INC.

By: /s/ Jared Sine  
Jared Sine, Chief Business Affairs and Legal Officer

IAC/INTERACTIVECORP

By: /s/ Joanne Hawkins  
Joanne Hawkins, Senior Vice President and Deputy General Counsel

EXTENSION REQUEST PURSUANT TO TRANSITION SERVICES AGREEMENT

August 26, 2021

From:  
Vimeo, Inc.  
555 West 18<sup>th</sup> Street  
New York, NY 10011

To:  
IAC/InterActiveCorp  
555 West 18<sup>th</sup> Street  
New York, NY 10011

Dear Sir or Madam:

Reference is hereby made to the Transition Services Agreement by and between IAC/InterActiveCorp (“IAC”) and Vimeo, Inc. (“Vimeo”) dated as of May 24, 2021 (the “Agreement”). Unless otherwise defined herein, capitalized terms have the meanings assigned to them in the Agreement.

Pursuant to Section 4.2 of the Agreement, a Recipient may, with at least thirty days’ written notice to the applicable Provider prior to the end of the Term of a Service, request an extension of the Term of such Service, and such request shall be considered in good faith by the applicable Provider. Schedule A to the Agreement provides that IAC shall provide data storage services to Vimeo through September 30, 2021, for a monthly price set forth therein (the “Data Storage Services”). Vimeo hereby requests that IAC extend such Data Storage Services through December 31, 2021 (the “Extended Term”), for the same monthly price through the end of the Extended Term.

If you are in agreement with Vimeo’s request to extend the Data Storage Services through the Extended Term, please sign the below acknowledgement and return it to Vimeo at your earliest convenience.

*[Remainder of page intentionally left blank.]*

Sincerely,

**Vimeo, Inc.**

By: /s/ Michael A. Cheah

Name: Michael A. Cheah

Title: General Counsel & Secretary

Acknowledged and Agreed:

**IAC/InterActiveCorp**

By: /s/ Joanne Hawkins

Name: Joanne Hawkins

Title: SVP & Deputy General Counsel

**Certification**

I, Barry Diller, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2021 of IAC/InterActiveCorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 5, 2021

/s/ BARRY DILLER

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Barry Diller  
*Chairman & Senior Executive*

**Certification**

I, Joseph Levin, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2021 of IAC/InterActiveCorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 5, 2021

/s/ JOSEPH LEVIN

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Joseph Levin  
Chief Executive Officer  
Acting Chief Financial Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Barry Diller, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2021 of IAC/InterActiveCorp (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of IAC/InterActiveCorp.

Dated: November 5, 2021

/s/ BARRY DILLER

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Barry Diller  
*Chairman & Senior Executive*

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph Levin, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2021 of IAC/InterActiveCorp (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d));  
and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of IAC/InterActiveCorp.

Dated: November 5, 2021

/s/ JOSEPH LEVIN

Joseph Levin  
*Chief Executive Officer*  
*Acting Chief Financial Officer*