IAC Q4 2021 Shareholder Letter

February 15, 2022

Dear Shareholders,

We started 2021 with a plan to pare down and rebuild IAC, as we've done many times before. The spinoff of Vimeo in the second quarter of 2021 completed the paring (usually the easier part), and the rebuilding took a large step forward at the end of the year with Dotdash's $2.7 billion acquisition of Meredith, creating what may be our largest producer of free cash flow for a while. We enter 2022 with five considerable businesses (or investments therein) capable of meaningfully impacting IAC's near-term future — Dotdash Meredith, Angi, Care, MGM, and Turo.

Each of these businesses is a clear leader in a large category and can generate profit while pursuing a new opportunity to change the trajectory of the industry in which it competes – not a bad starting five. I say *can* generate profit because not all are generating profit at the moment, but we believe each has a clear ability to do so, which provides us with the confidence to continue investing as well as important downside protection if access to capital becomes scarcer. For Dotdash Meredith, successful migration from a print-heavy legacy to a digital-centric future can create an enduring publishing platform for yet another generation. At Angi, the Services business combined with Angi Key membership can take much of the hassle out of home ownership. At Care, instant booking and a ubiquitous enterprise product could not only transform access to family care, but also enable broader participation in the workforce. At MGM, a growing footprint of digital products could expand its business far beyond the walls of its properties. And at Turo, the largest car sharing platform in the world could change not just the way people vacation or travel, but the way we think about automobile ownership entirely. Of course, not every business will realize all its lofty ambitions, but IAC's position with these five pillars creates a terrific foundation.

Core to our strategy, as always, is to create options for IAC. Big businesses can create big options, but small businesses can, well, *also* create big options. People often forget that many of IAC's biggest businesses began their tenure in the IAC family in their infancy (Angi, Match, Vimeo, Dotdash, Tinder, and many others). Allocation of capital to smaller businesses has always been a consistent part of our philosophy, particularly when the price of acquiring larger growing businesses does not reflect the risk of execution.

When we consider acquisitions or investments, one of the questions we ask ourselves is, how long until we'll know whether the investment worked? Acquisitions, especially those costing hundreds of millions or even billions of dollars, historically reduced the time of uncertainty and increased the odds of success for acquirers entering new lines of business – often meaningfully. With the Meredith acquisition, we ought to know by the second year whether the acquisition was a winner. Rapidly growing businesses, however, have evolved over the past few years to require such a significant upfront capital premium that a business case may not be proven for up to *ten years* – not materially different than the time required to build a business from scratch. So we started earlier – building from nothing or acquiring businesses in their infancy, where we can dedicate much more capital to growing the business than capital to buying out other shareholders. Our youngest businesses still have much to prove, but a couple – Vivian and Bluecrew – have begun to exhibit early markers of strength, and we'll dedicate an outsized portion of this letter to explaining why we believe they have a chance to contribute to IAC's long-term future.

First, however, we ought to report on our two largest businesses, Dotdash Meredith and Angi, where we are currently making significant investments.

Dotdash Meredith

In the Meredith acquisition, Dotdash bought a significant digital asset shrouded in print, an arrangement we've quickly inverted. We will no longer govern ongoing print decisions by whether an *advertiser* is willing to advertise, but by whether a *reader* is willing to purchase. While we converted some titles to 100% digital last week and reduced the print frequency of others, the remaining print titles will have a better, richer product – higher quality paper, a thicker book, and a true subscription-worthy experience. For our brands' fans who want exceptional editorial and beautiful images printed on high-quality glossy pages, we will provide a delightful product at an appropriate price. Long-term, we believe a reader-first approach leads to better outcomes for both readers *and* advertisers, but this change to reader-centric decision-making may present the biggest cultural shift in the new Dotdash Meredith organization. So far, the change has met a welcome embrace from customers and employees, notwithstanding meaningful organizational adjustments such as reduced circulation and replacing print jobs with digital.

Online content and feature improvement at Meredith has begun. We removed stale articles from each site's corpus, followed by investment in design, user experience, non-invasive advertisements, and creating new, perpetually fresh digital content to accompany digital-first stories. We expect to experience the usual initial audience declines we have seen in other acquisitions as we cull libraries to keep the best content, followed by sustained gains over the longer term as we deliver the most competitively robust experience on the topics we cover. Until then, we'll be cooking and sampling recipes in our dozens of test kitchens, testing new gadgets in our tens of thousands of square feet of labs, and growing plants in our gardens – taking photos and videos, and building our database throughout.

We expect this foundational work to continue throughout 2022, as we target reaching Digital revenue growth goals (15-20% year-over-year) towards the end of 2022 and $450 million of 2023 Digital Adjusted EBITDA.

Angi

For Angi, the final quarter of 2021 was relatively uneventful amidst a year of monumental change: new leadership, new brand, and significant investment in a new line of business. The new CEO, Oisin Hanrahan, has put the homeowner experience first; the new brand, Angi, now comprises an increasing majority of revenue as we continue to transition homeowners and service professionals from the legacy brands; and the new line of business, Angi Services, reached a run-rate of $450 million of annual revenues. The only meaningful news to report at the beginning of 2022 is that execution continues on track. Awareness remains impressive for a brand at this stage. Services revenue is still growing nicely, up 116% year-over-year in Q4 2021, and, importantly, demonstrating an ability to preserve contribution margins as it scales, giving us confidence to invest more as we expand the offering, improve fulfillment, and increase customer satisfaction.

The key to driving the Services business forward is fulfillment rate (that is, how often a user who completes our checkout ultimately gets the job done). The type of job (simple, low variability jobs fulfill at higher rates), the preparedness of the homeowner (how often customers cancel), and depth of supply of service professionals (how quickly and reliably Angi can schedule) all impact fulfillment. Category-specific product features have led to more accurate job scoping and pricing and we've reinvested margins to attract a higher quantity and quality of pro. For example, in the painting category, Angi increased pro compensation and job prices to competitive levels painters were willing to accept, gave pros more time to complete jobs, and refined qualifications so that only the right caliber of pros are selected for jobs. The changes improved both fulfillment and cancellation rates by 10 points, customer satisfaction ratings by over 10% and service professional retention by over 20%.

An increasingly reliable fulfillment rate means more customers turn to our platform first more often – that's the definition of winning in consumer Internet.

Two Small (and Growing) Businesses in Big Categories

Match Group began as a relatively small acquisition for IAC (~$50 million) in 1999. Vimeo started as an internal tool at College Humor. Angi began as ServiceMagic, acquired in 2004 when it was doing $25 million of annual revenue. The common thread amongst these stories is one of small beginnings in large addressable markets ultimately delivering significant value. Key to our approach to capital allocation throughout our history has been nurturing small businesses in categories undergoing digitally enabled transitions. The labor market, especially for temporary jobs, is one of those categories, and a big one.

The first wave of technology in the jobs category – horizontal job boards – empowered employers and employees with tools to search and sort near-infinite lists of available jobs and potential candidates. As has been the case across many categories of the Internet, breadth eventually gave way to depth, and vertically-focused products delivered more relevant features because each side of the marketplace (candidates and employers in this case) could provide more accurate information to identify a good fit. Eventually, just as we've seen in dating and home services, *matching* replaces *searching*. The narrower the job category, the better the software's ability to match job seeker with job hirer. Tailored solutions for hiring everything from web developers to oil rig workers have all emerged in recent years and have attracted significant capital at substantial valuations. Our first two projects in this area, Bluecrew and Vivian, are focused on light industrial jobs and healthcare staffing, respectively.

Temporary staffing represents a $400 billion global TAM, with Bluecrew focused initially on the ~$35 billion U.S. light industrial segment. Bluecrew's primary customer base includes businesses that require a flexible workforce in warehousing, logistics, food service, or events to fulfill variable demand for their products and services. Matchmaking in this segment has historically been inefficient for both workers and employers, relying on staffing agencies using static files and telephones to hire, with little to no data on a worker's qualifications. With Bluecrew, workplaces post job assignments and workers secure shifts at the touch of a button in the Bluecrew app. Candidates access the platform for free, and employers pay a premium to employ Bluecrew's W-2 workers. Workers benefit from consistent work and W-2 employment classification, while workplaces achieve high job fill rates with qualified candidates and less hassle. Performance and reviews are transparently tracked, measured, and used to inform the ongoing matching of workers to workplaces. At scale, companies can leverage an hourly workforce-as-a-service for in-person labor, and workers can work the hours and shifts they want, in the locations they need, without starting an onerous process from scratch with every new employer. And the larger we grow, the better we can work to represent the interests of the worker.

Bluecrew is still young and consuming capital, but something seems to be working – by the end of Q1, it will have fulfilled more than 1 million job shifts in its short life. Revenue grew 85% year-over-year in the second half of the year, with active workplaces up 90% and active workers up 100%.

Vivian's healthcare opportunity is even bigger: over $1 trillion is spent on healthcare labor in the United States (including $25 billion on temp labor) making it the largest employment sector in the country. Focused initially on the ~$10 billion US travel nursing segment, Vivian quickly established itself as a market leader, now facilitating ~15% of job placements in a fragmented category, representing approximately $1.5 billion in annualized labor spend. Revenue grew more than 3x in 2021 – off of a small base but impressive nonetheless.

For a healthcare professional, finding a job today is often a complex and painful process made more difficult by long hours and non-traditional schedules. Covering a significant majority of jobs in the travel nursing market, Vivian offers candidates the largest single source of bona fide job opportunities along with transparent compensation details and a more seamless application process. Over 600,000 healthcare professionals have registered on Vivian, submitting over 2.4 million job applications, and in any given month approximately 180,000 of them are active on the platform. The employers love Vivian too – customers have increased spend materially over time, with an average annual net revenue retention of over 200%.

As the last two years have proven, healthcare staffing is of critical importance to the functioning of our society, and Vivian has provided a critical solution to our nation's healthcare employers at a time of exceptional need. We don't know precisely how much growth to attribute to Covid-related staffing shortages, but a combination of forces – a significant portion of the workforce leaving the industry, a shortfall of new healthcare workers, and an aging population – suggest the healthcare system's vulnerability to staffing shortages unfortunately aren't ending with Covid. These secular tailwinds will drive healthcare employers to seek innovative, cost-effective solutions that will ensure that Vivian's greatest contributions to our healthcare system and workers are yet to come.

We often frame investment opportunities around a conviction that certain types of product evolutions are inevitable, like buying a ticket or meeting someone online. We believe the future in the job-matching category is obvious – software will continue to rapidly improve, and winning platforms will increasingly match candidates with their most suitable job. Whether we will succeed in serving a meaningful piece of that future temp labor market we don't yet know, but we're early, we're committed, we have plenty of capital left to build, and we know what success looks like.

The benefit of forever capital is that we can invest opportunistically across a broad mix of profiles – from long-term bets on high-conviction future categories to initiatives that press advantage at our current market leaders – and we can meter out capital as circumstances dictate. I suspect we are currently entering a sustained new market environment for valuations, where the cost of capital will return closer to historical norms and a risk premium will return and stay for a while. So, while we start out 2022 focused on building on our existing efforts across IAC, we may not be far off from opportunities to deploy capital in new companies, and in areas that have been otherwise too expensive for quite some time. Or, we'll just keep focused on what we already have going in IAC. As always, we believe we have the levers at our disposal to build great companies, and that's a good place to be.

Sincerely,
Joey Levin
CEO

2022 Monthly Trends through January [(a)]:

	July '21	Aug '21	Sep '21	Oct '21	Nov '21	Dec '21	Jan '22
Dotdash Meredith							
Digital Revenue	31%	29%	25%	17%	13%	273%	248%
Print Revenue	NM	NM	NM	NM	NM	NM	NM
Total Revenue	**31%**	**29%**	**25%**	**17%**	**13%**	**569%**	**684%**
Pro Forma Digital Revenue	35%	27%	17%	6%	5%	-3%	2%
Pro Forma Print Revenue	0%	0%	3%	-15%	-3%	-3%	-11%
Total Pro Forma Revenue (b)	**13%**	**9%**	**8%**	**-7%**	**0%**	**-4%**	**-5%**
Angi Inc.							
Angi Ads and Leads	-3%	2%	0%	-2%	-2%	0%	-1%
Angi Services (c)	169%	164%	148%	124%	125%	101%	91%
Total North America Revenue	17%	22%	19%	15%	18%	17%	13%
Europe Revenue	0%	2%	4%	4%	1%	-4%	0%
Total Revenue	**16%**	**21%**	**18%**	**15%**	**17%**	**16%**	**12%**
Angi Service Requests	-13%	-13%	-8%	-8%	-2%	-3%	-5%
Angi Monetized Transactions	0%	2%	2%	0%	5%	4%	0%
Angi Transacting Service Professionals	12%	9%	7%	4%	1%	-1%	-2%
Angi Advertising Service Professionals	4%	2%	1%	-1%	-2%	-4%	-5%
Search							
Ask Media Group Revenue	51%	101%	110%	109%	56%	64%	48%
Desktop Revenue	-19%	-11%	-20%	-15%	-15%	-21%	-20%
Total Revenue	**30%**	**67%**	**74%**	**79%**	**40%**	**47%**	**33%**
Emerging & Other (d)							
Total Revenue	**31%**	**33%**	**33%**	**33%**	**21%**	**69%**	**13%**

(a) As of the date of this document, the Company has not yet completed its financial close process for January 2022. As a result, the information herein is preliminary and based upon information available to the Company as of the date of this document. During the course of the financial close process, the Company may identify items that would require it to make adjustments, which may impact growth rates and be material to the information presented above.

(b) Pro Forma reflects the inclusion of Meredith revenue for all periods prior to the to Meredith acquisition on December 1, 2021. Meredith's programmatic advertising revenue has been presented on a net basis to conform to IAC's accounting policies.

(c) Includes revenue from Total Home Roofing, Inc. ("Angi Roofing") which was acquired on July 1, 2021.

(d) December 2021 includes revenue from an IAC Films project recognized during the month.

Webcast and Conference Call Details

IAC and Angi Inc. will livestream a joint video conference call to answer questions on February 16, 2022 at 8:30 a.m. Eastern Time. The livestream will be open to the public at **ir.iac.com** or **ir.angi.com**. This letter will not be read on the call.

Non-GAAP Financial Measures

This letter contains references to certain non-GAAP measures. These non-GAAP measures should be considered in conjunction with, but not as a substitute for, financial information presented in accordance with GAAP.

Dotdash Meredith 2023 Adjusted EBITDA:

Adjusted EBITDA is defined as operating income excluding: (1) stock-based compensation expense; (2) depreciation; (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; and (5) expenses associated with the acquisition of Meredith Corporation's National Media Group by Dotdash.

IAC does not have the ability to prepare a reconciliation of Digital Adjusted EBITDA to Digital operating income and Dotdash Meredith consolidated net income (loss) for 2023 because the forecast for certain expenses (e.g., stock-based compensation, intangible asset amortization and depreciation) is not yet complete.

Cautionary Statement Regarding Forward-Looking Information

This letter and the livestream, which will be held at 8;30 a.m. Eastern Time on Wednesday, February 16, 2022, may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipates," "estimates," "expects," "plans" and "believes," among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to: IAC's future financial performance, business prospects and strategy, anticipated trends and prospects in the industries in which IAC's businesses operate and other similar matters. Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, among others: (i) our ability to market our products and services in a successful and cost-effective manner, (ii) the display 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 initiative and expand Angi Services (its pre-priced offerings), (ix) our ability to engage directly with users, subscribers, consumers, service professionals and caregivers 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, (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 IAC's filings with the Securities and Exchange Commission. Other unknown or unpredictable factors that could also adversely affect IAC's business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, these forwardlooking statements may not prove to be accurate. Accordingly, you should not place undue reliance on these forwardlooking statements, which only reflect the views of IAC's management as of the date of this letter. IAC does not undertake to update these forward-looking statements.