IAC Q3 2023 Shareholder Letter

November 7, 2023

Dear Shareholders,

A year ago, we made some big changes: I stepped in as CEO of Angi and we reset our expectations at Dotdash Meredith to reflect the challenges of a large integration and a slowing market for advertising. These were tough but necessary adjustments at our two largest businesses, but since then, we've generally delivered what we said. Consolidated IAC Adjusted EBITDA is up 83% year-over-year this quarter, with both Angi and Dotdash Meredith growing profits and adding cash to our balance sheet. Our biggest business, Dotdash Meredith, grew Adjusted EBITDA 37% year-over-year if you exclude one-time charges in Q3 2022 (reported growth was 119%). We've stopped the slide in Digital revenue and don't expect any further decline from here as traffic growth on the core brands has returned. With a much lower cost base, profits should continue to increase healthily. At Angi, the highest risk-to-reward bet in the IAC portfolio, we grew Adjusted EBITDA 13% this quarter (notwithstanding some of the setbacks communicated last quarter) and are deep in the process of evolving the business from a lead generator to a category-leading marketplace. Care.com and our major holdings, MGM Resorts and Turo, each number one in their categories, have posted record revenues so far this year. Focusing on operating performance (more below) will always be the primary mission, but as we look to create value, what makes IAC unique is that our broad portfolio and mandate to constantly re-assess capital allocation and corporate structure provide us with additional options. As always, we'll be opportunistic at IAC.

Dotdash Meredith

Two quarters ago, I wrote that we saw light at the end of the tunnel for Dotdash Meredith after a long journey through the integration and the value of the merger with Meredith is now coming to life. Audience, programmatic rates and Performance Marketing (led by eCommerce) growth are all improving, and profitability and margins are expanding. Digital revenue trends continue to improve despite the ad market challenges, declining 4% in Q3 2023 (vs. down 10% in Q2), and we have the pieces in place for real growth in 2024 if the advertising market holds.

The table below summarizes "Sessions" growth at Dotdash Meredith. A "session" is defined as a unique visit to a website during the period. The first line represents the change in sessions across all our Digital publishing sites, while the second line represents only the 19 Core properties, including People, Food & Wine and Investopedia.

	Y/y Growth				
	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23
Total Sessions	-2%	-7%	-11%	-14%	-11%
Core Sessions	-2%	-2%	-3%	-2%	5%

(Brands comprising core sessions listed below)

In Q3, the Core sites comprised nearly 80% of total sessions and total Digital revenue and garnered nearly 100% of our investment in content and technology. The non-Core sites represent the long tail in the portfolio, comprising both smaller legacy sites that decay due to minimal investment and a handful of third-party sites for whom Dotdash Meredith handles ad sales. These latter properties have experienced pronounced traffic declines over the last twelve months and represent a small (and declining) portion of our revenue. We expect to migrate to a single "Total Sessions" metric over time but wanted to show the bifurcation in trends today around areas of investment.

Total sessions growth was negative, as expected, in the third quarter due to Entertainment softness and declines in those third-party sites, but Core sessions are growing — despite the Entertainment headwinds — driven by significant growth across the Meredith properties and improving trends at the original Dotdash properties. Improvements continued in October with total sessions now flat to prior year and Core sessions growing double digits.

The advertising market is still soft, with premium sales continuing to vary by category and our programmatic market rates improving sequentially (and above the market). Meanwhile, Performance Marketing growth accelerated in the third quarter to 22% and appears well positioned for Q4. D/Cipher, our intent-based ad targeting product, has had a strong reception with advertisers and has been incorporated into more than 80 client campaigns since launch.

The third quarter also generated strong profitability, with Dotdash Meredith Adjusted EBITDA up 37% year-over-year (excluding restructuring charges and transaction-related expenses in Q3 2022). Digital Adjusted EBITDA margins were 24% in Q3, up from 17% in the third quarter last year (excluding the one-time charges in Q3 2022), reflecting cost savings realized through the merger. Over the last few years, the fourth quarter has generated roughly 30% of Dotdash Meredith's total Digital revenue for the year, and we expect that weighting to continue this year. We anticipate sequential incremental Digital Adjusted EBITDA margins in the ~80% range in the fourth quarter and Print Adjusted EBITDA to exceed Corporate costs. As a result, we expect $250-$265 million of total Dotdash Meredith Adjusted EBITDA for the year (excluding the $45 million non-cash lease impairment incurred in Q1 2023).

Angi

We've made large strides forward and weathered some steps back on the four priorities we set for the year: (1) Deliver an intuitive customer experience; (2) Turn the trend in SEM and SEO; (3) Rationalize Services; (4) Operate with less costs and generate more cashflow.

We won't tick through the progress on each priority in this letter, but the simple summary is #1 and #2 are still works in progress with big gains on the Service Professional ("SP") side and more challenges on the homeowner side, and #3 and #4 we've delivered. We continue to believe Angi has all the ingredients to become a category-leading marketplace with a winning consumer product. We are on the path, and the path is straightforward, but not easy. I believe we still have plenty of room to improve marketplace efficiency which enables profit growth even without adding nominal SPs or Service Requests, but we're eventually going to need to grow both to start growing revenues again.

We have to continue the momentum in improved retention, spend, and engagement among SPs. The progress here is excellent, and if you had told me a year ago we could lift SP retention by 40% I might not have believed it. But that's what we've done, and the decline in nominal Transacting SPs is finally improving. That retention, along with more selective marketing, has helped drive the Monetized Transactions (when a homeowner is connected to a paying SP) per Service Request higher, up from less than 1 in 2022 to 1.2 in 2023. Connecting a homeowner with a SP is the most fundamental feature of our product and a meaningful driver of homeowner repeat rate, so we expect to continue to drive that ratio higher. We also continue to improve the product experience. We reduced calls and email from Angi to customers by 50% or more in a number of cases. We've improved presentation rate (how often a homeowner sees an SP) and connection rate (how often an SP and homeowner exchange messages). We are now filtering more Service Requests and matching more relevant SPs. While these improvements have not yet translated to revenue and Service Request growth, we have seen gradual improvement in Net Promoter Scores, and we know we're delivering a better experience for more homeowners. This is the path to transformative change.

We do intend to maintain profitability as we evolve the business and reignite revenue growth and expect to deliver $100-$110 million of Adjusted EBITDA for FY 2023. Given the volatility in revenue amidst the continued turnaround, we are not making a revenue prediction while we transform. We certainly expect to get back to revenue growth, but we make tradeoffs every day on revenue for long-term health and customer experience and believe strongly that those tradeoffs on behalf of the business are best made unconstrained. In the meantime, we intend to put in place a share repurchase plan at Angi with the intent of utilizing the full remaining authorization of 14 million shares. The plan will of course be subject to price and volume limitations, and, given the latter, it will take some time, but we view repurchases as the right decision given the progress we're seeing and the current trading prices.

We like being the underdog. Our businesses and investments are leaders covering big markets in publishing (#1), home services (#1 online), gaming (#1 omnichannel), peer-to-peer car sharing (#1), childcare (#1 online), healthcare (#1 for travel nurses online). As we have demonstrated time and time again, operating a broad portfolio with capital to invest and exposure to maturing digital markets has the potential to generate strong returns — especially when the discount is steepest.

Sincerely,

Joey Levin, CEO

Full Year 2023 Outlook

Please find below our full year 2023 outlook. We confront investment choices every day, and as stewards of your capital, will deviate from this outlook when we have attractive opportunities that drive long-term value at the expense of short-term results. And of course, sometimes we'll simply be wrong about the future. Amply warned, here's our current outlook:

(in millions)	**FY 2023 Outlook**
Adjusted EBITDA Excluding Certain Dotdash Meredith Items	
Dotdash Meredith	$250-$265
Angi Inc. (a)	100-110
Search	40-45
Emerging & Other (a)	35-40
Corporate	(95-90)
Total	**$330-$370**
Dotdash Meredith lease impairment (b)	(70)
Stock-based compensation expense	(120-110)
Depreciation	(150-140)
Amortization of intangibles	(220-210)
Goodwill impairment	(9)
Total Operating loss	**($240)-($170)**

(a) Reflects the sale of Total Home Roofing, LLC on November 1, 2023 to a non-public third party. For purposes of Angi's financial reporting, such results will be treated as a discontinued operation effective as of the date of the closing of the sale. As it does not meet the threshold to be reflected as a discontinued operation at the IAC level, the historical results of the Angi Roofing segment will be reflected in the Emerging & Other segment effective as of the date of the closing of the sale.
(b) Includes $45 million impacting Adjusted EBITDA and $25 million impacting depreciation.

Non-GAAP Financial Measures

This letter contains references to certain non-GAAP measures, including Adjusted EBITDA Excluding Certain Dotdash Meredith Items, which we refer to as "Adjusted EBITDA" in the case of the discussion regarding Dotdash Meredith above. These non-GAAP measures should be considered in conjunction with, but not as a substitute for, financial information presented in accordance with GAAP. Please refer to our Q3 2023 Earnings Release furnished on form 8-K on November 7, 2023 for a complete reconciliation of operating income (loss) to Adjusted EBITDA.

Adjusted EBITDA Excluding Certain Dotdash Meredith Items is defined as Adjusted EBITDA excluding certain: (1) restructuring charges; (2) transaction-related expenses; and (3) lease impairment charges. We believe Adjusted EBITDA Excluding Certain Dotdash Meredith Items is useful for analysts and investors because it can enhance the comparability of Adjusted EBITDA trends between periods and we use it for that purpose internally. Adjusted EBITDA Excluding Certain Dotdash Meredith Items has certain limitations because it excludes the impact of the expenses referenced above.

Dotdash Meredith Operating Loss to Adjusted EBITDA Margin Reconciliation:

	Three months ended		
($ in millions)	**September 30, 2022**	**September 30, 2023**	**Y/y Growth**
Operating loss	**($95)**	**($4)**	**96%**
Amortization of intangibles	113	57	-50%
Depreciation	7	9	25%
Stock-based compensation expense	6	6	2%
Adjusted EBITDA	**$31**	**$68**	**119%**
Certain Dotdash Meredith items	19	-	NM
Adjusted EBITDA excluding certain Dotdash Meredith items	**$50**	**$68**	**37%**

Dotdash Meredith Digital Operating (Loss) Income to Adjusted EBITDA Margin Reconciliation:

	Three months ended		
($ in millions)	**September 30, 2022**	**September 30, 2023**	**Y/y Growth**
Revenue	**$221**	**$212**	**4%**
Operating (loss) income	**($104)**	**$1**	**101%**
Amortization of intangibles	116	43	-63%
Depreciation	5	5	-3%
Stock-based compensation expense	6	2	-61%
Adjusted EBITDA	**$23**	**$52**	**129%**
Certain Dotdash Meredith items	15	-	NM
Adjusted EBITDA excluding certain Dotdash Meredith items	**$38**	**$52**	**38%**
Adjusted EBITDA margin excluding certain Dotdash Meredith items	**17%**	**24%**	**700 bps**

Webcast and Conference Call Details

IAC and Angi Inc. will host a joint conference call to answer questions on November 8, 2023 at 8:30 a.m. Eastern Time. The conference call will be open to the public at **ir.iac.com** or **ir.angi.com**. This letter will not be read on the call.

Cautionary Statement Regarding Forward-Looking Information

This letter and the conference call, which will be held at 8:30 a.m. Eastern Time on Wednesday, November 8, 2023, 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, advertising networks 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) adverse economic events or trends that adversely impact advertising spending levels, (viii) the ability of our Digital business to successfully expand the digital reach of our portfolio of publishing brands, (ix) risks related to our Print business (declining revenue, increased paper and postage costs, reliance on a single supplier to print our magazines and potential increases in pension plan obligations), (x) our ability to establish and maintain relationships with quality and trustworthy service professionals and caregivers, (xi) the ability of Angi Inc. to successfully implement its brand initiative and expand Angi Services (its pre-priced offerings), while balancing the overall mix of service requests and directory services on Angi platforms, (xii) our ability to access, collect and use personal data about our users and subscribers, (xiii) our ability to engage directly with users, subscribers, consumers, service professionals and caregivers on a timely basis, (xiv) 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, (xv) risks related to our liquidity and indebtedness (the impact of our indebtedness on our ability to operate our business, our ability to generate sufficient cash to service our indebtedness and interest rate risk), (xvi) our inability to freely access the cash of Dotdash Meredith and /or Angi Inc. and their respective subsidiaries, (xvii) dilution with respect to investments in IAC and Angi Inc., (xviii) our ability to compete, (xix) adverse economic events or trends (particularly those that adversely impact consumer confidence and spending behavior), either generally and/or in any of the markets in which our businesses operate, as well as geopolitical conflicts, (xx) our ability to build, maintain and/or enhance our various brands, (xxi) the adverse impact of COVID-19 and other similar outbreaks on our businesses, (xxii) our ability to protect our systems, technology and infrastructure from cyberattacks and to protect personal and confidential user information (including credit card information), as well as the impact of cyberattacks experienced by third parties, (xxiii) the occurrence of data security breaches and/or fraud, (xxiv) increased liabilities and costs related to the processing, storage, use and disclosure of personal and confidential user information, (xxv) the integrity, quality, efficiency and scalability of our systems, technology and infrastructure (and those of third parties with whom we do business) and (xxvi) changes in key personnel.. Certain of these and other risks and uncertainties are discussed in IAC's filings with the Securities and Exchange Commission. Other unknown or unpredictable factors that could also adversely affect IAC's business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, these forward-looking statements may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of IAC's management as of the date of this letter. IAC does not undertake to update these forward-looking statements.