



IAC Q1 2020 Shareholder Letter

May 6, 2020

Dear Shareholders,

The year 2020 will be one that few will ever forget. With the global economy in lockdown and unemployment skyrocketing overnight, even some of the most ardent capitalists are asking the government for help. At IAC we are also feeling the effects, but are thankful that the new normal is a lot like what has always been our normal: a solid balance sheet, investing into success rather than ahead of it, a sharp focus on unit economics, marketing discipline, and, perhaps most importantly, an intrepid workforce. Thankfully, all our employees are safe, 42 have tested positive for COVID-19, and none have been lost to the virus. As I look across our businesses I am proud of the steadfast work of our employees – over 9,000 strong – whose dedication and character has shown through in these past weeks. IAC businesses pride themselves on running lean, and we have thus far avoided COVID-19-related lay-offs.

While the coronavirus effects started to be felt in the U.S. in the 2nd half of the quarter, Q1 revenue still grew 11% – highlighting the diversity and resilience of our businesses. With most of the country sheltering in place throughout April, we expect the second quarter to be tougher. Of course we can't predict the length of the quarantines, nor the resulting weakened economic environment, but we'll continue making the necessary adjustments to our priorities, preparing for worse while hoping for better. Many of our businesses have already started to bounce off their lows and with each successive draft of this letter I've grown more optimistic about our outlook. So rather than offer guesses for the future, we decided to just share the key metrics across the businesses through April, and since we just communicated a few weeks ago, keep this letter brief. The overall view reflected in those prior communications remains the same across all our major growth engines – Match Group continues to grow and ANGI Homeservices demand dropped while service professional engagement rose. Vimeo is benefitting from marked

increases in demand for video solutions ranging from small businesses to enterprises, and advertiser pullback at Dotdash is balanced by surging traffic and continued strength in e-commerce and performance marketing. Applications remains a tale of two cities, with Mosaic Group still growing in mobile, and Desktop challenged. Finally, our plans for Care.com, which I'll discuss further, move forward full steam.

2020 Monthly Trends through April ^(a):

	Y/Y Growth			
	Jan '20	Feb '20	Mar '20	Apr '20
Match Group				
Total Revenue	17%	21%	14%	9%
Total Average Subscribers	16%	16%	13%	10%
Total ARPU	2%	1%	1%	0%
ANGI Homeservices				
Marketplace Revenue	25%	27%	3%	-2%
Advertising & Other Revenue	7%	8%	4%	4%
Total North America Revenue	21%	23%	3%	-1%
Europe Revenue	3%	-3%	-27%	-28%
Total ANGI Homeservices Revenue	19%	21%	1%	-2%
Other ANGI Homeservices Metrics				
Marketplace Service Requests	11%	12%	-13%	-8%
Marketplace Monetized Transactions	4%	11%	-11%	-11%
Marketplace Transacting Service Professionals	8%	8%	5%	4%
Advertising Service Professionals	4%	7%	4%	4%
Vimeo				
Total Revenue	30%	34%	29%	38%
Ending Subscribers	29%	29%	31%	35%
Dotdash				
Display Advertising Revenue	17%	17%	12%	-7%
Performance Marketing Revenue	70%	65%	96%	115%
Total Revenue	31%	29%	30%	22%
Applications				
Desktop Revenue	-42%	-43%	-47%	-48%
Mosaic Group Revenue	10%	9%	2%	5%
Total Revenue	-26%	-26%	-31%	-29%
Emerging & Other				
Total Revenue	-1%	20%	30%	15%

(a) As of the date of this shareholder letter, the Company has not yet completed its financial close process for April 2020. As a result, the information herein is preliminary and based upon information available to the Company as of the date of this shareholder letter. During the course of the financial close process, the Company may identify items that would require it to make adjustments, which may be material, to the information presented above.

At this point, we control our destiny. We're well-capitalized, our cost structure is highly variable, and we hope to find opportunities to put IAC's capital to productive use soon.

Three months and one pandemic into our ownership of our most recent acquisition, Care.com, we are relatively pleased with our progress. The leadership team is in place, the strategy is set, the business is reorganized, and we are hard at work on product to scale both supply and demand. Demand for child care certainly takes a hit when a night at the theater is on the family room couch and drinks with friends is over a laptop. But on the flipside, the Care@Work business, which enables (among other things) enterprises to offer in-home solutions for their employees' child and elder care needs, has picked up momentum with employers nationwide, especially with schools and daycares closed. We're currently focused on the following:

- *Safety* – We are requiring enhanced background checks for all providers by Q3.
- *Rapid Booking* – Most of the jobs fulfilled on Care.com are for long-term care. With Rapid Booking functionality, we will begin unlocking more of the 78 million babysitting and short-term duration child care jobs that occur annually in the U.S. More important than even the revenue, we believe this product can drive frequency if we get it right.
- *Video Interviews* – We are launching the ability for families and care providers to hold video interviews right on our platform and immediately proceed to booking.
- *Improved Matching* – We released the first update to Care.com's matching algorithm in over a decade, addressing one of the largest customer complaints – too much choice. An AI-driven solution, paired with reduced friction in onboarding, should uncover more signals and help curate the journey to find the perfect caregiver.

While we would have preferred in hindsight to have priced the Care acquisition in the current market rather than at the tail end of the last, the success or failure of Care won't be judged within 10% or even 20% of our purchase price. We'll either turn Care.com into something much larger,

or we will have failed. We expect Care to be a meaningful part of New IAC as we bid farewell to the old.

With a June 25, 2020 date set for the shareholder votes, we are approaching the finish line for the separation of Match Group from IAC. Following the vote, we expect to be in a position to close by quarter's end. We also intend to pursue the \$1.5 billion equity sale that has been contemplated as part of this transaction as market conditions permit. We still expect that IAC shareholders would receive approximately the same number of MTCH shares as disclosed in December (approximately 2.1 - 2.4 MTCH shares per share of IAC, depending on stock price movements and the size or completion of the potential equity sale). When the transaction closes and the dust settles, we'll have a vastly shrunken and nimble New IAC – as we've said before, familiar territory.

In 2008 – with the markets in free fall, the economy reeling from the great financial crisis and unemployment soaring– we spun off 4 companies (the “quad spin”) and launched a new IAC. This is what it looked like, compared to today:

	IAC Post Quad Spin Q3 2008	Illustrative New IAC Post Separation ^(b)
Shares Outstanding	149M	86M
Stock Price	\$17	\$45
Market Cap	\$2.5B	\$3.9B
Net Debt / Cash	-1.4B	-2.4B
ANGI Minority Interest	0.0B	0.6B
Enterprise Value	\$1.1B	\$2.1B
LTM Adj. EBITDA excluding transaction-related items	\$199M	\$194M
EV/ LTM Adj. EBITDA	5.7x	11.0x

b) Based on market values as of May 5, 2020; assumes MTCH public shareholders all elect to receive \$3 per share consideration in cash. IAC share price calculated by subtracting \$184 of MTCH value received per IAC share (2.38 shares of MTCH at \$77 per share) from IAC's share price as of May 5, 2020 (\$229 per share).

We will start this next chapter with the markets in a similar state of disarray, but we'll have substantially more cash and a more attractive and diverse set of assets than we did a decade ago. In that intervening period, we spent over \$4 billion in M&A and repurchased over half of our

company, and that little stub grew into the IAC of today with nearly a \$20 billion market cap – a 26% CAGR in our stock price. The parallels to 2008 are eerily similar, but we don't include the figures to suggest that past performance may be indicative of future results – every journey is different. We include the chart to remind ourselves and our shareholders that we've seen and confronted challenging environments before, and this one probably won't be the last. So we're not afraid to begin New IAC in a scary and uncertain world, we're wired for it. While we don't know what the recovery will look like, nor into what world the New IAC will emerge – we know that, whatever it is, we are prepared.

Sincerely,
Joey Levin
CEO

Appendix

Webcast and Conference Call Details

IAC executives will participate in the ANGI Homeservices quarterly conference call to answer questions regarding IAC on Thursday, May 7, 2020 at 8:30 a.m. Eastern Time. The live audiocast will be open to the public at www.iac.com/Investors or ir.angihomeservices.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.

IAC LTM Q3 2008 and New IAC LTM Q1 2020 Operating Loss to Adjusted EBITDA Reconciliation:

<i>(\$ in millions)</i>	<u>IAC LTM</u> <u>Q3 2008</u>	<u>New IAC LTM</u> <u>Q1 2020</u>
Operating loss	(\$74)	(\$341)
Amortization of intangibles	33	107
Depreciation	68	60
Stock-based compensation expense	97	149
Amortization of non-cash marketing	29	-
Acquisition-related contingent consideration fair value adjustments	-	(28)
Goodwill impairment	-	215
Adjusted EBITDA	\$153	\$164
Transaction-related items ^(a)	46	31
Adjusted EBITDA excluding transaction costs	\$199	\$194

(a) Spin-related costs for LTM Q3 2008; MTCH separation costs and Care transaction-related items for LTM Q1 2020

Cautionary Statement Regarding Forward-Looking Information

This letter and the ANGI Homeservices conference call, which will be held at 8:30 a.m. Eastern Time on Thursday, May 7, 2020 (with IAC executives participating to answer questions regarding IAC), 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: the risks inherent in separating Match Group from IAC (including uncertainties related to, among other things, the costs and expected benefits of the proposed transaction, the expected timing of the transaction or whether it will be completed, the factors that may impact the calculation of the exchange ratio which will determine the number of new shares of the post-transaction Match Group to be received by IAC shareholders, the expected tax treatment of the transaction, any litigation arising out of or relating to the transaction, and the impact of the transaction on the businesses of IAC and Match Group), the impact of the outbreak of the COVID-19 coronavirus on our businesses, any change in our intention with respect to our investment in ANGI Homeservices, our continued ability to successfully market, distribute and monetize our products and services through search engines, social media platforms and digital app stores, the failure or delay of the markets and industries in which our businesses operate to migrate online, our ability to build, maintain and/or enhance our various brands, our ability to develop and monetize versions of our products and services for mobile and other digital devices, adverse economic events or trends, either generally and/or in any of the markets in which our businesses operate, our continued ability to communicate with users and consumers via e-mail (or other sufficient means), our ability to successfully offset increasing digital app store fees, our ability to establish and maintain relationships with quality service professionals, changes in our relationship with (or policies implemented by) Google, foreign exchange currency rate fluctuations, our ability to protect our systems from cyberattacks and to protect personal and confidential user information, the occurrence of data security breaches, fraud and/or additional regulation involving or impacting credit card payments, the integrity, quality, scalability and redundancy of our systems, technology and infrastructure (and those of third parties with whom we do business), changes in key personnel, our ability to service our outstanding indebtedness and interest rate risk, dilution with respect to our investments in Match Group and ANGI Homeservices, operational and financial risks relating to acquisitions and our continued ability to identify suitable acquisition candidates, our ability to expand successfully into international markets, regulatory changes and our ability to adequately protect our intellectual property rights and not infringe the intellectual property rights of third parties. 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 press release. IAC does not undertake to update these forward-looking statements.