IAC Q3 2022 Shareholder Letter

November 8, 2022

Dear Shareholders,

This letter is my first as CEO of both IAC and Angi, two companies in similar situations.

Perceptions of both IAC and Angi have swung from extreme confidence to extreme skepticism. We could all challenge the rationality of the extremes, but the general shift in sentiment has been warranted. I usually don't believe anyone's as good or bad as their most recent results may indicate, but we've had some big wins and more recently, some misses, and that reality will color current perceptions. Fortunately, I do believe our mistakes to be mostly temporary, and with a little time, we will fix them.

Evaluating our recent execution, IAC allocated over $1 billion of cash to becoming the largest shareholder of MGM and another $250 million to becoming the largest shareholder of Turo. Since we've been involved, I believe we helped both businesses notably in terms of their respective strategic and capital allocation decisions, and we have otherwise fortunately stayed out of their way in execution. Bill Hornbuckle is a world-class CEO at MGM and Andre Haddad the same at Turo. They have built powerful platforms on distinct and consistent values and each business, while not impregnable, has a moat that expands daily with happy customers. Even after the current travel boom eventually settles, we expect these businesses to be around for a very, very long time.

We've also executed reasonably well at Care, repositioning a challenged company and growing revenue over 70% since acquisition, with increased profits. We have built companies nearly from scratch in pursuing our thesis on the evolving future of work, including Bluecrew and Vivian, which use software to replace many of the manual components of matching workers with jobs. We've entered into an agreement to sell Bluecrew, for cash and stock, rolling some of our equity into a promising larger company well-situated to succeed in the category. At Vivian, we raised fresh capital earlier this year to build the company at a very healthy valuation while maintaining rapid organic growth.

But we will learn more from our missteps, most significantly with Dotdash Meredith and Angi, and I want to spend significant time in this letter going in-depth on both.

Angi

I've now taken on direct management of Angi myself. As a reminder, IAC owns 425 million shares of Angi worth a little under $1 billion today, representing 84% of the economic interest and 98% of the voting interest in Angi. Though smaller than it used to be, Angi is still among the largest assets in IAC, and Angi's business results matter a great deal to the overall success at IAC - and those results have not been good. Not only did we burn capital, but we spread it too thin and lost focus on some fundamentals. Several weeks into my new role at Angi, I have high confidence in our ability to do better and, if correct, deliver substantial value to IAC and Angi shareholders.

We have a lot to work with here. One in seven American households use Angi to care for their home each year, generating approximately 30 million service requests for our engaged and active network of 238,000 service professionals. We have by far the highest brand awareness of any pure player in the category, at least 2x the nearest competitor in Aided and 5x in Unaided, and we generate substantially more revenue. We have the most valuable content in the category for any homeowner searching online for help with a home project: service professional directories and ratings, closed-loop user reviews, real cost data, and the ability to get the job done on our site, all wrapped in a unified brand built for the category. We haven't yet exposed many of those features to a broad audience with a clean and fast user interface, which could help recover lost ground in search. Yesterday's mistakes are tomorrow's opportunities and, as we've taken some big swings and misses in our efforts to change the category, we've created plenty of opportunities.

When we transitioned from the Angie's List and HomeAdvisor brands to Angi in March 2021 to consolidate our marketing and product firepower behind one enduring brand, we expected a short term hit to marketing efficiency to eventually more than recover. We still believe that a true category leader wins with one category-defining brand, but we now estimate that the transition cost us much more than expected – over $100 million in annual profit from traffic coming from search engines that hasn't yet returned, and small details in execution were buried and forgotten in the wake of a massive brand initiative. I expect real upside in traffic acquisition relative to current performance with a new leader and team now focused on fundamentals and empowered to make real change. Another big area of opportunity is Services. The great news is we've done nearly $1 billion of Services revenue since we launched the product, and in that time learned a tremendous amount about how to deliver a differentiated Services offering for homeowners, where to focus our investment, and where to pull back. But sometimes an organization can be consumed by a new growth product at the expense of almost every other area, and I believe Services cast a long shadow over the rest of Angi. We are still completing Services jobs for homeowners with previously unimaginable lifts in customer satisfaction, and this product line will be essential for our customers going forward, but we will better balance priorities between Services and other parts of the business.

Despite our faults, in the last 12 months, we delivered almost $1.8 billion of revenue, growing 15% year-over-year with $1.4 billion of gross profit in a category that's not an easy beast to tame. I believe we now have an opportunity to invest our gross profit more productively with more responsible operating expenses and cash flow accountability by chasing fewer ideas and focusing on key segments and initiatives with steady progress.

Skepticism is warranted here given our recent results, but I want to be unequivocally clear that I don't share it. I believe in this business and our ability to become indispensable to customers. When I became CEO of Mindspark in 2009, the first business I ran for IAC, the business had just dropped to nearly breakeven in its most recent quarter, after delivering profits for years. The trends were bad, but we had nine figures of annual revenue and a bright and committed team and rightly believed we had enough clay to work with. When I went to be CEO of Vimeo, we had a similar story. I acknowledge that being Angi's fourth CEO in five years is not confidence-inspiring, but I take on the role of Angi CEO with a head start, having served as Chairman through the challenges of the past few years, not dissimilar to the situations at Mindspark and Vimeo. I own the decisions we made and the resulting performance, but getting in and running the business day to day is a very different mode, and I am optimistic.

Of course, we have opportunities throughout IAC to increase value, which are covered below, but I'm focused heavily on Angi right now given the scale of the opportunity and the potential improvement in both near-term and long-term profit relative to today.

Dotdash Meredith

Just over a year ago, we announced a definitive agreement for Dotdash to acquire Meredith to form the biggest digital publisher in the industry. At the time, both companies were registering record online audiences and 25% combined Digital revenue growth. In hindsight, we timed that acquisition poorly: both Dotdash and Meredith have experienced headwinds throughout the year, with soft traffic compared to extraordinary pandemic audiences and an unexpectedly weak digital advertising market. The Dotdash Meredith team has worked tirelessly to integrate the companies, migrate the technology, and rationalize the print assets, and our belief in the fundamental thesis has not changed. Three straight quarters of Digital revenue declines, however, have put us behind our acquisition plan and derive from the confluence of a few key factors:

- **Ad Market:** Premium and programmatic advertising across a broad range of industries represent roughly 65% of Dotdash Meredith's Digital revenue. Leading categories such as Retail, Home Goods and Consumer Packaged Goods, particularly Home and Beauty, were hit hard in the third quarter. Advertisers responded to inflation and changing consumer spending patterns by materially scaling back spend, in some cases by more than 25% vs. first half 2022 and prior year levels. In the September Back-to-School period, certain Retail and Consumer Packaged Goods advertisers returned to the market and have since shown sequential improvement, but they are still below prior-year spend. We remain cautious on the outlook for the digital advertising market and expect it to be a headwind for the near future, though we expect our own sales execution to steadily improve.

- **Integration Execution:** Dotdash had acquired and integrated nine properties previously, but the scale of the Meredith acquisition was at a different level. The migrations are essentially done with more than 90% of Meredith's audience and all major sites having been migrated to a common technology platform from which we can now run our growth playbook. The process took longer than expected and produced unexpected ad-serving and ecommerce challenges that hurt revenue in August and September (issues that have since been resolved). We have consistently reached "CPM equivalence" through improving ad performance after reducing ad volumes on migrated sites, though one of the final migrations in September encountered weaker performance, which we expect to remediate.

- **One-Time Costs:** When the Meredith deal was announced, we told investors 2022 would be a "messy" year financially due to a variety of acquisition-related charges and restructuring, and it has proven to be all of that. Through September, we have recorded $60 million in charges deriving from restructuring costs, real estate impairments, severance and other activities. All of these are non-recurring and relate to the 2022 fiscal year.

The good news is, with migrations and technology integrations essentially completed, we can now execute as one company and focus on driving the acquired sites. In prior acquisitions, Dotdash has seen migrated sites initially decline in traffic following a migration, before visits stabilize and then grow at about the six-month mark, as shown in the table below:

Months Post-Migration	1	2	3	6	12	18	24
Expected Traffic Growth	-6%	-5%	0%	10%	20-30%	40-50%	70-100%

The following table summarizes the performance of migrated Meredith sites to date, detailing months since migration, performance against the benchmarks above, and the relative size for each site:

Brand	Months Post-Migration	Traffic Performance vs. Benchmark	Cumulative % of Total Meredith Migrated Traffic
Health	6	🟢	1%
Parents	5	🟢	3%
Instyle	4	🟡	11%
Travel & Leisure	4	🟢	15%
Shape	3	🔴	16%
Better Home & Gardens	3	🟢	21%
People	2	🟢	63%
Real Simple	2	🟢	65%
F&W	2	🟡	68%
Southern Living	1	🟢	71%
Allrecipes	1	🟢	90%
Other	-	-	100%

We feel good about the performance of migrated sites, but many of the sites are relatively recent migrations and are too early to tell. In aggregate, October traffic across all of Dotdash Meredith was down 5% year-over-year, dragged down in part by large sites that are still in the "go back to go forward" stage post-migration. There is more work to do to get aggregate traffic growing at the 15% rates we expect, but we are headed in the right direction. Fortunately, the online traffic comparisons also get a bit easier as we move farther away from pandemic consumption levels.

Print, meanwhile, has been a source of strength for the company. Aggregate Print revenue declined 24% in Q3, but that is overwhelmingly due to the elimination of 8 titles following the February restructuring as we continue to manage to profitability. Our go-forward portfolio of 7 core print titles generated profit while growing revenue 29% in Q3 on a same-store basis, highlighting both advertiser demand for these titles and the returns of the product investments we made.

Currently, we expect $240 to $250 million of Adjusted EBITDA for 2022 excluding the one-time costs associated with the integration and restructuring. This is a big drop from the $300 million Adjusted EBITDA we expected previously, with the decline reflective of both the challenges of the integration and the current digital advertising market environment.

To build back credibility and predictability, we are focused on getting to stability in Digital revenue growth. The October results disclosed in the appendix demonstrate progress towards that goal, with the Digital revenue decline improving to 8%. We believe this decline is broadly reflective of the state of the market, improving from prior months thanks to less "integration-related" drag on revenues. Through traffic growth at the Meredith properties and continued improvement in advertising execution, we believe we can get to flat Digital revenue in the first half of next year without a material improvement in the advertising market, and flip to growth for full-year 2023, provided the economy and market do not substantially soften.

Bluecrew and Vivian

With impressive revenue growth and industry-leading technology, we felt Bluecrew had great potential, but gross margins in the teens would require major scale and substantial investment to generate profit. That brought us to combining with EmployBridge, the country's largest light industrial staffing company, to create a category winner by marrying major scale with super technology. In a transaction expected to close later this week, IAC agreed to sell Bluecrew to EmployBridge for a combination of cash and minority equity interest in the combined company. We're happy to participate in the strategic combination as shareholders of EmployBridge with representation on its Board. The transaction also eliminates $26 million in trailing twelve months Adjusted EBITDA losses from our P&L, as Bluecrew was investing heavily in product, marketing and sales. We are still major believers in the "future of work" where the application of technology to traditional labor markets creates powerful new business models, and Vivian Health, our leading healthcare-jobs marketplace, continues to take share, growing revenue 77% in the third quarter.

Capital Allocation

Below is a fun table we haven't shared in a while, but one we review regularly internally:

Today's Market Value (as of 11/7/22)	*($s in billions except share prices)*
IAC Share Price	$45.92
Shares Outstanding *(millions)*	87
Equity Value	**$4.0**
Less: ANGI Stake (424.6M shares @ $1.94/sh)	($0.8)
Less: MGM Stake (64.7M shares @ $34.19/sh)	($2.2)
Plus: Q3'22 Net Debt	$0.3
Enterprise Value	**$1.2**

The math shows that, after backing out IAC's ownership in Angi and MGM, and adjusting for cash and debt, investors currently get everything else in the IAC portfolio for $1.2 billion. So, what is everything else?

- **Dotdash Meredith**: an industry leader that produced $2.1 billion of *Pro Forma* revenue and $271 million of *Pro Forma* Adjusted EBITDA (excluding one-time costs) over the last twelve months.
- **Care.com:** the world's largest online marketplace for finding and managing family care, acquired by IAC in February 2020 for $500 million. The business has profitably generated $360 million of revenue over the past twelve months and has barely penetrated its market.
- **Turo:** over 2.3 million active guests and 125,000 active hosts are transacting on the world's largest car sharing marketplace with high customer satisfaction and a proven business model. IAC owns 27% plus a warrant for an additional 10%.
- **Vivian Health:** 75% ownership in a high-growth marketplace that was valued in April at $400 million in a $60 million equity financing led by third-party investors.
- **Search**: our free-cash-flow engine that has generated $105 million of Adjusted EBITDA over the last twelve months and more than $500 million over the last 5 years.
- **Mosaic Group:** our mobile app platform with over 3.5 million paying subscribers producing $193 million of profitable revenue over the past 12 months.

The current share price provides an investor with everything above, plus some other assets including the interest in Employbridge, for a total value of $1.2 billion. We've been here before: a high-quality collection of assets supported by ample cash on the balance sheet, with the broader markets questioning the potential of long-term value creation in the form of a muted share price. We have a lot to prove, but we feel very good about our position. I have said repeatedly over the past couple of quarters, and continue to believe, that the current market headwinds won't abate any time soon, but we expect that to yield opportunity. In the meantime, we will continue to evaluate cash allocation to drive long-term value creation for IAC shareholders.

Monthly Metrics

In April 2020, with the onset of the COVID pandemic, we began disclosing monthly metrics to provide investors with greater insight during an unprecedented macro environment and where visibility into the prospects of our businesses was unknowable. The goal was to reduce the short-term focus on quarterly results by supplying a more constant source of performance data. While best-intentioned, the monthly metrics have done the opposite of what they were intended to do – instead of allowing for long-term thinking, external focus has increasingly centered on short-term results and trends (and investor engagement skews disproportionately to explaining these short-term results) which is inconsistent with how IAC operates with a very long-term time horizon on value creation. Thus, we have decided that December 2022 will be the last month we release monthly metrics, and we will return to our normal cadence of quarterly disclosure in Q1 2023.

Sincerely,

Joey Levin
CEO

2022 Monthly Trends through October [a]:

	Apr '22	May '22	Jun '22	Jul '22	Aug '22	Sep '22	Oct '22
Dotdash Meredith							
Digital Revenue	227%	225%	207%	243%	236%	238%	252%
Print Revenue	NM	NM	NM	NM	NM	NM	NM
Total Revenue	**618%**	**582%**	**504%**	**575%**	**677%**	**599%**	**580%**
Pro Forma Digital Revenue	0%	-3%	-18%	-12%	-11%	-15%	-8%
Pro Forma Print Revenue	-25%	-16%	-36%	-27%	-17%	-29%	-34%
Total Pro Forma Revenue (b)	**-16%**	**-10%**	**-28%**	**-20%**	**-15%**	**-23%**	**-23%**
Angi Inc.							
Angi Ads and Leads	-2%	8%	11%	7%	6%	6%	7%
Angi Services (c)	111%	108%	103%	18%	14%	5%	12%
Total North America Revenue	17%	26%	29%	10%	8%	6%	9%
Europe Revenue	-7%	-6%	-1%	6%	3%	-2%	-6%
Total Revenue	**16%**	**24%**	**27%**	**10%**	**8%**	**6%**	**8%**
Angi Service Requests	-14%	-7%	-8%	-9%	-8%	-16%	-13%
Angi Monetized Transactions	-8%	-3%	-5%	-8%	-8%	-15%	-13%
Angi Transacting Service Professionals	-4%	-3%	-2%	-3%	-6%	-10%	-11%
Angi Advertising Service Professionals	-7%	-7%	-8%	-7%	-6%	-5%	-4%
Search							
Ask Media Group Revenue	8%	25%	9%	-6%	-29%	-48%	-57%
Desktop Revenue	-13%	-17%	-30%	-34%	-41%	-38%	-40%
Total Revenue	**5%**	**17%**	**2%**	**-11%**	**-31%**	**-46%**	**-55%**
Emerging & Other (d)							
Total Revenue	**12%**	**4%**	**3%**	**7%**	**16%**	**-2%**	**-2%**

(a) As of the date of this document, the Company has not yet completed its financial close process for October 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 Angi Roofing, which was acquired on July 1, 2021.
(d) February and May 2021 and August 2022 include revenue from IAC Films projects recognized during the month.

Webcast and Conference Call Details

IAC and Angi Inc. will host a joint conference call to answer questions on November 9, 2022 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.

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.

Angi FY 2018 Operating income to Adjusted EBITDA Reconciliation:

	FY 2018
Operating income	**$64**
Amortization of intangibles	62
Depreciation	24
Stock-based compensation expense	97
Adjusted EBITDA	**$248**
Transaction-related items	13
Adjusted EBITDA excluding transaction costs (a)	**$260**

(a) Excludes costs and deferred revenue write-offs in connection with the Angie's List transaction and costs in connection with the Handy acquisition.

Dotdash Meredith FY 2022 Operating loss to Adjusted EBITDA Reconciliation:

($ in millions)	FY 2022 Outlook
Operating loss (a)	**($100-$65)**
Amortization of intangibles	260-280
Depreciation	35-40
Stock-based compensation expense	20
Adjusted EBITDA (a)	**$240-$250**

(a) Excludes $67 million restructuring and transaction-related items associated with the acquisition of Meredith ($60 million impacting Adjusted EBITDA).

Bluecrew Trailing Twelve Months 9/30/2022 Operating loss to Adjusted EBITDA Reconciliation:

($ in millions)	TTM 9/30/2022
Operating loss	**($26)**
Amortization of intangibles	-
Depreciation	-
Stock-based compensation expense	-
Adjusted EBITDA	**($26)**

Dotdash Meredith Trailing Twelve Months 9/30/2022 Pro Forma Operating loss to Adjusted EBITDA Reconciliation:

	TTM 9/30/22
Operating loss	**($216)**
Amortization of intangibles	226
Depreciation	38
Stock-based compensation expense	17
Acquisition-related contingent consideration fair value adjustments	(1)
Adjusted EBITDA	**$64**
Meredith Adjusted EBITDA for periods prior to acquisition	74
Restructuring and transaction-related items	133
Pro forma Adjusted EBITDA (a)	**$271**

(a) Reflects the inclusion of Meredith revenue for periods prior to the Meredith acquisition and excludes transaction-related items associated with the restructuring and acquisition of Meredith.

Dotdash Meredith Trailing Twelve Months 9/30/2022 Pro Forma Revenue Reconciliation:

	TTM Ended September 30, 2022		
	Revenue as Reported	Meredith Revenue for Periods Prior to its Acquisition [(a)]	Pro Forma Revenue
Digital	$ 834.6	$ 140.5	$ 975.2
Print	893.8	257.1	1,150.9
Intersegment eliminations	(19.0)	(5.4)	(24.4)
Total	$ 1,709.4	$ 392.3	$ 2,101.7

(a) Reflects programmatic advertising revenue on a net basis.

Search Trailing Twelve Months and Last 5 years 2022 Operating income to Adjusted EBITDA Reconciliation:

($ in millions)	TTM 9/30/2022	1/1/2018 to 9/30/2022
Operating income	**$105**	**$204**
Amortization of intangibles	-	60
Depreciation	0	8
Goodwill impairment	-	265
Adjusted EBITDA	**$105**	**$537**

<u>Cautionary Statement Regarding Forward-Looking Information</u>

This letter and the conference call, which will be held at 8;30 a.m. Eastern Time on Wednesday, November 9, 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) adverse economic events or trends that adversely impact advertising spending levels, (viii) risks related to our Print business (declining revenue, increased paper and postage costs, reliance on a single supplier to print our magazines and increased pension plan obligations), (ix) the ability of our Digital business to successfully expand the digital reach of our portfolio of publishing brands, (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), (xii) our ability to engage directly with users, subscribers, consumers, service professionals and caregivers on a timely basis, (xiii) our ability to access, collect and use personal data about our users and subscribers, (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 our investment in 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, (xx) our ability to build, maintain and/or enhance our various brands, (xxi) the impact of the COVID-19 outbreak on our businesses, (xxii) our ability to protect our systems, technology and infrastructure from cyberattacks and to protect personal and confidential user information, (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, (xxvi) the integrity, quality, efficiency and scalability of our systems, technology and infrastructure (and those of third parties with whom we do business) and (xxvii) 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.