IAC Q2 2024 Shareholder Letter

August 6, 2024

Dear Shareholders,

Halfway through the year, profits and cash flow at IAC continue to grow, particularly at Dotdash Meredith (DDM) and Angi, our two largest majority-owned businesses. Here's the quick state of play on the things that matter:

- DDM is in excellent shape with accelerating Digital revenue growth and expanding margins, and the broader ad market seems solid. We're raising our profit outlook for the year and are focused on demonstrating our current momentum heralds the long-term power of our business.

- Angi posted notable profit with continued improvement in our product and customer experience, ahead of the pace we expected. We're raising our profit outlook for the year here too. We continue to prioritize profit and customer experience in the near term, setting up the business for future revenue growth with better fundamental margin structure and a more loyal user base. We have not yet found the turn on revenue growth but believe that will come in time.

- MGM and Turo are both growing nicely, as is our ownership in each business without incremental IAC capital. MGM has taken advantage of the opportunity to repurchase nearly 40% of its shares outstanding since we've owned it, increasing our ownership to 21%. Our original Turo investment provided us the right to receive more shares via warrant without incremental cash outlay, and our ownership in Turo now exceeds 32%. At some point the value we see in these assets will become clear to the world; in the meantime, we continue to increase ownership as both businesses post record results.

- Our smaller businesses have option value. Care.com remains the preeminent brand in its category, generating healthy cash flow as it innovates on product and marketing under new management. Vivian is still growing, impressively so given a market that's shrinking through a post-COVID secular cycle. Both businesses offer upside potential for IAC, and Care.com provides some cash flow ballast in the interim.

- We have not, for better and worse, spent any of our growing cash balance this quarter, and we need to put our cash to work, smartly and patiently.

- The value of publicly traded securities and cash on our balance sheet continues to exceed our market capitalization by a decent margin. We need to shrink that discount.

The priorities above consume the lion's share of our focus, and we know that the best way to achieve the last one is by executing the others well. We are progressing faster in some areas than others but believe meaningful progress on all is well within reach.

Dotdash Meredith

DDM's digital advertising revenue growth is outpacing competition in digital publishing and beginning to rival the growth of the platform companies. We are growing both in volume and price which we believe differentiates us in this environment. The growing Digital revenue is lifting margins higher and pushing profit to grow faster than revenue.

Advertisers are adopting our marquee ad targeting product, D/Cipher, which outperforms cookie-based offerings and reaches a differentiated audience – a powerful weapon for our premium sales force. D/Cipher is now part of more than half of our premium campaigns and has helped turn previously challenged categories like Home and Food back to growth. We continue to prioritize ad performance over ad density or frequency, and our programmatic ad rates are up around 36% in the second quarter versus an estimated 15-20% lift in rates for the broader market.

Audience growth accelerated in the second quarter and continues to strengthen, aided by PEOPLE lapping the Hollywood strike last year and strong consumer engagement across our titles. Since Google began to roll out AI Overviews in mid-May, the impact on our traffic has been negligible. Referrals from Google search queries produce less than half of our traffic, and based on our analysis, AI-generated answers are being served on roughly 15% of searches across our categories, with the highest frequency in Health, Technology, and Finance. Click-through rate differentials between pages with and without AI Overviews are minor so far, but it is still early and products change quickly, so the past isn't prologue. We don't expect consumers to rely on anonymous advice for their health, finances and cooking, so computers churning out AI "content" should not either. DDM is a scaled, validated source of truth, earning trust by investing in content that's robustly researched and expert checked, which is why we recommend rocks and glue for art projects, and edible ingredients for cooking. We still believe our brands underpin the most reliable answers to queries, that the best content wins, and AI services will act consistently with their publicly expressed intentions to support the trusted creators on whose content they depend.

The newest major digital advertising industry news was Google's decision, after years of delays and alterations, to scrap its plan to eliminate cookies. While you won't find much sympathy in the hallways of our buildings for Google's regulatory woes, we believe Google got stuck between well-intentioned but conflicting regulators and, without a clean path to compliance, chose the wisest course – leave the future up to users (but reach the same end state). Google will offer users the choice to opt out of cookies and, because privacy matters to consumers, we expect cookies' status as the de-facto currency of the digital ad-buying world will continue to diminish. Our tests, case studies, and client retention suggest D/Cipher outperforms cookies, and as advertisers shift their bidding strategies to reach a growing cookie-less audience rather than a declining audience with cookies, DDM is well positioned to win here.

We believe Digital revenue will accelerate from here and growth could exceed 15% in the third quarter. If incremental revenue continues to convert to Digital Adjusted EBITDA at current rates, we should be growing Digital Adjusted EBITDA at least 25% in the upcoming quarter. Print profitability should continue to more than offset Corporate costs, and bookings and pipeline suggest we can deliver more earnings than previously expected – we now expect $290 to $310 million of Adjusted EBITDA for the year.

Angi

The second quarter was right on trend with a revenue reduction and profit increase while improving the customer experience. Jobs Done Well is our three-syllable mantra, essential to the success of homeowners, Service Professionals ("SP"s), and Angi.

For both homeowners and pros, a proper match is the first step. Homeowners are now matched with an SP 79% of the time, up from 70% two years ago. We've come a long way refining our matching logic to get consumers matched more often, have chosen not to pursue some customers (and forego revenue), and we've reduced outbound contacts to homeowners. Additionally, we are improving the homeowner journey by refining our Q&A and using AI to more quickly understand and redirect the homeowner to the appropriate question flow for their needs. Getting the right information out of the homeowner, in the homeowner's language, allows us to match the right SPs with less homeowner effort, get more Jobs Done Well and improve win rates. Evidence shows SP retention gains holding with 6-month SP retention growing 23% year-over-year in Q2 and maintaining into older cohorts. As we perfect the matching experience, the unit economics of both sales and marketing gain efficiency, which has shown up in our margins.

The profitability in the first half of the year again suggests we can earn more for the full year than we expected – we are now looking at $130 to $150 million of Adjusted EBITDA for 2024. Revenue will continue to be volatile. We are trading near-term monetization for long-term and profitable customer value, both on the SP side and homeowner side. The proof is in the pudding so far, with improvements in homeowner satisfaction and SP retention, and cost efficiencies offsetting the revenue declines. We expect that pattern to continue. It's a difficult tradeoff to execute as a public company, and we appreciate we've been at this for a while, but we are set on building an experience for our customers that will be hard to beat and I believe our competitors will eventually rue this transition more than our investors currently do.

IAC

The operational momentum has freed up time and capital to look further ahead. With $1.7 billion of cash and growing free cash flow, we're spending significant time analyzing new opportunities. Acquisitions have been a hallmark of IAC, and we believe will be fundamental to our future.

Entering a new category is never easy or obvious but has been a staple of IAC's strategic development for years, producing strategic pivots into interactive commerce, media, travel, local, dating, ticketing, and others, all with substantial returns for our shareholders. We must always be building.

Sincerely,

Joey Levin, CEO

Full Year 2024 Outlook

Please find below our full year 2024 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 2024 Outlook**
Adjusted EBITDA	
Dotdash Meredith	$290-$310
Angi Inc.	130-150
Search	15-25
Emerging & Other (a)	0-15
Corporate	(100-90)
Total	**$335-$410**
Stock-based compensation expense	(125-115)
Depreciation	(130-120)
Amortization of intangibles	(145-135)
Total Operating (loss) income	**($65)-$40**

(a) Includes $16 million in severance and transaction-related costs at Mosaic Group and $9.5 million in legal accruals related to the anticipated resolution of certain legal matters.

Additional Q3/FY 2024 Observations

- *Dotdash Meredith* – In Q3 we expect Digital revenue growth to accelerate to 15% and Digital Adjusted EBITDA incremental margins of 40-45%. We expect Print Adjusted EBITDA profits to modestly exceed Corporate Adjusted EBITDA losses. Q3 2023 Corporate Adjusted EBITDA included an $8 million favorable reversal of certain indemnification liabilities established for tax contingencies in connection with the acquisition of Meredith.

- *Angi* – In Q3 we expect revenue declines over 15% and Adjusted EBITDA over $30 million.

- *Search* – In Q3 we expect revenue of $75-$85 million and $1-$3 million of Adjusted EBITDA.

- *Emerging & Other* – In Q3 we expect revenue in excess of $110 million and Adjusted EBITDA of $5-$10 million.

Non-GAAP Financial Measures

This letter contains references to certain non-GAAP measures, including Adjusted EBITDA. 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 Q2 2024 Earnings Release furnished on form 8-K on August 6, 2024 for a complete reconciliation of operating (loss) income to Adjusted EBITDA.

Webcast and Conference Call Details

IAC and Angi Inc. will host a joint conference call to answer questions on August 7, 2024 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, August 7, 2024, 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 ability to compete with generative artificial intelligence technology and the related disruption to marketing technologies, (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) our continued ability to market, distribute and monetize our products and services through search engines, digital app stores, advertising networks and social media platforms, (x) 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), (xi) our ability to establish and maintain relationships with quality and trustworthy service professionals and caregivers, (xii) the ability of Angi Inc. to expand its pre-priced offerings, while balancing the overall mix of service requests and directory services on Angi platforms, (xiii) the ability of Angi Inc. to continue to generate leads for service professionals given changing requirements applicable to certain communications with consumers, (xiv) our ability to access, collect and use personal data about our users and subscribers, (xv) our ability to engage directly with users, subscribers, consumers, service professionals and caregivers on a timely basis, (xvi) 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, (xvii) 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), (xviii) our inability to freely access the cash of Dotdash Meredith and /or Angi Inc. and their respective subsidiaries, (xix) dilution with respect to investments in IAC and Angi Inc., (xx) our ability to compete, (xxi) 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, (xxii) our ability to build, maintain and/or enhance our various brands, (xxiii) 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, (xxiv) the occurrence of data security breaches and/or fraud, (xxv) 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.