IAC Q1 2024 Shareholder Letter

May 7, 2024

Dear Shareholders,

Since our last letter, most of the big priorities on our list, except our share price, have moved in the right direction. We added another $200 million of cash to our balance sheet, driven by almost $50 million of Free Cash Flow in the quarter (up from $3 million last year) and the proceeds from the sale of a small asset out of our Emerging & Other segment called Mosaic Group. We grew Adjusted EBITDA in the quarter considerably at our two largest consolidated businesses — Angi was up 21% and Dotdash Meredith was up 40% when you eliminate the large non-cash impairment charge in last year's first quarter (reported growth figures appear even larger). Our largest investment, MGM, did similarly well with a similar failure to move its share price, posting record first quarter financial and operational results and generating Free Cash Flow of just under $400 million — we are pleased to own over 20% now.

Beneath the surface of our stagnant market capitalization, we have some exciting action, but I appreciate that we don't get trophies for participation. Of course, we will continue to focus primarily on driving consistently improving operating results in each of our businesses. In addition, as we now have both substantial cash and are generating strong incremental cash flow, and Dotdash Meredith and Angi comfortably capable of servicing their debt, we have renewed focus on deployment of our cash. While we expect to reserve the majority of our cash for new opportunities at IAC, a necessarily patient process, we believe we clearly have the flexibility to consider the full range of options for deploying excess cash for shareholders' benefit.

Dotdash Meredith

The first quarter of 2024 was the first quarter of consolidated revenue growth at Dotdash Meredith since the Meredith acquisition. Digital revenue now comprises not only the majority of the business but is also growing fast enough to overcome the secular declines in Print revenue. We believe the combination has created the premier intent-driven digital content company in the world, and we are now building momentum with new products and partnerships.

Earlier today we announced an important strategic partnership with OpenAI that we believe serves as a model for our future. OpenAI's ChatGPT, which currently counts 100 million users weekly, will feature attributed Dotdash Meredith content — with links — in its responses to relevant queries. OpenAI and Dotdash Meredith are also collaborating to use Dotdash Meredith's library for the improvement of OpenAI's large language models. We haven't been shy about our belief that publishers should be compensated for use of their content and that attribution and transparent sourcing in generative AI products is critical to maintaining a healthy Internet ecosystem. This partnership addresses both fronts. Importantly, OpenAI will also partner with Dotdash Meredith to build out Dotdash Meredith's D/Cipher intent-targeting advertising solution — a first of its kind partnership that will enhance D/Cipher's targeting technology with AI-powered capabilities and offer superior ad performance in a coming cookie-less world.

We view this partnership as confirmation of both the value of Dotdash Meredith's content and the opportunity resident in D/Cipher's capabilities. We're pleased to see OpenAI leading the AI landscape and making clear its commitment to building a trustworthy and reliable Internet for the future. Some of the large incumbent technology companies may fight this reality for a bit, empowered in the near-term by dominant market share in other categories, but I expect most will eventually follow OpenAI's lead, driven by either reason, reputation, litigation, or regulation.

Back to the first quarter, continued momentum in both traffic and monetization drove accelerating Digital revenue growth. Core Sessions (traffic to titles representing over 80% of revenue in the quarter) grew 8% year-over-year with Total Sessions declining marginally. Monetization was excellent, led this quarter by Digital Advertising revenue growing 19% thanks to strength in both premium and programmatic sales, with some help from Licensing growth, more than offsetting a deceleration in the exceptional growth we've had in Performance Marketing. That combination lifted total Digital revenue growth to 13%, our highest since the Meredith acquisition.

The broader advertising market is slowly strengthening with some categories cautiously returning to growth. Health/Pharma, Retail, Home, Consumer Packaged Goods and Travel are growing in premium sales, while tepid yet improving demand continues in Food & Beverage and Finance. In many of these markets, we have outpaced growth in market pricing thanks to our relentless investment in driving ad performance with intent, aided significantly by excitement among advertisers and agencies over D/Cipher, which matches advertisers with the content on a webpage, not the private information of the individual visiting it, and is now a component of half of our Premium deals so far this year. We are also increasingly able to make D/Cipher targeting available to buyers via technical integrations we've enabled with Amazon, and we expect other third-party demand platforms soon.

The progress in revenue growth is making its way down to profit nicely. Adjusted EBITDA for the Digital segment grew 51% year-over-year in the quarter. The first quarter is always the lowest for Digital revenues and margin, and Print profitability was down as expected, but the aggregate growth to start the year sets the tone for 2024. We believe Dotdash Meredith should repeat the pattern of 2023 with growing margins despite targeted investments and some inflationary pressures as revenue seasonably rises throughout the year. We still expect 10% Digital revenue growth for the year and $280 to 300 million of Adjusted EBITDA.

Angi

When Angi co-founder Angie Hicks started this business in the 1990s, going door-to-door to build a "list" of service professionals, then sitting in a 100 square foot office, fielding calls from frantic neighbors desperate to access that list to find a trusted plumber or electrician, she was focused on one thing: customers' trust. Twenty-five years later, Angie still gets stopped in the grocery store for home project advice, and today as Founder and Chief Customer Officer she still engages regularly with Angi pro and homeowner customers. Angie Hicks built an enduring brand by staying true to her identity and genuine passion for helping customers, one by one. We are intent on reconnecting Angi to those customer-obsessed roots.

We continue to elevate the customer experience and profitability at Angi on a lower but higher-quality revenue base. Adjusted EBITDA this past quarter is up 21% year-over-year and, excluding the one-time insurance benefit in Q4 2023, is the highest quarter for Adjusted EBITDA since 2020. We continue to eliminate low-customer-value and less profitable revenue, taking additional actions already this year to drive quality while growing margins.

Profitable acquisition of Service Requests (SRs), profitable acquisition of new Service Professionals (SPs), and making the right match between SRs and SPs align with the guiding principle of everything we do — Jobs Done Well. Angi continued to improve in each of these areas. Selling and marketing expense as a percentage of revenue showed five points of margin improvement year-over-year due to a combination of spending marketing more efficiently, better production out of our salespeople, and lower fixed costs. Monetized transactions per SR was up 24% year-over-year, which, combined with lower costs, means the unit economics of transactions on our platform continue to get better, visible clearly in our overall profit margins. Consumer Net Promoter Score (NPS) is also up over 20 points vs. a year ago and 6-month SP retention is up 24%.

The International business, which we believe offers a roadmap for success for the Domestic business, grew revenue 18% and increased Adjusted EBITDA over 50% while maintaining positive double-digit Consumer NPS and improving retention metrics. Few will recall the period when Angi International revenue was forgettably flat for more than three years before turning to consistent double-digit revenue growth two years ago, but that era of re-tooling was essential to the business' current success. In the US, we believe we are following a similar, if more pronounced path, with double-digit revenue declines this and last year, while still growing profits.

Work remains to return Angi to revenue growth and we know we can't increase profits forever without it, but we've proven that we can consistently deliver better unit economics and profitability with happier customers. We still have profit runway as we get the revenue machine in order and, with a clear model in our International business and a recent CEO upgrade, we believe the long slog of getting back to market share growth is ultimately attainable. Besides customer experience and financial self-sufficiency, my goal when I stepped into Angi was to find a better leader for the business than me, and I'm delighted we found that executive internally. Jeff Kip led our International operations through the hard decisions and integrations that prioritized our customers and built a durable, growing, and profitable business. It was not an easy path, nor a quick one, but it was the best one to put the business in a position of success and taking share, keeping customers coming back to Angi's products. Jeff brings that winning confidence back to the US. We know that our internal confidence is not yet matched by the external enthusiasm we'd desire given our history in this business, but we believe we'll earn it over time, and we've had the opportunity to buy more Angi shares in the meantime.

Conclusion

Dotdash Meredith has real momentum. Angi profit continues to grow. MGM and Turo are taking share with leadership positions in large markets. Care and Vivian are driving real product innovation in their respective categories. Even The Daily Beast, newly energized by the arrival of media veterans Ben Sherwood and Joanna Coles — who, in a strategic partnership with IAC, have agreed to become minority owners of The Daily Beast and lead its next chapter — now has a fresh start and world-class talent to help it become an enduring and successful news business. We will always be builders.

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	$280-$300
Angi Inc.	120-150
Search	20-40
Emerging & Other (a)	0-20
Corporate	(100-90)
Total	**$320-$420**
Stock-based compensation expense	(130-120)
Depreciation	(130-120)
Amortization of intangibles	(140-130)
Total Operating (loss) income	**($80)-$50**

(a) Includes $16 million in severance and transaction-related costs at Mosaic Group in Q1 2024 related to the sale of the business.

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 Q1 2024 Earnings Release furnished on form 8-K on May 7, 2024 for a complete reconciliation of operating (loss) income to Adjusted EBITDA.

Dotdash Meredith Operating Loss to Adjusted EBITDA Reconciliation:

	Three months ended		
($ in millions)	**March 31, 2024**	**March 31, 2023**	**Y/y Growth**
Operating loss	**($21)**	**($111)**	**434%**
Amortization of intangibles	35	50	-29%
Depreciation	9	33	-74%
Stock-based compensation expense	7	5	44%
Adjusted EBITDA	**$30**	**($23)**	**NM**
Dotdash Meredith non-cash lease impairment	-	45	NM
Adjusted EBITDA excluding certain items	**$30**	**$22**	**40%**

Webcast and Conference Call Details

IAC and Angi Inc. will host a joint conference call to answer questions on May 8, 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, May 8, 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.