IAC Q4 2023 Shareholder Letter

February 13, 2024

Dear Shareholders,

Feels nice to say for the first time in a while that the year finished stronger than we had hoped. Our three biggest consolidated businesses (Dotdash Meredith, Angi, and Care.com) all generated healthy profit growth, and our large minority investments (MGM and Turo) generated record fourth-quarter revenues again. The "Back to Basics" theme for 2023 largely worked. We got the synergies going at Dotdash Meredith and cleaned up the P&L at Angi, lifting IAC's cashflow and Adjusted EBITDA materially. Work is never done, but what a difference a year makes.

Our market capitalization is still roughly equal to the sum of the cash and publicly-traded securities we hold, effectively implying no value for all the other assets in IAC. The progress across the company hasn't yet shown up in our share price, so investors can still get a lot of assets – and option value – for the implied bargain price of nearly zero, and we believe the cash and public securities have upside, too.

Our largest holding, MGM is a keen beneficiary of growth in the travel & leisure sector, which has materially outpaced broader consumer spending generally for the last 20 years. Consumers' ever increasing time spent on social media has elevated exposure and access to new experiences, making the top of the travel & leisure funnel – FOMO – only grow. As social currency moves away from ownership (less shareable online) towards experiences, MGM has gained. MGM is also the market leader in Las Vegas, which showed the world again this past weekend why it's the global center for sports and entertainment experiences: nearly every major live tour, show, fight, race, competition, chef, and soon to be every major league sport, has a Las Vegas outpost, and MGM often plays host. Even as post-pandemic tailwinds fade, the shift from goods to experiences is a decades-long trend, not a fad, and the increasing premium on live events and experiences makes MGM a bona fide trophy asset. But the MGM secret seems to be safe with us, as the company has been able to buy back 35% of its shares outstanding since we got involved, still at incredibly attractive prices relative to earnings, especially for something so unique. We owned nearly 20% at the end of 2023 and, with continued repurchases, could still own more before the secret gets out.

Trophy or not, MGM is only a minority position for IAC. Our biggest businesses are Dotdash Meredith and Angi, and we'll share an update on progress at both.

Dotdash Meredith

The fourth quarter at Dotdash Meredith delivered on the long-anticipated return to growth. We saw Digital revenue, profits, and margin all improve driven by the combination of audience and pricing gains. Momentum is back on our side.

The chart below summarizes the continued acceleration in Core and Total session growth:

	Y/y Growth				
	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23
Core Sessions	-2%	-3%	-2%	5%	10%
Total Sessions	-7%	-11%	-14%	-11%	-2%

(Brands comprising core sessions listed below)

Our Core sites now comprise over 80% of Total Sessions and Digital revenue and remain the focus of our investment in content and technology. Those investments, coupled with the resolution of the Hollywood strikes, drove a return to session growth in the Entertainment category. *Southern Living*, *Travel & Leisure,* and *FOOD & WINE* all continued their exceptional growth, and the sites that rode the roller coaster of pandemic volatility, such as *Investopedia*, *Verywell Health,* and *The Spruce*, finally appear to have stabilized.

After a soft October, our advertising business improved significantly in November and December, achieving the healthiest performance since early 2022 across premium, programmatic, and Performance Marketing. Performance Marketing grew fastest, up 31% year-over-year in the quarter amidst solid consumer spending. Premium direct sales outperformed our expectations, with the sales force executing well and solid advertiser spending across Beauty, Travel, and Technology. And our programmatic ad rates grew faster than the broader market – a strong testament to the quality of our offering given the mercenary nature of this tranche of advertising. It has taken time, but we see our collective performance across monetization as the realization of the core theses of the Meredith acquisition, even as the market has changed.

This year, Google has commenced their long-announced plans to stop using cookies, a key tool for many advertisers and publishers to target advertisements and drive performance. When Apple's iOS implemented similar changes in 2020, it rendered all users of iOS devices unreachable by cookie-based targeting, narrowing the available targetable inventory, and materially decreasing the value of iOS users to advertisers and publishers.

For Dotdash Meredith, we believe a cookie-less future is a better future.

D/Cipher, our new advertising product, allows advertisers to target users based on *intent* – what users are actually reading or watching in the moment – without cookies or personal identifiers. Dotdash Meredith's brands boast a library of factually accurate, expert-created, continually updated content across the most popular and critical topics of inquiry online. We track billions of consumer interactions and data points to understand exactly what a user is trying to accomplish when they engage with our content, and D/Cipher makes it possible to match that user in real-time with an advertiser by knowing the user's needs, not their identity.

In our tests and case studies, validated by some of our leading partners, D/Cipher advertising targeting consistently outperforms cookie-based targeting against the most popular measurements of advertiser success: clicks, interactions, conversions, and ultimately, return on ad spend. D/Cipher's performance was rewarded with Dotdash Meredith's inclusion as a launch partner with Amazon's Publishing Cloud initiative, which combines Dotdash Meredith's content signals and Amazon's own shopper data to deliver proprietary targeting to advertisers buying through Amazon's ad product. While we will not be immune to some disruption as the publishing world adjusts to the loss of cookies, we believe we have competitive advantages in the future environment and expect to take share over time.

With a strong finish to the year, healthy Digital Adjusted EBITDA margins (about 90% of incremental revenue in the quarter showed up as Adjusted EBITDA), and growing digital audience, we can start to look further ahead. Now the focus is building on the momentum, taking more share with D/Cipher, and establishing Dotdash Meredith as a digital leader in both publishing and advertising. We're sitting at the right table now, working our way towards the head.

Angi

We posted a lot of Angi profit again this quarter. Of course, there's real work to do on revenue growth, but every quarter our business gets more fit. Service Professional ("SP") retention and Net Promoter Scores continued to rise, and margins expanded on healthier revenue. We are pressing on winning user experiences alongside the tactical work to improve our fundamentals.

Transacting SPs are still declining year-over-year, but trends have been improving over the last couple of quarters notwithstanding a shrinking salesforce, thanks to continued retention gains. SP retention at 26 weeks is now 20% higher than the improved numbers we shared in Q2. We are targeting sales smartly and delivering better value for SPs, who are sticking with us longer.

The efficiency of our marketing dollars also continued to improve in Q4. Though Service Requests ("SRs") declined 29% year-over-year in Q4, Monetized Transactions declined only 9% – in other words, our key outputs declined significantly less than our inputs. The SRs we are buying are more targeted to match our SP network and drive better margins. As a result, the ratio of Monetized Transactions to Service Requests is up 28% year-over-year in Q4. We are now able to meet the needs of SPs on our platform with fewer, more valuable SRs.

Improved SP retention and matching between homeowners and SPs is a powerful combination. SRs where we presented at least one SP is up from 69% in Q4 2022 to 77% in Q4 2023, and we now present three or more SPs for 38% of SRs, up from 23% a year ago. That presentation rate not only increases the chances of completing a job done well on our platform, but it's another factor in improving the unit economics of a match. Better matched liquidity is a better business. That's how we increased Adjusted EBITDA 78% in 2023 with margins doubling.

We know top line growth is a key milestone both internally and externally, and we're working hard to get there. True health in the business won't be declared until users and revenue are growing again. We aren't prepared to predict timing, as we're still prioritizing customer satisfaction, healthier unit economics, and long-term durability, but we believe that those efforts will pay off in customer loyalty over time, and we can generate plenty of cashflow in the interim. We continue to look to our international business for inspiration, where revenue growth has been back to double digits for the past few quarters with decent margins and a product experience closer to our north star. We have brought some of the talent from Angi International to the US business to help get us there faster. Revamping a business under the watchful eye of quarterly public scrutiny isn't easy, but the challenge won't deter us from getting it done.

Conclusion

In 2023 with "Back to Basics", we solidified the foundation, poured and hardened over a tough couple of years. That foundation gives us a basis not only for organic growth, but also the capacity to deploy capital into new and existing businesses for inorganic growth, and a framework to re-evaluate the portfolio.

We expect Dotdash Meredith (along with Search) to be our cashflow engine. The net debt on Dotdash Meredith is above our target of 4.0x Adjusted EBITDA, but the profit trajectory combined with interim cashflow should de-lever the company steadily, highlighting the equity value in Dotdash Meredith. Care.com is another steady cashflow business with a compelling product, category leadership, and new management. Category-leading marketplaces command real value when the product is working well. Cash flow at Angi is healthy again with profits growing steadily over the past few quarters, and the next challenging milestone will be revenue growth. Our strategic alternatives multiply as the execution improves, and the progress we've seen at Angi over the last 12 months is tremendous – it's nice to be growing profits and customer satisfaction together.

The state of our businesses puts us back on the front foot, able to evaluate capital allocation offensively while building our cash balance. In the meantime, job number one is our existing businesses, and if we continue the progress from 2023 into 2024, we'll be in good shape.

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 approximately $20 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 Q4 2023 Earnings Release furnished on form 8-K on February 13, 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 February 14, 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, February 14, 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 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.