

Expedia, Inc.
Form 425
July 12, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

FORM 8-K

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CURRENT REPORT

**PURSUANT TO SECTION 13 or 15(d) of the
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **July 12, 2005**

IAC/INTERACTIVECORP

(Exact name of Registrant as specified in charter)

Delaware

0-20570

59-2712887

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(State or other jurisdiction
of incorporation)

(Commission File
Number)

(IRS Employer
Identification No.)

152 West 57th Street, New York, NY
(Address of principal executive offices)

10019
(Zip Code)

Registrant's telephone number, including area code:
(212) 314-7300

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

ý Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

ý Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 7.01 REGULATION FD DISCLOSURE

On July 12, 2005, the Registrant posted supplemental financial information, together with a related explanatory narrative, on its website (*www.iac.com*) to communicate certain prospective changes in its financial reporting structure to investors, among other matters. The supplemental financial information and related narrative, which are attached hereto as Exhibit 99.1, are being furnished by the Registrant pursuant to Regulation FD. The information set forth in Exhibit 99.1 refers to non-GAAP measures within the meaning of Regulation G. Additional information regarding those non-GAAP measures can be found in the Registrant's public filings, including its Current Report on Form 8-K filed May 4, 2005.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Exhibit No.	Description
99.1	Supplemental financial information and related materials.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IAC/INTERACTIVECORP

By:	/s/	Gregory R. Blatt
Name:		Gregory R. Blatt
Title:		Executive Vice President and General Counsel

Date: July 12, 2005

IAC Provides Supplemental Information to Shareholders

IAC has evolved significantly in the recent one-half decade...moving our center away from the business of traditional entertainment media and towards that of consumer interactivity. The mechanics of our currently pending transactions – the acquisition of Ask Jeeves, Inc. (Ask Jeeves) and the spin-off of Expedia, Inc. (Expedia) – are anticipated to be completed in late July and early August, respectively. These events, along with our recent purchase of Cornerstone Brands and the sale of our remaining interests in VUE, are profound in their own right. They also have a very significant impact on IAC's financial results and capital position. The proxy statements recently furnished by IAC and Ask Jeeves describe these matters in detail and should be read carefully.

Today's communication is meant to provide a historical look at our operating businesses in a new reporting configuration which will form the basis for future presentation of IAC's financial results, and to summarily show how we view our current capital structure.

Our goal with external reporting is to communicate our business performance and financial position such that our stakeholders may come to fairly understand IAC in the manner in which we do. We realize that a change in reporting structure is not in and of itself desirable, but with the launch of the new IAC post the spin-off of Expedia, now is the appropriate time to make this change, and we believe it will provide additional clarity into IAC's areas of operation.

Now for the changes:

New Sectors

We are introducing new sectors for reporting our operating results – sectors which correspond to the broad areas of interactivity in which we operate: *Retailing*, *Services*, *Membership & Subscriptions*, and *Media & Advertising*. We will also show the performance of our collective Emerging businesses (i.e., stand-alone start-ups which are not fully incubated, such as Gifts.com and our Quiz TV venture in the U.K.), as well as our corporate expenses. These four sectors plus our Emerging area are the principal lens through which we view our operations – however, we will also continue to provide additional segment results for those who want to dive more deeply.

We are breaking out three segments for the first time: *Home Services*, which consists of ServiceMagic and previously had been part of IAC Local and Media Services, will be within our *Services* sector; *Discounts*, which consists of Entertainment Publications, Inc., also formerly part of Local, will be within our *Membership & Subscriptions* sector; and *Vacations*, which had been part of IAC Travel and consists of Interval International (Interval), will also be within *Membership & Subscriptions*. Citysearch and Evite, the remaining former components of Local, will be part of *Media & Advertising*, as will be Ask Jeeves (pending).

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As indicated in our Q1 and proxy filings, Expedia's results are different from IAC Travel's results. This is principally due to the inclusion of non-cash compensation expense for Expedia as a stand-alone company, the inclusion of Trip Advisor, which previously had been part of IAC Local and Media Services, and the exclusion of Interval and TV Travel Shop (TVTS), both of which will remain with IAC following the spin-off. (TVTS has substantially reduced operations and thus is expected to be treated as a discontinued operation beginning in Q2.)

There are differences between this information and the pro forma financial statements and related footnotes in the proxy statements. For example, historical results for Cornerstone and Ask Jeeves (pending) are not reflected herein, as we do not intend to pro forma these businesses in future quarterly reporting. (Though as is our practice, we will identify the impact significant acquisitions have on our reported figures.) There are also items which are expected to impact future results which are not reflected in the attached schedules. These include adjustments for non-cash compensation expense and changes to interest income and expense.

Capitalization and Shares

We are also providing supplemental capitalization and weighted share information to give effect to the recently completed and pending transactions. This information reflects a reverse, 1-for-2 stock split which we anticipate will occur immediately prior to the spin-off.

Presentation of Q2 and Q3 Results

Because the spin-off will, assuming satisfaction of all conditions, occur after our fiscal June quarter, GAAP requires that Expedia's Q2 results be included in IAC's consolidated reported results. But we also intend to show our figures in their new sector configuration, with Travel comprising an additional sector for this one quarter only. (Results for Expedia will be treated as a discontinued operation by IAC beginning in Q3, assuming the spin-off is effected.)

Please see the following pages and read the important footnotes and legend at the end of this document.

NASDAQ: IACI

July 12, 2005

IAC/InterActiveCorp

Segment Results and Reconciliations

(\$ in thousands, rounding differences may exist)

	2003 FYE 12/31	Q1	Q2	2004 Q3	Q4	FYE 12/31	2005 Q1
Revenue							
Retailing:							
U.S.	\$ 1,763,689	\$ 467,764	\$ 438,202	\$ 437,060	\$ 562,877	\$ 1,905,903	\$ 497,956
International	348,442	93,295	79,286	72,002	97,454	342,037	100,921
Total Retailing	2,112,131	561,059	517,488	509,062	660,331	2,247,940	598,877
Services:							
Ticketing	743,232	202,260	195,104	181,979	188,856	768,199	211,295
Financial Services and Real Estate	55,795	39,748	44,601	47,937	57,497	189,783	105,813
Teleservices	294,273	71,835	72,513	74,531	75,016	293,895	77,138
Home Services				1,877	5,026	6,903	7,663
Total Services	1,093,300	313,843	312,218	306,324	326,395	1,258,780	401,909
Media & Advertising	28,715	5,780	6,940	7,890	9,853	30,463	8,992
Membership & Subscriptions:							
Vacations	222,757	69,436	63,702	63,602	60,106	256,846	75,020
Personals	185,294	48,835	48,473	49,741	50,944	197,993	54,194
Discounts	201,550	26,274	34,046	25,570	132,047	217,937	24,586
Intra-sector elimination	(1,438)		(618)		(692)	(1,310)	(27)
Total Membership & Subscriptions	608,163	144,545	145,603	138,913	242,405	671,466	153,773
TVTS	46,920	11,334	9,790	10,074	3,584	34,782	4,044
Emerging Businesses			247	1,691	4,654	6,592	3,769
Inter-segment eliminations	(10,670)	(2,639)	(2,239)	(2,144)	(4,052)	(11,074)	(3,552)
Total - New IAC	\$ 3,878,559	\$ 1,033,922	\$ 990,047	\$ 971,810	\$ 1,243,170	\$ 4,238,949	\$ 1,167,812
Total - Expedia, Inc. (a)	\$ 2,339,813	\$ 413,262	\$ 486,959	\$ 503,793	\$ 438,999	\$ 1,843,013	\$ 485,046

The combined revenue presented for New IAC and Expedia, Inc. is greater than the consolidated revenue presented in IAC's historical consolidated financial statements as certain amounts that were historically eliminated in consolidation (i.e., revenues generated by New IAC subsidiaries from Expedia, Inc. subsidiaries) will no longer be eliminated. In addition, effective in Q1 2005, Euvia has been treated as a discontinued operation of IAC and is excluded from the amounts presented above.

(a) Beginning January 1, 2004, IAC commenced reporting revenue for Hotels.com on a net basis, consistent with Expedia's historical practice. Prior period results were not restated for GAAP purposes. There was no impact to operating income or Operating Income Before Amortization from the change in reporting.

Prepared July 11, 2005. The information contained herein is unaudited.

IAC/InterActiveCorp

Segment Results and Reconciliations

(\$ in thousands, rounding differences may exist)

	2003 FYE 12/31	Q1	Q2	2004 Q3	Q4	FYE 12/31	2005 Q1
Operating Income Before Amortization							
Retailing:							
U.S.	\$ 168,260	\$ 41,588	\$ 41,576	\$ 43,125	\$ 68,380	\$ 194,669	\$ 56,491
International	4,699	1,278	384	(2,933)	5,560	4,289	2,799
Total Retailing	172,959	42,866	41,960	40,192	73,940	198,958	59,290
Services:							
Ticketing	144,502	46,847	46,680	32,450	38,349	164,326	46,990
Financial Services and Real Estate							
Estate	1,197	3,093	5,646	6,502	6,184	21,425	9,736
Teleservices	12,460	3,166	4,200	5,899	3,786	17,051	4,221
Home Services				218	71	289	2,005
Total Services	158,159	53,106	56,526	45,069	48,390	203,091	62,952
Media & Advertising	(19,865)	(4,686)	(4,323)	(2,362)	(1,953)	(13,324)	(926)
Membership & Subscriptions:							
Vacations	66,197	26,066	21,516	22,490	20,159	90,231	33,112
Personals	31,019	6,334	9,536	4,490	7,209	27,569	5,440
Discounts	46,092	(8,605)	(11,616)	(10,261)	52,505	22,023	(11,991)
Total Membership & Subscriptions	143,308	23,795	19,436	16,719	79,873	139,823	26,561
TVTS	(14,511)	(155)	(2,004)	(2,449)	(5,770)	(10,378)	(4,598)
Emerging Businesses	(3,779)	(717)	(1,058)	21	695	(1,059)	(2,475)
Corporate	(76,218)	(21,734)	(20,457)	(18,730)	(29,885)	(90,806)	(27,831)
Total - New IAC	\$ 360,053	\$ 92,475	\$ 90,080	\$ 78,460	\$ 165,290	\$ 426,305	\$ 112,973
Total - Expedia, Inc.	\$ 469,010	\$ 98,673	\$ 152,118	\$ 159,610	\$ 143,291	\$ 553,692	\$ 136,722

The combined Operating Income Before Amortization presented for New IAC and Expedia, Inc. will not add to the total consolidated Operating Income Before Amortization presented in IAC's historical consolidated financial statements as certain costs which are included in IAC's historical consolidated financial statements have also been included in Expedia, Inc.'s stand-alone financial statements. In addition, effective in Q1 2005, Euvia has been treated as a discontinued operation of IAC and is excluded from the amounts presented above.

Prepared July 11, 2005. The information contained herein is unaudited.

IAC/InterActiveCorp

Segment Results and Reconciliations

(\$ in thousands, rounding differences may exist)

	2003		2004		2005		
	FYE 12/31	Q1	Q2	Q3	Q4	FYE 12/31	Q1
Amortization and merger costs							
(a)							
Retailing:							
U.S.	\$ 50,792	\$ 13,234	\$ 13,233	\$ 13,233	\$ 13,232	\$ 52,932	\$ 13,232
International	1,296	328	328	328	326	1,310	326
Total Retailing	52,088	13,562	13,561	13,561	13,558	54,242	13,558
Services:							
Ticketing	28,031	6,175	6,206	7,240	6,777	26,398	6,959
Financial Services and Real Estate	17,669	6,649	6,797	6,714	8,842	29,002	13,025
Teleservices (b)					184,780	184,780	
Home Services					2,531	2,531	(428)
Total Services	45,700	12,824	13,003	13,954	202,930	242,711	19,556
Media & Advertising	49,964	12,102	11,711	9,781	175	33,769	53
Membership & Subscriptions:							
Vacations	25,220	6,305	6,305	6,305	6,305	25,220	6,305
Personals	16,889	3,487	1,731	1,733	1,768	8,719	1,054
Discounts	5,684	2,131	2,131	1,868	1,855	7,985	1,635
Total Membership & Subscriptions	47,793	11,923	10,167	9,906	9,928	41,924	8,994
TVTS (c)	5,712	1,420	1,420	1,419	32,719	36,978	
Emerging Businesses	2,143		282	202	3,447	3,931	108
Corporate	30,947	21,197	11,266	12,696	20,060	65,219	12,671
Total - New IAC	\$ 234,347	\$ 73,028	\$ 61,410	\$ 61,519	\$ 282,817	\$ 478,774	\$ 54,940
Total - Expedia, Inc.	\$ 225,492	\$ 81,996	\$ 78,596	\$ 79,349	\$ 73,278	\$ 313,219	\$ 70,397

The total amortization and merger costs presented for Expedia, Inc. includes non-cash compensation originally recognized by IAC related to Expedia, Inc. employees. This non-cash compensation has been reclassified from Corporate to conform to the presentation in Expedia, Inc. stand-alone financial statements. In addition, effective in Q1 2005, Euvia has been treated as a discontinued operation of IAC and is excluded from the amounts presented above.

(a) Merger costs incurred by Expedia.com, Hotels.com and Ticketmaster in 2003 for investment banking, legal and accounting fees were related directly to the mergers and are treated as non-recurring for calculating Operating Income Before Amortization. These costs were incurred solely in relation to the mergers, but may not be capitalized since Expedia.com, Hotels.com and Ticketmaster were considered the targets in the transaction for accounting purposes. These costs do not directly benefit operations in any manner, would not normally be recorded by IAC if not for the fact it already consolidated these entities, and are all related to the same transaction, as IAC simultaneously announced its intention to commence its exchange offer for the companies in 2002. The majority of costs are for advisory services provided by investment bankers, and the amounts incurred in 2003 were pursuant to the same fee letters entered into by each company in 2002. Given these factors, IAC believes it is appropriate to consider these costs as one-time. Operating Income Before Amortization is presented before one-time items.

(b) *Teleservices Q4 2004 amortization includes a \$184.8 million impairment charge related to goodwill.*

(c) *TVTS Q4 2004 amortization includes a \$32.7 million impairment charge related to intangible assets.*

Prepared July 11, 2005. The information contained herein is unaudited.

IAC/InterActiveCorp

Segment Results and Reconciliations

(\$ in thousands, rounding differences may exist)

	2003 FYE 12/31	Q1	Q2	2004 Q3	Q4	FYE 12/31	2005 Q1
Operating Income (Loss)							
Retailing:							
U.S.	\$ 117,468	\$ 28,354	\$ 28,343	\$ 29,892	\$ 55,148	\$ 141,737	\$ 43,259
International	3,403	950	56	(3,261)	5,234	2,979	2,473
Total Retailing	120,871	29,304	28,399	26,631	60,382	144,716	45,732
Services:							
Ticketing	116,471	40,672	40,474	25,210	31,572	137,928	40,031
Financial Services and Real Estate							
Estate	(16,472)	(3,556)	(1,151)	(212)	(2,658)	(7,577)	(3,289)
Teleservices	12,460	3,166	4,200	5,899	(180,994)	(167,729)	4,221
Home Services				218	(2,460)	(2,242)	2,433
Total Services	112,459	40,282	43,523	31,115	(154,540)	(39,620)	43,396
Media & Advertising	(69,829)	(16,788)	(16,034)	(12,143)	(2,128)	(47,093)	(979)
Membership & Subscriptions:							
Vacations	40,977	19,761	15,211	16,185	13,854	65,011	26,807
Personals	14,130	2,847	7,805	2,757	5,441	18,850	4,386
Discounts	40,408	(10,736)	(13,747)	(12,129)	50,650	14,038	(13,626)
Total Membership & Subscriptions	95,515	11,872	9,269	6,813	69,945	97,899	17,567
TVTS	(20,223)	(1,575)	(3,424)	(3,868)	(38,489)	(47,356)	(4,598)
Emerging Businesses	(5,922)	(717)	(1,340)	(181)	(2,752)	(4,990)	(2,583)
Corporate	(107,165)	(42,931)	(31,723)	(31,426)	(49,945)	(156,025)	(40,502)
Total - New IAC	\$ 125,706	\$ 19,447	\$ 28,670	\$ 16,941	\$ (117,527)	\$ (52,469)	\$ 58,033
Total - Expedia, Inc.	\$ 243,518	\$ 16,677	\$ 73,522	\$ 80,261	\$ 70,013	\$ 240,473	\$ 66,325

The total operating income presented for Expedia, Inc. includes non-cash compensation originally recognized by IAC related to Expedia, Inc. employees. This non-cash compensation has been reclassified from Corporate to conform to the presentation in Expedia, Inc.'s stand-alone financial statements. In addition, the combined operating income of New IAC and Expedia, Inc. will not add to the total consolidated operating income presented in IAC's historical consolidated financial statements as certain costs which are included in IAC's historical consolidated financial statements have also been included in Expedia, Inc.'s stand-alone financial statements. In addition, effective in Q1 2005, Euvia has been treated as a discontinued operation of IAC and is excluded from the amounts presented above.

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IAC/InterActiveCorp

Segment Results and Reconciliations

(\$ in thousands, rounding differences may exist)

	2003		2004		2005		
	FYE 12/31	Q1	Q2	Q3	Q4	FYE 12/31	Q1
Depreciation Expense							
Retailing:							
U.S.	\$ 44,325	\$ 10,194	\$ 10,188	\$ 10,414	\$ 11,436	\$ 42,232	\$ 10,179
International	9,734	2,554	2,547	2,618	2,575	10,294	2,338
Total Retailing	54,059	12,748	12,735	13,032	14,011	52,526	12,517
Services:							
Ticketing	30,323	7,341	7,705	8,615	9,726	33,387	8,799
Financial Services and Real Estate							
Estate	1,180	859	904	840	940	3,543	1,385
Teleservices	23,530	4,839	4,576	4,308	3,994	17,717	3,788
Home Services				43	137	180	178
Total Services	55,033	13,039	13,185	13,806	14,797	54,827	14,150
Media & Advertising	3,332	977	1,057	825	1,275	4,134	1,263
Membership & Subscriptions:							
Vacations	9,269	2,336	2,095	2,055	2,058	8,544	1,789
Personals	10,734	3,255	3,323	3,420	4,810	14,808	2,996
Discounts	2,391	840	911	843	1,103	3,697	1,092
Total Membership & Subscriptions	22,394	6,431	6,329	6,318	7,971	27,049	5,877
TVTS	2,589	522	407	326	295	1,550	1,008
Emerging Businesses	5	2	10		141	153	48
Corporate	5,759	1,301	1,323	1,532	1,729	5,885	1,795
Total - New IAC	\$ 143,171	\$ 35,020	\$ 35,046	\$ 35,839	\$ 40,219	\$ 146,124	\$ 36,658
Total - Expedia, Inc.	\$ 27,582	\$ 7,131	\$ 7,646	\$ 8,297	\$ 8,489	\$ 31,563	\$ 8,492

Effective in Q1 2005, Euvia has been treated as a discontinued operation of IAC and is excluded from the amounts presented above.

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Operating income before amortization - Expedia, Inc.	\$	469,010	\$	98,673	\$	152,118	\$	159,610	\$	143,291	\$	553,692	\$	136,722
Amortization of non-cash distribution and marketing expense		(41,974)		(5,038)		(4,733)		(3,256)		(3,701)		(16,728)		(432)
Amortization of non-cash compensation expense		(95,781)		(46,869)		(43,175)		(44,350)		(37,006)		(171,400)		(38,300)
Amortization of intangibles		(76,073)		(30,089)		(30,688)		(31,743)		(32,571)		(125,091)		(31,665)
Goodwill impairment														
Merger costs		(11,664)												