

IAC/INTERACTIVECORP  
Form 10-Q  
August 04, 2017

As filed with the Securities and Exchange Commission on August 4, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the Quarterly Period Ended June 30, 2017

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-20570

IAC/INTERACTIVECORP

(Exact name of registrant as specified in its charter)

Delaware 59-2712887

(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

555 West 18th Street, New York, New York  
10011

(Address of registrant's principal executive  
offices)

(212) 314-7300

(Registrant's telephone number, including area  
code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company)  Smaller reporting company  Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 28, 2017, the following shares of the registrant's common stock were outstanding:

Common Stock	73,964,732
Class B Common Stock	5,789,499
Total outstanding Common Stock	79,754,231

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of July 28, 2017 was \$7,775,761,795. For the purpose of the foregoing calculation only, all directors and executive officers of the registrant are assumed to be affiliates of the registrant.

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TABLE OF CONTENTS

	Page Number
<u>PART I</u>	
<u>Item 1. Consolidated Financial Statements</u>	<u>3</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>38</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>60</u>
<u>Item 4. Controls and Procedures</u>	<u>61</u>
<u>PART II</u>	
<u>Item 1. Legal Proceedings</u>	<u>62</u>
<u>Item 1A. Risk Factors</u>	<u>64</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>64</u>
<u>Item 6. Exhibits</u>	<u>65</u>
<u>Signatures</u>	<u>66</u>

Table of Contents

## PART I

## FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements

## IAC/INTERACTIVECORP

## CONSOLIDATED BALANCE SHEET

(Unaudited)

	June 30, 2017	December 31, 2016
	(In thousands, except share data)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,522,300	\$ 1,329,187
Marketable securities	14,984	89,342
Accounts receivable, net of allowance of \$12,336 and \$16,405, respectively	219,946	220,138
Other current assets	255,951	204,068
Total current assets	2,013,181	1,842,735
Property and equipment, net of accumulated depreciation and amortization of \$305,172 and \$311,834, respectively	306,144	306,248
Goodwill	1,924,241	1,924,052
Intangible assets, net of accumulated amortization of \$86,687 and \$102,168, respectively	339,029	355,451
Long-term investments	122,055	122,810
Other non-current assets	81,417	94,577
<b>TOTAL ASSETS</b>	<b>\$4,786,067</b>	<b>\$ 4,645,873</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Current portion of long-term debt	\$—	\$ 20,000
Accounts payable, trade	66,194	62,863
Deferred revenue	279,099	285,615
Accrued expenses and other current liabilities	338,522	344,910
Total current liabilities	683,815	713,388
Long-term debt, net of current portion	1,572,994	1,582,484
Income taxes payable	33,884	33,528
Deferred income taxes	248,777	228,798
Other long-term liabilities	34,087	44,178
Redeemable noncontrolling interests	38,538	32,827
Commitments and contingencies		
<b>SHAREHOLDERS' EQUITY:</b>		
Common stock \$.001 par value; authorized 1,600,000,000 shares; issued 257,475,143 and 255,672,125 shares, respectively and outstanding 73,679,714 and 72,595,470 shares, respectively	257	256
Class B convertible common stock \$.001 par value; authorized 400,000,000 shares; issued 16,157,499 shares and outstanding 5,789,499 shares	16	16
Additional paid-in capital	11,945,772	11,921,559

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Retained earnings	382,591	290,114
Accumulated other comprehensive loss	(136,738 )	(166,123 )
Treasury stock 194,163,429 and 193,444,655 shares, respectively	(10,226,721)	(10,176,600 )
Total IAC shareholders' equity	1,965,177	1,869,222
Noncontrolling interests	208,795	141,448
Total shareholders' equity	2,173,972	2,010,670
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$4,786,067	\$4,645,873

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

IAC/INTERACTIVECORP  
CONSOLIDATED STATEMENT OF OPERATIONS  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Revenue	\$767,387	\$745,439	\$1,528,220	\$1,564,618
Operating costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	139,033	170,397	284,991	364,131
Selling and marketing expense	320,104	296,430	670,515	679,494
General and administrative expense	150,222	147,576	293,817	279,827
Product development expense	55,430	53,565	110,190	112,663
Depreciation	18,339	17,575	38,227	33,370
Amortization of intangibles	8,624	36,975	17,785	50,795
Goodwill impairment	—	275,367	—	275,367
Total operating costs and expenses	691,752	997,885	1,415,525	1,795,647
Operating income (loss)	75,635	(252,446 )	112,695	(231,029 )
Interest expense	(24,728 )	(27,644 )	(49,520 )	(55,504 )
Other income (expense), net	10,230	(7,192 )	2,516	8,705
Earnings (loss) before income taxes	61,137	(287,282 )	65,691	(277,828 )
Income tax benefit	19,420	96,740	43,329	95,220
Net earnings (loss)	80,557	(190,542 )	109,020	(182,608 )
Net earnings attributable to noncontrolling interests	(14,289 )	(4,233 )	(16,543 )	(3,885 )
Net earnings (loss) attributable to IAC shareholders	\$66,268	\$(194,775)	\$92,477	\$(186,493 )
Per share information attributable to IAC shareholders:				
Basic earnings (loss) per share	\$0.84	\$(2.45 )	\$1.18	\$(2.31 )
Diluted earnings (loss) per share	\$0.70	\$(2.45 )	\$0.99	\$(2.31 )
Stock-based compensation expense by function:				
Cost of revenue	\$473	\$694	\$975	\$1,307
Selling and marketing expense	1,643	1,690	3,450	3,561
General and administrative expense	31,751	20,516	58,691	41,709
Product development expense	5,048	4,864	9,774	12,372
Total stock-based compensation expense	\$38,915	\$27,764	\$72,890	\$58,949

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

IAC/INTERACTIVECORP  
CONSOLIDATED STATEMENT OF COMPREHENSIVE OPERATIONS  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Net earnings (loss)	\$80,557	\$(190,542)	\$109,020	\$(182,608)
Other comprehensive income (loss), net of tax:				
Change in foreign currency translation adjustment <sup>(a)</sup>	18,788	(3,341 )	40,698	12,404
Change in unrealized gains and losses of available-for-sale securities (net of tax benefit of \$3,846 for both the three and six months ended June 30, 2017, and net of tax benefits of \$482 and \$783 for the three and six months ended June 30, 2016, respectively) <sup>(b)</sup>	(4,028 )	(3,782 )	(4,026 )	1,655
Total other comprehensive income (loss), net of tax	14,760	(7,123 )	36,672	14,059
Comprehensive income (loss)	95,317	(197,665 )	145,692	(168,549 )
Comprehensive income attributable to noncontrolling interests	(18,442 )	(3,553 )	(23,830 )	(4,379 )
Comprehensive income (loss) attributable to IAC shareholders	\$76,875	\$(201,218)	\$121,862	\$(172,928)

<sup>(a)</sup> The three and six months ended June 30, 2017 and 2016 include amounts reclassified out of other comprehensive income into earnings. See Note 6—Accumulated Other Comprehensive Loss for additional information.

<sup>(b)</sup> The three and six months ended June 30, 2017 and 2016 include unrealized gains reclassified out of other comprehensive income into earnings. See Note 3—Marketable Securities and Note 6—Accumulated Other Comprehensive Loss for additional information.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

IAC/INTERACTIVECORP  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
Six Months Ended June 30, 2017  
(Unaudited)

	Redeemable Noncontrolling Interests	IAC Shareholders' Equity				Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total IAC Shareholders' Equity	Noncontrolling Interests
		Common Stock \$ .001 Par Value \$	Common Stock \$ .001 Par Value Shares	Class B Convertible Common Stock \$ .001 Par Value \$	Class B Convertible Common Stock \$ .001 Par Value Shares						
(In thousands)											
Balance at December 31, 2016	\$32,827	\$256	255,672	\$16	16,157	\$11,921,559	\$290,114	\$(166,123)	\$(10,176,600)	\$1,869,222	\$14,900
Net earnings	3,388	—	—	—	—	—	92,477	—	—	92,477	13,100
Other comprehensive income, net of tax	741	—	—	—	—	—	—	29,385	—	29,385	6,500
Stock-based compensation expense	1,134	—	—	—	—	36,350	—	—	—	36,350	25,900
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	1	1,803	—	—	(1,755)	—	—	—	(1,754)	—
Purchase of treasury stock	—	—	—	—	—	—	—	—	(50,121)	(50,121)	—
Purchase of redeemable noncontrolling interests	(11,991)	—	—	—	—	—	—	—	—	—	—
Purchase of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(42,000)
Adjustment of redeemable noncontrolling interests to fair value	3,084	—	—	—	—	(3,084)	—	—	—	(3,084)	—
Issuance of Match Group common stock	—	—	—	—	—	—	—	—	—	—	13,900



pursuant to stock-based awards, net of withholding taxes													
Changes in noncontrolling interests of Match Group	—	—	—	—	—	(7,399	)	—	—	—	(7,399	)	7,399
due to the issuance of its common stock													
Noncontrolling interests created in acquisitions	14,496	—	—	—	—	—	—	—	—	—	—	—	—
Other	(5,141	)	—	—	—	—	101	—	—	—	101	—	755
Balance at June 30, 2017	\$38,538	\$257	257,475	\$16	16,157	\$11,945,772	\$382,591	\$(136,738)	\$(10,226,721)	\$1,965,177	\$20		

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

IAC/INTERACTIVECORP  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

	Six Months Ended June 30,	
	2017	2016
	(In thousands)	
Cash flows from operating activities:		
Net earnings (loss)	\$ 109,020	\$(182,608 )
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Stock-based compensation expense	72,890	58,949
Depreciation	38,227	33,370
Amortization of intangibles	17,785	50,795
Goodwill impairment	—	275,367
Deferred income taxes	6,580	(90,902 )
Acquisition-related contingent consideration fair value adjustments	4,886	10,470
Gain from the sale of businesses and investments, net	(19,663 )	(13,137 )
Impairment of long-term investments	4,799	2,702
Acquisition-related contingent consideration payment	(11,140 )	—
Other adjustments, net	22,624	13,975
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	(22,799 )	47,855
Other assets	(18,492 )	(20,053 )
Accounts payable and other current liabilities	(2,510 )	(88,150 )
Income taxes payable and receivable	(59,735 )	(48,028 )
Deferred revenue	15,234	32,589
Net cash provided by operating activities	157,706	83,194
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(49,164 )	(2,524 )
Capital expenditures	(41,821 )	(35,133 )
Investments in time deposits	—	(87,500 )
Proceeds from maturities of time deposits	—	87,500
Proceeds from maturities and sales of marketable debt securities	99,350	32,500
Purchases of marketable debt securities	(24,909 )	(79,366 )
Purchases of investments	(5,105 )	(5,056 )
Net proceeds from the sale of businesses and investments	119,697	103,735
Other, net	1,076	4,815
Net cash provided by investing activities	99,124	18,971
Cash flows from financing activities:		
Purchase of IAC treasury stock	(56,424 )	(214,635 )
Proceeds from Match Group 2016 Senior Notes offering	—	400,000
Principal payment on Match Group Term Loan	—	(410,000 )
Debt issuance costs for Match Group 2016 Senior Notes offering	—	(4,621 )
Repurchases of IAC Senior Notes	(31,590 )	(61,110 )
Proceeds from the exercise of IAC stock options	48,146	10,951
Withholding taxes paid on behalf of IAC net settled stock-based awards	(49,900 )	(24,048 )
Proceeds from the exercise of Match Group stock options	39,403	8,671
Withholding taxes paid on behalf of Match Group net settled stock-based awards	(28,421 )	(6,495 )

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Purchase of noncontrolling interests	(12,361	)	(2,411	)
Acquisition-related contingent consideration payments	(3,860	)	(2,150	)
Funds returned from escrow for MyHammer tender offer	10,604		—	
Decrease (increase) in restricted cash related to bond redemptions	20,141		(30,002	)
Other, net	(4,873	)	(488	)
Net cash used in financing activities	(69,135	)	(336,338	)
Total cash provided (used)	187,695		(234,173	)
Effect of exchange rate changes on cash and cash equivalents	5,418		(1,290	)
Net increase (decrease) in cash and cash equivalents	193,113		(235,463	)
Cash and cash equivalents at beginning of period	1,329,187		1,481,447	
Cash and cash equivalents at end of period	\$1,522,300		\$1,245,984	

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

7

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Table of Contents

IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

IAC is a leading media and Internet company comprised of widely known consumer brands, such as HomeAdvisor, Vimeo, Dotdash (formerly About.com), Dictionary.com, The Daily Beast, Investopedia, and Match Group's online dating portfolio, which includes Match, Tinder, PlentyOfFish and OkCupid.

All references to "IAC," the "Company," "we," "our" or "us" in this report are to IAC/InterActiveCorp.

On March 31, 2017, Match Group sold its non-dating business, consisting of The Princeton Review. The non-dating business does not meet the threshold to be reflected as a discontinued operation at the IAC level. The Company moved the non-dating business to its "Other" segment effective March 31, 2017 and prior period segment data has been recast to conform to this presentation.

On May 1, 2017, the Company announced that it had entered into a definitive agreement with Angie's List, Inc. ("Angie's List") to combine the businesses in the Company's HomeAdvisor segment and Angie's List under a new publicly traded company to be called ANGI Homeservices Inc. IAC will own between approximately 87% and 90% of the economic interest (on a fully diluted basis) and approximately 98% of the total voting power of ANGI Homeservices Inc. common stock. This transaction is subject to the satisfaction of customary closing conditions, including the approval by Angie's List stockholders, and is expected to close in the fourth quarter of 2017.

Basis of Presentation

The Company prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP").

Basis of Consolidation and Accounting for Investments

The consolidated financial statements include the accounts of the Company, all entities that are wholly-owned by the Company and all entities in which the Company has a controlling financial interest. Intercompany transactions and accounts have been eliminated.

Investments in the common stock or in-substance common stock of entities in which the Company has the ability to exercise significant influence over the operating and financial matters of the investee, but does not have a controlling financial interest, are accounted for using the equity method and are included in "Long-term investments" in the accompanying consolidated balance sheet.

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the rules and regulations of the Securities and Exchange Commission.

Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation. Interim results are not necessarily indicative of the results that may be expected for the full year. The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2016 included in the Company's Current Report on Form 8-K dated July 18, 2017.

Accounting Estimates

Management of the Company is required to make certain estimates, judgments and assumptions during the preparation of its consolidated financial statements in accordance with GAAP. These estimates, judgments and assumptions impact the reported amounts of assets, liabilities, revenue and expenses and the related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates and judgments including those related to: the fair values of marketable securities and other investments; the recoverability of goodwill and indefinite-lived intangible assets; the useful lives and



Table of Contents

IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

recoverability of definite-lived intangible assets and property and equipment; the carrying value of accounts receivable, including the determination of the allowance for doubtful accounts; the determination of revenue reserves; the fair value of acquisition-related contingent consideration arrangements; the liabilities for uncertain tax positions; the valuation allowance for deferred income tax assets; and the fair value of and forfeiture rates for stock-based awards, among others. The Company bases its estimates and judgments on historical experience, its forecasts and budgets and other factors that the Company considers relevant. Actual results could differ from these estimates.

**Certain Risks and Concentrations**

A meaningful portion of the Company's revenue is derived from online advertising, the market for which is highly competitive and rapidly changing. Significant changes in this industry or changes in advertising spending behavior or in customer buying behavior could adversely affect our operating results. Most of the Company's online advertising revenue is attributable to a services agreement with Google Inc. ("Google"). For the three and six months ended June 30, 2017, revenue from Google represents 23% and 24%, respectively, of the Company's consolidated revenue. For the three and six months ended June 30, 2016, revenue from Google represents 24% and 30%, respectively, of the Company's consolidated revenue.

The Company's services agreement became effective on April 1, 2016, following the expiration of the previous services agreement. The services agreement expires on March 31, 2020; however, the Company may choose to terminate the agreement effective March 31, 2019. The services agreement requires that we comply with certain guidelines promulgated by Google. Google may generally unilaterally update its policies and guidelines without advance notice, which could in turn require modifications to, or prohibit and/or render obsolete certain of our products, services and/or business practices, which could be costly to address or otherwise have an adverse effect on our business, financial condition and results of operations.

For the three and six months ended June 30, 2017, revenue earned from Google was \$174.6 million and \$362.4 million, respectively. For the three and six months ended June 30, 2016, revenue earned from Google was \$181.5 million and \$466.2 million, respectively. This revenue is earned by the businesses comprising the Applications and Publishing segments. For both the three and six months ended June 30, 2017, revenue earned from Google represents 83% of Applications revenue and 70% of Publishing revenue. For the three and six months ended June 30, 2016, revenue earned from Google represents 85% and 88% of Applications revenue and 69% and 78% of Publishing revenue, respectively. Accounts receivable related to revenue earned from Google totaled \$65.9 million and \$65.8 million at June 30, 2017 and December 31, 2016, respectively.

**Recent Accounting Pronouncements**

**Accounting Pronouncements not yet adopted by the Company**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, which clarifies the principles for recognizing revenue and develops a common standard for all industries. ASU No. 2014-09 was subsequently amended during 2015 and 2016; these amendments provide further revenue recognition guidance related to principal versus agent considerations, performance obligations and licensing, and narrow-scope improvements and practical expedients.

ASU No. 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under GAAP. The new standard provides a single principles-based, five-step model to be applied to all contracts with customers. This five-step model includes (1) identifying the contract(s) with the customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when each performance obligation is satisfied. More specifically, revenue will be recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. ASU No. 2014-09 is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted for interim and annual reporting periods beginning after December 15, 2016. Upon adoption, ASU

No. 2014-09 may either be applied retrospectively to each prior period presented or using the modified retrospective approach with the cumulative effect recognized as of the date of initial application.

While the Company's evaluation of the impact the adoption of ASU No. 2014-09 on its consolidated financial statements continues, it has progressed to the point where we have reached certain preliminary determinations. The Company does not

9

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Table of Contents

IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

expect the adoption of ASU No. 2014-09 to have a material effect on its consolidated financial statements. The Company will adopt ASU No. 2014-09 using the modified retrospective approach effective January 1, 2018. Therefore, the cumulative effect of adoption will be reflected as an adjustment to beginning retained earnings in the Form 10-Q for the period ending March 31, 2018. The adoption of ASU No. 2014-09 will primarily affect the Company's HomeAdvisor and Applications segments. The effect on HomeAdvisor will be that sales commissions, which represent the incremental direct costs of obtaining a service professional contract, will be capitalized and amortized over the average life of a service professional. These costs are expensed as incurred today. Within Applications, the primary effect will be to accelerate the recognition of the portion of the revenue of certain desktop applications sold by SlimWare that qualify as functional intellectual property under ASU No. 2014-09. This revenue is currently deferred and recognized over the applicable subscription term.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes existing guidance on accounting for leases in "Leases (Topic 840)" and generally requires all leases to be recognized in the statement of financial position. The provisions of ASU No. 2016-02 are effective for reporting periods beginning after December 15, 2018; early adoption is permitted. The provisions of ASU No. 2016-02 are to be applied using a modified retrospective approach. The Company is currently evaluating the impact the adoption of this standard update will have on its consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting, which provides guidance about the changes to the terms and conditions of a share-based payment award that require an entity to apply modification accounting in "Stock Compensation (Topic 718)." The provisions of ASU No. 2017-09 are effective for reporting periods beginning after December 15, 2017; early adoption is permitted. The provisions of ASU No. 2017-09 are to be applied prospectively to an award modified on or after the adoption date. The Company does not expect the adoption of this standard update to have a material impact on its consolidated financial statements and is currently evaluating the timing of adoption.

Accounting Pronouncements adopted by the Company

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which clarifies how cash receipts and cash payments in certain transactions are presented and classified on the statement of cash flows. The provisions of ASU No. 2016-15 are effective for reporting periods beginning after December 15, 2017, including interim periods, and will require adoption on a retrospective basis unless it is impracticable to apply, in which case we would be required to apply the amendments prospectively as of the earliest date practicable; early adoption is permitted. Upon adoption, cash payments made soon after the acquisition date of a business to settle a contingent consideration liability are classified as cash outflows for investing activities. Cash payments which are not made soon after the acquisition date of a business to settle a contingent consideration liability are separated and classified as cash outflows for financing activities up to the amount of the contingent consideration liability recognized at the acquisition date and as cash outflows from operating activities for any excess. The Company early adopted the provisions of ASU No. 2016-15 on January 1, 2017. As a result, \$11.1 million of an acquisition-related contingent consideration payment of \$15.0 million, which was in excess of the liability initially recognized at the acquisition date, has been classified as a cash outflow within net cash provided by operating activities in the accompanying consolidated statement of cash flows for the six months ended June 30, 2017.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The Company adopted the provisions of ASU No. 2016-09 on January 1, 2017. Excess tax benefits or deficiencies related to equity awards to employees upon the exercise of stock options and the vesting of restricted stock units after January 1, 2017 are (i) reflected in the consolidated statement of



operations as a component of the provision for income taxes, rather than recognized in equity, and (ii) reflected as operating, rather than financing, cash flows in our consolidated statement of cash flows. Excess tax benefits for the six months ended June 30, 2017 were \$57.3 million. Excess tax benefits of \$21.9 million for the six months ended June 30, 2016 were reclassified in the consolidated statement of cash flows to conform to the current year presentation. Upon adoption, the calculation of fully diluted shares excludes excess tax benefits from the assumed proceeds in applying the treasury stock method; previously such benefits were included in the calculation. This change increased fully diluted shares by approximately 1.5 million and 1.4 million shares for the three and six months ended June 30, 2017, respectively. The Company continues to account for forfeitures using an estimated forfeiture rate. In January 2017, the FASB issued ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which is intended to simplify the accounting for goodwill impairment. The guidance eliminates the

Table of Contents

IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

requirement to calculate the implied fair value of goodwill under today's two-step impairment test to measure a goodwill impairment charge. The provisions of ASU No. 2017-04 are effective for reporting periods beginning after December 15, 2019; early adoption is permitted. The provisions of ASU No. 2017-04 are to be applied using a prospective approach. The Company early adopted the provisions of ASU No. 2017-04 on January 1, 2017 and the adoption of this standard update did not have a material impact on its consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2—INCOME TAXES

At the end of each interim period, the Company makes its best estimate of the annual expected effective income tax rate and applies that rate to its ordinary year-to-date earnings or loss. The income tax provision or benefit related to significant, unusual, or extraordinary items, if applicable, that will be separately reported or reported net of their related tax effects are individually computed and recognized in the interim period in which they occur. In addition, the effect of changes in enacted tax laws or rates, tax status, judgment on the realizability of a beginning-of-the-year deferred tax asset in future years or the liabilities for uncertain tax positions is recognized in the interim period in which the change occurs.

The computation of the annual expected effective income tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected pre-tax income (or loss) for the year, projections of the proportion of income (and/or loss) earned and taxed in foreign jurisdictions, permanent and temporary differences, and the likelihood of the realization of deferred tax assets generated in the current year. The accounting estimates used to compute the provision or benefit for income taxes may change as new events occur, more experience is acquired, additional information is obtained or our tax environment changes. To the extent that the expected annual effective income tax rate changes during a quarter, the effect of the change on prior quarters is included in income tax provision in the quarter in which the change occurs.

For the three and six months ended June 30, 2017, the Company recorded an income tax benefit of \$19.4 million and \$43.3 million, respectively. The income tax benefit for the three and six months ended June 30, 2017 is due primarily to the effect of adopting the provisions of ASU No. 2016-09 on January 1, 2017. Under ASU No. 2016-09, excess tax benefits generated by the settlement or exercise of stock-based awards of \$57.3 million for the six months ended June 30, 2017 are recognized as a reduction to the income tax provision rather than as an increase to additional paid-in capital. For the three and six months ended June 30, 2016, the Company recorded an income tax benefit for continuing operations of \$96.7 million and \$95.2 million, respectively, which, in each case, represents an effective income tax rate of 34%. The effective tax rate each period is lower than the statutory rate of 35% due primarily to the non-deductible portion of the goodwill impairment at the Publishing segment, partially offset by state taxes.

The Company recognizes interest and, if applicable, penalties related to unrecognized tax benefits in the income tax provision. At June 30, 2017 and December 31, 2016, the Company has accrued \$3.0 million and \$2.6 million, respectively, for the payment of interest. At both June 30, 2017 and December 31, 2016, the Company has accrued \$1.7 million for penalties.

The Company is routinely under audit by federal, state, local and foreign authorities in the area of income tax. These audits include questioning the timing and the amount of income and deductions and the allocation of income and deductions among various tax jurisdictions. The Internal Revenue Service is currently auditing the Company's federal income tax returns for the years ended December 31, 2010 through 2012. The statute of limitations for the years 2010 through 2012 has been extended to June 30, 2018. Various other jurisdictions are open to examination for tax years beginning with 2009. Income taxes payable include reserves considered sufficient to pay assessments that may result from examination of prior year tax returns. Changes to reserves from period to period and differences between amounts paid, if any, upon resolution of audits and amounts previously provided may be material. Differences between the reserves for income tax contingencies and the amounts owed by the Company are recorded in the period they become known.

At June 30, 2017 and December 31, 2016, unrecognized tax benefits, including interest and penalties, are \$41.4 million and \$41.0 million, respectively. If unrecognized tax benefits at June 30, 2017 are subsequently recognized, \$38.0 million, net of related deferred tax assets and interest, would reduce income tax expense. The comparable amount as of December 31, 2016 was \$37.7 million. The Company believes that it is reasonably possible that its unrecognized tax benefits could decrease by

Table of Contents

IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

\$2.6 million by June 30, 2018, due to expirations of statutes of limitations; \$2.4 million of which would reduce the income tax provision.

## NOTE 3—MARKETABLE SECURITIES

At June 30, 2017, available-for-sale marketable securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Commercial paper	\$ 14,984	\$ —	\$ —	\$ 14,984
Total marketable securities	\$ 14,984	\$ —	\$ —	\$ 14,984

The contractual maturities of debt securities classified as available-for-sale at June 30, 2017 are within one year. There are no investments in available-for-sale marketable debt securities that are in an unrealized loss position as of June 30, 2017.

At December 31, 2016, available-for-sale marketable securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Commercial paper	\$49,797	\$ —	\$ —	\$49,797
Treasury discount notes	34,978	—	(4 )	34,974
Corporate debt securities	4,575	2	(6 )	4,571
Total debt securities	89,350	2	(10 )	89,342
Total marketable securities	\$89,350	\$ 2	\$ (10 )	\$89,342

The aggregate fair value of available-for-sale marketable debt securities with unrealized losses is \$37.0 million as of December 31, 2016. There are no investments in available-for-sale marketable debt securities that have been in a continuous unrealized loss position for longer than twelve months as of December 31, 2016.

The unrealized gains and losses in the above table at December 31, 2016 are included in "Accumulated other comprehensive loss" in the accompanying consolidated balance sheet.

The following table presents the proceeds from maturities and sales of available-for-sale marketable securities and the related gross realized gains:

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
	2016	2016	2016	2016
	(In thousands)			
Proceeds from maturities and sales of available-for-sale marketable securities	\$24,000	\$44,216	\$99,350	\$54,216
Gross realized gains	—	3,125	—	3,125

Gross realized gains from the maturities and sales of available-for-sale marketable securities are included in "Other income (expense), net" in the accompanying consolidated statement of operations. There were no gross realized losses from the maturities and sales of available-for-sale marketable securities for the three and six months ended June 30, 2017 and 2016.

Table of Contents

IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The specific-identification method is used to determine the cost of securities sold and the amount of unrealized gains and losses reclassified out of accumulated other comprehensive income (loss) into earnings.

**NOTE 4—FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS**

The Company categorizes its financial instruments measured at fair value into a fair value hierarchy that prioritizes the inputs used in pricing the asset or liability. The three levels of the fair value hierarchy are:

Level 1: Observable inputs obtained from independent sources, such as quoted prices for identical assets and liabilities in active markets.

Level 2: Other inputs, which are observable directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are derived principally from or corroborated by observable market data. The fair values of the Company's Level 2 financial assets are primarily obtained from observable market prices for identical underlying securities that may not be actively traded. Certain of these securities may have different market prices from multiple market data sources, in which case an average market price is used.

Level 3: Unobservable inputs for which there is little or no market data and require the Company to develop its own assumptions, based on the best information available in the circumstances, about the assumptions market participants would use in pricing the assets or liabilities. See below for a discussion of fair value measurements made using Level 3 inputs.

The following tables present the Company's financial instruments that are measured at fair value on a recurring basis:

	June 30, 2017			
	Quoted Market Prices in Active Markets for Identical Assets (Level 1) (In thousands)			Total Fair Value Measurements
	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
<b>Assets:</b>				
<b>Cash equivalents:</b>				
Money market funds	\$ 794,630	\$ —	\$ —	\$ 794,630
Commercial paper	—	187,380	—	187,380
Time deposits	—	105,596	—	105,596
Treasury discount notes	49,974	—	—	49,974
<b>Marketable securities:</b>				
Commercial paper	—	14,984	—	14,984
<b>Total</b>	<b>\$ 844,604</b>	<b>\$ 307,960</b>	<b>\$ —</b>	<b>1,152,564</b>
<b>Liabilities:</b>				
Contingent consideration arrangements	\$ —	\$ —	\$ (24,829 )	\$ (24,829 )

Table of Contents

IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	December 31, 2016			
	Quoted			
	Market			
	Prices in	Significant	Significant	Total
	Active	Other	Unobservable	Fair Value
	Markets	Observable	Inputs	Measurements
	for	Inputs	(Level 3)	
	Identical	(Level 2)		
	Assets			
	(Level 1)			
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	\$ 667,662	\$ —	\$ —	\$ 667,662
Commercial paper	—	123,640	—	123,640
Time deposits	—	79,000	—	79,000
Treasury discount notes	24,991	—	—	24,991
Marketable securities:				
Commercial paper	—	49,797	—	49,797
Treasury discount notes	34,974	—	—	34,974
Corporate debt securities	—	4,571	—	4,571
Total	\$ 727,627	\$ 257,008	\$ —	\$ 984,635
Liabilities:				
Contingent consideration arrangements	\$ —	\$ —	\$ (33,871 )	\$ (33,871 )

Table of Contents

## IAC/INTERACTIVECORP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following tables present the changes in the Company's financial instruments that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Contingent Consideration Arrangements Three Months Ended June 30,		
	2017	2016	
	(In thousands)		
Balance at April 1	\$(21,821)	\$(37,243)	
Total net (losses) gains: Included in earnings:			
Fair value adjustments	(2,994 )	(6,801 )	
Included in other comprehensive loss	(14 )	(3,375 )	
Fair value at date of acquisition	—	55	
Settlements	—	1,838	
Balance at June 30	\$(24,829)	\$(45,526)	
	Six Months Ended June 30,		
	2017	2016	
	(In thousands)		
	Contingent Consideration Arrangements	Auction Rate Security	Contingent Consideration Arrangements
Balance at January 1	\$(33,871)	\$4,050	\$(33,873 )
Total net (losses) gains: Included in earnings:			
Fair value adjustments	(4,885 )	—	(10,470 )
Included in other comprehensive (loss) income	(1,073 )	5,950	(5,281 )
Fair value at date of acquisition	—	—	1,948
Settlements	15,000	—	2,150
Proceeds from sale	—	(10,000)	—
Balance at June 30	\$(24,829)	\$—	\$(45,526 )

## Contingent Consideration Arrangements

As of June 30, 2017, there are four contingent consideration arrangements related to business acquisitions. The maximum contingent payments related to these four arrangements are \$91.2 million and the fair value of these arrangements at June 30, 2017 is \$24.8 million.

The contingent consideration arrangements are generally based upon earnings performance and/or operating metrics. The Company determines the fair value of the contingent consideration arrangements by using probability-weighted analyses to determine the amounts of the gross liability, and, if the arrangement is initially long-term in nature, applying a discount rate that appropriately captures the risks associated with the obligation to determine the net amount reflected in the consolidated financial statements. The number of scenarios in the probability-weighted analyses can vary; generally, more scenarios are prepared for longer duration and more complex arrangements. The fair values of the contingent consideration arrangements at both June 30, 2017 and December 31, 2016 reflect discount rates of 12%.

The fair values of the contingent consideration arrangements are sensitive to changes in the forecasts of earnings and/or the relevant operating metrics and changes in discount rates. The Company remeasures the fair value of the

contingent

15

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Table of Contents

IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

consideration arrangements each reporting period, including the accretion of the discount, if applicable, and changes are recognized in "General and administrative expense" in the accompanying consolidated statement of operations. The contingent consideration arrangement liability at June 30, 2017 and December 31, 2016 includes a current portion of \$23.7 million and \$33.4 million, respectively, and a non-current portion of \$1.1 million and \$0.4 million, respectively, which are included in "Accrued expenses and other current liabilities" and "Other long-term liabilities," respectively, in the accompanying consolidated balance sheet.

Assets measured at fair value on a nonrecurring basis

The Company's non-financial assets, such as goodwill, intangible assets and property and equipment, as well as equity and cost method investments, are adjusted to fair value only when an impairment charge is recognized. Such fair value measurements are based predominantly on Level 3 inputs.

Cost method investments

At June 30, 2017 and December 31, 2016, the carrying values of the Company's investments accounted for under the cost method totaled \$115.2 million and \$116.1 million, respectively, and are included in "Long-term investments" in the accompanying consolidated balance sheet. The Company evaluates each cost method investment for impairment on a quarterly basis and recognizes an impairment loss if a decline in value is determined to be other-than-temporary. If the Company has not identified events or changes in circumstances that may have a significant adverse effect on the fair value of a cost method investment, then the fair value of such cost method investment is not estimated, as it is impracticable to do so.

Financial instruments measured at fair value only for disclosure purposes

The following table presents the carrying value and the fair value of financial instruments measured at fair value only for disclosure purposes:

	June 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Current portion of long-term debt	\$—	\$—	\$(20,000)	\$(20,311)
Long-term debt, net of current portion	(1,572,657)	(1,574,758)	(1,582,484)	(1,657,861)

The fair value of long-term debt, including the current portion, is estimated using market prices or indices for similar liabilities and takes into consideration other factors such as credit quality and maturity, which are Level 3 inputs.

Table of Contents

IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## NOTE 5—LONG-TERM DEBT

Long-term debt consists of:

	June 30, 2017	December 31, 2016
	(In thousands)	
Match Group Debt:		
6.75% Senior Notes due December 15, 2022 (the "2015 Match Group Senior Notes"); interest payable each June 15 and December 15, which commenced June 15, 2016	\$445,172	\$445,172
6.375% Senior Notes due June 1, 2024 (the "2016 Match Group Senior Notes"); interest payable each June 1 and December 1, which commenced December 1, 2016	400,000	400,000
Match Group Term Loan due November 16, 2022 <sup>(a)</sup>	350,000	350,000
Total Match Group long-term debt	1,195,172	1,195,172
Less: Unamortized original issue discount and original issue premium, net	4,801	5,245
Less: Unamortized debt issuance costs	12,382	13,434
Total Match Group debt	1,177,989	1,176,493
IAC Debt:		
4.875% Senior Notes due November 30, 2018 (the "2013 Senior Notes"); interest payable each May 30 and November 30, which commenced May 30, 2014	361,874	390,214
4.75% Senior Notes due December 15, 2022 (the "2012 Senior Notes"); interest payable each June 15 and December 15, which commenced June 15, 2013	34,859	38,109
Total IAC long-term debt	396,733	428,323
Less: Current portion of IAC long-term debt	—	20,000
Less: Unamortized debt issuance costs	1,728	2,332
Total IAC debt, net of current portion	395,005	405,991
Total long-term debt, net of current portion	\$1,572,994	\$1,582,484

The Match Group Term Loan matures on November 16, 2022; provided that, if any of the 2015 Match Group Senior Notes remain outstanding on the date that is 91 days prior to the maturity date of the 2015 Match Group Senior Notes, the Match Group Term Loan maturity date shall be the date that is 91 days prior to the maturity date of the 2015 Match Group Senior Notes.

## Match Group Senior Notes

The 2016 Match Group Senior Notes were issued on June 1, 2016. The proceeds of \$400 million were used to prepay a portion of indebtedness outstanding under the Match Group Term Loan. At any time prior to June 1, 2019, these notes may be redeemed at a redemption price equal to the sum of the principal amount thereof, plus accrued and unpaid interest and a make-whole premium. Thereafter, these notes may be redeemed at redemption prices set forth in the indenture governing the notes, together with accrued and unpaid interest thereon to the applicable redemption date.

Table of Contents

IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The 2015 Match Group Senior Notes were issued on November 16, 2015, in exchange for a portion of the IAC 2012 Senior Notes (the "Match Exchange Offer"). At any time prior to December 15, 2017, the 2015 Match Group Senior Notes may be redeemed at a redemption price equal to the sum of the principal amount thereof, plus accrued and unpaid interest and a make-whole premium. Thereafter, these notes may be redeemed at redemption prices set forth in the indenture governing the notes, together with accrued and unpaid interest thereon to the applicable redemption date. The indentures governing the 2016 and 2015 Match Group Senior Notes contain covenants that would limit Match Group's ability to pay dividends or to make distributions and repurchase or redeem Match Group stock in the event a default has occurred or Match Group's leverage ratio (as defined in the indentures) exceeds 5.0 to 1.0. At June 30, 2017 there were no limitations pursuant thereto. There are additional covenants that limit Match Group's ability and the ability of its subsidiaries to, among other things, (i) incur indebtedness, make investments, or sell assets in the event Match Group is not in compliance with the leverage ratio set forth in the indenture, and (ii) incur liens, enter into agreements restricting Match Group subsidiaries' ability to pay dividends, enter into transactions with affiliates and consolidate, merge or sell substantially all of their assets.

**Match Group Term Loan and Match Group Credit Facility**

On November 16, 2015, under a credit agreement (the "Match Group Credit Agreement"), Match Group borrowed \$800 million in the form of a term loan (the "Match Group Term Loan"). On June 30, 2016, Match Group made a \$10 million principal payment on the Match Group Term Loan. On June 1, 2016, the \$400 million in proceeds from the 2016 Match Group Senior Notes, described above, were used to prepay a portion of the Match Group Term Loan. On December 8, 2016, Match Group made an additional \$40 million principal payment on the Match Group Term Loan and the remaining outstanding balance of \$350 million, which is due at maturity, was repriced. The Match Group Term Loan provides for additional annual principal payments as part of an excess cash flow sweep provision, the amount of which, if any, is governed by the secured net leverage ratio contained in the Match Group Credit Agreement. The Match Group Term Loan bears interest, at Match Group's option, at a base rate or LIBOR, plus 2.25% or 3.25%, respectively, and in the case of LIBOR, a floor of 0.75%. The interest rate on the Match Group Term Loan at June 30, 2017 is 4.37%. Interest payments are due at least semi-annually through the term of the loan.

Match Group has a \$500 million revolving credit facility (the "Match Group Credit Facility") that expires on October 7, 2020. At June 30, 2017 and December 31, 2016, there were no outstanding borrowings under the Match Group Credit Facility. The annual commitment fee on undrawn funds based on the current leverage ratio is 30 basis points. Borrowings under the Match Group Credit Facility bear interest, at Match Group's option, at a base rate or LIBOR, in each case plus an applicable margin, which is determined by reference to a pricing grid based on Match Group's consolidated net leverage ratio. The terms of the Match Group Credit Facility require Match Group to maintain a consolidated net leverage ratio of not more than 5.0 to 1.0 and a minimum interest coverage ratio of not less than 2.5 to 1.0 (in each case as defined in the agreement).

There are additional covenants under the Match Group Credit Facility and the Match Group Term Loan that limit the ability of Match Group and its subsidiaries to, among other things, incur indebtedness, pay dividends or make distributions. While the Match Group Term Loan remains outstanding, these same covenants under the Match Group Credit Agreement are more restrictive than the covenants that are applicable to the Match Group Credit Facility. Obligations under the Match Group Credit Facility and Match Group Term Loan are unconditionally guaranteed by certain Match Group wholly-owned domestic subsidiaries, and are also secured by the stock of certain Match Group domestic and foreign subsidiaries. The Match Group Term Loan and outstanding borrowings, if any, under the Match Group Credit Facility rank equally with each other, and have priority over the 2016 and 2015 Match Group Senior Notes to the extent of the value of the assets securing the borrowings under the Match Group Credit Agreement.

**IAC Senior Notes**

The 2013 and 2012 Senior Notes were issued by IAC on November 15, 2013 and December 21, 2012, respectively. The 2013 and 2012 Senior Notes are unconditionally guaranteed by certain wholly-owned domestic subsidiaries, which are designated as guarantor subsidiaries, except neither Match Group nor any of its subsidiaries guarantee any

debt of IAC, or are subject to any of the covenants related to such debt. The guarantor subsidiaries are the same for the 2013 and 2012 Senior Notes. See "Note 11—Guarantor and Non-guarantor Financial Information" for financial information relating to guarantor and non-guarantor subsidiaries.

Table of Contents

## IAC/INTERACTIVECORP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

For the six months ended June 30, 2017, the Company redeemed and repurchased \$28.3 million of its 2013 Senior Notes and repurchased \$3.3 million of its 2012 Senior Notes. For the six months ended June 30, 2016, the Company redeemed and repurchased \$55.0 million of its 2013 Senior Notes and repurchased \$6.1 million of its 2012 Senior Notes.

The indenture governing the 2013 Senior Notes contains covenants that would limit our ability to pay dividends or to make distributions and repurchase or redeem our stock in the event a default has occurred or our leverage ratio (as defined in the indenture) exceeds 3.0 to 1.0. At June 30, 2017, there were no limitations pursuant thereto. There are additional covenants that limit the Company's ability and the ability of its restricted subsidiaries to, among other things, (i) incur indebtedness, make investments, or sell assets in the event we are not in compliance with the financial ratio set forth in the indenture, and (ii) incur liens, enter into agreements limiting our restricted subsidiaries' ability to pay dividends, enter into transactions with affiliates and consolidate, merge or sell substantially all of our assets. The indenture governing the 2012 Senior Notes was amended to eliminate substantially all of the restrictive covenants contained therein in connection with the Match Exchange Offer.

**IAC Credit Facility**

IAC has a \$300.0 million revolving credit facility (the "IAC Credit Facility") that expires October 7, 2020. At June 30, 2017 and December 31, 2016, there were no outstanding borrowings under the IAC Credit Facility. The annual commitment fee on undrawn funds is currently 35 basis points, and is based on the leverage ratio most recently reported. Borrowings under the IAC Credit Facility bear interest, at the Company's option, at a base rate or LIBOR, in each case, plus an applicable margin, which is determined by reference to a pricing grid based on the Company's leverage ratio. The terms of the IAC Credit Facility require that the Company maintains a leverage ratio (as defined in the agreement) of not more than 3.25 to 1.0 and restrict our ability to incur additional indebtedness. Borrowings under the IAC Credit Facility are unconditionally guaranteed by the same domestic subsidiaries that guarantee the 2013 and 2012 Senior Notes and are also secured by the stock of certain of our domestic and foreign subsidiaries. The 2013 and 2012 Senior Notes rank equally with each other, and are subordinate to outstanding borrowings under the IAC Credit Facility to extent of the value of the assets securing such borrowings.

**NOTE 6—ACCUMULATED OTHER COMPREHENSIVE LOSS**

The following tables present the components of accumulated other comprehensive (loss) income and items reclassified out of accumulated other comprehensive loss into earnings:

	Three Months Ended June 30, 2017		
	Foreign Currency Translation Adjustment (In thousands)	Unrealized Gains On Available-For-Sale Securities	Accumulated Other Comprehensive (Loss) Income
Balance as of April 1	\$(151,373)	\$ 4,028	\$ (147,345 )
Other comprehensive income before reclassifications	14,664	5	14,669
Amounts reclassified to earnings <sup>(a)</sup>	(29 )	(4,033 )	(4,062 )
Net current period other comprehensive income (loss)	14,635	(4,028 )	10,607
Balance as of June 30	\$(136,738)	\$ —	\$ (136,738 )

<sup>(a)</sup> Amount includes a tax benefit of \$3.8 million.

Table of Contents

IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Three Months Ended June 30, 2016		
	Foreign Currency Translation Adjustment (In thousands)	Unrealized Gains (Losses) On Available-For-Sale Securities	Accumulated Other Comprehensive Loss
Balance as of April 1	\$(118,485)	\$ 7,521	\$ (110,964 )
Other comprehensive loss before reclassifications, net of tax benefit of \$0.5 million related to unrealized losses on available-for-sale securities	(5,588 )	(683 )	(6,271 )
Amounts reclassified to earnings	2,461	(2,633 )	(b) (172 )
Net current period other comprehensive loss	(3,127 )	(3,316 )	(6,443 )
Balance as of June 30	\$(121,612)	\$ 4,205	\$ (117,407 )

(b) Amount is net of a tax provision of less than \$0.1 million.

	Six Months Ended June 30, 2017		
	Foreign Currency Translation Adjustment (In thousands)	Unrealized Gains On Available-For-Sale Securities	Accumulated Other Comprehensive (Loss) Income
Balance as of January 1	\$(170,149)	\$ 4,026	\$ (166,123 )
Other comprehensive income before reclassifications	32,726	7	32,733
Amounts reclassified to earnings	685	(4,033 )	(c) (3,348 )
Net current period other comprehensive income (loss)	33,411	(4,026 )	29,385
Balance as of June 30 <sup>(d)</sup>	\$(136,738)	\$ —	\$ (136,738 )

(c) Amount includes a tax benefit of \$3.8 million.

(d) At June 30, 2017 there was no tax benefit or provision on other comprehensive income.

	Six Months Ended June 30, 2016		
	Foreign Currency Translation Adjustment (In thousands)	Unrealized Gains On Available-For-Sale Securities	Accumulated Other Comprehensive (Loss) Income
Balance as of January 1	\$(154,645)	\$ 2,542	\$ (152,103 )
Other comprehensive income before reclassifications, net of tax benefit of \$0.8 million related to unrealized losses on available-for-sale securities	1,594	4,754	6,348
Amounts reclassified to earnings	9,850	(2,633 )	(e) 7,217
Net current period other comprehensive income	11,444	2,121	13,565
Reallocation of accumulated other comprehensive loss (income) related to the noncontrolling interests created in the Match Group initial public offering	21,589	(458 )	21,131
Balance as of June 30	\$(121,612)	\$	