IAC/INTERACTIVECORP
Form 10-Q
August 09, 2018

As filed with the Securities and Exchange Commission on August 9, 2018

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2018
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 incorporation or organization)	(I.R.S. Employer 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 ý No o
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 ý No o
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 ý	Accelerated filer o	Non-accelerated filer o(Do not check if a smaller reporting company)	Smaller reporting company o	Emerging growth company o

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 o

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

As of August 6, 2018, the following shares of the registrant's common stock were outstanding:

Common Stock	77,427,724
Class B Common Stock	5,789,499
Total outstanding Common Stock	83,217,223

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of August 6, 2018 was $11,875,761,831. For the purpose of the foregoing calculation only, all directors and executive officers of the registrant are assumed to be affiliates of the registrant.

TABLE OF CONTENTS

Table of Contents

PART I
FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements
IAC/INTERACTIVECORP
CONSOLIDATED BALANCE SHEET
(Unaudited)

	June 30, 2018	December 31, 2017
	(In thousands, except par value amounts)	
ASSETS		
Cash and cash equivalents	$1,644,829	$1,630,809
Marketable securities	120,410	4,995
Accounts receivable, net of allowance of $17,960 and $11,489, respectively	343,576	304,027
Other current assets	237,957	185,374
Total current assets	2,346,772	2,125,205
Property and equipment, net of accumulated depreciation and amortization of $285,482 and $271,811, respectively	306,602	315,170
Goodwill	2,578,296	2,559,066
Intangible assets, net of accumulated amortization of $113,117 and $74,957, respectively	636,351	663,737
Long-term investments	217,357	64,977
Deferred income taxes	62,245	66,321
Other non-current assets	87,661	73,334
TOTAL ASSETS	$6,235,284	$5,867,810
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current portion of long-term debt	$13,750	$13,750
Accounts payable, trade	79,107	76,571
Deferred revenue	375,138	342,483
Accrued expenses and other current liabilities	377,685	366,924
Total current liabilities	845,680	799,728
Long-term debt, net	1,982,271	1,979,469
Income taxes payable	23,942	25,624
Deferred income taxes	35,550	35,070
Other long-term liabilities	35,174	38,229
Redeemable noncontrolling interests	75,719	42,867
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Common stock $.001 par value; authorized 1,600,000 shares; issued 261,757 and 260,624 shares, respectively, and outstanding 77,865 and 76,829 shares, respectively	262	261
Class B convertible common stock $.001 par value; authorized 400,000 shares; issued 16,157 shares and outstanding 5,789 shares	16	16

Additional paid-in capital	12,008,684	12,165,002
Retained earnings	921,268	595,038
Accumulated other comprehensive loss	(112,717)	(103,568)
Treasury stock 194,261 and 194,163 shares, respectively	(10,241,434)	(10,226,721)
Total IAC shareholders' equity	2,576,079	2,430,028
Noncontrolling interests	660,869	516,795
Total shareholders' equity	3,236,948	2,946,823
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 6,235,284	$ 5,867,810

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,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Revenue	$1,059,122	$767,387	$2,054,197	$1,528,220
Operating costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	218,224	139,033	420,186	284,991
Selling and marketing expense	369,660	320,104	772,492	670,515
General and administrative expense	188,363	150,222	372,547	293,817
Product development expense	75,445	55,430	152,382	110,190
Depreciation	18,805	18,339	38,062	38,227
Amortization of intangibles	20,188	8,624	40,141	17,785
Total operating costs and expenses	890,685	691,752	1,795,810	1,415,525
Operating income	168,437	75,635	258,387	112,695
Interest expense	(27,356)	(24,728)	(53,861)	(49,520)
Other income, net	171,141	10,230	166,522	2,516
Earnings before income taxes	312,222	61,137	371,048	65,691
Income tax (provision) benefit	(31,368)	19,420	(2,355)	43,329
Net earnings	280,854	80,557	368,693	109,020
Net earnings attributable to noncontrolling interests	(62,501)	(14,289)	(79,258)	(16,543)
Net earnings attributable to IAC shareholders	$218,353	$66,268	$289,435	$92,477
Per share information attributable to IAC shareholders:				
Basic earnings per share	$2.61	$0.84	$3.47	$1.18
Diluted earnings per share	$2.32	$0.70	$3.05	$0.99
Stock-based compensation expense by function:				
Cost of revenue	$715	$473	$1,425	$975
Selling and marketing expense	2,077	1,643	3,842	3,450
General and administrative expense	44,875	31,751	90,501	58,691
Product development expense	9,894	5,048	20,875	9,774
Total stock-based compensation expense	$57,561	$38,915	$116,643	$72,890

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,	
	2018	2017	2018	2017
	(In thousands)			
Net earnings	$280,854	$80,557	$368,693	$109,020
Other comprehensive income, net of tax:				
Change in foreign currency translation adjustment	(46,576)	18,788	(11,183)	40,698
Change in unrealized gains and losses of available-for-sale securities (net of tax provision of $4 for both the three and six months ended June 30, 2018, and net of tax benefit of $3,846 for both the three and six months ended June 30, 2017)	13	(4,028)	13	(4,026)
Total other comprehensive (loss) income	(46,563)	14,760	(11,170)	36,672
Comprehensive income, net of tax	234,291	95,317	357,523	145,692
Components of comprehensive income attributable to noncontrolling interests:				
Net earnings attributable to noncontrolling interests	(62,501)	(14,289)	(79,258)	(16,543)
Change in foreign currency translation adjustment attributable to noncontrolling interests	9,119	(4,153)	2,083	(7,287)
Comprehensive income attributable to noncontrolling interests	(53,382)	(18,442)	(77,175)	(23,830)
Comprehensive income attributable to IAC shareholders	$180,909	$76,875	$280,348	$121,862

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

5

IAC/INTERACTIVECORP
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
Six Months Ended June 30, 2018
(Unaudited)

		IAC Shareholders' Equity									
	Redeemable Noncontrolling Interests	Common Stock $.001 Par Value $	Shares	Class B Convertible Common Stock $.001 Par Value $	Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total IAC Shareholders' Equity	Non Inte
		(In thousands)									
Balance at December 31, 2017	$42,867	$261	260,624	$16	16,157	$12,165,002	$595,038	$(103,568)	$(10,226,721)	$2,430,028	$51
Cumulative effect of adoption of ASU No. 2014-09	—	—	—	—	—	—	36,795	—	—	36,795	3,41
Net earnings	34,756	—	—	—	—	—	289,435	—	—	289,435	44,5
Other comprehensive loss, net of tax	(286)	—	—	—	—	—	—	(9,087)	—	(9,087)	(1,7
Stock-based compensation expense	800	—	—	—	—	36,015	—	—	—	36,015	79,8
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	1	1,133	—	—	25,890	—	—	—	25,891	—
Purchase of treasury stock	—	—	—	—	—	—	—	—	(14,713)	(14,713)	—
Purchase of redeemable noncontrolling interests	(59)	—	—	—	—	—	—	—	—	—	—
Purchase of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(818
Adjustment of redeemable noncontrolling interests to fair value	1,849	—	—	—	—	(1,849)	—	—	—	(1,849)	—

Issuance of Match Group common stock pursuant to stock-based awards, net of withholding taxes, and impact to noncontrolling interests in Match Group	—	—	—	—	—	(194,764)	—	(45)	—	(194,809)	(28
Issuance of ANGI Homeservices common stock pursuant to stock-based awards, net of withholding taxes, and impact to noncontrolling interests in ANGI Homeservices	—	—	—	—	—	(24,002)	—	(17)	—	(24,019)	4,72
Noncontrolling interests created in acquisitions	2,261	—	—	—	—	—	—	—	—	—	14,
Other	(6,469)	—	—	—	—	2,392	—	—	—	2,392	259
Balance at June 30, 2018	$75,719	$262	261,757	$16	16,157	$12,008,684	$921,268	$(112,717)	$(10,241,434)	$2,576,079	$66

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,	
	2018	2017
	(In thousands)	
Cash flows from operating activities:		
Net earnings	$368,693	$109,020
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Stock-based compensation expense	116,643	72,890
Depreciation	38,062	38,227
Amortization of intangibles	40,141	17,785
Bad debt expense	20,865	14,024
Deferred income taxes	(11,258)	6,580
Unrealized gains on equity securities, net	(126,559)	—
Gains from the sale of investments and businesses, net	(27,172)	(19,663)
Other adjustments, net	8,591	18,283
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	(60,185)	(22,799)
Other assets	(38,195)	(18,482)
Accounts payable and other liabilities	1,063	(13,650)
Income taxes payable and receivable	3,467	(59,735)
Deferred revenue	45,646	15,234
Net cash provided by operating activities	379,802	157,714
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(17,513)	(49,164)
Capital expenditures	(39,696)	(41,821)
Proceeds from maturities and sales of marketable debt securities	10,000	99,350
Purchases of marketable debt securities	(124,397)	(24,909)
Purchases of investments	(31,180)	(5,105)
Net proceeds from the sale of investments and businesses	27,540	119,697
Other, net	9,599	1,076
Net cash (used in) provided by investing activities	(165,647)	99,124
Cash flows from financing activities:		
Repurchases of IAC debt	(363)	(31,590)
Principal payments on ANGI Homeservices debt	(6,875)	—
Purchase of IAC treasury stock	(7,869)	(56,424)
Purchase of Match Group treasury stock	(73,943)	—
Proceeds from the exercise of IAC stock options	27,317	48,146
Proceeds from the exercise of Match Group and ANGI Homeservices stock options	2,125	39,403
Withholding taxes paid on behalf of IAC employees on net settled stock-based awards	(495)	(49,900)
Withholding taxes paid on behalf of Match Group and ANGI Homeservices employees on net settled stock-based awards	(136,727)	(28,421)
Purchase of noncontrolling interests	(877)	(12,361)
Acquisition-related contingent consideration payments	(185)	(3,860)
Other, net	(4,813)	(4,873)

Net cash used in financing activities	(202,705)	(99,880)
Total cash provided	11,450	156,958
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	44	5,474
Net increase in cash, cash equivalents, and restricted cash	11,494	162,432
Cash, cash equivalents, and restricted cash at beginning of period	1,633,682	1,360,199
Cash, cash equivalents, and restricted cash at end of period	$1,645,176	$1,522,631

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

7

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 composed of widely known consumer brands, such as Tinder, Match, PlentyOfFish and OkCupid, which are part of Match Group's online dating portfolio, and HomeAdvisor and Angie's List, which are operated by ANGI Homeservices, as well as Vimeo, Dotdash, Dictionary.com, The Daily Beast and Investopedia.

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

As of June 30, 2018, IAC’s economic and voting interest in Match Group were 81.2%, and 97.6%, respectively. All references to "Match Group" or "MTCH" in this report are to Match Group, Inc.

As of June 30, 2018, IAC’s economic and voting interest in ANGI Homeservices were 86.4%, and 98.5%, respectively. All reference to "ANGI Homeservices" or "ANGI" in this report are to ANGI Homeservices Inc.

Basis of Consolidation and Accounting for Investments

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

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.

Investments in equity securities, other than those of our consolidated subsidiaries and those accounted for under the equity method, are accounted for at fair value or under the measurement alternative upon the adoption of Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, on January 1, 2018, with changes recognized within other income (expense), net each reporting period. Under the measurement alternative, equity investments without readily determinable fair values are carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Under the measurement alternative, the value of our equity securities without determinable fair values is generally determined based on a market approach as of the transaction date. An investment will be considered identical or similar if it has identical or similar rights to the equity investments held by the Company. The Company reviews impairment of our equity securities each reporting period when there are qualitative indicators that may indicate impairment. Once the qualitative indicators are identified and the fair value of the security is less than its carrying value, the Company will write down the security to its fair value and record the corresponding charge within other income (expense), net. See "Accounting Pronouncements adopted by the Company" below for further information.

In management's opinion, the unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect all adjustments, consisting of normal and recurring adjustments, necessary for the fair presentation of our financial position, results of operations and cash flows for the periods presented. Interim results are not necessarily indicative of the results that may be expected for the full year. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 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. Actual results could differ from these estimates.

On an ongoing basis, the Company evaluates its estimates and judgments including those related to: the recoverability of goodwill and indefinite-lived intangible assets; the useful lives and recoverability of definite-lived intangible assets and property and equipment; the fair values of marketable debt securities and equity securities without readily determinable fair values; 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; unrecognized tax benefits; 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.

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").

The services agreement became effective on April 1, 2016, following the expiration of the previous services agreement, and expires on March 31, 2020; however, the Company may choose to terminate the agreement effective March 31, 2019. The services agreement requires that the Company 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. Google recently announced policy changes related to its Chrome browser, effective in September 2018, which could hurt the distribution of our desktop products through the Chrome Web Store and could impact revenue and profits of some of the businesses within our Applications segment.

For the three and six months ended June 30, 2018, revenue earned from Google was $204.9 million and $416.2 million, representing 19% and 20%, respectively, of the Company's consolidated revenue. For the three and six months ended June 30, 2017, revenue earned from Google was $174.6 million and $362.4 million, representing 23% and 24%, respectively, of the Company's consolidated revenue. This revenue is earned principally by the businesses comprising the Applications and Publishing segments. For the three and six months ended June 30, 2018, revenue earned from Google represents 75% and 79%, respectively, of Applications revenue and 71% and 73%, respectively, of Publishing revenue. For both the three and six months ended June 30, 2017, revenue earned from Google represented 83% of Applications revenue and 70% of Publishing revenue. Accounts receivable related to revenue earned from Google totaled $73.4 million and $72.4 million at June 30, 2018 and December 31, 2017, respectively.

Recent Accounting Pronouncements

Accounting Pronouncements adopted by the Company

In May 2014, the FASB ASU No. 2014-09, Revenue from Contracts with Customers. ASU No. 2014-09 supersedes nearly all existing revenue recognition guidance under GAAP. The Company adopted ASU No. 2014-09 effective January 1, 2018 using the modified retrospective transition method for open contracts as of the date of initial application. The cumulative impact to the Company's retained earnings at January 1, 2018 was $40.2 million, of which $3.4 million was related to the Company's noncontrolling interest in ANGI; the adjustment to retained earnings was principally related to the Company’s ANGI Homeservices and Applications segments.

Table of Contents
IAC/INTERACTIVECORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

- Within ANGI, the effect of the adoption of ASU No. 2014-09 is that commissions paid to employees pursuant to certain sales incentive programs, which represent the incremental direct costs of obtaining a service professional contract, are now capitalized and amortized over the estimated life of a service professional (also referred to as the estimated customer relationship period). These costs were expensed as incurred prior to January 1, 2018. The cumulative effect of the adoption of ASU No. 2014-09 was the establishment of a current and non-current asset for capitalized sales commissions of $29.7 million and $4.2 million, respectively, and a related deferred tax liability of $8.0 million, resulting in a net increase to retained earnings of $25.9 million on January 1, 2018.
- Within Applications, the primary effect of the adoption of ASU No. 2014-09 is to accelerate the recognition of the portion of the revenue of certain desktop applications sold by SlimWare that qualifies as functional intellectual property ("functional IP") under ASU No. 2014-09. This revenue was previously deferred and recognized over the applicable subscription term. The cumulative effect of the adoption of ASU No. 2014-09 for SlimWare was a reduction in deferred revenue of $20.3 million and the establishment of a deferred tax liability of $4.9 million, resulting in a net increase to retained earnings of $15.5 million on January 1, 2018.

The adoption of ASU No. 2014-09 will not have a material effect on the Company's results of operations for the year ending December 31, 2018. See "Note 2—Revenue Recognition" for additional information on the impact to the Company.

The Company's disaggregated revenue disclosures are presented in "Note 10—Segment information."

The following tables present the impact of the adoption of ASU No. 2014-09 by segment under Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers, as reported, and ASC 605, Revenue Recognition, for the three and six months ended June 30, 2018.

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09
	(In thousands)					
Revenue by segment:						
Match Group	$421,196	$421,196	$—	$828,563	$828,563	$—
ANGI Homeservices	294,822	294,822	—	550,133	550,133	—
Video	62,757	63,018	(261)	128,919	129,609	(690)
Applications	143,074	144,842	(1,768)	275,061	276,359	(1,298)
Publishing	137,355	137,355	—	271,677	271,677	—
Inter-segment eliminations	(82)	(82)	—	(156)	(156)	—
Total	$1,059,122	$1,061,151	$(2,029)	$2,054,197	$2,056,185	$(1,988)

IAC/INTERACTIVECORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09
	(In thousands)					
Operating costs and expenses by segment:						
Match Group	$271,031	$271,031	$—	$566,165	$566,165	$—
ANGI Homeservices	271,560	273,678	(2,118)	537,627	545,838	(8,211)
Video	77,739	77,739	—	159,776	160,003	(227)
Applications	109,997	109,291	706	216,523	215,298	1,225
Publishing	124,548	124,548	—	243,059	243,059	—
Corporate	35,810	35,810	—	72,660	72,660	—
Total	$890,685	$892,097	$(1,412)	$1,795,810	$1,803,023	$(7,213)

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09
	(In thousands)					
Operating income (loss) by segment:						
Match Group	$150,165	$150,165	$ —	$262,398	$262,398	$—
ANGI Homeservices	23,262	21,144	2,118	12,506	4,295	8,211
Video	(14,982)	(14,721)	(261)	(30,857)	(30,394)	(463)
Applications	33,077	35,551	(2,474)	58,538	61,061	(2,523)
Publishing	12,807	12,807	—	28,618	28,618	—
Corporate	(35,892)	(35,892)	—	(72,816)	(72,816)	—
Total	$168,437	$169,054	$ (617)	$258,387	$253,162	$ 5,225

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09
	(In thousands)					
Net earnings	$280,854	$281,269	$ (415)	$368,693	$364,786	$ 3,907

In January 2016, the FASB issued ASU No. 2016-01, which updates certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Under ASU No. 2016-01, equity securities, other than those of our consolidated subsidiaries and those accounted for under the equity method, will be measured at fair value with changes in fair value recognized in the statement of operations each reporting period. ASU No. 2016-01 is effective for reporting periods beginning after December 15, 2017. There was no cumulative impact to the Company's consolidated financial statements upon adoption of ASU No. 2016-01 on January 1, 2018. The adoption of ASU No. 2016-01 increases the volatility of the Company's other income (expense), net as a result of the remeasurement of these instruments. For the three and six months ended June 30, 2018, other income, net includes net unrealized gains related to certain equity securities that were adjusted to fair value in accordance with ASU No. 2016-01 of $126.4 million and $126.6 million, respectively. See "Note 6—Fair Value Measurements and Financial Instruments" for additional information.

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash, which requires companies to explain the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. Therefore, amounts generally described as restricted cash or restricted cash equivalents are combined with unrestricted cash and cash equivalents when reconciling the beginning and end of period balances on the statement of cash flows. ASU No. 2016-18 also requires companies to disclose the nature of their restricted cash and restricted cash equivalents balances. Additionally, when cash, cash equivalents, restricted cash, and restricted cash equivalents are presented within different captions on the balance sheet, a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet is required. ASU No. 2016-18 is effective for reporting periods beginning after December 15, 2017. The Company's adoption of ASU No. 2016-18 effective January 1, 2018, on a retrospective basis, did not have a material effect on its consolidated financial statements.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheet to the total amounts shown in the consolidated statement of cash flows:

	June 30, 2018	December 31, 2017	June 30, 2017	December 31, 2016
	(In thousands)			
Cash and cash equivalents	$1,644,829	$1,630,809	$1,522,300	$1,329,187
Restricted cash included in other current assets	347	2,873	331	20,464
Restricted cash included in other assets	—	—	—	10,548
Total cash, cash equivalents and restricted cash as shown on the consolidated statement of cash flows	$1,645,176	$1,633,682	$1,522,631	$1,360,199

Restricted cash at December 31, 2017 primarily supports a letter of credit to a supplier, which was released to the Company in the second quarter of 2018.

Restricted cash at December 31, 2016 primarily included funds held in escrow for the redemption and repurchase of IAC Senior Notes and the MyHammer tender offer. In the first quarter of 2017, the Senior Notes were redeemed and repurchased and the funds held in escrow for the MyHammer tender offer were returned to the Company.

In June 2018, the FASB issued ASU No. 2018-07, Improvements to Nonemployee Share-Based Payment Accounting, which largely aligns the measurement and classification guidance for share-based payments granted to non-employees with the guidance for share-based payments granted to employees. The new guidance supersedes Subtopic 505-50, Equity - Equity-Based payments to Nonemployees. ASU No. 2018-07 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. The Company adopted ASU No. 2018-07 effective April 1, 2018 and its adoption did not have a material effect on its consolidated financial statements. The effect of the adoption of ASU No. 2018-07 will be to minimize the volatility of expense related to stock-based awards to non-employees in the future.

Accounting Pronouncement not yet adopted by the Company

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. In July 2018, the FASB issued ASU No. 2018-11, which provides the option of an additional transition method that allows entities to initially apply the new lease guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company expects to implement the transition method option provided by ASU No. 2018-11. The Company will adopt the new lease guidance effective January 1, 2019.

The Company is not a lessor, has no capitalized leases and does not expect to enter into any capitalized leases prior to the adoption of ASU No. 2016-02. Accordingly, the Company does not expect the amount or classification of rent expense in its statement of operations to be affected by the adoption of ASU No. 2016-02. The primary effect of the adoption of ASU No.

2016-02 will be the recognition of a right of use asset and related liability to reflect the Company's rights and obligations under its operating leases. The Company will also be required to provide the additional disclosures stipulated in ASU No. 2016-02.

The adoption of ASU No. 2016-02 will not have an impact on the leverage calculation set forth in any of the agreements governing the outstanding debt of the Company or its MTCH and ANGI subsidiaries, or our credit agreement or the credit agreement of MTCH because, in each circumstance, the leverage calculations are not affected by the liability that will be recorded upon adoption of the new standard.

While the Company's evaluation of the impact of the adoption of ASU No. 2016-02 on its consolidated financial statements continues, outlined below is a summary of the status of the Company's progress:

- the Company has selected a software package to assist in the determination of the right of use asset and related liability as of January 1, 2019 and to provide the required information following the adoption;
- the Company has prepared summaries of its leases for input into the software package;
- the Company is assessing the other inputs required in connection with the adoption of ASU No. 2016-02; and
- the Company is developing its accounting policy, procedures and controls related to the new standard.

The Company does not expect to have a preliminary estimate of the right of use asset and related liability as of the adoption date until the fourth quarter of 2018.

Reclassifications

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

NOTE 2—REVENUE RECOGNITION

General Revenue Recognition

The Company accounts for a contract when it has approval and commitment from all parties, the rights of the parties and payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when control of the promised services or goods is transferred to our customers, and in an amount that reflects the consideration the Company is contractually due in exchange for those services or goods.

Match Group

Match Group’s revenue is primarily derived directly from users in the form of recurring subscriptions. Subscription revenue is presented net of credits and credit card chargebacks. Subscribers pay in advance, primarily by credit card or through mobile app stores, and, subject to certain conditions identified in our terms and conditions, generally all purchases are final and nonrefundable. Revenue is initially deferred and is recognized using the straight-line method over the term of the applicable subscription period, which primarily range from one to six months. Revenue is also earned from online advertising, the purchase of à la carte features and offline events. Online advertising revenue is recognized when an advertisement is displayed. Revenue from the purchase of à la carte features is recognized based on usage. Revenue associated with offline events is recognized when each event occurs.

ANGI Homeservices

ANGI revenue is primarily derived from (i) consumer connection revenue, which comprises fees paid by service professionals for consumer matches (regardless of whether the professional ultimately provides the requested service), and (ii) membership subscription fees paid by service professionals. Consumer connection revenue varies based upon several factors, including the service requested, type of match and geographic location of service. The Company’s consumer connection revenue is generated and recognized when an in-network service professional is delivered a consumer match. Membership subscription revenue from service professionals is initially deferred and is recognized using the straight-line method over the applicable subscription period, which is typically one year. Consumer connection revenue is generally billed one week following a consumer match; with payment due upon receipt of invoice.

ANGI revenue is also derived from Angie's List (i) sales of time-based website, mobile and call center advertising to service professionals and (ii) membership subscription fees from consumers. Angie's List service professionals generally pay for advertisements in advance on a monthly or annual basis at the option of the service professional, with the average advertising contract term being approximately one year. Angie's List website, mobile and call center advertising revenue is recognized ratably over the contract term. Revenue from the sale of advertising in the Angie’s List Magazine is recognized in the period in which the publication is distributed. Angie's List prepaid consumer membership subscription fees are recognized as revenue using the straight-line method over the term of the applicable subscription period, which is typically one year.

Video

Revenue of businesses in this segment is generated primarily through subscriptions, media production and distribution, and advertising. Subscription fee revenue is recognized over the terms of the applicable subscription period, which are one month or one year, production revenue is recognized when control is transferred to the customer to broadcast or exhibit, and advertising revenue is recognized when an advertisement is displayed or over the advertising period.

Applications

Applications' revenue largely consists of advertising revenue generated principally through the display of paid listings in response to search queries. The substantial majority of the paid listings displayed by our Applications businesses are supplied to us by Google pursuant to our services agreement with Google.

Pursuant to this agreement, those of our Applications businesses that provide search services transmit search queries to Google, which in turn transmits a set of relevant and responsive paid listings back to these businesses for display in search results. This ad-serving process occurs independently of, but concurrently with, the generation of algorithmic search results for the same search queries. Google paid listings are displayed separately from algorithmic search results and are identified as sponsored listings on search results pages. Paid listings are priced on a price per click basis and when a user submits a search query through one of our Applications businesses and then clicks on a Google paid listing displayed in response to the query, Google bills the advertiser that purchased the paid listing directly and shares a portion of the fee charged to the advertiser with us. The Company recognizes paid listing revenue from Google when it delivers the user's click. In cases where the user’s click is generated due to the efforts of a third-party distributor, we recognize the amount due from Google as revenue and record a revenue share or other payment obligation to the third-party distributor as traffic acquisition costs.

To a significantly lesser extent, Applications' revenue also consists of fees related to subscription downloadable desktop and mobile applications as well as display advertisements. Fees related to subscription downloadable desktop and paid mobile applications are generally recognized at the time of the sale when the software license is delivered. To the extent updates or maintenance is required or expected, revenue is recognized over the term of the applicable subscription period, which is primarily one or two years. Fees related to display advertisements are recognized when an advertisement is displayed.

Publishing

Publishing's revenue consists principally of advertising revenue, which is generated primarily through the display of paid listings in response to search queries and display advertisements (sold directly and through programmatic ad sales). The majority of the paid listings that our Publishing businesses display are supplied to us by Google in the manner, and pursuant to the services agreement with Google, described above under "Applications."

Transaction Price

The objective of determining the transaction price is to estimate the amount of consideration the Company is due in exchange for its services or goods, including amounts that are variable. The Company determines the total transaction price, including an estimate of any variable consideration, at contract inception and reassesses this estimate each reporting period.

Table of Contents
IAC/INTERACTIVECORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The Company excludes from the measurement of transaction price all taxes assessed by governmental authorities that are both (i) imposed on and concurrent with a specific revenue-producing transaction and (ii) collected from customers. Accordingly, such tax amounts are not included as a component of revenue or cost of revenue.

For contracts that have an original duration of one year or less, the Company uses the practical expedient available under ASU No. 2014-09 applicable to such contracts and does not consider the time value of money.

Accounts Receivables, net of allowance for doubtful accounts and revenue reserves

Accounts receivable include amounts billed and currently due from customers. The Company maintains an allowance for doubtful accounts to provide for the estimated amount of accounts receivables that will not be collected. The allowance for doubtful accounts is based upon a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history and the specific customer's ability to pay its obligation. The time between the Company issuance of an invoice and payments due date is not significant; customer payments that are not collected in advance of the transfer of promised services or goods are generally due no later than 30 days from invoice date. The Company also maintains allowances to reserve for potential credits issued to consumers or other revenue adjustments. The amounts of these reserves are based primarily upon historical experience.

Deferred Revenue

Deferred revenue consists of advance payments that are received or due in advance of the Company's performance. The Company's liabilities are reported on a contract by contract basis at the end of each reporting period. The Company generally classifies deferred revenue as current when the term of the applicable subscription period or expected completion of our performance obligation is one year or less. The deferred revenue balance as of January 1, 2018 is $332.2 million. During the three months ended June 30, 2018, the Company recognized $224.0 million of revenue that was included in the deferred revenue balance as of April 1, 2018. During the six months ended June 30, 2018, the Company recognized $278.8 million of revenue that was included in the deferred revenue balance as of January 1, 2018. The current and non-current deferred revenue balances at June 30, 2018 are $375.1 million and $2.0 million, respectively. Non-current deferred revenue is included in "Other long-term liabilities" in the accompanying consolidated balance sheet.

Arrangements with Multiple Performance Obligations

The Company's contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on the prices charged to customers, which are directly observable or based on an estimate if not directly observable. For our multiple performance obligation arrangements that include functional intellectual property ("IP"), which comprise the downloadable apps and software of the Applications segment, the Company uses a residual approach to determine standalone selling prices for the functional IP.

Assets Recognized from the Costs to Obtain a Contract with a Customer

The Company has determined that certain costs, primarily commissions paid to employees pursuant to certain sales incentive programs and mobile app store fees, meet the requirements to be capitalized as a cost of obtaining a contract. Commissions paid to employees pursuant to certain sales incentive programs are amortized over the estimated customer relationship period. The Company calculates the estimated customer relationship period as the average customer life, which is based on historical data. When customer renewals are expected and the renewal commission is not commensurate with the initial commission, the average customer life includes renewal periods. For sales incentive programs where the customer relationship period is one year or less, the Company has elected the practical expedient to expense the costs as incurred. The Company generally capitalizes and amortizes mobile app store fees over the term of the applicable subscription.

During the three and six months ended June 30, 2018, the Company recognized expense of $84.7 million and $159.8 million, respectively, related to the amortization of these costs. The contract asset balance at June 30, 2018 is $72.8 million.

15

Performance Obligations

As permitted under the practical expedient available under ASU No. 2014-09, the Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts with variable consideration that is allocated entirely to unsatisfied performance obligations or to a wholly unsatisfied promise accounted for under the series guidance, and (iii) contracts for which the Company recognizes revenue at the amount which we have the right to invoice for services performed.

NOTE 3—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 unrecognized tax benefits 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 months ended June 30, 2018, the Company recorded an income tax provision of $31.4 million, which represents an effective income tax rate of 10%. The effective tax rate is lower than the statutory rate of 21% due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards. For the six months ended June 30, 2018, the Company recorded an income tax provision of $2.4 million, which represents an effective income tax rate of 1%. The effective tax rate is lower than the statutory rate of 21% due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards. For the three and six months ended June 30, 2017, the Company recorded an income tax benefit, despite pre-tax income, of $19.4 million and $43.3 million, respectively, due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act subjected to U.S. taxation certain previously deferred earnings of foreign subsidiaries as of December 31, 2017 (“Transition Tax”) and implemented a number of changes that took effect on January 1, 2018, including but not limited to, a reduction of the U.S. federal corporate tax rate from 35% to 21% and a new minimum tax on global intangible low-taxed income (“GILTI”) earned by foreign subsidiaries. The Company was able to make a reasonable estimate of the Transition Tax and recorded a provisional tax expense in the fourth quarter of 2017. The Company was also able to make a reasonable estimate of the impact of GILTI on the expected annual effective income tax rate and recorded a tax expense for the three and six months ended June 30, 2018. Any adjustment of the Company’s provisional tax expense will be reflected as a change in estimate in its results in the period in which the change in estimate is made in accordance with Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act, which is also included in the FASB issued ASU No. 2018-05, Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, which was issued and adopted by the Company in March 2018. The Company is continuing to gather additional information to more precisely compute the amount of the Transition Tax and expects to finalize its calculation prior to the filing of its U.S. federal tax return, which is due on October 15, 2018. The additional information includes, but is not limited to, the allocation and sourcing of income and deductions in 2017 for purposes of calculating the utilization of foreign tax credits. In addition, our estimates may also be impacted and adjusted as the law is clarified and additional guidance is issued at the federal and state levels. No adjustment was made in the three and six months ended June 30, 2018 to the Company's previously recorded provisional tax expense, including for the impact of the issuance of Treasury Notices 2018-26 and 2018-28 as we continue to assess their impact, which we believe is immaterial.

The Company recognizes interest and, if applicable, penalties related to unrecognized tax benefits in the income tax provision. Accruals for interest and penalties are not material.

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 2016. The statute of limitations for the years 2010 through 2012 has been extended to June 30, 2019, and the statute of limitations for the years 2013 and 2014 has been extended to March 31, 2019. Various other jurisdictions are open to examination for tax years beginning with 2009. Income taxes payable include unrecognized tax benefits considered sufficient to pay assessments that may result from examination of prior year tax returns. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Although management currently believes changes in unrecognized tax benefits from period to period and differences between amounts paid, if any, upon resolution of issues raised in audits and amounts previously provided will not have a material impact on the liquidity, results of operations, or financial condition of the Company, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

At June 30, 2018 and December 31, 2017, unrecognized tax benefits, including interest and penalties, are $40.5 million and $39.7 million, respectively. If unrecognized tax benefits at June 30, 2018 are subsequently recognized, $37.6 million, net of related deferred tax assets and interest, would reduce income tax expense. The comparable amount as of December 31, 2017 was $37.2 million. The Company believes that it is reasonably possible that its unrecognized tax benefits could decrease by $12.7 million by June 30, 2019, due to expirations of statutes of limitations; $12.4 million of which would reduce the income tax provision.

The Company regularly assesses the realizability of deferred tax assets considering all available evidence including, among other things, the nature, frequency and severity of prior cumulative losses, forecasts of future taxable income, the duration of statutory carryforward periods, available tax planning and historical experience, to the extent these items are applicable. As of June 30, 2018, the Company has a gross deferred tax asset of $125.0 million that the Company expects to fully utilize on a more likely than not basis.

NOTE 4—BUSINESS COMBINATION

On September 29, 2017, the Company completed the combination of the businesses in the Company's HomeAdvisor segment and Angie's List under a new publicly traded company called ANGI Homeservices (the "Combination"). Through the Combination, ANGI acquired 100% of the common stock of Angie's List on September 29, 2017 for a total purchase price valued at $781.4 million.

The unaudited pro forma financial information in the table below presents the combined results of the Company and Angie's List as if the Combination had occurred on January 1, 2016. The unaudited pro forma financial information includes adjustments required under the acquisition method of accounting and is presented for informational purposes only and is not necessarily indicative of the results that would have been achieved had the Combination actually occurred on January 1, 2016. For the three and six months ended June 30, 2017, pro forma adjustments include increases in stock-based compensation expense of $11.6 million and $26.3 million, respectively, and amortization of intangibles of $11.5 million and $23.1 million, respectively.

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
	(In thousands, except per share data)	
Revenue	$839,729	$1,673,023
Net earnings attributable to IAC shareholders	$53,996	$67,335
Basic earnings per share attributable to IAC shareholders	$0.68	$0.86

Diluted earnings per share attributable to IAC shareholders	$0.55	$0.69

17

Table of Contents
IAC/INTERACTIVECORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 5—MARKETABLE SECURITIES

At June 30, 2018 and December 31, 2017, the fair value of marketable securities are as follows:

	June 30, 2018	December 31, 2017
	(In thousands)	
Available-for-sale marketable debt securities	$119,746	$ 4,995
Marketable equity security	664	—
Total marketable securities	$120,410	$ 4,995

At June 30, 2018, current available-for-sale marketable debt securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Treasury discount notes	$99,795	$ 6	$ —	$99,801
Commercial paper	19,945	—	—	19,945
Total available-for-sale marketable debt securities	$119,740	$ 6	$ —	$119,746

The contractual maturities of debt securities classified as current available-for-sale at June 30, 2018 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, 2018.

At December 31, 2017, current available-for-sale marketable debt securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Commercial paper	$4,995	$ —	$ —	$4,995
Total available-for-sale marketable debt securities	$4,995	$ —	$ —	$4,995

The following table presents the proceeds from maturities and sales of available-for-sale marketable debt securities:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(In thousands)			
Proceeds from maturities and sales of available-for-sale marketable debt securities	$5,000	$24,000	$10,000	$99,350

The specific-identification method is used to determine the cost of available-for-sale marketable debt securities sold and the amount of unrealized gains and losses reclassified out of accumulated other comprehensive income (loss) into earnings. There were no gross realized gains or losses from the maturities and sales of available-for-sale marketable debt securities for the three and six months ended June 30, 2018 and 2017.

NOTE 6—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:

Table of Contents
IAC/INTERACTIVECORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

- Level 1: Observable inputs obtained from independent sources, such as quoted market prices for identical assets and liabilities in active markets.
- Level 2: Other inputs, which are observable directly or indirectly, such as quoted market prices for similar assets or liabilities in active markets, quoted market 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, 2018			
	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	$726,865	$—	$ —	$ 726,865
Commercial paper	—	191,852	—	191,852
Treasury discount notes	162,322	—	—	162,322
Time deposits	—	80,037	—	80,037
Certificates of deposit	—	960	—	960
Marketable securities:				
Treasury discount notes	—	99,801	$ —	99,801
Commercial paper	—	19,945	—	19,945
Marketable equity security	664	—	—	664
Total	$889,851	$ 392,595	$ —	$ 1,282,446
Liabilities:				
Contingent consideration arrangements	$—	$—	$ (1,910)	$ (1,910)

Table of Contents
IAC/INTERACTIVECORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	December 31, 2017			
	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	$780,425	$—	$ —	$ 780,425
Commercial paper	—	215,325	—	215,325
Treasury discount notes	100,457	—	—	100,457
Time deposits	—	60,000	—	60,000
Certificates of deposit	—	6,195	—	6,195
Marketable securities:				
Commercial paper	—	4,995	—	4,995
Total	$880,882	$ 286,515	$ —	$ 1,167,397
Liabilities:				
Contingent consideration arrangements	$—	$—	$ (2,647)	$ (2,647)

The Company's financial instruments that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are its contingent consideration arrangements.

	Contingent Consideration Arrangements	
	Three Months Ended June 30,	
	2018	2017
	(In thousands)	
Balance at April 1	$(1,965)	$(21,821)
Total net losses:		
Included in earnings:		
Fair value adjustments	(54)	(2,994)
Included in other comprehensive income (loss)	109	(14)
Balance at June 30	$(1,910)	$(24,829)

Table of Contents
IAC/INTERACTIVECORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Contingent Consideration Arrangements	
	Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Balance at January 1	$(2,647)	$(33,871)
Total net losses:		
Included in earnings:		
Fair value adjustments	(210)	(4,885)
Included in other comprehensive loss	(1)	(1,073)
Settlements	948	15,000
Balance at June 30	$(1,910)	$(24,829)

Contingent Consideration Arrangements

As of June 30, 2018, there are three contingent consideration arrangements related to business acquisitions. Two of the contingent consideration arrangements have limits as to the maximum amount that can be paid. The maximum contingent payments related to these arrangements is $32.0 million and the gross fair value of these arrangements, before the unamortized discount, at June 30, 2018 is $2.0 million. No payment is expected for the one contingent consideration arrangement without a limit on the maximum earnout.

The contingent consideration arrangements are based upon earnings performance and/or operating metrics. The Company generally determines the fair value of the contingent consideration arrangements by using probability-weighted analyses to determine the amounts of the gross liability, and, because the arrangements were 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 fair values of the contingent consideration arrangements at both June 30, 2018 and December 31, 2017 reflect discount rates of 12%. The fair value of contingent consideration arrangements is 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 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, 2018 and December 31, 2017 includes a current portion of $1.9 million and $0.6 million, respectively, and non-current portion of $2.0 million at December 31, 2017, which are included in “Accrued expenses and other current liabilities” and “Other long-term liabilities,” respectively, in the accompanying consolidated balance sheet. At June 30, 2018, there is no non-current portion of the contingent consideration arrangement liability.

Equity securities without readily determinable fair values

At June 30, 2018 and December 31, 2017, the carrying values of the Company's investments in equity securities without readily determinable fair values totaled $216.2 million and $63.4 million, respectively, and are included in "Long-term investments" in the accompanying consolidated balance sheet. Following the adoption of the measurement alternative under ASU No. 2016-01 on January 1, 2018, the Company's equity securities without readily determinable fair values are carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. All gains and losses on equity securities without readily determinable fair values, realized and unrealized, are recognized in "other income, net" in the accompanying consolidated statement of operations.

The following table presents a summary of realized and unrealized gains and losses recorded in other income (expense), net, as adjustments to the carrying value of equity securities without readily determinable fair values held as of June 30, 2018. The gross unrealized gains relate to the Company's remaining investments in an investee following the sale of a portion of the Company's investment during the second quarter of 2018.

IAC/INTERACTIVECORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
	(In thousands)	
Upward adjustments (gross unrealized gains)	$128,786	$128,786
Downward adjustments (including impairment) (gross unrealized losses)	(2,396)	(2,588)
Total	$126,390	$126,198

Realized and unrealized gains and losses for the Company's marketable equity security and investments without a readily determinable fair value for the three and six months ended June 30, 2018 are as follows:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
	(In thousands)	
Realized gains, net, for equity securities sold	$27,275	$27,172
Unrealized gains, net, on equity securities held	126,414	126,559
Total gains recognized, net, in other income, net	$153,689	$153,731

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 method investments, are adjusted to fair value only when an impairment charge is recognized. The Company's financial assets, comprising equity securities without readily determinable fair values, are adjusted to fair value when observable price changes are identified or an impairment charge is recognized. Such fair value measurements are based predominantly on Level 3 inputs.

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, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Current portion of long-term debt	$(13,750)	$(13,613)	$(13,750)	$(13,802)
Long-term debt, net	(1,982,271)	(2,156,890)	(1,979,469)	(2,168,108)

The fair value of long-term debt, including the current portion, is estimated using observable market prices or indices for similar liabilities, which are Level 2 inputs.

NOTE 7—LONG-TERM DEBT

Long-term debt consists of:

	June 30, 2018	December 31, 2017
	(In thousands)	
MTCH Debt:		
MTCH Term Loan due November 16, 2022	$425,000	$ 425,000
6.375% Senior Notes due June 1, 2024 (the "6.375% MTCH Senior Notes"); interest payable each June 1 and December 1	400,000	400,000
5.00% Senior Notes due December 15, 2027 (the "5.00% MTCH Senior Notes"); interest payable each June 15 and December 15	450,000	450,000
Total MTCH long-term debt	1,275,000	1,275,000
Less: unamortized original issue discount	8,010	8,668
Less: unamortized debt issuance costs	12,725	13,636
Total MTCH debt, net	1,254,265	1,252,696
ANGI Debt:		
ANGI Term Loan due November 1, 2022	268,125	275,000
Less: current portion of ANGI Term Loan	13,750	13,750
Less: unamortized debt issuance costs	2,635	2,938
Total ANGI debt, net	251,740	258,312
IAC Debt:		
0.875% Exchangeable Senior Notes due October 1, 2022 (the "Exchangeable Notes"); interest payable each April 1 and October 1	517,500	517,500
4.75% Senior Notes due December 15, 2022 (the "4.75% Senior Notes"); interest payable each June 15 and December 15	34,489	34,859
Total IAC long-term debt	551,989	552,359
Less: unamortized original issue discount	60,654	67,158
Less: unamortized debt issuance costs	15,069	16,740
Total IAC debt, net	476,266	468,461
Total long-term debt, net	$1,982,271	$ 1,979,469

MTCH Senior Notes

The 6.375% MTCH Senior Notes were issued on June 1, 2016. The proceeds of $400 million were used to prepay a portion of indebtedness outstanding under the MTCH 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.

On December 4, 2017, MTCH issued $450 million aggregate principal amount of its 5.00% Senior Notes. The proceeds from these notes, along with cash on hand, were used to redeem the $445.2 million outstanding balance of the 6.75% MTCH Senior Notes, which were due on December 15, 2022, and pay the related call premium. At any time prior to December 15, 2022, the 5.00% MTCH 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.

23

The indentures governing the 6.375% and 5.00% MTCH Senior Notes (i) contain covenants that would limit MTCH's ability to pay dividends or to make distributions and repurchase or redeem MTCH stock in the event a default has occurred or MTCH's leverage ratio (as defined in the indentures) exceeds 5.0 to 1.0 and (ii) are ranked equally with each other. At June 30, 2018, there were no limitations pursuant thereto. There are additional covenants that limit MTCH's ability and the ability of its subsidiaries to, among other things, (i) incur indebtedness, make investments, or sell assets in the event MTCH is not in compliance with certain ratios set forth in the indentures, and (ii) incur liens, enter into agreements restricting MTCH subsidiaries' ability to pay dividends, enter into transactions with affiliates and consolidate, merge or sell substantially all of their assets.

MTCH Term Loan and MTCH Credit Facility

At both June 30, 2018 and December 31, 2017, the outstanding balance on the MTCH Term Loan was $425 million and the loan bears interest at LIBOR plus 2.50%. The interest rate of the MTCH Term Loan was 4.59% and 3.85% at June 30, 2018 and December 31, 2017, respectively. The MTCH Term Loan provides for 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 credit agreement. Interest payments are due at least quarterly through the term of the loan.

MTCH has a $500 million revolving credit facility (the "MTCH Credit Facility") that expires on October 7, 2020. At June 30, 2018 and December 31, 2017, there were no outstanding borrowings under the MTCH Credit Facility. The annual commitment fee on undrawn funds based on the current leverage ratio is 30 basis points. Borrowings under the MTCH Credit Facility bear interest, at MTCH'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 MTCH's consolidated net leverage ratio. The terms of the MTCH Credit Facility require MTCH 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 MTCH Credit Facility and the MTCH Term Loan that limit the ability of MTCH and its subsidiaries to, among other things, incur indebtedness, pay dividends or make distributions. While the MTCH Term Loan remains outstanding, these same covenants under its credit agreement are generally more restrictive than the covenants that are applicable to the MTCH Credit Facility. Obligations under the MTCH Credit Facility and MTCH Term Loan are unconditionally guaranteed by certain MTCH wholly-owned domestic subsidiaries, and are also secured by the stock of certain MTCH domestic and foreign subsidiaries. The MTCH Term Loan and outstanding borrowings, if any, under the MTCH Credit Facility rank equally with each other, and have priority over the 6.375% and 5.00% MTCH Senior Notes to the extent of the value of the assets securing the borrowings under the MTCH credit agreement.

ANGI Term Loan:

At June 30, 2018 and December 31, 2017, the outstanding balance on the ANGI Term Loan was $268.1 million and $275.0 million respectively. The ANGI Term Loan bears interest at LIBOR plus 2.00%, which is subject to change in future periods based on ANGI's consolidated net leverage ratio, and was 4.36% and 3.38% at June 30, 2018 and December 31, 2017, respectively. Interest payments are due at least quarterly through the term of the loan and quarterly principal payments of 1.25% of the original principal amount in the first three years, 2.5% in the fourth year and 3.75% in the fifth year are required.

The terms of the ANGI Term Loan require ANGI to maintain a consolidated net leverage ratio of not more than 4.5 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 credit agreement). There are additional covenants under the ANGI Term Loan that limit the ability of ANGI and its subsidiaries to, among other things, incur indebtedness, pay dividends or make distributions. The ANGI Term Loan is guaranteed by ANGI's wholly-owned material domestic subsidiaries and is secured by substantially all assets of ANGI and the guarantors, subject to certain exceptions.

IAC Exchangeable Notes:

On October 2, 2017, IAC FinanceCo, Inc., a direct, wholly-owned subsidiary of the Company, issued $517.5 million aggregate principal amount of its 0.875% Exchangeable Senior Notes (the “Exchangeable Notes”). The Exchangeable

Notes are guaranteed by the Company. Each $1,000 of principal of the Exchangeable Notes is exchangeable for 6.5713 shares of the Company's common stock, which is equivalent to an exchange price of approximately $152.18 per share, subject to adjustment upon the occurrence of specified events. Upon exchange, the Company has the right to settle the principal amount of

Exchangeable Notes with any of the three following alternatives: (1) shares of our common stock, (2) cash or (3) a combination of cash and shares of our common stock.

The Exchangeable Notes are exchangeable at any time prior to the close of business on the business day immediately preceding July 1, 2022 only under the following circumstances: (1) during any calendar quarter (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days during the immediately preceding calendar quarter is greater than or equal to 130% of the exchange price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the exchange rate on each such trading day; (3) if the issuer calls the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events as further described under the indenture governing the Exchangeable Notes. On or after July 1, 2022 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may exchange all or any portion of their Exchangeable Notes regardless of the foregoing conditions.

A portion of the net proceeds from the sale of the Exchangeable Notes of $499.5 million, after deducting fees and expenses, was used to pay the net premium of $50.7 million on the Exchangeable Note Hedge and Warrant (defined below).

We separately account for the debt and the equity components of the Exchangeable Notes. Accordingly, the Company recorded a debt discount and corresponding increase to additional paid-in capital of $70.4 million, which is the fair value attributed to the exchange feature or equity component of the debt, on the date of issuance. The Company is amortizing the debt discount utilizing the effective interest method over the life of the Exchangeable Notes which increases the effective interest rate from its coupon rate of 0.875% to 3.88%.

In connection with the debt offering, the Company purchased call options allowing the Company to purchase initially (subject to adjustment upon the occurrence of specified events) the entire 3.4 million shares that would be issuable upon the exchange of the Exchangeable Notes at approximately $152.18 per share (the "Exchangeable Note Hedge"), and sold warrants allowing the holder to purchase initially (subject to adjustment upon the occurrence of specified events) 3.4 million shares at $229.70 per share (the "Warrant"). The Exchangeable Note Hedge is expected to reduce the potential dilutive effect of the Company's common stock upon any exchange of notes and/or offset any cash payment IAC FinanceCo, Inc. is required to make in excess of the principal amount of the exchanged notes. The Warrants would separately have a dilutive effect on the Company's common stock to the extent that the market price per share of the Company common stock exceeds the applicable strike price of the Warrants.

As of June 30, 2018, the if-converted value of the Exchangeable Notes exceeds its principal amount by $1.1 million based on the Company's stock price on June 30, 2018.

For the three and six months ended June 30, 2018, the Company incurred interest expense of $5.3 million and $10.5 million, which includes amortization of original issue discount of $3.3 million and $6.5 million, and debt issuance costs of $0.8 million and $1.7 million, respectively. As of June 30, 2018, the unamortized discount is $60.7 million resulting in a net carrying value of the liability component of $456.8 million.

IAC Senior Notes

The 4.75% Senior Notes were issued by IAC on December 21, 2012. These Notes are unconditionally guaranteed by certain of our wholly-owned domestic subsidiaries, which are designated as guarantor subsidiaries. See "Note 13—Guarantor and Non-Guarantor Financial Information" for financial information relating to guarantor and non-guarantor subsidiaries. The 4.75% Senior 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.

IAC Credit Facility

IAC has a $300 million revolving credit facility (the "IAC Credit Facility") that expires October 7, 2020. At June 30, 2018 and December 31, 2017, there were no outstanding borrowings under the IAC Credit Facility. The annual commitment

fee on undrawn funds is 25 basis points, and is based on the leverage ratio (as defined in the agreement) 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 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 substantially the same domestic subsidiaries that guarantee the 4.75% Senior Notes and are also secured by the stock of certain of our domestic and foreign subsidiaries. The 4.75% Senior Notes are subordinate to the outstanding borrowings under the IAC Credit Facility to the extent of the value of the assets securing such borrowings.

NOTE 8—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, 2018		
	Foreign Currency Translation Adjustment	Unrealized Gains On Available-For-Sale Securities	Accumulated Other Comprehensive Loss
	(In thousands)		
Balance as of April 1	$(74,950)	$ —	$ (74,950)
Other comprehensive (loss) income before reclassifications	(37,589)	13	(37,576)
Amounts reclassified to earnings	(191)	—	(191)
Net current period other comprehensive (loss) income	(37,780)	13	(37,767)
Balance as of June 30	$(112,730)	$ 13	$ (112,717)

	Three Months Ended June 30, 2017		
	Foreign Currency Translation Adjustment	Unrealized Gains On Available-For-Sale Securities	Accumulated Other Comprehensive (Loss) Income
	(In thousands)		
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	(29)	(4,033) [(a)]	(4,062)
Net current period other comprehensive income (loss)	14,635	(4,028)	10,607
Balance as of June 30	$(136,738)	$ —	$ (136,738)

[(a)] Amount includes a tax benefit of $3.8 million.

Table of Contents
IAC/INTERACTIVECORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Six Months Ended June 30, 2018		
	Foreign Currency Translation Adjustment	Unrealized Gains On Available-For-Sale Securities	Accumulated Other Comprehensive (Loss) Income
	(In thousands)		
Balance as of January 1	$(103,568)	$ —	$ (103,568)
Other comprehensive (loss) income before reclassifications	(9,110)	13	(9,097)
Amounts reclassified to earnings	(52)	—	(52)
Net current period other comprehensive (loss) income	(9,162)	13	(9,149)
Balance as of June 30	$(112,730)	$ 13	$ (112,717)

	Six Months Ended June 30, 2017		
	Foreign Currency Translation Adjustment	Unrealized Gains On Available-For-Sale Securities	Accumulated Other Comprehensive (Loss) Income
	(In thousands)		
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) [b]	(3,348)
Net current period other comprehensive income (loss)	33,411	(4,026)	29,385
Balance as of June 30	$(136,738)	$ —	$ (136,738)

---

[b] Amount includes a tax benefit of $3.8 million.

The amounts reclassified out of foreign currency translation adjustment into earnings for both the three and six months ended June 30, 2018 and 2017 relate to the liquidation of international subsidiaries.

NOTE 9—EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share attributable to IAC shareholders:

Table of Contents
IAC/INTERACTIVECORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Three Months Ended June 30,			
	2018		2017	
	Basic	Diluted	Basic	Diluted
	(In thousands, except per share data)			
Numerator:				
Net earnings	$280,854	$280,854	$80,557	$80,557
Net earnings attributable to noncontrolling interests	(62,501)	(62,501)	(14,289)	(14,289)
Impact from public subsidiaries' dilutive securities [a]	—	(6,994)	—	(7,925)
Net earnings attributable to IAC shareholders	$218,353	$211,359	$66,268	$58,343
Denominator:				
Weighted average basic shares outstanding	83,604	83,604	79,067	79,067
Dilutive securities [a] [b] [c] [d]	—	7,330	—	4,711
Denominator for earnings per share—weighted average shares [a] [b] [c] [d]	83,604	90,934	79,067	83,778
Earnings per share attributable to IAC shareholders:				
Earnings per share	$2.61	$2.32	$0.84	$0.70

	Six Months Ended June 30,			
	2018		2017	
	Basic	Diluted	Basic	Diluted
	(In thousands, except per share data)			
Numerator:				
Net earnings	$368,693	$368,693		