

IAC/INTERACTIVECORP
Form 10-Q
November 09, 2016

As filed with the Securities and Exchange Commission on November 9, 2016

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 September 30, 2016

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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Non-accelerated filer ☐

Large accelerated filer ☒ Accelerated filer ☐ (Do not check if a smaller Smaller reporting company or
reporting company)

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

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As of October 28, 2016, the following shares of the registrant's common stock were outstanding:

Common Stock	73,500,407
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Class B Common Stock	5,789,499
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Total outstanding Common Stock	79,289,906
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The aggregate market value of the voting common stock held by non-affiliates of the registrant as of October 28, 2016 was \$4,742,356,140. 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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PART I

FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

IAC/INTERACTIVECORP

CONSOLIDATED BALANCE SHEET

(Unaudited)

	September 30, 2016	December 31, 2015
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 1,189,784	\$ 1,481,447
Marketable securities	177,862	39,200
Accounts receivable, net of allowance of \$16,650 and \$16,528, respectively	199,328	250,077
Other current assets	232,556	174,286
Total current assets	1,799,530	1,945,010
Property and equipment, net of accumulated depreciation and amortization of \$319,804 and \$284,494, respectively	317,277	302,817
Goodwill	1,942,556	2,245,364
Intangible assets, net	382,296	440,828
Long-term investments	126,855	137,386
Other non-current assets	102,646	117,286
TOTAL ASSETS	\$4,671,160	\$ 5,188,691
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current portion of long-term debt	\$ —	\$ 40,000
Accounts payable, trade	72,268	86,883
Deferred revenue	284,227	258,412
Accrued expenses and other current liabilities	346,094	383,251
Total current liabilities	702,589	768,546
Long-term debt, net of current portion	1,641,285	1,726,954
Income taxes payable	35,800	33,692
Deferred income taxes	250,883	348,773
Other long-term liabilities	39,244	64,510
Redeemable noncontrolling interests	31,160	30,391
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Common stock \$.001 par value; authorized 1,600,000,000 shares; issued 255,496,433 and 254,014,976 shares, respectively and outstanding 73,442,278 and 77,245,709 shares, respectively	255	254
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	11,906,822	11,486,315

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Retained earnings	188,063	331,394
Accumulated other comprehensive loss	(122,684)	(152,103)
Treasury stock 192,422,155 and 187,137,267 shares, respectively	(10,108,606)	(9,861,350)
Total IAC shareholders' equity	1,863,866	1,804,526
Noncontrolling interests	106,333	411,299
Total shareholders' equity	1,970,199	2,215,825
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$4,671,160	\$5,188,691

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

IAC/INTERACTIVECORP
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands, except per share data)			
Revenue	\$764,102	\$838,561	\$2,328,720	\$2,382,205
Operating costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	179,131	199,377	543,262	564,077
Selling and marketing expense	292,393	343,110	970,259	1,030,302
General and administrative expense	128,829	134,122	417,206	378,265
Product development expense	45,947	46,859	151,688	138,546
Depreciation	17,951	15,625	51,321	46,693
Amortization of intangibles	14,267	12,338	65,062	39,304
Goodwill impairment	—	—	275,367	—
Total operating costs and expenses	678,518	751,431	2,474,165	2,197,187
Operating income (loss)	85,584	87,130	(145,445)	185,018
Interest expense	(27,118)	(15,992)	(82,622)	(45,270)
Other income, net	11,700	34,398	20,405	39,748
Earnings (loss) from continuing operations before income taxes	70,166	105,536	(207,662)	179,496
Income tax (provision) benefit	(17,826)	(40,510)	77,394	(34,722)
Earnings (loss) from continuing operations	52,340	65,026	(130,268)	144,774
Earnings (loss) from discontinued operations, net of tax	—	17	—	(11)
Net earnings (loss)	52,340	65,043	(130,268)	144,763
Net (earnings) loss attributable to noncontrolling interests	(9,178)	568	(13,063)	6,558
Net earnings (loss) attributable to IAC shareholders	\$43,162	\$65,611	\$(143,331)	\$151,321
Per share information attributable to IAC shareholders:				
Basic earnings (loss) per share from continuing operations	\$0.54	\$0.79	\$(1.78)	\$1.82
Diluted earnings (loss) per share from continuing operations	\$0.49	\$0.74	\$(1.78)	\$1.71
Basic earnings (loss) per share	\$0.54	\$0.79	\$(1.78)	\$1.82
Diluted earnings (loss) per share	\$0.49	\$0.74	\$(1.78)	\$1.71
Dividends declared per share	\$—	\$0.34	\$—	\$1.02
Stock-based compensation expense by function:				
Cost of revenue	\$597	\$307	\$1,904	\$846
Selling and marketing expense	1,465	2,442	5,026	7,284
General and administrative expense	18,248	21,683	59,957	56,320
Product development expense	3,351	2,577	15,723	7,419
Total stock-based compensation expense	\$23,661	\$27,009	\$82,610	\$71,869

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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Net earnings (loss)	\$52,340	\$65,043	\$(130,268)	\$144,763
Other comprehensive (loss) income, net of tax:				
Change in foreign currency translation adjustment ^(a)	(4,808)	(10,603)	7,596	(58,604)
Change in unrealized gains and losses of available-for-sale securities (net of tax benefits of \$85 and \$868 for the three and nine months ended September 30, 2016, respectively, and net of tax benefits of \$277 and \$95 for the three and nine months ended September 30, 2015, respectively) ^(b)	(145)	(3,617)	1,510	632
Total other comprehensive (loss) income, net of tax	(4,953)	(14,220)	9,106	(57,972)
Comprehensive income (loss)	47,387	50,823	(121,162)	86,791
Comprehensive (income) loss attributable to noncontrolling interests	(9,502)	595	(13,881)	7,742
Comprehensive income (loss) attributable to IAC shareholders	\$37,885	\$51,418	\$(135,043)	\$94,533

^(a) The nine months ended September 30, 2016 and the three and nine months ended September 30, 2015 include amounts reclassified out of other comprehensive income into earnings. See Note 8 - Accumulated Other Comprehensive Loss for additional information.

^(b) The three and nine months ended September 30, 2016 and 2015 include unrealized gains reclassified out of other comprehensive income into earnings. See Note 5 - Marketable Securities and Note 8 - 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
Nine Months Ended September 30, 2016
(Unaudited)

	IAC Shareholders' Equity										Total IAC Shareholders' Equity	Noncontrolling Interests
	Redeemable Noncontrolling Interests	Common Stock \$.001 Par Value		Class B Convertible Common Stock \$.001 Par Value		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock			
		\$	Shares	\$	Shares							
(In thousands)												
Balance at December 31, 2015	\$30,391	\$254	254,015	\$16	16,157	\$11,486,315	\$331,394	\$(152,103)	\$(9,861,350)	)	\$1,804,526	\$4
Net (loss) earnings	(3,091)	)	—	—	—	—	(143,331)	)	—	—	(143,331)	) 16
Other comprehensive income, net of tax	86	—	—	—	—	—	—	8,288	—	—	8,288	73
Stock-based compensation expense	1,224	—	—	—	—	40,046	—	—	—	—	40,046	35
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	1	1,481	—	—	(7,024)	)	—	—	—	(7,023)	) —
Income tax benefit related to stock-based awards	—	—	—	—	—	44,768	—	—	—	—	44,768	—
Purchase of treasury stock	—	—	—	—	—	—	—	—	(247,256)	)	(247,256)	) —
Purchase of redeemable noncontrolling interests	(2,529)	)	—	—	—	—	—	—	—	—	—	—
Adjustment of redeemable noncontrolling interests to fair value	6,282	—	—	—	—	(5,921)	)	—	—	—	(5,921)	) —
	—	—	—	—	—	—	—	—	—	—	—	80

Issuance of Match Group common stock pursuant to stock-based awards, net of withholding taxes													
Reallocation of shareholders' equity balances related to the noncontrolling interests created in the Match Group initial public offering	—	—	—	—	—	342,507	—	21,131	—	363,638	(30		
Changes in noncontrolling interests of Match Group due to the issuance of its common stock	—	—	—	—	—	(6,061	) —	—	—	(6,061	) 6,0		
Noncontrolling interests created in a recent acquisition	—	—	—	—	—	12,222	—	—	—	12,222	—		
Other	(1,203	) —	—	—	—	(30	) —	—	—	(30	) (30		
Balance at September 30, 2016	\$31,160	\$255	255,496	\$16	16,157	\$11,906,822	\$188,063	\$(122,684)	\$(10,108,606)	\$1,863,866	\$1		

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

IAC/INTERACTIVECORP
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
Cash flows from operating activities attributable to continuing operations:		
(Loss) earnings from continuing operations	\$(130,268)	\$144,774
Adjustments to reconcile (loss) earnings from continuing operations to net cash provided by operating activities attributable to continuing operations:		
Stock-based compensation expense	82,610	71,869
Depreciation	51,321	46,693
Amortization of intangibles	65,062	39,304
Goodwill impairment	275,367	—
Excess tax benefits from stock-based awards	(43,131)	(49,147)
Deferred income taxes	(99,955)	(7,851)
Equity in losses of unconsolidated affiliates	340	78
Acquisition-related contingent consideration fair value adjustments	7,993	(17,906)
Gains on sale of businesses and investments, net	(13,416)	(523)
Gain on real estate transaction	—	(33,586)
Other adjustments, net	21,882	15,679
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	32,950	(25,822)
Other assets	(19,775)	(13,746)
Accounts payable and other current liabilities	(63,669)	(17,635)
Income taxes payable	(37,081)	(13,748)
Deferred revenue	31,352	45,674
Net cash provided by operating activities attributable to continuing operations	161,582	184,107
Cash flows from investing activities attributable to continuing operations:		
Acquisitions, net of cash acquired	(2,524)	(43,286)
Capital expenditures	(62,739)	(44,558)
Investments in time deposits	(87,500)	—
Proceeds from maturities of time deposits	87,500	—
Proceeds from maturities and sales of marketable debt securities	79,210	192,928
Purchases of marketable debt securities	(229,246)	(93,134)
Purchases of investments	(7,211)	(25,073)
Net proceeds from the sale of businesses and investments	110,536	8,551
Other, net	5,562	(4,095)
Net cash used in investing activities attributable to continuing operations	(106,412)	(8,667)
Cash flows from financing activities attributable to continuing operations:		
Purchase of treasury stock	(247,256)	(200,000)
Proceeds from Match Group 2016 Senior Notes offering	400,000	—
Principal payments on Match Group Term Loan	(410,000)	—
Principal payment on Liberty Bonds	—	(80,000)
Debt issuance costs	(5,048)	—
Redemption and repurchase of Senior Notes	(126,271)	—
Dividends	—	(84,947)

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Issuance of IAC common stock pursuant to stock-based awards, net of withholding taxes	(7,148	) (40,197)
Issuance of Match Group common stock pursuant to stock-based awards, net of withholding taxes	467	—
Excess tax benefits from stock-based awards	43,131	49,147
Purchase of noncontrolling interests	(2,529	) (29,899)
Acquisition-related contingent consideration payments	(2,180	) (5,712)
Decrease in restricted cash related to bond redemptions	20,000	—
Other, net	(766	) 512
Net cash used in financing activities attributable to continuing operations	(337,600	) (391,096)
Total cash used in continuing operations	(282,430	) (215,656)
Total cash used in discontinued operations	—	(190)
Effect of exchange rate changes on cash and cash equivalents	(9,233	) (8,111)
Net decrease in cash and cash equivalents	(291,663	) (223,957)
Cash and cash equivalents at beginning of period	1,481,447	990,405
Cash and cash equivalents at end of period	\$1,189,784	\$766,448

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

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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, About.com, Dictionary.com, The Daily Beast, Investopedia, and Match Group's online dating portfolio, which includes Match, OkCupid, Tinder and PlentyOfFish.

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

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 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

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 those estimates.

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 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Certain Risks and Concentrations

A significant 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 Company's service agreement became effective on April 1, 2016, following the expiration of the previous services agreement. The services agreement expires on March 31, 2020; 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 own 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 nine months ended September 30, 2016, revenue earned from Google was \$172.0 million and \$638.2 million, respectively. For the three and nine months ended September 30, 2015, revenue earned from Google was \$332.0 million and \$979.8 million, respectively. This revenue is earned by the businesses comprising the Publishing and Applications segments. For the three and nine months ended September 30, 2016, revenue earned from Google represents 66% and 76% of Publishing revenue and 85% and 87% of Applications revenue, respectively. For the three and nine months ended September 30, 2015, revenue earned from Google represents 85% and 84% of Publishing revenue and 93% and 94% of Applications revenue, respectively. Accounts receivable related to revenue earned from Google totaled \$59.2 million and \$97.2 million at September 30, 2016 and December 31, 2015, respectively.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which makes clarifications to how cash receipts and cash payments in certain transactions are presented and classified on the statement of cash flows. The provisions of ASU 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. 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 method and timing of adoption.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payments Accounting (Topic 718). The update is intended to simplify existing guidance on various aspects of the accounting and presentation of employee share-based payments in financial statements including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification on the statement of cash flows. The provisions of ASU 2016-09 are effective for reporting periods beginning after December 15, 2016; early adoption is permitted.

The primary effects of the adoption of ASU 2016-09 on the Company's results of operations, cash flows and earnings per share will be due to the change in the treatment of the excess tax benefit (deficiency) related to equity awards to employees upon exercise of stock options and the vesting of restricted stock units. The table below illustrates this effect.

Excess tax benefit (deficiency) of equity awards to employees upon exercise of stock options and the vesting of restricted stock units:	Accounting under current GAAP:	Accounting following adoption of ASU 2016-09:
Statement of operations	Treated as an increase (or decrease) to additional paid-in capital when realized	Included in the determination of the

	(i.e., reduction of income taxes payable)	income tax provision or benefit upon option exercise or share vesting
Statement of cash flows	Treated as a financing cash flow	Treated as an operating cash flow
Calculation of fully diluted shares for the determination of earnings per share	Included as a component of the assumed proceeds in applying the treasury stock method	Excluded from the assumed proceeds in applying the treasury stock method

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The expected effect of the adoption of ASU 2016-09 for the Company will be to increase reported net earnings (or reduce reported net loss) and increase operating cash flow and basic earnings per share (or reduce reported net loss per share). The number of shares used in the calculation of fully diluted earnings per share will also increase due to the reduction in assumed proceeds under the treasury stock method. The actual effect on fully diluted earnings per share could be an increase or a decrease in any period, which will depend upon the increase in reported earnings and the increase in the number of shares included in the fully diluted earnings per share calculation.

The Company will adopt the change in treatment of excess tax benefit (deficiency) as of January 1, 2017 using the modified retrospective approach with the cumulative effect recognized as of the date of initial adoption and will apply the provisions of ASU 2016-09 related to the presentation on the statement of cash flows using the prospective approach.

To illustrate the effect of ASU 2016-09 on the Company's results for the nine months ended September 30, 2016, the table below illustrates the change in the Company's reported results after giving pro forma effect to ASU 2016-09 as if it had been in effect on January 1, 2016.

	Reported results under current GAAP	Pro forma results assuming ASU 2016-09 had been in effect on January 1, 2016
	(In thousands, except per share data)	
Net loss	\$(130,268)	\$(85,500)
Net earnings attributable to noncontrolling interests	13,063	13,063
Net loss attributable to IAC shareholders	(143,331)	(98,563)
Cash flows provided by operating activities attributable to continuing operations	161,582	204,713
Cash flows used in financing activities attributable to continuing operations	(337,600)	(380,731)
Basic loss per share from continuing operations	\$(1.78)	\$(1.23)
Fully diluted loss per share from continuing operations	\$(1.78)	\$(1.23)

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 2016-02 are effective for reporting periods beginning after December 15, 2018; early adoption is permitted. The provisions of ASU 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 April 2015, the FASB issued ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, and in August 2015, the FASB issued ASU 2015-15, Interest-Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. Together, this guidance requires that deferred debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the associated debt liability, while debt issuance costs related to line-of-credit arrangements may still continue to be classified as assets. The Company adopted the provisions of ASU 2015-03 and ASU 2015-15 in the first quarter of 2016 and applied the provisions retrospectively, resulting in \$21.3 million of deferred debt issuance costs being reclassified from other non-current assets to long-term

debt, net of current portion, in the accompanying December 31, 2015 consolidated balance sheet.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which clarifies the principles for recognizing revenue and develops a common standard for all industries. In July 2015, the FASB decided to defer the effective date for annual reporting periods beginning after December 15, 2017. In March, April and May 2016, the FASB issued ASU 2016-08, ASU 2016-10 and ASU 2016-12, respectively, which provide further revenue recognition guidance related to principal versus agent considerations, performance obligations and licensing, and narrow-scope improvements and practical expedients. Early adoption is permitted beginning on the original effective date of December 15, 2016. Upon adoption, ASU 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. The Company is currently evaluating the

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IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

impact the adoption of this standard update will have on its consolidated financial statements. The Company will adopt this standard using the modified retrospective approach effective January 1, 2018.

Reallocation of Noncontrolling Interests

During the quarter ended March 31, 2016, the Company reallocated amounts within the accounts comprising shareholders' equity to correct the amount of noncontrolling interests that was initially recorded following the initial public offering ("IPO") of Match Group, which occurred on November 24, 2015. The noncontrolling interests should have been recorded using the net book value of Match Group rather than the net IPO proceeds. In addition, the adjustment allocates the proportionate share of the accumulated other comprehensive loss to the noncontrolling interests balance. The reallocation has no effect on net income or earnings per share. Based on our assessment of both qualitative and quantitative factors, the reallocation was not considered material to the consolidated financial statements of the Company as of and for: (i) the year ended December 31, 2015, (ii) the three months ended March 31, 2016; (iii) the six months ended June 30, 2016; and (iv) the nine months ended September 30, 2016. Therefore, the adjustment was initially reflected in the consolidated financial statements of the Company as of and for the three months ended March 31, 2016 and will, therefore, also be reflected in the year-to-date consolidated financial statements of each subsequent interim period in 2016 and the annual consolidated financial statements for the year ending December 31, 2016.

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 nine months ended September 30, 2016, the Company recorded an income tax provision for continuing operations of \$17.8 million and an income tax benefit for continuing operations of \$77.4 million, respectively, which represents effective income tax rates of 25% and 37%, respectively. The effective tax rate for the three months ended September 30, 2016 is lower than the statutory rate of 35% due primarily to foreign income taxed at lower rates. The effective tax rate for the nine months ended September 30, 2016 is higher than the statutory rate of 35% due primarily to foreign income taxed at lower rates, state taxes and the non-taxable gain on the sale of PriceRunner, partially offset by the non-deductible portion of the goodwill impairment at the Publishing segment. For the three and nine months ended September 30, 2015, the Company recorded an income tax provision for continuing operations of \$40.5 million and \$34.7 million, respectively, which represents effective income tax rates of 38% and 19%, respectively. The effective tax rate for the three months ended September 30, 2015 is higher than the statutory rate of 35% due primarily to state taxes, partially offset by foreign income taxed at lower rates. The effective tax rate for the nine months ended September 30, 2015 is lower than the statutory rate of 35% due primarily to the realization

of certain deferred tax assets, a reduction in tax reserves and related interest due to the expiration of statutes of limitations and the non-taxable gain on contingent consideration fair value adjustments.

The Company recognizes interest and, if applicable, penalties related to unrecognized tax benefits in the income tax provision. At September 30, 2016 and December 31, 2015, the Company has accrued \$2.8 million and \$2.5 million,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

respectively, for the payment of interest. At September 30, 2016 and December 31, 2015, the Company has accrued \$1.8 million and \$2.2 million, respectively, 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 March 31, 2017. 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 September 30, 2016 and December 31, 2015, unrecognized tax benefits, including interest, are \$41.3 million and \$43.4 million, respectively. If unrecognized tax benefits at September 30, 2016 are subsequently recognized, \$38.2 million, net of related deferred tax assets and interest, would reduce the income tax provision for continuing operations. The comparable amount as of December 31, 2015 was \$41.0 million. The Company believes that it is reasonably possible that its unrecognized tax benefits could decrease by \$14.4 million within twelve months of September 30, 2016 due to expirations of statutes of limitations; \$14.0 million of which would reduce the income tax provision for continuing operations.

NOTE 3—BUSINESS COMBINATION

On October 28, 2015, Match Group completed the purchase of all the outstanding shares of Plentyoffish Media Inc. ("PlentyOfFish"), a leading provider of subscription-based and ad-supported online personals servicing North America, Europe, Latin America and Australia. Services are provided through websites and mobile applications that PlentyOfFish owns and operates. The purchase price was \$574.1 million in cash and is net of a \$0.9 million working capital adjustment paid to Match Group in the second quarter of 2016. The financial results of PlentyOfFish are included in the Company's consolidated financial statements, within the Match Group segment, beginning October 28, 2015.

The table below summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

	(In thousands)
Cash and cash equivalents	\$4,626
Other current assets	4,460
Computer and other equipment	2,990
Goodwill	488,644
Intangible assets	84,100
Other non-current assets	1,073
Total assets	585,893
Current liabilities	(6,418)
Other long-term liabilities	(5,325)
Net assets acquired	\$ 574,150

The purchase price was based on the expected financial performance of PlentyOfFish, not on the value of the net identifiable assets at the time of acquisition, which resulted in a significant portion of the purchase price being attributed to goodwill. The expected financial performance of PlentyOfFish reflects that it is complementary and synergistic to the existing Match Group dating businesses.

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(Unaudited)

Intangible assets are as follows:

	(In thousands)	Weighted-Average Useful Life (Years)
Indefinite-lived trade name	\$ 66,300	Indefinite
Customer relationships	10,100	Less than 1
New registrants	3,100	Less than 1
Non-compete agreement	3,000	5
Developed technology	1,600	2

Total intangible assets acquired \$ 84,100

PlentyOfFish's other current assets, property and equipment, other non-current assets, current liabilities and other long-term liabilities were reviewed and adjusted to their fair values at the date of acquisition, as necessary. The fair values of trade names, customer relationships and the non-compete agreement were determined using variations of the income approach; specifically, in respective order, the relief from royalty, excess earnings and with or without methodologies. The fair values of new registrants and developed technology were determined using a cost approach that utilized the cost to replace methodology. The valuations of the intangible assets incorporate significant unobservable inputs and require significant judgment and estimates, including the amount and timing of future cash flows and the determination of royalty and discount rates. The amount attributed to goodwill is not tax deductible.

Pro forma Financial Information

The unaudited pro forma financial information in the table below presents the combined results of the Company and PlentyOfFish as if the acquisition of PlentyOfFish had occurred on January 1, 2015. The 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 acquisition actually occurred on January 1, 2015. For the three and nine months ended September 30, 2015, pro forma adjustments reflected below include decreases to revenue of \$0.6 million and \$9.0 million, respectively, related to the write-off of deferred revenue at the date of acquisition and increases of \$3.7 million and \$12.7 million, respectively, in amortization of intangible assets.

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
	(In thousands, except per share data)	
Revenue	\$860,320	\$2,435,475
Net earnings attributable to IAC shareholders	\$70,803	\$160,750
Basic earnings per share attributable to IAC shareholders	\$0.85	\$1.94
Diluted earnings per share attributable to IAC shareholders	\$0.80	\$1.82

NOTE 4—GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets, net are as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	September 30, 2016	December 31, 2015
	(In thousands)	
Goodwill	\$ 1,942,556	\$ 2,245,364
Intangible assets with indefinite lives	337,429	380,137
Intangible assets with definite lives, net	44,867	60,691
Total goodwill and intangible assets, net	\$ 2,324,852	\$ 2,686,192

The following table presents the balance of goodwill by reportable segment, including the changes in the carrying value of goodwill, for the nine months ended September 30, 2016:

	Balance at December 31, 2015	Additions	Deductions	Impairment	Foreign Exchange Translation	Balance at September 30, 2016
	(In thousands)					
Match Group	\$ 1,293,109	\$ 603	\$ (2,983)	\$ —	\$ 21,232	\$ 1,311,961
HomeAdvisor	150,251	—	—	—	200	150,451
Video	15,590	9,649	—	—	—	25,239
Applications	447,242	—	—	—	—	447,242
Publishing	277,192	—	(1,968)	(275,367)	143	—
Other	61,980	—	(55,117)	—	800	7,663
Total	\$ 2,245,364	\$ 10,252	\$ (60,068)	\$ (275,367)	\$ 22,375	\$ 1,942,556

The September 30, 2016 goodwill balance reflects accumulated impairment losses of \$598.0 million, \$529.1 million, \$42.1 million and \$11.6 million at Publishing, Applications, ShoeBuy (included in the Other segment), and Connected Ventures (included in the Video segment), respectively.

The additions primarily relate to the acquisition of VHX (included in the Video segment). The deductions primarily relate to the sale of PriceRunner (included in the Other segment).

The Company performs its annual impairment assessment of goodwill and indefinite-lived intangible assets as of October 1. In each reporting period, the Company assesses whether any events have occurred or circumstances have changed that would make it more likely than not that the fair values of its reporting units and indefinite-lived intangible assets are below their respective carrying values. If the Company so concludes, the Company updates its estimate of the fair value of the applicable reporting unit and/or indefinite-lived intangible asset. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If the carrying value of a reporting unit exceeds its estimated fair value, then the second step of the goodwill impairment test must be performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with its carrying value to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment is recognized in an amount equal to the excess. Similarly, if the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment is recorded equal to the excess.

The Company concluded that it was more likely than not that the carrying value of the Publishing reporting unit and its indefinite-lived intangible assets were in excess of their respective fair values as of June 30, 2016 and, therefore, updated its estimated fair values of these assets as of that date. This conclusion was based upon the impact of the new Google contract, traffic trends and monetization challenges and the anticipated corresponding impact on our estimate

of fair value. In performing the first step of the goodwill impairment assessment, the Company determined the fair value of the Publishing reporting unit using both an income approach based on discounted cash flows ("DCF") and a market approach. Determining fair value using a DCF analysis requires the exercise of significant judgment with respect to several items, including judgment

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about the amount and timing of expected future cash flows and appropriate discount rates. The expected cash flows used in the Publishing DCF analysis were based on the Company's most recent forecast for the second half of 2016 and each of the years in the forecast period, which were updated to include the effects of the new Google contract, traffic trends and monetization challenges and the cost savings from our restructuring efforts. For years beyond the forecast period, the Company's estimated cash flows were based on forecasted growth rates. The discount rate used in the DCF analysis reflects the risks inherent in the expected future cash flows of the Publishing reporting unit.

Determining fair value using a market approach considers multiples of financial metrics based on both acquisitions and trading multiples of a selected peer group of companies. From the comparable companies, a representative market multiple was determined which was applied to financial metrics to estimate the fair value of the Publishing reporting unit. To determine a peer group of companies for Publishing, we considered companies relevant in terms of business model, revenue profile, margin and growth characteristics and brand strength.

The second step of the impairment calculation is to determine the fair value of the goodwill of the Publishing reporting unit. The estimated fair value of the Publishing reporting unit was allocated to all of its assets and liabilities (which included unrecognized intangible assets) as if the Publishing reporting unit had been acquired in a business combination on June 30, 2016 and the fair value of the reporting unit was the purchase price paid. Publishing's other current assets, property and equipment, other non-current assets, current liabilities and other long-term liabilities were reviewed and adjusted to their fair values at June 30, 2016 as necessary. The fair values of trade names, advertiser relationships, and certain existing content at About.com were determined using variations of the income approach; specifically, in respective order, the relief from royalty, with or without and excess earnings methodologies. The fair values of developed technology and certain existing content at Investopedia were determined using a cost approach that utilized the cost to replace methodology. The valuations of the intangible assets incorporate significant unobservable inputs and require significant judgment and estimates, including the amount and timing of future cash flows and the determination of royalty and discount rates. The fair value of the goodwill of the Publishing reporting unit was determined to be zero and an impairment of the entire goodwill balance of \$275.4 million was recognized in the second quarter of 2016.

The Company also recorded impairments of \$11.6 million of certain trade names and trademarks in the second quarter of 2016. The impairments were due to reduced level of revenue and profits, which, in turn, also led to a reduction in the assumed royalty rates for these assets. The royalty rates used to value the trade names that were impaired ranged from 2% to 6% and the discount rate that was used reflects the risks inherent in the expected future cash flows of the trade names and trademarks. The impairment charge is included in "Amortization of intangibles" in the accompanying consolidated statement of operations.

Intangible assets with indefinite lives are trade names and trademarks acquired in various acquisitions. During the second quarter of 2016, the Company changed the classification of certain intangibles from indefinite-lived to definite-lived at Publishing. At September 30, 2016 and December 31, 2015, intangible assets with definite lives are as follows:

	September 30, 2016			
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted-Average Useful Life (Years)
	(In thousands)			
Trade names	\$65,107	\$ (47,093)	) \$18,014	3.2
Content	62,082	(55,374)	) 6,708	4.1
Technology	56,109	(41,974)	) 14,135	3.3
Customer lists	28,470	(26,050)	) 2,420	2.2
Advertiser and supplier relationships and other	7,506	(3,916)	) 3,590	4.0
Total	\$219,274	\$ (174,407)	) \$44,867	3.4

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	December 31, 2015			Weighted-Average
	Gross Carrying Amount	Accumulated Amortization	Net	Useful Life (Years)
	(In thousands)			
Content	\$62,082	\$ (48,937)	\$ 13,145	4.1
Technology	55,487	(37,012)	18,475	3.2
Trade names	32,123	(26,268)	5,855	2.5
Customer lists	28,836	(13,078)	15,758	2.1
Advertiser and supplier relationships and other	15,709	(8,251)	7,458	4.2
Total	\$194,237	\$ (133,546)	\$ 60,691	3.3

At September 30, 2016, amortization of intangible assets with definite lives for each of the next five years is estimated to be as follows:

For the twelve months ending September 30,	(In thousands)
2017	\$ 22,800
2018	12,527
2019	6,310
2020	3,180
2021	50
Total	\$ 44,867

NOTE 5—MARKETABLE SECURITIES

At September 30, 2016, current available-for-sale marketable securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Corporate debt securities	\$15,408	\$ 2	\$ (8)	\$15,402
Treasury discount notes	162,423	37	—	162,460
Total debt securities	177,831	39	(8)	177,862
Total marketable securities	\$177,831	\$ 39	\$ (8)	\$177,862

At December 31, 2015, current available-for-sale marketable securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Corporate debt securities	\$27,765	\$ —	\$ (187)	\$27,578
Equity security	8,659	2,963	—	11,622
Total marketable securities	\$36,424	\$ 2,963	\$ (187)	\$39,200

The unrealized gains and losses in the tables above are included in "Accumulated other comprehensive loss" in the accompanying consolidated balance sheet. The gross unrealized losses on the marketable debt securities relate primarily to changes in interest rates. The Company does not consider the gross unrealized losses to be other-than-temporary because the

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(Unaudited)

Company does not intend to sell the marketable debt securities that generated the gross unrealized losses at September 30, 2016, and it is not more likely than not that the Company will be required to sell these securities before recovery of their amortized cost bases, which may be maturity. The aggregate fair value of available-for-sale marketable debt securities with unrealized losses is \$7.6 million as of September 30, 2016. There are no investments in current available-for-sale marketable debt securities that have been in a continuous unrealized loss position for longer than twelve months as of September 30, 2016.

The contractual maturities of debt securities classified as current available-for-sale at September 30, 2016 are as follows:

	Amortized Cost	Fair Value
	(In thousands)	
Due in one year or less	\$177,831	\$177,862
Total	\$177,831	\$177,862

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Proceeds from maturities and sales of available-for-sale marketable securities	\$52,110	\$178,315	\$106,326	\$192,928
Gross realized gains	412	17	3,537	22

There were no gross realized losses from the maturities and sales of available-for-sale marketable securities for the three and nine months ended September 30, 2016 and 2015.

Gross realized gains from the maturities and sales of available-for-sale marketable securities and losses that were deemed to be other-than-temporary are included in "Other income, net" in the accompanying consolidated statement of operations.

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 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:

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.

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(Unaudited)

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

	September 30, 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	\$582,508	\$ —	\$ —	\$ 582,508
Time deposits	—	75,000	—	75,000
Treasury discount notes	12,497	—	—	12,497
Commercial paper	—	86,953	—	86,953
Marketable securities:				
Corporate debt securities	—	15,402	—	15,402
Treasury discount notes	162,460	—	—	162,460
Total	\$757,465	\$ 177,355	\$ —	\$ 934,820

Liabilities:

Contingent consideration arrangements	\$ —	\$ —	\$ (43,352)	\$ (43,352)
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	December 31, 2015			
	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	\$601,848	\$ —	\$ —	\$ 601,848
Time deposits	—	125,038	—	125,038
Commercial paper	—	302,418	—	302,418
Marketable securities:				
Corporate debt securities	—	27,578	—	27,578
Equity security	11,622	—	—	11,622
Long-term investments:				
Auction rate security	—	—	4,050	4,050

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Marketable equity security	7,542	—	—	7,542
Total	\$621,012	\$ 455,034	\$ 4,050	\$ 1,080,096

Liabilities:

Contingent consideration arrangements	\$—	\$ —	\$ (33,873)	\$ (33,873)
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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):

	Three Months Ended September 30,			
	2016		2015	
	Contingent Auction Rate Consideration Arrangements (In thousands)		Contingent Security Consideration Arrangements	
Balance at July 1	\$(45,526)	\$6,630	\$ (31,858)	
Total net gains (losses):				
Included in earnings:				
Fair value adjustments	2,477	—	960	
Included in other comprehensive loss	(333)	(1,620)	(579)	
Settlements	30	—	7	
Balance at September 30	\$(43,352)	\$5,010	\$ (31,470)	
	Nine Months Ended September 30,			
	2016		2015	
	Auction Rate Security Arrangements (In thousands)		Contingent Consideration Security Arrangements	
Balance at January 1	\$4,050	\$ (33,873)	\$6,070	\$ (30,140)
Total net gains (losses):				
Included in earnings:				
Fair value adjustments	—	(7,993)	—	17,906
Foreign currency exchange gains	—	—	—	626
Included in other comprehensive income (loss)	5,950	(5,614)	(1,060)	1,538
Fair value at date of acquisition	—	1,948	—	(27,112)
Settlements	—	2,180	—	5,712
Proceeds from sale	(10,000)	—	—	—
Balance at September 30	\$—	\$ (43,352)	\$5,010	\$ (31,470)

Contingent Consideration Arrangements

As of September 30, 2016, there are seven contingent consideration arrangements related to business acquisitions. The maximum contingent payments related to these seven arrangements are \$142.6 million and the fair value of these arrangements at September 30, 2016 is \$43.4 million.

The contingent consideration arrangements are generally based upon earnings performance and/or operating metrics such as monthly active users. 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 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 September 30, 2016 and December 31, 2015 reflect discount rates ranging from 12% to 25%.

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

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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 September 30, 2016 and December 31, 2015 includes a current portion of \$43.2 million and \$2.6 million, respectively, and a non-current portion of \$0.2 million and \$31.2 million, respectively, which are included in "Accrued expenses and other current liabilities" and "Other long-term liabilities," respectively, in the accompanying consolidated balance sheet.

Marketable equity security

The cost basis of the Company's long-term marketable equity security at December 31, 2015 was \$5.0 million, with a gross unrealized gain of \$2.6 million. The gross unrealized gain at December 31, 2015 was included in "Accumulated other comprehensive loss" in the accompanying consolidated balance sheet. During the second quarter of 2016 this marketable equity security was classified as short-term due to the Company's decision to sell this security. During the third quarter of 2016, the security has been sold.

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. See Note 4 for additional information on the Publishing goodwill and indefinite-lived intangible asset impairment charges.

Cost method investments

At September 30, 2016 and December 31, 2015, the carrying values of the Company's investments accounted for under the cost method totaled \$116.3 million and \$114.5 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:

	September 30, 2016	December 31, 2015	
	Carrying Value	Carrying Value	Fair Value
(In thousands)			
Current portion of long-term debt	\$—	\$—	\$(40,000)
Long-term debt, net of current portion	\$(1,641,745)	\$(1,726,954)	\$(1,761,601)

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.

NOTE 7—LONG-TERM DEBT

Long-term debt consists of:

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	September 30, 2016	December 31, 2015
	(In thousands)	
Match Group Debt:		
6.375% Senior Notes due June 1, 2024 (the "2016 Match Group Senior Notes"); interest payable each June 1 and December 1, which commences December 1, 2016	\$400,000	\$—
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
Match Group Term Loan due November 16, 2022 ^(a)	390,000	800,000
Total Match Group long-term debt	1,235,172	1,245,172
Less: Current maturities of Match Group long-term debt	—	40,000
Less: Unamortized original issue discount and original issue premium, net	5,100	11,691
Less: Unamortized debt issuance costs	14,526	16,610
Total Match Group debt, net of current maturities	1,215,546	1,176,871
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	390,214	500,000
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	38,247	54,732
Total IAC long-term debt	428,461	554,732
Less: Unamortized debt issuance costs	2,722	4,649
Total IAC debt, net of current portion	425,739	550,083
Total long-term debt, net of current portion	\$1,641,285	\$1,726,954

^(a) 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 repay 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 the redemption prices set forth below, together with accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on June 1 of the years indicated below:

Year	Percentage
2019	104.781 %
2020	103.188 %
2021	101.594 %
2022 and thereafter	100.000 %

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"). Promptly following the closing of the Match Exchange Offer, Match Group and

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its subsidiaries were designated as unrestricted subsidiaries of IAC for purposes of the indentures governing the 2013 and 2012 Senior Notes and the IAC Credit Facility. Following the designation, neither Match Group nor any of its subsidiaries guaranteed any debt of IAC, or are subject to any of the covenants related to such debt.

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 September 30, 2016, 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 financial 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 March 31, 2016, Match Group made a \$10 million principal payment on the Match Group Term Loan. In addition, on June 1, 2016, the \$400 million in proceeds from the 2016 Match Group Senior Notes were used to repay a portion of the Match Group Term Loan. The remaining principal balance at September 30, 2016 of \$390 million is due at maturity. 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 3.50% or 4.50%, respectively, and in the case of LIBOR, a floor of 1.00%. 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 September 30, 2016 and December 31, 2015, 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. The guarantor subsidiaries are the same for the 2013 and 2012 Senior Notes. See Note 14 for guarantor and non-guarantor financial information.

During the first nine months of 2016, the Company redeemed and repurchased \$109.8 million of its 2013 Senior Notes and repurchased \$16.5 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

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(Unaudited)

the indenture) exceeds 3.0 to 1.0. At September 30, 2016, 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 million revolving credit facility (the "IAC Credit Facility") that expires October 7, 2020. At September 30, 2016 and December 31, 2015, 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 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 September 30, 2016		
	Foreign Currency Translation Adjustment (In thousands)	Unrealized Gains On Available-For-Sale Securities	Accumulated Other Comprehensive Loss
Balance as of July 1	\$(121,612)	\$ 4,205	\$ (117,407)
Other comprehensive (loss) income before reclassifications, net of tax provision of \$0.1 million related to unrealized losses on available-for-sale securities	(5,132)	114	(5,018)
Amounts reclassified to earnings	—	(259)	(a) (259)
Net current period other comprehensive loss	(5,132)	(145)	(5,277)
Balance as of September 30	\$(126,744)	\$ 4,060	\$ (122,684)

(a) Amount is net of a tax provision of \$0.2 million.

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(Unaudited)

	Three Months Ended September 30, 2015		
	Foreign Currency Translation Adjustment (In thousands)	Unrealized Gains On Available-For-Sale Securities	Accumulated Other Comprehensive Loss
Balance as of July 1	\$(133,895)	\$ 3,600	\$ (130,295)
Other comprehensive loss, net of tax benefit of \$0.1 million related to unrealized losses on available-for-sale securities	(8,420)	(3,501)	(11,921)
Amounts reclassified to earnings	(2,191)	(81)	(b) (2,272)
Net current period other comprehensive loss	(10,611)	(3,582)	(14,193)
Balance as of September 30	\$(144,506)	\$ 18	\$ (144,488)

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

	Nine Months Ended September 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 (loss) income before reclassifications, net of tax benefit of \$0.7 million related to unrealized losses on available-for-sale securities	(3,538)	4,868	1,330
Amounts reclassified to earnings	9,850	(2,892)	(c) 6,958
Net current period other comprehensive income	6,312	1,976	8,288
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 September 30	\$(126,744)	\$ 4,060	\$ (122,684)

(c) Amount is net of a tax provision of \$0.2 million.

	Nine Months Ended September 30, 2015		
	Foreign Currency Translation Adjustment (In thousands)	Unrealized (Losses) Gains On Available-For-Sale Securities	Accumulated Other Comprehensive Loss
Balance as of January 1	\$(86,848)	\$ (852)	\$ (87,700)
Other comprehensive (loss) income, net of tax benefit of \$0.3 million related to unrealized losses on available-for-sale securities	(55,467)	788	(54,679)
Amounts reclassified to earnings	(2,191)	82	(d) (2,109)
Net current period other comprehensive (loss) income	(57,658)	870	(56,788)
Balance as of September 30	\$(144,506)	\$ 18	\$ (144,488)

(d) Amount is net of a tax benefit of \$0.1 million.

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(Unaudited)

NOTE 9—EARNINGS (LOSS) PER SHARE

The following tables set forth the computation of basic and diluted earnings (loss) per share attributable to IAC shareholders.

	Three Months Ended September 30,			
	2016		2015	
	Basic	Diluted	Basic	Diluted
(In thousands, except per share data)				
Numerator:				
Earnings from continuing operations	\$52,340	\$52,340	\$65,026	\$65,026
Net (earnings) loss attributable to noncontrolling interests	(9,178)	(9,178)	568	568
Impact from Match Group's dilutive securities ^{(a)(b)}	—	(3,473)	—	—
Earnings from continuing operations attributable to IAC shareholders	43,162	39,689	65,594	65,594
Earnings from discontinued operations attributable to IAC shareholders	—	—	17	17
Net earnings attributable to IAC shareholders	\$43,162	\$39,689	\$65,611	\$65,611
Denominator:				
Weighted average basic shares outstanding	79,532	79,532	82,910	82,910
Dilutive securities including subsidiary denominated equity, stock options and RSUs ^{(c)(d)}	—	2,087	—	5,990
Denominator for earnings per share—weighted average shares ^{(e)(d)}	79,532	81,619	82,910	88,900
Earnings per share attributable to IAC shareholders:				
Earnings per share from continuing operations	\$0.54	\$0.49	\$0.79	\$0.74
Discontinued operations	—	—	—	—
Earnings per share	\$0.54	\$0.49	\$0.79	\$0.74

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Nine Months Ended September 30,			
	2016		2015	
	Basic	Diluted	Basic	Diluted
	(In thousands, except per share data)			
Numerator:				
(Loss) earnings from continuing operations	\$ (130,268)	\$ (130,268)	\$ 144,774	\$ 144,774
Net (earnings) loss attributable to noncontrolling interests	(13,063)	(13,063)	6,558	6,558
Impact from Match Group's dilutive securities ^{(a)(b)}	—	—	—	—
(Loss) earnings from continuing operations attributable to IAC shareholders	(143,331)	(143,331)	151,332	151,332
Loss from discontinued operations attributable to IAC shareholders	—	—	(11)	(11)
Net (loss) earnings attributable to IAC shareholders	\$ (143,331)	\$ (143,331)	\$ 151,321	\$ 151,321
Denominator:				
Weighted average basic shares outstanding	80,357	80,357	82,924	82,924
Dilutive securities including subsidiary denominated equity, stock options and RSUs ^{(c)(d)(e)}	—	—	—	5,323
Denominator for earnings per share—weighted average shares ^{(e)(d)(c)}	80,357	80,357	82,924	88,247
(Loss) earnings per share attributable to IAC shareholders:				
(Loss) earnings per share from continuing operations	\$ (1.78)	\$ (1.78)	\$ 1.82	\$ 1.71
Discontinued operations	—	—	—	—
(Loss) earnings per share	\$ (1.78)	\$ (1.78)	\$ 1.82	\$ 1.71

^(a) Represents the impact on earnings related to Match Group's dilutive securities under the if-converted method.

^(b) The impact on earnings of Match Group's dilutive securities is not applicable for the three and nine months ended September 30, 2015 as it was a wholly-owned subsidiary of the Company until its IPO on November 24, 2015. For the nine months ended September 30, 2016, the impact on earnings related to Match Group's dilutive securities under the if-converted method are excluded as the impact is anti-dilutive.

^(c) If the effect is dilutive, weighted average common shares outstanding include the incremental shares that would be issued upon the assumed exercise of subsidiary denominated equity, stock options and vesting of restricted stock units ("RSUs"). For the three months ended September 30, 2016 and for the three and nine months ended September 30, 2015, 3.3 million, 1.0 million and 1.3 million potentially dilutive securities, respectively, are excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

^(d) For the nine months ended September 30, 2016, the Company had a loss from continuing operations and as a result, approximately 9.8 million potentially dilutive securities were excluded from computing dilutive earnings per share because the impact would have been anti-dilutive. Accordingly, the weighted average basic shares outstanding were used to compute all earnings per share amounts.

^(e) Market-based awards and performance-based stock units ("PSUs") are considered contingently issuable shares. Market-based awards and PSUs are included in the denominator for earnings per share if (i) the applicable market or performance condition(s) has been met and (ii) the inclusion of the market-based award and PSUs are dilutive for the respective reporting periods. For the three months ended September 30, 2016, 0.3 million market-based awards and PSUs were excluded from the calculation of diluted earnings per share because the market or performance conditions had not been met. For the three and nine months ended September 30, 2015, 0.5 million market-based awards and PSUs were excluded from the calculation of diluted earnings per share because the market or performance conditions had not been met.

NOTE 10—SEGMENT INFORMATION

The overall concept that IAC employs in determining its operating segments is to present the financial information in a manner consistent with: how the chief operating decision maker views the businesses; how the businesses are organized as to segment management; and the focus of the businesses with regards to the types of services or products offered or the target market. Operating segments are combined for reporting purposes if they meet certain aggregation criteria, which principally relate to the similarity of their economic characteristics or, in the case of the Other reportable segment, do not meet the quantitative thresholds that require presentation as separate operating segments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Three Months Ended September 30, 2016		2015		Nine Months Ended September 30, 2016		2015	
					</			

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	September 30, 2016	December 31, 2015
(In thousands)		
Segment Assets: ^(b)		
Match Group	\$482,899	\$329,269
HomeAdvisor	53,930	32,112
Video	126,034	90,671
Applications	97,899	108,997
Publishing	464,233	390,951
Other	28,076	64,550
Corporate	1,093,237	1,485,949
Total	\$2,346,308	\$2,502,499

(a) The Company's primary financial measure is Adjusted EBITDA, which is defined as operating income excluding: (1) stock-based compensation expense; (2) depreciation; and (3) acquisition-related items consisting of (i) amortization of intangible assets and impairments of goodwill and intangible assets, if applicable, and (ii) gains and losses recognized on changes in the fair value of contingent consideration arrangements. The Company believes this measure is useful for analysts and investors as this measure allows a more meaningful comparison between our performance and that of our competitors. Moreover, our management uses this measure internally to evaluate the performance of our business as a whole and our individual business segments. The above items are excluded from our Adjusted EBITDA measure because these items are non-cash in nature, and we believe that by excluding these items, Adjusted EBITDA corresponds more closely to the cash operating income generated from our business, from which capital investments are made and debt is serviced. Adjusted EBITDA has certain limitations in that it does not take into account the impact to IAC's statement of operations of certain expenses.

(b) Consistent with the Company's primary metric (described in (a) above), the Company excludes, if applicable, goodwill and intangible assets from the measure of segment assets presented above.

Revenue by geography is based on where the customer is located. Geographic information about revenue and long-lived assets is presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(In thousands)				
Revenue:				
United States	\$567,132	\$619,297	\$1,721,348	\$1,755,534
All other countries	196,970	219,264	607,372	626,671
Total	\$764,102	\$838,561	\$2,328,720	\$2,382,205

	September 30, 2016	December 31, 2015
(In thousands)		
Long-lived assets (excluding goodwill and intangible assets):		
United States	\$292,586	\$ 279,913
All other countries	24,691	22,904
Total	\$317,277	\$ 302,817

The following tables reconcile operating income (loss) for the Company's reportable segments and net earnings (loss) attributable to IAC shareholders to Adjusted EBITDA:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Three Months Ended September 30, 2016

	Operating Income (Loss)	Stock-Based Compensation Expense	Depreciation of Intangibles	Amortization of Intangibles	Acquisition-related Contingent Consideration Fair Value Adjustments	Adjusted EBITDA
	(In thousands)					
Match Group	\$91,754	\$ 11,145	\$ 8,032	\$ 4,906	\$ (5,129)	\$ 110,708
HomeAdvisor	12,805	408	2,026	726	—	15,965
Video	(2,663)	640	438	691	—	(894)
Applications	29,240	—	1,073	1,519	2,743	34,575
Publishing	(14,562)	—	2,029	6,325	—	(6,208)
Other	(1,511)	—	678	100	(91)	(824)
Corporate	(29,479)	11,468	3,675	—	—	(14,336)
Total	85,584	\$ 23,661	\$ 17,951	\$ 14,267	\$ (2,477)	\$ 138,986
Interest expense	(27,118)					
Other income, net	11,700					
Earnings from continuing operations before income taxes	70,166					
Income tax provision	(17,826)					
Earnings from continuing operations	52,340					
Earnings from discontinued operations, net of tax	—					
Net earnings	52,340					
Net earnings attributable to noncontrolling interests	(9,178)					
Net earnings attributable to IAC shareholders	\$43,162					

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Three Months Ended September 30, 2015					
	Operating Income (Loss)	Stock-Based Compensation Expense	Amortization of Depreciation of Intangibles	Acquisition-related Contingent Consideration Fair Value Adjustments	Adjusted EBITDA	
	(In thousands)					
Match Group	\$58,356	\$ 13,057	\$ 6,137	\$ 4,352	\$ 755	\$82,657
HomeAdvisor	6,095	410	1,627	772	—	8,904
Video	(5,655)	50	289	377	(202)	(5,141)
Applications	46,539	—	1,302	1,573	(1,513)	47,901
Publishing	14,149	—	2,363	4,563	—	21,075
Other	195	—	700	701	—	1,596
Corporate	(32,549)	13,492	3,207	—	—	(15,850)
Total	87,130	\$ 27,009	\$ 15,625	\$ 12,338	\$ (960)	\$ 141,142
Interest expense	(15,992)					
Other income, net	34,398					
Earnings from continuing operations before income taxes	105,536					
Income tax provision	(40,510)					
Earnings from continuing operations	65,026					
Earnings from discontinued operations, net of tax	17					
Net earnings	65,043					
Net loss attributable to noncontrolling interests	568					
Net earnings attributable to IAC shareholders	\$65,611					

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Nine Months Ended September 30, 2016

	Operating	Stock-Based	Amortization	Acquisition-related		
	Income	Compensation	of	Contingent	Goodwill	Adjusted
	(Loss)	Expense	Depreciation	Consideration	Impairment	EBITDA
			Intangibles	Fair Value		
				Adjustments		
	(In thousands)					
Match Group	\$194,610	\$ 41,341	\$ 22,609	\$ 19,577	\$ (2,723)	\$275,414
HomeAdvisor	26,629	1,223	5,824	2,271	—	35,947
Video	(25,187)	640	1,313	1,656	(192)	(21,770)
Applications	75,839	—	3,304	4,573	10,999	94,715
Publishing	(324,720)	—	6,366	36,348	—	275,367 (6,639)
Other	(3,299)	—	2,044	637	(91)	(709)
Corporate	(89,317)	39,406	9,861	—	—	(40,050)
Total	(145,445)	\$ 82,610	\$ 51,321	\$ 65,062	\$ 7,993	\$ 275,367 \$336,908
Interest expense	(82,622)					
Other income, net	20,405					
Loss from continuing operations before income taxes	(207,662)					
Income tax benefit	77,394					
Loss from continuing operations	(130,268)					
Earnings from discontinued operations, net of tax	—					
Net loss	(130,268)					
Net earnings attributable to noncontrolling interests	(13,063)					
Net loss attributable to IAC shareholders	\$(143,331)					

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Nine Months Ended September 30, 2015					
	Operating	Stock-Based	Depreciation	Amortization	Acquisition-related	
	Income	Compensation	of	Intangibles	Contingent	
	(Loss)	Expense			Consideration	Adjusted
					Fair Value	EBITDA
					Adjustments	
	(In thousands)					
Match Group	\$ 125,918	\$ 30,982	\$ 19,804	\$ 14,130	\$ (11,479)	\$ 179,355
HomeAdvisor	3,687	1,250	4,767	3,064	—	12,768
Video	(36,581)	344	713	1,179	(2,637)	(36,982)
Applications	138,076	—	3,532	4,727	(3,790)	142,545
Publishing	43,685	—	7,293	14,087	—	65,065
Other	(745)	—	1,824	2,117	—	3,196
Corporate	(89,022)	39,293	8,760	—	—	(40,969)
Total	185,018	\$ 71,869	\$ 46,693	\$ 39,304	\$ (17,906)	\$ 324,978
Interest expense	(45,270)					
Other income, net	39,748					
Earnings from continuing operations before income taxes	179,496					
Income tax provision	(34,722)					
Earnings from continuing operations	144,774					
Loss from discontinued operations, net of tax	(11)					
Net earnings	144,763					
Net loss attributable to noncontrolling interests	6,558					
Net earnings attributable to IAC shareholders	\$ 151,321					

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The following tables reconcile segment assets to total assets:

September 30, 2016

	Segment Assets	Goodwill	Indefinite-Lived Intangible Assets	Definite-Lived Intangible Assets	Total Assets
(In thousands)					
Match Group	\$482,899	\$1,311,961	\$ 248,244	\$ 13,280	\$2,056,384
HomeAdvisor	53,930	150,451	600	3,472	208,453
Video	126,034	25,239	1,800	6,687	159,760
Applications	97,899	447,242	60,600	3,392	609,133
Publishing	464,233	—	15,005	18,036	497,274
Other	28,076	7,663	11,180	—	46,919
Corporate ^(a)	1,093,237	—	—	—	1,093,237
Total	\$2,346,308	\$1,942,556	\$ 337,429	\$ 44,867	\$4,671,160

December 31, 2015

	Segment Assets	Goodwill	Indefinite-Lived Intangible Assets	Definite-Lived Intangible Assets	Total Assets
(In thousands)					
Match Group	\$329,269	\$1,293,109	\$ 243,697	\$ 32,711	\$1,898,786
HomeAdvisor	32,112	150,251	600	5,727	188,690
Video	90,671	15,590	1,800	3,343	111,404
Applications	108,997	447,242	60,600	7,964	624,803
Publishing	390,951	277,192	59,805	7,849	735,797
Other	64,550	61,980	13,635	3,097	143,262
Corporate ^(a)	1,485,949	—	—	—	1,485,949
Total	\$2,502,499	\$2,245,364	\$ 380,137	\$ 60,691	\$5,188,691

^(a) Corporate assets consist primarily of cash and cash equivalents, marketable securities and IAC's headquarters building.

NOTE 11—CONSOLIDATED FINANCIAL STATEMENT DETAILS

Other income, net consists of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(In thousands)				
Foreign currency exchange gains	\$10,898	\$314	\$24,037	\$4,851
Gains on sale of businesses and investments, net	279	379	13,416	^(a) 523
Interest income	1,051	990	3,813	3,463
Gain on real estate transaction	—	33,586	—	33,586
Loss on partial extinguishment of Match Group Term Loan	—	—	(11,056)	—
Impairment on long-term investments	(2,192)	(804)	(4,894)	(1,304)
Loss on redemption and repurchase of IAC Senior Notes	(69)	—	(3,182)	—
Other	1,733	(67)	(1,729)	(1,371)
Total	\$11,700	\$34,398	\$20,405	\$39,748

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IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

^(a) Includes a gain of \$12.0 million related to PriceRunner, which was sold on March 18, 2016, and a loss of \$3.8 million related to ASKfm, which was sold on June 30, 2016. PriceRunner's full year 2015 revenue, operating income and Adjusted EBITDA were \$32.3 million, \$9.7 million and \$13.0 million, respectively. Included in PriceRunner's operating income were \$0.4 million of depreciation and \$2.9 million of amortization of intangibles. ASKfm's full year 2015 revenue, operating loss and Adjusted EBITDA loss were \$10.9 million, \$9.1 million and \$6.1 million, respectively. Included in ASKfm's operating loss were \$2.0 million of amortization of intangibles and \$1.1 million of depreciation.

NOTE 12—SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Non-Cash Transactions:

The Company recorded acquisition-related contingent consideration liabilities of \$27.1 million during the nine months ended September 30, 2015. See Note 6 for additional information on contingent consideration arrangements.

NOTE 13—CONTINGENCIES

In the ordinary course of business, the Company is a party to various lawsuits. The Company establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Management has also identified certain other legal matters where we believe an unfavorable outcome is not probable and, therefore, no reserve is established. Although management currently believes that resolving claims against us, including claims where an unfavorable outcome is reasonably possible, 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. The Company also evaluates other contingent matters, including income and non-income tax contingencies, to assess the likelihood of an unfavorable outcome and estimated extent of potential loss. It is possible that an unfavorable outcome of one or more of these lawsuits or other contingencies could have a material impact on the liquidity, results of operations, or financial condition of the Company. See Note 2 for additional information related to income tax contingencies.

NOTE 14—GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

The 2013 and 2012 Senior Notes are unconditionally guaranteed, jointly and severally, by certain domestic subsidiaries, which are 100% owned by the Company. The following tables present condensed consolidating financial information at September 30, 2016 and December 31, 2015 and for the three and nine months ended September 30, 2016 and 2015 for: IAC, on a stand-alone basis; the combined guarantor subsidiaries of IAC; the combined non-guarantor subsidiaries of IAC; and IAC on a consolidated basis.

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IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Balance sheet at September 30, 2016:

	IAC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	IAC Consolidated
	(In thousands)				
Cash and cash equivalents	\$521,042	\$ —	\$ 668,742	\$ —	\$ 1,189,784
Marketable securities	177,862	—	—	—	177,862
Accounts receivable, net	—	89,703	109,625	—	199,328
Other current assets	82,397	44,116	106,043	—	232,556
Intercompany receivables	—	683,232	1,048,330	(1,731,562)	—
Property and equipment, net	4,733	191,689	120,855	—	317,277
Goodwill	—	529,403	1,413,153	—	1,942,556
Intangible assets, net	—	100,634	281,662	—	382,296
Investment in subsidiaries	3,547,903	574,711	—	(4,122,614)	—
Other non-current assets	51,325	103,727	185,497	(111,048)	229,501
Total assets	\$4,385,262	\$ 2,317,215	\$ 3,933,907	\$(5,965,224)	\$ 4,671,160
Accounts payable, trade	\$2,737	\$ 38,397	\$ 31,134	\$ —	\$ 72,268
Other current liabilities	34,583	114,630	481,108	—	630,321
Long-term debt, net of current portion	425,739	—	1,215,546	—	1,641,285
Income taxes payable	109	3,381	32,310	—	35,800
Intercompany liabilities	1,731,562	—	—	(1,731,562)	—
Other long-term liabilities	326,666	19,138	55,371	(111,048)	290,127
Redeemable noncontrolling interests	—	—	31,160	—	31,160
IAC shareholders' equity	1,863,866	2,141,669	1,980,945	(4,122,614)	1,863,866
Noncontrolling interests	—	—	106,333	—	106,333
Total liabilities and shareholders' equity	\$4,385,262	\$ 2,317,215	\$ 3,933,907	\$(5,965,224)	\$ 4,671,160

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IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Balance sheet at December 31, 2015:

	IAC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	IAC Consolidated
	(In thousands)				
Cash and cash equivalents	\$1,073,053	\$—	\$ 408,394	\$—	\$ 1,481,447
Marketable securities	27,578	—	11,622	—	39,200
Accounts receivable, net	33	115,280	134,764	—	250,077
Other current assets	30,813	46,128	97,345	—	174,286
Intercompany receivables	—	637,324	963,146	(1,600,470)	—
Property and equipment, net	4,432	198,890	99,495	—	302,817
Goodwill	—	776,569	1,468,795	—	2,245,364
Intangible assets, net	—	135,817	305,011	—	440,828
Investment in subsidiaries	3,128,765	466,601	—	(3,595,366)	—
Other non-current assets	84,368	11,258	174,038	(14,992)	254,672
Total assets	\$4,349,042	\$ 2,387,867	\$ 3,662,610	\$(5,210,828)	\$ 5,188,691
Current portion of long-term debt	\$—	\$—	\$ 40,000	\$—	\$ 40,000
Accounts payable, trade	4,711	42,104	40,068	—	86,883
Other current liabilities	62,833	140,077	438,753	—	641,663
Long-term debt, net of current portion	550,083	—	1,176,871	—	1,726,954
Income taxes payable	152	3,435	30,105	—	33,692
Intercompany liabilities	1,600,470	—	—	(1,600,470)	—
Other long-term liabilities	326,267	18,160	83,848	(14,992)	413,283
Redeemable noncontrolling interests	—	—	30,391	—	30,391
IAC shareholders' equity	1,804,526	2,184,091	1,411,275	(3,595,366)	1,804,526
Noncontrolling interests	—	—	411,299	—	411,299
Total liabilities and shareholders' equity	\$4,349,042	\$ 2,387,867	\$ 3,662,610	\$(5,210,828)	\$ 5,188,691

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IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Statement of operations for the three months ended September 30, 2016:

	IAC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	IAC Consolidated
	(In thousands)				
Revenue	\$—	\$ 320,860	\$ 446,691	\$ (3,449)	\$ 764,102
Operating costs and expenses:					
Cost of revenue (exclusive of depreciation shown separately below)	219	64,470	113,420	1,022	179,131
Selling and marketing expense	546	160,370	136,053	(4,576)	292,393
General and administrative expense	22,375	40,436	65,913	105	128,829
Product development expense	1,009	19,661	25,277	—	45,947
Depreciation	422	7,693	9,836	—	17,951
Amortization of intangibles	—	6,100	8,167	—	14,267
Total operating costs and expenses	24,571	298,730	358,666	(3,449)	678,518
Operating (loss) income	(24,571)	22,130	88,025	—	85,584
Equity in earnings (losses) of unconsolidated affiliates	71,553	(22,569)	—	(48,984)	—
Interest expense	(6,362)	—	(20,756)	—	(27,118)
Other (expense) income, net	(6,334)	4,948	13,086	—	11,700
Earnings from continuing operations before income taxes	34,286	4,509	80,355	(48,984)	70,166
Income tax benefit (provision)	8,876	(10,104)	(16,598)	—	(17,826)
Earnings (loss) from continuing operations	43,162	(5,595)	63,757	(48,984)	52,340
Earnings from discontinued operations, net of tax	—	—	—	—	—
Net earnings (loss)	43,162	(5,595)	63,757	(48,984)	52,340
Net earnings attributable to noncontrolling interests	—	—	(9,178)	—	(9,178)
Net earnings (loss) attributable to IAC shareholders	\$43,162	\$ (5,595)	\$ 54,579	\$ (48,984)	\$ 43,162
Comprehensive income (loss) attributable to IAC shareholders	\$37,885	\$ (5,551)	\$ 49,708	\$ (44,157)	\$ 37,885

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IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Statement of operations for the three months ended September 30, 2015:

	IAC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	IAC Consolidated
	(In thousands)				
Revenue	\$—	\$ 410,048	\$ 430,921	\$(2,408)	\$ 838,561
Operating costs and expenses:					
Cost of revenue (exclusive of depreciation shown separately below)	307	77,080	122,256	(266)	199,377
Selling and marketing expense	1,250	218,693	125,318	(2,151)	343,110
General and administrative expense	37,186	42,830	54,097	9	134,122
Product development expense	2,408	20,682	23,769	—	46,859
Depreciation	613	6,973	8,039	—	15,625
Amortization of intangibles	—	4,202	8,136	—	12,338
Total operating costs and expenses	41,764	370,460	341,615	(2,408)	751,431
Operating (loss) income	(41,764)	39,588	89,306	—	87,130
Equity in earnings of unconsolidated affiliates	90,703	26,515	—	(117,218)	—
Interest expense	(12,995)	(2,929)	(68)	—	(15,992)
Other income, net	24,590	1,049	8,759	—	34,398
Earnings from continuing operations before income taxes	60,534	64,223	97,997	(117,218)	105,536
Income tax benefit (provision)	5,060	(13,779)	(31,791)	—	(40,510)
Earnings from continuing operations	65,594	50,444	66,206	(117,218)	65,026
Earnings (loss) from discontinued operations, net of tax	17	—	(1)	1	17
Net earnings	65,611	50,444	66,205	(117,217)	65,043
Net loss attributable to noncontrolling interests	—	—	568	—	568
Net earnings attributable to IAC shareholders	\$65,611	\$ 50,444	\$ 66,773	\$(117,217)	\$ 65,611
Comprehensive income attributable to IAC shareholders	\$51,418	\$ 51,180	\$ 56,972	\$(108,152)	\$ 51,418

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IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Statement of operations for the nine months ended September 30, 2016:

	IAC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	IAC Consolidated
	(In thousands)				
Revenue	\$—	\$ 1,028,339	\$ 1,310,593	\$ (10,212)	\$ 2,328,720
Operating costs and expenses:					
Cost of revenue (exclusive of depreciation shown separately below)	811	206,661	336,011	(221)	543,262
Selling and marketing expense	2,306	531,976	446,089	(10,112)	970,259
General and administrative expense	66,208	124,150	226,727	121	417,206
Product development expense	4,127	64,177	83,384	—	151,688
Depreciation	1,274	21,881	28,166	—	51,321
Amortization of intangibles	—	35,183	29,879	—	65,062
Goodwill impairment	—	253,245	22,122	—	275,367
Total operating costs and expenses	74,726	1,237,273	1,172,378	(10,212)	2,474,165
Operating (loss) income	(74,726)	(208,934)	138,215	—	(145,445)
Equity in losses of unconsolidated affiliates	(45,114)	(33,530)	—	78,644	—
Interest expense	(20,776)	—	(61,846)	—	(82,622)
Other (expense) income, net	(35,306)	10,926	44,785	—	20,405
(Loss) earnings from continuing operations before income taxes	(175,922)	(231,538)	121,154	78,644	(207,662)
Income tax benefit (provision)	32,591	70,073	(25,270)	—	77,394
(Loss) earnings from continuing operations	(143,331)	(161,465)	95,884	78,644	(130,268)
Earnings from discontinued operations, net of tax	—	—	—	—	—
Net (loss) earnings	(143,331)	(161,465)	95,884	78,644	(130,268)
Net earnings attributable to noncontrolling interests	—	—	(13,063)	—	(13,063)
Net (loss) earnings attributable to IAC shareholders	\$(143,331)	\$(161,465)	\$ 82,821	\$ 78,644	\$(143,331)
Comprehensive (loss) income attributable to IAC shareholders	\$(135,043)	\$(142,528)	\$ 87,367	\$ 55,161	\$(135,043)

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IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Statement of operations for the nine months ended September 30, 2015:

	IAC (In thousands)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	IAC Consolidated
Revenue	\$—	\$ 1,222,403	\$ 1,167,429	\$ (7,627)	\$ 2,382,205
Operating costs and expenses:					
Cost of revenue (exclusive of depreciation shown separately below)	846	243,867	320,070	(706)	564,077
Selling and marketing expense	3,315	636,849	397,082	(6,944)	1,030,302
General and administrative expense	95,192	116,913	166,137	23	378,265
Product development expense	6,915	62,254	69,377	—	138,546
Depreciation	1,440	20,353	24,900	—	46,693
Amortization of intangibles	—	12,565	26,739	—	39,304
Total operating costs and expenses	107,708	1,092,801	1,004,305	(7,627)	2,197,187
Operating (loss) income	(107,708)	129,602	163,124	—	185,018
Equity in earnings of unconsolidated affiliates	228,634	29,383	—	(258,017)	—
Interest expense	(38,977)	(6,127)	(166)	—	(45,270)
Other income, net	7,731	26,682	5,335	—	39,748
Earnings from continuing operations before income taxes	89,680	179,540	168,293	(258,017)	179,496
Income tax benefit (provision)	61,652	(58,154)	(38,220)	—	(34,722)
Earnings from continuing operations	151,332	121,386	130,073	(258,017)	144,774
(Loss) earnings from discontinued operations, net of tax	(11)	—	2	(2)	(11)
Net earnings	151,321	121,386	130,075	(258,019)	144,763
Net loss attributable to noncontrolling interests	—	—	6,558	—	6,558
Net earnings attributable to IAC shareholders	\$ 151,321	\$ 121,386	\$ 136,633	\$ (258,019)	\$ 151,321
Comprehensive income attributable to IAC shareholders	\$ 94,533	\$ 117,637	\$ 79,144	\$ (196,781)	\$ 94,533

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IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Statement of cash flows for the nine months ended September 30, 2016:

	IAC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	IAC Consolidated
	(In thousands)			
Net cash (used in) provided by operating activities attributable to continuing operations	\$(77,595)	\$ 130,121	\$ 109,056	\$ 161,582
Cash flows from investing activities attributable to continuing operations:				
Acquisitions, net of cash acquired	—	—	(2,524)	(2,524)
Capital expenditures	(343)	(16,134)	(46,262)	(62,739)
Investments in time deposits	—	—	(87,500)	(87,500)
Proceeds from maturities of time deposits	—	—	87,500	87,500
Proceeds from maturities and sales of marketable debt securities	79,210	—	—	79,210
Purchases of marketable debt securities	(229,246)	—	—	(229,246)
Purchases of investments	—	—	(7,211)	(7,211)
Net proceeds from the sale of businesses and investments	15,401	1,779	93,356	110,536
Other, net	—	158	5,404	5,562
Net cash (used in) provided by investing activities attributable to continuing operations	(134,978)	(14,197)	42,763	(106,412)
Cash flows from financing activities attributable to continuing operations:				
Purchase of treasury stock	(247,256)	—	—	(247,256)
Proceeds from Match Group 2016 Senior Notes offering	—	—	400,000	400,000
Principal payments on Match Group Term Loan	—	—	(410,000)	(410,000)
Debt issuance costs	—	—	(5,048)	(5,048)
Redemption and repurchase of Senior Notes	(126,271)	—	—	(126,271)
Issuance of IAC common stock pursuant to stock-based awards, net of withholding taxes	(7,148)	—	—	(7,148)
Issuance of Match Group common stock pursuant to stock-based awards, net of withholding taxes	—	—	467	467
Excess tax benefits from stock-based awards	17,202	—	25,929	43,131
Purchase of noncontrolling interests	(1,400)	—	(1,129)	(2,529)
Acquisition-related contingent consideration payments	—	(351)	(1,829)	(2,180)
Decrease in restricted cash related to bond redemptions	20,000	—	—	20,000
Intercompany	5,435	(115,573)	110,138	—
Other, net	—	—	(766)	(766)
Net cash (used in) provided by financing activities attributable to continuing operations	(339,438)	(115,924)	117,762	(337,600)
Total cash (used in) provided by continuing operations	(552,011)	—	269,581	(282,430)
Effect of exchange rate changes on cash and cash equivalents	—	—	(9,233)	(9,233)
Net (decrease) increase in cash and cash equivalents	(552,011)	—	260,348	(291,663)
Cash and cash equivalents at beginning of period	1,073,053	—	408,394	1,481,447
Cash and cash equivalents at end of period	\$521,042	\$—	\$ 668,742	\$ 1,189,784

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IAC/INTERACTIVECORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Statement of cash flows for the nine months ended September 30, 2015:

	IAC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	IAC Consolidated
	(In thousands)			
Net cash (used in) provided by operating activities attributable to continuing operations	\$ (114,559)	\$ 151,626	\$ 147,040	\$ 184,107
Cash flows from investing activities attributable to continuing operations:				
Acquisitions, net of cash acquired	—	(2,574)	(40,712)	(43,286)
Capital expenditures	(1,051)	(16,978)	(26,529)	(44,558)
Proceeds from maturities and sales of marketable debt securities	192,928	—	—	192,928
Purchases of marketable debt securities	(93,134)	—	—	(93,134)
Purchases of investments	—	—	(25,073)	(25,073)
Net proceeds from the sale of businesses and investments	1,277	—	7,274	8,551
Other, net	3,613	48	(7,756)	(4,095)
Net cash provided by (used in) investing activities attributable to continuing operations	103,633	(19,504)	(92,796)	(8,667)
Cash flows from financing activities attributable to continuing operations:				
Purchase of treasury stock	(200,000)	—	—	(200,000)
Principal payment on Liberty Bonds	—	(80,000)	—	(80,000)
Dividends	(84,947)	—	—	(84,947)
Issuance of IAC common stock pursuant to stock-based awards, net of withholding taxes	(40,197)	—	—	(40,197)
Excess tax benefits from stock-based awards	17,862	—	31,285	49,147
Purchase of noncontrolling interests	—	—	(29,899)	(29,899)
Acquisition-related contingent consideration payments	—	(202)	(5,510)	(5,712)
Intercompany	(86,407)	(51,920)	138,327	—
Other, net	166	—	346	512
Net cash (used in) provided by financing activities attributable to continuing operations	(393,523)	(132,122)	134,549	(391,096)
Total cash (used in) provided by continuing operations	(404,449)	—	188,793	(215,656)
Total cash (used in) provided by discontinued operations	(192)	—	2	(190)
Effect of exchange rate changes on cash and cash equivalents	—	—	(8,111)	(8,111)
Net (decrease) increase in cash and cash equivalents	(404,641)	—	180,684	(223,957)
Cash and cash equivalents at beginning of period	762,231	—	228,174	990,405
Cash and cash equivalents at end of period	\$ 357,590	\$ —	\$ 408,858	\$ 766,448

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

Key Terms:

When the following terms appear in this report, they have the meanings indicated below:

Reportable Segments

Match Group - consists of Dating, which includes all Dating businesses globally, and Non-dating, which consists of The Princeton Review.

HomeAdvisor - is a leading nationwide home services digital marketplace that helps connect consumers with home professionals.

Video - consists primarily of Vimeo and Daily Burn, as well as Electus, IAC Films, CollegeHumor and Notional.

Applications - consists of Consumer, which includes our direct-to-consumer downloadable desktop applications, including SlimWare, and Apalon, which houses our mobile operations; and Partnerships, which includes our business-to-business partnership operations.

Publishing - consists of Premium Brands, which includes About.com, Dictionary.com, Investopedia and The Daily Beast; and Ask & Other, which includes Ask.com, CityGrid and, for periods prior to its sale on June 30, 2016, ASKfm.

Other - consists of ShoeBuy and, for periods prior to its sale on March 18, 2016, PriceRunner.

Dating North America - consists of the financial results of the Dating businesses for customers located in the United States and Canada.

Dating International - consists of the financial results of the Dating businesses for customers located outside of the United States and Canada.

Direct Revenue - is revenue that is directly received by Match Group from an end user of its products.

Average PMC - is calculated by summing the number of paid subscribers, or paid member count ("PMC"), at the end of each day in the relevant measurement period and dividing it by the number of calendar days in that period. PMC as of any given time represents the number of users with a paid membership at that time.

Average Revenue per Paying User ("ARPPU") - is Direct Revenue in the relevant measurement period divided by the Average PMC in such period divided by the number of calendar days in such period.

Service Requests - are fully completed and submitted customer service requests on HomeAdvisor.

Paying Service Professionals ("Paying SPs") - are the number of service professionals that had an active membership or paid for leads in the last month of the period.

Cost of revenue - consists primarily of traffic acquisition costs and includes payments made to partners who distribute our Partnerships customized browser-based applications, integrate our paid listings into their websites and fees related to the distribution and the facilitation of in-app purchase of product features. These payments include amounts based on revenue share and other arrangements. Cost of revenue also includes ShoeBuy's cost of products sold and shipping and handling costs, production costs related to media produced by Electus and other businesses within our Video segment, expenses associated with the operation of the Company's data centers, including compensation (including stock-based compensation) and other employee-related costs, hosting fees, credit card processing fees, content acquisition costs and rent.

Selling and marketing expense - consists primarily of advertising expenditures and compensation (including stock-based compensation) and other employee-related costs for personnel engaged in selling and marketing, sales support and customer service functions. Advertising expenditures include online marketing, including fees paid to search engines and third parties that distribute our Consumer downloadable desktop applications, offline marketing, which is primarily television advertising, and partner-related payments to those who direct traffic to the Match Group brands.

General and administrative expense - consists primarily of compensation (including stock-based compensation) and other employee-related costs for personnel engaged in executive management, finance, legal, tax and human resources, acquisition-related contingent consideration fair value adjustments (described below), fees for professional services and facilities costs.

Product development expense - consists primarily of compensation (including stock-based compensation) and other employee-related costs that are not capitalized for personnel engaged in the design, development, testing and enhancement of product offerings and related technology.

Acquisition-related contingent consideration fair value adjustments - relate to the portion of the purchase price (of certain acquisitions) that is contingent upon the future operating performance of the acquired company. The amounts ultimately paid are generally dependent upon earnings performance and/or operating metrics as stipulated in the relevant share purchase agreements. A liability is estimated at the date of acquisition and adjusted each reporting period until the liability is settled. If the payment date of the liability is longer than one year, the amount is initially recorded net of a discount, which is amortized as an expense each period. In a period where the acquired company is expected to perform better than the previous estimate, the liability will be increased resulting in additional expense; and in a period when the acquired company is expected to perform worse than the previous estimate, the liability will be decreased resulting in income. The year-over-year impact can be significant if there is income in one period and expense in the other period.

2012 Senior Notes - IAC's 4.75% Senior Notes due December 15, 2022, with interest payable each June 15 and December 15, which commenced June 15, 2013, a portion of which were exchanged for the 2015 Match Group Senior Notes (described below) on November 16, 2015.

2013 Senior Notes - IAC's 4.875% Senior Notes due November 30, 2018, with interest payable each May 30 and November 30, which commenced May 30, 2014.

- Match Exchange Offer - Match Group exchanged \$445 million of 2015 Match Group Senior Notes for a substantially like amount of 2012 Senior Notes on November 16, 2015.

2015 Match Group Senior Notes - Match Group's 6.75% Senior Notes due December 15, 2022, with interest payable each June 15 and December 15, which were issued in exchange for 2012 Senior Notes on November 16, 2015.

Match Group Term Loan - an \$800 million, seven-year term loan entered into by Match Group on November 16, 2015. On March 31, 2016, a \$10 million principal payment was made. On June 1, 2016, Match Group issued \$400 million of 6.375% Senior Notes (described below). The proceeds from the offering were used to repay a portion of the \$790 million of indebtedness outstanding under the Match Group Term Loan. At September 30, 2016, a balance of \$390 million is outstanding.

2016 Match Group Senior Notes - Match Group's 6.375% Senior Notes due June 1, 2024, with interest payable each June 1 and December 1, commencing on December 1, 2016, which were issued on June 1, 2016.

Management Overview

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

For a more detailed description of the Company's operating businesses, see the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Most of the Company's online advertising revenue is attributable to our services agreement with Google Inc. ("Google"). The Company's service agreement became effective on April 1, 2016, following the expiration of the previous services agreement. The services agreement expires on March 31, 2020; 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 own 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 nine months ended September 30, 2016, revenue earned from Google was \$172.0 million and \$638.2 million, respectively. For the three and nine months ended September 30, 2015, revenue earned from Google was \$332.0 million and \$979.8 million, respectively. This revenue is earned by the businesses comprising the Publishing and Applications segments. For the three and nine months ended September 30, 2016, revenue earned from Google represents 66% and 76% of Publishing revenue and 85% and 87% of Applications revenue, respectively. For the three and nine months ended September 30, 2015, revenue earned from Google represents 85% and 84% of Publishing revenue and 93% and 94% of Applications revenue, respectively.

2016 Developments

On October 10, 2016, HomeAdvisor announced that it had agreed to acquire a controlling interest in MyHammer Holding AG, the leading home services marketplace in Germany. The acquisition closed on November 3, 2016. HomeAdvisor also announced that it intends to commence a tender offer to acquire the remaining stake, which is publicly-held.

During the nine months ended September 30, 2016, the Company repurchased 5.3 million shares of common stock at an average price of \$46.79 per share, or \$247.3 million in aggregate.

During the nine months ended September 30, 2016, the Company redeemed and repurchased \$109.8 million of its 2013 Senior Notes and repurchased \$16.5 million of its 2012 Senior Notes.

On June 30, 2016, ASKfm, which was part of the Publishing segment, was sold resulting in a pre-tax loss of \$3.8 million.

On June 1, 2016, Match Group issued \$400 million aggregate principal amount of 6.375% Senior Notes due June 1, 2024, with interest payable each June 1 and December 1, which commences on December 1, 2016. The proceeds were used to repay a portion of the Match Group Term Loan.

On March 18, 2016, PriceRunner, which was part of the Other segment, was sold for \$96.6 million resulting in a pre-tax gain of \$12.0 million.

Third Quarter and Year to Date September 2016 Consolidated Results

For the three months ended September 30, 2016, the Company's revenue, operating income and Adjusted EBITDA decreased 9%, 2% and 2%, respectively. Revenue declined due primarily to decreases from Publishing and Applications, partially offset by growth at Match Group and HomeAdvisor. The operating income decrease was due to a decline in Adjusted EBITDA and increases of \$2.3 million in depreciation, \$1.9 million in amortization of intangibles and \$1.5 million in changes from acquisition-related contingent consideration fair value adjustments, partially offset by a decrease of \$3.3 million in stock-based compensation expense. The Adjusted EBITDA decrease was primarily driven by declines from Publishing and Applications, partially offset by strong growth from Match Group and HomeAdvisor and reduced losses from Video.

For the nine months ended September 30, 2016, the Company's revenue decreased 2% and operating income declined \$330.5 million to a loss of \$145.4 million; however, the Company delivered 4% Adjusted EBITDA growth. The revenue decrease was due primarily to the factors described above in the three-month discussion. The operating income decline, despite higher Adjusted EBITDA, was due primarily to a goodwill impairment charge of \$275.4 million at Publishing, a change of \$25.9 million in acquisition-related contingent consideration fair value adjustments and increases of \$25.8 million in amortization of intangibles and \$10.7 million in stock-based compensation expense (of which \$10.4 million is at Match Group). The change in acquisition-related contingent consideration fair value adjustments reflects expense in the current year period of \$8.0 million versus income of \$17.9 million in the prior year

period. The Adjusted EBITDA increase was primarily driven by strong growth from Match Group and HomeAdvisor and reduced losses from Video, partially offset by significant declines from Publishing and Applications.

Results of Operations for the three and nine months ended September 30, 2016 compared to the three and nine months ended September 30, 2015

Revenue

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016	\$ Change	% Change	2015	2016	\$ Change	% Change	2015
	(Dollars in thousands)							
Match Group	\$316,447	\$47,476	18 %	\$268,971	\$902,849	\$149,992	20 %	\$752,857
HomeAdvisor	133,560	34,125	34 %	99,435	375,222	105,793	39 %	269,429
Video	59,955	(170)	— %	60,125	162,361	15,044	10 %	147,317
Applications	142,782	(50,496)	(26)%	193,278	445,735	(135,811)	(23)%	581,546
Publishing	74,902	(103,799)	(58)%	178,701	326,195	(185,978)	(36)%	512,173
Other	36,598	(1,575)	(4)%	38,173	116,714	(2,630)	(2)%	119,344
Inter-segment eliminations	(142)	(20)	(18)%	(122)	(356)	105	23 %	(461)
Total	\$764,102	\$(74,459)	(9)%	\$838,561	\$2,328,720	\$(53,485)	(2)%	\$2,382,205

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015

Match Group revenue increased 18% driven by a 22% increase in Dating revenue attributable to higher Average PMC at both North America and International, up 26% and 46%, respectively, due mainly to Tinder and the contribution from PlentyOfFish, which was acquired on October 28, 2015, and Eureka. This revenue growth was partially offset by an 8% decline in ARPPU due to the continued mix shift towards lower ARPPU brands including Tinder and PlentyOfFish, both of which have lower price points compared to Match Group's more established brands. Non-dating revenue decreased 15% reflecting lower in-person SAT test preparation courses and in-person tutoring, partially offset by an increase in online and self-paced services.

HomeAdvisor revenue increased 34% due primarily to 39% growth at the HomeAdvisor domestic business and 17% growth at the HomeAdvisor international business. HomeAdvisor domestic revenue growth was driven by a 48% increase in Paying SPs and a 27% increase in service requests.

Video revenue was flat versus the prior year period at \$60.0 million due primarily to growth at Vimeo, offset by lower revenue from IAC Films and declines at Electus due to the timing of certain projects.

Applications revenue decreased 26% due to a 45% decline in Partnerships and an 18% decline in Consumer.

Partnerships revenue decreased due primarily to the loss of certain partners. The Consumer decline was driven by lower search revenue from our downloadable desktop applications due primarily to lower revenue per query, partially offset by strong growth at Apalon and SlimWare.

Publishing revenue decreased 58% due to 74% lower Ask & Other revenue and 35% lower Premium Brands revenue. Ask & Other revenue decreased due to a decline in revenue at Ask.com primarily as a result of the new Google contract, which became effective April 1, 2016, as well as declines from certain other legacy businesses. Premium Brands revenue decreased due primarily to declines in paid search traffic at About.com, mainly attributable to the new Google contract, partially offset by strong growth at Investopedia.

Other revenue decreased 4% due to the sale of PriceRunner on March 18, 2016, partially offset by growth at ShoeBuy.

For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

Match Group revenue increased 20% driven by a 23% increase in Dating revenue attributable to higher Average PMC at both North America and International, up 25% and 49%, respectively, partially offset by 8% lower ARPPU, all of which were driven by the factors described above in the three-month discussion. Non-dating revenue decreased 6% due to the factors described above in the three-month discussion.

HomeAdvisor revenue increased 39% due primarily to 46% growth at the HomeAdvisor domestic business and 15% growth at the HomeAdvisor international business. HomeAdvisor domestic revenue growth was driven by a 49% increase in Paying SPs and a 34% increase in service requests.

Video revenue increased 10% due primarily to growth at Electus, Vimeo and Daily Burn, partially offset by \$10.0 million lower revenue from IAC Films as the prior year benefited from the release of the movie While We're Young. Applications revenue decreased 23% due to a 41% decline in Partnerships and a 15% decline in Consumer. Both Partnerships revenue and Consumer revenue decreased due to the factors described above in the three-month discussion.

Publishing revenue decreased 36% due to 51% lower Ask & Other revenue and 18% lower Premium Brands revenue. Both Ask & Other revenue and Premium Brands revenue decreased due to the factors described above in the three-month discussion.

Other revenue decreased 2% due primarily to the factors described above in the three-month discussion.

Cost of revenue

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015

	Three Months Ended September 30, 2016			\$ Change % Change 2015	
				(Dollars in thousands)	
Cost of revenue (exclusive of depreciation shown separately below)	\$179,131	\$(20,246)	(10)%	\$199,377	
As a percentage of revenue	23%			24%	

Cost of revenue in 2016 decreased from 2015 due to decreases of \$22.6 million from Publishing and \$14.2 million from Applications, partially offset by increases of \$13.5 million from Match Group and \$3.7 million from Other.

The Publishing decrease was due primarily to a reduction of \$16.8 million in traffic acquisition costs driven by a decline in revenue at Ask.com and certain legacy businesses.

The Applications decrease was due primarily to a reduction of \$13.3 million in traffic acquisition costs driven by a decline in revenue at Partnerships.

The Match Group increase was due primarily to a significant increase in in-app purchase fees across multiple brands, including Tinder, and the acquisition of PlentyOfFish (acquired October 2015).

The Other increase was due primarily to an increase in cost of products sold at ShoeBuy due to increased sales, partially offset by the sale of PriceRunner.

For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

	Nine Months Ended September 30, 2016			\$ Change % Change 2015	
				(Dollars in thousands)	
Cost of revenue (exclusive of depreciation shown separately below)	\$543,262	\$(20,815)	(4)%	\$564,077	
As a percentage of revenue	23%			24%	

Cost of revenue in 2016 decreased from 2015 due to decreases of \$46.7 million from Applications and \$32.9 million from Publishing, partially offset by increases of \$40.3 million from Match Group, \$8.1 million from Video and \$7.5 million from Other.

The Applications and Publishing decreases and the Match Group and Other increases were due primarily to the factors described above in the three-month discussion.

• The Match Group was further impacted by the acquisition of Eureka.

The Video increase was due primarily to a net increase in production costs at our media and video businesses and an increase in hosting fees related to Vimeo's subscription growth, increased video plays and expanded On Demand catalog.

Selling and marketing expense

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015

Three Months Ended September 30,
2016 \$ Change % Change 2015
(Dollars in thousands)

Selling and marketing expense \$292,393 \$(50,717) (15)% \$343,110

As a percentage of revenue 38% 41%

Selling and marketing expense in 2016 decreased from 2015 due to decreases of \$50.6 million from Publishing, \$18.2 million from Applications and \$3.3 million from Video, partially offset by an increase of \$20.8 million from HomeAdvisor.

• The Publishing decrease was due primarily to a reduction of \$49.7 million in online marketing, resulting from a decline in revenue.

• The Applications decrease was due primarily to a decline of \$17.5 million in online marketing, principally related to lower anticipated search revenue from our downloadable desktop applications at Consumer.

• The Video decrease was due primarily to a reduction of \$2.8 million in online marketing driven primarily by Vimeo.

• The HomeAdvisor increase was due primarily to higher online and offline marketing of \$13.9 million and \$5.1 million in compensation due primarily to an increase in the sales force at HomeAdvisor domestic.

For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

Nine Months Ended September 30,
2016 \$ Change % Change 2015
(Dollars in thousands)

Selling and marketing expense \$970,259 \$(60,043) (6)% \$1,030,302

As a percentage of revenue 42% 43%

Selling and marketing expense in 2016 decreased from 2015 due to decreases of \$77.4 million from Publishing, \$35.9 million from Applications and \$9.4 million from Video, partially offset by an increase of \$63.2 million from HomeAdvisor.

• The Publishing, Applications and Video decreases and the HomeAdvisor increase were due primarily to the factors described above in the three-month discussion.

• Publishing was further impacted by \$2.7 million in restructuring costs in the current year period.

General and administrative expense

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015

Three Months Ended September 30,
2016 \$ Change % Change 2015
(Dollars in thousands)

General and administrative expense \$128,829 \$(5,293) (4)% \$134,122

As a percentage of revenue 17% 16%

General and administrative expense in 2016 decreased from 2015 due to decreases of \$6.3 million from Match Group, \$3.2 million from Corporate and \$2.9 million from Publishing, partially offset by increases of \$5.2 million from HomeAdvisor and \$1.5 million from Applications.

The Match Group decrease was due primarily to a change of \$5.9 million in acquisition-related contingent consideration fair value adjustments, a favorable resolution of a non-income tax related matter and a decrease in consulting expenses at Non-dating, partially offset by an increase of \$2.0 million in compensation. The change in the acquisition-related contingent consideration fair value adjustments was due to income of \$5.1 million in the current year period compared to expense of \$0.8 million in the prior year period. The increase in compensation is driven by increased headcount from recent acquisitions, partially offset by a decrease in stock-based compensation expense due to the inclusion in 2015 of a modification charge related to certain equity awards, partially offset by the issuance of new equity awards since the prior year.

The Corporate decrease was due primarily to lower stock-based compensation expense in the current year period and the inclusion in the prior year period of certain transaction-related costs.

The Publishing decrease was due primarily to the sale of ASKfm.

The HomeAdvisor increase was due primarily to higher compensation due, in part, to increased headcount, \$1.1 million in transaction-related costs in the current year period and an increase in bad debt expense.

The Applications increase was due primarily to a change of \$4.3 million in acquisition-related contingent consideration fair value adjustments, which was due to expense of \$2.7 million in the current year period versus income of \$1.5 million in the prior year period, partially offset by a decrease in compensation due, in part, to a decrease in headcount related to a reduction in workforce that took place in the first half of 2016.

For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

Nine Months Ended September 30,
2016 \$ Change % Change 2015
(Dollars in thousands)

General and administrative expense	\$417,206	\$38,941	10%	\$378,265
As a percentage of revenue	18%			16%

General and administrative expense in 2016 increased from 2015 due to increases of \$17.0 million from Match Group, \$15.6 million from HomeAdvisor and \$13.0 million from Applications, partially offset by a decrease of \$7.5 million from Publishing.

The Match Group increase was due primarily to a change of \$8.8 million in acquisition-related contingent consideration fair value adjustments, an increase of \$8.7 million in compensation and an increase of \$3.0 million in office rent as they continue to grow and expand their operations, partially offset by a favorable resolution of a non-income tax related matter and a decrease in consulting expenses at Non-dating. The change in the acquisition-related contingent consideration fair value adjustments was due to income of \$2.7 million in the current year period compared to income of \$11.5 million in the prior year period. The increase in compensation is due to an increase in headcount from recent acquisitions and a \$4.5 million increase in stock-based compensation expense due primarily to the issuance of new equity awards since the prior year, partially offset by the inclusion in 2015 of a modification charge related to certain equity awards.

The HomeAdvisor and Applications increases and the Publishing decrease were due primarily to the factors described above in the three-month discussion.

The Publishing decrease was further impacted by a reduction in bad debt expense.

Product development expense

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015

Three Months Ended September 30,
2016 \$ Change % Change 2015
(Dollars in thousands)

Product development expense \$45,947 \$(912) (2)% \$46,859

As a percentage of revenue 6% 6%

Product development expense in 2016 decreased slightly from 2015.

For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

Nine Months Ended September 30,
2016 \$ Change % Change 2015
(Dollars in thousands)

Product development expense \$151,688 \$13,142 9% \$138,546

As a percentage of revenue 7% 6%

Product development expense in 2016 increased from 2015 due to an increase of \$11.6 million from Match Group, primarily related to an increase of \$7.4 million in stock-based compensation expense, investment in headcount at Tinder, and the acquisitions of PlentyOfFish and Eureka in 2015. The increase in stock-based compensation expense was due primarily to the issuance of new equity awards and a net increase in expense associated with the modification of certain equity awards since the prior year period.

Depreciation

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015

Three Months Ended September 30,
2016 \$ Change % Change 2015
(Dollars in thousands)

Depreciation \$17,951 \$2,326 15% \$15,625

As a percentage of revenue 2% 2%

Depreciation in 2016 increased from 2015 due primarily to acquisitions, incremental depreciation associated with capital expenditures and the write-off of internally developed software costs which are no longer being utilized at Match Group, partially offset by certain fixed assets becoming fully depreciated.

For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

Nine Months Ended September 30,
2016 \$ Change % Change 2015
(Dollars in thousands)

Depreciation \$51,321 \$4,628 10% \$46,693

As a percentage of revenue 2% 2%

Depreciation in 2016 increased from 2015 due primarily to the factors described above in the three-month discussion.

Operating income (loss)

	Three Months Ended September 30,			Nine Months Ended September 30,			
	2016	\$ Change	% Change	2015	2016	\$ Change	% Change
	(Dollars in thousands)			2015			
Match Group	\$91,754	\$33,398	57%	\$58,356	\$194,610	\$68,692	55%
HomeAdvisor	12,805	6,710	110%	6,095	26,629	22,942	622%
Video	(2,663)	2,992	53%	(5,655)	(25,187)	11,394	31%
Applications	29,240	(17,299)	(37)%	46,539	75,839	(62,237)	(45)%
Publishing	(14,562)	(28,711)	NM	14,149	(324,720)	(368,405)	NM
Other	(1,511)	(1,706)	NM	195	(3,299)	(2,554)	(342)%
Corporate	(29,479)	3,070	9%	(32,549)	(89,317)	(295)	—%
Total	\$85,584	\$(1,546)	(2)%	\$87,130	\$(145,445)	\$(330,463)	NM
As a percentage of revenue	11%			10%	NM		8%

NM = not meaningful

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015 Operating income in 2016 decreased slightly from 2015 due to a decrease of \$2.2 million in Adjusted EBITDA described below, increases of \$2.3 million in depreciation and \$1.9 million in amortization of intangibles, and \$1.5 million in changes from acquisition-related contingent consideration fair value adjustments, partially offset by a decrease of \$3.3 million in stock-based compensation expense. The decrease in stock-based compensation expense was due primarily to charges associated with the modification of certain equity awards included in the prior year period, partially offset by the issuance of new equity awards.

For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 Operating income in 2016 decreased to a loss from 2015 despite an increase of \$11.9 million in Adjusted EBITDA described below, due primarily to a goodwill impairment charge of \$275.4 million at Publishing, \$25.9 million in changes from acquisition-related contingent consideration fair value adjustments and increases of \$25.8 million in amortization of intangibles and \$10.7 million in stock-based compensation expense. The goodwill impairment charge at Publishing was driven by the impact from the new Google contract, traffic trends and monetization challenges and the corresponding impact on the current estimate of fair value. The goodwill impairment charge recorded in the second quarter of 2016 was a preliminary estimate, which was finalized in the third quarter of 2016 without an adjustment of the amount previously recorded. No additional adjustments to the impairment charge were necessary. The change in acquisition-related contingent consideration fair value adjustments was primarily the result of expense in the current year period of \$11.0 million versus income of \$3.8 million in the prior year period in the Applications segment and income of \$2.7 million in the current year period versus income of \$11.5 million in the prior year period in the Match Group segment. The increase in amortization of intangibles was due primarily to the change in classification of a Publishing trade name from an indefinite-lived intangible asset to a definite-lived intangible asset, effective April 1, 2016, and an impairment charge of \$11.6 million related to certain Publishing indefinite-lived trade names. The increase in stock-based compensation expense was due primarily to the issuance of new equity awards and a net increase in expense associated with the modification of certain equity awards since the prior year period. For a detailed description of the Publishing goodwill and indefinite-lived intangible asset impairments, see Note 4 to the consolidated financial statements.

At September 30, 2016, there was \$192.6 million of unrecognized compensation cost, net of estimated forfeitures, related to all equity-based awards, which is expected to be recognized over a weighted average period of approximately 2.7 years.

Adjusted EBITDA

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2016	\$ Change	% Change	2015	2016	\$ Change	% Change	2015
	(Dollars in thousands)							
Match Group	\$110,708	\$28,051	34%	\$82,657	\$275,414	\$96,059	54%	\$179,355
HomeAdvisor	15,965	7,061	79%	8,904	35,947	23,179	182%	12,768
Video	(894)	) 4,247	83%	(5,141)	) (21,770)	) 15,212	41%	(36,982)
Applications	34,575	(13,326)	(28)%	47,901	94,715	(47,830)	(34)%	142,545
Publishing	(6,208)	) (27,283)	NM	21,075	(6,639)	) (71,704)	NM	65,065
Other	(824)	) (2,420)	NM	1,596	(709)	) (3,905)	NM	3,196
Corporate	(14,336)	) 1,514	10%	(15,850)	) (40,050)	) 919	2%	(40,969)
Total	\$138,986	\$(2,156)	(2)%	\$141,142	\$336,908	\$11,930	4%	\$324,978

As a percentage of revenue 18% 17% 14% 14%

For a reconciliation of operating income (loss) by reportable segment and net earnings (loss) attributable to IAC's shareholders to Adjusted EBITDA, see Note 10 to the consolidated financial statements.

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015

Match Group Adjusted EBITDA increased 34% due primarily to higher revenue, reduced selling and marketing expense as a percentage of revenue as the revenue mix continues to shift towards brands with lower marketing spend, \$1.8 million of lower costs in the current year period related to the consolidation and streamlining of technology systems and European operations at our Dating businesses (\$0.8 million in 2016 compared to \$2.5 million in 2015) and increased profits from Non-dating, partially offset by an increase in cost of revenue.

HomeAdvisor Adjusted EBITDA increased 79% due primarily to higher revenue, partially offset by an increase in selling and marketing expense and \$1.1 million in transaction-related costs.

Video Adjusted EBITDA loss improved 83% due primarily to reduced losses at Vimeo.

Applications Adjusted EBITDA decreased 28% due primarily to lower revenue, partially offset by decreases in selling and marketing expense and cost of revenue.

Publishing Adjusted EBITDA decreased to a loss of \$6.2 million in the current year period due primarily to lower revenue and \$1.1 million in restructuring costs.

Other Adjusted EBITDA decreased \$2.4 million to a loss in the current year period due primarily to lower revenue which resulted from the sale of PriceRunner.

Corporate Adjusted EBITDA loss decreased 10% due primarily to the inclusion of certain transaction-related costs in the prior year period.

For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

Match Group Adjusted EBITDA increased 54% due primarily to the factors described above in the three-month discussion. Costs in the current year period related to the consolidation and streamlining of technology systems and European operations at our Dating businesses was \$4.3 million compared to \$14.8 million in 2015.

HomeAdvisor Adjusted EBITDA increased 182% due primarily to the factors described above in the three-month discussion. Adjusted EBITDA was further impacted by higher compensation due primarily to increased headcount and an increase in bad debt expense.

Video Adjusted EBITDA loss improved 41% due primarily to reduced losses at Vimeo and Daily Burn and profits in the current year period at Electus and IAC Films.

Applications Adjusted EBITDA decreased 34% due primarily to the factors described above in the three-month discussion. Adjusted EBITDA was further impacted by \$2.5 million in restructuring costs.

Publishing Adjusted EBITDA declined to a loss in the current year period due primarily to lower revenue, partially offset by decreases in selling and marketing expense, cost of revenue and general and administrative expense.

Adjusted EBITDA was further impacted by \$7.0 million in restructuring costs (\$0.9 million in cost of revenue, \$2.7 million in selling and marketing expense, \$2.5 million in general and administrative expense and \$0.9 million in product development expense).

Other Adjusted EBITDA decreased to a loss in the current year period due to the sale of PriceRunner in the first quarter of 2016, partially offset by Adjusted EBITDA improvement at ShoeBuy.

Corporate Adjusted EBITDA loss decreased 2% due to the factor described above in the three-month discussion. Interest expense

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015

	Three Months Ended September 30,		
	2016	\$ Change	% Change 2015
(Dollars in thousands)			

Interest expense	\$(27,118)	\$11,126	70%	\$(15,992)
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Interest expense in 2016 increased from 2015 due to the borrowings under the Match Group Term Loan, of which \$400 million was refinanced on June 1, 2016 with the 2016 Match Group Senior Notes, and the 2% higher interest rate associated with the exchange of \$445 million of 2015 Match Group Senior Notes for a substantially like amount of 2012 Senior Notes.

For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

	Nine Months Ended September 30,		
	2016	\$ Change	% Change 2015
(Dollars in thousands)			

Interest expense	\$(82,622)	\$37,352	83%	\$(45,270)
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Interest expense in 2016 increased from 2015 due primarily to the factors described above in the three-month discussion.

Other income, net

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015

	Three Months Ended September 30,		
	2016	\$ Change	% Change 2015
(Dollars in thousands)			

Other income, net	\$11,700	\$(22,698)	(66)%	\$34,398
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Other income, net in 2016 includes \$10.9 million in net foreign currency exchange gains.

Other income, net in 2015 included a gain of \$33.6 million from a real estate transaction.

For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

Nine Months Ended September 30,
2016 \$ Change % Change 2015
(Dollars in thousands)

Other income, net \$20,405 \$(19,343) (49)% \$39,748

Other income, net in 2016 includes \$24.0 million in net foreign currency exchange gains, a \$12.0 million gain related to the sale of PriceRunner, interest income of \$3.8 million and a \$3.5 million gain related to the sale of marketable equity securities, partially offset by a non-cash charge of \$11.1 million related to the write-off of a proportionate share of original issue discount and deferred financing costs associated with the repayment of \$400 million of the Match Group Term Loan, \$4.5 million in other-than-temporary impairment charges related to certain cost method investments as a result of our assessment of the near-term prospects and financial condition of the investees, a loss of \$3.8 million related to the sale of ASKfm, a \$3.2 million loss on the 2012 and 2013 Senior Note redemptions and repurchases and a \$2.5 million mark-to-market adjustment pertaining to certain subsidiary denominated equity awards issued to non-employees.

Other income, net in 2015 included a gain of \$33.6 million from a real estate transaction, \$4.9 million in net foreign currency exchange gains and \$3.5 million in interest income, partially offset by \$1.3 million in other-than-temporary impairment charges related to certain cost method investments.

Income tax (provision) benefit

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015

Three Months Ended September 30,
2016 \$ Change % Change 2015
(Dollars in thousands)

Income tax provision \$(17,826) NM NM \$(40,510)

Effective income tax rate 25% 38%

The 2016 effective income tax rate is lower than the statutory rate of 35% due primarily to foreign income taxed at lower rates.

The 2015 effective income tax rate is higher than the statutory rate of 35% due primarily to state taxes, partially offset by foreign income taxed at lower rates.

For the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015

Nine Months Ended September 30,
2016 \$ Change % Change 2015
(Dollars in thousands)

Income tax benefit (provision) \$77,394 NM NM \$(34,722)

Effective income tax rate 37% 19%

The 2016 effective income tax rate is higher than the statutory rate of 35% on pre-tax losses due primarily to foreign income taxed at lower rates, state taxes and the non-taxable gain on the sale of PriceRunner, partially offset by the non-deductible portion of the goodwill impairment charge at the Publishing segment.

The 2015 effective income tax rate is lower than the statutory rate of 35% due primarily to the realization of certain deferred tax assets, a reduction in tax reserves and related interest due to the expiration of statutes of limitations and the non-taxable gain on contingent consideration fair value adjustments.

For further details of income tax matters, see Note 2 to the consolidated financial statements.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Financial Position

	September 30, 2016	December 31, 2015
	(In thousands)	
Cash and cash equivalents:		
United States ⁽¹⁾	\$656,337	\$1,109,331
All other countries ^{(2) (3)}	533,447	372,116
Total cash and cash equivalents	1,189,784	1,481,447
Marketable securities (United States) ⁽⁴⁾	177,862	39,200
Total cash and cash equivalents and marketable securities ⁽⁵⁾	\$1,367,646	\$1,520,647
Match Group Debt:		
6.375% Senior Notes due June 1, 2024 (the "2016 Match Group Senior Notes"); interest payable each June 1 and December 1, which commences December 1, 2016	\$400,000	\$—
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
Match Group Term Loan due November 16, 2022 ^{(6) (7)}	390,000	800,000
Total Match Group long-term debt	1,235,172	1,245,172
Less: Current maturities of Match Group long-term debt	—	40,000
Less: Unamortized original issue discount and original issue premium, net	5,100	11,691
Less: Unamortized debt issuance costs	14,526	16,610
Total Match Group debt, net of current maturities	1,215,546	1,176,871
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	390,214	500,000
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	38,247	54,732
Total IAC long-term debt	428,461	554,732
Less: Unamortized debt issuance costs	2,722	4,649
Total IAC debt, net of current portion	425,739	550,083
Total long-term debt, net of current portion	\$1,641,285	\$1,726,954

⁽¹⁾ Domestically, cash equivalents primarily consist of AAA rated treasury and government money market funds, commercial paper rated A1/P1 or better and treasury discount notes.

⁽²⁾ Internationally, cash equivalents primarily consist of AAA rated government money market funds and time deposits with maturities of less than 91 days from the date of purchase.

⁽³⁾ If needed for our U.S. operations, most of the cash and cash equivalents held by the Company's foreign subsidiaries could be repatriated; however, under current law, would be subject to U.S. federal and state income taxes. We have not provided for any such tax because the Company currently does not anticipate a need to repatriate these funds to finance our U.S. operations and it is the Company's intent to indefinitely reinvest these funds outside of the U.S.

⁽⁴⁾ Marketable securities consist of treasury discount notes, short-to-medium-term debt securities issued by investment grade corporate issuers and an equity security (which was sold in the second quarter of 2016). The Company invests in

marketable debt securities with active secondary or resale markets to ensure portfolio liquidity to fund current operations or satisfy other cash requirements as needed. The Company also invests in equity securities as part of its investment strategy.

(5) At September 30, 2016, cash and cash equivalents includes Match Group's domestic and international cash and cash equivalents of \$88.7 million and \$142.5 million, respectively. At December 31, 2015, cash and cash equivalents includes Match Group's domestic and international cash and cash equivalents of \$34.4 million and \$53.8 million, respectively. Marketable securities at December 31, 2015 include \$11.6 million at Match Group. There are no marketable securities at September 30, 2016 at Match Group. Match Group is a separate and distinct legal entity with its own public shareholders and board of directors and has no obligation to provide the Company with funds. As a result, we cannot freely access the cash of Match Group and its subsidiaries. Match Group generated \$168.9 million and \$126.2 million of operating cash flows for the nine months ended September 30, 2016 and 2015, respectively. In addition, agreements governing Match Group's indebtedness limit the payment of dividends or distributions, loans or advances to stockholders, including the Company, in the event a default has occurred or Match Group's leverage ratio (as defined in the indentures) exceeds 5.0 to 1.0.

(6) Proceeds from the 2016 Match Group Senior Notes were used to repay a portion of the Match Group Term Loan. A final principal payment of \$390 million is due at maturity.

(7) 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:

On June 1, 2016, Match Group issued \$400 million aggregate principal amount of the 2016 Match Group Senior Notes due June 1, 2024.

Promptly following the closing of the Match Exchange Offer on November 16, 2015, Match Group and its subsidiaries were designated as unrestricted subsidiaries of IAC for purposes of the indentures governing the 2013 and 2012 Senior Notes and the IAC Credit Facility. Following the designation, neither Match Group nor any of its subsidiaries guaranteed any debt of IAC, or are subject to any of the covenants related to such debt.

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. As of September 30, 2016, Match Group was in compliance with all applicable covenants.

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 proceeds of the 2016 Match Group Senior Notes, described above, were used to repay a portion of the Match Group Term Loan and, as a result, quarterly principal payments of \$10 million under the Match Group Term Loan are no longer due; at maturity, a final principal payment of \$390 million is due. Additionally, 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 set forth 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 3.50% or 4.50%, respectively, and in the case of LIBOR, a floor of 1.00%. Interest payments are due at least semi-annually through the term of the loan.

Match Group has a \$500 million revolving credit facility that expires on October 7, 2020 (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 Match Group Credit Agreement).

There are additional covenants under the Match Group Credit Facility and the Match Group Term Loan that limit Match Group's ability and the ability of 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 wholly-owned Match Group 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 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. The restrictive covenants of the indenture governing the 2012 Senior Notes were substantially eliminated following the Match Exchange Offer. As of September 30, 2016, IAC was in compliance with all applicable covenants.

IAC Credit Facility:

IAC has a \$300 million revolving credit facility that expires October 7, 2020 (the "IAC Credit Facility"). At September 30, 2016, the annual commitment fee on undrawn funds is currently 35 basis points 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. The obligations under the IAC Credit Facility are secured by the stock of certain IAC domestic and foreign subsidiaries and unconditionally guaranteed by certain wholly-owned domestic subsidiaries.

Cash Flow Information

In summary, the Company's cash flows attributable to continuing operations are as follows:

	Nine Months Ended	
	September 30,	
	2016	2015
	(In thousands)	
Net cash provided by operating activities	\$ 161,582	\$ 184,107
Net cash used in investing activities	(106,412)	(8,667)
Net cash used in financing activities	(337,600)	(391,096)

2016

Net cash provided by operating activities attributable to continuing operations consists of earnings from continuing operations, adjusted for stock-based compensation expense, depreciation, amortization of intangibles, goodwill impairment, excess tax benefits, deferred income taxes, acquisition-related contingent consideration fair value adjustments, adjustments related to gains on the sale of businesses and investments, and the effect of changes in working capital. Adjustments to earnings primarily consist of \$275.4 million of goodwill impairment at the Publishing segment, \$100.0 million of deferred income taxes, \$82.6 million of stock-based compensation expense, \$65.1 million of amortization of intangibles, \$51.3 million of depreciation, \$43.1 million in excess tax benefits, \$13.4 million of net gains on the sale of businesses and investments, \$8.0 million of acquisition-related contingent consideration fair value adjustments, and \$21.9 million in other adjustments that consist primarily of a non-cash charge on the repayment of \$400 million of the Match Group Term Loan. The decrease from changes in working capital consist primarily of a decrease in accounts payable and other current liabilities of \$63.7 million, a decrease in income taxes payable of \$37.1 million, and an increase in other assets of \$19.8 million, partially offset by a decrease in accounts receivable of \$33.0 million and an increase in deferred revenue of \$31.4 million. The decrease in accounts payable and other current liabilities is due to (i) a decrease in accrued advertising and revenue share expense at Publishing and Applications mainly due to the effect of the new Google contract, which became effective April 1, 2016, (ii) decreases in

payables at Match Group and Applications due to the timing of payments and a seasonal decrease in payables to suppliers at ShoeBuy, (iii) a decrease in VAT payables related mainly to decreases in international revenue at Publishing, and (iv) a decrease in accrued employee compensation and benefits mainly related to the payment of 2015 cash bonuses in 2016. The decrease in income taxes payable is primarily due to the payment of 2015 tax liabilities in 2016. The increase in other assets is primarily related to an increase in productions costs at IAC Films and an increase in prepaid maintenance contracts at Match Group. The decrease in accounts receivable is mainly due to a decrease at Publishing due to lower revenue related to the new services agreement with Google, partially offset by an increase at HomeAdvisor due to revenue growth. The increase in deferred revenue is mainly due to growth in prepaid revenue at Match Group, HomeAdvisor, SlimWare and Vimeo.

Net cash used in investing activities attributable to continuing operations in 2016 includes purchases (net of sales and maturities) of marketable debt securities of \$150.0 million, capital expenditures of \$62.7 million, primarily related to Match Group and HomeAdvisor investments in internal development of software to support their products and services, as well as leasehold improvements and computer hardware, and cash used in investments and acquisitions of \$9.7 million, partially offset by net proceeds from the sale of businesses and investments of \$110.5 million, which mainly consists of proceeds from the sale of PriceRunner.

Net cash used in financing activities attributable to continuing operations in 2016 includes \$247.3 million for the repurchase of 5.3 million shares of common stock at an average price of \$46.79 per share, \$126.3 million for the redemption and repurchase of a portion of the 2012 and 2013 Senior Notes, \$7.1 million in net payments related to the issuance of IAC common stock pursuant to stock-based awards, net of withholding taxes, \$5.0 million in debt issuance costs related to the 2016 Match Group Senior Notes, \$2.5 million for the purchase of noncontrolling interests, and \$2.2 million in acquisition-related contingent consideration payments, partially offset by excess tax benefits from stock-based awards of \$43.1 million and a decrease of \$20.0 million in restricted cash that related to unsettled IAC bond redemptions. Additionally, a payment of \$410.0 million was made toward the Match Group Term Loan, of which \$400.0 million was financed by the issuance of the 2016 Match Group Senior Notes.

2015

Adjustments to earnings from continuing operations primarily consist of \$71.9 million of stock-based compensation expense, \$46.7 million of depreciation and \$39.3 million of amortization of intangibles, partially offset by \$49.1 million of excess tax benefits from stock-based awards, \$33.6 million of gain on a real estate transaction and \$17.9 million in acquisition-related contingent consideration fair value adjustments. The decrease from changes in working capital consist primarily of an increase in accounts receivable of \$25.8 million, a decrease of \$17.6 million in accounts payable and other current liabilities, an increase in other assets of \$13.7 million, and a decrease in income taxes payable of \$13.7 million, partially offset by an increase in deferred revenue of \$45.7 million. The increase in accounts receivable is due primarily to growth in Match Group's in-app purchases sold through their mobile products and revenue growth at HomeAdvisor. The decrease in accounts payable and other current liabilities is due mainly to a decrease in accrued revenue share and accrued advertising expense at Applications and Publishing, respectively, partially offset by an increase in accrued advertising at Match Group. The decrease in accrued revenue share at Applications is due mainly to lower Partnerships revenue. The decrease in accrued advertising at Publishing is due mainly to lower fees paid to search engines and timing of payments. The increase in accrued advertising at Match Group is due mainly to increased online spending. The increase in other assets is due primarily to an increase in VAT refund receivables and an increase in inventory at ShoeBuy, due mainly to seasonality. The decrease in income taxes payable is due to current year income tax payments in excess of current year income tax accruals. The increase in deferred revenue is due mainly to growth in prepaid revenue at Match Group, Vimeo and HomeAdvisor, an increase at Electus due to the timing of various production deals, and increases related to acquisitions.

Net cash used in investing activities attributable to continuing operations in 2015 includes the purchase of marketable debt securities, net of proceeds from maturities and sales, of \$99.8 million, the purchase of investments and acquisitions of \$68.4 million and capital expenditures of \$44.6 million, primarily related to the internal development of software to support our products and services, and computer hardware.

Net cash used in financing activities attributable to continuing operations in 2015 includes \$200.0 million for the repurchase of 3.0 million shares of common stock at an average price of \$67.68 per share, \$84.9 million related to the payment of cash dividends to IAC shareholders, \$80.0 million for the early redemption of the Liberty Bonds, \$40.2 million in net payments related to the issuance of IAC common stock pursuant to stock-based awards, net of withholding taxes, \$29.9 million

for the purchase of noncontrolling interests and \$5.7 million in acquisition-related contingent consideration payments, partially offset by excess tax benefits from stock-based awards of \$49.1 million.

Liquidity and Capital Resources

The Company's principal sources of liquidity are its cash and cash equivalents and marketable securities as well as cash flows generated from operations. IAC has a \$300 million revolving credit facility that expires on October 7, 2020. Match Group has a \$500 million revolving credit facility that expires on October 7, 2020. At September 30, 2016, there were no outstanding borrowings under the IAC Credit Facility or the Match Group Credit Facility. At September 30, 2016, IAC had 10.3 million shares remaining in its share repurchase authorization. IAC may purchase shares over an indefinite period of time on the open market and in privately negotiated transactions, depending on those factors IAC management deems relevant at any particular time, including, without limitation, market conditions, share price and future outlook.

IAC's consolidated cash and cash equivalents at September 30, 2016 were \$1.2 billion, of which \$231.2 million was held by Match Group. The Company generated \$161.6 million of operating cash flows for the nine months ended September 30, 2016, of which \$168.9 million was generated by Match Group. Match Group is a separate and distinct legal entity with its own public shareholders and board of directors and has no obligation to provide the Company with funds. As a result, we cannot freely access the cash of the Match Group and its subsidiaries. In addition, agreements governing Match Group's indebtedness limit the payment of dividends or distributions and loans or advances to stockholders, including the Company, in the event a default has occurred or Match Group's leverage ratio (as defined in the indentures) exceeds 5.0 to 1.0.

The Company anticipates that it will need to make capital and other expenditures in connection with the development and expansion of its operations. The Company's 2016 capital expenditures will be higher than 2015 by approximately 25% to 35%, driven mostly by leasehold improvements related to a new lease for Match Group's corporate headquarters, as well costs related to a new Match Group data center, and HomeAdvisor's sales center expansion. The Company believes its existing cash, cash equivalents and marketable securities and expected positive cash flows generated from operations will be sufficient to fund our normal operating requirements, including capital expenditures, debt service, the payment of withholding taxes on behalf of employees for net-settled stock-based awards, and investing and other commitments for the foreseeable future. The Company's liquidity could be negatively affected by a decrease in demand for our respective products and services. The Company's indebtedness could limit our ability to: (i) obtain additional financing to fund working capital needs, acquisitions, capital expenditure or debt service or other requirements; and (ii) use operating cash flow to make acquisitions, capital expenditures, invest in other areas, such as developing properties and exploiting business opportunities, in the event a default has occurred or our leverage ratio (as defined in the indenture) exceeds 3.0 to 1.0. The Company may make additional acquisitions and investments and, as a result, the Company may need to raise additional capital through future debt or equity financing to provide for greater financial flexibility. Additional financing may not be available at all or on terms favorable to us.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

At September 30, 2016, except as noted below, there have been no material changes to the Company's contractual obligations, commercial commitments and off-balance sheet arrangements since the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2015.

The Company has total long-term debt of \$1.7 billion and \$1.8 billion at September 30, 2016 and December 31, 2015, respectively. On June 1, 2016, Match Group issued \$400 million of 6.375% Senior Notes. The proceeds from the offering were used to repay a portion of the \$790 million of indebtedness outstanding under the Match Group Term Loan. Following the payment, \$390 million of the Match Group Term Loan is outstanding. The Match Group Term Loan currently bears interest at LIBOR plus 4.50%, with a LIBOR floor of 1.00%, or 5.50%. Based on this transaction, the Company will incur approximately \$100 million of additional interest expense over the term of its debt obligations due to the higher interest rate and the longer maturity of the 6.375% Senior Notes, due June 1, 2024, as compared to the Match Group Term Loan, due November 16, 2022.

IAC'S PRINCIPLES OF FINANCIAL REPORTING

IAC reports Adjusted EBITDA as a supplemental measure to U.S. generally accepted accounting principles ("GAAP"). This measure is one of the primary metrics by which we evaluate the performance of our businesses, on which our internal budgets are based and by which management is compensated. We believe that investors should have access to, and we are obligated to provide, the same set of tools that we use in analyzing our results. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. IAC endeavors to compensate for the limitations of the non-GAAP measure presented by providing the comparable GAAP measure with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measure. We encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measure, which we discuss below.

Definition of IAC's Non-GAAP Measure

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") is defined as operating income excluding: (1) stock-based compensation expense; (2) depreciation; and (3) acquisition-related items consisting of (i) amortization of intangible assets and impairments of goodwill and intangible assets, if applicable, and (ii) gains and losses recognized on changes in the fair value of contingent consideration arrangements. We believe this measure is useful for analysts and investors as this measure allows a more meaningful comparison between our performance and that of our competitors. Moreover, our management uses this measure internally to evaluate the performance of our business as a whole and our individual business segments. The above items are excluded from our Adjusted EBITDA measure because these items are non-cash in nature, and we believe that by excluding these items, Adjusted EBITDA corresponds more closely to the cash operating income generated from our business, from which capital investments are made and debt is serviced. Adjusted EBITDA has certain limitations in that it does not take into account the impact to IAC's statement of operations of certain expenses.

Non-Cash Expenses That Are Excluded From IAC's Non-GAAP Measure

Stock-based compensation expense consists principally of expense associated with the grants, including unvested grants assumed in acquisitions, of stock options, restricted stock units ("RSUs") and performance-based RSUs. These expenses are not paid in cash, and we include the related shares in our fully diluted shares outstanding using the treasury stock method. Upon the exercise of certain stock options and vesting of RSUs and performance-based RSUs, the awards are settled, at the Company's discretion, on a net basis, with the Company remitting the required tax-withholding amount from its current funds.

Depreciation is a non-cash expense relating to our property and equipment and is computed using the straight-line method to allocate the cost of depreciable assets to operations over their estimated useful lives.

Amortization of intangible assets and impairments of goodwill and intangible assets are non-cash expenses related primarily to acquisitions. At the time of an acquisition, the identifiable definite-lived intangible assets of the acquired company, such as trade names, content, technology, customer lists, advertiser and supplier relationships, are valued and amortized over their estimated lives. Value is also assigned to acquired indefinite-lived intangible assets, which comprise trade names and trademarks, and goodwill that are not subject to amortization. An impairment is recorded when the carrying value of an intangible asset or goodwill exceeds its fair value. We believe that intangible assets represent costs incurred by the acquired company to build value prior to acquisition and the related amortization and impairment charges of intangible assets or goodwill, if applicable, are not ongoing costs of doing business.

Gains and losses recognized on changes in the fair value of contingent consideration arrangements are accounting adjustments to report contingent consideration liabilities at fair value. These adjustments can be highly variable and are excluded from our assessment of performance because they are considered non-operational in nature and, therefore, are not indicative of current or future performance or ongoing costs of doing business.

RECONCILIATION OF ADJUSTED EBITDA

For a reconciliation of operating income (loss) by reportable segment and net earnings (loss) attributable to IAC shareholders to Adjusted EBITDA for the three and nine months ended September 30, 2016 and 2015, see Note 10 to the consolidated financial statements.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

At September 30, 2016, except as noted below, there have been no material changes to the Company's instruments or positions that are sensitive to market risk since the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2015.

Interest Rate Risk

At September 30, 2016, the Company's outstanding debt was \$1.7 billion of which \$1.3 billion bears interest at fixed rates and \$390 million bears interest at variable rates. If market rates decline, the Company runs the risk that the related required payments on the fixed rate debt will exceed those based on market rates. A 100 basis point increase or decrease in the level of interest rates would, respectively, decrease or increase the fair value of the fixed-rate debt by \$56.0 million. Such potential increase or decrease in fair value is based on certain simplifying assumptions, including a constant level and rate of fixed-rate debt for all maturities and an immediate across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period. The Match Group Term Loan currently bears interest at LIBOR plus 4.50%, with a LIBOR floor of 1.00%, or 5.50%. LIBOR at September 30, 2016 for similar borrowings of three months was approximately 85 basis points. If LIBOR were to increase by 100 basis points then the annual interest payments on the Match Group Term Loan would increase by 85 basis points, or \$3.4 million, in 2016. If LIBOR decreased 85 basis points to zero, annual interest payments on the Match Group Term Loan would remain the same. Such potential changes in interest payments are based on certain simplifying assumptions, including a constant rate of variable-rate debt and an immediate across the board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period.

Foreign Currency Exchange Risk

The Company conducts business in certain foreign markets, primarily in the European Union.

While historically foreign currency exchange gains and losses have not been material to the Company, the significant decline in the British Pound ("GBP") due to the Brexit vote generated significant foreign currency exchange gains during 2016, which total \$24.0 million for the nine months ended September 30, 2016. This gain is primarily related to (1) U.S. dollar denominated cash, the majority of which is from the proceeds received in the PriceRunner sale in March 2016, held by a foreign subsidiary with a GBP functional currency and (2) a U.S. dollar denominated intercompany loan related to a recent acquisition in which the receivable is held by a foreign subsidiary with a GBP functional currency.

If the GBP had declined a further 10% further versus the U.S. dollar during the nine months ended September 30, 2016, the gain would have been greater by \$3.4 million and if the GBP had declined 10% less versus the U.S. dollar the gain would have been reduced by \$3.0 million.

Historically, the Company has not hedged foreign currency exposures. Our continued international expansion increases our exposure to exchange rate fluctuations and as a result such fluctuations could have a significant impact on our future results of operations.

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Item 4. Controls and Procedures

The Company monitors and evaluates on an ongoing basis its disclosure controls and internal control over financial reporting in order to improve its overall effectiveness. In the course of these evaluations, the Company modifies and refines its internal processes as conditions warrant.

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), IAC management, including our principal executive and principal financial officers, or persons performing similar functions, evaluated the effectiveness of the Company's disclosure controls and procedures as defined by Rule 13a-15(e) under the Exchange Act. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance that information we are required to disclose in our filings with the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and Forms, and include controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There were no changes to the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Overview

In the ordinary course of business, the Company and its subsidiaries are parties to litigation involving property, personal injury, contract, intellectual property and other claims, as well as stockholder derivative actions, class action lawsuits and other matters. The amounts that may be recovered in such matters may be subject to insurance coverage. Although the results of legal proceedings and claims cannot be predicted with certainty, neither the Company nor any of our subsidiaries is currently a party to any legal proceedings the outcome of which, we believe, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our business, financial condition or results of operations.

Rules of the Securities and Exchange Commission require the description of material pending legal proceedings (other than ordinary, routine litigation incident to the registrant's business) and advise that proceedings ordinarily need not be described if they primarily involve damages claims for amounts (exclusive of interest and costs) not exceeding 10% of the current assets of the registrant and its subsidiaries on a consolidated basis. In the judgment of IAC management, none of the pending litigation matters which we are defending, including those described below, involves or is likely to involve amounts of that magnitude. The litigation matters described below involve issues or claims that may be of particular interest to our stockholders, regardless of whether any of these matters may be material to our financial position or operations based upon the standard set forth in the rules of the Securities and Exchange Commission.

Securities Class Action Litigation against Match Group

As previously disclosed in our quarterly reports on Form 10-Q for the fiscal quarters ended March 31, 2016 and June 30, 2016, on February 26, 2016, a putative nationwide class action was filed in federal court in Texas against Match Group, five of its officers and directors, and twelve underwriters of Match Group's Company's initial public offering in November 2015. See *David M. Stein v. Match Group, Inc. et al.*, No. 3:16-cv-549 (U.S. District Court, Northern District of Texas). The complaint alleges that Match Group's registration statement and prospectus issued in connection with its initial public offering were materially false and misleading given their failure to state that: (i) Match Group's Non-dating business would miss its revenue projection for the quarter ended December 31, 2015, and (ii) ARPPU (as defined in "Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations—General—Key Terms") would decline substantially in the quarter ended December 31, 2015. The complaint asserts that these alleged failures to timely disclose material information caused Match Group's stock price to drop after the announcement of its earnings for the quarter ended December 31, 2015. The complaint pleads claims under the Securities Act of 1933 for untrue statements of material fact in, or omissions of material facts from, the registration statement, the prospectus, and related communications in violation of Sections 11 and 12 and, as to the officer/director defendants only, control-person liability under Section 15 for the Company's alleged violations. The complaint seeks class certification, damages in an unspecified amount and attorneys' fees. On March 9, 2016, a virtually identical class action complaint was filed in the same court against the same defendants by a different named plaintiff. See *Stephany Kam-Wan Chan v. Match Group, Inc. et al.*, No. 3:16-cv-668 (U.S. District Court, Northern District of Texas). On April 25, 2016, Judge Boyle in the Chan case issued an order granting the parties' joint motion to transfer that case to Judge Lindsay, who is presiding over the earlier-filed Stein case. On April 27, 2016, various current or former shareholders in Match Group and their respective law firms filed motions seeking appointment as lead plaintiff(s) and lead or liaison counsel for the putative class. On April 28, 2016, the Court issued orders: (i) consolidating the Chan case into the Stein case, (ii) approving the parties' stipulation to extend the defendants' time to respond to the complaint until after the Court has appointed a lead plaintiff and lead counsel for the putative class and has set a schedule for the plaintiff's filing of a consolidated complaint and the defendants' response to that pleading,

and (iii) referring the various motions for appointment of lead plaintiff(s) and lead or liaison counsel for the putative class to a United States Magistrate Judge for determination. On June 9, 2016, the Magistrate Judge issued an order appointing two lead plaintiffs, two law firms as co-lead plaintiffs' counsel, and a third law firm as plaintiffs' liaison counsel. In accordance with this order, the consolidated case is now captioned Mary McCloskey et ano. v. Match Group, Inc. et al., No. 3:16-CV-549-L. On July 27, 2016, the parties submitted to the Court a joint status report proposing a schedule for the plaintiffs' filing of a consolidated amended complaint and the parties' briefing of the defendants' contemplated motion to dismiss the consolidated complaint. On August 17, 2016, the Court issued an order approving the parties' proposed schedule. On September 9, 2016, in accordance with the schedule, the plaintiffs filed an amended consolidated complaint. The new pleading focuses solely on allegedly misleading statements or omissions concerning the Match Group's Non-dating business.

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The defendants filed motions to dismiss the amended consolidated complaint on November 8, 2016. We and Match Group believe that the allegations in these lawsuits are without merit and will defend vigorously against them.

Item 1A. Risk Factors

Cautionary Statement Regarding Forward-Looking Information

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipates," "estimates," "expects," "plans" and "believes," among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to: IAC's future financial performance, IAC's business prospects and strategy, anticipated trends and prospects in the industries in which IAC's businesses operate and other similar matters. These forward-looking statements are based on IAC management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict.

Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, among others: changes in senior management at IAC and/or its businesses, changes in our relationship with, or policies implemented by, Google, adverse changes in economic conditions, either generally or in any of the markets or industries in which IAC's businesses operate, adverse trends in the online advertising industry or the advertising industry generally, our ability to convert visitors to our various websites into users and customers, our ability to offer new or alternative products and services in a cost-effective manner and consumer acceptance of these products and services, changes in industry standards and technology, actual tax liabilities that differ materially from our estimates, operational and financial risks relating to acquisitions, our ability to expand successfully into international markets and regulatory changes. Certain of these and other risks and uncertainties are discussed in IAC's filings with the SEC, including in Part I "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Other unknown or unpredictable factors that could also adversely affect IAC's business, financial condition and operating results may arise from time to time. In light of these risks and uncertainties, the forward-looking statements discussed in this report may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of IAC management as of the date of this quarterly report. IAC does not undertake to update these forward-looking statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

During the quarter ended September 30, 2016, the Company did not issue or sell any shares of its common stock or any other equity securities pursuant to unregistered transactions.

Issuer Purchases of Equity Securities

The following table sets forth purchases by the Company of its common stock during the quarter ended September 30, 2016:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c)	(d)
			Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs(2)

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July 2016	—	\$—	—	10,873,182
August 2016	55,101	\$ 57.60	55,101	10,818,081
September 2016	496,065	\$ 59.36	496,065	10,322,016
Total	551,166	\$ 59.19	551,166	10,322,016

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- (1) Reflects repurchases made pursuant to the repurchase authorization previously announced in April 2013.
Represents the total number of shares of common stock that remained available for repurchase as of September 30, 2016 pursuant to the April 2013 and/or May 2016 repurchase authorizations, as applicable. IAC may purchase
- (2) shares pursuant to these repurchase authorizations over an indefinite period of time in the open market and in privately negotiated transactions, depending on those factors IAC management deems relevant at any particular time, including, without limitation, market conditions, share price and future outlook.

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Item 6. Exhibits

The documents set forth below, numbered in accordance with Item 601 of Regulation S-K, are filed herewith, incorporated by reference to the location indicated or furnished herewith.

Exhibit Number	Description	Location
3.1	Restated Certificate of Incorporation of IAC/InterActiveCorp.	Exhibit 3.1 to the Registrant's Registration Statement on Form 8-A/A, filed on August 12, 2005.
3.2	Certificate of Amendment of the Restated Certificate of Incorporation of IAC/InterActiveCorp.	Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on August 22, 2008.
3.3	Amended and Restated By-Laws of IAC/InterActiveCorp.	Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on December 6, 2010.
31.1	Certification of the Chairman and Senior Executive pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act. ⁽¹⁾	
31.2	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act. ⁽¹⁾	
31.3	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act. ⁽¹⁾	
32.1	Certification of the Chairman and Senior Executive pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act. ⁽²⁾	
32.2	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act. ⁽²⁾	
32.3	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act. ⁽²⁾	
101.INS	XBRL Instance	
101.SCH	XBRL Taxonomy Extension Schema	
101.CAL	XBRL Taxonomy Extension Calculation	
101.DEF	XBRL Taxonomy Extension Definition	
101.LAB	XBRL Taxonomy Extension Labels	
101.PRE	XBRL Taxonomy Extension Presentation	

⁽¹⁾ Filed herewith.

⁽²⁾ Furnished herewith.

SIGNATURES

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

Dated: November 9, 2016

IAC/INTERACTIVECORP

By: /s/ GLENN H. SCHIFFMAN

Glenn H. Schiffman

Executive Vice President and Chief Financial Officer

Signature

Title

Date

/s/ GLENN H. SCHIFFMAN	Executive Vice President and Chief Financial Officer	November 9, 2016
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Glenn H. Schiffman

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PART I FINANCIAL INFORMATION

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IAC/INTERACTIVECORP CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

IAC/INTERACTIVECORP CONSOLIDATED STATEMENT OF COMPREHENSIVE OPERATIONS (Unaudited)

IAC/INTERACTIVECORP CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)

IAC/INTERACTIVECORP CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

IAC/INTERACTIVECORP NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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