February 1, 2017

Dear Shareholders,

A few weeks ago, we gathered the top executives of all IAC operating businesses to talk about the future of the company, which was the first time we’ve assembled everyone in person in nearly a decade. The autonomy of our businesses is paramount, so we try not to disturb the operators too frequently. Plus, shortly after we last assembled, we ended up spinning most of those companies out of IAC in a four-way spin-off – and dispersed most of those people with them (incidentally, those four companies are now worth a combined $8.5 billion outside of IAC). I know I’ll disappoint some shareholders, who are eager for another IAC spin-off, by failing to confirm a pattern here; executive assembly need not lead to company disassembly. But looking back at the situation at that time, we can draw some analogies to today.

After we completed those spin-offs, our first full year as a smaller IAC looked remarkably similar to IAC excluding Match Group today. Shareholders were so unenthused by what remained in IAC after the spinoffs that they affectionately dubbed it “the stub” – a moniker which has recently resurfaced to describe everything in IAC except our 83% stake in Match Group. Our cash balance at the end of 2009 was $1.7 billion and we had just finished the year with $167 million of Adjusted EBITDA, down 21% from the prior year. 2009 included our first and only quarter with negative OIBA (Operating Income Before Amortization, our key operating metric at the time) on a fully consolidated basis. Our stub enterprise value excluding cash back then, with a $20 stock price, was virtually the same as it is now if you back out our stake in Match Group. We were then, as we are again now, in a period of rebuilding, focused on growing the businesses that have not yet meaningfully penetrated their large and growing addressable markets.

Since those four spin-offs, our stock price has more than tripled, with an 18% CAGR, outpacing the market’s 7% return over the same period. That declining 2009 Adjusted EBITDA turned into over $500 million in 2016, owing in significant part to the performance of Match Group, the clear leader in a large and growing category. Now as we enter 2017, if we look at IAC in two pieces, the value of our stake in
Match Group increased by 27% over the course of the last year to $3.6 billion. The rest of the business, declining like the stub in 2009, generated just under $100 million of Adjusted EBITDA in 2016, and ended the year with $1.2 billion of cash, anchored now by HomeAdvisor, a clear leader in a growing category with a natural network effect. I don’t know whether we’ll see the same trajectory from here as we saw since the last “stub” period, but I know this: at HomeAdvisor the spring is coiled and the market opportunity is measured in hundreds of billions; Vimeo’s SaaS business is beginning to accelerate and the category wind is at our back with consumers irreversibly migrating to video over the internet; Applications, one of the most capital efficient businesses you can find, has returned to sequential growth; and we’ve cleared out the clutter at our Publishing business to figure out how to grow again. The path forward back in 2009 was similar to the path forward now: build great companies and feed the winners.

We continue to put our money where our mouth is – we repurchased over 2% of IAC since our Q3 earnings release, taking our total repurchases in the last twelve months to over 8% of the company. We funded half the buybacks from asset sales (most recently ShoeBuy in Q4) and free cash flow. The true value of our share purchases will be measured over years not quarters, but with an average purchase price of $52 per share for the $365 million we’ve spent over the last twelve months, our returns to date are off to a nice start. While buybacks allow us to magnify returns to our remaining shareholders, and asset sales similarly magnify our attention on the key remaining businesses, neither creates true sustaining value if we are not simultaneously growing the operating profit of the businesses. A share repurchase is otherwise just a value shifting event, not a value creating event.

In 2017, we will return to growth on a consolidated level while still investing into proven businesses (e.g., Home Advisor and the SaaS business at Vimeo), putting modest amounts of capital in pursuit of extraordinary returns (e.g., Vimeo’s new consumer services and our emerging mobile applications business), and funding those opportunities with cash generated by our capital-efficient and free cash generating businesses.

Our Q4 performance was a confidence builder. Once again, HomeAdvisor crushed it. Revenue was up 35% and Adjusted EBITDA more than doubled again from the prior year. For the full year 2016, we accelerated domestic revenue growth and more than doubled margins for the segment. Chris Terrill, CEO of HomeAdvisor, tells the story very succinctly in a presentation he prepared for several conferences last year, which is available on the Investor Relations section of our website. Elsewhere, Vimeo grew SaaS subscribers 14%, accelerating from the growth rate in Q3, with gross bookings (tomorrow’s revenue) increasing 18% year-over-year including our new Business tier which is ramping nicely. More
importantly, we exited the year with Vimeo growing gross bookings at a much higher growth rate than when we entered. Applications not only stabilized, but grew again sequentially, posting almost $38 million of Adjusted EBITDA in Q4, our strongest quarter of the year, driven by seasonal strength in RPQ and accelerating growth in mobile. As we’ve often discussed, we’re a long term partner with Google in this business, and over a 12-year relationship, through ups and downs, it’s a relationship that’s been fruitful for both sides. Over recent history we’ve lamented the “downs”, but it’s important to remember that, in a period such as this quarter when RPQ from Google comes in very strong, we benefit from the “ups” as well. Publishing, our most challenged segment in 2016, posted its first quarter of positive Adjusted EBITDA since the new Google deal (if you are generous enough in your math to exclude the restructuring charges we foretold last quarter). Early success in our efforts to launch new verticals under About, traffic growth in our other Premium brands, and reduced expenses all suggest a promising path forward.

Enough with the rearview, now focusing on the road ahead: Our priorities in 2017.

**HomeAdvisor – 2017 Priorities**

In 2016, we proved we can deliver profit while maintaining exceptional topline growth; in 2017 we will do the same, at a larger scale. We’re still a long way from optimizing the business for profit margins, but as we cross a half billion in annual revenue, some profit margin will inevitably pull through. Our 148,000 service professionals (SP’s) (including another 5,000 SP’s we’ve already added since the beginning of the year) provide unmatched scale - nationwide coverage in 400 markets for over 500 services. Our priorities for the year focus on new products enabled by that scale.

1) **Product Innovation** – We wake up every day with the goal of removing friction in the process of getting jobs done right in the home. With real-time data on many of our SP’s locations and calendars (over 75% of new SPs engage with our mobile app solution), we can now ascertain, with nationwide coverage, an SP’s real-time availability in under two minutes. The imagination runs wild with the range of services this data enables for our customers, and we’ll start to deliver those experiences over the course of this year.

2) **Operations** - We’ll be increasing customer contact and follow up – the manual process of contacting homeowners and SPs before and after a job to help improve the quality and performance of our SP network through real reviews and customer feedback. While somewhat
capital intensive to enable, this system of direct customer contact helps drive repeat usage and satisfaction for both sides of our marketplace.

3) **Marketing** – We more than doubled unaided brand awareness from 5% to 12% over the last 12 months, and we plan to increase awareness by at least 50% more over the course of 2017. Television remains an important channel and we’d like to get close to $100 million of offline spend this year, in addition to meaningfully more than that online. Our biggest competition at this point is still word of mouth in a market where we estimate that 90% of jobs are still booked offline.

4) **Service Professional Network** – We now have approximately 1,000 sales reps across the country and plan to grow by another 20% in 2017. We’ve increased sales efficiency as we’ve grown, and expect that to continue. In the back half of 2016, we also established a dedicated enterprise sales effort to target larger SP’s with a more significant budget. We estimate that these larger SP’s alone spends over $4 billion in aggregate -- and we’re very underpenetrated relative to competition in this segment and looking to start to take share in 2017.

5) **Accelerate International Growth** - In addition to the MyHammer acquisition in Germany in Q4 2016, we are driving organic growth and continuing to evaluate new markets. We see real opportunity for international consolidation and expansion, just as we did in dating and travel.

**Vimeo – 2017 Priorities**

We often talk about penetrating large growing addressable markets, and there are not many larger, nor undergoing more significant change, than video entertainment. Creative destruction is well underway in the paid video landscape, and Vimeo is fortunately on the “creative” side.

1) **Core SaaS** - The core SaaS business ended 2016 with 768,000 subscribers, up 14% year-over-year. Both revenue and subscriber growth accelerated sequentially in Q4 with momentum continuing into 2017 and we expect to further accelerate growth over the course of the year through a combination of incremental marketing (in particular internationally) and feature growth. We’ve also enhanced the pace and substance of our product development efforts. Recent feature rollouts such as our new profile page enabling creators to better showcase their work and our new
video review tools have been incredibly well received by our community – and the feature roadmap is packed. It’s rare to see such effusive praise from an existing customer base upon launch of a new or changed feature, and Vimeo’s community is never shy in their feedback. As we deliver incremental features and value for users, we believe we can drive sustained increases in ARPU.

2) **OTT** - We now have 500 channels and tens of thousands of subscribers on our platform, with ambition for much more. The top 10 channels grew 20% from the prior quarter, and we saw an individual channel cross $1 million in gross revenues for the first time. We just signed our biggest partnership yet with a major global content company, and expect more will follow.

3) **Consumer** – We’re still early and the category is rife with experimentation -- a time of immense opportunity. One need look no further than Netflix, where a brand new distributor has captured 90 million subs and created $60 billion in value in less than 10 years. As content distribution is democratized through ubiquitous access and consumer choice, more companies will follow in Netflix’s wake. In 2017 we will launch a subscription entertainment service targeting customers whose video consumption now begins on the internet. What would cost others hundreds of millions in marketing and content acquisition costs, we can accomplish for less with Vimeo’s 240 million monthly audience and 768,000 loyal creators, while delivering a product with superb quality programming and a distinct voice. Our investment over the next several quarters (included within our overall Video segment guidance) will be balanced across technology, programming and marketing. The subscription service is going to showcase the groundbreaking and provocative work for which Vimeo is well known, going beyond the constraints imposed by advertisers or studio ratings on other platforms, and targeting the tens of millions of loyal viewers already on Vimeo currently searching for programming. Our public disclosure will continue to be limited to our SaaS subscriber count for the next several quarters because this business in its early stage is not yet ready for the harsh light of public scrutiny, but rest assured silence will not be a substitute for progress.

**Applications – 2017 Priorities**

2016 was a transition year as we adapted to a new agreement with our long-time monetization partner, Google. Over a decade ago we made a decision to outsource the majority of our ad sales and ad-serving technology to Google, who was then (and remains now) the far and away leader in generating revenue
through online advertising. We saved significant overhead by, instead of selling text-based ads ourselves, allowing Google to serve their ads in exchange for a very favorable revenue share to IAC. We’ve risen meaningfully on the strength of that relationship, while managing its related volatility. In periods such as our most recent quarter, Google helped us meaningfully over-deliver on profits. In prior periods, it has cut the other way. As this business has endured a rough transition from desktop to mobile, the overhead we avoided for all those years has enabled us to adjust our cost base relatively quickly, which is why margins have remained healthy.

The focus at Applications will be on:

1) **Capital Efficiency in Our Core Desktop Business** – We will continue to produce reliable and stable cash flow through product innovation, rigorous application of our analytical framework to drive sustained LTV’s, and continued resilience of an excellent management team that has grown up with this business.

2) **Profitable Growth in Our Mobile Business at Apalon** -- Revenue grew nearly 170% in Q4 and now comprises nearly 10% of total. We now have over 40 unique apps spread across the Apple, Google, Amazon, and Samsung ecosystems (including our first subscription application, *Coloring Book for Me*, that launched in Q3). To give a sense of our scale, we were #1 in non-game paid downloads in Q4 for iPhone globally, with high ranking apps across many popular categories. *Coloring Book for Me* was the #6 most downloaded free iOS Entertainment app in Q4 globally (excluding China), behind only YouTube, Bitmoji, Spotify, Netflix, and Shazam. That's great company to be in. *Scanner for Me* was the #1 paid Business app for iOS in Q4 globally (excluding China) and we had two top 10 iOS Weather apps (Weather Live and NOAA Weather Radar). The business is starting to demonstrate the type of virtuous cycle we love to see, in which we’re able to successfully and repeatedly launch products with attractive LTV’s and then market them on a global basis while leveraging our installed base to cross-promote.

**Publishing – 2017 Priorities**

Publishing similarly spent the bulk of last year reorganizing the businesses, in this case in response to reduced monetization under the new Google contract in mobile and less traffic to some of our sites, in particular About. We put in place the people and tools to diversify our revenue from Google – in Q4 2015, Google represented 81% of Publishing revenue. In Q4 2016, that number has come down to 63%.
We removed over $50 million of annual run-rate fixed costs exiting 2016 and variable costs were down an additional $175 million year-over-year. With the transition now behind us, we start 2017 focused on building with cautious optimism. Optimistic given the traffic trends, yet cautious that there are elements of these businesses that remain outside our control.

Our focus will be on profitability and positioning the business for an appropriate margin on a stable revenue base through the following:

1) “Verticalize” About.com – In 2016 we began to transition About from one big “horizontal” brand to several new “vertical” brands: Verywell (health), The Balance (personal finance), and Lifewire (tech). Traffic to our first three categories is currently up over 40% year-over-year, and revenue now needs to follow. In the meantime, based on traffic growth well ahead of our expectations, we will accelerate the investment to fully complete the verticalization by the end of Q2 with 3 more verticals.

2) Drive Continued Revenue Growth at Investopedia and The Daily Beast – Revenue at Investopedia and The Daily Beast grew 37% and 29%, respectively, in 2016 and we expect that trajectory to continue while we reduce our losses at The Daily Beast.

3) Resume Margin-Positive Marketing at Ask & Other Brands and About – We’ve made great fortunes over the years in direct marketing our Publishing businesses for near-term positive margins…and we’ve seen those profits fade too. Those margins basically disappeared completely in the second half of 2016 under the new Google arrangement. Re-building from a healthy base, we will look to grow again, though volatility in this area comes with the territory.

4) Maintain Our Leading Market Share and Profit at Dictionary.com and Thesaurus.com

5) Deliver Sustained Profitability in the Second Half of the Year and Beyond

IAC has been infused since its inception in a pursuit of curiosity, following instinct, intuition, acumen and at times simply earning a great return on luck. We’ve never stopped learning and evolving as a company. We’ve grown businesses and shed businesses and consistently delivered incremental value to our shareholders. We’ve stripped it nearly down to the studs, and built it back up again, more than once. When we spun off four companies in 2009, we left the stub fighting for investor’s attention and
affirmation, and believers were amply rewarded as Match came to define an industry. Recently passing the year anniversary of the Match Group IPO, now feels like a similar moment. While the parallels to 2009 are many, the opportunity today feels perhaps even larger: HomeAdvisor is poised to expand its leadership in a market orders of magnitude larger than Match was pursuing in dating and Vimeo has become a disrupter in an industry we are particularly keen to disrupt. Interestingly, our biggest business back in 2009 was Search and while not exactly including the same assets currently in our Applications and Publishing portfolio, Search generated $115 million of Adjusted EBITDA in 2009, down 33% year-over-year, yet providing ample free cash flow that funded our aspirations elsewhere. It does, indeed, sound familiar and exciting.
Full Year 2017 Outlook

Please find below our updated full year 2017 outlook. We confront investment choices every day, and as stewards of your capital, will deviate from guidance when we have an attractive opportunity that drives long-term value at the expense of short-term results. And of course, sometimes we’ll simply be wrong about the future. Amply warned, here’s our current outlook for the year:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>FY 2017 Guidance</th>
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<tbody>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td></td>
</tr>
<tr>
<td>Match Group</td>
<td>$450-$470</td>
</tr>
<tr>
<td>HomeAdvisor</td>
<td>70-100</td>
</tr>
<tr>
<td>Video</td>
<td>(45-35)</td>
</tr>
<tr>
<td>Applications</td>
<td>120-130</td>
</tr>
<tr>
<td>Publishing</td>
<td>0-10</td>
</tr>
<tr>
<td>Corporate</td>
<td>(60)</td>
</tr>
<tr>
<td><strong>Total IAC Adjusted EBITDA</strong></td>
<td>$535-$615</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>(110-100)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(80-70)</td>
</tr>
<tr>
<td>Amortization of Intangibles</td>
<td>(30-20)</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td><strong>$315 - $425</strong></td>
</tr>
</tbody>
</table>

- **Match Group** - $287 to $297 million Dating revenue in Q1 2017 and $1.260 to $1.305 billion Dating revenue for the full year. Q1 2017 Dating Adjusted EBITDA of $75 to $80 million. Full year Adjusted EBITDA margins for 2017 in line with full year 2016; natural margin expansion being constrained in full year 2017 primarily by long-term investments in Tinder ROW marketing.

- **HomeAdvisor** - For Q1, we expect revenue growth in the low 30% range and better than that for the full year. We expect Q1 Adjusted EBITDA to double year-over-year.

- **Video** - We expect growth at Vimeo in Q1 to be more than offset by declines at Electus due to the timing of certain projects with total Video revenue down mid double digits, before returning to solid growth over Q2-Q4 (we expect full year revenue to grow low to mid double digits in 2017). We expect Adjusted EBITDA losses in Q1 to comprise nearly half of the full year losses for the segment.

- **Applications** - We expect revenue in the $140 to $150 million range per quarter and Adjusted EBITDA at about $30 million per quarter, give or take a little, for the foreseeable future.

- **Publishing** - We expect revenue of $70 million in Q1. We expect Adjusted EBITDA losses in the mid-single digits in Q1 and Q2 before returning to profitability in the second half of 2017.
Appendix

Webcast and Conference Call Details
IAC will audiocast a conference call to answer questions regarding the Company’s 4th quarter financial results on Thursday, February 2, 2017 at 8:30 a.m. Eastern Time. The live audiocast will be open to the public at www.iac.com/Investors. This letter will not be read on the call.

Non-GAAP Financial Measures
This letter contains references to Adjusted EBITDA, a non-GAAP measure. This non-GAAP financial measure should be considered in conjunction with, but not as a substitute for, financial information presented in accordance with GAAP. The comparable GAAP measure for Q4 2016 Adjusted EBITDA for Applications is operating income of $33.8 million. The comparable GAAP measure for FY 2016 Adjusted EBITDA is as follows: operating loss for total IAC is $32.6 million, $338.5 million for total IAC less Match Group and $334.4 million for Publishing. The reconciliation for 2009 total IAC and the Search segment GAAP financial measure to Non-GAAP measure is below:

<table>
<thead>
<tr>
<th></th>
<th>Total IAC As Reported in 2009</th>
<th>Search As Reported in 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>Operating loss</td>
<td>($62)</td>
<td>($1,059)</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>12</td>
<td>918</td>
</tr>
<tr>
<td>Amortization of intangibles</td>
<td>44</td>
<td>158</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>87</td>
<td>70</td>
</tr>
<tr>
<td>Amortization of non-cash marketing</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Depreciation</td>
<td>71</td>
<td>65</td>
</tr>
<tr>
<td>Spin-related costs</td>
<td>42</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total IAC Adjusted EBITDA</strong></td>
<td><strong>$213</strong></td>
<td><strong>$167</strong></td>
</tr>
</tbody>
</table>

Please refer to our 4th quarter 2016 press release and the investor relations section of our website for all comparable GAAP measures and full reconciliations for all material non-GAAP measures. Please refer to Match Group’s Q4 2016 Investor Presentation for Q1 and full year 2017 Dating reconciliations for non-GAAP measures.

Safe Harbor Statement
This letter and our conference call, which will be held at 8:30 a.m. Eastern Time on February 2, 2017, may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipates," "estimates," "expects," "plans" and "believes," among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to: IAC’s future financial performance, IAC’s business prospects, strategy and anticipated trends in the industries in which IAC’s businesses operate and other similar matters. These forward-looking statements are based on 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 in which IAC's businesses operate, adverse trends in any of the industries in which IAC’s businesses operate (primarily the online advertising, general advertising and dating industries), our dependence on third parties to drive traffic to our various websites and distribute our products and services in a cost-effective manner, our ability to attract and 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, our ability to build, maintain and/or enhance our various brands, our ability to develop and monetize mobile versions of our various products and services, foreign currency exchange rate fluctuations, changes in industry standards and technology, the integrity and scalability or our systems and infrastructure (and those of third parties), our ability to protect our systems from cyberattacks, 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 Securities and Exchange Commission. Other unknown or unpredictable factors that could also adversely affect IAC’s business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, these forward-looking statements may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of IAC management as of the date of this letter. IAC does not undertake to update these forward-looking statements.