February 27, 2015
Volume XLI, Issue II

IAC/InterActiveCorp

Nasdaq: IACI

Dow Jones Indus: 18,132.70
S&P 500: 2,104.50
Russell 2000: 1,233.37
Index Component: NA

Trigger: No
Type of Situation: Business Value, Hidden Assets

Price:	**$**	**67.42**
Shares Outstanding (MM):		**Cl. A 78.4/ Cl. B 5.8**
Fully Diluted (MM) (% Increase):		**92.9 (10%)**
Average Daily Volume (MM):		**1.0**
Market Cap (MM):	**$**	**6,267**
Enterprise Value (MM):	**$**	**6,196**
Percent Closely Held:	**Barry Diller**	**13% economic, 43% voting**
52-Week High/Low:	**$**	**80.64/56.50**
<u>Trailing Twelve Months</u>		
Price/Earnings:		**26.4x**
Price/Stated Book Value:		**3.1x**
Long-Term Debt (MM):	**$**	**1,080**
Implied Upside to Estimate of Intrinsic Value:		**35**
Dividend:		**$1.36**
Payout		**53%**
Yield		**2.0%**
Net Revenue Per Share:		
2014	**$**	**33.45**
2013	**$**	**34.67**
2012	**$**	**29.48**
2011	**$**	**21.83**
Earnings Per Share:		
2014	**$**	**2.71**
2013	**$**	**3.27**
2012	**$**	**1.81**
2011	**$**	**1.89**
Fiscal Year Ends:	**December 31**	
Company Address:	**555 West 18th St. New York, NY 10011**	
Telephone:	**212-314-7300**	
Chairman:	**Barry Diller**	

Clients of Boyar Asset Management, Inc. do not own Shares of IAC/InterActiveCorp common stock

Analysts employed by Boyar's Intrinsic Value Research LLC do not own shares of IAC/InterActiveCorp common stock.

<u>Introduction</u>

IAC/InterActiveCorp ("IAC" or the "Company") owns a large portfolio of Internet properties across several market segments including media, search and applications, e-commerce, and online dating. IAC's business has undergone countless changes since media mogul Barry Diller took control nearly 20 years ago, including 6 spinoffs. Today the Company's principal businesses include query websites Ask.com and About.com and a collection of dating websites led by Match.com. IAC also owns the #9 most popular video sharing site in the U.S. (Vimeo) and a collection of early-stage e-commerce properties.

IAC shares have an impressive long-term track record under Barry Diller's leadership, increasing at a 14% CAGR since his arrival in 1995 and a 24% CAGR (versus 8% for the S&P 500) since IAC spun off four subsidiaries in August 2008. However, shares are flat since the start of 2014 reflecting ongoing headwinds from advertising and applications policy changes by Google. Google supplies advertising to IAC's Search & Applications businesses under a contract that expires in March 2016 and generated $1.4 billion of revenue (45% of IAC revenue) for IAC in 2014. In our view, the recent changes and contract extension are manageable—IAC has shown an ability to work around policy changes in the past, and the Company is boosting the quality of content on its sites and generating more traffic from sources other than search queries. Regarding the contract extension, IAC is a key customer for Google with the relationship dating back at least 10 years. The Company's web traffic remains very valuable, and alternative providers such as Yahoo and Microsoft have been active in the space lately and could provide additional bidding for the contract.

We believe Match Group (29% of IAC revenue, 44% of segment-level EBITDA) is the real underappreciated gem in IAC's portfolio. The group includes 5 of the 10 leading dating sites (including #1 and #2) in the U.S. based on traffic and has global reach. The business exhibits powerful network effects, a high margin, recurring subscription-based revenue stream, and a steadily-growing addressable market. Match Group has grown subscribership and EBITDA by ~35% and 99%, respectively, over the past 4 years. Importantly, Match also includes the leading mobile dating app Tinder, which reportedly has over 50 million active users. Tinder was still a cost center for IAC in 2014 as the Company invested to grow traffic, but IAC is rolling out monetization strategies in 2015. IAC management believes Tinder could help grow Match Group's EBITDA to $500 million by or shortly after 2016, versus $265 million in 2014.

IAC shares trade at reasonable multiples of 11x 2014 EV/EBITDA and 17x 2014 free cash flow. However, this fails to account for investment-stage properties including Tinder and Vimeo that collectively are running at a ~$70 million EBITDA loss as of 2014. Tinder is growing users at >200% Y/Y through January 2015 as the Company implements a revenue strategy, and Vimeo is seeing strong 40% revenue growth as its subscription offerings take hold. As these properties transition from the investment stage to profit contributors, it could have a dramatic effect on IAC's financial results. In our base case, we conservatively project Tinder monetization develops slowly and core Match Group revenue growth decelerates. Assuming Match Group does not reach its $500 million EBITDA target until 2017, at 11.5x EBITDA the business' intrinsic value could still approach $6 billion or nearly 100% of IAC's entire current market cap. Our sum-of-the-parts valuation conservatively projects Search & Applications EBITDA declines by greater than 30% between 2014-2017 before garnering a modest 6.5x EBITDA multiple. Applying 1x 2017 revenue and 10x 2017E EBITDA multiples to the Media and eCommerce segments, respectively, our forward looking intrinsic value estimate for IAC is approximately $91 per share.

A spinoff of Match Group could unlock this hidden value, and both Barry Diller's history and the Company's December 2013 organization realignments suggest this is a strong possibility at some point. Additional catalysts could include favorable extension of the Google advertising contract and/or successful monetization of Vimeo or the eCommerce properties. IAC also possess strong free cash flow and net cash on the balance sheet, opening up the possibility of large-scale return of capital to shareholders over the coming 2-3 years. We would note that IAC has been an aggressive buyer of its own shares in the past, reducing shares outstanding by 40% between 2009-2013.

History

IAC/InterActiveCorp was incorporated in 1986 as Silver King Broadcasting Company, the broadcasting subsidiary of the Home Shopping Network (HSN) media and electronic retailing company. In December 1992, Silver King Communications was spun off from Home Shopping Network (HSN), ostensibly in order to highlight the separate value of HSN's broadcast stations from the television retailer. At the time, Silver King was the sixth largest television broadcaster in the country with ownership of 12 stations (covering 28 million households) that were unaffiliated with the major networks and principally broadcast Home Shopping Network programming. The spinoff also allowed leading cable systems operator Tele-Communications Inc. (TCI) and its programming affiliate Liberty Media, a large investor in HSN, to acquire voting control of HSN from its founder Roy Speer.

Barry Diller became Chairman and CEO of Silver King Communications in August 1995, reaching an agreement with TCI/Liberty to acquire a 20% equity interest as well as proxy rights on Liberty's ~70% voting stake via Class B super-voting shares. The deal helped address FCC regulatory issues over TCI's joint ownership of HSN/broadcast stations and cable systems while transferring control of the assets to a highly regarded manager. Barry Diller already had a long and colorful history in the industry prior to joining HSN, most recently having served as chairman and CEO of HSN's competitor QVC from January 1993-February 1995. Diller eventually departed QVC after successive failed attempts to merge HSN with QVC, Paramount Pictures, and ultimately with CBS. Instead, QVC's cable systems backers Comcast and TCI/Liberty Media jointly acquired QVC's publicly traded minority float. Prior to HSN and QVC, Mr. Diller was chairman and CEO of Fox, Inc. from 1984 to 1992, where he oversaw the launch of Fox's broadcasting business and its successful development into the fourth nationwide broadcasting network. He previously served as chairman of Paramount Pictures and a key programmer at ABC where he launched the successful “movie of the week” program.

In November 1995, Silver King also reached an agreement to acquire a 41% equity stake and controlling 80% voting interest in Home Shopping Network from TCI/Liberty Media in a stock exchange. Mr. Diller was named chairman of HSN and was granted options to buy 16 million shares (~15% stake) at $8.50 per share. After extended regulatory delays and some changes to the merger terms, in December 1996 Silver King and HSN were fully reunited via a three-way merger that also included broadcaster/production company Savoy Pictures Entertainment. The combined entity was renamed HSN, Inc. with Barry Diller retaining managerial and voting control of the combined entity and Liberty maintaining a 20% stake plus contingent rights.

Mr. Diller’s vision was to transform HSN into a broader company in the television and e-commerce industries, and he wasted little time in implementing his plan. In February 1998, HSN completed the acquisition of the USA Network and Sci-Fi cable networks and other domestic TV businesses from Universal’s parent Seagram in exchange for $1.6 billion and a 46% stake in the combined entity. The Company was renamed USA Networks. In May 1999, the Company acquired October Films (50% owned by Universal) and Polygram’s film business. Mr. Diller’s plan to reposition the Silver King broadcast stations from broadcasters of HSN programming to providing localized programming did not fare so well. He abandoned the plan in December 2000 and sold the stations to Univision for $1.1 billion in cash. The Company eventually exited the Universal businesses as well. In December 2000, Vivendi acquired Seagram and its stake in USA Networks, with the hope of leveraging Universal and Vivendi’s media assets to create a global content company. This led to the contribution of the Universal/USA Network assets into a new Vivendi Universal Entertainment (VUE) joint venture, announced in December 2001. USA received $1.6 billion in cash, $2.5 billion in preferred stock and a 5% equity stake in the joint venture. In conjunction, Liberty Media ceded a large chunk of its stake in USA subsidiary HSN (which Vivendi also ceded to USA) for a minority stake in Vivendi, retaining a 20% interest in USA. USA Networks was renamed USA Interactive following the VUE transaction to emphasize its focus on interactive commerce services. USA eventually exited its VUE stake in 2005, receiving $1 billion in cash (after taxes) and 56.6 million IAC shares held by Vivendi.

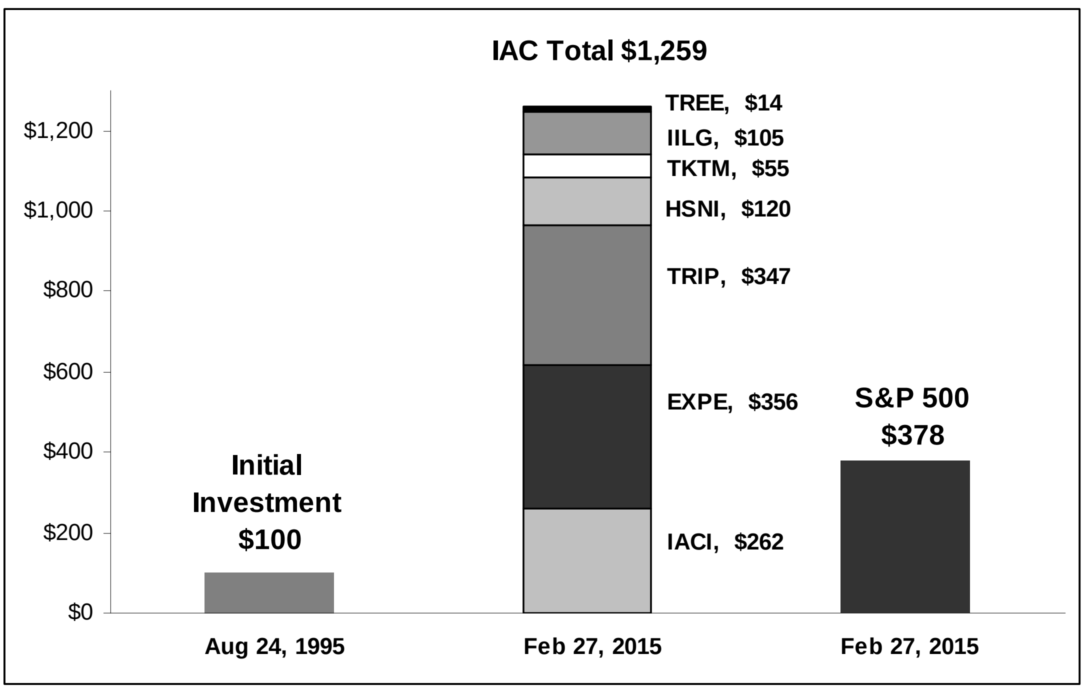
While USA was pulling away from the cable business, at the same time Diller led USA head first into the burgeoning Internet/e-commerce space with a spate of acquisitions over the years. USA acquired Ticketmaster in multiple transactions between 1997-1998, with the view to leverage HSN and Ticketmaster’s combined capabilities in telemarketing and order fulfillment. USA Networks also merged Ticketmaster with CitySearch and then completed a carve-out IPO of a minority stake in Ticketmaster in late 1998 (reacquired by USA in 2003). USA acquired online personals site Match.com for $50 million in 1999 and continued to make numerous bolt-on acquisitions in the online dating business over the ensuing years. The Company also built up a USA Travel Group subsidiary through a series of transactions. USA acquired online hotel booking service Hotel Reservations Network (HRN) for $246 million and 9.9 million shares of USA in 1999 and reached an agreement to acquire a controlling stake in Expedia for $1.5 billion in stock in July 2001 (fully acquired in 2003). The Company also rebranded HRN as Hotels.com and acquired several smaller online travel properties including vacation ownership exchange Interval International for $525 million in 2002, Hotwire.com in 2003 and TripAdvisor in 2004. The Company was renamed InterActiveCorp in 2003 and finally reincorporated as IAC/InterActiveCorp in 2004. Additional acquisitions around this period included online lending exchange LendingTree for ~$700 million in stock in 2003 and online search/advertising business AskJeeves (later renamed Ask.com) for $1.96 billion in stock in 2005.

IAC transitioned to a phase of deconsolidation beginning in 2005. In addition to the VUE transaction, IAC spun off its Expedia business (including Hotels.com and TripAdvisor) to shareholders in August 2005. Then in November 2007, IAC announced it would separate into 5 publicly traded companies: IAC, HSN, Interval Leisure Group, Ticketmaster, and Tree.com. The separation was completed via a series of spinoffs on August 20, 2008. IAC also sold its stake in Japanese TV shopping network Jupiter Shop Channel for $493 million in late 2008. More recently, the remaining IAC parent has resumed M&A activity but at a more moderate pace, concentrating on emerging Internet/e-commerce businesses and its online dating network. Prominent online dating acquisitions included PeopleMedia for $80 million in 2009, OkCupid for $50 million plus earn-outs in 2011, and European operator Meetic S.A. in a series of transactions between 2011-2013. IAC also acquired website About.com for $300 million in 2010.

At the same time, the Company found itself with a growing cash hoard (close to $2 billion by 2010) that IAC has increasingly returned to shareholders in recent years—including repurchasing shares from Liberty Media. In December 2010, Liberty finally exited its position in IAC. IAC acquired Liberty Media's (12.8 mm shares) 12% economic and 60% voting stake (voting rights still held by Barry Diller by proxy) in IAC for $220 million cash plus IAC's Evite and Gifts.com businesses in a tax-free exchange. Mr. Diller concurrently exercised pre-existing rights to swap 4.3 million IAC shares for an equal number of Class B shares held by Liberty Media. The deal also included options for Barry Diller to acquire an additional 1.5 million class B shares, effectively permanently securing Mr. Diller's control (41% voting stake at the time). Concurrently, IAC named Match.com CEO and longtime IAC General Counsel Greg Blatt CEO of the Company.

Barry Diller (age 73) continues to own a 13% economic and 43% voting interest in IAC and recently reassumed the role of Senior Executive (Greg Blatt was renamed CEO of Match Group and no replacement IAC CEO was named). The list of strategic transactions Mr. Diller has led at IAC and its various spin-offs over the past 20-plus years is dizzying, and today's IAC is a radically different company than the one he took the helm of in 1995. But while some transactions have fared better than others, the overall record for shareholders is difficult to dispute. By our estimates, legacy Silver King shareholders have seen their investment return 1,159% (13.9% CAGR; price return only) since the day immediately preceding Barry Diller's arrival in August 1993, assuming shares in all spinoffs were retained. This is double the S&P 500 Index's 7.0% annualized rate of return (277% overall price return) over the same period. Looking at the relatively more recent history, since the split-up into 5 separate public companies was completed and IAC took its current shape in August 2008, shares have gained 305% (24% CAGR), tripling the 65% (8% CAGR) return posted by the S&P 500 Index.

Growth of $100 Investment in IAC vs. S&P 500 in Diller Era (Price Returns)



Source: AAF estimates

Business Overview

IAC is a diversified media and Internet company with a portfolio of more than 150 brands and products and international reach in over 200 countries. IAC's prominent Internet properties include search/content websites Ask.com and About.com, online personals service Match.com, The Daily Beast news site, and the video sharing site Vimeo. IAC reports results in four business units: Search & Applications, Match Group, Media, and eCommerce. IAC realigned its business segments starting in 1Q 2014. Web properties DailyBurn and Tutor.com were moved from the Media segment to Match Group, and the Company's former Local business unit was combined with the Other segment into the new eCommerce unit.

IAC Historical Revenue and Adj. EBITDA by Segment ($ thousands)

Revenue:	2012	2013	% Change	2014	% Change
Search & Applications	$ 1,466	$ 1,605	9%	$ 1,596	(1)%
The Match Group	714	805	13%	897	11%
Media	164	191	17%	182	(5)%
eCommerce	457	422	(8)%	435	3%
Inter-segment elimination	(0)	(1)	(170)%	(1)	(28)%
Total	$ 2,801	$ 3,023	8%	$ 3,110	3%
Adj. EBITDA:					
Search & Applications	$ 328	$ 386	18%	$ 362	(5)%
The Match Group	237	267	13%	265	(1)%
Media	(39)	(17)	(56)%	(37)	116%
eCommerce	31	23	(27)%	17	(24)%
Corporate/Intercompany	(60)	(60)	(0)%	(63)	5%
Total	$ 497	$ 598	8%	$ 544	(9)%

Search & Applications (51% of revenues)

IAC's Search & Applications business unit includes two broad portfolios of businesses: Websites and Applications. The Websites portfolio's more prominent properties include About.com, Ask.com, Dictionary.com, Investopedia, CityGrid Media, and Ask.fm. Websites generated $836 million or 52% of segment revenue in 2014. The Applications business includes search toolbars and free, downloadable applications distributed directly to consumers (B2C) like an online greeting cards application (MyFundCards), casual gaming applications, and numerous other toolbars and applications with specialized entertainment or productivity purposes. IAC also provides B2B services like search applications and search boxes that are bundled with partners' websites or software. Applications generated $760 million or 48% of segment revenue in 2014. Search & Applications revenue is almost all generated from advertising, primarily from paid advertising listings on search queries on Ask.com, through IAC toolbars and Ask-branded or white label search queries on other websites. Google provides the Company with paid advertising listings pursuant to a multi-year services agreement.

Match Group (29% of revenues)

Match Group provides online personals (dating) services through at least 39 branded websites in more than 25 countries. Brands/websites include Match.com, OkCupid, Tinder, Chemistry.com, OurTime.com, and the European division Meetic. Match's portfolio of websites target a wide spectrum of audiences across various geographic, ethnic, generational, economic, and other factors. Collectively Match Group's Dating business is the largest in the world, generating $836 million in revenue in 2014 primarily from subscription fees as well as advertising revenue and the purchase of premium or add-on features by users of "freemium" ad-supported services. Match has over 3.5 million paid subscribers and an estimated 100 million or more total monthly active users (MAUs) across the Dating sites. IAC generated $279 million (33%) of Dating revenue outside of the U.S. and Canada in 2014. IAC also holds a 20% stake in leading Chinese online dating service Zhenai.

IAC does not disclose site-by-site data, but from a financial standpoint, the leading Dating site is Match.com. Alongside Chemistry and People Media (a collection of demographically targeted websites), IAC historically referred to these as "Core" operations. OkCupid, a lower-monetization site acquired in 2011 that operates under a freemium model, was recently re-classified as core. The other primary revenue generating unit is the European operations which substantially consist of Meetic. The Meetic European business encompasses multiple websites and generated €165 million of revenue and €37 million of EBITDA in 2012 (its last full year as a public company prior to IAC gaining full control). Match Group also includes numerous "developing" sites that have not yet reached the penetration or monetization rates of its more mature sites. The most prominent include Tinder and Twoo.com.

The Match Group also includes the non-dating businesses DailyBurn, Tutor.com, and The Princeton Review. Non-dating businesses generated minimal revenue prior to the addition of The Princeton Review in August 2014, which contributed the lion's share (est. ~75%) of their collective $29 million revenue in 4Q14.

Media (6% of revenues)

IAC's Media unit includes online video sharing platform Vimeo, news and entertainment websites like The Daily Beast and CollegeHumor, and the Company's global multi-media production and distribution arm Electus.

eCommerce (14% of revenues)

The eCommerce segment includes most of the businesses formerly classified in the Local segment including online homeowner resource portal HomeAdvisor, footwear eCommerce company Shoebuy, and advertising service provider Felix. HomeAdvisor is the largest contributor in the segment, with a 30 million member network that matches customers with local home improvement professionals.

Does Recent Organizational Realignment Portend a Spinoff?

In December 2013, IAC announced a realignment of its managerial and organizational structure. In addition to the aforementioned reattribution of a few of IAC's properties to different/new business units, the move also included a major management change. IAC CEO Greg Blatt was relieved of that title and his board seat, and was reappointed Chairman of Match Group. IAC elected not to appoint a new CEO, with Chairman Barry Diller adding the title "Senior Executive." Search & Applications CEO Joey Levin and Vimeo CEO Kerry Trainor also now directly report to Barry Diller. While the moves were a demotion of sorts for Mr. Blatt, according to IAC they were also designed for him to focus on "leveraging best practices across the Match Group and expanding the Match Group beyond its current verticals." The reorganization could also portend a full separation of Match Group at some point. We would not expect a spinoff announcement in 2015, and IAC may prefer to wait and see how each of the businesses develops over the next few years. However given IAC's history, an eventual separation seems like a good bet—particularly if IAC shares' current discount to intrinsic value persists. To date, IAC has been coy about the possibility. Greg Blatt noted after the announcement, *"There will come a day where I'm sure IAC does spinoffs again. We have not made the decision to do that, but of course it is a possibility."*[1] Likewise, Mr. Diller suggested, *"I wouldn't think it would make sense today. But tomorrow, the next day, who knows? We're always evaluating our holdings, but we're not expecting a spinoff."*

A spinoff of Match Group could sharpen focus at Match and provide a separate stock currency that would likely command a premium multiple. IAC has an unleveraged (on a net basis) balance sheet, so a spinoff would present an opportunity to realign capital structures according to each company's growth profile and cash needs. Alternatively, a separation could be pursued via a sale or spinoff of the Search & Applications business. The reattribution of the early-stage Tutor.com and DailyBurn businesses to Match Group and separation of Vimeo facilitates either of these moves. As detailed later, we believe the Search & Applications business still has a long runway for outsized free cash flow generation so it should have no difficulty supporting itself outside of the Match/IAC umbrella.

Match Group Analysis: Worth all of IAC?

Although moderately out-produced by the Search & Applications segment from a financial perspective, Match Group (and the Dating business in particular) is IAC/InterActive's prized business unit. Match is the clear leader in the dating business and has steadily built global scale through a combination of organic growth and acquisitions.

The online dating business does posses the competitive risks (low barriers to entry) characteristic of any asset-light Internet business. Several once-prominent online dating sites have sputtered to various degrees over the years, such as eHarmony and JDate. However, this is not necessarily the rule; dating sites rely on powerful network effects (fostering anonymity and breadth of potential mates) that are not easily replicated and the list of new dating platforms to achieve critical mass is also short. The online dating business also offers a variable cost but high margin, subscription-based recurring revenue stream that tends to limit financial risk (barring financial leverage). Furthermore, the addressable market has steadily grown and we believe it is still far from maturity. IAC management recently suggested online dating penetration rates in the U.S. are still only ~20%-25% of eligible singles, and the figure is much lower globally. Long-term tailwinds for category expansion and penetration gains include the following:

[1] http://www.bloomberg.com/news/articles/2013-12-19/iac-will-turn-match-com-dating-services-into-separate-business

- **Generational expansion:** Steadily growing Internet adoption among older generations.
- **Marriage/relationship trends:** Marriage postponement to a later age plus high divorce rates translates to a growing proportion of single adults.
- **Evolving cultural norms:** Greater acceptance of online dating over time should lead to continued penetration gains.
- **International growth:** International adoption remains below U.S. rates, especially in emerging markets.

Leading Position

In assessing Match Group's long-term position, we would note that Match.com was established all the way back in 1995 and remains the category leader in the U.S. as measured by both website traffic and monthly active users. Match.com's subscription-based business model also monetizes better than those of most competitors, which are predominantly ad-based/freemium models. IAC does not break out Dating segment statistics by property, but Match.com (and to a lesser extent the Meetic European subscription business) is the primary contributor from a financial perspective. Overall, Match Group includes 4 of the top 10 dating websites in the U.S. based on active users and likely has an even more dominant position based on revenue share (leading competitors like PlentyOfFish and Zoosk operate freemium models). Match Group has reported 124% revenue growth on 96% subscriber growth over the past 4 years. EBITDA margins remained steadily at 33% until 2014 (29.5%) due to the addition of the non-Dating businesses to Match Group. While acquisitions have contributed to Match Group's growth, we estimate the organic growth rates have remained between 5%-10% or higher. Dating paid subscribers were up 5% Y/Y to 2.4 million in North America and 4% internationally to 1.1 million at year-end 2014.

Leading U.S. Dating Websites, Dec. 2014

	Monthly Active Users (MM, U.S.)	U.S. Traffic Rank	Global Traffic Rank
Match.com	**35**	**283**	**824**
PlentyOfFish	23	294	555
Zoosk	11.5	1,456	2,038
OkCupid	**10.15**	**116**	**431**
eHarmony	7.1	988	3,877
Badoo (France)	6	95*	238
ChristianMingle	5.5	3,252	13,785
OurTime	**3.5**	**1,549**	**6,972**
Date Hookup	**3**	**3,758**	**12,850**
BlackPeopleMeet	**1.2**	**4,253**	**18,128**

Note: IAC properties bolded and shaded in gray
**France traffic rank*
Source: statistica.com, Alexa.com

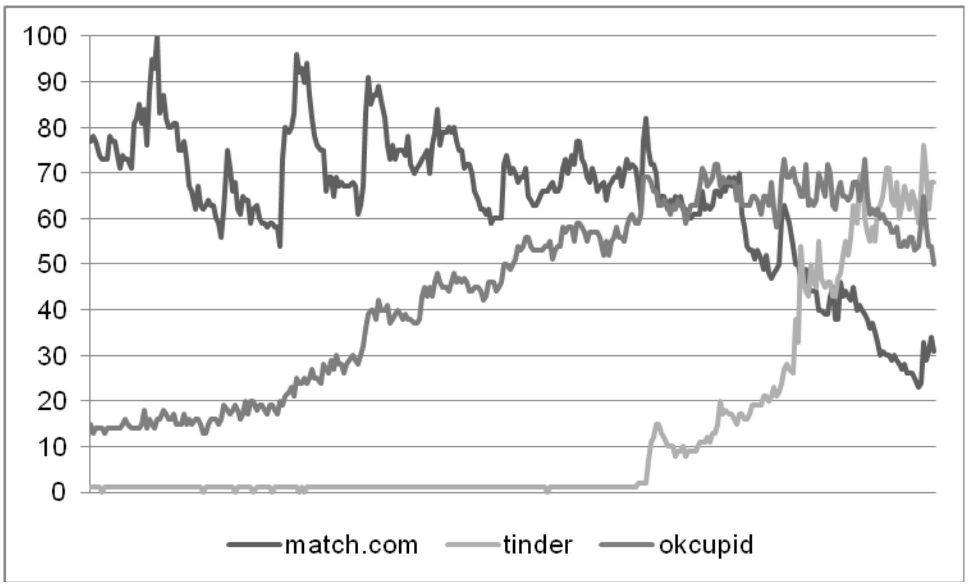
Match Group Leadership Extending to Freemium and Mobile

Despite Match Group's strong track record, there is still looming concern whether upstart lower-cost freemium models and more recently, mobile-based dating platforms are encroaching on traditional subscription dating businesses. Based on Google search and Alexa web traffic statistics, there are signs of a slight downturn in Match.com's popularity. However, we would emphasize that the following table only represents keyword search popularity (not website traffic) and Match.com/OkCupid only source ~4% of traffic from search engines. As mentioned, Match Group's subscribership and revenue/EBITDA numbers suggest Match has not been impacted. In fact, the Company has already gained a leading foothold in both freemium and mobile via its OkCupid and Tinder platforms, respectively. As detailed below, we believe the success of both brands demonstrates Match's ability to leverage its scale advantages—its customer network, its programming and engineering resources, and its advertising and marketing resources—to stay at the front of the innovation curve and maintain its leadership position. Match has done this organically with Tinder and via M&A in the case of

OkCupid. Massive Media (a Belgian online dating service including Twoo.com) co-founder Lorenz Bogaert aptly described Match's position after agreeing to sell his company to Meetic/IAC for €19 million in December 2012,

> *"What Google is for Internet search, IAC is for online dating. They have far more resources than we do. When giants like them see a company in their space gaining traction, it can go both ways. Either you stand and fight while they clone your service, or you explore an alliance."*[2]

Google U.S. Relative Search Trends, 2009-Present



Source:Google Trends

OkCupid

IAC agreed to acquire OkCupid for $50 million plus potential earn-outs in February 2011. At the time, OkCupid was a 6-year-old startup with an advertising-based model that had gained strong traction with younger generations. IAC has cautiously but steadily monetized OkCupid's traffic over the ensuing four years, successfully introducing multiple levels of premium subscription add-ons with reportedly strong conversion rates. OkCupid's traffic statistics have steadily grown from a reported ~1.5 million MAUs at the time of the acquisition vs. ~10 million today.[3] While the Company has not released financial results for OkCupid, we believe any trade-off between monetization and incremental user growth has been favorable. OkCupid is now reportedly generating lifetime subscriber values roughly on par with those of Match.com subscribers.

Tinder

Tinder was developed in Hatch Labs, a startup incubator run as a joint venture led by IAC. Tinder launched in September 2012 as a mobile dating app that utilizes Facebook data to present location-based potential matches in a simple, casual, "gaming" type environment. Tinder's popularity has exploded in short order, as partially illustrated above (search and website traffic trends do not properly capture mobile app-based usage). According to recent management commentary, Tinder's user base continued to grow at >200% Y/Y in January 2014, via both continued penetration gains in the U.S. and strong growth in international markets. The monthly active user base is up >200% Y/Y and has been speculated to exceed 50 million globally.

[2] http://thenextweb.com/insider/2012/12/23/meetic-iac-buys-massive-media-the-company-behind-netlog-and-badoo-rival-twoo-for-25m/
[3] http://www.crainsnewyork.com/article/20110202/SMALLBIZ/110209966/match-com-acquires-nycs-okcupid

It is still difficult to project the value of Tinder for IAC at this stage. Various media speculation has suggested recent valuations anywhere from $500 million to well over $1 billion, but we would not place much value on this speculation. IAC's exact ownership stake is unclear although the Company has stated they own the "vast majority" of the equity, with the remainder in the hands of management (including the recent addition of a Benchmark Capital veteran). The Company did repurchase a minority interest from former Hatch Lab partner in 2014. The price was not disclosed (rumored valuation of ~$500 million) and may have been distorted by upcoming put/call options. IAC did disclose they paid $33 million for minority interests in Tinder and Meetic in 2014, and we estimate the lion's share was for Tinder.

In any case, IAC has no plans to sell Tinder and its ultimate value will depend on the Company's ability to monetize the property. Until very recently, IAC management delayed monetizing Tinder in order not to restrain its growth and to improve the user experience. The Company began to experiment with various advertising and freemium subscription models in some international markets late last year, and is introducing these features gradually in the U.S. during 1Q15. IAC expects to generate significant revenue and positive EBITDA from Tinder in 2015 and more meaningful contribution in 2016. The Company reportedly spent ~$45 million in costs at Match Group to subsidize early stage properties—primarily Tinder—in 2014, so any positive EBITDA contribution will have a meaningful impact on Match Group's financials. The ultimate path of monetization is still unclear, but the potential looks promising. In 2Q14, Match Group Chairman Greg Blatt laid out a rough scenario in which Tinder could generate ~$150 million in EBITDA in 2 years. This assumes Tinder's user base doubles over the next 2 years and is monetized at ~2/3 the rate of OkCupid users in North America and Western Europe, and just 10% elsewhere. These assumptions still imply a mid single-digit premium penetration of MAUs, which does not look aggressive. Nor does this projection include the opportunity for advertising revenue. The Company plans to introduce some native advertising this year and expects advertising to be a meaningful part of the monetization strategy.

Cannibalization Risk

Traffic trends across Match Group's brands lead some credence to the theory that these newer freemium and mobile platforms are cannibalizing the Match.com cash cow. However, we believe cannibalization is a necessary evil at some points in order to avoid obsolescence and it can still be net accretive. As Mr. Blatt described at the time of the OkCupid acquisition in early 2011,

> *"We know that many people who start out on advertising-based sites ultimately develop an appetite for the broader feature set and more committed community, which subscription sites like Match.com and Chemistry.com offer, creating a true complimentary relationship between our various business models. 2010 saw record growth both for Match and OkCupid, and we believe coordinating the adjacent business models will help fuel continued growth for both."*

Cross marketing/selling trends have historically been high in Match Group, reflecting the strong network effects. The Company estimated ~10% of Match/People Media registrations in 2014 came from cross marketing on other sites like OkCupid. Match has also applied technological innovations from Tinder and OkCupid to its mature brands, such as highly functional mobile apps and Tinder-like mobile instant matching services. The Company recently noted that 67% of Match users in North America access the sites via mobile apps, or 81% including Tinder, versus just 8% in 2010. Overall, the Company did succeed in maintaining the Dating business' growth trajectory in the years after the OkCupid acquisition and has steadily stepped up monetization of that platform. A similar scenario may play out with Tinder/mobile as well. As noted, to date Match's earnings power continues to grow despite the mobile transitions, albeit at a slower rate in 2014. Looking to 2015, in February IAC management noted that new subscriber registrations for traditional dating services (Match, OkCupid, Meetic, etc.) were ~30% higher than year-ago rates and the Company forecasted double-digit full-year revenue growth for the Dating segment despite a ~400 bps currency headwind.

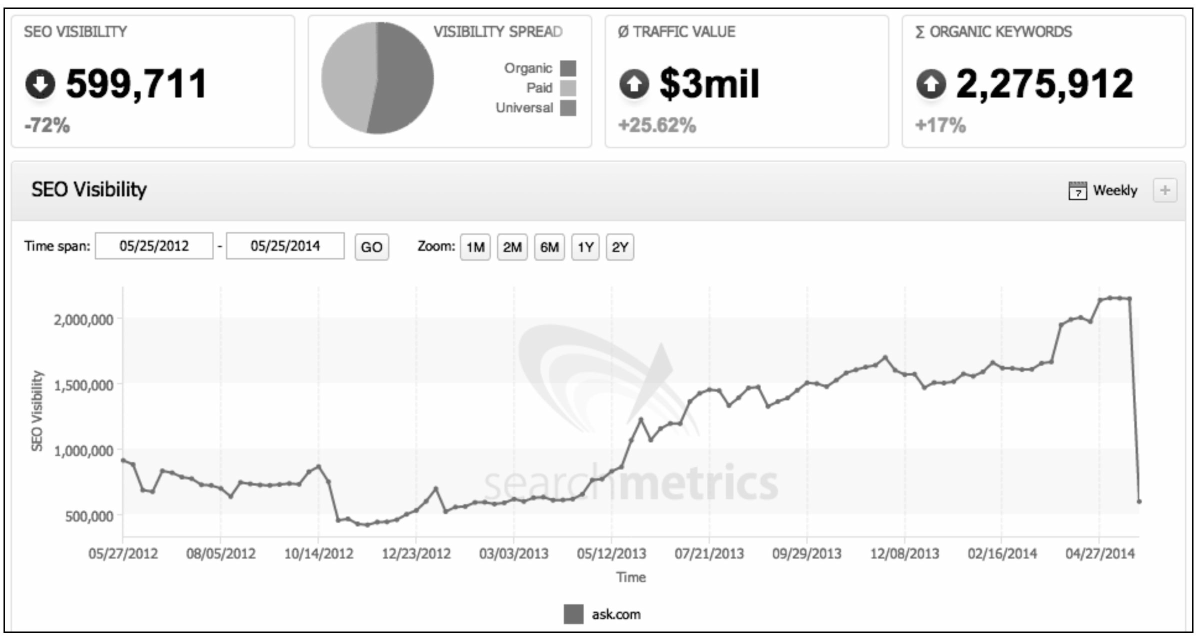
Perhaps most importantly, we believe the overlap between the population of Tinder users and Match.com is limited. According to IAC, as of 2013 only 17% of Match Group users were under age 30—the group which accounts for the lion's share of Tinder users. Longer term, Tinder's ease of use could serve as an effective introductory tool or gateway, lowering the barriers to online dating for younger/more casual demographics and eventually attracting new users to more serious (and higher revenue) networks like OkCupid or Match. OkCupid co-founder and president Christian Rudder recently offered similar sentiment, describing, *"Tinder is an amazing product and it seems to have been catalytic for OkCupid. This is the best year we've ever had, and it's also their second and most robust year. They brought a lot of people into online dating in general and smashed that last stone in the wall of taboo that used to be around it"* [4]

Search & Applications: Last Legs or Long Tail?

IAC's Search & Applications business faces a more uncertain future. The business derives the vast majority of revenue from online advertising. In particular, IAC partners with Google to provide IAC's websites and applications with paid advertising listings in exchange for a revenue share. IAC generated $1.4 billion in revenue from Google during 2014, equating to close to 90% of Search & Applications revenue. This is part of a 5-year agreement IAC signed with Google in April 2011 that the Company initially estimated would generate roughly $5.5 billion until expiration, dependent on traffic and ad revenue trends.

The overall Google revenue figures disclosed by IAC imply the deal has proved to be significantly more valuable, with revenue ranging between $1.4 billion to $1.5 billion per year. However, the relationship has not been without its own headaches. Like so many websites/e-commerce companies, frequent alterations to Google's search algorithms have impacted IAC's search engine optimization (SEO) strategies and created volatility in search traffic. For example, in May 2014 Google's "Panda 4.0" search algorithm update severely impacted Ask.com's visibility on Google, reportedly reducing impressions by over 70%.[5] A recent change in Google's AdSense advertising platform again reduced Ask.com's marketing presence on Google.

Ask.com Search Engine Visibility Impacted in May 2014



Source: marketingland.com

The short-term impact of the changes tends to be exaggerated and historically, IAC has demonstrated the ability to quickly readjust its SEO strategy. Nonetheless, over the past several years Google appears to have made more aggressive changes. In large part, Google has been targeting low quality search results/paid ads, aggressive toolbar installations, and "content farm" websites that offer little value. While we believe IAC is far from the worst offender, this has created more volatility in IAC's performance. More recently, IAC's Search & Applications websites have experienced more sustained, material declines in traffic. Website page views declined by 12% Y/Y to 7.5 million in 4Q14. At the same time, Google has also made recent policy changes toward its search partners and at its Chrome web browser that could make it more difficult for IAC to distribute

[4] http://www.washingtonpost.com/blogs/on-leadership/wp/2014/10/31/for-the-love-of-data/
[5] http://marketingland.com/googles-panda-filter-negatively-impacted-ask-com-ebay-google-backed-retailmenot-com-84708

its toolbars/other applications. Some of the changes went into effect in July 2014, while others were delayed until 2015. IAC's Applications queries were roughly flat Y/Y in 3Q14 but declined 17% to 4.6 million in 4Q14. Search & Applications segment revenue was roughly flat in 2014 despite the loss of website views and applications queries. Management attributed this to a refocus on higher quality search leads as well as investments in alternative traffic sourcing and higher quality content. However, revenue also benefited from several small acquisitions in 2014. Segment adjusted EBITDA declined 6.2% to $362 million. Looking to 2015, in February management provided less sanguine guidance. The Company expects an unspecified decline in revenue (primarily attributed to Ask.com) and "over $300 million" in EBITDA—which translates to a decline of up to 16%.

Longer Term Outlook

Looking beyond 2015, the termination of the Google contract in March 2016 presents uncertainty. On the positive side, we would note that Google and Ask.com have been long term partners; the relationship predates IAC's acquisition of AskJeeves in 2006 and Ask/IAC is among Google's largest sources of ad demand. Ask.com is the #39 highest trafficked site globally according to Alexa. IAC CFO Joey Levin characterized the outlook for an extension positively on the Company's 4Q 2014 conference call in February, noting, *"…there is an active market for people looking for this kind of business…and everybody in the market, Google included, has suggested they are very interested in our business, after the current contract term."* Outside of Google, there could be additional potential partners; Mr. Levin cited the recent 5-year agreement Mozilla reached with Yahoo to replace Google as the default search engine on the Firefox browser. Yahoo CEO Marissa Meyer noted following the agreement in November 2014, *"It's one of the largest independently-directed search share opportunities available in the market."*

It should also be remembered that IAC's Search & Applications business consists of much more than Ask.com. The Company generated $100 million of EBITDA from Websites properties other than Ask.com in 2014, and IAC expects to be "comfortably above" that figure in 2015. IAC is investing to boost the quality of content at sites like About.com, which hired 314 new experts in 2014. Across Websites and Applications, IAC is also investing to boost traffic from non-search sources. This includes rapidly growing its mobile team, investing in social publishing initiatives to drive traffic from social networks, and upgrading its email systems.

Additional Hidden/Under-Earning Assets

Tinder is not the only business of IAC's that is unprofitable or under-earning but offers attractive long-term upside. Fast-growing Internet properties with strong network effects and large addressable markets include Vimeo, HomeAdvisor, Tutor.com/Princeton Review and DailyBurn.

Vimeo

Vimeo is a video sharing website that enables video developers to upload, manage, and share videos on a central platform. Vimeo primarily caters to independent filmmakers and businesses with a focus on higher quality videos than typically found on sites like YouTube. According to data from ComScore, Vimeo was the #9 most popular U.S. online video property in October 2014 with nearly 39 million unique visitors. The site is ranked #76 in the U.S. among all websites according to Alexa data, and Vimeo also has a strong international presence, with the #131 Alexa ranking globally. Vimeo reported over 35 million registered members and a 160 million monthly global audience as of year-end 2014. The business is still in the investment (loss generating) stage, but revenue increased 40% in 2014 (total not disclosed) and paid subscriber rolls passed 560,000. Vimeo generates revenue from suppliers rather than directly from consumers. Vimeo charges higher-volume video uploaders a monthly or annual subscription fee with tiered pricing levels based on data volume and premium services. Creators can also sell videos on-demand on Vimeo in exchange for a 10% revenue share paid to Vimeo. The library already exceeds 16,000 titles and gross video on-demand revenue was up close to 5x in 2014. Advertising presents an additional revenue source that has yet to be tapped.

Top Ranked U.S. Video Websites

RANK	PROPERTY, PARENT	TOTAL UNIQUE VISITORS
1	Google sites	162,317
2	Facebook	93,834
3	AOL	86,291
4	Yahoo sites	57,058
5	Vevo	48,195
6	Maker Studios Walt Disney Co.	45,563
7	Amazon sites	44,017
8	AnyClip Media	41,992
9	Vimeo IAC/InteractiveCorp	38,851
10	Fullscreen Otter Media (AT&T, Chemin Group	37,326
Total Digital Audience		**191,456**

Source: ComScore, October 2014

eCommerce, HomeAdvisor

IAC's eCommerce businesses have yet to produce meaningful earnings for the Company. Overall eCommerce reported $435 million of revenue and $17 million of adjusted EBITDA in 2014. The most attractive business in the group may be HomeAdvisor, which has built a large network of home improvement specialists and customers. During 4Q 2014, IAC disclosed that HomeAdvisor's revenue increased 32% on a 24% increase in domestic service requests. Although IAC has not disclosed full financials for HomeAdvisor, management noted annual revenue is approaching $300 million.

Non-Dating Match Group

The recent non-Dating additions to the Match Group, Tutor.com and DailyBurn hold long-term potential in the large education and health/fitness verticals. DailyBurn provides streaming workout videos tailored to individual needs. DailyBurn also provides nutritional advice and sells supplements under its own brand. At the tutoring business, the recent addition of The Princeton Review and its 4,000 tutors to Tutor.com's base of 3,000 online experts could offer interesting business synergies in a growing, albeit competitive, market. The Tutor.com businesses will transition to utilizing The Princeton Review brand.

Outsized Free Cash Flow with Balance Sheet Flexibility

IAC's strong balance sheet and free cash flow profile provides downside protection as well as long-term upside from re-leveraging/accretive capital deployment. IAC's Internet businesses have attractive cash flow characteristics including negative working capital (excluding excess cash) reflecting upfront subscription payments/deferred revenue. IAC's capital expenditures also average a modest ~2% of revenue annually including growth capex. This translates to high free cash flow conversion. IAC generated $366 million ($4 per share) of free cash flow in 2014, translating to 67% conversion of adjusted EBITDA into free cash flow. Backing out interest expense (tax effected), this translates to a highly attractive 74% EBITDA/unlevered free cash flow conversion ratio.

IAC Historical Free Cash Flow ($ thousands)

	Fiscal year ended December 31,						
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Operating Cash Flow	118,920	348,547	340,707	372,386	354,527	410,961	424,048
Capex	(58,983)	(33,938)	(39,829)	(39,954)	(51,201)	(80,311)	(57,233)
Free Cash Flow	59,937	314,609	300,878	332,432	303,326	330,650	366,815

From a balance sheet perspective, IAC is also in a position of strength. IAC holds $1.1 billion in debt with an average cost of debt below 5%, principally consisting of $500 million each of senior notes due in 2018 and 2022. Against this, the Company has $1.2 billion in cash and an untapped $300 million credit facility. Unlike most companies that have built up outsized cash positions in recent years, most of IAC's cash (~75%) is actually held domestically and readily deployable without creating tax liabilities.

IAC's recent M&A track record is difficult to gauge given the lack of financial disclosure by business line. However, the Dating segment acquisitions have clearly been accretive as a whole, with the OkCupid ($50 million plus earn-outs) transaction in particular a huge success. The Company has also reported strong growth at About.com since the acquisition in 2011. At the other end of the scale, the January 2011 merger of The Daily Beast with Newsweek was a notable failure with the Company reportedly burning close to $100 million cash before exiting the JV. Acquisitions in 2014 like The Princeton Review (undisclosed purchase price) and ValueClick's websites business (Investopedia, PriceRunner, etc.) for $80 million are still too recent to evaluate. Overall, Barry Diller/IAC management's impressive long term track record, as demonstrated by shareholder returns, provides us with some comfort. Additionally, the Company has historically maintained an un-leveraged or under-leveraged balance sheet and M&A volume has averaged a relatively modest ~$250 million annually over the past 4 years, spread out among multiple smaller acquisitions. In 2014, the Company spent a total of $259 million. Looking forward, IAC management expressed expectations that M&A volume will remain within a similar range in 2015.

IAC also has a very strong track record of returning capital to shareholders. While IAC did not repurchase any shares in 2014, the Company has a history of opportunistic, large-scale repurchases and maintains an 8.6 million share (9% of diluted shares outstanding) repurchase authorization. The Company spent a cumulative $1.5 billion to repurchase 33.4 million shares between 2011-2013 (average price of $44 per share) and another $1.3 billion on repurchases between 2009-2010 including the Liberty transaction. This translated to the retirement of 102 million shares since 2009 vs. 92.9 million diluted shares outstanding today. In the absence of any major acquisitions and/or should IAC shares continue to remain range-bound, we would expect to see IAC resume large-scale repurchase activity. IAC also pays a substantial $0.34/share quarterly dividend (2.0% yield) following a 42% raise in mid-2014, and additional increases are possible in the coming years.

Valuation and Conclusion: Sum-of-the-Parts Discount has Widened

Putting aside their longer-term record of outperformance, IAC shares have been relatively range-bound more recently. Management's downbeat 2015 outlook briefly sent IAC shares below $60 in early February, which peaked our interest. Despite a quick 13% recovery in the following weeks that more than erased the prior losses, IAC shares are still flat since the start of 2014 versus a 20% rally in the NASDAQ. At the current price, IAC shares trade at a reasonable 11.4x 2014 EV/EBITDA and 17.1x 2014 free cash flow. Looking out to 2015, IAC trades at similar multiples as double-digit Match earnings growth is expected to be offset by Search & Applications segment headwinds, ongoing investments in newer Internet properties, and negative foreign currency translation effects. IAC has no pure play publicly traded competitors (especially in the Dating segment), but this is roughly on par with low double-digit average EV/EBITDA multiples ascribed to mature Internet/eCommerce peers.

In our contrarian view, IAC's current valuation reflects excessive pessimism over the health of the Search & Applications businesses and underestimates the long-term opportunity in the Dating business. IAC's Dating properties possess huge network effects that enabled the Company to successfully transition through the growth of "freemium" online competitors. Now, we believe it is in the process of successfully navigating the mobile paradigm shift with its leading property Tinder, which has exploded since its launch in late 2012 to a reported ~50 million or more active users globally. Tinder/mobile's growth appears to be penetrating a new (younger, less committed) population segment that has limited the impact on Match's core Dating business, which still reported a 4.5% growth in paid subscribers to 3.5 million at year-end 2014. Crucially, IAC is beginning to introduce monetization strategies at Tinder this year. Using relatively conservative advertising and subscription penetration rates, Tinder could plausibly contribute in excess of $150 million EBITDA over a 2-3 year timeframe versus an estimated ~$30 million in investment expenses last year. Additional upside could come from display advertising revenue. IAC management has discussed a soft target of generating $500 million EBITDA at the Match Group in 2016, which should be feasible if premium user conversion plays out at Tinder and core Match Group continues to grow at or close to a double-digit rate. Nonetheless, in our base case we project it takes until 2017 before EBITDA exceeds $500 million due to slower Tinder monetization and core growth.

Based on our projections, the intrinsic value of Match Group's Dating business could approach or exceed IAC's entire current market capitalization over a 3-4 year timeframe. A high quality subscription-based business with strong network effects like Match Group arguably should command a premium valuation. Nonetheless applying an 11.5x EV/EBITDA multiple 2017E EBITDA, we believe the Match Group business' forward looking intrinsic value is close to $6 billion. This multiple roughly translates to a mid single-digit terminal growth rate given the business' EBITDA to cash conversion profile, which we believe is fairly conservative. The online dating business still has very attractive long-term tailwinds from penetration gains across demographics/geographies, which arguably could support mid-to-high single-digit user growth over an extended period.

Looking at the rest of IAC, we believe there is still plenty of incremental value. While the March 2016 expiration of the Google contract (which contributes ~90% of segment revenue) looms large over the Search & Applications business, the unit is still producing strong cash flow with the Company projecting EBITDA in excess of $300 million in 2015. IAC's large programming/engineering talent base has enabled the Company to navigate the steady disruptions from Google search/advertising policy changes to date, and we do not see any major reason for this to change. Ask.com is a valuable partner for Google, and competitors like Yahoo have also shown a strong interest in similar deals recently. Furthermore, the Company is investing to boost traffic from alternative sources. Nonetheless, we conservatively assume Search & Applications EBITDA steadily declines to less than $250 million by 2017. Applying a 6.5x EBITDA multiple—roughly in line with a terminally declining business or other legacy Internet companies like AOL and Yahoo—we estimate the business will still hold ~$1.6 billion of intrinsic value in 2-3 years. It should also be remembered that other Search & Applications properties excluding Ask.com already generate ~$100 million in EBITDA and face fewer competitive pressures; these businesses alone could arguably be worth close to $1 billion. In deriving a sum-of-the-parts based intrinsic value for all of IAC/InterActiveCorp, we also ascribe modest value to the fast-growing but still unprofitable (collectively) eCommerce and Media businesses. The Media business segment includes The Daily Beast, which is burning cash but could be right-sized or shut down if results do not improve. It also includes Vimeo, which is growing subscribers and revenue at a 40% rate and may offer the most compelling long-term prospects of all IAC's development-stage properties. Nonetheless we value the Media business at only $314 million or 1x 2017E revenue. Backing out corporate expenses at 7x, we estimate IAC's forward-looking intrinsic value could exceed $90 per share, implying 40% total return potential (inclusive of dividends) over a 2-3 year investment horizon.

IAC/InterActiveCorp Estimate of Intrinsic Value

	($ MM)
Search & Applications @ 6.5x 2017E EBITDA	$1,601
Match Group @ 11.5x 2017E EBITDA	$5,883
Media @ 1x 2017E Revenue	$314
eCommerce @ 10x 2017E EBITDA	$409
Corporate @ 7x 2017E EBITDA	($513)
Enterprise Value	$7,694
net cash (debt), 2017E	$873
Equity Value	$8,567
Diluted Shares, 2017E	94.5
Implied Intrinsic Value per Share, 2017E	**$90.70**
IAC current share price	$67.42
Implied Upside	35%

There are several potential catalysts for IAC shares to close the current discount to intrinsic value. Most prominently, the recent organizational/managerial changes at Match Group suggest a spinoff of the business is possible in the coming years. IAC's corporate history (including 6 spinoffs since 2005) and the noncommittal commentary from Chairman Barry Diller and Match Group Chairman Greg Blatt give further credence to this viewpoint. A separation would allow the higher growth Match business to command the premium multiple it deserves. Alternatively, we would not rule out the sale of Ask.com or even all of the Search & Applications business. Private equity could be plausible buyers given the business' strong cash flow profile. For example, in late 2014 Apax Partners acquired Answers.com for a reported $900 million or roughly 18x pro forma TTM EBITDA, based on Moody's estimates. While Answers has built stronger inroads in the Q&A query business than Ask/IAC, the transaction still suggests significant upside to our estimate of the Ask.com business value were a transaction to occur. Additionally, we view IAC's eCommerce businesses, Vimeo video sharing platform, and tutoring business as essentially free call options with vast upside given their large and growing addressable markets. Finally, our valuation gives no credit for accretive capital deployment over the next 3 years. IAC has a strong track record of large-scale, opportunistic share repurchases, and plenty of capacity with net cash on the balance sheet and a 6% TTM free cash flow yield. Absent capital deployment, we estimate IAC's net cash position will approach $1 billion by 2018. M&A is more of a wild card, but the Company has not shown a predilection for large acquisitions and has a strong long-term track record.

Risks

Risks that IAC/InterActiveCorp may not achieve our estimate of the Company's intrinsic value include, but are not limited to, general economic weakness impacting the Company's businesses; failure to renew the Google traffic contract at similar economic terms; failure to monetize Tinder and/or deterioration in the traditional subscription dating business; and misallocation of excess cash including dilutive acquisitions; and loss of key personnel.

Analyst Certification

Asset Analysis Focus certifies that the views expressed in this report accurately reflect the personal views of our analysts about the subject securities and issuers mentioned. We also certify that no part of our analysts' compensation was, is, or will be, directly or indirectly, related to the specific views expressed in this report.

IAC/INTERACTIVECORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in thousands)

ASSETS	Dec. 31, 2014	Dec. 31, 2013
Cash and cash equivalents	$ 990,405	$ 1,100,444
Marketable securities	160,648	6,004
Accounts receivable, net of allowance	236,086	207,408
Other current assets	166,742	161,530
Total current assets	1,553,881	1,475,386
Property and equipment, net	302,459	293,964
Goodwill	1,754,926	1,675,323
Intangible assets, net	491,936	445,336
Long-term investments	114,983	179,990
Other non-current assets	56,693	164,685
TOTAL ASSETS	$ 4,274,878	$ 4,234,684

LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable, trade	$ 81,163	$ 77,653
Deferred revenue	194,988	158,206
Accrued expenses and other current liabilities	397,803	351,038
Total current liabilities	673,954	586,897
Long-term debt	1,080,000	1,080,000
Income taxes payable	32,635	416,384
Deferred income taxes	409,529	320,748
Other long-term liabilities	45,191	58,393
Redeemable noncontrolling interests	40,427	42,861
Shareholders' equity:		
Common stock $.001 par value	252	251
Class B convertible common stock $.001 par value	16	16
Additional paid-in capital	11,415,617	11,562,567
Retained earnings (accumulated deficit)	325,118	(32,735)
Accumulated other comprehensive loss	(87,700)	(13,046)
Treasury stock	(9,661,350)	(9,830,317)
Total IAC shareholders' equity	1,991,953	1,686,736
Noncontrolling interests	1,189	42,665
TOTAL SHAREHOLDERS' EQUITY	1,993,142	1,729,401
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 4,274,878	$ 4,234,684

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