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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Liberty Interactive Investor Call. (Operator Instructions) As a reminder, this conference is being recorded, April 4, 2017.

I would now like to turn the conference over to Courtnee Chun, Senior Vice President of Investor Relations. Please go ahead.

Courtnee Alice Chun - *Liberty Media Corporation - VP of IR*

Thank you. Before we begin, we'd would like to remind everyone that this call includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about proposed acquisitions of GCI by Liberty Interactive and proposed split-off of Liberty Interactive's interest in GCI Liberty, the timing of the proposed transactions, the proposed reattribution of assets and liabilities at Liberty Interactive in connection with the proposed transactions, the renaming of Liberty Interactive, the contemplated reincorporation of GCI Liberty, GCI Liberty's entry into a margin loan arrangement prior the completion of the proposed split-off, Liberty Interactive's anticipated offer to exchange any or all of its outstanding 1.75% Charter exchangeable debentures, the realization of estimated synergies and benefits from the proposed transactions, business strategies, market potential, future financial prospects and other matters that are not historical facts. These forward-looking statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including without limitation, the satisfaction of conditions to the proposed transactions. These forward-looking statements speak only as of the date of this call, and each of Liberty Interactive and GCI expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in Liberty Interactive's or GCI's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements is based.

Now I'd like to introduce Greg Maffei, Liberty's President and CEO.

Gregory B. Maffei - *QVC Group - President and Director*

Thank you, Courtnee. Good morning, out there. Today, speaking on the call, we'll have GCI President and CEO, Ron Duncan; and Liberty's CFO Mark Carleton. We're going to review the highlights of our announcement today, and then open the floor for some questions. So on today's announcement, we've been working for a while to provide a structural solution to the NAV discount at Liberty Ventures and provide a transaction that will set up the potential tax-free combination with Charter or other entities down the road.

Today, we are very pleased to announce our agreement with General Communication, Inc., the largest communication provider in Alaska. GCI will combine with the bulk of Liberty Ventures' assets and liabilities and form a new public company, GCI Liberty. Our interest in GCI Liberty will be separated in a redemptive split-off to holders of Liberty Ventures shares. The end result will be 2 asset-backed stocks in 2 separate companies, GCI Liberty and QVC Group.

Let me talk about the deal terms for a sec. GCI shareholders will receive $32.50 a share comprised of $27.50 of common stock of Ventures and $5 of newly issued preferred stock, 0.63 shares of GCI Liberty common and 0.2 shares of GCI Liberty Series A preferred stock and based on Liberty Ventures' reference price of $43.65 and a par value on the preferred shares of $25.

Regarding the preferred, it's going to start with a 5% initial dividend and post-closing increase to 7% once GCI Liberty is reincorporated in Delaware. The preferred stock is redeemable 21 years after closing. This transaction values GCI at $2.68 billion as an undiluted enterprise value and $1.12 billion undiluted equity value.

Now some of you may question the issuance of Liberty Ventures shares at this price with the perception that there's a discount, and we can tell you that we spent a long time thinking about the long-term value of this deal. And driven by the tax-efficient growth with GCI and the opportunities opened up, we're very bullish that this will more than offset any value through the dilution of the issuance of each Liberty Ventures shares.

As I said, one of the biggest drivers of this is the tax-efficient separation of Liberty Ventures, including its stakes in Liberty Broadband and Charter. But I want to note, we're also very bullish on GCI. We're very excited to have Ron and his team join. There's a significant cost and growth initiative that GCI had, and we remain very optimistic on their business. We expect this deal to close by the first quarter of 2018 due to necessary Alaska regulatory clearances and shareholder votes by both GCI and Liberty Ventures. The new GCI liberty stock will trade under the ticker GLIBA, B and P, P for the preferred.

Let's talk about for a sec, why this deal makes sense for both sides of the Liberty Interactive [health] phonetic. Starting with Liberty Interactive Corporate, overall, we think this will reduce the tracking stock discount at both the new QVC Group and Liberty Ventures. It will provide greater flexibility for future acquisitions, both the GCI Liberty and QVC Group, and it creates an efficient currency for management compensation or retention that directed out the underlying businesses that are relevant to them.

For Liberty Ventures, this is the tax-efficient separation of Liberty Ventures as I noted, including its stakes in Charter and Broadband that will provide a stable capital structure going forward, that should provide improved financial flexibility for future borrowing and set up the potential for buyback. Now that we set the direction for GCI Liberty in a clear and crisp fashion and we've identified noncore corporate assets such as FTD, we can use those to fuel future buyback. And in addition to -- with the acquisition of GCI will have a high free cash flow generating assets can also use for future buyback. As I said, we anticipate using both stream to repurchase shares. As I also noted, we're very excited about GCI's Strategic Plan and the one they have in place to increase their cash flows and improve their margin. Ron Duncan will go into this in some detail in a moment.

Turning to QVC Group, we're also excited for that. This will establish the market-leading pure-play retail and commerce asset-backed securities. It makes the QVC Group qualify for possible inclusion in stock indices, such as the S&P 500 that were not available to us before and should increase investor demand. It also due the exchange and reattribution of the exchangeable debentures, increase the near-term and annual liquidity at QVC Group that aligns those exchangeable debt into the green energy tax attributes with a highly profitable QVC where it fits well. We estimate that $329 million of reattributed cash will go across the QVC, that final cash amount will be determined at close. And the annual growing free cash flow from the tax savings on the exchangeable will be approximately $130 million with additional cash flow from tax energy -- tax savings on the green energy investment estimated at $40 million in 2018. So as you can see, there is a lot of increased liquidity at QVC and those are available for investments, stock repurchase or debt reduction.

In addition, we'll be reattributing the $260 million estimated after-tax stake in interval group that also can be monetized. So we have the opportunity to use all of those forms of liquidity in cash flow and borrowing capacity for investment for buyback. I would note, you'll see when we announce our earnings shortly that we've been out of the market for some time at QVC as we've been working on this deal and froze it.

So we think we've increased the ability and liquidity at QVC to service debt, and we're excited about that. Liberty Interactive will be the surviving entity, but it will be renamed to QVC Group. Mike George will continue to lead QVC and will maintain the current Board of Directors, including industry experts such as Mark Vadon and Rich Barton.

And with that, let me turn over to Mark Carleton to give you a few more details of the transaction.

Mark David Carleton - *QVC Group - CFO*

Thanks, Greg. It's intended that the Liberty Ventures assets to go over to GCI include our equity stakes in Charter, it's about $1.8 billion and Broadband about $3.7 billion, our Evite operating business, and subject to some conditions are equity interest in FTD and LendingTree and then a few additional assets and liabilities. Certain other assets of Ventures that will go over to the QVC Group include cash of around $329 million, our interest in the interval group, the green energy investment and some tax benefits attributed with some previously issued stock option.

In addition, the exchangeable debentures, including our 4% since 2029, our 3.75% from 2030, our 3.5% from 2031 and are 3.75% runs from 2043. Those particular debentures are subject to an exchange offer that talked about on Slide 18 of the presentation that's been posted there. Some amount of the 1.75% may be reattributed back over. Again, we have a separate indenture for that particular issuance, and we're talking about doing an exchange offer to get that transferred back over rather than just assigning it. There is a deferred tax liability on the debentures of around $1.4 billion, and we value those debentures based on our board guidance and with some help from a financial institution, really in a very similar way to the way we've done it in the past when we reattributed bond.

At the time of the transaction, we intend to execute and fully draw down on a margin loan, expected to be around $500 million at GCI Liberty against the $42.7 million Liberty Broadband shares. At that time, our interest in the new GCI Liberty will be split off in a redemptive transaction. Outstanding shares of Liberty Ventures will be redeemed 1 for 1 on a corresponding series of GCI Liberty stock, and out you will go. We've got a diagram on Slide 8 and 9, mostly on Slide 9, in the deck that you have that should help you walk through that.

On a positive note from the debt side, when you look at GCI, asset coverage on their debt was 1.5x pre-deal and goes up to about 5x pro forma after this deal with the $5 billion net equity injection from Liberty Ventures, which we think is a great thing for the GCI financial outlook. Former GCI stockholders at the end of the day will own 23% of the undiluted equity of GCI Liberty and that would represent 16% of the undiluted voting power. And correspondingly, the Liberty Ventures shareholder will own 77% of the undiluted equity and 84% of the vote following the redemptive split-off.

With that, I'll turn it over to Ron to talk about GCI.

Ronald A. Duncan - *General Communication, Inc. - Co-Founder, CEO, President and Director*

Well, thank you, Mark, and thank you, Greg, for the opportunity to join with Liberty and Liberty Ventures in the next phase of creating value for GCI and its shareholders. This has been a long road for us, Bob Walp and I started the company almost 40 years ago. And since that time, we've been focused on aggressively growing our company through a series of technology transitions from analog to digital, from dial-up to gigabit cable modems, from briefcase cell phones to pocket computers, and along the way, we've turned the company that started out with a lot of debt and no revenues into almost $1 billion in revenue. And today, the largest telecommunication provider in Alaska. We're not done. We think there's a lot more growth in our future, and we're very excited to be following that growth path with our new partners at Liberty Ventures.

In a way, this brings us back to where we started. When we first started the company, our initial investment was from TCI then led by Dr. Malone, and our original public offering was a spinout from the TCI subsidiary in 1987, a tax-efficient transaction that benefited our shareholders back then. Today, we own a $3 billion network that gives us a strong competitive position throughout the state of Alaska. We own the principal facilities that connect Alaska to the rest of the world and distribute data and essential information all around the state. We owned undersea fiberoptic cables, microwave backbone networks, hybrid fiberoptic cables and last mile distribution systems to almost all locations in Alaska. We are the only true quad play in the domestic cable industry today. And we're not just in the wireless business, we've been in the wireless business for almost 20 years now and have the second-largest wireless share in the Alaska market.

Over the years, we've consistently proven our ability to grow both revenue and EBITDA. In fact, 2016 was our very first year of setback, a reduced revenue and EBITDA, and that was as a result of a long-term contract that we entered into with one of our major roaming partners, which reduced revenues by $50 million on an annual run rate basis -- annual accounting basis, but actually improved cash flow above that. The contract was the right thing for us to do. And while it led to a step-back in EBITDA in 2016, we're very bullish about our ability to grow the EBITDA, both back to where it was prior to that and well beyond over the next several years.

Our path to growth for both EBITDA and free cash flow going forward is really around one of rationalizing our organization in our network. We've put together a large collection of different technologies in ways to grow the company over the last 20 years, and we're now going to streamline that and extract efficiencies by simplifying the network, simplifying our operations, implementing a new billing system and increasing the margins. Today, our margins are on the low end of what the industry does in the low 30s. We think there's lots of room for margin growth. Our capital intensity is declining, so there's an opportunity for free cash flow growth. Beyond that, and we're delighted to be able to do that within the ambit of the new GCI Liberty Venture.

So thank you, gentlemen, for the opportunity. We're pleased to be with you and we look forward to driving growth back to the combined venture.

Gregory B. Maffei - *QVC Group - President and Director*

Thank you, Ron. So in summary, before we open up to questions, as I said, we are very pleased to announce this agreement with GCI. We're very pleased that we're able to create the 2 asset-backed securities, QVC Group and the new GCI Liberty. We look forward to working with GCI talented team, including Ron especially, as they continue to execute on their strategy. You heard a small slice of why we're excited about the upside at GCI itself. And this transaction, we believe provides value for both sets of shareholders at Liberty Ventures and at QVC Group. And as I said, we expect to close it by the end of the first quarter of 2018.

So operator, with that, let's open it up for some questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will hear first from James Ratcliffe of Evercore ISI.

James Maxwell Ratcliffe - *Evercore ISI, Research Division - Research Analyst*

I was thinking about the next deal, after the deal. But is there any impediment to -- presumably, once it's had a couple of years to season merging GCI Liberty with either Liberty Broadband or Charter?

Ronald A. Duncan - *General Communication, Inc. - Co-Founder, CEO, President and Director*

No.

Operator

And we will hear next from Barton Crockett of FBR.

Barton Evans Crockett - *FBR Capital Markets & Co., Research Division - Analyst*

I was wondering if you could talk a little bit more about how you value the deferred tax cash flow at Liberty Ventures going back over to QVC in this transaction. There's a lot of uncertainty, I think, around what's going to happen to tax legislation and I think there's been a wide range of use on The Street about the potential value of these cash flows being invested versus the liability that exist there today. So I was just wondering if you can talk about how you view that in the context of all these uncertainties.

Gregory B. Maffei - *QVC Group - President and Director*

Yes. Well, that's a great question, Barton. And if you think about it, we've actually have attributed these debentures across the ventures once before. So we have a consistent methodology. But you're right, it's perhaps a little more complicated in light of potential tax reform. What's interesting though is that you're somewhat balanced because you have a deferred liability that is of x amount and you have a future set of deductions of x amount, and they're both taxed at the same rate. So the degree that you change the tax rates, there is somewhat of an offsetting impact, meaning that the overall impact and the value of these debentures is not as radically changed as you might think because of changes in tax rate. Albert or Tim, would you want to add anything?

Unidentified Company Representative

No, I think that we've gone through a number of analyses on these present period of rates, and it's interesting that it ends up not moving a great deal as you think about the -- well, put it in the context of tax reform we're certainly watching that and it's still leading up to closing.

Gregory B. Maffei - *QVC Group - President and Director*

So just to reiterate to make the point, it's a fair one. This today is done at the estimated value of these exchangeables. There will be a true-up and a complete analysis, including one that our Board of Directors must decide is fair to both sets of shareholders, that is informed with a view by a financial adviser that's consistent with how we value it historically. And if there is a change in tax rate by that time, we'll revalue. But as I said, it won't have that big an impact because you're -- 1 tax liability will be affected and 1 set of future benefits will be affected, but are both bound.

Operator

We'll take our next question from Jeff Wlodarczak of Pivotal Research.

Jeffrey Duncan Wlodarczak - *Pivotal Research Group LLC - CEO, and a Senior Media and Communications Analyst*

As part of your due diligence in GCI, did you see any low-hanging fruit to improve operations there? And realizing it's Day 1, Hour 1, how important in your thinking was the ability to leverage GCI as a platform to potentially roll up smaller U.S. cable systems?

Gregory B. Maffei - *QVC Group - President and Director*

I will comment as the -- as we did due diligence on the buy side. But I'll let Ron add about what he thinks is the potential low-hanging fruit on the cost side, and then I will comment on the -- or I'll comment briefly on the acquisition side. We definitely saw upside in GCI's operations. We did substantial due diligence on their operating plan and have a lot of confidence in the ability of GCI to, as Ron noted, take what are relatively low margins because they've been in a series of businesses, which were created relatively on a siloed basis and find synergies across those businesses, operate the company more consistently for -- as they move from a growth phase to a phase where they are looking for efficiencies and substantially increase their margins and cash flow going forward over the next 3, 4 years. So we definitely saw those opportunities, and we were very excited about that. Ron, what would you want to add?

Ronald A. Duncan - *General Communication, Inc. - Co-Founder, CEO, President and Director*

I think the primary theme for GCI over the next 2 or 3 years is simplification and streamlining. We built the company very rapidly, deployed a tremendous amount of assets over the last 10 years. We got into the wireless business by acquiring multiple entities and multiple technologies in addition to being the only cable operator in wireless. We may be the only wireless company in the country that operates every single wireless technology in existence. We are now phasing down to a single network, rationalizing all of that on LTE technology and simplifying the network going forward. We're coming off a 20-year legacy billing platform and a history of company silos and reorganizing around a common set of technologies, not just within wireless, but also software defined networks and smart technology throughout our core network. We see lots of opportunities to streamline the way we do business. Our success in the marketplace let us to build very fast. We're now taking the opportunity to clean up. There will be continued revenue growth; it won't be as strong as the revenue growth that's been in the past, but I think the EBITDA growth will actually pick up over the next several years as we implement our streamlined measures, simplify the company and reform our processes. Lots of opportunity there, as we said, low 30s margins today. Every point of margin is worth about $9 million a year, and it certainly ought to be able to move the margins a lot closer to conventional cable industry margins. Also, very fortunate that we're not highly exposed to video today, which, as a small cable operator, has been problematic for us, but have a tremendous broadband business, probably one of the best broadband businesses in the country, and we see continued growth and opportunity there. So we're really bullish. We got an internal plan that shows strong growth. We promised Greg that we'll deliver it, and I have little doubt that we'll perform.

Gregory B. Maffei - *QVC Group - President and Director*

I would add on the idea of acquisitions, and Ron, offer your commentary as well. We're very much focused on return of capital. That's not to say we would not be looking at acquisitions in the lower 48. But I would note that GCI has a long history of tuck-in acquisitions in Alaska, and there are further opportunities ahead. And I think that would probably be the first place we're focused without foreclosing any other opportunities. Ron what would you add there?

Ronald A. Duncan - *General Communication, Inc. - Co-Founder, CEO, President and Director*

Greg's always been the master of acquisitions. We wouldn't pretend to compete with you there. We had been spent the last several years looking at diversification opportunities at ways to extend our footprint. Beyond Alaska, we were intimidated by relatively high values and the lower 48 cable segment. We have purchased other opportunities within Alaska. We think there are 1 or 2 more that we could do. But right now, we think the bulk of our growth can come within the state of Alaska, and we will look to Greg's guidance as to what other opportunities might appear. We're very focused on free cash flow generation. Our capital intensity is declining somewhat. Our free cash flows are building up. We had some looming tax liability issues in the next several years before this transaction, but I think now we'll be able to participate in substantial free cash flow wouldn't have to worry about that, and I'm sure we'll be having discussions about using those free cash flows for stock buybacks. To those of you who've looked at us over the last several years, know that we have very aggressively bought back our own stock, and we're pleased to be in a position to discuss more opportunities on that as we go forward.

Jeffrey Duncan Wlodarczak - *Pivotal Research Group LLC - CEO, and a Senior Media and Communications Analyst*

That's great. And then 1 quick follow up, is it...

Gregory B. Maffei - *QVC Group - President and Director*

Yes, if I can -- no, just to finish the thought. I think Ron and our thoughts are entirely consistent on share repurchase. They've been big buyers of stock. We, when Liberty Ventures had a less clear path, saw the discount, but didn't have as clear a path, have been not as aggressive at Ventures as we have been at some of our other entities. But the hurdle for competitive uses of cash, including acquisitions, would be pretty high given where we think the value is of Charter, Broadband and where Ventures has been trading and the opportunities created by GCI. So we'll have to weigh it against repurchase going forward. Sorry, go ahead.

Jeffrey Duncan Wlodarczak - *Pivotal Research Group LLC - CEO, and a Senior Media and Communications Analyst*

Of course. I just wanted to -- in terms of the pro forma company, I mean, normally the Liberty cable-related entities sort of focused on like a 5x gross leverage. Is it too early to talk about what kind of leverage you think about putting on this business?

Gregory B. Maffei - *QVC Group - President and Director*

Well, this is a little different, right, because GCI has had about a 5x gross leverage. What's a little different here is you have a substantial equity component, noncash flow generating, but a substantial equity component through our shares of Charter and Liberty Broadband. So I don't think 5x on the operating basis is crazy at all, but we have a little different structure here given that there is a substantial set of equity interests.

Operator

Our next question comes from Matthew Harrigan of Wunderlich.

Matthew J. Harrigan - *Wunderlich Securities Inc., Research Division - SVP and Senior Analyst*

At QVC, I mean, you just did a pretty attractive transaction, especially by retail standards with zulily, but having an asset-backed stock, I mean, can you talk about the degrees of freedom that creates? I mean, I don't think you found that most on the M&A side that looks attractive, but still can even set up. Q was a potential target, given its very distinct competencies and loyalty and the undervaluation, as you pointed out. And then secondly, on those green investments, I think that the rundown on that is pretty fast. Does that $40 million decline pretty quickly? And is there any prospect to do further investments in that arena to try to diminish the tax burden on Q?

Gregory B. Maffei - *QVC Group - President and Director*

So QVC has been a very selective acquirer. We did a couple of tuck-in acquisitions before zulily. I think you're right. We have been disappointed at times that we've traded at a tracking stock discount perhaps compared to peers, though there are -- it's hard to find peers that are truly comparable that have the level of free cash flow generation of QVC. I think it opens up possibilities to have an asset-backed stock, whether it's on the buy-side or on the other side. It's certainly not why we're doing this. We're doing this to get the right valuation going forward, but obviously options created are interesting. Albert or Mark, one of you going to talk about for a sec about green energy, how those tail off...

Mark David Carleton - *QVC Group - CFO*

Yes, the tax benefits, I think, Matt, go for 3 or 4 more years related to those green energy investments.

Operator

And we will go to our next question from Todd Duvick of Wells Fargo.

Todd Jeffrey Duvick - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

I guess, a couple of quick questions from a bondholder standpoint. Can you tell us, are there going to be any direct impacts on the QVC, Inc. structure?

Gregory B. Maffei - *QVC Group - President and Director*

No, no.

Mark David Carleton - *QVC Group - CFO*

No, I think other than -- I don't know.

Gregory B. Maffei - *QVC Group - President and Director*

No. These bonds, as you know, have all been sitting in an LIC indenture. That's one of the reasons why they need to be reattributed. It's also logical to reattribute them because the higher cash flow generating asset is QVC, to put the shielding on with them makes sense. QVC is getting fair value compensation in terms of cash and other assets for that, but there's no structural changes to help the Liberty Interactive, which will be, as we said, renamed the QVC Group indenture or our corporate structure will work other than becoming and asset-backed security.

Todd Jeffrey Duvick - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

Okay. And then I guess a follow-up to that. Just trying to figure out the impact on the Liberty Interactive leverage, Liberty Interactive, which is going to be renamed to QVC Group. In terms of the debt and the OIBDA, is it going to be a leveraging transaction? Or is it going to be -- can you just help us think what's going to happen at the debt and the OIBDA levels?

Gregory B. Maffei - *QVC Group - President and Director*

So it will be a fair value exchange where cash and assets are brought across the QVC, and QVC will take on some incremental debt. In the interim, because of the nature of these bonds, QVC will actually have increased cash flows. So it will have no impact on OIBDA. But below the line, because of the nature of these deductions, it will be increasing its cash flows for the years going forward. I'm going to let Neal Dermer, our Treasurer, comment further.

Neal Dermer - *Liberty Media Corporation - SVP and Treasurer*

From a leveraging standpoint, if you look at a QVC Group consolidated levered standpoint, it's actually deleveraging. When you look at the cash that's coming over and extended it to use for -- to reduce the QVC revolver, that's about a 0.2 reduction in consolidated leverage. And then the

Charter exchangeable, to the extent that that gets completely exchanged into the spinco, that's another 0.4 turn of reduction. So that brings QVC Group leverage well below the 4x level.

Todd Jeffrey Duvick - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

Okay, that's helpful. And will those pieces that you just outlined, will they be fleshed out a little bit more in a regulatory filing soon?

Neal Dermer - *Liberty Media Corporation - SVP and Treasurer*

In a what?

Gregory B. Maffei - *QVC Group - President and Director*

Regulatory filing. Well, I think it's outlined pretty fully in the -- if you have the deck that went out with the -- with this, and the appendix and the like, it's pretty fully fleshed out. As we said, this is the estimated and anticipated reattribution impact. At the time we complete the transaction, the actual numbers will be trued up. But if you have further questions, I encourage you to call Courtnee and her team and she can walk you through how the structure will work.

Operator

We'll go to our next question from Mike Mitchell of Locust Wood.

Stephen John Errico - *Locust Wood Capital Advisers, LLC - Founder, Portfolio Manager, and Managing Member*

This is Steve Errico for Mike. Could you guys just clarify for me? We're a little confused on the potential margin loan that would be taken out at GCI. Does that only get taken out if the Charter exchangeable does not vote to reside at the new GCI?

Gregory B. Maffei - *QVC Group - President and Director*

Steve, that's being done for some structural reasons and it will just put cash on the balance sheet and debt on the other side. So it's not really impacted or caused by the charter exchangeables. The charter exchangeables are -- and how those are handled are another matter. This is really just to do some structural things on our side.

Stephen John Errico - *Locust Wood Capital Advisers, LLC - Founder, Portfolio Manager, and Managing Member*

Okay. And then on the QVC side, you mentioned that you weren't active in the market because of the blackout period, but is it still your intention to use the cash flow from QVC to repurchase shares over there?

Gregory B. Maffei - *QVC Group - President and Director*

We have had been a consistent share repurchaser and we had a consistent philosophy share repurchase. I don't anticipate that changing going forward. But as others have noted, we have, on occasion, gone after both some tuck-in acquisitions and then larger acquisitions like zulily, which was done basically half cash where we saw -- I have business that was consistent with the performance characteristics and the nature of the customer characteristics at QVC. So I would say, in general, we going to repurchase, but I don't want to preclude other opportunities.

Operator

And moving on, we'll take a question from of Priya Ohri-Gupta of Barclays.

Priya Joy Ohri-Gupta - *Barclays PLC, Research Division - Director and Fixed Income Research Analyst*

I really appreciate the details around the leverage movement at QVC. Just a follow-up on that part. Given that the leverage is expected to come down on a consolidated basis, how should we think about the rating agency view around the transaction? Is there a potential to see either an improvement in the ratings outlook or potentially the ratings longer term? And then if you could just speak to how we should think about the use of any of the attributed cash to share repurchase versus debt pay-down in the context of where you'd like to manage the QVC Group leverage going forward, that will be helpful.

Gregory B. Maffei - *QVC Group - President and Director*

Well, I'll throw it to Neal in a second to talk about our interactions with the agencies. But I think, in general, you should consider we're going to use the cash attributed out of the blocks to pay down revolver and reduce the bank debt at QVC. On an ongoing basis, I don't anticipate changing our general view that free cash flow equal to share buyback, which is where we've been over the -- averaged out. There have been periods when -- more or less, partly driven by things like blackouts. But in general, that's been our plan, and I don't anticipate that changing. Neal, you want to add anything to talk about the agencies?

Neal Dermer - *Liberty Media Corporation - SVP and Treasurer*

Yes, I don't think we can really comment on that. You'll have to wait for further reports to come out, but we don't expect any changes, I think.

Gregory B. Maffei - *QVC Group - President and Director*

And of course, we have been in dialogue with them. This is not a surprise to them.

Operator

We'll take our next question from Davis Hebert of Wells Fargo.

Davis Hebert - *Wells Fargo Securities, LLC, Research Division - Senior Fixed Income Analyst*

Similar questioning on the GCI side, just curious how you're thinking about the long-term cost of capital there. Do you think that's something you can improve on? I'm thinking specifically about the 6 handle bonds at GCI. And is the existing bank debt going to stay outstanding?

Gregory B. Maffei - *QVC Group - President and Director*

I think that the GCI team has done a great job, but there -- this is going to be part of a larger consolidated entity. And as good a job as the GCI team has done, Liberty has perhaps broader banking relationships and financial relationships that should not hurt in terms of lower and overall cost of capital. Neal, you want to add something to that?

Neal Dermer - *Liberty Media Corporation - SVP and Treasurer*

And in our view, this is a significant credit, enhancement credit for GCI credit, as Greg mentioned, not just the GCI credit and their cash flow. Now there is an injection of $5 billion of net equity and that element should be an enhancement, and we believe that, that should help the cost of capital, cost of debt.

Gregory B. Maffei - *QVC Group - President and Director*

Yes, going forward, I think GCI Liberty will have a lower average cost of debt than GCI did.

Davis Hebert - *Wells Fargo Securities, LLC, Research Division - Senior Fixed Income Analyst*

Okay. And then just a follow-up...

Gregory B. Maffei - *QVC Group - President and Director*

Holding constant for rates; obviously it changes.

Davis Hebert - *Wells Fargo Securities, LLC, Research Division - Senior Fixed Income Analyst*

That's fair. And then similar question on GCI, just any thoughts around how the rating agencies might view these transactions or if you've had conversations around that point.

Neal Dermer - *Liberty Media Corporation - SVP and Treasurer*

We have been in dialogue with -- collaboratively, with GCI and the rating agencies. And again, we don't believe there's any negative associated with this transaction. And I would hope and expect certainly, over time, that this is a credit positive.

Gregory B. Maffei - *QVC Group - President and Director*

Peter or Ron, do you guys want to add anything about the GCI ratings process and debt?

Ronald A. Duncan - *General Communication, Inc. - Co-Founder, CEO, President and Director*

Peter, go ahead.

Peter J. Pounds - *General Communication, Inc. - CFO, SVP and Secretary*

I would say that Neal's right there -- that it's been a collaborative process. We've been talking with the rating agents and our expectations are certainly similar to Neal's, and that adding just over $5 billion of net asset value is going to be a credit positive.

Operator

Our next question comes from Chad Landrum of Waddell.

Chad Landrum - *Waddell & Reed Financial, Inc. - Analyst*

Can you give us an idea of what the EBITDA multiple value for GCI was here, if you just saw EBITDA number for the deferral associated with the Verizon roaming contract?

Gregory B. Maffei - *QVC Group - President and Director*

The deferral? Currently -- and I'll let Peter or Ron comment further -- currently, the way that the structure of it is that GCI is receiving cash payments. It will decline over time, but are amortized. So when you balance it out, we think we were paying about 8.6x on 2017 EBITDA, and I don't think it's radically different when you look at the amortization and you compare the two on some straight-line basis. They've got some IR use in the one side, which are more cash than -- or more accounting in cash, and they have some things like the Verizon contract, which are more cash and accounting. When you balance it out, I think that multiple is about consistent. Ron or Peter, you guys want to comment further?

Ronald A. Duncan - *General Communication, Inc. - Co-Founder, CEO, President and Director*

Pete, go ahead.

Peter J. Pounds - *General Communication, Inc. - CFO, SVP and Secretary*

Yes, I think you can do the math there in that. The enterprise value is roughly $2.68 billion as noted, and the midpoint of the guidance there was noted at about $313 million for 2017. And there's a $20 million potential add-back for the roaming contracts there, offset a few million bucks on the IR use there. So I'd let you figure out which one of the pieces that you want to add and subtract to the EBITDA to get your multiple, but I think you've got the pieces there for the calculation.

Chad Landrum - *Waddell & Reed Financial, Inc. - Analyst*

Okay. And then just to be clear, as far the legal structures go, will the issuer for the GCI debt remain isolated? Or are you going to merge subsidiaries into that issuer?

Gregory B. Maffei - *QVC Group - President and Director*

No, the GCI debt will be a liability of GCI. I mean, GCI Liberty -- I mean, GCI liability.

Chad Landrum - *Waddell & Reed Financial, Inc. - Analyst*

Got it. And so...

Gregory B. Maffei - *QVC Group - President and Director*

(inaudible) the main primary operating subsidiary of GCI Liberty.

Chad Landrum - *Waddell & Reed Financial, Inc. - Analyst*

Okay. So that the total debt amount on the consolidated basis outside of what's issued at GCI now will sit structurally outside of that issuer?

Michael A. George - *QVC Group - CEO and Director*

Yes. Well, the debt that is related to the Liberty parent, which is I think on Slide 20, the non-GCI debt, it's about $1.25 billion assuming we draw the margin loan for 500 is separate, right, and the $1,582 million, about just under $1.6 million that GCI has been able to remain a liability of GCI.

Gregory B. Maffei - *QVC Group - President and Director*

And that all the 1.75 to get exchanged.

Michael A. George - *QVC Group - CEO and Director*

That's assuming, yes, right.

Gregory B. Maffei - *QVC Group - President and Director*

Assuming they all get exchanged.

Michael A. George - *QVC Group - CEO and Director*

Assuming there's a fair exchange all of the -- the 1.75% Charter expenses.

Gregory B. Maffei - *QVC Group - President and Director*

Slide 20 outlines that hopefully for you in a crisp fashion.

Operator

Our next question comes from Victor Anthony of Aegis Capital.

Victor B. Anthony - *Aegis Capital Corporation, Research Division - Analyst*

So I'll just focus on the QVC side. Few questions. One, on the comments made on the share repurchase. I wanted to just be little bit more clear. You said the deal is expected to close in the first quarter of 2018. So are you not buying back stock during that time period until that closure? That's first question. The second one is, I think you mentioned about having a currency with the QVC stock for acquisitions. So maybe could you just update us on your views on HSN as an asset? And third, you've given us, I guess, commentary about the performance of the domestic QVC business on a few investor presentations. So now that the quarter is over and now that you're doing this transaction, I wonder if you could just give us a quick update on the performance of that business unit.

Gregory B. Maffei - *QVC Group - President and Director*

So on the first, we said we were blacked out because of the impending potential news or potential impending news of a GCI combination, what it would do to create the asset-backed security. Now that, that news is out and post some market absorb and we were obviously quiet about how long that is and what our blackout periods are. You should expect we can begin with our normal operations, including normal share repurchase. Second, our views on HSN, we own 38% of it. We like it. We have always been surprised that it's valued at a higher number than us, but that's life. We traded a substantial discount to them. And when we look at the relative attractiveness of share repurchase of our own stock versus doing something more broadly, our own stock has looked more attractive. I'm not -- we'll see what that means going forward, that's been our position for the 10 years I've been at Liberty -- 11 years I've been at Liberty. And on the third one, we don't comment in the quarter, and you'll have to wait for our earnings announcement at the end of the month, sorry.

Next question, the last question.

Operator

And our last question is a follow-up from Barton Crockett of FBR.

Gregory B. Maffei - *QVC Group - President and Director*

Barton, you love us so much, it's a fact.

Barton Evans Crockett - *FBR Capital Markets & Co., Research Division - Analyst*

Yes, yes. I just -- one of the numbers here, I wanted to make sure I understood. The $750 million net liabilities going over to Q, there's a lot that seems to be buried in that. I was wondering if you could parse that out a little bit more in a couple of levels. One is the exchangeable debt, are you valuing that at the book value, which I think was like $860 million or the principal, which is like $1.2 billion? And does that also include the $1.4 billion inherited tax liability that has to be repaid when the exchangeables mature? And what's kind of the NPV you're putting on the value of the tax deferral cash flow?

Gregory B. Maffei - *QVC Group - President and Director*

Okay. So looking at Slide 8, which I think is the crispest way to be helpful. The way this was done -- and just the way we did when we actually moved these over in the first place because at one time, they were not part of Ventures. And when they got moved across, they were done on a fair value basis. We weigh the -- we weigh the future deductions, the past deductions and the discounted value of that liability in the future and come together to come up with a fair value for those debentures. We did that in conjunction with the financial adviser. We did that consistent with the principles we used when we moved them across in the first place.

So there are 3 or 4 elements of that bond. It was not done at face; it's done at fair value. And then to pay for that -- in effect you're relieving Ventures of that burden -- Ventures had to move a certain number of assets. And you can see what they are there: an estimated $329 million of cash, the value of our interval stock after tax, the green energy investments and some tax benefits expected from future stock option exercises, in effect to pay for their being relieved of that liability. That's the methodology we used, and it was done, as Albert noted and I discussed, under different assumptions about what might occur with respect to tax policy going forward with the note that it's relatively balanced. And this is the estimated value today of those debentures and being relieved of that liability. The actual number, which we don't anticipate is going to change dramatically, will be trued up and affirmed when the transaction closes. Mark, would you add anything?

Mark David Carleton - *QVC Group - CFO*

The only other comment with respect to this is, the thing that we've noted on is it's not current. Going forward, there will be considerable cash flow that, in the past, had been paid across the Ventures Group, which will now be available to the QVC Group. And that initially starts out at $130 million and ultimately grows up to, I think, $400 million as it relates to the exchangeable debentures. And so that's a large component of this in terms of providing that free cash flow directly to the QVC Group.

Gregory B. Maffei - *QVC Group - President and Director*

Yes. So the QVC Group is taking on the principal obligation, the obligation to pay back the principal at the end and taking on the obligation to pay for the deductions that were previously taken, and the deductions -- and we'll get the benefit of future deductions, which as Albert noted today, the fact QVC pays Liberty Ventures for the benefit of that shield rather pay the government because it's avoiding taxes. In the future, it will receive the benefit of that. It will not pay the taxes. It will get the incremental cash flow, which starts at $130 million and rises up to $400 million. And then at the end, it will have to pay back -- anticipate it will pay back less, for whatever reason the warrants kick in, and we'll be paying back the value of all of the deductions that were taken. And that's being done, as I said, on the consistent basis with -- we used the methodology when those bonds were moved across debentures, same methodology when they are now being moved back to QVC. Is that helpful, Barton?

Barton Evans Crockett - *FBR Capital Markets & Co., Research Division - Analyst*

That is helpful. I appreciate walking me through that.

Gregory B. Maffei - *QVC Group - President and Director*

Let me finish there. Thank you all very much for joining us. We know this is a complicated transaction. We're available. The IR team at Liberty is just waiting for your call. Thank you so much for being up early or at least early for those in the West Coast. And as I said, thank you to the GCI team. We have been happy to work with them. I think we have a consistent view and a similar view of the world and how to operate going forward, and we're very excited that they'll be a part of the Liberty family. And we think this transaction, as you see, offers something a great benefit to both Liberty Ventures side and the QVC side. And I hope you all agree, and we look forward to talking to you again soon. Thank you.

Operator

And that does conclude the call. We would like to thank everyone for your participation. You may now disconnect.
