

ANGI HOMESERVICES INC. AND SUBSIDIARIES
CONSOLIDATED AND COMBINED BALANCE SHEET

	December 31,	
	2017	2016
	(In thousands, except par value amounts)	
ASSETS		
Cash and cash equivalents	\$ 221,521	\$ 36,377
Accounts receivable, net of allowance of \$9,263 and \$9,177, respectively	28,085	18,696
Other current assets	12,772	8,739
Total current assets	262,378	63,812
Property and equipment, net of accumulated depreciation and amortization	53,292	23,645
Goodwill	770,226	170,990
Intangible assets, net of accumulated amortization	328,571	10,792
Deferred income taxes	50,723	15,211
Other non-current assets	2,072	11,067
TOTAL ASSETS	\$ 1,467,262	\$ 295,517
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current portion of long-term debt	\$ 13,750	\$ —
Current portion of long-term debt—related party	816	2,838
Accounts payable	18,933	11,544
Deferred revenue	62,371	18,828
Accrued expenses and other current liabilities	75,171	34,438
Total current liabilities	171,041	67,648
Long-term debt, net	258,312	—
Long-term debt—related party, net	1,997	47,000
Deferred income taxes	5,626	2,228
Other long-term liabilities	5,892	2,247
Redeemable noncontrolling interests	21,300	13,781
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Class A common stock, \$0.001 par value; authorized 2,000,000 shares; 62,818 shares issued and outstanding	63	—
Class B convertible common stock, \$0.001 par value; authorized 1,500,000 shares; 415,186 shares issued and outstanding	415	—
Class C common stock, \$0.001 par value; authorized 1,500,000 shares; no shares issued and outstanding	—	—
Additional paid-in capital	1,112,400	—
Accumulated deficit	(121,764)	—
Invested capital	—	154,852
Accumulated other comprehensive income (loss)	2,232	(1,721)
Total ANGI Homeservices Inc. shareholders' equity and invested capital, respectively	993,346	153,131
Noncontrolling interests	9,748	9,482
Total shareholders' equity	1,003,094	162,613
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,467,262	\$ 295,517

The accompanying [Notes to Consolidated and Combined Financial Statements](#) are an integral part of these statements.

ANGI HOMESERVICES INC. AND SUBSIDIARIES
CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS

	Years Ended December 31,		
	2017	2016	2015
	(In thousands, except per share data)		
Revenue	\$ 736,386	\$ 498,890	\$ 361,201
Operating costs and expenses:			
Cost of revenue (exclusive of depreciation shown separately below)	34,073	25,858	22,936
Selling and marketing expense	464,040	306,713	225,876
General and administrative expense	300,433	110,093	86,687
Product development expense	47,907	20,596	16,842
Depreciation	14,543	8,419	6,593
Amortization of intangibles	23,261	3,153	3,835
Total operating costs and expenses	884,257	474,832	362,769
Operating (loss) income	(147,871)	24,058	(1,568)
Interest expense—third party	(1,765)	—	—
Interest expense—related party	(5,971)	(894)	(272)
Other income (expense), net	1,974	(699)	(398)
(Loss) earnings before income taxes	(153,633)	22,465	(2,238)
Income tax benefit (provision)	49,106	(11,834)	(1,758)
Net (loss) earnings	(104,527)	10,631	(3,996)
Net loss attributable to noncontrolling interests	1,409	2,497	2,671
Net (loss) earnings attributable to ANGI Homeservices Inc. shareholders	<u>\$ (103,118)</u>	<u>\$ 13,128</u>	<u>\$ (1,325)</u>
Per share information attributable to ANGI Homeservices Inc. shareholders:			
Basic (loss) earnings per share	\$ (0.24)	\$ 0.03	\$ (0.00)
Diluted (loss) earnings per share	\$ (0.24)	\$ 0.03	\$ (0.00)
Stock-based compensation expense by function:			
Cost of revenue	\$ 19	\$ —	\$ —
Selling and marketing expense	25,763	863	545
General and administrative expense	107,662	6,804	6,137
Product development expense	15,786	1,249	1,171
Total stock-based compensation expense	<u>\$ 149,230</u>	<u>\$ 8,916</u>	<u>\$ 7,853</u>

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ANGI HOMESERVICES INC. AND SUBSIDIARIES
CONSOLIDATED AND COMBINED STATEMENT OF COMPREHENSIVE OPERATIONS

	Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Net (loss) earnings	\$ (104,527)	\$ 10,631	\$ (3,996)
Other comprehensive income (loss):			
Change in foreign currency translation adjustment	4,968	(657)	(581)
Total other comprehensive income (loss)	4,968	(657)	(581)
Comprehensive (loss) income	(99,559)	9,974	(4,577)
Components of comprehensive loss attributable to noncontrolling interests:			
Net loss attributable to noncontrolling interests	1,409	2,497	2,671
Change in foreign currency translation adjustment attributable to noncontrolling interests	(1,015)	—	—
Comprehensive loss attributable to noncontrolling interests	394	2,497	2,671
Comprehensive (loss) income attributable to ANGI Homeservices Inc. shareholders	<u>\$ (99,165)</u>	<u>\$ 12,471</u>	<u>\$ (1,906)</u>

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ANGI HOMESERVICES INC. AND SUBSIDIARIES
CONSOLIDATED AND COMBINED STATEMENT OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2017, 2016 and 2015

		ANGI Homeservices Inc. Shareholders' Equity and Invested Capital												
		Class A Common Stock \$0.001 Par Value		Class B Common Stock \$0.001 Par Value		Class C Common Stock \$0.001 Par Value		Additional Paid-in Capital	Accumulated Deficit	Invested Capital	Accumulated Other Comprehensive (Loss) Income	Total ANGI Homeservices Inc. Shareholders' Equity and Invested Capital	Noncontrolling Interests	Total Shareholders' Equity
		\$	Shares	\$	Shares	\$	Shares							
Balance as of December 31, 2014	\$ 6,478	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ 144,817	\$ (483)	\$ 144,334	\$ —	\$ 144,334
Net loss	(2,671)	—	—	—	—	—	—	—	—	(1,325)	—	(1,325)	—	(1,325)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	(581)	(581)	—	(581)
Adjustment of redeemable noncontrolling interests to fair value	12,170	—	—	—	—	—	—	—	—	(12,170)	—	(12,170)	—	(12,170)
Net decrease in IAC/InterActiveCorp's investment in HomeAdvisor	—	—	—	—	—	—	—	—	—	(3,008)	—	(3,008)	—	(3,008)
Other	1,657	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance as of December 31, 2015	\$ 17,634	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ 128,314	\$ (1,064)	\$ 127,250	\$ —	\$ 127,250
Net (loss) earnings	(2,377)	—	—	—	—	—	—	—	—	13,128	—	13,128	(120)	13,008
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	(657)	(657)	—	(657)
Noncontrolling interests created in an acquisition	—	—	—	—	—	—	—	—	—	—	—	—	9,811	9,811
Purchase of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(209)	(209)
Adjustment of redeemable noncontrolling interests to fair value	(3,110)	—	—	—	—	—	—	—	—	3,110	—	3,110	—	3,110
Net increase in IAC/InterActiveCorp's investment in HomeAdvisor	—	—	—	—	—	—	—	—	—	10,300	—	10,300	—	10,300
Other	1,634	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance as of December 31, 2016	\$ 13,781	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ 154,852	\$ (1,721)	\$ 153,131	\$ 9,482	\$ 162,613
Net (loss) earnings	(1,391)	—	—	—	—	—	—	—	(121,764)	18,646	—	(103,118)	(18)	(103,136)
Other comprehensive income	758	—	—	—	—	—	—	—	—	—	3,953	3,953	257	4,210
Net increase in IAC/InterActiveCorp's investment in HomeAdvisor prior to the Combination	—	—	—	—	—	—	—	—	—	46,339	—	46,339	—	46,339
Contribution of IAC/InterActiveCorp's HomeAdvisor business to ANGI Homeservices Inc. and Combination with Angie's List	—	61	61,291	415	414,754	—	—	997,107	—	(218,112)	—	779,471	—	779,471
Stock-based compensation expense	2,017	—	—	—	—	—	—	125,451	—	—	—	125,451	—	125,451
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	2	1,527	—	—	—	—	(8,492)	—	—	—	(8,490)	—	(8,490)
Issuance of common stock to IAC pursuant to the employee matters agreement	—	—	—	—	432	—	—	—	—	—	—	—	—	—
Redeemable noncontrolling interests created in acquisitions	14,758	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of redeemable noncontrolling interests	(11,991)	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(848)	(848)
Adjustment of redeemable noncontrolling interests to fair value	3,332	—	—	—	—	—	—	(1,607)	—	(1,725)	—	(3,332)	—	(3,332)
Other	36	—	—	—	—	—	—	(59)	—	—	—	(59)	875	816
Balance as of December 31, 2017	\$ 21,300	\$ 63	62,818	\$ 415	415,186	\$ —	—	\$ 1,112,400	\$ (121,764)	\$ —	\$ 2,232	\$ 993,346	\$ 9,748	\$ 1,003,094

The accompanying [Notes to Consolidated and Combined Financial Statements](#) are an integral part of these statements.

ANGI HOMESERVICES INC. AND SUBSIDIARIES
CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS

	Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Cash flows from operating activities:			
Net (loss) earnings	\$ (104,527)	\$ 10,631	\$ (3,996)
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:			
Stock-based compensation expense	149,230	8,916	7,853
Amortization of intangibles	23,261	3,153	3,835
Bad debt expense	27,514	17,425	13,234
Depreciation	14,543	8,419	6,593
Deferred income taxes	(48,350)	(3,719)	(3,469)
Other adjustments, net	(911)	1,142	874
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(33,179)	(23,862)	(16,202)
Other current assets	4,523	(2,972)	(1,823)
Accounts payable and other current liabilities	778	14,936	1,339
Income taxes payable and receivable	(2,054)	6,932	2,459
Deferred revenue	10,995	6,895	7,188
Net cash provided by operating activities	41,823	47,896	17,885
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(66,340)	(15,649)	—
Capital expenditures	(26,837)	(16,660)	(10,170)
Net cash used in investing activities	(93,177)	(32,309)	(10,170)
Cash flows from financing activities:			
Borrowing under term loan	275,000	—	—
Debt issuance costs	(3,013)	—	—
Proceeds from issuance of related party debt	131,360	44,838	—
Principal payments on related party debt	(181,580)	(11,350)	—
Proceeds from the exercise of stock options	1,653	—	—
Withholding taxes paid on behalf of employees on net settled stock-based awards	(10,113)	—	—
Funds returned from (held in) escrow for MyHammer tender offer	10,604	(10,548)	—
Transfers from (to) IAC/InterActiveCorp for periods prior to the Combination	24,178	(4,305)	(9,525)
Purchase of noncontrolling interests	(12,789)	(209)	—
Other, net	37	—	9
Net cash provided by (used in) financing activities	235,337	18,426	(9,516)
Total cash provided (used)	183,983	34,013	(1,801)
Effect of exchange rate changes on cash and cash equivalents	1,161	(98)	(322)
Net increase (decrease) in cash and cash equivalents	185,144	33,915	(2,123)
Cash and cash equivalents at beginning of period	36,377	2,462	4,585
Cash and cash equivalents at end of period	\$ 221,521	\$ 36,377	\$ 2,462

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