# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 8-K

**CURRENT REPORT**
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **May 9, 2018**

# ANGI Homeservices Inc.
(Exact name of registrant as specified in charter)

| **Delaware** | **001-38220** | **82-1204801** |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| **14023 Denver West Parkway, Building 64**<br>**Golden, CO** | **80401** |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **(303) 963-7200**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

**Item 2.02 Results of Operations and Financial Condition.**
**Item 7.01 Regulation FD Disclosure.**

On May 9, 2018, the Registrant announced that it had released its results for the quarter ended March 31, 2018. The full text of the related press release, which is posted on the "Investor Relations" section of the Registrant's website at http://ir.angihomeservices.com/quarterly-earnings and appears in Exhibit 99.1 hereto, is incorporated herein by reference.

Exhibit 99.1 is being furnished under both Item 2.02 "Results of Operations and Financial Condition" and Item 7.01 "Regulation FD Disclosure."

**Item 9.01 Financial Statements and Exhibits.**

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release of ANGI Homeservices Inc., dated May 9, 2018. |

**SIGNATURES**

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

ANGI HOMESERVICES INC.

By: /s/GLENN H. SCHIFFMAN

Name: Glenn H. Schiffman
Title: Chief Financial Officer

Date: May 9, 2018

**Exhibit 99.1**

ANGI HOMESERVICES REPORTS Q1 2018

GOLDEN, Colo. — May 9, 2018—ANGI Homeservices (NASDAQ: ANGI) released its first quarter 2018 results today. Financial results consist of HomeAdvisor financial results for all periods and Angie's List results following the completion of the Combination on September 29, 2017. For periods prior to September 29, 2017, ANGI Homeservices financial results are those of HomeAdvisor. A letter to IAC shareholders from IAC's CEO Joey Levin, which includes a discussion of ANGI Homeservices, was posted on the Investor Relations section of IAC's website at www.iac.com/Investors. Q1 2018 results reflect the impact of ASU No. 2014-09, *Revenue from Contracts with Customers,* which was adopted on January 1, 2018.

**ANGI HOMESERVICES SUMMARY RESULTS**
*($ in millions except per share amounts)*

| | Q1 2018 | Q1 2017 | Growth |
|---|---|---|---|
| Revenue | $ 255.3 | $ 150.7 | 69% |
| Operating (loss) income | (10.8) | 1.4 | nm |
| Net (loss) earnings | (8.9) | 26.6 | nm |
| GAAP Diluted EPS | (0.02) | 0.06 | nm |
| Adjusted EBITDA | 36.6 | 10.2 | 259% |

*See reconciliations of GAAP to non-GAAP measures beginning on page 9.*

**Q1 2018 HIGHLIGHTS**

- ANGI Homeservices revenue increased 69% to $255.3 million driven by 28% Marketplace growth, a full quarter contribution from Angie's List and 52% growth in Europe.

- Operating loss and Adjusted EBITDA reflect costs and deferred revenue write-offs in connection with the Angie's List transaction. Excluding the transaction-related items, operating income was $13.7 million and Adjusted EBITDA was $42.0 million, which represents a 16% Adjusted EBITDA margin.

- For Q1 2018, ANGI Homeservices had:

    - On a pro forma basis, revenue of $258.2 million, up 15% year-over-year
    - 5 million Marketplace service requests from homeowners, up 38% year-over-year
    - 194,000 paying Marketplace service professionals and 41,000 Angie's List advertisers at March 31, 2018

- In April 2018, Marketplace service requests surpassed 100 million lifetime to date.

- ANGI Homeservices expects $85 million of operating income and $270 million of Adjusted EBITDA in 2018, excluding costs and deferred revenue write-offs in connection with the Angie's List transaction.

***Revenue***

| ($ in millions) | Actual Q1 2018 | Actual Q1 2017 | Actual Growth | Pro Forma (a) Q1 2018 | Pro Forma (a) Q1 2017 | Pro Forma (a) Growth |
|---|---|---|---|---|---|---|
| Marketplace (b) | $ 165.6 | $ 129.6 | 28% | $ 165.6 | $ 129.6 | 28% |
| Advertising & Other (c) | 70.4 | 8.4 | 736% | 73.3 | 81.6 | -10% |
| Total North America | $ 236.0 | $ 138.1 | 71% | $ 238.9 | $ 211.2 | 13% |
| Europe | 19.3 | 12.7 | 52% | 19.3 | 12.7 | 52% |
| Total ANGI Homeservices revenue | $ 255.3 | $ 150.7 | 69% | $ 258.2 | $ 223.9 | 15% |

*(a) Pro forma results reflect the inclusion of Angie's List revenue for all periods and excludes deferred revenue write-offs of $2.8 million in Q1 2018 in connection with the Angie's List transaction.*
*(b) Reflects the HomeAdvisor domestic marketplace service, including consumer connection revenue for consumer matches and membership subscription revenue from service professionals. It excludes other operating subsidiaries within the North America segment.*
*(c) Includes Angie's List revenue (revenue from service professionals under contract for advertising and membership subscription fees from consumers) as well as revenue from mHelpDesk, HomeStars and Felix.*

- Revenue increased 69% to $255.3 million driven by:
  - A full quarter contribution from Angie's List following the completion of the combination of HomeAdvisor and Angie's List to create ANGI Homeservices on September 29, 2017, partially offset by deferred revenue write-offs of $2.8 million related to the Angie's List transaction
  - 28% Marketplace growth driven by a 38% increase in service requests to 5.0 million and a 24% increase in paying service professionals to 194,000
  - 52% growth in Europe driven by the acquisition of a controlling interest in MyBuilder Limited in the UK on March 24, 2017 and organic growth across other regions

***Operating (loss) income and Adjusted EBITDA***

| ($ in millions) | Q1 2018 | Q1 2017 | Growth |
|---|---|---|---|
| Operating (loss) income | | | |
| North America | $ (5.4) | $ 6.4 | nm |
| Europe | (5.4) | (5.0) | -7% |
| Total | $ (10.8) | $ 1.4 | nm |
| Adjusted EBITDA | | | |
| North America | $ 39.6 | $ 14.2 | 179% |
| Europe | (3.0) | (4.0) | 25% |
| Total | $ 36.6 | $ 10.2 | 259% |

- Operating loss was $10.8 million compared to operating income of $1.4 million in Q1 2017 reflecting:
  - An increase of $20.4 million in stock-based compensation expense, including $19.1 million in connection with the Angie's List transaction comprising:

  - $13.6 million related to the modification of previously issued HomeAdvisor unvested equity awards, which were converted into ANGI Homeservices equity awards
  - $5.5 million related to previously issued Angie's List equity awards, which were converted into ANGI Homeservices equity awards, and the acceleration of expense related to certain converted equity awards resulting from the termination of Angie's List employees in connection with the Combination

- An increase of $14.9 million in amortization of intangibles driven primarily by the Angie's List transaction.

- Adjusted EBITDA growth of 259% driven by higher revenue, partially offset by:

  - $2.8 million deferred revenue write-offs related to the Angie's List transaction
  - $2.5 million of severance, retention and integration-related costs
  - Higher selling and marketing expense and other operating expenses (due primarily to the Angie's List transaction)

- As previously disclosed in our public filings, as of January 1, 2018, ANGI Homeservices adopted ASU No. 2014-09, which increased operating income and Adjusted EBITDA by $6.1 million in Q1 2018 ($6.0 million for North America and $0.1 million for Europe). The increase in profits from the adoption of ASU No. 2014-09 is a result of the capitalization and amortization of sales commissions over the estimated life of a service professional; these costs were previously expensed as incurred. The impact from the adoption of ASU No. 2014-09 was reflected in our prior guidance for 2018.

***Operating Metrics***

| **(in thousands)** | **Q1 2018** | **Q1 2017** | **Growth** |
|---|---|---|---|
| Marketplace Service Requests (b)(d) | 5,031 | 3,656 | 38% |
| Marketplace Paying Service Professionals (b)(e) | 194 | 156 | 24% |
| Advertising Service Professionals (f) | 41 | 49 | -16% |

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*(d) Fully completed and submitted domestic customer service requests to HomeAdvisor.*

*(e) The number of HomeAdvisor domestic service professionals that had an active subscription and/or paid for consumer matches in the last month of the period.*

*(f) Reflects the total number of Angie's List service professionals under contract for advertising at the end of the period.*

***Free Cash Flow***

For the three months ended March 31, 2018, Free Cash Flow decreased $2.2 million due to working capital timing and higher capital expenditures, partially offset by higher Adjusted EBITDA.

| | Three Months Ended March 31, | |
|---|---|---|
| **($ in millions)** | **2018** | **2017** |
| Net cash provided by operating activities | $ 11.1 | $ 8.1 |
| Capital expenditures | (8.9) | (3.7) |
| Free Cash Flow | $ 2.2 | $ 4.4 |

***Income Taxes***

In the first quarter of 2018, the Company recorded an income tax benefit of $4.0 million, primarily due to the domestic losses incurred in the quarter and the excess tax benefits generated by the settlement and exercise of stock-based awards.

## ***LIQUIDITY AND CAPITAL RESOURCES***

As of March 31, 2018:

- ANGI Homeservices had 479.2 million Class A and Class B common shares outstanding.
- IAC's economic and voting interest in ANGI Homeservices were 86.8% and 98.5%, respectively.
- ANGI Homeservices held $228.7 million in cash and cash equivalents and owed $274.0 million of debt, including a current portion of $13.8 million and $2.4 million owed to a foreign subsidiary of IAC.

## ***CONFERENCE CALL***

ANGI Homeservices will audiocast a conference call to answer questions regarding its first quarter 2018 results on Thursday, May 10, 2018, at 8:30 a.m. Eastern Time. This call will include the disclosure of certain information, including forward-looking information, which may be material to an investor's understanding of ANGI Homeservices' business. The live audiocast will be open to the public at ir.angihomeservices.com or www.iac.com/Investors.

## *DILUTIVE SECURITIES*

ANGI Homeservices has various dilutive securities. The table below details these securities as well as potential dilution at various stock prices (shares in millions; rounding differences may occur).

| | Shares | Avg. Exercise Price | As of 5/4/18 | Dilution at: | | | |
|---|---|---|---|---|---|---|---|
| Share Price | | | **$ 13.25** | **$ 14.00** | **$ 15.00** | **$ 16.00** | **$ 17.00** |
| Absolute Shares as of 5/4/18 | 480.5 | | **480.5** | **480.5** | **480.5** | **480.5** | **480.5** |
| SARs | 41.0 | $ 2.69 | 8.6 | 8.7 | 8.8 | 8.9 | 9.0 |
| Options | 2.5 | $ 11.93 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| RSUs and Other | 2.1 | | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| IAC denominated equity awards | 2.8 | | 1.3 | 1.2 | 1.1 | 1.0 | 1.0 |
| Total Dilution | | | **10.5** | **10.6** | **10.7** | **10.7** | **10.8** |
| % Dilution | | | 2.1% | 2.2% | 2.2% | 2.2% | 2.2% |
| Total Diluted Shares Outstanding | | | **491.1** | **491.1** | **491.2** | **491.3** | **491.4** |

The dilutive securities calculation in the above table is different from GAAP dilution, which is calculated using the treasury stock method, and is based on the following assumptions:

**SARs, options, subsidiary denominated equity awards and RSUs** — These awards are settled on a net basis, with ANGI Homeservices making a cash payment on behalf of the holder equal to the amount of required tax withholdings; therefore the dilutive effect is presented as the net number of shares expected to be issued upon vesting or exercise, in each case assuming a withholding tax rate of 50%. In addition, the estimated income tax benefit from the tax deduction received upon the vesting or exercise of these awards is used to repurchase ANGI Homeservices shares.

**IAC denominated equity awards** — IAC denominated equity awards represent options and performance-based restricted stock units denominated in the shares of IAC that have been issued to employees of ANGI Homeservices. Upon the exercise or vesting of IAC equity awards, IAC will settle the awards with shares of IAC, and ANGI Homeservices will issue additional shares of ANGI Homeservices to IAC as reimbursement. The estimated income tax benefit from the tax deduction received upon the exercise or vesting of IAC denominated equity awards is used to repurchase ANGI Homeservices shares.

*GAAP FINANCIAL STATEMENTS*

**ANGI HOMESERVICES CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS**
**($ in thousands except per share amounts)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Revenue | $ 255,311 | $ 150,745 |
| Operating costs and expenses: | | |
| Cost of revenue (exclusive of depreciation shown separately below) | 13,595 | 6,830 |
| Selling and marketing expense | 137,932 | 95,866 |
| General and administrative expense | 76,270 | 36,722 |
| Product development expense | 15,780 | 5,576 |
| Depreciation | 6,184 | 2,996 |
| Amortization of intangibles | 16,306 | 1,367 |
| Total operating costs and expenses | 266,067 | 149,357 |
| Operating (loss) income | (10,756) | 1,388 |
| Interest expense—third party | (2,654) | — |
| Interest expense—related party | (45) | (1,592) |
| Other income, net | 356 | 231 |
| (Loss) earnings before income taxes | (13,099) | 27 |
| Income tax benefit | 3,985 | 25,860 |
| **Net (loss) earnings** | (9,114) | 25,887 |
| Net loss attributable to noncontrolling interests | 229 | 726 |
| **Net (loss) earnings attributable to ANGI Homeservices Inc. shareholders** | $ (8,885) | $ 26,613 |
| **Per share information attributable to ANGI Homeservices Inc. shareholders:** | | |
| Basic (loss) earnings per share | $ (0.02) | $ 0.06 |
| Diluted (loss) earnings per share | $ (0.02) | $ 0.06 |
| **Stock-based compensation expense by function:** | | |
| Cost of revenue | $ 1 | $ 2 |
| Selling and marketing expense | 661 | 498 |
| General and administrative expense | 21,693 | 3,616 |
| Product development expense | 2,551 | 345 |
| Total stock-based compensation expense | $ 24,906 | $ 4,461 |

**ANGI HOMESERVICES CONSOLIDATED BALANCE SHEET**
**($ in thousands)**

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 228,744 | $ 221,521 |
| Accounts receivable, net | 35,866 | 28,085 |
| Other current assets | 54,778 | 12,772 |
| Total current assets | 319,388 | 262,378 |
| | | |
| Property and equipment, net | 46,971 | 53,292 |
| Goodwill | 773,809 | 770,226 |
| Intangible assets, net | 313,204 | 328,571 |
| Deferred income taxes | 46,115 | 50,723 |
| Other non-current assets | 8,134 | 2,072 |
| **TOTAL ASSETS** | $ 1,507,621 | $ 1,467,262 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **LIABILITIES** | | |
| Current portion of long-term debt | $ 13,750 | $ 13,750 |
| Current portion of long-term debt—related party | — | 816 |
| Accounts payable | 17,677 | 18,933 |
| Deferred revenue | 67,045 | 62,371 |
| Accrued expenses and other current liabilities | 70,533 | 75,171 |
| Total current liabilities | 169,005 | 171,041 |
| | | |
| Long-term debt, net | 255,027 | 258,312 |
| Long-term debt—related party, net | 2,403 | 1,997 |
| Deferred income taxes | 5,298 | 5,626 |
| Other long-term liabilities | 6,923 | 5,892 |
| | | |
| Redeemable noncontrolling interests | 22,655 | 21,300 |
| | | |
| Commitments and contingencies | | |
| | | |
| **SHAREHOLDERS' EQUITY** | | |
| Class A Common Stock | 63 | 63 |
| Class B Common Stock | 416 | 415 |
| Class C Common Stock | — | — |
| Additional paid-in capital | 1,135,024 | 1,112,400 |
| Accumulated deficit | (105,000) | (121,764) |
| Accumulated other comprehensive income | 6,224 | 2,232 |
| Total ANGI Homeservices Inc. shareholders' equity | 1,036,727 | 993,346 |
| Noncontrolling interests | 9,583 | 9,748 |
| Total shareholders' equity | 1,046,310 | 1,003,094 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ 1,507,621 | $ 1,467,262 |

**ANGI HOMESERVICES CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS**
**($ in thousands)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| **Cash flows from operating activities:** | | |
| **Net (loss) earnings** | $ (9,114) | $ 25,887 |
| Adjustments to reconcile net (loss) earnings to net cash provided by operating activities: | | |
| Stock-based compensation expense | 24,906 | 4,461 |
| Amortization of intangibles | 16,306 | 1,367 |
| Bad debt expense | 9,434 | 5,899 |
| Depreciation | 6,184 | 2,996 |
| Deferred income taxes | (4,178) | 2,329 |
| Other adjustments, net | (63) | 55 |
| Changes in assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable | (17,650) | (14,457) |
| Other assets | (13,748) | (10,721) |
| Accounts payable and other liabilities | (5,329) | 14,594 |
| Income taxes payable and receivable | 162 | (28,509) |
| Deferred revenue | 4,191 | 4,199 |
| **Net cash provided by operating activities** | 11,101 | 8,100 |
| **Cash flows from investing activities:** | | |
| Acquisitions, net of cash acquired | — | (52,365) |
| Capital expenditures | (8,886) | (3,747) |
| Proceeds from sale of fixed assets | 10,410 | — |
| **Net cash provided by (used in) investing activities** | 1,524 | (56,112) |
| **Cash flows from financing activities:** | | |
| Principal payment on term loan | (3,438) | — |
| Proceeds from issuance of related party debt | — | 51,855 |
| Principal payments on related party debt | (618) | (2,838) |
| Proceeds from the exercise of stock options | 1,752 | — |
| Withholding taxes paid on behalf of employees on net settled stock-based awards | (2,925) | — |
| Transfers from IAC/InterActiveCorp for periods prior to the Combination | — | 6,193 |
| Purchase of noncontrolling interests | (234) | (12,259) |
| Other, net | 39 | — |
| **Net cash (used in) provided by financing activities** | (5,424) | 42,951 |
| **Total cash provided (used)** | 7,201 | (5,061) |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | 22 | 659 |
| **Net increase (decrease) in cash, cash equivalents, and restricted cash** | 7,223 | (4,402) |
| Cash, cash equivalents, and restricted cash at beginning of period | 221,521 | 46,925 |
| **Cash, cash equivalents, and restricted cash at end of period** | $ 228,744 | $ 42,523 |

*RECONCILIATIONS OF GAAP TO NON-GAAP MEASURES*
***($ in millions; rounding differences may occur)***

**ANGI HOMESERVICES RECONCILIATION OF OPERATING INCOME TO ADJUSTED EBITDA**

| | For the three months ended March 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Operating loss | Stock-based compensation expense | Depreciation | Amortization of intangibles | Adjusted EBITDA |
| North America | $ (5.4) | $ 24.6 | $ 5.6 | $ 14.8 | $ 39.6 |
| Europe | (5.4) | 0.3 | 0.6 | 1.5 | (3.0) |
| Total | $ (10.8) | $ 24.9 | $ 6.2 | $ 16.3 | $ 36.6 |

| | For the three months ended March 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Operating income (loss) | Stock-based compensation expense | Depreciation | Amortization of intangibles | Adjusted EBITDA |
| North America | $ 6.4 | $ 4.0 | $ 2.9 | $ 0.9 | $ 14.2 |
| Europe | (5.0) | 0.5 | 0.1 | 0.5 | (4.0) |
| Total | $ 1.4 | $ 4.5 | $ 3.0 | $ 1.4 | $ 10.2 |

**2018 OPERATING INCOME TO ADJUSTED EBITDA GUIDANCE RECONCILIATION**

| | FY 2018 Guidance |
|---|---|
| **Operating income (a)** | **$ 85** |
| Amortization of intangibles | 60 |
| Depreciation | 25 |
| Stock-based compensation expense (b) | 100 |
| **Adjusted EBITDA (a)** | **$ 270** |

(a) Operating income and Adjusted EBITDA excludes costs and deferred revenue write-offs in connection with the Angie's List transaction ($2.5 million and $2.8 million, respectively, in Q1 2018 and less than $2 million and $3 million, respectively, for the remainder of 2018).
(b) Includes ~$70 million of charges in connection with the Angie's List transaction.

**OPERATING (LOSS) INCOME MARGIN AND ADJUSTED EBITDA MARGIN RECONCILIATION**

| | | Angie's List Transaction-Related Items | | | |
|---|---|---|---|---|---|
| **Q1 2018** | **As Reported** | **Deferred Revenue Write-offs** | **Transaction Costs** | **Stock-based Compensation Expense** | **Excluding Transaction-Related Items** |
| Revenue | $ 255.3 | $ 2.8 | | | $ 258.2 |
| Operating (loss) income | $ (10.8) | $ 2.8 | $ 2.5 | $ 19.1 | $ 13.7 |
| Operating (loss) income margin | -4% | | | | 5% |
| Adjusted EBITDA | $ 36.6 | $ 2.8 | $ 2.5 | | $ 42.0 |
| Adjusted EBITDA margin | 14% | | | | 16% |

***ANGI HOMESERVICES PRINCIPLES OF FINANCIAL REPORTING***

ANGI Homeservices reports Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow, all of which are supplemental measures to GAAP. These measures are among the primary metrics by which we evaluate the performance of our businesses, on which our internal budgets are based and by which management is compensated. We believe that investors should have access to, and we are obligated to provide, the same set of tools that we use in analyzing our results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. ANGI Homeservices endeavors to compensate for the limitations of the non-GAAP measures presented by providing the comparable GAAP measures with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measures. We encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures, which are included in this release. Interim results are not necessarily indicative of the results that may be expected for a full year.

***Definitions of Non-GAAP Measures***

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA) is defined as operating income excluding: (1) stock-based compensation expense; (2) depreciation; and (3) acquisition-related items consisting of amortization of intangible assets and impairments of goodwill and intangible assets, if applicable. We believe this measure is useful for analysts and investors as this measure allows a more meaningful comparison between our performance and that of our competitors. Moreover, our management uses this measure internally to evaluate the performance of our business as a whole and our individual business segments, and this measure is one of the primary metrics on which our internal budgets are based and by which management is compensated. The above items are excluded from our Adjusted EBITDA measure because these items are non-cash in nature. Adjusted EBITDA has certain limitations in that it does not take into account the impact to ANGI Homeservices' statement of operations of certain expenses.

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenues. We believe Adjusted EBITDA margin is useful for analysts and investors as this measure allows a more meaningful comparison between our performance and that of our competitors. Adjusted EBITDA margin has certain limitations in that it does not take into account the impact to our consolidated statement of operations of certain expenses.

Free Cash Flow is defined as net cash provided by operating activities, less capital expenditures. We believe Free Cash Flow is useful to investors because it represents the cash that our operating businesses generate, before taking into account non-operational cash movements. Free Cash Flow has certain limitations in that it does not represent the total increase or decrease in the cash balance for the period, nor does it represent the residual cash flow for discretionary expenditures. For example, it does not take into mandatory debt service requirements. Therefore, we think it is important to evaluate Free Cash Flow along with our consolidated statement of cash flows.

**Non-Cash Expenses That Are Excluded From Our Non-GAAP Measures**

Stock-based compensation expense consists principally of expense associated with the grants, including unvested grants assumed in acquisitions (including the Combination), of stock options, SARs, RSUs and performance-based RSUs. These expenses are not paid in cash and we view the economic cost of stock-based awards to be the dilution to our share base; we also include the related shares in our fully diluted shares outstanding using the treasury stock method. Performance-based RSUs are included only to the extent the applicable performance condition(s) have been met (assuming the end of the reporting period is the end of the contingency period). To the extent stock-based awards are settled on a net basis, the Company remits the required tax-withholding amounts from its current funds.

Please see page 5 for a summary of our dilutive securities, including stock-based awards.

Depreciation is a non-cash expense relating to our property and equipment and is computed using the straight-line method to allocate the cost of depreciable assets to operations over their estimated useful lives, or, in the case of leasehold improvements, the lease term, if shorter.

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

***OTHER INFORMATION***

**Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995**

This press release and our conference call, which will be held at 8:30 a.m. Eastern Time on May 10, 2018, may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipates," "estimates," "expects," "plans" and "believes," among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to: (i) our ability to compete effectively against current and future competitors, (ii) the failure or delay of the home services market to migrate online, (iii) adverse economic events or trends, particularly those that adversely impact consumer confidence and spending behavior, (iv) our ability to establish and maintain relationships with quality service professionals, (v) our ability to build, maintain and/or enhance our various brands, (vi) our ability to market our various products and services in a successful and cost-effective manner, (vii) our continued ability to communicate with consumers and service professionals via e-mail or an effective alternative means of communication, (viii) our ability to introduce new and enhanced products and services that resonate with consumers and service professionals and that we are able to effectively monetize, (ix) our ability to realize the expected benefits of the Combination within the anticipated time frames or at all, (x) the integrity, efficiency and scalability of our technology systems and infrastructures (and those of third parties) and our ability to enhance, expand and adapt our technology systems and infrastructures in a timely and cost-effective manner, (xi) our ability to protect our systems from cyberattacks and to protect personal and confidential user information, (xii) the occurrence of data security breaches, fraud and/or additional regulation involving or impacting credit card payments, (xiii) our ability to adequately protect our intellectual property rights and not infringe the intellectual property rights of third parties, (xiv) our ability to operate (and expand into) international markets successfully, (xv) operational and financial risks relating to acquisitions, (xvi) changes in key personnel, (xvii) increased costs and strain on our management as a result of operating as a new public company, (xviii) adverse litigation outcomes and (xix) various risks related to our relationship with IAC and our outstanding indebtedness. Certain of these and other risks and uncertainties are discussed in ANGI Homeservices' filings with the Securities and Exchange Commission. Other unknown or unpredictable factors that could also adversely affect ANGI Homeservices' business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, these forward-looking statements may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of ANGI Homeservices' management as of the date of this press release. ANGI Homeservices does not undertake to update these forward-looking statements.

**About ANGI Homeservices Inc.**

ANGI Homeservices Inc. (NASDAQ: ANGI) connects millions of homeowners to home service professionals through its portfolio of digital home service brands, including HomeAdvisor® and Angie's List®. Combined, these leading marketplaces allow homeowners to match, research, and connect on-demand to the largest network of service professionals either online, through our mobile apps, or by voice assistants. The network of service professionals across our platforms is supported by 15 million consumer reviews submitted on hundreds of thousands of professionals, collected over the course of 20 years. ANGI Homeservices owns and operates brands across eight countries and is headquartered in Golden, Colorado. Learn more at www.angihomeservices.com.

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