
**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): **November 7, 2018**

ANGI Homeservices Inc.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction
of incorporation)

001-38220
(Commission
File Number)

82-1204801
(IRS Employer
Identification No.)

14023 Denver West Parkway, Building 64
Golden, CO
(Address of principal executive offices)

80401
(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 November 7, 2018, the Registrant announced that it had released its results for the quarter ended September 30, 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.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of ANGI Homeservices Inc., dated November 7, 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: November 7, 2018

ANGI HOMESERVICES

ANGI HOMESERVICES REPORTS Q3 2018 - 21% PRO FORMA REVENUE GROWTH

GOLDEN, Colo. — November 7, 2018—ANGI Homeservices (NASDAQ: ANGI) released its third 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 of HomeAdvisor and Angie's List 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.

ANGI HOMESERVICES SUMMARY RESULTS

(\$ in millions except per share amounts)

	<u>Q3 2018</u>	<u>Q3 2017</u>	<u>Growth</u>
Revenue	\$ 303.1	\$ 181.7	67%
Operating income (loss)	33.5	(112.5)	nm
Net earnings (loss)	26.6	(71.8)	nm
GAAP Diluted EPS	0.05	(0.17)	nm
Adjusted EBITDA	77.7	(2.3)	nm

See reconciliations of GAAP to non-GAAP measures beginning on page 10.

Q3 2018 HIGHLIGHTS

- On a pro forma basis, revenue increased 21% year-over-year to \$303.8 million, driven by 36% Marketplace growth.
 - Marketplace service requests from homeowners increased 28% year-over-year to 6.4 million.
 - Marketplace paying service professionals increased 19% to 206,000 and revenue per paying service professional increased 14% year-over-year to a record high of \$1,034 (vs. 7% growth in Q2 2018).
 - In October 2018, ANGI Homeservices acquired Handy Technologies, Inc., an on-demand platform and gig marketplace connecting people looking for household services with independent, pre-screened professionals.
 - Operating income and Adjusted EBITDA reflect costs and deferred revenue write-offs in connection with the Angie's List transaction and transaction-related costs in connection with the Handy acquisition. Excluding these transaction-related items, operating income was \$51.8 million and Adjusted EBITDA was \$80.0 million, which represents a 26% Adjusted EBITDA margin.
 - ANGI Homeservices expects \$75-\$85 million of operating income and \$260-\$270 million of Adjusted EBITDA in 2018 (excluding costs and deferred revenue write-offs in connection with the Angie's List transaction and the Handy acquisition) which now reflects losses from Handy and additional investment to drive growth in 2019.
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Revenue

(\$ in millions)	Actual			Pro Forma (a)		
	Q3 2018	Q3 2017	Growth	Q3 2018	Q3 2017	Growth
Marketplace (b)	\$ 213.0	\$ 156.6	36%	\$ 213.0	\$ 156.6	36%
Advertising & Other (c)	73.5	10.5	600%	74.3	80.2	-7%
Total North America	\$ 286.6	\$ 167.1	72%	\$ 287.3	\$ 236.8	21%
Europe	16.5	14.6	13%	16.5	14.6	13%
Total ANGI Homeservices revenue	\$ 303.1	\$ 181.7	67%	\$ 303.8	\$ 251.4	21%

(a) Pro forma results reflect the inclusion of Angie's List revenue for all periods and excludes deferred revenue write-offs of \$0.7 million in Q3 2018 and \$0.1 million in Q3 2017 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 revenue from Angie's List, mHelpDesk, HomeStars and Felix.

(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 67% to \$303.1 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, as well as:
 - 36% Marketplace growth driven by a 28% increase in service requests to 6.4 million, a 19% increase in paying service professionals to 206,000 and a 14% increase in revenue per paying service professional to a record high of \$1,034
 - 13% growth in Europe
- Pro forma revenue (including Angie's List for the entire prior year period) increased 21% to \$303.8 million, accelerating from 17% year-over-year growth in Q2 2018.

Operating income (loss) and Adjusted EBITDA

(\$ in millions)	Q3 2018	Q3 2017	Growth
Operating income (loss)			
North America	\$ 36.1	\$ (107.7)	nm
Europe	(2.6)	(4.8)	46%
Total	\$ 33.5	\$ (112.5)	nm
Adjusted EBITDA			
North America	\$ 78.6	\$ 0.1	nm
Europe	(0.9)	(2.3)	61%
Total	\$ 77.7	\$ (2.3)	nm

- Operating income was \$33.5 million in Q3 2018 compared to an operating loss of \$112.5 million in Q3 2017 reflecting:
 - Adjusted EBITDA of \$77.7 million in Q3 2018 compared to an Adjusted EBITDA loss of \$2.3 million in Q3 2017 reflecting:
 - \$0.3 million of severance, retention, transaction and integration-related costs in connection with the Angie's List transaction in Q3 2018 compared to \$26.0 million in Q3 2017
 - Lower selling and marketing expense as a percentage of revenue
 - \$0.7 million deferred revenue write-offs in Q3 2018 in connection with the Angie's List transaction compared to \$0.1 million in Q3 2017
 - \$1.3 million in transaction-related costs in connection with the Handy acquisition
 - A decrease in stock-based compensation expense of \$81.5 million driven by \$96.9 million expense in connection with the Angie's List transaction in Q3 2017 compared to \$16.0 million in Q3 2018
 - The \$16.0 million of Angie's List transaction-related stock-based compensation expense in Q3 2018 includes:
 - \$13.9 million related to the modification of previously issued HomeAdvisor unvested equity awards, which were converted into ANGI Homeservices equity awards in the transaction
 - \$2.1 million related to previously issued Angie's List equity awards, which were converted into ANGI Homeservices equity awards in the transaction
 - An increase in amortization of intangibles of \$12.8 million driven by the Angie's List transaction

Operating Metrics

	Q3 2018	Q3 2017	Growth
Marketplace Service Requests (in thousands) (b)(d)	6,405	5,023	28%
Marketplace Paying Service Professionals (in thousands) (b)(e)	206	172	19%
Marketplace Revenue per Paying Service Professional (b)(f)	\$ 1,034	\$ 908	14%
Advertising Service Professionals (in thousands) (g)	37	47	-21%

(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. An active subscription is a subscription for which HomeAdvisor was recognizing revenue on the last day of the relevant period.

(f) Marketplace quarterly revenue divided by Marketplace Paying Service Professionals.

(g) 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 nine months ended September 30, 2018, Free Cash Flow increased \$81.3 million to \$120.8 million due to higher Adjusted EBITDA, partially offset by higher capital expenditures and higher cash interest payments.

(\$ in millions, rounding differences may occur)	Nine Months Ended September 30,	
	2018	2017
Net cash provided by operating activities	\$ 153.7	\$ 55.9
Capital expenditures	(32.9)	(16.3)
Free Cash Flow	<u>\$ 120.8</u>	<u>\$ 39.6</u>

Income Taxes

In Q3 2018, the Company recorded an income tax provision of \$5.1 million, which represents an effective income tax rate of 16%, which is lower than the statutory rate of 21% due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards.

In Q3 2017, the Company recorded an income tax benefit of \$40.8 million, which represents an effective tax rate of 36%, which is higher than the statutory rate of 35% due primarily to state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2018:

- ANGI Homeservices had 482.0 million Class A and Class B common shares outstanding.
- IAC's economic interest in ANGI Homeservices was 86.3% and IAC's voting interest in ANGI Homeservices was 98.4%. Subsequent to September 30, 2018:
 - ANGI Homeservices issued 5.1 million shares of Class B common stock to IAC pursuant to the post-closing adjustment provision of the Angie's List transaction agreement
 - ANGI Homeservices issued 8.6 million shares of its Class A common stock in connection with the Handy transaction
 - After giving effect to these two transactions, IAC's economic interest in ANGI Homeservices would be approximately 84.9% and IAC's voting interest in ANGI Homeservices would be approximately 98.3%.
- ANGI Homeservices held \$314.4 million in cash and cash equivalents and marketable securities and owed \$265.7 million of debt, including a current portion of \$13.8 million and \$1.0 million owed to a foreign subsidiary of IAC.

On November 5, 2018, ANGI Homeservices entered into a \$250 million five-year revolving credit facility and extended the maturity of its term loan A to November 5, 2023.

CONFERENCE CALL

ANGI Homeservices will audiocast a conference call to answer questions regarding its third quarter 2018 results on Thursday, November 8, 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 11/2/18	Dilution at:				
				\$ 19.08	\$ 20.00	\$ 21.00	\$ 22.00	\$ 23.00
Share Price			\$ 19.08	\$ 20.00	\$ 21.00	\$ 22.00	\$ 23.00	
Absolute Shares as of 11/2/18	495.8		495.9	495.9	495.9	495.9	495.9	495.9
SARs	39.2	\$ 2.74	14.2	14.3	14.4	14.5	14.6	
Options	1.9	\$ 11.38	0.6	0.6	0.7	0.7	0.7	
RSUs and Other	2.2		0.6	0.6	0.6	0.6	0.6	
IAC denominated equity awards	2.2		1.3	1.3	1.2	1.1	1.1	
Total Dilution			16.6	16.7	16.8	16.9	16.9	
% Dilution			3.2%	3.3%	3.3%	3.3%	3.3%	
Total Diluted Shares Outstanding			512.5	512.6	512.7	512.7	512.8	

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:

Stock settled stock appreciation rights (“SARS”) — These awards are settled on a net basis; therefore, the dilutive effect is presented as the net number of shares expected to be issued upon exercise, assuming a withholding tax rate of 50%. Withholding taxes paid by the Company on behalf of the employees upon exercise would have been \$320.0 million, assuming a stock price of \$19.08 and a 50% withholding rate. In addition, the estimated income tax benefit from the tax deduction that will be realized by the Company upon the exercise of these awards is assumed to be used to repurchase ANGI Homeservices shares.

Upon exercise, if the Company decided to issue a sufficient number of shares to cover the \$320.0 million employee withholding tax obligation above, 16.8 million additional shares would be issued by ANGI Homeservices as a result.

Options — The cash generated from the exercise of all vested and unvested options, consisting of (a) the option exercise price and (b) the estimated income tax benefit from the tax deduction received upon the exercise of ANGI Homeservices options, is assumed to be used to repurchase ANGI Homeservices shares.

Subsidiary denominated equity awards and RSUs — These awards are settled on a net basis; 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%. Withholding taxes paid by the Company on behalf of the employees upon vesting or exercise would have been \$20.3 million, assuming a stock price of \$19.08 and a 50% withholding rate. In addition, the estimated income tax benefit from the tax deduction received upon the vesting or exercise of these awards is assumed to be 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 assumed to be used to repurchase ANGI Homeservices shares.

GAAP FINANCIAL STATEMENTS

ANGI HOMESERVICES CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS

(\$ in thousands except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	\$ 303,116	\$ 181,717	\$ 853,249	\$ 513,173
Operating costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	14,015	7,999	42,313	22,391
Selling and marketing expense	136,412	130,866	416,187	337,654
General and administrative expense	82,154	129,088	238,112	217,962
Product development expense	15,309	20,010	44,751	32,529
Depreciation	6,100	3,491	18,170	9,705
Amortization of intangibles	15,611	2,768	47,695	6,885
Total operating costs and expenses	269,601	294,222	807,228	627,126
Operating income (loss)	33,515	(112,505)	46,021	(113,953)
Interest expense—third party	(3,132)	—	(8,797)	—
Interest expense—related party	(23)	(1,864)	(102)	(5,538)
Other income, net	1,566	1,364	2,975	2,100
Earnings (loss) before income taxes	31,926	(113,005)	40,097	(117,391)
Income tax (provision) benefit	(5,140)	40,847	598	71,095
Net earnings (loss)	26,786	(72,158)	40,695	(46,296)
Net (earnings) loss attributable to noncontrolling interests	(169)	397	(64)	1,402
Net earnings (loss) attributable to ANGI Homeservices Inc. shareholders	<u>\$ 26,617</u>	<u>\$ (71,761)</u>	<u>\$ 40,631</u>	<u>\$ (44,894)</u>
Per share information attributable to ANGI Homeservices Inc. shareholders:				
Basic earnings (loss) per share	\$ 0.06	\$ (0.17)	\$ 0.08	\$ (0.11)
Diluted earnings (loss) per share	\$ 0.05	\$ (0.17)	\$ 0.08	\$ (0.11)
Stock-based compensation expense by function:				
Cost of revenue	\$ —	\$ 9	\$ —	\$ 19
Selling and marketing expense	868	19,709	2,526	20,402
General and administrative expense	19,326	71,732	60,331	86,650
Product development expense	2,280	12,530	6,576	13,209
Total stock-based compensation expense	<u>\$ 22,474</u>	<u>\$ 103,980</u>	<u>\$ 69,433</u>	<u>\$ 120,280</u>

ANGI HOMESERVICES CONSOLIDATED BALANCE SHEET
(\$ in thousands)

	September 30, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	\$ 279,489	\$ 221,521
Marketable securities	34,865	—
Accounts receivable, net	44,394	28,085
Other current assets	61,858	12,772
Total current assets	420,606	262,378
Property and equipment, net of accumulated depreciation and amortization	58,775	53,292
Goodwill	769,131	770,226
Intangible assets, net of accumulated amortization	280,645	328,571
Deferred income taxes	42,471	50,723
Other non-current assets	7,427	2,072
TOTAL ASSETS	\$ 1,579,055	\$ 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	18,722	18,933
Deferred revenue	66,666	62,371
Accrued expenses and other current liabilities	81,471	75,171
Total current liabilities	180,609	171,041
Long-term debt, net	248,455	258,312
Long-term debt—related party, net	1,048	1,997
Deferred income taxes	3,615	5,626
Other long-term liabilities	11,610	5,892
Redeemable noncontrolling interests	21,942	21,300
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Class A common stock	66	63
Class B convertible common stock	416	415
Class C common stock	—	—
Additional paid-in capital	1,156,486	1,112,400
Accumulated deficit	(55,484)	(121,764)
Accumulated other comprehensive income	1,278	2,232
Total ANGI Homeservices Inc. shareholders' equity	1,102,762	993,346
Noncontrolling interests	9,014	9,748
Total shareholders' equity	1,111,776	1,003,094
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,579,055	\$ 1,467,262

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

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net earnings (loss)	\$ 40,695	\$ (46,296)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Stock-based compensation expense	69,433	120,280
Amortization of intangibles	47,695	6,885
Bad debt expense	34,844	20,625
Depreciation	18,170	9,705
Deferred income taxes	(2,041)	(71,446)
Other adjustments, net	(107)	(1,328)
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(52,021)	(30,080)
Other assets	(19,040)	(5,782)
Accounts payable and other liabilities	11,303	45,480
Income taxes payable and receivable	1,402	22
Deferred revenue	3,378	7,788
Net cash provided by operating activities	<u>153,711</u>	<u>55,853</u>
Cash flows from investing activities:		
Acquisitions, net of cash acquired	—	(66,378)
Capital expenditures	(32,886)	(16,278)
Purchases of marketable debt securities	(34,816)	—
Proceeds from sale of fixed assets	10,412	—
Net cash used in investing activities	<u>(57,290)</u>	<u>(82,656)</u>
Cash flows from financing activities:		
Principal payments on term loan	(10,313)	—
Proceeds from issuance of related party debt	—	131,360
Principal payments on related party debt	(1,904)	(104,894)
Proceeds from the exercise of stock options	2,876	—
Withholding taxes paid on behalf of employees on net settled stock-based awards	(27,206)	—
Transfers from IAC/InterActiveCorp for periods prior to the Combination	—	24,178
Purchase of noncontrolling interests	(1,289)	(12,574)
Other, net	39	34
Net cash (used in) provided by financing activities	<u>(37,797)</u>	<u>38,104</u>
Total cash provided	58,624	11,301
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(223)	1,507
Net increase in cash, cash equivalents, and restricted cash	58,401	12,808
Cash, cash equivalents, and restricted cash at beginning of period	221,521	46,925
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 279,922</u>	<u>\$ 59,733</u>

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

ANGI HOMESERVICES RECONCILIATION OF OPERATING INCOME (LOSS) TO ADJUSTED EBITDA

For the three months ended September 30, 2018

	Operating income (loss)	Stock-based compensation expense	Depreciation	Amortization of intangibles	Adjusted EBITDA
North America	\$ 36.1	\$ 22.3	\$ 5.6	\$ 14.7	\$ 78.6
Europe	(2.6)	0.2	0.5	0.9	(0.9)
Total	\$ 33.5	\$ 22.5	\$ 6.1	\$ 15.6	\$ 77.7

For the three months ended September 30, 2017

	Operating loss	Stock-based compensation expense	Depreciation	Amortization of intangibles	Adjusted EBITDA
North America	\$ (107.7)	\$ 103.6	\$ 3.1	\$ 1.1	\$ 0.1
Europe	(4.8)	0.4	0.4	1.7	(2.3)
Total	\$ (112.5)	\$ 104.0	\$ 3.5	\$ 2.8	\$ (2.3)

For the nine months ended September 30, 2018

	Operating income (loss)	Stock-based compensation expense	Depreciation	Amortization of intangibles	Adjusted EBITDA
North America	\$ 56.9	\$ 68.7	\$ 16.5	\$ 44.3	\$ 186.3
Europe	(10.8)	0.8	1.7	3.4	(5.0)
Total	\$ 46.0	\$ 69.4	\$ 18.2	\$ 47.7	\$ 181.3

For the nine months ended September 30, 2017

	Operating loss	Stock-based compensation expense	Depreciation	Amortization of intangibles	Adjusted EBITDA
North America	\$ (99.5)	\$ 119.0	\$ 8.9	\$ 3.0	\$ 31.4
Europe	(14.5)	1.3	0.8	3.9	(8.4)
Total	\$ (114.0)	\$ 120.3	\$ 9.7	\$ 6.9	\$ 22.9

2018 OPERATING INCOME TO ADJUSTED EBITDA GUIDANCE RECONCILIATION

	FY 2018 Guidance
Operating income (a)	\$75-\$85
Amortization of intangibles	60
Depreciation	25
Stock-based compensation expense (b)	100
Adjusted EBITDA (a)	\$260-\$270

(a) Operating income and Adjusted EBITDA excludes costs and deferred revenue write-offs in connection with the Angie's List transaction (\$3.6 million and \$5.3 million in YTD through September 30, 2018, respectively, with de minimis amounts for the remainder of 2018) and \$1.3 million of costs in connection with the Handy acquisition.

(b) Includes ~\$75 million of charges in connection with the Angie's List transaction and the modification of certain equity awards.

OPERATING INCOME MARGIN AND ADJUSTED EBITDA MARGIN RECONCILIATION

Q3 2018	As Reported	Angie's List Transaction-Related Items			Handy Transaction Costs	Excluding Transaction- Related Items
		Deferred Revenue Write-offs	Transaction Costs	Stock-based Compensation Expense		
Revenue	\$ 303.1	\$ 0.7				\$ 303.8
Operating income	\$ 33.5	\$ 0.7	\$ 0.3	\$ 16.0	\$ 1.3	\$ 51.8
Operating income margin	11%					17%
Adjusted EBITDA	\$ 77.7	\$ 0.7	\$ 0.3		\$ 1.3	\$ 80.0
Adjusted EBITDA margin	26%					26%

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. 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 revenue. 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 account mandatory debt service requirements. Therefore, we think it is important to evaluate Free Cash Flow along with our consolidated statement of cash flows.

*ANGI HOMESERVICES PRINCIPLES OF FINANCIAL REPORTING - continued***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 HomeAdvisor and Angie's List), of SARs, RSUs, stock options 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 for GAAP earnings per share 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 6 for a summary of our dilutive securities as of November 2, 2018 and a description of the calculation methodology.

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 of HomeAdvisor and Angie's List). At the time of an acquisition, the identifiable definite-lived intangible assets of the acquired company, such as service professional relationships, technology, memberships, customer lists and user bases, 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 November 8, 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: the Company’s future financial performance, business prospects and strategy, anticipated trends and prospects in the home services industry, expected synergies and other benefits to be realized following the combination of HomeAdvisor and Angie’s List and other similar matters. Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, among others: (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 of HomeAdvisor and Angie’s List 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®, Angie’s List® and Handy. Combined, these leading marketplaces have collected more than 15 million reviews over the course of 20 years, allowing homeowners to research, match and connect on-demand to the largest network of service professionals online, through our mobile apps, or by voice assistants. ANGI Homeservices owns and operates brands in eight countries and is headquartered in Golden, Colorado. Learn more at www.angihomeservices.com.

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