

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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended September 30, 2020
Or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission File No. 001-38220

**ANGI
HOMESERVICES**
ANGI HOMESERVICES INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

82-1204801
(I.R.S. Employer
Identification No.)

3601 Walnut Street, Denver, CO 80205
(Address of registrant's principal executive offices)
(303) 963-7200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Class A Common Stock, par value \$0.001	ANGI	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 30, 2020, the following shares of the registrant's common stock were outstanding:

Class A Common Stock	77,938,213
Class B Common Stock	421,859,085
Class C Common Stock	—
Total outstanding Common Stock	499,797,298

TABLE OF CONTENTS

	<u>Page Number</u>	
<u>PART I</u>		
<u>Item 1.</u>	<u>Consolidated Financial Statements</u>	<u>3</u>
	<u>Consolidated Balance Sheet</u>	<u>3</u>
	<u>Consolidated Statement of Operations</u>	<u>4</u>
	<u>Consolidated Statement of Comprehensive Operations</u>	<u>5</u>
	<u>Consolidated Statement of Shareholders' Equity</u>	<u>6</u>
	<u>Consolidated Statement of Cash Flows</u>	<u>8</u>
	<u>Note 1—The Company and Summary of Significant Accounting Policies</u>	<u>9</u>
	<u>Note 2—Income Taxes</u>	<u>12</u>
	<u>Note 3—Financial Instruments and Fair Value Measurements</u>	<u>14</u>
	<u>Note 4—Long-term Debt</u>	<u>15</u>
	<u>Note 5—Accumulated Other Comprehensive Loss</u>	<u>17</u>
	<u>Note 6—Earnings Per Share</u>	<u>18</u>
	<u>Note 7—Segment Information</u>	<u>19</u>
	<u>Note 8—Consolidated Financial Statement Details</u>	<u>23</u>
	<u>Note 9—Contingencies</u>	<u>24</u>
	<u>Note 10—Related Party Transactions with IAC</u>	<u>24</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>42</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>43</u>
<u>PART II</u>		
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>44</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>45</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>47</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>48</u>
	<u>Signatures</u>	<u>49</u>

PART I
FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

ANGI HOMESERVICES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	September 30, 2020	December 31, 2019
	(In thousands, except par value amounts)	
ASSETS		
Cash and cash equivalents	\$ 855,044	\$ 390,565
Marketable debt securities	49,992	—
Accounts receivable, net of allowance and reserves of \$29,787 and \$20,293, respectively	51,721	41,669
Other current assets	69,500	67,759
Total current assets	1,026,257	499,993
Capitalized software, leasehold improvements and equipment, net of accumulated depreciation and amortization	104,323	103,361
Goodwill	884,696	883,960
Intangible assets, net of accumulated amortization	212,927	251,725
Other non-current assets	186,398	182,572
TOTAL ASSETS	\$ 2,414,601	\$ 1,921,611
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current portion of long-term debt	\$ 13,750	\$ 13,750
Accounts payable	42,973	25,987
Deferred revenue	58,169	58,220
Accrued expenses and other current liabilities	153,566	116,997
Total current liabilities	268,458	214,954
Long-term debt, net	715,408	231,946
Deferred income taxes	2,088	3,441
Other long-term liabilities	119,112	121,055
Redeemable noncontrolling interests	25,774	26,663
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Class A common stock, \$0.001 par value; authorized 2,000,000 shares; issued 92,660 and 87,007 shares, respectively, and outstanding 77,537 and 79,681, respectively	93	87
Class B common stock, \$0.001 par value; authorized 1,500,000 shares; 421,859 and 421,570 shares issued and outstanding	422	422
Class C common stock, \$0.001 par value; authorized 1,500,000 shares; no shares issued and outstanding	—	—
Additional paid-in capital	1,362,977	1,357,075
Retained earnings	24,213	16,032
Accumulated other comprehensive loss	(985)	(1,379)
Treasury stock, 15,123 and 7,326 shares, respectively	(112,808)	(57,949)
Total ANGI Homeservices Inc. shareholders' equity	1,273,912	1,314,288
Noncontrolling interests	9,849	9,264
Total shareholders' equity	1,283,761	1,323,552
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,414,601	\$ 1,921,611

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

ANGI HOMESERVICES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands, except per share data)			
Revenue	\$ 389,913	\$ 357,358	\$ 1,108,624	\$ 1,004,697
Operating costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	48,253	13,312	122,524	34,045
Selling and marketing expense	210,171	195,542	590,114	567,011
General and administrative expense	90,122	82,344	270,129	254,786
Product development expense	17,577	16,021	50,068	46,907
Depreciation	13,921	11,244	38,614	27,039
Amortization of intangibles	12,888	14,169	38,846	42,421
Total operating costs and expenses	392,932	332,632	1,110,295	972,209
Operating (loss) income	(3,019)	24,726	(1,671)	32,488
Interest expense	(3,699)	(3,007)	(7,593)	(8,964)
Other income, net	223	1,505	856	4,823
(Loss) earnings before income taxes	(6,495)	23,224	(8,408)	28,347
Income tax benefit (provision)	11,698	(4,900)	17,638	7,062
Net earnings	5,203	18,324	9,230	35,409
Net earnings attributable to noncontrolling interests	(731)	(325)	(1,049)	(473)
Net earnings attributable to ANGI Homeservices Inc. shareholders	<u>\$ 4,472</u>	<u>\$ 17,999</u>	<u>\$ 8,181</u>	<u>\$ 34,936</u>
Earnings per share information attributable to ANGI Homeservices Inc. shareholders:				
Basic earnings per share	\$ 0.01	\$ 0.04	\$ 0.02	\$ 0.07
Diluted earnings per share	\$ 0.01	\$ 0.04	\$ 0.02	\$ 0.07
Stock-based compensation expense by function:				
Selling and marketing expense	\$ 2,346	\$ 796	\$ 4,069	\$ 2,801
General and administrative expense	10,866	6,375	46,977	37,124
Product development expense	1,485	1,613	3,985	5,661
Total stock-based compensation expense	<u>\$ 14,697</u>	<u>\$ 8,784</u>	<u>\$ 55,031</u>	<u>\$ 45,586</u>

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

ANGI HOMESERVICES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Net earnings	\$ 5,203	\$ 18,324	\$ 9,230	\$ 35,409
Other comprehensive income (loss), net of income taxes:				
Change in foreign currency translation adjustment	3,053	(3,071)	971	(2,880)
Change in unrealized gains and losses on available-for-sale debt securities	—	—	—	(3)
Total other comprehensive income (loss), net of income taxes	3,053	(3,071)	971	(2,883)
Comprehensive income, net of income taxes	8,256	15,253	10,201	32,526
Components of comprehensive (income) loss attributable to noncontrolling interests:				
Net earnings attributable to noncontrolling interests	(731)	(325)	(1,049)	(473)
Change in foreign currency translation adjustment attributable to noncontrolling interests	(1,298)	390	(577)	581
Comprehensive (income) loss attributable to noncontrolling interests	(2,029)	65	(1,626)	108
Comprehensive income attributable to ANGI Homeservices Inc. shareholders	\$ 6,227	\$ 15,318	\$ 8,575	\$ 32,634

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

ANGI HOMESERVICES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
Three Months Ended September 30, 2020 and 2019
(Unaudited)

ANGI Homeservices Inc. Shareholders' Equity														
	Redeemable Noncontrolling Interests	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	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total ANGI Homeservices Inc. Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
		\$	Shares	\$	Shares	\$	Shares							
(In thousands)														
Balance as of June 30, 2020	\$ 25,093	\$ 89	89,076	\$ 422	421,757	\$ —	—	\$ 1,387,618	\$ 19,741	\$ (2,740)	\$ (112,808)	\$ 1,292,322	\$ 9,604	\$ 1,301,926
Net earnings	438	—	—	—	—	—	—	—	4,472	—	—	4,472	293	4,765
Other comprehensive income, net of income taxes	920	—	—	—	—	—	—	—	—	1,755	—	1,755	378	2,133
Stock-based compensation expense	—	—	—	—	—	—	13,846	—	—	—	—	13,846	—	13,846
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	4	3,584	—	—	—	(37,842)	—	—	—	—	(37,838)	—	(37,838)
Issuance of common stock to IAC pursuant to the employee matters agreement	—	—	—	102	—	—	(632)	—	—	—	—	(632)	—	(632)
Adjustment of redeemable noncontrolling interests to fair value	(677)	—	—	—	—	—	677	—	—	—	—	677	—	677
Purchase of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(1,115)	(1,115)
Other	—	—	—	—	—	—	(690)	—	—	—	—	(690)	689	(1)
Balance as of September 30, 2020	<u>\$ 25,774</u>	<u>\$ 93</u>	<u>92,660</u>	<u>\$ 422</u>	<u>421,859</u>	<u>\$ —</u>	<u>—</u>	<u>\$ 1,362,977</u>	<u>\$ 24,213</u>	<u>\$ (985)</u>	<u>\$ (112,808)</u>	<u>\$ 1,273,912</u>	<u>\$ 9,849</u>	<u>\$ 1,283,761</u>
Balance as of June 30, 2019	\$ 23,421	\$ 86	85,803	\$ 421	421,453	\$ —	—	\$ 1,338,280	\$ (1,860)	\$ (1,482)	\$ —	\$ 1,335,445	\$ 9,101	\$ 1,344,546
Net earnings	233	—	—	—	—	—	—	—	17,999	—	—	17,999	92	18,091
Other comprehensive loss	(365)	—	—	—	—	—	—	—	—	(2,681)	—	(2,681)	(25)	(2,706)
Stock-based compensation expense	36	—	—	—	—	—	8,748	—	—	—	—	8,748	—	8,748
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	—	272	—	—	—	(2,357)	—	—	—	—	(2,357)	—	(2,357)
Issuance of common stock to IAC pursuant to the employee matters agreement	—	—	—	1	117	—	(971)	—	—	—	—	(970)	—	(970)
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	—	(34,157)	(34,157)	—	(34,157)
Purchase of redeemable noncontrolling interests	(71)	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjustment of redeemable noncontrolling interests to fair value	(1,255)	—	—	—	—	—	1,255	—	—	—	—	1,255	—	1,255
Other	—	—	—	—	—	—	—	1	—	—	—	1	—	1
Balance as of September 30, 2019	<u>\$ 21,999</u>	<u>\$ 86</u>	<u>86,075</u>	<u>\$ 422</u>	<u>421,570</u>	<u>\$ —</u>	<u>—</u>	<u>\$ 1,344,956</u>	<u>\$ 16,139</u>	<u>\$ (4,163)</u>	<u>\$ (34,157)</u>	<u>\$ 1,323,283</u>	<u>\$ 9,168</u>	<u>\$ 1,332,451</u>

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

ANGI HOMESERVICES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
Nine Months Ended September 30, 2020 and 2019
(Unaudited)

ANGI Homeservices Inc. Shareholders' Equity														
	Redeemable Noncontrolling Interests	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	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total ANGI Homeservices Inc. Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
		\$	Shares	\$	Shares	\$	Shares							
(In thousands)														
Balance as of December 31, 2019	\$ 26,663	\$ 87	87,007	\$ 422	421,570	\$ —	—	\$ 1,357,075	\$ 16,032	\$ (1,379)	\$ (57,949)	\$ 1,314,288	\$ 9,264	\$ 1,323,552
Net earnings	383	—	—	—	—	—	—	—	8,181	—	—	8,181	666	8,847
Other comprehensive income, net of income taxes	233	—	—	—	—	—	—	—	—	394	—	394	344	738
Stock-based compensation expense	15	—	—	—	—	—	—	54,664	—	—	—	54,664	—	54,664
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	6	5,653	—	—	—	—	(48,615)	—	—	—	(48,609)	—	(48,609)
Issuance of common stock to IAC pursuant to the employee matters agreement	—	—	—	289	—	—	—	(1,423)	—	—	—	(1,423)	—	(1,423)
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	—	(54,859)	(54,859)	—	(54,859)
Purchase of redeemable noncontrolling interests	(3,165)	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjustment of redeemable noncontrolling interests to fair value	1,645	—	—	—	—	—	—	(1,645)	—	—	—	(1,645)	—	(1,645)
Purchase of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(1,115)	(1,115)
Adjustment pursuant to the tax sharing agreement	—	—	—	—	—	—	—	3,613	—	—	—	3,613	—	3,613
Other	—	—	—	—	—	—	—	(692)	—	—	—	(692)	690	(2)
Balance as September 30, 2020	\$ 25,774	\$ 93	92,660	\$ 422	421,859	\$ —	—	\$ 1,362,977	\$ 24,213	\$ (985)	\$ (112,808)	\$ 1,273,912	\$ 9,849	\$ 1,283,761
Balance as of December 31, 2018	\$ 18,163	\$ 81	80,515	\$ 421	421,118	\$ —	—	\$ 1,333,097	\$ (18,797)	\$ (1,861)	\$ —	\$ 1,312,941	\$ 9,046	\$ 1,321,987
Net earnings	284	—	—	—	—	—	—	—	34,936	—	—	34,936	189	35,125
Other comprehensive loss	(514)	—	—	—	—	—	—	—	—	(2,302)	—	(2,302)	(67)	(2,369)
Stock-based compensation expense	113	—	—	—	—	—	—	45,473	—	—	—	45,473	—	45,473
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	5	5,560	—	—	—	—	(27,805)	—	—	—	(27,800)	—	(27,800)
Issuance of common stock to IAC pursuant to the employee matters agreement	—	—	—	1	452	—	—	(1,766)	—	—	—	(1,765)	—	(1,765)
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	—	(34,157)	(34,157)	—	(34,157)
Purchase of redeemable noncontrolling interests	(71)	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjustment of redeemable noncontrolling interests to fair value	4,024	—	—	—	—	—	—	(4,024)	—	—	—	(4,024)	—	(4,024)
Other	—	—	—	—	—	—	—	(19)	—	—	—	(19)	—	(19)
Balance as of September 30, 2019	\$ 21,999	\$ 86	86,075	\$ 422	421,570	\$ —	—	\$ 1,344,956	\$ 16,139	\$ (4,163)	\$ (34,157)	\$ 1,323,283	\$ 9,168	\$ 1,332,451

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

ANGI HOMESERVICES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
(In thousands)		
Cash flows from operating activities:		
Net earnings	\$ 9,230	\$ 35,409
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Stock-based compensation expense	55,031	45,586
Amortization of intangibles	38,846	42,421
Provision for credit losses	60,090	49,294
Depreciation	38,614	27,039
Deferred income taxes	(18,081)	(8,294)
Other adjustments, net	8,694	6,371
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	(70,705)	(66,596)
Other assets	5,200	15,701
Accounts payable and other liabilities	46,941	30,609
Income taxes payable and receivable	(570)	1,628
Deferred revenue	(105)	2,916
Net cash provided by operating activities	<u>173,185</u>	<u>182,084</u>
Cash flows from investing activities:		
Acquisition, net of cash acquired	—	(20,341)
Capital expenditures	(37,637)	(54,801)
Purchases of marketable debt securities	(49,987)	—
Proceeds from maturities of marketable debt securities	—	25,000
Net proceeds from the sale of a business	730	23,615
Other, net	—	(103)
Net cash used in investing activities	<u>(86,894)</u>	<u>(26,630)</u>
Cash flows from financing activities:		
Proceeds from the issuance of Senior Notes	500,000	—
Principal payments on Term Loan	(10,313)	(10,313)
Principal payments on related-party debt	—	(1,008)
Debt issuance costs	(5,635)	—
Purchase of treasury stock	(54,400)	(33,979)
Proceeds from the exercise of stock options	—	573
Withholding taxes paid on behalf of employees on net settled stock-based awards	(49,993)	(30,039)
Distribution from (to) IAC pursuant to the tax sharing agreement	3,071	(11,355)
Purchase of noncontrolling interests	(4,280)	(71)
Other, net	—	(3,732)
Net cash provided by (used in) financing activities	<u>378,450</u>	<u>(89,924)</u>
Total cash provided	464,741	65,530
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(354)	387
Net increase in cash and cash equivalents and restricted cash	<u>464,387</u>	<u>65,917</u>
Cash and cash equivalents and restricted cash at beginning of period	391,478	338,821
Cash and cash equivalents and restricted cash at end of period	<u>\$ 855,865</u>	<u>\$ 404,738</u>

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

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

ANGI Homeservices Inc. connects quality home service professionals across 500 different categories, from repairing and remodeling to cleaning and landscaping, with consumers. Over 230,000 domestic service professionals actively seek consumer matches, complete jobs or advertise work through ANGI Homeservices' platforms and consumers turn to at least one of our brands to find a professional for more than 25 million projects each year. We've established category-transforming products with brands such as HomeAdvisor, Angie's List, Handy and Fixd Repair.

The Company has two operating segments (i) North America (United States and Canada), which includes HomeAdvisor, Angie's List, Handy, mHelpDesk, HomeStars and Fixd Repair and (ii) Europe, which includes Travaux, MyHammer, MyBuilder, Werkspot and Instapro.

As used herein, "ANGI Homeservices," the "Company," "ANGI," "we," "our" or "us" and similar terms refer to ANGI Homeservices Inc. and its subsidiaries (unless the context requires otherwise).

At September 30, 2020, IAC/InterActiveCorp ("IAC") owned 84.5% and 98.2% of the economic interest and voting interest, respectively, of ANGI Homeservices.

COVID-19 Update

The impact on the Company from the COVID-19 outbreak, which has been declared a "pandemic" by the World Health Organization, has been varied. The extent to which developments related to the COVID-19 outbreak and measures designed to curb its spread continue to impact the Company's business, financial condition and results of operations will depend on future developments, all of which are highly uncertain and many of which are beyond the Company's control, including the speed of contagion, the development and implementation of effective preventative measures and possible treatments, the scope of governmental and other restrictions on travel, discretionary services (including those provided by certain of our service professionals) and other activity, and public reactions to these developments. For example, these developments and measures have resulted in rapid and adverse changes to the operating environment in which we do business, as well as significant uncertainty concerning the near and long term economic ramifications of the COVID-19 outbreak, which have adversely impacted our ability to forecast our results and respond in a timely and effective manner to trends related to the COVID-19 outbreak. The longer the global outbreak and measures designed to curb the spread of the virus continue to adversely affect levels of consumer confidence, discretionary spending and the willingness of consumers to interact with other consumers, vendors and service providers face-to-face (and in turn, adversely affect demand for the Company's various products and services), the greater the adverse impact is likely to be on the Company's business, financial condition and results of operations and the more limited will be the Company's ability to try and make up for delayed or lost revenues.

In March 2020, the Company experienced a decline in demand for service requests, driven primarily by decreases in demand in certain categories of jobs (particularly discretionary indoor projects). In the second quarter of 2020, the Company experienced a rebound in service requests, exceeding pre-COVID-19 growth levels, driven by increased demand from homeowners who spent more time at home due to measures taken to reduce the spread of COVID-19. The Company continued to experience strong demand for home services in the third quarter of 2020. However, many service professionals' businesses have been adversely impacted by labor and material constraints and many service professionals have limited capacity to take on new business, which has negatively impacted the Company's ability to monetize this increased level of service requests.

In addition, the United States, which represents 94% of the Company's revenue for both the three and nine months ended September 30, 2020, has experienced a significant resurgence of the COVID-19 virus with record levels of infection being reported in the weeks following September 30, 2020. Europe, which is the second largest market for the Company's products and services, has also seen a dramatic resurgence in COVID-19. This resurgence and the measures designed to curb its spread could result in continued variability in service requests and/or a reduction in our ability to monetize service requests due to service professional constraints, one or both of which could materially and adversely affect our business, financial condition and results of operations.

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Basis of Presentation and Consolidation

The Company prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP").

The consolidated financial statements include the accounts of the Company, all entities that are wholly-owned by the Company and all entities in which the Company has a controlling financial interest. Intercompany transactions and accounts have been eliminated.

For the purpose of these financial statements, income taxes have been computed as if ANGI Homeservices filed tax returns on a standalone, separate tax return basis. Any differences between taxes currently payable to or receivable from IAC under the tax sharing agreement between the Company and IAC and the current tax provision computed on an as if standalone, separate return basis for GAAP are reflected as adjustments to additional paid-in capital and as financing activities within the statement of cash flows.

In management's opinion, the unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect all adjustments, consisting of normal and recurring adjustments, necessary for the fair presentation of the Company's consolidated financial position, consolidated results of operations and consolidated cash flows for the periods presented. Interim results are not necessarily indicative of the results that may be expected for the full year. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Accounting Estimates

Management of the Company is required to make certain estimates, judgments and assumptions during the preparation of its consolidated financial statements in accordance with GAAP. These estimates, judgments and assumptions impact the reported amounts of assets, liabilities, revenue and expenses and the related disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

On an ongoing basis, the Company evaluates its estimates and judgments, including those related to: the fair values of cash equivalents; the carrying value of accounts receivable, including the determination of the allowance for credit losses; the determination of revenue reserves; the carrying value of right-of-use assets ("ROU assets"); the useful lives and recoverability of definite-lived intangible assets and capitalized software, leasehold improvements and equipment; the recoverability of goodwill and indefinite-lived intangible assets; unrecognized tax benefits; the valuation allowance for deferred income tax assets; and the fair value of and forfeiture rates for stock-based awards, among others. The Company bases its estimates and judgments on historical experience, its forecasts and budgets and other factors that the Company considers relevant.

General Revenue Recognition

Revenue is recognized when control of the promised services or goods is transferred to the Company's customers and in the amount that reflects the consideration the Company expects to be entitled to in exchange for those services or goods.

The Company's disaggregated revenue disclosures are presented in "[Note 7—Segment Information](#)."

Prior to January 1, 2020, Handy recorded revenue on a net basis. Effective January 1, 2020, the Company modified the Handy terms and conditions so that Handy, rather than the service professional, has the contractual relationship with the consumer to deliver the service and Handy, rather than the consumer, has the contractual relationship with the service professional. Consumers request services and pay for such services directly through the Handy platform and then Handy fulfills the request with independently established home services providers engaged in a trade, occupation and/or business that customarily provides such services. This change in contractual terms requires gross revenue accounting treatment effective January 1, 2020. Also, in the case of certain tasks, HomeAdvisor provides a pre-priced product offering, pursuant to which consumers can request services through a HomeAdvisor platform and pay HomeAdvisor for the services directly. HomeAdvisor then fulfills the request with independently established home services providers engaged in a trade, occupation and/or business that customarily provides such services. Revenue from HomeAdvisor's pre-priced product offering is also

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

recorded on a gross basis effective January 1, 2020. In addition to changing the presentation of revenue to gross from net, the timing of revenue recognition changed for HomeAdvisor pre-priced jobs and will be later than consumer connection revenue because the Company will not be able to record revenue, generally, until the service professional completes the job on the Company's behalf. The change to gross revenue reporting for Handy and HomeAdvisor's pre-priced product offering, effective January 1, 2020, resulted in an increase in revenue of \$20.8 million and \$51.3 million during the three and nine months ended September 30, 2020, respectively.

Deferred Revenue

Deferred revenue consists of payments that are received or are contractually due in advance of the Company's performance. The Company's deferred revenue is reported on a contract by contract basis at the end of each reporting period. The Company classifies deferred revenue as current when the term of the applicable subscription period or expected completion of the Company's performance obligation is one year or less. The current and non-current deferred revenue balances at December 31, 2019 were \$58.2 million and \$0.2 million, respectively. During the nine months ended September 30, 2020, the Company recognized \$55.7 million of revenue that was included in the deferred revenue balance as of December 31, 2019. During the nine months ended September 30, 2019, the Company recognized \$58.5 million of revenue that was included in the deferred revenue balance as of December 31, 2018. The current and non-current deferred revenue balances at September 30, 2020 are \$58.2 million and \$0.1 million, respectively. Non-current deferred revenue is included in "Other long-term liabilities" in the accompanying consolidated balance sheet.

Practical Expedients and Exemptions

As permitted under the practical expedient available under Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, the Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts with variable consideration that is allocated entirely to unsatisfied performance obligations or to a wholly unsatisfied promise accounted for under the series guidance, and (iii) contracts for which the Company recognizes revenue at the amount which the Company has the right to invoice for services performed.

For sales incentive programs where the customer relationship period is one year or less, the Company has elected the practical expedient to expense the costs as incurred. The amount of capitalized sales commissions where the initial customer relationship period is greater than one year is \$52.2 million and \$39.1 million at September 30, 2020 and December 31, 2019, respectively. The current and non-current capitalized sales commissions balances are included in "Other current assets" and "Other non-current assets" in the accompanying consolidated balance sheet and are \$50.0 million and \$2.2 million, and \$35.1 million and \$4.0 million, at September 30, 2020 and December 31, 2019, respectively.

Allowance for Credit Losses and Revenue Reserve

The following table presents the changes in the allowance for credit losses for the nine months ended September 30, 2020:

	September 30, 2020
	(In thousands)
Balance at January 1	\$ 19,066
Current period provision for credit losses	60,090
Write-offs charged against the allowance	(53,208)
Recoveries collected	1,883
Balance at September 30	<u>\$ 27,831</u>

The revenue reserve was \$2.0 million and \$1.2 million at September 30, 2020 and December 31, 2019, respectively. The total allowance for credit losses and revenue reserve was \$29.8 million and \$20.3 million as of September 30, 2020 and December 31, 2019, respectively.

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Adoption of New Accounting Pronouncements*Adoption of ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*

The Company adopted ASU No. 2016-13 effective January 1, 2020. ASU No. 2016-13 replaces the “incurred loss” approach with an “expected loss” model, under which companies will recognize allowances based on expected rather than incurred losses. The Company adopted ASU No. 2016-13 using the modified retrospective approach and there was no cumulative effect arising from the adoption. The adoption of ASU No. 2016-13 did not have a material impact on the Company's consolidated financial statements.

Adoption of ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes

The Company adopted ASU No. 2019-12 effective January 1, 2020, which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, *Income Taxes*, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. Most amendments within ASU No. 2019-12 are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The Company adopted ASU No. 2019-12 on January 1, 2020 using the modified retrospective basis for those amendments that are not applied on a prospective basis. The adoption of ASU No. 2019-12 did not have a material impact on the Company's consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2—INCOME TAXES

The Company is included within IAC's tax group for purposes of federal and consolidated state income tax return filings. In all periods presented, the income tax benefit/provision have been computed for the Company on an as if standalone, separate return basis and payments to and refunds from IAC for the Company's share of IAC's consolidated federal and state tax return liabilities/receivables calculated on this basis have been reflected within cash flows from operating activities in the accompanying consolidated statement of cash flows. The tax sharing agreement between the Company and IAC governs the parties' respective rights, responsibilities and obligations with respect to tax matters, including responsibility for taxes attributable to the Company, entitlement to refunds, allocation of tax attributes and other matters and, therefore, ultimately governs the amount payable to or receivable from IAC with respect to income taxes. Any differences between taxes currently payable to or receivable from IAC under the tax sharing agreement and the current tax provision computed on an as if standalone, separate return basis for GAAP are reflected as adjustments to additional paid-in capital in the consolidated statement of shareholders' equity and financing activities within the consolidated statement of cash flows.

At the end of each interim period, the Company estimates the annual expected effective income tax rate and applies that rate to its ordinary year-to-date earnings or loss. The income tax provision or benefit related to significant, unusual, or extraordinary items, if applicable, that will be separately reported or reported net of their related tax effects are individually computed and recognized in the interim period in which they occur. In addition, the effect of changes in enacted tax laws or rates, tax status, judgment on the realizability of a beginning-of-the-year deferred tax asset in future years or unrecognized tax benefits is recognized in the interim period in which the change occurs.

The computation of the annual expected effective income tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected pre-tax income (or loss) for the year, projections of the proportion of income (and/or loss) earned and taxed in foreign jurisdictions, permanent and temporary differences, and the likelihood of the realizability of deferred tax assets generated in the current year. The accounting estimates used to compute the provision or benefit for income taxes may change as new events occur, more experience is acquired, additional information is obtained or the Company's tax environment changes. To the extent that the expected annual effective income tax rate changes during a quarter, the effect of the change on prior quarters is included in the income tax provision/benefit in the quarter in which the change occurs.

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

For the three months ended September 30, 2020, the Company recorded an income tax benefit of \$11.7 million due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards. For the nine months ended September 30, 2020, the Company recorded an income tax benefit of \$17.6 million due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards and a reduction to deferred taxes due to the true-up of the state tax rate for an indefinite-lived intangible asset. For the three months ended September 30, 2019, the Company recorded an income tax provision of \$4.9 million, which represents an effective income tax rate of 21% and approximates the statutory rate of 21% due primarily to unbenefited foreign losses and state taxes, offset by research credits and excess tax benefits generated by the exercise and vesting of stock-based awards. For the nine months ended September 30, 2019, the Company recorded an income tax benefit, despite pre-tax income, of \$7.1 million due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards.

The Company recognizes interest and, if applicable, penalties related to unrecognized tax benefits in the income tax provision. Accruals for interest and penalties are not material.

The Company is routinely under audit by federal, state, local and foreign authorities in the area of income tax as a result of previously filed separate company and consolidated tax returns with IAC. These audits include questioning the timing and the amount of income and deductions and the allocation of income and deductions among various tax jurisdictions. The Internal Revenue Service has substantially completed its audit of IAC's federal income tax returns for the years ended December 31, 2010 through 2016, which includes the operations of the Company. The IRS began its audit of the year ended December 31, 2017 in the second quarter of 2020. The statutes of limitations for the years 2010 through 2012 and for the years 2013 through 2017 have been extended to May 31, 2021 and December 31, 2021, respectively. Returns filed in various other jurisdictions are open to examination for various tax years beginning with 2009. Income taxes payable include unrecognized tax benefits considered sufficient to pay assessments that may result from examination of prior year tax returns. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may not accurately anticipate actual outcomes and, therefore, may require periodic adjustment. Although management currently believes changes in unrecognized tax benefits from period to period and differences between amounts paid, if any, upon resolution of issues raised in audits and amounts previously provided will not have a material impact on the liquidity, results of operations, or financial condition of the Company, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

At September 30, 2020 and December 31, 2019, unrecognized tax benefits, including interest of \$4.2 million and \$4.1 million, respectively, were included in unrecognized tax positions for tax positions included in IAC's consolidated tax return filings. If unrecognized tax benefits at September 30, 2020 are subsequently recognized, the income tax provision would be reduced by \$4.1 million. The comparable amount as of December 31, 2019 is \$4.0 million. The Company believes it is reasonably possible that its unrecognized tax benefits could decrease by \$0.5 million by September 30, 2021 due to settlements, all of which would reduce the income tax provision.

The Company regularly assesses the realizability of deferred tax assets considering all available evidence including, to the extent applicable, the nature, frequency and severity of prior cumulative losses, forecasts of future taxable income, tax filing status, the duration of statutory carryforward periods, available tax planning and historical experience. As of September 30, 2020, the Company has a U.S. federal and state gross deferred tax asset of \$190.1 million that the Company expects to fully utilize on a more likely than not basis. Of this amount, \$65.2 million will be utilized upon the future reversal of deferred tax liabilities and the remaining net deferred tax asset of \$124.9 million will be utilized based on forecasts of future taxable income.

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 3—FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Marketable Debt Securities

At September 30, 2020, current available-for-sale marketable debt securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Treasury discount notes	\$ 49,991	\$ 1	\$ —	\$ 49,992
Total available-for-sale marketable debt securities	<u>\$ 49,991</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 49,992</u>

The Company did not hold any available-for-sale marketable debt securities at December 31, 2019.

The contractual maturities of debt securities classified as current available-for-sale at September 30, 2020 are within one year.

Fair Value Measurements

The Company categorizes its financial instruments measured at fair value into a fair value hierarchy that prioritizes the inputs used in pricing the asset or liability. The three levels of the fair value hierarchy are:

- Level 1: Observable inputs obtained from independent sources, such as quoted market prices for identical assets and liabilities in active markets.
- Level 2: Other inputs, which are observable directly or indirectly, such as quoted market prices for similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active and inputs that are derived principally from or corroborated by observable market data. The fair values of the Company's Level 2 financial assets are primarily obtained from observable market prices for identical underlying securities that may not be actively traded. Certain of these securities may have different market prices from multiple market data sources, in which case an average market price is used.
- Level 3: Unobservable inputs for which there is little or no market data and require the Company to develop its own assumptions, based on the best information available in the circumstances, about the assumptions market participants would use in pricing the assets or liabilities.

The following tables present the Company's financial instruments that are measured at fair value on a recurring basis:

	September 30, 2020			
	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	\$ 269,013	\$ —	\$ —	\$ 269,013
Treasury discount notes	—	474,976	—	474,976
Time deposits	—	2,988	—	2,988
Marketable debt securities:				
Treasury discount notes	—	49,992	—	49,992
Total	<u>\$ 269,013</u>	<u>\$ 527,956</u>	<u>\$ —</u>	<u>\$ 796,969</u>

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	December 31, 2019			
	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	\$ 291,810	\$ —	\$ —	\$ 291,810
Time deposits	—	23,040	—	23,040
Total	\$ 291,810	\$ 23,040	\$ —	\$ 314,850

Assets measured at fair value on a nonrecurring basis

The Company's non-financial assets, such as goodwill, intangible assets, ROU assets, capitalized software, leasehold improvements and equipment are adjusted to fair value only when an impairment is recognized. Such fair value measurements are based predominantly on Level 3 inputs.

Financial instruments measured at fair value only for disclosure purposes

The following table presents the carrying value and the fair value of financial instruments measured at fair value only for disclosure purposes:

	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
	(In thousands)			
Current portion of long-term debt	\$ (13,750)	\$ (13,750)	\$ (13,750)	\$ (13,681)
Long-term debt, net ^(a)	\$ (715,408)	\$ (715,288)	\$ (231,946)	\$ (232,581)

^(a) At September 30, 2020 and December 31, 2019, the carrying value of long-term debt, net includes unamortized debt issuance costs of \$8.0 million and \$1.8 million, respectively.

At September 30, 2020 and December 31, 2019, the fair value of long-term debt, including the current portion, is estimated using observable market prices or indices for similar liabilities, which are Level 2 inputs.

NOTE 4—LONG-TERM DEBT

Long-term debt consists of:

	September 30, 2020	December 31, 2019
	(In thousands)	
3.875% ANGI Group Senior Notes due August 15, 2028 ("Senior Notes"); interest payable each February 15 and August 15, commencing February 15, 2021	\$ 500,000	\$ —
ANGI Group Term Loan due November 5, 2023 ("Term Loan")	237,188	247,500
Total long-term debt	737,188	247,500
Less: current portion of Term Loan	13,750	13,750
Less: unamortized debt issuance costs	8,030	1,804
Total long-term debt, net	\$ 715,408	\$ 231,946

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

ANGI Group Senior Notes

On August 20, 2020, ANGI Group, LLC ("ANGI Group"), a direct, wholly-owned subsidiary of the Company, issued \$500 million in aggregate principal amount of the Senior Notes, the proceeds of which are intended for general corporate purposes, including potential future acquisitions and return of capital. At any time prior to August 15, 2023, these notes may be redeemed at a redemption price equal to the sum of the principal amount thereof, plus accrued and unpaid interest and a make-whole premium. Thereafter, these notes may be redeemed at the redemption prices set forth below, plus accrued and unpaid interest thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on August 15 of the years indicated below:

Year	Percentage
2023	101.938 %
2024	100.969 %
2025 and thereafter	100.000 %

The indenture governing the Senior Notes contains a covenant that would limit ANGI Group's ability to incur liens for borrowed money in the event a default has occurred or ANGI Group's secured leverage ratio (as defined in the indenture) exceeds 3.75 to 1.0. At September 30, 2020, there were no limitations pursuant thereto.

Term Loan and ANGI Group Revolving Facility

ANGI was a party to a credit agreement that terminates on November 5, 2021. The credit agreement governs the Term Loan and revolving credit facility (the "Revolving Facility"). On August 12, 2020, ANGI Group entered into a joinder agreement with the Company, the other subsidiaries of the Company that are party to the credit agreement, and each of the other loan parties to the credit agreement, pursuant to which ANGI Group became the successor borrower under the credit agreement and ANGI Homeservices Inc.'s obligations thereunder were terminated. In addition, on August 12, 2020, the definition of "Permitted Unsecured Ratio Debt" in the credit agreement was amended to remove the requirement that guarantees of certain indebtedness of the borrower be subordinated to the guarantees under the credit agreement.

The outstanding balance of the Term Loan was \$237.2 million and \$247.5 million at September 30, 2020 and December 31, 2019, respectively. There are quarterly principal payments of \$3.4 million through December 31, 2021, \$6.9 million for the one-year period ending December 31, 2022 and \$10.3 million through maturity of the loan when the final amount of \$161.6 million is due. Additionally, interest payments are due at least quarterly through the term of the loan. At both September 30, 2020 and December 31, 2019, the Term Loan bore interest at LIBOR plus 1.50%, or 1.66% and 3.25%, respectively. The spread over LIBOR is subject to change in future periods based on ANGI Group's consolidated net leverage ratio.

The Term Loan requires ANGI Group to maintain a consolidated net leverage ratio of not more than 4.5 to 1.0 and a minimum interest coverage ratio of not less than 2.0 to 1.0 (in each case as defined in the credit agreement). The credit agreement also contains covenants that would limit ANGI Group's ability to pay dividends or make distributions in the event a default has occurred or ANGI Group's consolidated net leverage ratio exceeds 4.25 to 1.0. At September 30, 2020, there were no limitations pursuant thereto.

The \$250 million Revolving Facility expires on November 5, 2023. At September 30, 2020 and December 31, 2019, there were no outstanding borrowings under the Revolving Facility. The annual commitment fee on undrawn funds is based on ANGI Group's consolidated net leverage ratio most recently reported and was 25 basis points at both September 30, 2020 and December 31, 2019. Any future borrowings under the Revolving Facility would bear interest, at ANGI Group's option, at either a base rate or LIBOR, in each case plus an applicable margin, which is based on ANGI Group's consolidated net leverage ratio. The financial and other covenants are the same as those for the Term Loan.

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The Senior Notes, Term Loan and Revolving Facility are guaranteed by certain of ANGI Group's wholly-owned material domestic subsidiaries and ANGI Group's obligations under the Term Loan and the Revolving Facility are secured by substantially all assets of ANGI Group and the guarantors, subject to certain exceptions. The Term Loan and outstanding borrowings, if any, under the Revolving Facility rank equally with each other, and have priority over the Senior Notes to the extent of the value of the assets securing the borrowings under the credit agreement.

Long-term Debt Maturities

Long-term debt maturities as of September 30, 2020 are summarized in the table below:

	(In thousands)
Remainder of 2020	\$ 3,438
2021	13,750
2022	27,500
2023	192,500
2028	500,000
Total	737,188
Less: current portion of Term Loan	13,750
Less: unamortized debt issuance costs	8,030
Total long-term debt, net	\$ 715,408

NOTE 5—ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables present the components of accumulated other comprehensive loss:

	Three Months Ended September 30,			
	2020		2019	
	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss
	(In thousands)			
Balance at July 1	\$ (2,740)	\$ (2,740)	\$ (1,482)	\$ (1,482)
Other comprehensive income (loss)	1,755	1,755	(2,681)	(2,681)
Balance at September 30	\$ (985)	\$ (985)	\$ (4,163)	\$ (4,163)

	Nine Months Ended September 30,				
	2020		2019		
	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss	Foreign Currency Translation Adjustment	Unrealized Gains (Losses) On Available- For-Sale Debt Securities	Accumulated Other Comprehensive Loss
	(In thousands)				
Balance at January 1	\$ (1,379)	\$ (1,379)	\$ (1,864)	\$ 3	\$ (1,861)
Other comprehensive income (loss)	394	394	(2,299)	(3)	(2,302)
Balance at September 30	\$ (985)	\$ (985)	\$ (4,163)	\$ —	\$ (4,163)

At both September 30, 2020 and 2019, there was no tax benefit or provision on the accumulated other comprehensive loss.

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 6—EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share attributable to ANGI Homeservices shareholders:

	Three Months Ended September 30,			
	2020		2019	
	Basic	Diluted	Basic	Diluted
	(In thousands, except per share data)			
Numerator:				
Net earnings	\$ 5,203	\$ 5,203	\$ 18,324	\$ 18,324
Net earnings attributable to noncontrolling interests	(731)	(731)	(325)	(325)
Net earnings attributable to ANGI Homeservices Inc. shareholders	<u>\$ 4,472</u>	<u>\$ 4,472</u>	<u>\$ 17,999</u>	<u>\$ 17,999</u>
Denominator:				
Weighted average basic shares outstanding	497,501	497,501	505,836	505,836
Dilutive securities ^{(a) (b)}	—	17,218	—	6,241
Denominator for earnings per share—weighted average shares	<u>497,501</u>	<u>514,719</u>	<u>505,836</u>	<u>512,077</u>
Earnings per share attributable to ANGI Homeservices Inc. shareholders:				
Earnings per share	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>

	Nine Months Ended September 30,			
	2020		2019	
	Basic	Diluted	Basic	Diluted
	(In thousands, except per share data)			
Numerator:				
Net earnings	\$ 9,230	\$ 9,230	\$ 35,409	\$ 35,409
Net earnings attributable to noncontrolling interests	(1,049)	(1,049)	(473)	(473)
Net earnings attributable to ANGI Homeservices Inc. shareholders	<u>\$ 8,181</u>	<u>\$ 8,181</u>	<u>\$ 34,936</u>	<u>\$ 34,936</u>
Denominator:				
Weighted average basic shares outstanding	497,574	497,574	505,661	505,661
Dilutive securities ^{(a) (b)}	—	13,901	—	12,955
Denominator for earnings per share—weighted average shares	<u>497,574</u>	<u>511,475</u>	<u>505,661</u>	<u>518,616</u>
Earnings per share attributable to ANGI Homeservices Inc. shareholders:				
Earnings per share	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.07</u>	<u>\$ 0.07</u>

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

- ^(a) If the effect is dilutive, weighted average common shares outstanding include the incremental shares that would be issued upon the assumed exercise of stock appreciation rights, stock options and subsidiary denominated equity, and vesting of restricted stock units ("RSUs"). For the three and nine months ended September 30, 2020, 1.4 million and 5.4 million potentially dilutive securities, respectively, are excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. For the three and nine months ended September 30, 2019, 6.4 million and 6.0 million potentially dilutive securities, respectively, are excluded from the calculation of diluted securities per share because their inclusion would have been anti-dilutive.
- ^(b) Market-based awards and performance-based stock units ("PSUs") are considered contingently issuable shares. Shares issuable upon exercise or vesting of market-based awards and PSUs are included in the denominator for earnings per share if (i) the applicable market or performance condition(s) has been met and (ii) the inclusion of the market-based awards and PSUs is dilutive for the respective reporting periods. For both the three and nine months ended September 30, 2020, 1.2 million shares underlying market-based awards and PSUs were excluded from the calculation of diluted earnings per share because the market or performance condition(s) had not been met. For both the three and nine months ended September 30, 2019, 4.8 million shares underlying market-based awards and PSUs were excluded from the calculation of diluted earnings per share because the market or performance condition(s) had not been met.

NOTE 7—SEGMENT INFORMATION

The overall concept that the Company employs in determining its operating segments is to present the financial information in a manner consistent with: how the chief operating decision maker views the businesses; how the businesses are organized as to segment management; and the focus of the businesses with regards to the target market.

The following table presents revenue by reportable segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Revenue:				
North America	\$ 372,226	\$ 339,144	\$ 1,053,775	\$ 945,538
Europe	17,687	18,214	54,849	59,159
Total	<u>\$ 389,913</u>	<u>\$ 357,358</u>	<u>\$ 1,108,624</u>	<u>\$ 1,004,697</u>

The following table presents the revenue of the Company's segments disaggregated by type of service:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
North America				
Marketplace:				
Consumer connection revenue ^(a)	\$ 287,568	\$ 252,552	\$ 800,047	\$ 695,370
Service professional membership subscription revenue	12,195	15,995	38,989	48,697
Other revenue	6,944	4,915	19,620	11,186
Total Marketplace revenue	306,707	273,462	858,656	755,253
Advertising and other revenue ^(b)	65,519	65,682	195,119	190,285
Total North America revenue	<u>372,226</u>	<u>339,144</u>	<u>1,053,775</u>	<u>945,538</u>
Europe				
Consumer connection revenue ^(c)	14,006	14,125	43,640	46,480
Service professional membership subscription revenue	3,278	3,465	9,792	10,820
Advertising and other revenue	403	624	1,417	1,859
Total Europe revenue	17,687	18,214	54,849	59,159
Total revenue	<u>\$ 389,913</u>	<u>\$ 357,358</u>	<u>\$ 1,108,624</u>	<u>\$ 1,004,697</u>

^(a) Includes fees paid by service professionals for consumer matches and revenue from pre-priced jobs sourced through the HomeAdvisor and Handy platforms.

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

- (b) Includes Angie's List revenue from service professionals under contract for advertising and Angie's List membership subscription fees from consumers, as well as revenue from mHelpDesk and HomeStars.
- (c) Includes fees paid by service professionals for consumer matches.

Revenue by geography is based on where the customer is located. Geographic information about revenue and long-lived assets is presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Revenue:				
United States	\$ 368,082	\$ 335,230	\$ 1,041,903	\$ 934,409
All other countries	21,831	22,128	66,721	70,288
Total	\$ 389,913	\$ 357,358	\$ 1,108,624	\$ 1,004,697

	September 30, 2020		December 31, 2019	
		(In thousands)		
Long-lived assets (excluding goodwill, intangible assets and ROU assets):				
United States	\$ 94,341	\$ 95,822		
All other countries	9,982	7,539		
Total	\$ 104,323	\$ 103,361		

The following tables present operating income (loss) and Adjusted EBITDA by reportable segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Operating income (loss):				
North America	\$ 295	\$ 27,194	\$ 8,377	\$ 40,409
Europe	(3,314)	(2,468)	(10,048)	(7,921)
Total	\$ (3,019)	\$ 24,726	\$ (1,671)	\$ 32,488

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Adjusted EBITDA^(d):				
North America	\$ 40,454	\$ 60,509	\$ 136,886	\$ 151,804
Europe	\$ (1,967)	\$ (1,586)	\$ (6,066)	\$ (4,270)

- (d) The Company's primary financial measure is Adjusted EBITDA, which 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. The Company believes this measure is useful for analysts and investors as this measure allows a more meaningful comparison between the Company's performance and that of its competitors. The above items are excluded from the Company's Adjusted EBITDA measure because these items are non-cash in nature. Adjusted EBITDA has certain limitations because it excludes the impact of these expenses.

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The following tables reconcile operating income (loss) for the Company's reportable segments and net earnings attributable to ANGI Homeservices Inc. shareholders to Adjusted EBITDA:

Three Months Ended September 30, 2020					
	Operating Income (Loss)	Stock-based Compensation Expense	Depreciation	Amortization of Intangibles	Adjusted EBITDA
(In thousands)					
North America	\$ 295	\$ 14,599	\$ 12,767	\$ 12,793	\$ 40,454
Europe	(3,314)	98	1,154	95	(1,967)
Operating loss	(3,019)				
Interest expense	(3,699)				
Other income, net	223				
Loss before income taxes	(6,495)				
Income tax benefit	11,698				
Net earnings	5,203				
Net earnings attributable to noncontrolling interests	(731)				
Net earnings attributable to ANGI Homeservices Inc. shareholders	\$ 4,472				

Three Months Ended September 30, 2019					
	Operating Income (Loss)	Stock-based Compensation Expense	Depreciation	Amortization of Intangibles	Adjusted EBITDA
(In thousands)					
North America	\$ 27,194	\$ 8,648	\$ 10,690	\$ 13,977	\$ 60,509
Europe	(2,468)	136	554	192	(1,586)
Operating income	24,726				
Interest expense	(3,007)				
Other income, net	1,505				
Earnings before income taxes	23,224				
Income tax provision	(4,900)				
Net earnings	18,324				
Net earnings attributable to noncontrolling interests	(325)				
Net earnings attributable to ANGI Homeservices Inc. shareholders	\$ 17,999				

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Nine Months Ended September 30, 2020				
	Operating Income (loss)	Stock-based Compensation Expense	Depreciation	Amortization of Intangibles	Adjusted EBITDA
	(In thousands)				
North America	\$ 8,377	\$ 54,406	\$ 35,531	\$ 38,572	\$ 136,886
Europe	(10,048)	\$ 625	\$ 3,083	\$ 274	\$ (6,066)
Operating loss	(1,671)				
Interest expense	(7,593)				
Other income, net	856				
Loss before income taxes	(8,408)				
Income tax benefit	17,638				
Net earnings	9,230				
Net earnings attributable to noncontrolling interests	(1,049)				
Net earnings attributable to ANGI Homeservices Inc. shareholders	\$ 8,181				

	Nine Months Ended September 30, 2019				
	Operating Income (Loss)	Stock-based Compensation Expense	Depreciation	Amortization of Intangibles	Adjusted EBITDA
	(In thousands)				
North America	\$ 40,409	\$ 45,107	\$ 25,124	\$ 41,164	\$ 151,804
Europe	(7,921)	\$ 479	\$ 1,915	\$ 1,257	\$ (4,270)
Operating income	32,488				
Interest expense	(8,964)				
Other income, net	4,823				
Earnings before income taxes	28,347				
Income tax benefit	7,062				
Net earnings	35,409				
Net earnings attributable to noncontrolling interests	(473)				
Net earnings attributable to ANGI Homeservices Inc. shareholders	\$ 34,936				

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 8—CONSOLIDATED FINANCIAL STATEMENT DETAILS
Cash and Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheet to the total amounts shown in the consolidated statement of cash flows:

	September 30, 2020	December 31, 2019	September 30, 2019	December 31, 2018
	(In thousands)			
Cash and cash equivalents	\$ 855,044	\$ 390,565	\$ 402,914	\$ 336,984
Restricted cash included in other current assets	392	504	1,421	1,417
Restricted cash included in other non-current assets	429	409	403	420
Total cash and cash equivalents, and restricted cash as shown on the consolidated statement of cash flows	<u>\$ 855,865</u>	<u>\$ 391,478</u>	<u>\$ 404,738</u>	<u>\$ 338,821</u>

Restricted cash included in other current assets at September 30, 2020 and December 31, 2019 primarily consists of a deposit related to corporate credit cards. Restricted cash included in other current assets at September 30, 2019 and December 31, 2018 primarily consists of a cash collateralized letter of credit and a deposit related to corporate credit cards.

Restricted cash included in other non-current assets for all periods presented consists of deposits related to leases.

Accumulated Amortization and Depreciation

The following table provides the accumulated amortization and depreciation within the consolidated balance sheet:

Asset Category	September 30, 2020	December 31, 2019
	(In thousands)	
Right-of-use assets included in other non-current assets	\$ 35,511	\$ 19,416
Capitalized software, leasehold improvements and equipment	\$ 93,842	\$ 68,227
Intangible assets	\$ 157,999	\$ 141,208

Other income, net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Interest income	\$ 129	\$ 2,103	\$ 1,561	\$ 6,378
Loss on the sale of a business	—	—	(273)	(142)
Foreign exchange gains (losses)	88	278	(256)	606
Mark-to-market loss related for an indemnification claim related to the Handy acquisition	—	(945)	(181)	(1,999)
Other	6	69	5	(20)
Other income, net	<u>\$ 223</u>	<u>\$ 1,505</u>	<u>\$ 856</u>	<u>\$ 4,823</u>

ANGI HOMESERVICES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 9—CONTINGENCIES

In the ordinary course of business, the Company is a party to various lawsuits. The Company establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Management has also identified certain other legal matters where the Company believes an unfavorable outcome is not probable and, therefore, no reserve is established. Although management currently believes that resolving claims against the Company, including claims where an unfavorable outcome is reasonably possible, will not have a material impact on the liquidity, results of operations, or financial condition of the Company, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. The Company also evaluates other contingent matters, including income and non-income tax contingencies, to assess the likelihood of an unfavorable outcome and estimated extent of potential loss. It is possible that an unfavorable outcome of one or more of these lawsuits or other contingencies could have a material impact on the liquidity, results of operations, or financial condition of the Company. See "[Note 2—Income Taxes](#)" for additional information related to income tax contingencies.

NOTE 10—RELATED PARTY TRANSACTIONS WITH IAC

The Company and IAC entered into certain agreements to govern our relationship with IAC following the combination of IAC's HomeAdvisor business and Angie's List, Inc. on September 29, 2017 (the "Combination"). These agreements include: a contribution agreement; an investor rights agreement; a services agreement; a tax sharing agreement; and an employee matters agreement.

For the three and nine months ended September 30, 2020 and 2019, the Company was charged \$1.3 million and \$3.6 million; and \$1.0 million and \$3.7 million, respectively, by IAC for services rendered pursuant to the services agreement. There were no outstanding receivables or payables pursuant to the services agreement as of September 30, 2020 or December 31, 2019.

Additionally, the Company subleases office space to IAC and charged IAC \$0.5 million and \$1.4 million; and \$0.5 million and \$1.0 million of rent for the three and nine months ended September 30, 2020 and 2019, respectively. At both September 30, 2020 and 2019, there were outstanding receivables of less than \$0.1 million due from IAC pursuant to sublease agreements, which were subsequently paid in full in each respective fourth quarter.

At September 30, 2020 and December 31, 2019, the Company had outstanding payables of \$0.6 million and \$0.2 million, respectively, due to IAC pursuant to the tax sharing agreement, which are included in "Accrued expenses and other current liabilities" in the accompanying consolidated balance sheet. There were \$3.1 million of refunds received from IAC pursuant to this agreement during the nine months ended September 30, 2020. There were no payments to or refunds from IAC pursuant to this agreement during the three months ended September 30, 2020. During the first quarter of 2019, \$11.4 million was paid to IAC pursuant to this agreement.

For the three and nine months ended September 30, 2020, 0.1 million and 0.3 million shares, respectively, of ANGI Homeservices Class B common stock were issued to IAC pursuant to the employee matters agreement as reimbursement for shares of IAC common stock issued in connection with the exercise and vesting of IAC equity awards held by ANGI Homeservices employees. For the three and nine months ended September 30, 2019, less than 0.1 million and 0.5 million shares, respectively, of ANGI Homeservices Class B common stock were issued to IAC pursuant to the employee matters agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**GENERAL****Management Overview**

ANGI Homeservices Inc. ("ANGI Homeservices," the "Company," "ANGI," "we," "our," or "us") connects quality home service professionals across 500 different categories, from repairing and remodeling to cleaning and landscaping, with consumers. Over 230,000 domestic service professionals actively seek consumer matches, complete jobs or advertise through ANGI Homeservices' platforms and consumers turn to at least one of our brands to find a professional for more than 25 million projects each year. We've established category-transforming products with brands such as HomeAdvisor, Angie's List, Handy and Fixd Repair.

The Company has two operating segments: (i) North America (United States and Canada), which includes HomeAdvisor, Angie's List, Handy, mHelpDesk, HomeStars and Fixd Repair and (ii) Europe, which includes Travaux, MyHammer, MyBuilder, Werkspot and Instapro.

For a more detailed description of the Company's operating businesses, see the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Defined Terms and Operating Metrics:

Unless otherwise indicated or as the context otherwise requires certain terms used in this quarterly report, which include the principal operating metrics we use in managing our business, are defined below:

- **Marketplace Revenue** includes revenue from the HomeAdvisor, Handy and Fixd Repair domestic marketplaces, including consumer connection revenue for consumer matches, revenue from pre-priced jobs sourced through the HomeAdvisor, Handy and Fixd Repair platforms and service professional membership subscription revenue. It excludes revenue from Angie's List, mHelpDesk and HomeStars. Effective January 1, 2020, Fixd Repair has been moved to Marketplace from Advertising & Other and prior year amounts have been reclassified to conform to the current year presentation.
- **Advertising & Other Revenue** 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 and HomeStars.
- **Marketplace Service Requests** are fully completed and submitted domestic customer service requests to HomeAdvisor and includes pre-priced jobs sourced through the HomeAdvisor, Handy and Fixd Repair platforms.
- **Marketplace Monetized Transactions** - are fully completed and submitted domestic customer service requests to HomeAdvisor that were matched to and paid for by a service professional and includes pre-priced jobs sourced through the HomeAdvisor, Handy and Fixd Repair platforms during the period.
- **Marketplace Transacting Service Professionals ("Marketplace Transacting SPs")** are the number of HomeAdvisor, Handy and Fixd Repair domestic service professionals that paid for consumer matches or performed a job sourced through the HomeAdvisor, Handy and Fixd Repair platforms during the quarter.
- **Advertising Service Professionals ("Advertising SPs")** are the total number of Angie's List service professionals under contract for advertising at the end of the period.
- **Senior Notes** - On August 20, 2020, ANGI Group, LLC ("ANGI Group"), a direct wholly-owned subsidiary of the Company, issued \$500 million of its 3.875% Senior Notes due August 15, 2028, with interest payable February 15 and August 15 of each year, commencing February 15, 2021. The proceeds from the offering will be used for general corporate purposes, including future potential acquisitions and return of capital.

- **Term Loan** - due November 5, 2023. The outstanding balance of the Term Loan as of September 30, 2020 is \$237.2 million and quarterly principal payments are required. Pursuant to the joinder agreement entered into on August 12, 2020, ANGI Group became the successor borrower under the Term Loan and ANGI Homeservices Inc.'s obligations thereunder were terminated. At both September 30, 2020 and December 31, 2019, the Term Loan bore interest at LIBOR plus 1.50%. The interest rate was 1.66% and 3.25% at September 30, 2020 and December 31, 2019, respectively.
- **Revolving Facility** - The ANGI Group \$250 million revolving credit facility expires on November 5, 2023. Pursuant to the joinder agreement entered into on August 12, 2020, ANGI Group became the successor borrower under the Revolving Facility and ANGI Homeservices Inc.'s obligations thereunder were terminated. At September 30, 2020 and December 31, 2019, there were no outstanding borrowings under the Revolving Facility.

Components of Results of Operations

Revenue

Marketplace Revenue is primarily derived from (i) consumer connection revenue, which comprises fees paid by HomeAdvisor service professionals for consumer matches (regardless of whether the service professional ultimately provides the requested service) and fees from jobs sourced through the HomeAdvisor, Handy and Fixd Repair platforms, and (ii) HomeAdvisor service professional membership subscription fees. Consumer connection revenue varies based upon several factors, including the service requested, product experience offered and geographic location of service. Advertising & Other Revenue is primarily derived from (i) sales of time-based website, mobile and call center advertising to service professionals, (ii) membership subscription fees from consumers and (iii) service warranty subscription and other services.

Prior to January 1, 2020, Handy recorded revenue on a net basis. Effective January 1, 2020, we modified the Handy terms and conditions so that Handy, rather than the service professional, has the contractual relationship with the consumer to deliver the service and Handy, rather than the consumer, has the contractual relationship with the service professional. Consumers request services and pay for such services directly through the Handy platform and then Handy fulfills the request with independently established home services providers engaged in a trade, occupation and/or business that customarily provides such services. This change in contractual terms requires gross revenue accounting treatment effective January 1, 2020. Also, in the case of certain tasks, HomeAdvisor provides a pre-priced product offering, pursuant to which consumers can request services through a HomeAdvisor platform and pay HomeAdvisor for the services directly. HomeAdvisor then fulfills the request with independently established home services providers engaged in a trade, occupation and/or business that customarily provides such services. Revenue from HomeAdvisor's pre-priced product offering is also recorded on a gross basis effective January 1, 2020. In addition to changing the presentation of revenue to gross from net, the timing of revenue recognition changed for HomeAdvisor pre-priced jobs and will be later than consumer connection revenue because we will not be able to record revenue, generally, until the service professional completes the job on our behalf. The change to gross revenue reporting for Handy and HomeAdvisor's pre-priced product offering, effective January 1, 2020, resulted in an increase in revenue of \$20.8 million and \$51.3 million during the three and nine months ended September 30, 2020, respectively.

Operating Costs and Expenses:

- **Cost of revenue** - consists primarily of payments made to independent service professionals who perform work contracted under pre-priced arrangements through the HomeAdvisor, Handy and Fixd Repair platforms, credit card processing fees, compensation expense and other employee-related costs at Fixd Repair for service work performed, and hosting fees.
- **Selling and marketing expense** - consists primarily of advertising expenditures, which include online marketing, including fees paid to search engines, offline marketing, which is primarily television advertising, and partner-related payments to those who direct traffic to our brands, compensation expense (including stock-based compensation expense) and other employee-related costs for our sales force and marketing personnel, and facilities costs.
- **General and administrative expense** - consists primarily of compensation expense (including stock-based compensation expense) and other employee-related costs for personnel engaged in executive management, finance, legal, tax, human resources and customer service functions, fees for professional services (including transaction-related costs related to acquisitions), bad debt expense, software license and maintenance costs and facilities costs. Our customer service function includes personnel who provide support to our service professionals and consumers.

- **Product development expense** - consists primarily of compensation expense (including stock-based compensation expense) and other employee-related costs that are not capitalized for personnel engaged in the design, development, testing and enhancement of product offerings and related technology, software license and maintenance costs and facilities costs.

Non-GAAP financial measure

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) is a non-GAAP financial measure. See “[Principles of Financial Reporting](#)” for the definition of Adjusted EBITDA and a reconciliation of net earnings attributable to ANGI Homeservices Inc. shareholders to operating (loss) income to consolidated Adjusted EBITDA for the three and nine months ended September 30, 2020 and 2019.

Overview—Consolidated Results

	Three Months Ended September 30,			Nine Months Ended September 30,			2019	2020	2019
	2020	\$ Change	% Change	2020	\$ Change	% Change			
(Dollars in thousands)									
Revenue:									
North America	\$ 372,226	\$ 33,082	10 %	\$ 339,144	\$ 1,053,775	\$ 108,237	11 %	\$ 945,538	
Europe	17,687	(527)	(3)%	18,214	54,849	(4,310)	(7)%	59,159	
Total	<u>\$ 389,913</u>	<u>\$ 32,555</u>	9 %	<u>\$ 357,358</u>	<u>\$ 1,108,624</u>	<u>\$ 103,927</u>	10 %	<u>\$ 1,004,697</u>	
Operating Income (Loss):									
North America	\$ 295	\$ (26,899)	(99)%	\$ 27,194	\$ 8,377	\$ (32,032)	(79)%	\$ 40,409	
Europe	(3,314)	(846)	(34)%	(2,468)	(10,048)	(2,127)	(27)%	(7,921)	
Total	<u>\$ (3,019)</u>	<u>\$ (27,745)</u>	NM	<u>\$ 24,726</u>	<u>\$ (1,671)</u>	<u>\$ (34,159)</u>	NM	<u>\$ 32,488</u>	
Adjusted EBITDA:									
North America	\$ 40,454	\$ (20,055)	(33)%	\$ 60,509	\$ 136,886	\$ (14,918)	(10)%	\$ 151,804	
Europe	(1,967)	(381)	(24)%	(1,586)	(6,066)	(1,796)	(42)%	(4,270)	
Total	<u>\$ 38,487</u>	<u>\$ (20,436)</u>	(35)%	<u>\$ 58,923</u>	<u>\$ 130,820</u>	<u>\$ (16,714)</u>	(11)%	<u>\$ 147,534</u>	

NM = Not meaningful.

For the three months ended September 30, 2020:

- Revenue increased \$32.6 million, or 9%, driven by growth in North America of \$33.1 million, or 10%, partially offset by a decline in Europe of \$0.5 million, or 3%. North America revenue growth was driven by increases in Marketplace Revenue of \$33.2 million, or 12%, partially offset by a decrease in Advertising & Other Revenue of \$0.2 million.
- Operating income decreased \$27.7 million to a loss of \$3.0 million due primarily to a decrease in Adjusted EBITDA of \$20.4 million, described below, and increases of \$5.9 million in stock-based compensation expense and \$2.7 million in depreciation, partially offset by a decrease of \$1.3 million in amortization of intangibles. The increase in stock-based compensation expense was due primarily to the issuance of new equity awards since 2019 and the reversal in the third quarter of 2019 of \$7.6 million of expense related to certain performance-based awards that did not vest, partially offset by a decrease of \$2.2 million in the modification charge related to the combination of IAC's HomeAdvisor business and Angie's List, Inc. on September 29, 2017 (the "Combination"). The increase in depreciation was due primarily to the investments in capitalized software to support our products and services and leasehold improvements related to additional office space. The decrease in amortization of intangibles was due primarily to lower expense as certain intangible assets became fully amortized in 2019.
- Adjusted EBITDA decreased 35% to \$38.5 million, despite higher revenue due primarily to an increase in cost of revenue, increased investment in fixed price, an increase in compensation expense and an increase of \$3.6 million in bad debt expense due to higher Marketplace Revenue.

For the nine months ended September 30, 2020:

- Revenue increased \$103.9 million, or 10%, driven by growth in North America of \$108.2 million, or 11%, partially offset by a decline in Europe of \$4.3 million, or 7%. North America revenue growth was driven by increases in Marketplace Revenue of \$103.4 million, or 14%, and Advertising & Other Revenue of \$4.8 million, or 3%.
- Operating income decreased \$34.2 million to a loss of \$1.7 million due primarily to a decrease in Adjusted EBITDA of \$16.7 million, described below, and increases of \$11.6 million in depreciation and \$9.4 million in stock-based compensation expense, partially offset by a decrease of \$3.6 million in amortization of intangibles. The increases in depreciation and stock-based compensation and the decrease in amortization of intangibles were due primarily to the factors described above in the three-month discussion.

In the first quarter of 2020, the Company recorded additional stock-based compensation expense of \$5.9 million related to the previously issued HomeAdvisor unvested awards that were modified in connection with the Combination. The initial modification charge related to these awards was \$139.9 million. The cumulative \$5.9 million adjustment includes an increase of \$3.4 million to adjust forfeitures for the remaining unvested awards and \$2.5 million to correct the attribution of expense by period. The adjustment primarily impacted general and administrative expense. The effect on prior periods is immaterial.

- Adjusted EBITDA decreased 11% to \$130.8 million, despite higher revenue due primarily to an increase in cost of revenue, an increase of \$10.8 million in bad debt expense due to higher Marketplace Revenue, the impact from COVID-19 on expected credit losses and anticipated losses from Advertising SPs, and increased European losses.

COVID-19 Update

The impact on the Company from the COVID-19 outbreak, which has been declared a "pandemic" by the World Health Organization, has been varied. The extent to which developments related to the COVID-19 outbreak and measures designed to curb its spread continue to impact the Company's business, financial condition and results of operations will depend on future developments, all of which are highly uncertain and many of which are beyond the Company's control, including the speed of contagion, the development and implementation of effective preventative measures and possible treatments, the scope of governmental and other restrictions on travel, discretionary services (including those provided by certain of our service professionals) and other activity, and public reactions to these developments. For example, these developments and measures have resulted in rapid and adverse changes to the operating environment in which we do business, as well as significant uncertainty concerning the near and long term economic ramifications of the COVID-19 outbreak, which have adversely impacted our ability to forecast our results and respond in a timely and effective manner to trends related to the COVID-19 outbreak. The longer the global outbreak and measures designed to curb the spread of the virus continue to adversely affect levels of consumer confidence, discretionary spending and the willingness of consumers to interact with other consumers, vendors and service providers face-to-face (and in turn, adversely affect demand for the Company's various products and services), the greater the adverse impact is likely to be on the Company's business, financial condition and results of operations and the more limited will be the Company's ability to try and make up for delayed or lost revenues.

In March 2020, the Company experienced a decline in demand for service requests, driven primarily by decreases in demand in certain categories of jobs (particularly discretionary indoor projects). In the second quarter of 2020, the Company experienced a rebound in service requests, exceeding pre-COVID-19 growth levels, driven by increased demand from homeowners who spent more time at home due to measures taken to reduce the spread of COVID-19. The Company continued to experience strong demand for home services in the third quarter of 2020. However, many service professionals' businesses have been adversely impacted by labor and material constraints and many service professionals have limited capacity to take on new business, which has negatively impacted the Company's ability to monetize this increased level of service requests.

In addition the United States, which represents 94% of the Company's revenue for both the three and nine months ended September 30, 2020, has experienced a significant resurgence of the COVID-19 virus with record levels of infection being reported in the weeks following September 30, 2020. Europe, which is the second largest market for the Company's products and services, has also seen a dramatic resurgence in COVID-19. This resurgence and the measures designed to curb its spread could result in continued variability in service requests and/or a reduction in our ability to monetize service requests due to service professional constraints, one or both of which could materially and adversely affect our business, financial condition and results of operations.

Results of Operations for the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019
Revenue

	Three Months Ended September 30,			Nine Months Ended September 30,			2019	
	2020	\$ Change	% Change	2020	\$ Change	% Change		
(Dollars in thousands)								
Revenue:								
Marketplace:								
Consumer connection revenue	\$ 287,568	\$ 35,016	14 %	\$ 252,552	\$ 800,047	\$ 104,677	15 %	\$ 695,370
Service professional membership subscription revenue	12,195	(3,800)	(24)%	15,995	38,989	(9,708)	(20)%	48,697
Other revenue	6,944	2,029	41 %	4,915	19,620	8,434	75 %	11,186
Total Marketplace Revenue	306,707	33,245	12 %	273,462	858,656	103,403	14 %	755,253
Advertising & Other Revenue	65,519	(163)	— %	65,682	195,119	4,834	3 %	190,285
North America	372,226	33,082	10 %	339,144	1,053,775	108,237	11 %	945,538
Europe	17,687	(527)	(3)%	18,214	54,849	(4,310)	(7)%	59,159
Total Revenue	\$ 389,913	\$ 32,555	9 %	\$ 357,358	\$ 1,108,624	\$ 103,927	10 %	\$ 1,004,697
Percentage of Total Revenue:								
North America	95 %			95 %	95 %			94 %
Europe	5 %			5 %	5 %			6 %
Total Revenue	100 %			100 %	100 %			100 %

	Three Months Ended September 30,			Nine Months Ended September 30,			2019	
	2020	Change	% Change	2020	Change	% Change		
(Amounts in thousands)								
Operating metrics:								
Marketplace Service Requests	9,837	2,196	29 %	7,641	25,186	3,754	18 %	21,432
Marketplace Monetized Transactions	4,716	349	8 %	4,367	12,821	458	4 %	12,363
Marketplace Transacting SPs	207	17	9 %	190				
Advertising SPs	39	2	5 %	37				

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

North America revenue increased \$33.1 million, or 10%, driven by an increase in Marketplace Revenue of \$33.2 million or 12%, partially offset by a decrease in Advertising & Other Revenue of \$0.2 million. The increase in Marketplace Revenue is due to an increase in consumer connection revenue of \$35.0 million, or 14%, which was due primarily to an increase of 8% in Marketplace Monetized Transactions to 4.7 million, driven by an increase of 29% in Marketplace Service Requests to 9.8 million, and an increase in revenue of \$20.8 million due to the change to gross revenue reporting for Handy and HomeAdvisor's pre-priced product offering, effective January 1, 2020.

Europe revenue decreased \$0.5 million, or 3%, due primarily to lower monetization from transitioning the business in France to a common European technology platform with the businesses in the Netherlands and Italy, which began in early February 2020, partially offset by the favorable impact of the weakening of the U.S. dollar relative to the Euro and British Pound.

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

North America revenue increased \$108.2 million, or 11%, driven by increases in Marketplace Revenue of \$103.4 million or 14%, and Advertising & Other Revenue of \$4.8 million, or 3%. The increase in Marketplace Revenue is due to an increase in consumer connection revenue of \$104.7 million, or 15%, which was due primarily to an increase of 4% in Marketplace Monetized Transactions to 12.8 million, driven by an increase of 18% in Marketplace Service Requests to 25.2 million, and an increase in revenue of \$51.3 million due to the change to gross revenue reporting for Handy and HomeAdvisor's pre-priced product offering, effective January 1, 2020. The increase in Advertising & Other Revenue is due primarily to an increase in Angie's List revenue driven by an increase in Advertising SPs.

Europe revenue decreased \$4.3 million, or 7%, due primarily to the impact of COVID-19 and lower monetization from transitioning the business in France to a common European technology platform with the businesses in the Netherlands and Italy, which began in early February 2020.

Cost of revenue (exclusive of depreciation shown separately below)

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2020	\$ Change	% Change	2019	2020	\$ Change	% Change	2019
(Dollars in thousands)								
Cost of revenue (exclusive of depreciation shown separately below)	\$ 48,253	\$ 34,941	262 %	\$ 13,312	\$ 122,524	\$ 88,479	260 %	\$ 34,045
As a percentage of revenue	12 %			4 %	11 %			3 %

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

North America cost of revenue increased \$35.1 million, or 272%, due primarily to the change from net to gross revenue reporting for Handy and HomeAdvisor's pre-priced product offering, effective January 1, 2020.

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

North America cost of revenue increased \$88.5 million, or 270%, due primarily to the change from net to gross revenue reporting for Handy and HomeAdvisor's pre-priced product offering, effective January 1, 2020.

Selling and marketing expense

	Three Months Ended September 30,			Nine Months Ended September 30,			2019
	2020	\$ Change	% Change	2020	\$ Change	% Change	
(Dollars in thousands)							
Selling and marketing expense	\$ 210,171	\$ 14,629	7 %	\$ 195,542	\$ 590,114	\$ 23,103	4 %
As a percentage of revenue	54 %			55 %	53 %		56 %

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

North America selling and marketing expense increased \$15.8 million, or 8%, driven by increases of \$9.1 million in advertising expense, \$5.3 million in compensation expense and \$1.1 million in outsourced personnel costs, partially offset by a decrease of \$1.2 million in travel related expenses resulting from the impact of COVID-19. While service requests from both Google paid traffic and free traffic increased, advertising expense increased due primarily to an increase in online marketing costs as the proportion of service requests from Google paid traffic increased. The Company continues to benefit from the search engine marketing strategy that was implemented in the second half of 2019, which focuses on the lifetime profitability of rather than cost per service request. This increase in online marketing was partially offset by a decrease in television spend resulting from cost cutting initiatives due to the impact of COVID-19. The increase in compensation expense was due primarily to increased commission expense to the sales force resulting from higher revenue. The increase in outsourced personnel costs was due primarily to various sales initiatives at Handy.

Europe selling and marketing expense decreased \$1.2 million, or 12%, driven by a decrease in advertising expense of \$1.9 million, partially offset by an increase in compensation expense of \$0.8 million. The decrease in advertising expense is due, in part, to mitigating the negative impact of COVID-19 on revenue. The increase in compensation expense was due primarily to severance costs recorded in the third quarter of 2020 associated with headcount reductions in France.

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

North America selling and marketing expense increased \$26.1 million, or 5%, driven by increases in compensation expense of \$17.2 million, advertising expense of \$4.8 million, outsourced personnel and consulting costs of \$4.4 million and facility costs of \$1.5 million, partially offset by a decrease of \$2.5 million in travel related expenses resulting from the impact of COVID-19. The increase in compensation expense was due primarily to growth in the sales force and increased commission expense. The increase in advertising expense was due primarily to the factors described above in the three-month discussion. The increase in outsourced personnel and consulting costs was due primarily to various sales initiatives at Handy.

Europe selling and marketing expense decreased \$3.0 million, or 9%, driven by decreases in advertising expense of \$1.9 million and compensation expense of \$0.7 million. The decrease in compensation expense is due primarily to a reduction in sales force headcount associated with the platform migration in France, partially offset by severance cost recorded in the third quarter of 2020 associated with headcount reductions in France.

General and administrative expense

	Three Months Ended September 30,			Nine Months Ended September 30,			2019
	2020	\$ Change	% Change	2020	\$ Change	% Change	
(Dollars in thousands)							
General and administrative expense	\$ 90,122	\$ 7,778	9 %	\$ 82,344	\$ 270,129	\$ 15,343	6 %
As a percentage of revenue	23 %			23 %	24 %		25 %

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

North America general and administrative expense increased \$6.7 million, or 9%, due primarily to increases of \$4.3 million in compensation expense, \$3.7 million in bad debt expense due to higher Marketplace Revenue, and \$1.2 million in outsourced personal costs, partially offset by a decrease of \$1.1 million in travel related expenses resulting from the impact of COVID-19. The increase in compensation expense is due primarily to an increase in stock-based compensation expense due primarily to the issuance of new equity awards since 2019 and the reversal in the third quarter of 2019 of \$7.3 million of expense related to certain performance-based awards that did not vest, partially offset by a decrease of \$2.9 million in the modification charge related to the Combination. The increase in outsourced personnel costs is due primarily to an increase in call volume related to our customer service function.

Europe general and administrative expense increased \$1.1 million, or 14%, due primarily to an increase of \$1.7 million in compensation expense resulting from severance costs recorded in the third quarter of 2020 associated with headcount reductions in France, partially offset by decreases of \$0.5 million in the digital services tax and other non-payroll taxes and \$0.2 million in travel related expenses resulting from the impact of COVID-19.

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

North America general and administrative expense increased \$14.7 million, or 6%, due primarily to increases of \$10.5 million in bad debt expense due to higher Marketplace Revenue, the impact from COVID-19 on expected credit losses and anticipated losses from Advertising SPs, \$6.8 million in compensation expense and \$3.1 million in professional fees, partially offset by decreases of \$2.0 million in travel related expenses resulting from the impact of COVID-19 and \$1.9 million in software license and maintenance costs. The increase in compensation expense is due primarily to an increase of \$9.6 million in stock-based compensation expense due primarily to the factors described above in the three-month discussion and a cumulative adjustment recorded in the first quarter of 2020 in connection with the modification charge related to the Combination described under the "Overview" section above. The increase in professional fees is due primarily to an increase in legal fees.

Europe general and administrative expense increased \$0.7 million, or 3%, due primarily to an increase of \$1.1 million in compensation expense resulting from severance costs recorded in the third quarter of 2020 associated with headcount reductions in France and an increase of \$0.3 million in bad debt expense due, in part, from the impact of COVID-19 on expected credit losses, partially offset by decreases of \$0.5 million in digital services tax and other non-payroll taxes and \$0.4 million in travel related expenses resulting from the impact of COVID-19.

Product development expense

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2020	\$ Change	% Change	2019	2020	\$ Change	% Change	2019
(Dollars in thousands)								
Product development expense	\$ 17,577	\$ 1,556	10 %	\$ 16,021	\$ 50,068	\$ 3,161	7 %	\$ 46,907
As a percentage of revenue	5 %			4 %		5 %		5 %

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

North America product development expense increased \$1.5 million, or 12%, due primarily to an increase in compensation expense.

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

North America product development expense increased \$3.2 million, or 8%, due primarily to increases in compensation expense of \$2.5 million and software license and maintenance costs of \$0.7 million.

Depreciation

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2020	\$ Change	% Change	2019	2020	\$ Change	% Change	2019
(Dollars in thousands)								
Depreciation	\$ 13,921	\$ 2,677	24 %	\$ 11,244	\$ 38,614	\$ 11,575	43 %	\$ 27,039
As a percentage of revenue	4 %			3 %		3 %		3 %

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

North America depreciation increased \$2.1 million, or 19%, due primarily to the investments in capitalized software to support our products and services and leasehold improvements related to additional office space. Europe depreciation increased \$0.6 million.

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

North America depreciation increased \$10.4 million, or 41%, due primarily to the factors described above in the three-month discussion. Europe depreciation increased \$1.2 million.

Operating income (loss)

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2020	\$ Change	% Change	2019	2020	\$ Change	% Change	2019
(Dollars in thousands)								
North America	\$ 295	\$ (26,899)	(99)%	\$ 27,194	\$ 8,377	\$ (32,032)	(79)%	\$ 40,409
Europe	(3,314)	(846)	(34)%	(2,468)	(10,048)	(2,127)	(27)%	(7,921)
Total	\$ (3,019)	\$ (27,745)	NM	\$ 24,726	\$ (1,671)	\$ (34,159)	NM	\$ 32,488
As a percentage of revenue	(1)%			7 %	— %			3 %

NM = Not meaningful

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

North America operating income decreased \$26.9 million, or 99%, due to a decrease in Adjusted EBITDA of \$20.1 million, described below, and increases of \$6.0 million in stock-based compensation expense and \$2.1 million in depreciation, partially offset by a decrease of \$1.2 million in amortization of intangibles. The increase in stock-based compensation expense was due primarily to the issuance of new equity awards since 2019 and the reversal in the third quarter of 2019 of \$7.6 million of expense related to certain performance-based awards that did not vest, partially offset by a decrease of \$2.2 million in the modification charge related to the Combination. The increase in depreciation was due primarily to the investments in capitalized software to support our products and services and leasehold improvements related to additional office space. The decrease in amortization of intangibles was due primarily to lower expense as certain intangible assets became fully amortized in 2019.

Europe operating loss increased \$0.8 million, or 34%, due primarily to an increase of \$0.6 million in depreciation and a decrease in Adjusted EBITDA of \$0.4 million, described below, partially offset by a decrease of \$0.1 million in amortization of intangibles.

At September 30, 2020, there is \$79.3 million of unrecognized compensation cost, net of estimated forfeitures, related to all equity-based awards, which is expected to be recognized over a weighted average period of approximately 2.1 years.

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

North America operating income decreased \$32.0 million, or 79%, due primarily to a decrease in Adjusted EBITDA of \$14.9 million, described below, and increases of \$10.4 million in depreciation and \$9.3 million in stock-based compensation expense, partially offset by a decrease of \$2.6 million in amortization of intangibles. The increases in depreciation and stock-based compensation expense and decrease in amortization of intangibles were due primarily to the factors described above in the three-month discussion.

Europe operating loss increased \$2.1 million, or 27%, due primarily to a decrease in Adjusted EBITDA loss of \$1.8 million, described below, and increases of \$1.2 million in depreciation and \$0.1 million in stock-based compensation expense, partially offset by a decrease of \$1.0 million in amortization of intangibles.

Adjusted EBITDA

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2020	\$ Change	% Change	2019	2020	\$ Change	% Change	2019
(Dollars in thousands)								
North America	\$ 40,454	\$ (20,055)	(33)%	\$ 60,509	\$ 136,886	\$ (14,918)	(10)%	\$ 151,804
Europe	(1,967)	(381)	(24)%	(1,586)	(6,066)	(1,796)	(42)%	(4,270)
Total	\$ 38,487	\$ (20,436)	(35)%	\$ 58,923	\$ 130,820	\$ (16,714)	(11)%	\$ 147,534
As a percentage of revenue	10 %			16 %	12 %			15 %

For a reconciliation of net earnings attributable to ANGI Homeservices Inc. shareholders to operating (loss) income to consolidated Adjusted EBITDA, see "[Principles of Financial Reporting](#)." For a reconciliation of operating income (loss) to Adjusted EBITDA for the Company's reportable segments, see "[Note 7—Segment Information](#)" to the consolidated financial statements included in "[Item 1. Consolidated Financial Statements](#)."

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

North America Adjusted EBITDA decreased \$20.1 million, or 33%, to \$40.5 million, despite higher revenue due primarily to an increase in cost of revenue, increased investment in fixed price and an increase of \$3.7 million in bad debt expense due to higher Marketplace Revenue.

Europe Adjusted EBITDA loss increased \$0.4 million, or 24%, to a loss of \$2.0 million, due primarily to a decrease in revenue and an increase in compensation expense due to severance costs recorded in the third quarter of 2020 associated with headcount reductions in France, partially offset by a decrease of \$1.9 million in advertising expense due, in part, to mitigating the negative impact of COVID-19 on revenue.

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

North America Adjusted EBITDA decreased \$14.9 million, or 10%, to \$136.9 million, despite higher revenue due primarily to an increase in cost of revenue and an increase of \$10.5 million in bad debt expense due to higher Marketplace Revenue, the impact from COVID-19 on expected credit losses and anticipated losses from Advertising SPs.

Europe Adjusted EBITDA loss increased \$1.8 million, or 42%, to a loss of \$6.1 million, due primarily to the decrease of \$4.3 million in revenue and an increase in bad debt expense of \$0.3 million, due, in part, from the impact of COVID-19 on expected credit losses, partially offset by a decrease of \$1.9 million in advertising expense.

Interest expense

Interest expense relates to interest on the Senior Notes, Term Loan and commitment fees on the undrawn Revolving Facility.

For a detailed description of long-term debt, net, see "[Note 4—Long-term Debt](#)" to the consolidated financial statements included in "[Item 1. Consolidated Financial Statements](#)."

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2020	\$ Change	% Change	2019	2020	\$ Change	% Change	2019
(Dollars in thousands)								
Interest expense	\$ 3,699	\$ 692	23 %	\$ 3,007	\$ 7,593	\$ (1,371)	(15)%	\$ 8,964

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

Interest expense in 2020 increased from 2019 due primarily to the issuance of the Senior Notes in August 2020, partially offset by a decrease in interest expense on the Term Loan due primarily to lower interest rates and the decrease in the average outstanding balance of the Term Loan compared to the prior year period.

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Interest expense in 2020 decreased from 2019 due primarily to lower interest rates and the decrease in the average outstanding balance of the Term Loan compared to the prior year period, partially offset by the issuance of the Senior Notes in August 2020.

Other income, net

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2020	\$ Change	% Change	2019	2020	\$ Change	% Change	2019
	(Dollars in thousands)							
Other income, net	\$ 223	\$ (1,282)	(85)%	\$ 1,505	\$ 856	\$ (3,967)	(82)%	\$ 4,823

For the three months ended September 30, 2020 and 2019

Other income, net in 2020 principally includes interest income of \$0.1 million and foreign currency exchange gains of \$0.1 million.

Other income, net in 2019 principally includes interest income of \$2.1 million, and net foreign currency exchange gains of \$0.3 million, partially offset by a \$0.9 million mark-to-market charge for an indemnification claim related to the Handy acquisition that was settled in ANGI shares during the first quarter of 2020.

For the nine months ended September 30, 2020 and 2019

Other income, net in 2020 principally includes interest income of \$1.6 million, partially offset by net foreign currency exchange losses of \$0.3 million, and a \$0.2 million mark-to-market charge for an indemnification claim related to the Handy acquisition that was settled in ANGI shares during the first quarter of 2020.

Other income, net in 2019 principally includes interest income of \$6.4 million and net foreign currency exchange gains of \$0.6 million, partially offset by a \$2.0 million mark-to-market charge for an indemnification claim related to the Handy acquisition that was settled in ANGI shares during the first quarter of 2020.

Income tax benefit (provision)

	Three Months Ended September 30,			Nine Months Ended September 30,				
	2020	\$ Change	% Change	2019	2020	\$ Change	% Change	2019
	(Dollars in thousands)							
Income tax benefit (provision)	\$ 11,698	\$ 16,598	NM	\$ (4,900)	\$ 17,638	\$ 10,576	150 %	\$ 7,062
Effective income tax rate	NM			21 %	NM			NM

For further details of income tax matters, see "[Note 2—Income Taxes](#)" to the consolidated financial statements included in "[Item 1. Consolidated Financial Statements](#)."

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

In 2020, the income tax benefit was due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards.

In 2019, the effective income tax rate approximates the statutory rate of 21% due primarily to unbenefited foreign losses and state taxes, offset by research credits and excess tax benefits generated by the exercise and vesting of stock-based awards.

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

In 2020, the Company recorded an income tax benefit of \$17.6 million. The income tax benefit was due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards and a reduction to deferred taxes due to the true-up of the state tax rate of an indefinite-lived intangible asset.

In 2019, the Company recorded an income tax benefit of \$7.1 million, despite pre-tax income. The income tax benefit was due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards.

PRINCIPLES OF FINANCIAL REPORTING

We report Adjusted EBITDA as a supplemental measure to U.S. generally accepted accounting principles ("GAAP"). This measure is one of 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. This non-GAAP measure 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. We endeavor to compensate for the limitations of the non-GAAP measure presented by providing the comparable GAAP measure with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measure. We encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measure, which we discuss below.

Definition of Non-GAAP Measure

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 because it excludes the impact of these expenses.

The following table reconciles net earnings attributable to ANGI Homeservices Inc. shareholders to operating (loss) income to consolidated Adjusted EBITDA:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Net earnings attributable to ANGI Homeservices Inc. shareholders	\$ 4,472	\$ 17,999	\$ 8,181	\$ 34,936
Add back:				
Net earnings attributable to noncontrolling interests	731	325	1,049	473
Income tax (benefit) provision	(11,698)	4,900	(17,638)	(7,062)
Other income, net	(223)	(1,505)	(856)	(4,823)
Interest expense	3,699	3,007	7,593	8,964
Operating (loss) income	<u>(3,019)</u>	<u>24,726</u>	<u>(1,671)</u>	<u>32,488</u>
Stock-based compensation expense	14,697	8,784	55,031	45,586
Depreciation	13,921	11,244	38,614	27,039
Amortization of intangibles	12,888	14,169	38,846	42,421
Adjusted EBITDA	<u>\$ 38,487</u>	<u>\$ 58,923</u>	<u>\$ 130,820</u>	<u>\$ 147,534</u>

For a reconciliation of operating (loss) income to Adjusted EBITDA for the Company's reportable segments, see "[Note 7—Segment Information](#)" to the consolidated financial statements included in "[Item 1. Consolidated Financial Statements](#)."

Non-Cash Expenses That Are Excluded from Non-GAAP Measure

Stock-based compensation expense consists principally of expense associated with the grants, including unvested grants assumed in acquisitions, of stock appreciation rights, restricted stock units ("RSUs"), stock options, performance-based RSUs and market-based awards. 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 and market-based awards are included only to the extent the applicable performance or market condition(s) have been met (assuming the end of the reporting period is the end of the contingency period). The Company is currently settling all stock-based awards on a net basis and remits the required tax-withholding amount from its current funds.

Depreciation is a non-cash expense relating to our capitalized software, leasehold improvements and equipment that 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. 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 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 impairments of intangible assets or goodwill, if applicable, are not ongoing costs of doing business.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Financial Position

	September 30, 2020	December 31, 2019
	(In thousands)	
Cash and cash equivalents and marketable debt securities		
United States	\$ 837,611	\$ 377,648
All other countries ^(a)	17,433	12,917
Total cash and cash equivalents	855,044	390,565
Marketable debt securities (United States)	49,992	—
Total cash and cash equivalents and marketable debt securities	\$ 905,036	\$ 390,565
Long-term debt		
Senior Notes	\$ 500,000	\$ —
Term Loan	237,188	247,500
Total long-term debt	737,188	247,500
Less: current portion of Term Loan	13,750	13,750
Less: unamortized debt issuance costs	8,030	1,804
Total long-term debt, net	\$ 715,408	\$ 231,946

^(a) If needed for U.S. operations, the cash and cash equivalents held by the Company's foreign subsidiaries could be repatriated without significant tax consequences.

Long-term Debt

The outstanding balance of the Term Loan as of September 30, 2020 is \$237.2 million. There are quarterly principal payments of \$3.4 million through December 31, 2021, \$6.9 million for the one-year period ending December 31, 2022 and \$10.3 million through maturity of the loan when the final amount of \$161.6 million is due. Additionally, interest payments are due at least quarterly through the term of the loan. At September 30, 2020, the Term Loan bore interest at LIBOR plus 1.50%, or 1.66%. The spread over LIBOR is subject to change in future periods based on ANGI Group's consolidated net leverage ratio.

On August 20, 2020, ANGI Group issued \$500 million of its Senior Notes due August 15, 2028, with interest payable February 15 and August 15 of each year, commencing February 15, 2021. The proceeds from the offering will be used for general corporate purposes, including potential future acquisitions and return of capital.

On August 12, 2020, ANGI Group entered into a joinder agreement with the Company, the other subsidiaries of the Company that are party to the credit agreement, and each of the other loan parties to the credit agreement, pursuant to which ANGI Group became the successor borrower under the credit agreement and ANGI Homeservices Inc.'s obligations thereunder were terminated. The credit agreement governs the Term Loan and Revolving Facility. In addition, on August 12, 2020, the definition of "Permitted Unsecured Ratio Debt" in the credit agreement was amended to remove the requirement that guarantees of certain indebtedness of the borrower be subordinated to the guarantees under the credit agreement.

The \$250 million Revolving Facility expires on November 5, 2023. At September 30, 2020 and December 31, 2019, there were no outstanding borrowings under the Revolving Facility. The annual commitment fee on undrawn funds is currently 25 basis points and is based on ANGI Group's consolidated net leverage ratio most recently reported. Borrowings under the Revolving Facility bear interest, at ANGI Group's option, at either a base rate or LIBOR, in each case plus an applicable margin, which is determined based on ANGI Group's consolidated net leverage ratio.

The Senior Notes, Term Loan and Revolving Facility are guaranteed by certain of ANGI Group's wholly-owned material domestic subsidiaries and ANGI Group's obligations under the Term Loan and the Revolving Facility are secured by substantially all assets of ANGI Group and the guarantors, subject to certain exceptions. The Term Loan and outstanding borrowings, if any, under the Revolving Facility rank equally with each other, and have priority over the Senior Notes to the extent of the value of the assets securing the borrowings under the credit agreement. The terms of the Revolving Facility and the Term Loan require ANGI Group to maintain a consolidated net leverage ratio of not more than 4.5 to 1.0 and a minimum interest coverage ratio of not less than 2.0 to 1.0 (in each case as defined in the credit agreement). In addition, the credit agreement contains covenants that would limit ANGI Group's ability to pay dividends or make distributions in the event a default has occurred or if ANGI Group's consolidated net leverage ratio exceeds 4.25 to 1.0.

Cash Flow Information

In summary, the Company's cash flows are as follows:

	Nine Months Ended September 30,	
	2020	2019
(In thousands)		
Net cash provided by (used in):		
Operating activities	\$ 173,185	\$ 182,084
Investing activities	\$ (86,894)	\$ (26,630)
Financing activities	\$ 378,450	\$ (89,924)

Net cash provided by operating activities consists of earnings adjusted for non-cash items and the effect of changes in working capital. Non-cash adjustments include provision for credit losses, stock-based compensation expense, amortization of intangibles, depreciation, and deferred income taxes.

2020

Adjustments to earnings consist primarily of \$60.1 million of provision for credit losses, \$55.0 million of stock-based compensation expense, \$38.8 million of amortization of intangibles, and \$38.6 million of depreciation, partially offset by \$18.1 million of deferred income taxes. The decrease from changes in working capital consists primarily of an increase in accounts receivable of \$70.7 million, partially offset by an increase in accounts payable and other liabilities of \$46.9 million. The increase in accounts receivable is due primarily to revenue growth in North America. The increase in accounts payable and other liabilities is due primarily to an increase in accrued advertising and related payables, and accrued compensation costs due, in part, to the deferral of payroll tax payments under the Coronavirus Aid, Relief, and Economic Security Act.

Net cash used in investing activities includes purchases of marketable debt securities of \$50.0 million and capital expenditures of \$37.6 million, primarily related to investments in capitalized software to support the Company's products and services, and leasehold improvements.

Net cash provided by financing activities includes \$500.0 million of proceeds from the issuance of the Senior Notes and a \$3.1 million payment from IAC pursuant to the tax sharing agreement, partially offset by \$54.4 million for the repurchase of 7.7 million shares of Class A common stock, on a settlement date basis, at an average price of \$7.02 per share, \$50.0 million for the payment of withholding taxes on behalf of employees for stock-based awards that were net settled, \$10.3 million in principal payments on the Term Loan, \$5.6 million for debt issuance costs, and \$4.3 million for the purchase of redeemable noncontrolling interests.

2019

Adjustments to earnings consist primarily of \$49.3 million of provision for credit losses, \$45.6 million of stock-based compensation expense, \$42.4 million of amortization of intangibles, and \$27.0 million of depreciation, partially offset by \$8.3 million of deferred income taxes. The deferred income tax benefit primarily relates to the net operating loss created by the exercise and vesting of stock-based awards. The decrease from changes in working capital consists primarily of an increase in accounts receivable of \$66.6 million, partially offset by an increase in accounts payable and other liabilities of \$30.6 million and a decrease in other assets of \$15.7 million. The increase in accounts receivable was due primarily to revenue growth in North America. The increase in accounts payable and other liabilities is due primarily to an increase in accrued advertising and related payables. The decrease in other assets is due, in part, to a receipt of tenant improvement allowances.

Net cash used in investing activities includes capital expenditures of \$54.8 million, primarily related to investments in capitalized software to support the Company's products and services, and leasehold improvements, \$20.3 million of cash principally related to the acquisition of Fixd Repair, partially offset by \$25.0 million of proceeds from maturities of marketable debt securities, \$23.6 million of net proceeds from the December 31, 2018 sale of Felix.

Net cash used in financing activities includes \$34.0 million for the repurchase of 4.1 million shares of Class A common stock, on a settlement date basis, at an average price of \$8.23 per share, \$30.0 million for the payment of withholding taxes on behalf of employees for stock-based awards that were net settled, a \$11.4 million payment to IAC pursuant to the tax sharing agreement and \$10.3 million for the principal payments on the Term Loan.

Liquidity and Capital Resources

During the nine months ended September 30, 2020, the Company repurchased 7.6 million shares of its Class A common stock, on a trade date basis, at an average price of \$7.00 per share, or \$53.4 million in aggregate. At September 30, 2020, the Company has 20.1 million shares remaining in its share repurchase authorization. The Company may purchase its shares over an indefinite period of time on the open market and in privately negotiated transactions, depending on those factors management deems relevant at any particular time, including, without limitation, market conditions, share price and future outlook.

The Company currently settles all equity awards on a net basis. Assuming all equity awards outstanding on October 30, 2020 were net settled on that date, including stock options, RSUs and subsidiary-denominated equity, ANGI would have issued 10.0 million shares of its Class A common stock and would have remitted \$106.3 million in cash for withholding taxes (assuming a 50% withholding rate).

The Company's 2020 capital expenditures are expected to be lower than 2019 capital expenditures of \$68.8 million by approximately 15% to 20%, due primarily to lower leasehold improvements. The Company's liquidity could be negatively affected by a decrease in demand for our products and services due to COVID-19 or other factors. As described in the "COVID-19 Update" section above, to date, the COVID-19 outbreak and measures designed to curb its spread have had an impact on the Company's business. The longer the global outbreak and measures designed to curb the spread of the virus have adverse impacts on economic conditions generally, the greater the adverse impact is likely to be on the Company's business, financial condition and results of operations. The Company believes it has ample access to capital to navigate current and coming economic pressures.

The Company's indebtedness could limit its ability to: (i) obtain additional financing to fund working capital needs, acquisitions, capital expenditures or debt service or other requirements; and (ii) use operating cash flow to make certain acquisitions or investments, in the event a default has occurred or, in certain circumstances, if ANGI Group's leverage ratio exceeds the ratios set forth in the Term Loan. There were no such limitations at September 30, 2020. The Company's ability to obtain additional financing may also be impacted by any disruptions in the financial markets caused by COVID-19 or otherwise.

The Company believes its existing cash, cash equivalents, marketable debt securities, available borrowings under the Revolving Facility and expected positive cash flows generated from operations will be sufficient to fund its normal operating requirements, including capital expenditures, debt service, the payment of withholding taxes paid on behalf of employees for net-settled stock-based awards, and investing and other commitments, for the foreseeable future.

At September 30, 2020, IAC held all Class B shares of ANGI, which represent 84.5% of the economic interest and 98.2% of the voting interest of ANGI. As a result, IAC has the ability to control ANGI's financing activities, including the issuance of additional debt and equity securities by ANGI or any of its subsidiaries, or the incurrence of other indebtedness generally. While ANGI is expected to have the ability to access debt and equity markets if needed, such transactions may require the approval of IAC due to its control of the majority of the outstanding voting power of ANGI's capital stock and its representation on the ANGI board of directors. Additional financing may not be available on terms favorable to the Company or at all.

CONTRACTUAL OBLIGATIONS

At September 30, 2020, there have been no material changes to the Company's contractual obligations since the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2019 except for the issuance, by ANGI Group, on August 20, 2020 of \$500 million aggregate principal amount of its Senior Notes due August 15, 2028. The proceeds from the offering will be used for general corporate purposes, including potential future acquisitions and return of capital.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

At September 30, 2020, there have been no material changes to the Company's instruments or positions that are sensitive to market risk since the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2019, other than the issuance of the ANGI Group Senior Notes on August 20, 2020, which increased the Company's exposure to interest rate risk.

If market interest rates decline, the Company runs the risk that the related required payments of the ANGI Group Senior Notes will exceed those based on market rates. A 100-basis point increase or decrease in the level of interest rates would, respectively, decrease or increase the fair value of the fixed-rate debt by \$33.4 million. Such potential increase or decrease in fair value is based on certain simplifying assumptions, including an immediate increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period. The outstanding balances of \$237.2 million on the ANGI Group Term Loan bears interest at LIBOR plus 1.50%. As of September 30, 2020, the rate in effect was 1.66%. If LIBOR were to increase or decrease by 100 basis points, then the annual interest expense on the ANGI Group Term Loan would increase or decrease by \$2.4 million. The decline in interest rates in 2020 relative to 2019 has reduced the Company's interest expense by approximately \$1.3 million and \$3.1 million for the three and nine months ended September 30, 2020.

Item 4. Controls and Procedures

The Company monitors and evaluates on an ongoing basis its disclosure controls and procedures and internal control over financial reporting in order to improve their overall effectiveness. In the course of these evaluations, the Company modifies and refines its internal processes as conditions warrant.

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's management, including our principal executive and principal financial officers, or persons performing similar functions, evaluated the effectiveness of the Company's disclosure controls and procedures as defined by Rule 13a-15(e) under the Exchange Act. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance that information we are required to disclose in our filings with the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There were no changes to the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. *Legal Proceedings*

Overview

In the ordinary course of business, the Company and its subsidiaries are (or may become) parties to litigation involving property, personal injury, contract, intellectual property and other claims, as well as stockholder derivative actions, class action lawsuits and other matters. The amounts that may be recovered in such matters may be subject to insurance coverage. Although the results of legal proceedings and claims cannot be predicted with certainty, neither the Company nor any of its subsidiaries is currently a party to any legal proceedings, the outcome of which, we believe, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our business, financial condition or results of operations.

Rules of the Securities and Exchange Commission require the description of material pending legal proceedings (other than ordinary, routine litigation incident to the registrant's business) and advise that proceedings ordinarily need not be described if they primarily involve damages claims for amounts (exclusive of interest and costs) not exceeding 10% of the current assets of the registrant and its subsidiaries on a consolidated basis. In the judgment of Company management, none of the pending litigation matters which we are defending, including the one described below, involves or is likely to involve amounts of that magnitude. The litigation matter described below involves issues or claims that may be of particular interest to our stockholders, regardless of whether this matter may be material to our financial position or operations based upon the standard set forth in the rules of the Securities and Exchange Commission.

Service Professional Class Action Litigation against HomeAdvisor

This purported class action pending in Colorado is described in detail on page 24 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. See *Airquip, Inc. et al. v. HomeAdvisor, Inc. et al.*, No. 1:16-cv-1849 and *Costello et al. v. HomeAdvisor, Inc. et al.*, No. 1:18-cv-1802, both filed in U.S. District Court in Colorado and consolidated under the caption *In re HomeAdvisor, Inc. Litigation*. This lawsuit alleges that our HomeAdvisor business engages in certain deceptive practices affecting the service professionals who join its network, including charging them for substandard customer leads or failing to disclose certain charges. On September 29, 2020, the court issued an order granting in part and denying in part the defendants' motions to dismiss and with the exception of this development, there have been no material or otherwise noteworthy developments in this case since the filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. The Company believes that the allegations in this lawsuit are without merit and will continue to defend vigorously against them.

Item 1A. Risk Factors

Cautionary Statement Regarding Forward-Looking Information

This quarterly report on Form 10-Q contains "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 home services industry and other similar matters. These forward-looking statements are based on Company management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict.

Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, among others: (i) the impact of the COVID-19 outbreak on our businesses, (ii) our ability to compete, (iii) the failure or delay of the home services market to migrate online, (iv) adverse economic events or trends (particularly those that adversely impact consumer confidence and spending behavior), (v) our ability to establish and maintain relationships with quality service professionals, (vi) our ability to build, maintain and/or enhance our various brands, (vii) our ability to market our various products and services in a successful and cost-effective manner, (viii) the continued display of links to websites offering our products and services in a prominent manner in search results, (ix) our continued ability to communicate with consumers and service professionals via e-mail (or other sufficient means), (x) our ability to access, share and use personal data about consumers, (xi) our ability to develop and monetize versions of our products and services for mobile and other digital devices, (xii) any challenge to the contractor classification or employment status of our Handy service professionals, (xiii) our ability to protect our systems, technology and infrastructure from cyberattacks and to protect personal and confidential user information, (xiv) the occurrence of data security breaches, fraud and/or additional regulation involving or impacting credit card payments, (xv) the integrity, efficiency and scalability of our technology systems and infrastructures (and those of third parties with whom we do business), (xvi) operational and financial risks relating to acquisitions and the integration of suitable targets, (xvii) our ability to operate (and expand into) international markets successfully, (xviii) our ability to adequately protect our intellectual property rights and not infringe the intellectual property rights of third parties, (xix) changes in key personnel, (xx) various risks related to our relationship with IAC and (xxi) various risks related to our outstanding indebtedness.

Certain of these and other risks and uncertainties are discussed in our filings with the SEC, including in Part I-Item 1A-Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Part II-Item 1A-Risk Factors of our Quarterly Reports on 10-Q for the fiscal quarters ended March 31, 2020 and June 30, 2020. Other unknown or unpredictable factors that could also adversely affect our business, financial condition and operating results may arise from time to time. In light of these risks and uncertainties, the forward-looking statements discussed in this quarterly report may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of Company management as of the date of this quarterly report. We do not undertake to update these forward-looking statements.

Risk Factors

In addition to the risk factor relating to the impact of the COVID-19 outbreak on our businesses and other information set forth in this quarterly report, you should carefully consider the risk factors set forth in Part I-Item 1A-Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Part II-Item 1A-Risk Factors of our Quarterly Reports on 10-Q for the fiscal quarters ended March 31, 2020 and June 30, 2020, which could materially and adversely affect our business, financial condition and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and results of operations.

The global outbreak of COVID-19 and other similar outbreaks could adversely affect our business, financial condition and results of operations.

Our business could be materially and adversely affected by the outbreak of a widespread health epidemic or pandemic, including the outbreak of the coronavirus ("COVID-19"), which has been declared a "pandemic" by the World Health Organization. To date, the outbreak of COVID-19 has caused a widespread global health crisis, and governments in affected regions have implemented measures designed to curb the spread of the virus, such as social distancing, government imposed quarantines and lockdowns, travel bans and other public health safety measures. These measures have resulted in significant social disruption and have had (and are likely to continue to have) an adverse effect on economic conditions generally, as well as on consumer confidence and spending, all of which could have an adverse effect on our businesses, financial condition and

results of operations. For example, in March 2020, we experienced a decline in demand for service requests, driven primarily by decreases in demand in certain categories of jobs (particularly discretionary indoor projects). In the second quarter of 2020, we experienced a rebound in service requests, exceeding pre-COVID 19 growth levels, driven by increased demand from homeowners who spent more time at home due to measures taken to reduce the spread of COVID-19. We continued to experience strong demand for home services in the third quarter of 2020. However, many service professionals' businesses have been adversely impacted by labor and material constraints and many service professionals have limited capacity to take on new business, which has negatively impacted our ability to monetize this increased level of service requests. Also, the United States, which represents 94% of our revenue for both the three and nine months ended September 30, 2020, has experienced a significant resurgence of COVID-19 with record levels of infection being reported in the weeks following the end of the third quarter of 2020. Lastly, Europe, which is the second largest market for the Company's product and services, has also seen a dramatic resurgence of COVID-19. These resurgences and the measures designed to curb their spread could result in continued variability in service requests and/or a reduction in our ability to monetize service requests due to service professional constraints, one or both of which could materially and adversely affect our business, financial condition and results of operations.

In addition, in response to the COVID-19 outbreak and government-imposed measures to control its spread, our ability to conduct ordinary course business activities has been (and may continue to be) impaired for an indefinite period of time. For example, we have taken several precautions that could adversely impact employee productivity, such as requiring employees to work remotely for the first time in the Company's history, as well as imposing travel restrictions and temporarily closing office locations. While we have found that our employees (including call center and sales employees) have transitioned to working remotely with limited disruption to date, no assurances can be provided that their productivity and efficiency will remain at pre-pandemic levels, particularly if they are required to continue working remotely for an extended period of time. Also, working remotely may involve increased operational risks, such as increased risks of "phishing," other cybersecurity attacks or the unauthorized dissemination of personally identifiable information or proprietary and confidential information. Lastly, moving employees back to the office may introduce distraction that could have a temporary negative impact on the Company's productivity, and in turn, revenue. We may also experience increased operating costs as we gradually resume normal operations and enhance preventative measures, including with respect to real estate, compliance and insurance-related expenses. Moreover, we may also experience business disruption if the ordinary course operations of our contractors, vendors or business partners are adversely affected. Any of these measures or impairments could adversely affect our business, financial condition and results of operations.

The extent to which developments related to COVID-19 and measures designed to curb its spread continue to impact our business, financial condition and results of operations will depend on future developments, all of which are highly uncertain and many of which are beyond our control, including the speed of contagion, the development and implementation of effective preventative measures and possible treatments, the scope of governmental and other restrictions on travel, discretionary services (including those provided by certain of our service professionals) and other activity, and public reactions to these developments. For example, these developments and measures have resulted in rapid and adverse changes to the operating environment in which we do business, as well as significant uncertainty concerning the near and long term economic ramifications of the COVID-19 outbreak, which have adversely impacted our ability to forecast our results and respond in a timely and effective manner to trends related to COVID-19. The longer the global outbreak and measures designed to curb the spread of COVID-19 continue to adversely affect levels of consumer confidence, discretionary spending and the willingness of consumers to interact with other consumers, vendors and service providers face-to-face (and in turn, adversely affect demand for home services provided by our service professionals and our products and services generally), the greater the adverse impact is likely to be on our business, financial condition and results of operations and the more limited our ability will be to try and make up for delayed or lost revenues.

The COVID-19 outbreak may also have the effect of heightening many of the other risks described in Part I-Item 1A-Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Part II-Item 1A-Risk Factors of our Quarterly Reports on 10-Q for the fiscal quarters ended March 31, 2020 and June 30, 2020. We will continue to evaluate the nature and extent of the impact of the COVID-19 outbreak on our business, financial condition and results of operations.

Furthermore, because COVID-19 did not begin to impact our results until late in the first quarter of 2020, any current or future impacts may not be directly comparable to any historical periods and are not necessarily indicative of any future impacts that COVID-19 may have on our results for the remainder of 2020 or any subsequent periods. The impact of COVID-19 on our revenues and expenses may also fluctuate differently over the duration of the pandemic.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

Unregistered Sales of Equity Securities

The Employee Matters Agreement dated as of September 29, 2017, by and between us and IAC (the "Employee Matters Agreement"), provides, among other things, that we will reimburse IAC for the cost of certain equity awards held by our current and former employees and that IAC may elect to receive payment either in cash or shares of our Class B common stock.

Pursuant to the Employee Matters Agreement, 102,838 shares of Class B common stock were issued to IAC on September 30, 2020 as reimbursement for shares of IAC common stock issued in connection with the settlement of certain equity awards held by our employees during the quarter ended September 30, 2020. This issuance did not involve any underwriters or public offerings and we believe that such issuance was exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(a)(2) thereof.

Issuer Purchases of Equity Securities

The Company did not purchase any shares of its Class A common stock during the quarter ended September 30, 2020. As of that date, 20,053,530 shares of ANGI Class A common stock remained available for repurchase under the Company's previously announced February 2019 and March 2020 repurchase authorizations. The Company may repurchase shares pursuant to these repurchase authorizations over an indefinite period of time in the open market and in privately negotiated transactions, depending on those factors ANGI management deems relevant at any particular time, including, without limitation, market conditions, share price and future outlook.

Item 6. Exhibits

The documents set forth below, numbered in accordance with Item 601 of Regulation S-K, are filed herewith, incorporated by reference to the location indicated or furnished herewith.

Exhibit Number	Description	Location
3.1	Amended and Restated Certificate of Incorporation of ANGI Homeservices Inc.	Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on October 2, 2017.
3.2	Amended and Restated Bylaws of ANGI Homeservices Inc.	Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed on October 2, 2017.
4.1	Indenture, dated as of August 20, 2020, among ANGI Group, LLC, the guarantors party thereto and Computershare Trust Company, N.A., as trustee.	Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on August 20, 2020.
10.1	Amendment No. 1, dated as of August 12, 2020, among ANGI Homeservices Inc., the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent.	Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on August 12, 2020.
10.2	Joinder and Reaffirmation Agreement, dated as of August 12, 2020, among ANGI Homeservices Inc., ANGI Group, LLC, each of the parties listed on Schedule 1 thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent.	Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed on August 12, 2020.
10.3	Advisory Agreement, dated September 8, 2020, between ANGI Homeservices Inc. and Craig Smith.	Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on September 11, 2020.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)	
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)	
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (2)	
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (2)	
101.INS	Inline XBRL Instance (1)	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema (1)	
101.CAL	Inline XBRL Taxonomy Extension Calculation (1)	
101.DEF	Inline XBRL Taxonomy Extension Definition (1)	
101.LAB	Inline XBRL Taxonomy Extension Labels (1)	
101.PRE	Inline XBRL Taxonomy Extension Presentation (1)	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

(1) Filed herewith.

(2) Furnished herewith.

Certification

I, William B. Ridenour, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2020 of ANGI Homeservices Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2020

/s/ WILLIAM B. RIDENOUR

William B. Ridenour
Chief Executive Officer

Certification

I, Jamie Cohen, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2020 of ANGI Homeservices Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2020

/s/ JAMIE COHEN

Jamie Cohen
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, William B. Ridenour, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020 of ANGI Homeservices Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ANGI Homeservices Inc.

Dated: November 6, 2020

/s/ WILLIAM B. RIDENOUR

William B. Ridenour
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jamie Cohen, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020 of ANGI Homeservices Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ANGI Homeservices Inc.

Dated: November 6, 2020

/s/ JAMIE COHEN

Jamie Cohen
Chief Financial Officer