

IAC/INTERACTIVECORP

Form 10-K

February 29, 2016

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As filed with the Securities and Exchange Commission on February 29, 2016

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2015

Commission File No. 0-20570

IAC/INTERACTIVECORP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

555 West 18th Street, New York, New York
(Address of Registrant's principal executive offices)
(212) 314-7300

(Registrant's telephone number, including area code)

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

Title of each class

Common Stock, par value \$0.001

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

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller

Name of exchange on which registered
The Nasdaq Stock Market LLC
(Nasdaq Global Select Market)

59-2712887
(I.R.S. Employer Identification No.)

10011
(Zip Code)

reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer
(Do not check if a smaller reporting company) Smaller reporting company

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 January 29, 2016, the following shares of the Registrant's Common Stock were outstanding:

Common Stock	77,275,479
Class B Common Stock	5,789,499
Total	83,064,978

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of June 30, 2015 was \$6,083,825,075. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

Documents Incorporated By Reference:

Portions of the Registrant's proxy statement for its 2016 Annual Meeting of Stockholders are incorporated by reference into Part III herein.

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PART I

Item 1. Business

OVERVIEW

Who We Are

IAC is a leading media and Internet company comprised of some of the world's most recognized brands and products, such as HomeAdvisor, Vimeo, About.com, Dictionary.com, The Daily Beast, Investopedia, and Match Group's online dating portfolio, which includes Match, OkCupid, Tinder and PlentyOfFish. During the fourth quarter of 2015, IAC realigned itself into the following six reportable segments: Match Group, HomeAdvisor, Publishing, Applications, Video and Other.

For information regarding the results of operations of IAC's segments, as well as their respective contributions to IAC's consolidated results of operations, see "Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8-Consolidated Financial Statements and Supplementary Data."

All references to "IAC," the "Company," "we," "our" or "us" in this report are to IAC/InterActiveCorp.

Our History

IAC, initially a hybrid media/electronic retailing company, was incorporated in 1986 in Delaware under the name Silver King Broadcasting Company, Inc. After several name changes (first to HSN, Inc., then to USA Networks, Inc., USA Interactive and InterActiveCorp, and finally, to IAC/InterActiveCorp) and the completion of a number of significant corporate transactions over the years, the Company transformed itself into a leading media and Internet company.

From 1997 through 2002, the Company acquired a controlling interest in Ticketmaster Group, Hotel Reservations Network (later renamed Hotels.com) and Expedia, as well as acquired Match.com and other smaller e-commerce companies. In 2002, the Company contributed its entertainment assets to Vivendi Universal Entertainment LLLP, a joint venture, and sold its interests in that venture to NBC Universal in 2005.

In 2003, the Company continued to grow its portfolio of e-commerce companies by acquiring all of the shares of Expedia, Hotels.com and Ticketmaster that it did not previously own, together with a number of other e-commerce companies (including LendingTree and Hotwire).

In 2005, IAC acquired Ask Jeeves, Inc. and completed the separation of its travel and travel related businesses and investments into an independent public company called Expedia, Inc. In 2008, IAC separated into five publicly traded companies: IAC, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster and Tree.com, Inc.

In 2009, we sold the European operations of Match.com to Meetic S.A. (now known as Meetic S.A.S. ("Meetic")), a leading European online dating company based in France, in exchange for a 27% interest in Meetic and a €5 million note. In 2010, we exchanged the stock of a wholly-owned subsidiary that held our Evite, Gifts.com and IAC Advertising Solutions businesses and approximately \$218 million in cash for substantially all of Liberty Media Corporation's equity stake in IAC.

In 2011, we increased our ownership stake in Meetic to 81%. In 2012, we acquired About.com.

In 2014, we acquired the remaining publicly traded shares of Meetic, ValueClick's "owned and operated" website businesses, including Investopedia and PriceRunner, and The Princeton Review.

In 2015, we acquired Plentyoffish Media Inc., a leading provider of subscription-based and ad-supported online personals servicing North America, Europe, Latin America and Australia, for \$575 million in cash, and completed the initial public offering of Match Group, Inc.

EQUITY OWNERSHIP AND VOTE

IAC has outstanding shares of common stock, with one vote per share, and Class B common stock, with ten votes per share and which are convertible into common stock on a share for share basis. As of January 29, 2016, Mr. Diller, IAC's Chairman and Senior Executive, owned 5,789,499 shares of IAC Class B common stock and 136,711 shares of IAC common stock. As of this date, Mr. Diller had sole voting and sole investment power with respect to these IAC securities and the shares of IAC Class B common stock held by Mr. Diller represented 100% of IAC's outstanding Class B common stock and, together with the shares of IAC common stock held by Mr. Diller, represented

approximately 42.9% of the total outstanding voting power of IAC. Mr. Diller also holds 300,000 vested options and 1,000,000 unvested options to purchase IAC common stock.

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On February 22, 2016, in connection with the long-term estate planning of Mr. Diller and his family, Mr. Diller: (i) transferred an aggregate of 136,711 shares of IAC common stock and 5,248,598 shares of IAC Class B common stock to two grantor retained annuity trusts, over which Mr. Diller has sole investment power and Mr. Diller's spouse, Diane von Furstenberg, has sole voting power (the "2016 GRATs"); and (ii) transferred 540,901 shares of IAC Class B common stock to a trust for the benefit of certain of his family members (the "2016 Family Trust"), over which Mr. Diller's stepson, Alexander von Furstenberg, has sole voting and sole investment power.

In addition, pursuant to an amended and restated governance agreement between IAC and Mr. Diller, for so long as Mr. Diller serves as IAC's Chairman and Senior Executive and he beneficially owns (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934) at least 5,000,000 shares of IAC Class B common stock and/or common stock in which he has a pecuniary interest (including by way of sole investment power over the IAC securities in the 2016 GRATs), he generally has the right to consent to limited matters in the event that IAC's ratio of total debt to EBITDA (as defined in the governance agreement) equals or exceeds four to one over a continuous twelve-month period.

As a result of Mr. Diller's sole investment power over the IAC securities in the 2016 GRATs, Ms. von Furstenberg's sole voting power over the IAC securities in the 2016 GRATs, Mr. von Furstenberg's sole voting and sole investment power over the IAC securities in the 2016 Family Trust and Mr. Diller's contractual rights described above, Mr. Diller and his family are, collectively, currently in a position to influence, subject to our organizational documents and Delaware law, the composition of IAC's Board of Directors and the outcome of corporate actions requiring shareholder approval, such as mergers, business combinations and dispositions of assets, among other corporate transactions.

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DESCRIPTION OF IAC BUSINESSES

Match Group

Overview

Our Match Group segment includes the dating and non-dating businesses of Match Group, Inc. (“Match Group”), which completed its initial public offering on November 24, 2015. As of December 31, 2015, IAC’s ownership interest and voting interest in Match Group were 84.6% and 98.2%, respectively.

Services

Dating. Through Match Group, we operate a dating business that consists of a portfolio with over 45 brands, available in 38 languages, and offered in over 190 countries, including the following key brands: Match, OkCupid, PlentyOfFish, Tinder, Meetic, Twoo, OurTime, BlackPeopleMeet and FriendScout24. We operate a North America dating business, which includes Match, Chemistry, People Media, PlentyOfFish, OkCupid, Tinder and other dating businesses operating within the United States and Canada, and an International dating business, which includes Meetic, the international operations of PlentyOfFish and Tinder and all other dating businesses operating outside of the United States and Canada.

All of our dating products enable a user to establish a profile and review other people’s profiles without charge. Each of them also offers additional features, some of which are free, and some of which require payment depending on the particular product. In general, access to premium features requires a paid membership, which is typically offered in packages from one month to 12 months, depending on the product and circumstance. Prices differ meaningfully within a given brand by the duration of membership purchased, by the bundle of paid features that a user chooses to access, and by whether or not a customer is taking advantage of any special offers. In addition to paid memberships, many of our dating products, such as Match, Meetic and OkCupid, offer users the ability to promote themselves for a given period of time, or to review certain profiles without any signaling to other members, and these features are offered on a pay per use basis. The precise mix of paid and premium features is established over time on a brand by brand basis and is constantly subject to iteration and evolution.

Non-Dating. In addition to our dating business, we also operate a non dating business through Match Group’s ownership of The Princeton Review, which provides a variety of educational test preparation, academic tutoring and college counseling services. The Princeton Review includes Tutor.com (acquired in 2012) and The Princeton Review (acquired in 2014).

Revenue

Substantially all of the Match Group segment’s revenue is attributable to the dating business and substantially all dating revenue is derived directly from users. The significant majority of that revenue comes from recurring membership fees, which typically provide unlimited access to a bundle of features for a specific period of time, and the balance from à la carte features, where users pay a fee for a specific action or event. Each brand offers a combination of free and paid features targeted to its unique community. In addition to direct revenue from users, dating revenue is derived from online advertising. Substantially all of non-dating revenue is derived directly from students.

Marketing

We attract the majority of users of our dating products through word of mouth and other free channels. In addition, many of our brands rely on paid customer acquisition for a significant percentage of their users. Our online marketing activities generally consist of purchasing banner and other display advertising, search engine marketing, e-mail campaigns and business development or partnership deals. Our offline marketing activities generally consist of television advertising and related public relations efforts, as well as events.

Competition

The dating industry is competitive and has no single, dominant brand. We compete primarily with other companies that provide similar dating and matchmaking products, including eHarmony, Spark Networks (Jdate, ChristianMingle), Zoosk, Parship, ElitePartner, e Darling and Badoo.

In addition to other online dating brands, we compete indirectly with offline dating services, such as in person matchmakers, and social media platforms. Arguably, our biggest competition in the case of our dating business comes

from the traditional ways that people meet each other, and the choices some people make to not utilize dating products or services.

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We believe that our ability to compete successfully in the case of our dating business will depend primarily upon the following factors:

- our ability to increase consumer acceptance of dating products;
- the continued strength of Match Group's brands;
- the breadth and depth of Match Group's active communities of users relative to its competitors;
- our ability to evolve our dating products in response to competitors' offerings, user requirements, social trends and the technological landscape;
- our ability to efficiently acquire new users for our dating products;
- our ability to continue to optimize our monetization strategies; and
- the design and functionality of our dating products.

HomeAdvisor

Overview

HomeAdvisor is a leading nationwide home services digital marketplace that helps connect consumers with home professionals in the United States, as well as in France and the Netherlands under various brands. HomeAdvisor connects consumers, by way of proprietary and patented technologies, with home services professionals, most of whom are pre-screened and customer rated.

As of December 31, 2015, HomeAdvisor's domestic network of home services professionals consisted of approximately 102,000 paying service professionals in the United States providing services in more than 500 categories ranging from simple home repairs to larger home remodeling projects. HomeAdvisor generated 9.8 million domestic service requests from homeowners during the year ended December 31, 2015. HomeAdvisor also operates Felix, a pay-per-call advertising service, and mHelpDesk, a provider of cloud based field service software for small to mid-size businesses.

Consumer Services

Matching Services. When a consumer submits a request through the HomeAdvisor marketplace, we generally match that consumer with up to four home services professionals from our network based on the type of services desired and the consumer's location. Consumers can then review profiles of home services professionals with whom they have been matched and select the professional whom they believe best meets their specific needs. In addition to (or in lieu of) submitting a request through our marketplace, consumers can also search, select and contact home service professionals directly through our online directory. In all cases, the consumer is under no obligation to work with home service professionals referred by or found through HomeAdvisor.

On-Demand Services. In 2015, HomeAdvisor introduced two on-demand services to complement its matching services: Instant Booking and Instant Connect (patent-pending). Through Instant Booking, consumers can schedule appointments for select home tasks on-demand with a pre-screened home professional instantly across our platforms (website or mobile application), and through Instant Connect, consumers can connect with a home service professional instantly via phone.

Other Services. In addition to matching and on-demand services, consumers can access our free, online CostGuide, which provides project cost information for more than 250 project types on a local basis, as well as an online library of service related resources, which primarily includes articles about home improvement, repair and maintenance, tools to assist consumers with the research, planning and management of their projects and general advice for working with home services professionals.

Consumers can also access all HomeAdvisor services and tools on iOS and Android devices, including the Apple Watch®, through HomeAdvisor's mobile application.

Subscription Services for Home Services Professionals

We offer various annual subscription products for home services professionals. The basic membership package includes membership in our network of home services professionals, as well as a listing in our online directory. Additional membership packages include all of the basic membership package services, plus matches through the marketplace and, in the case of one package, custom website and mobile development and hosting services, as well as integration with mHelpDesk.

Home services professionals who are new to HomeAdvisor must generally sign up for one of the annual subscription products described above. As of December 31, 2015, approximately 93% of the approximately 102,000 domestic paying service professionals within our network had purchased a membership package.

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Revenue

The HomeAdvisor segment's revenue is primarily derived from fees paid by home services professionals for consumer matches (regardless of whether the professional ultimately provides the requested service), subscription fees and fees for website hosting services. Fees for matches vary based upon the service requested and where the service is provided.

Marketing

We market our services to consumers primarily through television advertising, as well as search engine marketing and through affiliate agreements with third parties. Pursuant to these agreements, third parties agree to advertise and promote our services and those of our home services professionals on their websites and we agree to pay them a fixed fee when visitors from their websites submit a valid service request through our website (on a cost-per-acquisition basis) or click through to our website (on a cost-per-click basis). We also market our services to consumers through e-mails, digital display advertisements, partnerships with other contextually related websites and, to a lesser extent, through direct mail and radio advertising. We market our subscription packages to home services professionals primarily through our sales force, as well as through search engine marketing, digital media advertising and direct relationships with trade associations.

Competition

We compete with home services-related lead generation services, as well as Internet search engines and directories and with other forms of local advertising, including radio, direct marketing campaigns, yellow pages, newspapers and other offline directories. We also compete with local and national retailers of home improvement products that offer or promote installation services. We believe that our ability to compete successfully will depend primarily upon the following factors:

- the size, quality (as determined, in part, by reference to our pre-screening efforts and customer ratings and reviews), diversity and stability of our network of home services professionals and the quality of the services they provide;
- our continued ability to deliver service requests that convert into revenue for our network of home services professionals in a cost-effective manner;
- whether our subscription products resonate with (and provide value to) our home services professionals;
- the functionality of our websites and mobile applications and the attractiveness of their features and our services generally to consumers and home services professionals, as well as our ability to introduce new products and services that resonate with consumers and home services professionals; and
- our ability to build and maintain awareness of (and loyalty to) the HomeAdvisor brand.

Publishing

Overview

Our Publishing segment consists of:

- our Premium Brands business, which includes About.com, Dictionary.com, Investopedia and The Daily Beast; and
- our Ask & Other business, which includes Ask.com, CityGrid, ASKfm and a labs division focused on accelerating growth for the portfolio of websites within the Publishing segment and incubating new digital publishing sites in emerging verticals.

Our Publishing businesses publish digital content and/or provide search services to users. Those of our Publishing businesses that publish digital content (our Premium Brands) generate such content through various sources, including, for example, through a network of approximately 850 "experts" as of December 31, 2015 in the case of About.com and internal editorial staff in the case of The Daily Beast, and/or acquire such content (or the rights to publish such content) from third parties. Those of our Publishing businesses that provide search services (Ask & Other businesses and About.com, Dictionary.com and Investopedia through search boxes embedded within their websites) generally generate and display of a set of algorithmic search results, or hyperlinks to websites deemed relevant to search queries entered by users. In addition to these algorithmic search results, paid listings are also generally displayed in response to search queries. Paid listings are advertisements displayed on search results pages that generally contain a link to advertiser websites. Paid listings are generally displayed based on keywords selected by advertisers. The paid listings displayed by our Publishing businesses are supplied to us by Google Inc. ("Google")

pursuant to a services agreement, which expires on March 31, 2016. Following the expiration of this agreement, a new services agreement with Google, which expires on March 31, 2020, will take effect. The Company may choose to terminate this agreement effective March 31, 2019.

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Premium Brands

Our Premium Brands business primarily consists of the following destination websites:

• About.com, which provides detailed information and content written by independent, freelance subject matter experts across hundreds of vertical categories;

• Dictionary.com, which primarily provides online and mobile dictionary, thesaurus and reference services;

• Investopedia, a resource for investment and personal finance education and information; and

• The Daily Beast, a website dedicated to news, commentary, culture and entertainment that curates and publishes existing and original online content from its own roster of contributors in the United States.

Collectively, our Premium Brands business was one of the largest digital publishers in the world during the fiscal year ended December 31, 2015, having reached more than 100 million U.S. users a month during this period.

Ask & Other

Our Ask & Other business consists of:

• Ask.com, which provides general search services, as well as question and answer services that provide direct answers to natural-language questions;

• CityGrid, an advertising network that integrates local content and advertising for distribution to affiliated and third party publishers across web and mobile platforms;

• ASKfm, a questions and answers social network; and

• a labs division focused on accelerating growth for its portfolio of websites and incubating new digital publishing sites in emerging verticals.

Revenue

The Publishing segment's revenue consists principally of advertising revenue, which is generated primarily through the display of paid listings in response to search queries, display advertisements and fees related to paid mobile downloadable applications. The substantial majority of the paid listings that our Publishing businesses display are supplied to us by Google pursuant to our services agreement with Google.

Pursuant to this agreement, those of our Publishing businesses that provide search services transmit search queries to Google, which in turn transmits a set of relevant and responsive paid listings back to these businesses for display in search results. This ad-serving process occurs independently of, but concurrently with, the generation of algorithmic search results for the same search queries. Google paid listings are displayed separately from algorithmic search results and are identified as sponsored listings on search results pages. Paid listings are priced on a price per click basis and when a user submits a search query through one of our Publishing businesses and then clicks on a Google paid listing displayed in response to the query, Google bills the advertiser that purchased the paid listing directly and shares a portion of the fee charged to the advertiser with us. We recognize paid listing revenue from Google when it delivers the user's click. In cases where the user's click is generated due to the efforts of a third party distributor, we recognize the amount due from Google as revenue and record a revenue share or other payment obligation to the third party distributor as traffic acquisition costs. See "Item 1A-Risk Factors-We depend upon arrangements with Google and any adverse change in this relationship could adversely affect our business, financial condition and results of operations."

Competition

We compete with a wide variety of parties in connection with our efforts to attract and retain users and advertisers to our Publishing businesses.

In terms of publishing digital content, our competitors include destination websites that primarily acquire traffic through paid and algorithmic search results in relevant vertical categories and social channels. In terms of providing search services, generally our competitors include Google, Yahoo!, Bing and other destination search websites and search centric portals (some of which provide a broad range of content and services and/or link to various desktop applications).

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Moreover, some of the current and potential competitors of our Publishing businesses have longer operating histories, greater brand recognition, larger customer bases and/or significantly greater financial, technical and marketing resources than we do. As a result, they have the ability to devote comparatively greater resources to the development and promotion of their products and services, which could result in greater market acceptance of their products and services relative to those offered by us.

We believe that the ability of our Publishing businesses to compete successfully will depend primarily upon: the quality of the content and features on our various Publishing platforms (websites and mobile applications), and the attractiveness of the services provided by these platforms generally, relative to those of our competitors; our ability to successfully generate and acquire content (or the rights thereto) in a cost-effective manner; the relevance and authority of content, search results and answers; our ability to successfully market the content and search services offered by our Publishing businesses in a cost-effective manner; and our continued ability to differentiate Ask.com from its competitors through question and answer services that endeavors to provide accurate, authoritative and direct answers to natural language questions (in the form of algorithmic search results and/or responses from other Ask.com users, as well as indexed question and answer pairings from various websites and online services), as well as our ability to attract advertisers to this initiative.

Applications

Overview

Our Applications segment consists of:

- Consumer, which includes our direct-to-consumer downloadable desktop applications, including SlimWare, and Apalon, which houses our mobile applications; and
- Partnerships, which includes our business-to-business partnership operations.

Our Applications businesses provide search services and a variety of utility applications to users.

Consumer

Through our Consumer business, we develop, market and distribute a variety of utility applications, or downloadable desktop applications that offer users the ability to access search services, as well as engage in a number of other activities online. The majority of our utility applications are toolbars, which consist of a browser search box and related technology that together enable users to run search queries and otherwise access search services directly from their web browsers. Many of our toolbars are coupled with other applications that we have developed that provide users with access to various forms of content and software capabilities. These applications include: MapsGalaxy, through which users can access accurate street maps, local traffic conditions and aerial and satellite street views; FromDoctoPDF, through which users can convert documents from one format into various others and share them across multiple platforms; TelevisionFanatic, through which users can access and stream free television episodes online for free; and Gaming Wonderland, through which users can access classic arcade, sports and action and other casual games directly from their web browsers. Other utility applications target users with a special or passionate interest in select vertical categories (such as recipes, film and gossip, among others) or provide users with particular reference information or access to specific capabilities (such as weather forecasts and internet speed, among others). We distribute our utility applications directly to consumers free of charge.

SlimWare is a provider of community-powered software and services that clean, repair, update and optimize personal computers, and Apalon is an award-winning mobile development company with one of the largest and most popular portfolios of mobile applications worldwide.

Partnerships

Through our Partnerships business, we work closely with partners in the software, media and other industries to design and develop customized browser based search applications to be bundled and distributed with these partners' products and services.

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Revenue

Substantially all of the Applications segment's revenue consists of advertising revenue generated principally through the display of paid listings in response to search queries. The substantial majority of the paid listings displayed by our Applications businesses are supplied to us by Google in the manner and pursuant to the services agreement described above under "-Publishing-Revenue." To a significantly lesser extent, the Applications segment's revenue also consists of fees related to subscription downloadable applications, fees related to paid mobile downloadable applications and display advertisements.

Competition

We compete with a wide variety of parties in connection with our efforts to develop, market and distribute applications and related technology directly and through third parties. Competitors of our Applications businesses include Google, Yahoo!, Bing and other third party toolbar, convenience search and applications providers and other search technology and convenience service providers.

Moreover, some of the current and potential competitors of our Applications businesses have longer operating histories, greater brand recognition, larger customer bases and/or significantly greater financial, technical and marketing resources than we do. As a result, they have the ability to devote comparatively greater resources to the development and promotion of their products and services, which could result in greater market acceptance of their products and services relative to those offered by us.

We believe that the ability of our Applications businesses to compete successfully will depend primarily upon our continued ability to:

- create toolbars and other applications that resonate with consumers (which requires that we continue to bundle attractive features, content and services, some of which may be owned by third parties, with quality search services);
- maintain industry-leading monetization solutions for our applications;
 - differentiate our toolbars and other applications from those of our competitors (primarily through providing customized toolbars and access to multiple search and other services through our toolbars);
- secure cost-effective distribution arrangements with third parties; and
- market and distribute our toolbars and other applications directly to consumers in a cost-effective manner.

Video

Overview

Our Video segment consists primarily of Vimeo and DailyBurn, as well as Electus, IAC Films, CollegeHumor and Notional.

Vimeo

Services. Vimeo operates a global video sharing platform for creators and their audiences. Through Vimeo, we offer video creators simple, professional grade tools to share, distribute and monetize content online, and provide viewers with a clutter-free environment to watch content across a variety of Internet-enabled devices, including mobile devices and connected television platforms. We offer these basic services free of charge.

We also offer premium services through subscription products, which provide paying subscribers with various levels of premium features, including: additional video storage space, advanced video privacy controls, extensive video player customization options, premium support and the ability to sell videos. As of December 31, 2015, Vimeo had approximately 676,000 paid subscribers and reached over 200 million unique users worldwide.

We also provide transactional video-on-demand services through Vimeo On Demand, through which video creators can sell videos they create to viewers. As of December 31, 2015, Vimeo On Demand featured approximately 32,000 titles in a variety of genres from nearly 10,000 creators and more than 1,200,000 consumers purchased Vimeo On Demand titles on www.vimeo.com or on third party websites with an embedded Vimeo On Demand player. Titles are added from video creators by way of direct uploads to www.vimeo.com and acquired through negotiated agreements with content owners, producers and distributors.

We also sell custom advertising through our Brand Studio service, which connects advertisers with video creators to produce original, branded videos, which are then presented as brand-sponsored content on www.vimeo.com and/or the advertiser websites.

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Marketing. We market Vimeo's services primarily through online marketing efforts, including search engine marketing, e-mail campaigns, display advertising, affiliate marketing and offline advertising (primarily television) and through upgrade channels on the Vimeo platform (website and mobile application).

Revenue. Vimeo revenue is derived primarily from subscription fees and, to a lesser extent, from video distribution and advertising sales.

Competition. Vimeo competes with a variety of online video providers, including those that serve video creators and consumers through advertising-supported, subscription or transactional fee models. We believe that Vimeo differentiates itself from its competitors by offering a customizable, high definition video player, proprietary uploading and encoding infrastructure and a clutter-free viewing experience (advertisements are not placed in video streams). We believe that our ability to compete successfully will depend primarily on:

- the quality of our technology platform and the viewing and production experiences we provide consumers and video creators across Internet-connected devices (desktop, mobile and television);

- whether our subscription offerings resonate with video creators;

- our ability to attract high-quality content, both for free and fee-based viewing;

- the accessibility of our videos on search engines and social media platforms;

- the recognition and strength of the Vimeo brand relative to those of our competitors; and

- our ability to drive new subscribers and viewers to our platform through various forms of direct advertising.

DailyBurn

Services. DailyBurn is a health and fitness property that provides streaming fitness and workout videos across a variety of platforms, including iOS, Android, Xbox and other Internet-enabled television platforms.

Revenue. DailyBurn's revenue consists primarily of subscription fees.

Marketing. We market our streaming fitness and workout videos primarily through television advertising, advertising on ad-supported video-on-demand services and content platforms and search engine marketing.

Competition. The fitness and workout market is highly competitive and barriers to entry, particularly in the case of online platforms, are minimal. We compete primarily with other streaming fitness and workout platforms and, to a lesser extent, fitness and workout DVDs.

Electus

Services. Through Electus, we provide production and producer services for both unscripted and scripted television, feature film and digital content, primarily for initial sale and distribution in the United States. Our content is distributed on a wide range of platforms, including broadcast television, premium and basic cable television, subscription-based and ad-supported video-on-demand services and through theatrical releases and other outlets. We sell and distribute Electus programming and other content, together with programming and other content developed by third parties, outside of the United States through Electus International. We also work with various brands to integrate their products into, as well as sponsor, Electus content through our Content Marketing team.

In addition, we operate Electus Digital, which consists of the following websites and properties: CollegeHumor.com, Dorkly.com and WatchLOUD.com; YouTube channels WatchLOUD, Nuevon and Hungry; and Big Breakfast (a production company). The various brands and businesses within Electus Digital specialize in creating content for digital, television and feature film platforms across a variety of genres, as well as provide branded and third party creative production services. Through Electus, we also operate Notional.

Revenue. Electus revenue is derived primarily from media production and distribution and display advertisements.

Marketing. We do not engage in any formal marketing efforts in the case of our production and executive producer services, instead relying on referrals and the quality of our services and projects. For content distribution, we rely on our sales force, referrals and the quality of our services and projects, and for international distribution only, attendance at industry trade shows. In addition, the platforms to which we license our content for distribution market our content through their own independent marketing efforts. Electus Digital attracts users and audience primarily through social media, search engine marketing and affiliate agreements.

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Competition. We compete with entertainment studios, production companies, distribution companies, creative agencies and content websites. We believe that our ability to compete successfully will depend primarily upon the following factors:

- the quality and diversity of our content and the third parties to whom we license our content, as well as the quality of the services provided by licensees of our content;
- our continued ability to create new content that resonates with licensees and viewers; and
- our ability to sell integration and sponsorship opportunities for our content.

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Other

Our Other segment consists of ShoeBuy, an Internet retailer of footwear and related apparel and accessories, and PriceRunner, a shopping comparison website.

ShoeBuy is an Internet retailer of footwear and related apparel and accessories. ShoeBuy generally passes purchases made by customers through its various websites on to the relevant vendors for fulfillment and shipping. ShoeBuy's revenue consists of merchandise sales, reduced by incentive discounts and sales returns. We market ShoeBuy to consumers primarily through search engine marketing, affiliate agreements and comparison shopping engines. ShoeBuy competes primarily with other leading Internet footwear and other retailers and traditional footwear and other retailers with an offline and online presence.

PriceRunner is a shopping comparison website based primarily in Denmark and Sweden. PriceRunner revenue consists principally of advertising revenue.

Employees

As of December 31, 2015, IAC and its subsidiaries employed approximately 5,000 full-time employees. IAC believes that it generally has good employee relationships, including relationships with employees represented by unions or other similar organizations.

Additional Information

Company Website and Public Filings. The Company maintains a website at www.iac.com. Neither the information on the Company's website, nor the information on the website of any IAC business, is incorporated by reference into this annual report, or into any other filings with, or into any other information furnished or submitted to, the SEC. The Company makes available, free of charge through its website, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K (including related amendments) as soon as reasonably practicable after they have been electronically filed with (or furnished to) the SEC.

Code of Ethics. The Company's code of ethics applies to all employees (including IAC's principal executive officers (its Chairman and Senior Executive and Chief Executive Officer), principal financial officer (its acting Principal Financial Officer) and principal accounting officer (its Senior Vice President and Controller)) and directors and is posted on the Company's website at <http://ir.iac.com/corporate-governance-document.cfm?DocumentID=11372>. This code of ethics complies with Item 406 of SEC Regulation S-K and the rules of The Nasdaq Stock Market LLC. Any changes to the code of ethics that affect the provisions required by Item 406 of Regulation S-K, and any waivers of such provisions of the code of ethics for IAC's executive officers, senior financial officers or directors, will also be disclosed on IAC's website.

Item 1A. Risk Factors

Cautionary Statement Regarding Forward-Looking Information

This annual report on Form 10-K 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: IAC's future financial performance, IAC's business prospects and strategy, anticipated trends and prospects in the industries in which IAC's businesses operate and other similar matters. These forward looking statements are based on IAC management's expectations and assumptions about future events as of the date of this annual report, 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, the risk factors set forth below. Other unknown or unpredictable factors that could also adversely affect IAC's business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, the forward looking statements discussed in this annual 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 IAC management as of the date of this annual report. IAC does not undertake to update these forward looking

statements.

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Risk Factors

Mr. Diller and certain members of his family collectively have sole voting and/or investment power over a significant percentage of the voting power of our stock. As a result, Mr. Diller and his family are able to exercise significant influence over the composition of our Board of Directors, matters subject to stockholder approval and our operations.

As of January 29, 2016, Mr. Diller owned 5,789,499 shares of IAC Class B common stock and 136,711 shares of IAC common stock. As of this date, Mr. Diller had sole voting and sole investment power with respect to these IAC securities and the shares of IAC Class B common stock held by Mr. Diller represented 100% of IAC's outstanding Class B common stock and, together with the shares of IAC common stock held by Mr. Diller, represented approximately 42.9% of the total outstanding voting power of IAC. Mr. Diller also holds 300,000 vested options and 1,000,000 unvested options to purchase IAC common stock.

As discussed in "Item 1-Business-Equity Ownership and Vote," on February 22, 2016, in connection with the long-term estate planning of Mr. Diller and his family, Mr. Diller transferred all of his IAC Class B and common stock holdings to the 2016 GRATs and the 2016 Family Trust. Each of Mr. Diller and Ms. von Furstenberg has sole voting and investment power, respectively, over the IAC securities in the 2016 GRATs, and Mr. von Furstenberg has sole voting and sole investment power over the IAC securities in the Family Trust.

In addition, pursuant to an amended and restated governance agreement between IAC and Mr. Diller, for so long as Mr. Diller serves as IAC's Chairman and Senior Executive and he beneficially owns (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934) at least 5,000,000 shares of IAC Class B common stock and/or IAC common stock in which he has a pecuniary interest (including by way of sole investment power over the IAC securities in the 2016 GRATs), he generally has the right to consent to limited matters in the event that IAC's ratio of total debt to EBITDA (as defined in the governance agreement) equals or exceeds four to one over a continuous twelve month period. While Mr. Diller may not currently exercise this right, no assurances can be given that this right will not become exercisable in the future, and if so, that Mr. Diller will consent to any of the limited matters at such time, in which case IAC would not be able to engage in transactions or take actions covered by this consent right.

As a result of Mr. Diller's sole investment power over the IAC securities in the 2016 GRATs, Ms. von Furstenberg's sole voting power over the IAC securities in the 2016 GRATs, Mr. von Furstenberg's sole voting and sole investment power over the IAC securities in the 2016 Family Trust and Mr. Diller's contractual rights described above, Mr. Diller and his family are, collectively, currently in a position to influence, subject to our organizational documents and Delaware law, the composition of IAC's Board of Directors and the outcome of corporate actions requiring stockholder approval, such as mergers, business combinations and dispositions of assets, among other corporate transactions. In addition, this concentration of investment and voting power could discourage others from initiating a potential merger, takeover or other change of control transaction that may otherwise be beneficial to IAC, which could adversely affect the market price of IAC securities.

We depend on our key personnel.

Our future success will depend upon our continued ability to identify, hire, develop, motivate and retain highly skilled individuals, with the continued contributions of our senior management being especially critical to our success. Competition for well-qualified employees across IAC and its various businesses is intense and our continued ability to compete effectively depends, in part, upon our ability to attract new employees. While we have established programs to attract new employees and provide incentives to retain existing employees, particularly our senior management, we cannot assure you that we will be able to attract new employees or retain the services of our senior management or any other key employees in the future. Effective succession planning is also important to our future success. If we fail to ensure the effective transfer of senior management knowledge and smooth transitions involving senior management across our various businesses, our ability to execute short and long term strategic, financial and operating goals, as well as our business, financial condition and results of operations generally, could be adversely affected.

We depend upon arrangements with Google and any adverse change in this relationship could adversely affect our business, financial condition and results of operations.

A substantial portion of our consolidated revenue is attributable to a services agreement with Google. Pursuant to this agreement, we display and syndicate paid listings provided by Google in response to search queries generated by users of our Publishing and Applications properties. In exchange for making our search traffic available to Google, we receive a share of the revenue generated by the paid listings supplied to us, as well as certain other search related services. Our current agreement with Google expires on March 31, 2016. Following the expiration of this agreement, a new services agreement with Google, which expires on March 31, 2020, will take effect. The Company may choose to terminate this agreement effective March 31, 2019.

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The amount of revenue we receive from Google depends upon a number of factors outside of our control, including the amount Google charges for advertisements, the efficiency of Google's system in attracting advertisers and serving up paid listings in response to search queries and parameters established by Google regarding the number and placement of paid listings displayed in response to search queries. In addition, Google makes judgments about the relative attractiveness (to advertisers) of clicks on paid listings from searches performed on our Publishing and Applications properties and these judgments factor into the amount of revenue we receive. Google also makes judgments about the relative attractiveness (to users) of paid listings from searches and these judgments factor into the amount of advertisements we can purchase. Changes to the amount Google charges to advertisers, Google's paid listings network efficiency, its judgment about the relative attractiveness to advertisers of clicks on paid listings from our Publishing and Applications properties or the parameters applicable to the display of paid listings could result in a decrease in the amount of revenue we receive and could have an adverse effect on our business, financial condition and results of operations. Such changes could come about for a number of reasons, including general market conditions, competition or policy and operating decisions made by Google.

Our services agreement with Google also requires that we comply with certain guidelines promulgated by Google for the use of its brands and services, including with respect to which products and applications may access Google's services, and the manner in which Google's paid listings are displayed within search results across various platforms and products. Our services agreement also requires that we establish guidelines to govern certain activities of third parties to whom we syndicate paid listings, including the manner in which these parties drive search traffic to their websites and display paid listings. Google may generally unilaterally update its own policies and guidelines without advance notice, which could in turn require modifications to, or prohibit and/or render obsolete certain of, our products, services and/or business practices, which could be costly to address or otherwise have an adverse effect on our business, financial condition and results of operations. Noncompliance with Google's guidelines by us or the third parties to whom we are permitted to syndicate paid listings or through which we secure distribution arrangements for our applications could, if not cured, result in Google's suspension of some or all of its services to our websites or the websites of our third party partners or the termination of the services agreement by Google.

The termination of the services agreement by Google, the curtailment of IAC's rights under the agreement (whether pursuant to the terms thereof or otherwise) or the failure of Google to perform its obligations under the agreement would have an adverse effect on our business, financial condition and results of operations. If any of these events were to occur, we may not be able to find another suitable alternate paid listings provider (or if an alternate provider were found, the economic and other terms of the agreement and the quality of paid listings may be inferior relative to our arrangements with, and the paid listings supplied by, Google) or otherwise replace the lost revenues.

General economic events or trends, particularly those that reduce advertising spending and/or adversely impact consumer confidence, could harm our business, financial condition and results of operations.

A substantial portion of our consolidated revenue (primarily revenue from our Publishing and Applications segments) is attributable to online advertising. Accordingly, we are particularly sensitive to events and trends that could result in decreased advertising expenditures. Advertising expenditures have historically been cyclical in nature, reflecting overall economic conditions and budgeting and buying patterns, as well as levels of consumer confidence and discretionary spending.

Similarly, some of our businesses (primarily HomeAdvisor) are particularly sensitive to events and trends that adversely impact consumer confidence and spending behavior. For example, in the event of a general economic downturn or sudden disruption in business conditions, consumer confidence, spending levels and credit availability could be adversely affected. The occurrence of any of these events or trends could result in consumers delaying or foregoing home services projects, which could result in a decrease in fees paid by home service professionals for consumer matches, which could adversely affect our business, financial condition and results of operations. We could also experience turnover in our network of home services professionals given that a significant number of our home services professionals are sole proprietorships and small businesses, and as such, are particularly sensitive to events and trends that adversely impact consumer confidence and spending behavior. Any turnover, if significant or recurring over a prolonged period, could result in a decrease in traffic to our properties and increased costs, all of which could adversely affect our business, financial condition and results of operations.

In the recent past, adverse economic conditions have caused, and if such conditions were to recur in the future they could cause, decreases and/or delays in advertising expenditures and discretionary spending by consumers, which would reduce our revenues and adversely affect our business, financial condition and results of operations.

Our success depends upon the continued growth and acceptance of online advertising, particularly paid listings, as an effective alternative to traditional, offline advertising and the continued commercial use of the Internet.

We continue to compete with traditional advertising media, including television, radio and print, in addition to a multitude of websites with high levels of traffic and online advertising networks, for a share of available advertising expenditures and expect to face continued competition as more emerging media and traditional offline media companies continue to enter the online advertising market. We believe that the continued growth and acceptance of online advertising generally will depend, to a large extent, on its perceived effectiveness and the acceptance of related advertising models (particularly in the case of mobile

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advertising), the continued growth in commercial use of the Internet (particularly abroad), the extent to which web browsers, software programs and/or other applications that limit or prevent advertising from being displayed become commonplace and the extent to which the industry is able to effectively manage click fraud. Any lack of growth in the market for online advertising, particularly for paid listings, or any decrease in the effectiveness and value of online advertising (whether due to changes in laws, changes in industry practices, the emergence of technologies that can block the display of advertisements across platforms or other developments) would have an adverse effect on our business, financial condition and results of operations.

We depend, in part, upon third parties to drive traffic to our various properties and distribute our products and services.

Our success depends, in part, upon third parties driving traffic to our various properties (desktop and mobile) and distributing our products and services.

We distribute our products and services through a variety of third party publishers and distribution channels. For example, certain of the businesses within our Publishing and Applications segments have entered into (and expect to continue to enter into) agreements to distribute search boxes, toolbars, browser extensions and other applications to users through third parties. Most of these agreements are either non exclusive and short term in nature or, in the case of long term or exclusive agreements, are terminable by either party in certain specified circumstances. In addition, a few of these agreements collectively represent a significant percentage of the revenue generated by our Partnerships business. The inability of these businesses to enter into new (or renew existing) agreements to distribute search boxes, toolbars, browser extensions and other applications through third parties for any reason would result in decreases in traffic to our various properties, queries and advertising revenue, which could have an adverse effect on our business, financial condition and results of operations.

In addition, as our users and customers increasingly access our products and services through mobile applications, we (primarily in the case of Match Group's dating business and Apalon, one of the businesses within our Applications segment) increasingly depend upon the Apple App Store and the Google Play Store to distribute our mobile applications. Both Apple and Google have broad discretion to change their respective terms and conditions applicable to the distribution of our mobile applications, and to interpret their respective terms and conditions in ways that may limit, eliminate or otherwise interfere with our ability to distribute our mobile applications through their stores. We cannot assure you that Apple or Google will not limit or eliminate or otherwise interfere with the distribution of our mobile applications. If either or both of them did so, our business, financial condition and results of operations could be adversely affected.

In connection with our search engine optimization, or SEO, efforts, we rely on third party search engines to drive traffic to our various properties (desktop and mobile). SEO efforts involve developing websites to rank well within search engine results. Search engines frequently update and change the logic that determines the placement and display of search results. If we fail to successfully manage SEO efforts across our businesses, including the timely modification of SEO efforts from time to time in response to periodic changes in search engine algorithms, search query trends and related actions by providers of search services designed to ensure the display of unique offerings in search results (which actions by search service providers may result in algorithmic listings being displayed less prominently within search engine results), could result in a substantial decrease in traffic to our various properties, as well as increased costs if we were to replace free traffic with paid traffic, which would adversely affect our business, financial condition and results of operations. Certain of our businesses engage in similar efforts involving Facebook and other social media platforms (for example, developing content designed to appear higher in a given Facebook News Feed and generate "likes") that involve challenges and risks similar to those faced in connection with our SEO efforts.

Also, search engines continue to expand their offerings into other, non-search related categories, and in certain instances display their own integrated or related product and service offerings in a more prominent manner than those of third parties within their search results. Continued expansion and competition from search engines could result in a substantial decrease in traffic to our various properties, as well as increased costs if we were to replace free traffic with paid traffic, which would adversely affect our business, financial condition and results of operations.

Lastly, we rely on Facebook to distribute one of Match Group's dating products, Tinder. Users currently register for (and log in to) Tinder exclusively through their Facebook profiles. Facebook has broad discretion to change its terms and conditions applicable to the use of its platform in this manner and to interpret its terms and conditions in ways that could limit, eliminate or otherwise interfere with our ability to use Facebook in this manner and if Facebook did so, Match Group's (and in turn, our) business, financial condition and results of operations could be adversely affected. As discussed below under "-Marketing efforts designed to drive traffic to our various websites may not be successful or cost-effective" and "-Communicating with our users via e-mail is critical to our success, and any erosion in our ability to communicate in this fashion that is not sufficiently replaced by other means could adversely affect our business, financial condition and results of operations," our traffic building initiatives also involve the expenditure of considerable sums for marketing, as well as for the development and introduction of new content, products, services and enhancements, infrastructure

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and other related efforts, and are dependent, in part, on our ability to effectively communicate with our users and customers via current and new means of communication.

Our success depends, in part, on our ability to continue to introduce new and enhanced content, products and services in response to evolving trends and technologies and that otherwise resonate with our users and customers.

Even if we succeed in our traffic building and distribution efforts, we may not be able to convert traffic into repeat users and customers unless we continue to introduce new and enhanced content, products and services in response to evolving trends and technologies and provide quality products and services that otherwise resonate with our users and customers.

The development of new content, products and services, as well as the identification of new business opportunities in this dynamic environment, require significant time and resources. We may not be able to adapt quickly enough to these changes, appropriately time the introduction of new content, products and services or identify new business opportunities in a timely manner. Also, these changes could require us to modify related infrastructures and our failure to do so could render our existing websites, applications, services and proprietary technologies obsolete. Our failure to respond to any of these changes appropriately and efficiently could adversely affect our business, financial condition and results of operations.

In the case of certain of our applications, third parties have introduced (and continue to introduce) technologies and policies that may interfere with the ability of users to access or utilize our applications generally or otherwise make users less likely to use our services (such as through the introduction of features and/or processes that disproportionately and adversely impact the ability of consumers to access and use our services relative to those of our competitors). For example, third parties continue to introduce technologies (including new and enhanced web browsers and operating systems) that may limit or prevent certain types of applications from being installed and/or have features and policies that significantly lessen the likelihood that users will install our applications or that previously installed applications will remain in active use. In addition, there are technologies that interfere with the functionality of (or settings changes made by) our applications. For example, there are technologies that interfere with search boxes embedded within our toolbars and the maintenance of home page and web browser search settings previously selected by our users. These technologies, applications and policies adversely impact our ability to generate search queries through our applications, which in turn adversely impacts our revenues.

Technologies have also been introduced that can block the display of online advertisements across platforms (particularly and increasingly in the case with mobile platforms) and that provide users with the ability to opt out of advertising products. Our failure to successfully modify our websites and products in a cost-effective manner in response to the introduction and adoption of these new technologies, or our failure to find alternative sources of revenue to support websites and products that currently generate revenue through advertising, could adversely affect our business, financial condition and results of operations.

In addition, we may not be able to adapt quickly and/or in a cost-effective manner to frequent changes in user and customer preferences, which can be difficult to predict, or appropriately time the introduction of enhancements and/or new content, products or services to the market in response to such changes. Our inability to provide quality content, products and services would adversely affect user and customer experiences, which would result in decreases in users, customers and revenues and could adversely affect our business, financial condition and results of operations. For example, in the case of About.com, we rely on independent, freelance subject matter experts to generate quality content for our users. If we fail to recruit and retain such experts generally and/or the experts ultimately retained cannot provide us with quality content in a cost-effective manner, the experience of our users would be adversely affected, which could adversely affect our business, financial condition and results of operations.

Lastly, while the continued introduction of new content, products and services is critical to our success, by definition, new content, products and services have limited operating histories, which could make it difficult for us to evaluate our current business and future prospects. For example, through Match Group, we seek to tailor each of our dating products to meet the preferences of specific communities of users. Building a given dating product is generally an iterative process that occurs over a meaningful period of time and involves considerable resources and expenditures. Although certain of our newer dating products have experienced significant growth over relatively short periods of time, the historical growth rates of these dating products are not necessarily an indicator of future growth rates for our

newer dating products generally. We have encountered, and may continue to encounter, risks and difficulties as we build new content, brands and products. The failure to successfully address these risks and difficulties could adversely affect our business, financial condition and results of operations.

Marketing efforts designed to drive traffic to our various websites may not be successful or cost-effective.

Traffic building and conversion initiatives involve considerable expenditures for online and offline advertising and marketing. We have made, and expect to continue to make, significant expenditures for search engine marketing (primarily in the form of the purchase of keywords, which we purchase primarily through Google and, to a lesser extent, Microsoft and Yahoo!), online display advertising and traditional offline advertising (including television) in connection with these initiatives,

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which may not be successful or cost-effective. Historically, we have had to increase advertising and marketing expenditures over time in order to attract and retain users and customers and sustain our growth.

In the case of paid advertising generally, our ability to market our brands on any given property or channel is subject to the policies of the relevant third party seller, publisher of advertising (including through search engines and social networks and platforms) or marketing affiliate. As a result, any such third party could limit our ability to purchase certain types of advertising or advertise some of our products and services, which could affect our ability to compete effectively and, in turn, adversely affect our business, financial condition and results of operations. For example, providers of online search advertising services (including Google, Microsoft and Yahoo!) may limit our ability to market our products and services through their advertising services, whether due to their policies, competitive reasons or otherwise. Other publishers and channels have, from time to time, limited or prohibited advertisements for Match Group's dating products for a variety of reasons, including as a result of poor behavior by other dating industry participants. We cannot assure you that we will not be limited or prohibited from using certain current or prospective marketing channels in the case of our dating or any of our other businesses in the future. If this were to happen in the case of a significant marketing channel and/or for a significant period of time, our business, financial condition and results of operations could be adversely affected. In addition, if we fail to comply with the policies of third party sellers, publishers of advertising or marketing affiliates, our advertisements could be removed without notice and/or our accounts could be suspended or terminated, any of which could have an adverse effect on our business, financial condition and results of operations.

In the case of our search engine marketing efforts, our failure to respond successfully to rapid and frequent changes in the pricing and operating dynamics of search engines, as well as changing policies and guidelines applicable to keyword advertising (which may be unilaterally updated by Google, Microsoft and Yahoo! without advance notice), could adversely affect both the placement of paid listings that appear in response to keywords we purchase and the pricing of online advertising we purchase generally, which would increase our costs and adversely impact the effectiveness of our advertising efforts overall.

Separately, evolving consumer behavior can affect the availability of cost-effective marketing opportunities. For example, as traditional television viewership declines and consumers spend more time on mobile devices rather than desktop computers, the reach of many of traditional online and offline advertising channels is contracting. To continue to reach potential users and customers, we must continue to identify and devote more of our overall marketing expenditures to newer advertising channels, such as mobile and online video platforms. Generally, the opportunities in (and sophistication of) newer advertising channels are undeveloped and unproven relative to opportunities in traditional online and offline channels and if we are unable to continue to appropriately manage and fine tune our marketing efforts in response to these and other trends in the advertising industry, our business, financial condition and results of operations could be adversely affected.

In addition, as the distribution of our products and services through certain channels increases, in order to maintain our profit margins, we may need to offset increasing related fees by decreasing traditional marketing expenditures, which could adversely affect our marketing efforts, and in turn, our business, financial condition and results of operations. As discussed above, as our user and customers increasingly access our products and services through mobile applications, we (primarily Match Group's dating business) increasingly rely upon the Apple App Store and the Google Play Store to distribute our mobile applications. For example, while our mobile dating applications are generally free to download from these stores, we offer our users the opportunity to purchase paid memberships and certain à la carte features through these applications. We determine the prices at which these memberships and features are sold and, in exchange for facilitating the purchase of these memberships and features through these applications to users who download our applications from these stores, we pay Apple and Google, as applicable, a share (currently 30%) of the revenue we receive from these transactions. As the distribution of our dating and other products and services through app stores increases, we may need to offset these increased app store fees by decreasing traditional marketing expenditures as a percentage of revenue, increasing user volume or monetization per user, or by engaging in other efforts to increase revenue or decrease costs generally, or our business, financial condition and results of operations could be adversely affected.

Lastly, as discussed above, we also enter into various arrangements with third parties in an effort to drive traffic to our various websites and mobile applications, which arrangements are generally more cost-effective than traditional marketing efforts. If we are unable to renew existing (and enter into new) arrangements of this nature, sales and marketing costs as a percentage of revenue would increase over the long-term.

Any failure to attract and acquire new (and retain existing) traffic, users and customers in a cost-effective manner could adversely affect our business, financial condition and results of operations.

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Communicating with our users via e-mail is critical to our success, and any erosion in our ability to communicate in this fashion that is not sufficiently replaced by other means could adversely affect our business, financial condition and results of operations.

As consumer habits evolve in the era of smart phones and messaging/social networking apps, usage of e-mail, particularly among our younger users and customers, has declined. In addition, deliverability restrictions imposed by third party e-mail providers could limit or prevent our ability to send e-mails to our users and customers. Primarily in the case of Match Group's dating business, one of our primary means of communicating with users and customers and keeping them engaged with our products and services is via e-mail. Any erosion in our ability to communicate successfully with our users and customers via e-mail could have an adverse impact on user and customer experience and, in the case of Match Group's dating businesses, the rate at which non paying users become paid members. While we continually work to find new means of communicating and connecting with our users and customers (for example, through push notifications), we cannot assure you that such alternative means of communication will be as effective as e-mail has been historically. Any failure to develop or take advantage of new means of communication could have an adverse effect on our business, financial condition and results of operations.

Our success depends, in part, on our ability to build, maintain and/or enhance our various brands.

Through our various businesses, we own and operate a number of highly-recognizable brands with strong brand appeal within their respective industries, as well as a number of fledgling brands that we are in the process of building. We believe that our success depends, in part, upon our continuing ability to maintain and enhance our established brands, as well as build awareness of (and loyalty to) our fledgling brands. Our brands and brand-building efforts could be negatively impacted by a number of factors, including product and service quality concerns, consumer complaints, actions brought by consumers, governmental or regulatory authorities and related media coverage and data protection and security breaches. Moreover, the failure to market our products and services successfully (or in a cost-effective manner), the inability to develop and introduce products and services that resonate with consumers and/or the inability to adapt quickly enough (and/or in a cost effective manner) to evolving changes in the Internet and related technologies, applications and devices, could adversely impact our various brands and brand-building efforts, and in turn, our business, financial condition and results of operations.

Foreign currency exchange rate fluctuations could adversely affect our results of operations.

We operate in various international markets, primarily in various jurisdictions within the European Union. During the fiscal years ended December 31, 2014 and 2015, approximately 31% and 26% of our total revenue, respectively, were international revenue. Our primary exposure to foreign currency exchange risk relates to investments in foreign subsidiaries that transact business in a functional currency other than the U.S. dollar, primarily the Euro.

As foreign currency exchange rates fluctuate, the translation of our international results into U.S. dollars affects the period over period comparability of our U.S dollar denominated operating results. Historically, we have not hedged any foreign currency exposures. Our international operations' continued growth and expansion into new countries increases our exposure to foreign exchange rate fluctuations. These fluctuations could have a significant impact on our future results of operations.

Our success depends, in part, on our ability to develop and monetize mobile versions of our products and services.

Our success depends, in part, on our ability to develop and monetize mobile versions of our products and services.

While many of our users continue to access our products and services through personal computers, users of (and usage volumes on) mobile devices, including smartphones and tablets, continue to increase relative to those of personal computers. While we have developed mobile versions of certain of our products and services (and have developed certain products and services exclusively for mobile devices) and intend to continue to do so in the future, we may not be able to monetize these applications as effectively as we monetize our non-mobile products and services.

In addition, the success of our mobile applications is dependent on their interoperability with various mobile operating systems, technologies, networks and standards that we do not control and any changes in any of these things that compromise the quality or functionality of our products and services could adversely impact usage of our products and services on mobile devices and, in turn, our ability to attract advertisers. Our failure or inability to successfully respond to the general shift of users and customers to mobile devices could adversely affect our business, financial

condition and results of operations.

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Each of our dating products monetizes users at different rates. If a meaningful migration of our user base from our higher monetizing dating products to our lower monetizing dating products were to occur, it could adversely affect our business, financial condition and results of operations.

Through Match Group, we own, operate and manage a large and diverse portfolio of dating products. Each dating product has its own mix of free and paid features designed to optimize the user experience for, and revenue generation from, that product's community of users. In general, the mix of features for the various dating products within our more established brands leads to higher monetization rates per user than the mix of features for the various dating products within our newer brands. If a significant portion of our user base were to migrate to our less profitable brands, our business, financial condition and results of operations could be adversely affected.

Our success depends, in part, on the integrity and quality of our systems and infrastructures and those of third parties. System interruptions and the lack of integration and redundancy in our and third party information systems may affect our business.

To succeed, our systems and infrastructures must perform well on a consistent basis. From time to time, we may experience occasional system interruptions that make some or all of our systems or data unavailable or that prevent us from providing products and services; any such interruption could arise for any number of reasons. Furthermore, fire, power loss, telecommunications failure, natural disasters, acts of war or terrorism, acts of God and other similar events or disruptions may damage or interrupt computer, data, broadband or other communications systems at any time. Any event of this nature could cause system interruptions, delays and loss of critical data, and could prevent us from providing services to users and customers. While we have backup systems in place for certain aspects of our operations, our systems are not fully redundant and disaster recovery planning is not sufficient for all eventualities. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. Any such interruptions or outages, regardless of the cause, could negatively impact the experiences of our users and customers with our products and services, tarnish our brands' reputation and decrease demand for our products and services, any or all of which could adversely affect our business, financial condition and results of operations.

We also continually work to expand and enhance the efficiency and scalability of our technology and network systems to improve the experiences of our users and customers, accommodate substantial increases in the volume of traffic to our properties and to keep up with changes in technology and user and customer preferences. Any failure to do so in a timely and cost-effective manner could adversely affect the experiences of our users and customers with our products and services and thereby negatively impact demand for our products and services, and could increase our costs, any of which could adversely affect our business, financial condition and results of operations.

For example, we are currently in the process of an ongoing consolidation and streamlining of the technology and network systems and infrastructures of a number of our dating businesses, including Match, OurTime and Meetic. The goal of this project is to modernize, optimize and improve the scalability and cost effectiveness of these systems and infrastructures and to increase our ability to deploy product changes more rapidly across devices and product lines. We have budgeted significant human and financial resources for these efforts and if we experience delays, inefficiencies and/or operational failures, we will incur additional costs, which would adversely affect our profitability. Moreover, these efforts may not be successful, may not be completed in a timely or cost effective manner, may not result in the cost savings or other benefits we anticipate and may disrupt operations, any or all of which could adversely affect our business, financial condition and results of operations.

We also rely on third party computer systems, data centers, broadband and other communications systems and service providers in connection with the provision of our products and services generally, as well as to facilitate and process certain transactions with our users and customers. We have no control over any of these third parties or their operations.

Any interruptions, outages or delays in our systems or those of our third party providers, changes in service levels provided by these systems or deterioration in the performance of these systems, could impair our ability to provide our products and services and/or process certain transactions with users and customers. If any of these events were to occur, it could damage our reputation and result in the loss of current and potential users and customers, which could have an adverse effect on our business, financial condition and results of operations and otherwise be costly to

remedy.

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We may not be able to protect our systems, infrastructures and technologies from cyber attacks. In addition, we may be adversely impacted by cyber attacks experienced by third parties. Any disruption of our systems, infrastructures and technologies, or compromise of our user data or other information, due to cyber attacks could have an adverse effect on our business, financial condition and results of operations.

We are regularly under attack by perpetrators of malicious technology-related events, such as cyber attacks, computer hacking, computer viruses, worms or other destructive or disruptive software, distributed denial of service attacks, attempts to misappropriate customer information (including credit card information) or other malicious activities. The incidence of events of this nature (or any combination thereof) is on the rise worldwide.

While we continuously develop and maintain systems to detect and prevent events of this nature from impacting our various businesses, and have invested heavily in these efforts and related training, these efforts are costly and require ongoing monitoring and updating as technologies change and efforts to overcome preventative security measures become more sophisticated. Despite our efforts, we cannot assure you that we will not experience significant events of this nature in the future and if such an event does occur, that it will not have an adverse effect on our business, financial condition and results of operations.

Furthermore, we may become the victim of security breaches, such as the misappropriation, misuse, leakage, falsification or accidental release or loss of user, customer or vendor data maintained in our information technology systems or those of third parties with whom we do business (or upon whom we otherwise rely in connection with our day to day operations), which could have a similar effect on us.

Any cyber attack or security breach we experience could prevent us from providing our products and services, damage our reputation, erode our brands and/or be costly to remedy, as well as result in a degradation of our products and services and/or cause damage to our systems, infrastructures, technologies and data. Even if we do not experience such events, the impact of any such events experienced by third parties with whom we do business (or upon whom we otherwise rely in connection with our day to day operations) could have a similar effect. Moreover, even cyber attacks and security breaches that do not impact us directly may result in a loss of consumer confidence generally, which could make consumers and users less likely to use our products and services.

In addition, we may not have adequate insurance coverage to compensate for losses resulting from any of these events. If the security of personal and confidential user information, including credit card information, that we maintain and store is breached or otherwise accessed by unauthorized persons, it may be costly to mitigate the impact of such an event, our reputation could be harmed and our business, financial condition and results of operations could be adversely affected.

We receive, process, store and transmit a significant amount of personal user and other confidential information, including credit card information, and enable our users to share their personal information with each other. In some cases, we retain third party vendors to store this information. We continuously develop and maintain systems to protect the security, integrity and confidentiality of this information, but cannot guarantee that inadvertent or unauthorized use or disclosure will not occur or that third parties will not gain unauthorized access to this information despite our efforts. If any such event were to occur, we may not be able to remedy the event, and we may have to expend significant capital and resources to mitigate the impact of such an event, and to develop and implement protections to prevent future events of this nature from occurring. If a breach of our security (or the security of our vendors and partners) occurs, the perception of the effectiveness of our security measures and our reputation may be harmed, we could lose current and potential users and the recognition of our various brands and their competitive positions could be diminished, any or all of which could adversely affect our business, financial condition and results of operations.

We are subject to a number of risks related to credit card payments, including data security breaches and fraud that we or third parties experience or additional regulation, any of which could adversely affect our business, financial condition and results of operations.

Our businesses accept payment from our users primarily through credit card transactions and certain online payment service providers. The ability of these businesses to access credit card information on a real time basis without having to proactively reach out to the consumer each time they process a payment for products and services (including auto renewal payments or payments for the purchase of a premium feature on or with any of our products or services)

is critical to our success.

When we experience (or a third party experiences) a data security breach involving credit card information, affected cardholders will often cancel their credit cards. In the case of a breach experienced by a third party, the more sizable the third party's customer base and the greater the number of credit card accounts impacted, the more likely it is that our users would be impacted by such a breach. To the extent our users are ever affected by such a breach experienced by us or a third party, affected users would need to be contacted to obtain new credit card information and process any pending transactions. It is likely that we would not be able to reach all affected users, and even if we could, some users' new credit card information may

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not be obtained and some pending transactions may not be processed, which could adversely affect our business, financial condition and results of operations.

Even if our users are not directly impacted by a given data security breach, they may lose confidence in the ability of service providers to protect their personal information generally, which could cause them to stop using their credit cards online and choose alternative payment methods that are not as convenient for us or restrict our ability to process payments without significant user effort.

Additionally, if we fail to adequately prevent fraudulent credit card transactions, we may face fines, governmental enforcement action, civil liability, diminished public perception of our security measures, significantly higher credit card related costs and substantial remediation costs, any of which could adversely affect our business, financial condition and results of operations.

Finally, the passage or adoption of any legislation or regulation affecting the ability of service providers to periodically charge consumers for recurring membership payments may adversely affect our business, financial condition and results of operations.

The processing, storage, use and disclosure of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights.

We receive, transmit and store a large volume of personal information and other user data (including personal credit card data, as well as private content (such as videos and correspondence)) in connection with the processing of search queries, the provision of online products and services, transactions with users and customers and advertising on our websites. The sharing, use, disclosure and protection of this information are determined by the respective privacy and data security policies of our various businesses. These policies are, in turn, subject to federal, state and foreign laws and regulations, as well as evolving industry standards and practices, regarding privacy generally and the storing, sharing, use, disclosure and protection of personal information and user data. Examples include the European Union Data Protection Directive (as adopted and implemented by the various European Union member states, the "EU Directive"), various U.S. state regulations concerning minimum data security standards, industry self-regulating principles that have become standard practice and more stringent contractual protections (and related compliance obligations) regarding privacy and data security.

In addition, if an online service provider fails to comply with its privacy policy, it could become subject to an investigation and/or proceeding for unfair or deceptive practices brought by the U.S. Federal Trade Commission under the Federal Trade Commission Act (and/or brought by a state attorney general pursuant to a similar state law), as well as a private lawsuit under various U.S. federal and state laws. Similarly, in the European Union, the online service provider could become subject to an investigation and/or proceeding for the violation of the data protection laws and regulations brought by a member state or its supervisory authority (an independent body charged with monitoring compliance with data protection laws), as well as private causes of action under the EU Directive. In general, personal information is increasingly subject to legislation and regulation in numerous jurisdictions around the world (particularly in the European Union), the intent of which is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction.

U.S. and foreign legislators and regulators may enact new laws and regulations regarding privacy and data security. For example, in January 2016, the U.S. Federal Trade Commission released a report that further explored the use of "big data" and its impact on American consumers. This report followed the May 2014 White House release of a review of "big data" practices, which called for an update to U.S. privacy laws based on the proposed Consumer Privacy Bill of Rights released by the White House in February 2012 and the enactment of a federal data breach notification law. In addition, in February 2013 the U.S. Federal Trade Commission issued a report seeking changes in Internet and mobile privacy protection and disclosures. Similarly, new privacy laws and regulations at the state level, as well as new laws and directives abroad (particularly in the European Union), are being proposed and implemented. For example, effective January 1, 2016, the Delaware Online Privacy and Protection Act requires companies to make new and enhanced disclosures regarding their privacy policies and since 2014, California law has required companies that collect personal information to disclose how they respond to web browser "Do Not Track" signals.

The European Union is in the process of adopting new guidelines (the proposed European Data Protection Regulation) for data protection and privacy to address recent globalization and technological developments, which will supersede

the EU Directive. In addition, in October 2015, the European Union's highest court ruled that the EU-US Safe Harbor Agreement, which had provided a framework for transfers of personal data from European Union member states to the United States, was invalid. In February 2016, the European Commission and the United States reached an agreement on a proposed new framework for transfers of personal data, the EU-US Privacy Shield. This proposed new framework is expected to impose a stricter compliance regime for companies seeking to transfer personal data from European Union member states to the United States and require stronger monitoring by U.S. regulators of the sharing, use, disclosure and protection of such data and related enforcement for non-compliance. It currently remains unclear how we and other U.S. companies should proceed when

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transferring personal data from European Union member states to the United States given that the EU-US Privacy Shield is not yet final and faces hurdles to adoption and the European Commission did not provide any interim guidance.

In addition, existing privacy laws that were intended for brick-and-mortar businesses could be interpreted in a manner that would extend their reach to our businesses. New laws and regulations (or new interpretations of existing laws) in this area may make it more costly to operate our businesses and/or limit our ability to engage in certain types of activities, such as targeted advertising, which could adversely affect our business, financial condition and results of operations.

As privacy and data protection have become more sensitive issues, we may also become exposed to potential liabilities as a result of differing views on the privacy of consumer and other user data collected by our businesses. Also, we cannot guarantee that our security measures will prevent security breaches. In the case of security breaches involving personal credit card data, credit card companies could curtail our ability to transact payments and impose fines for failure to comply with Payment Card Industry (PCI) Data Security Standards. Moreover, any such breach could decrease consumer confidence in the case of the business that experienced the breach or our businesses generally, which would decrease traffic to (and in turn, usage and transactions on) the relevant website and/or our various websites and which in turn, could adversely affect our business, financial condition and results of operations. The failure of any of our businesses, or their various third party vendors and service providers, to comply with applicable privacy policies, federal, state or foreign privacy laws and regulations or PCI standards, as well as the unauthorized release of personal information or other user data for any reason, could adversely affect our business, financial condition and results of operations.

While we believe that we comply with applicable laws and regulations, as well as evolving industry standards and practices relating to privacy and data security, there is no assurance that we will not be subject to claims that we have violated applicable laws and regulations, standard and practices or that we will be able to successfully defend against such claims. Any failure or perceived failure by us (or the third parties with whom we have contracted to store such information) to comply with applicable privacy laws, privacy policies or privacy related contractual obligations or any compromise of security that results in unauthorized access to personal information may result in governmental enforcement actions, significant fines, litigation, claims of breach of contract and indemnity by third parties and adverse publicity. In the case of such an event, our reputation may be harmed, we could lose current and potential users and the competitive positions of our various brands could be diminished, any or all of which could adversely affect our business, financial condition and results of operations.

We may not freely access the cash of Match Group and its subsidiaries.

The Company's potential sources of cash include our available cash balances, net cash from the operating activities of our subsidiaries, availability under IAC's revolving credit facility and proceeds from asset sales, including marketable securities. The ability of our operating subsidiaries to pay dividends or to make other payments or advances to us depends on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject. Agreements governing Match Group's indebtedness limit the payment of dividends or the making of distributions, loans or advances to stockholders, including IAC. In addition, because Match Group is a separate and distinct legal entity with public shareholders, it has no obligation to provide us with funds for payment obligations, whether by dividends, distributions, loans or other payments.

Our indebtedness may affect our ability to operate our business, which could have a material adverse effect on our financial condition and results of operations. We and our subsidiaries may incur additional indebtedness, including secured indebtedness.

As of December 31, 2015, we had total debt outstanding of approximately \$1.8 billion, including \$1.2 billion of total debt outstanding at Match Group (\$40 million of which matures in the current year). As of this date, we had borrowing availability of \$300 million, and Match Group had borrowing availability of \$500 million, under our respective revolving credit facilities. Neither Match Group nor any of its subsidiaries guarantee any indebtedness of IAC or are subject to any of the covenants related to such indebtedness. Similarly, neither IAC nor any of its subsidiaries (other than Match Group and its subsidiaries) guarantee any indebtedness of Match Group or are subject

to any of the covenants related to such indebtedness.

Our indebtedness and Match Group's indebtedness could have important consequences, such as:

- limiting our respective abilities to obtain additional financing to fund working capital needs, acquisitions, capital expenditures or other debt service requirements or for other purposes;
- limiting our respective abilities to use operating cash flow in other areas of our respective businesses because we must dedicate a substantial portion of these funds to service debt;
- limiting our respective abilities to compete with other companies who are not as highly leveraged, as we may be less capable of responding to adverse economic and industry conditions;
- restricting us from making strategic acquisitions, developing properties or exploiting business opportunities;

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restricting the way in which we conduct business because of financial and operating covenants in the agreements governing our respective existing and future indebtedness;
exposing us to potential events of default (if not cured or waived) under financial and operating covenants contained in our or our respective subsidiaries' debt instruments that could have a material adverse effect on our business, financial condition and operating results;
increasing our vulnerability to a downturn in general economic conditions or in pricing of our products and services;
and
limiting our respective abilities to react to changing market conditions in the various industries in which we do business.

In addition to our respective debt service obligations, our and Match Group's operations require substantial investments on a continuing basis. Our ability or the ability of Match Group to make scheduled debt payments, to refinance obligations with respect to our indebtedness and to fund capital and non capital expenditures necessary to maintain the condition of our respective operating assets and properties, as well as to provide capacity for the growth of our respective businesses, depends on our respective financial and operating performance, which, in turn, is subject to prevailing economic conditions and financial, business, competitive, legal and other factors.

Subject to certain restrictions in the agreements governing our and Match Group's indebtedness, we and our subsidiaries may incur significant additional indebtedness, including additional secured indebtedness. Although the terms of agreements governing our and Match Group's indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and additional indebtedness incurred in compliance with these restrictions could be significant. If new debt is added to our or our subsidiaries' current debt levels, the risks described above could increase.

We may not be able to generate sufficient cash to service all of our current and planned indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.

Our ability and the ability of Match Group to satisfy our respective debt obligations will depend upon, among other things:

our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control; and
our future ability and the future ability of Match Group to borrow under our respective revolving credit agreements, the availability of which will depend on, among other things, compliance with the covenants in the then existing agreements governing such indebtedness.

There can be no assurance that our business or Match Group will generate sufficient cash flow from operations, or that we or Match Group will be able to draw under our respective revolving credit agreements or otherwise, in an amount sufficient to fund our respective liquidity needs. See also "-We may not freely access the cash of Match Group and its subsidiaries" above.

If cash flows and capital resources are insufficient to service indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or

operations, sell equity, and/or negotiate with our lenders to restructure the applicable debt, in order to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all. The agreements governing our and Match Group's indebtedness may restrict, or market or business conditions may limit, our ability to avail ourselves of some or all of these options. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due.

Agreements governing our indebtedness contain restrictions that will limit our flexibility in operating our business.

The agreements governing our and Match Group's indebtedness contain, and any instruments governing future indebtedness would likely contain, a number of covenants that will impose significant operating and financial restrictions on us and Match Group, including restrictions on the ability to, among other things:

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- create liens on certain assets;
- incur additional debt;
- make certain investments and acquisitions;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- sell certain assets;
- pay dividends on or make distributions in respect of our capital stock or make restricted payments;
- enter into certain transactions with our affiliates; and
- place restrictions on distributions from subsidiaries.

Any of these restrictions could limit our ability to plan for or react to market conditions and could otherwise restrict corporate activities. Any failure to comply with these covenants could result in a default under the agreements governing current or future indebtedness. Upon a default, unless waived, lenders under our respective credit agreements could elect to terminate their commitments, cease making further loans, foreclose on our assets pledged to such lenders to secure our indebtedness and force us into bankruptcy or liquidation. Holders of our or Match Group's senior notes also have the ability to force us into bankruptcy or liquidation in certain circumstances, subject to the terms of the related indentures. In addition, a default could trigger a cross default under our other agreements and could trigger a cross default under agreements governing our future indebtedness. Our operating results may not generate cash in an amount that would be sufficient to service our indebtedness or to fund our other expenditures and we may not be able to obtain financing to meet these requirements.

Variable rate indebtedness will subject us to interest rate risk, which could cause our debt service obligations to increase significantly.

At December 31, 2015, Match Group has \$800 million of indebtedness outstanding under its term loan facility, which bears interest at variable rates and currently bears interest at LIBOR plus 4.50%, with a LIBOR floor of 1.00%. LIBOR at December 31, 2015 for similar borrowings of three months was approximately 60 basis points. Changes in the interest rates applicable to this indebtedness will expose us to interest rate risk. For example, if LIBOR were to increase by 100 basis points then the annual interest payments on this indebtedness would increase by 60 basis points, or \$4.8 million in 2016. And if LIBOR decreased 60 basis points to zero, annual interest payments on this indebtedness would remain the same. Such potential changes in interest payments take into account quarterly amortization payments and are based on certain simplifying assumptions, including a constant rate of variable-rate debt for all maturities and an immediate across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period. To the extent that we or Match Group draw down on our respective revolving credit facilities in the future, any related indebtedness incurred would bear interest at variable rates, which would increase our exposure to interest rate risk. See also "Item 7A-Quantitative and Qualitative Disclosures About Market Risk."

We may not be able to identify suitable acquisition candidates and even if we are able to do so, we may experience operational and financial risks in connection with acquisitions. In addition, some of the businesses we acquire may incur significant losses from operations or experience impairment of carrying value.

We have made numerous acquisitions in the past and we continue to seek to identify potential acquisition candidates that will allow us to apply our expertise to expand their capabilities, as well as maximize our existing assets. As a result, our future growth may depend, in part, on acquisitions. We may not be able to identify suitable acquisition candidates or complete acquisitions on satisfactory pricing or other terms and we expect to continue to experience competition in connection with our acquisition-related efforts.

Even if we identify what we believe to be suitable acquisition candidates and negotiate satisfactory terms, we may experience operational and financial risks in connection with acquisitions, and to the extent that we continue to grow through acquisitions, we will need to:

- properly value prospective acquisitions, especially those with limited operating histories;

successfully integrate the operations, as well as the accounting, financial controls, management information, technology, human resources and other administrative systems, of acquired businesses with our existing operations and systems;

• successfully identify and realize potential synergies among acquired and existing businesses;

• retain or hire senior management and other key personnel at acquired businesses; and

• successfully manage acquisition related strain on the management, operations and financial resources of IAC and its businesses and/or acquired businesses.

We may not be successful in addressing these challenges or any other problems encountered in connection with historical and future acquisitions. In addition, the anticipated benefits of one or more acquisitions may not be realized and future acquisitions could result in increased operating losses, potentially dilutive issuances of equity securities and the assumption of

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contingent liabilities. Also, the value of goodwill and other intangible assets acquired could be impacted by one or more continuing unfavorable events and/or trends, which could result in significant impairment charges. The occurrence of any these events could have an adverse effect on our business, financial condition and results of operations.

We operate in various international markets, some in which we have limited experience. As a result, we face additional risks in connection with our international operations. Also, we may not be able to successfully expand into new, or further into our existing, international markets.

We currently operate in various jurisdictions abroad and may continue to expand our international presence. In order for our products and services in these jurisdictions to achieve widespread acceptance, commercial use and acceptance of the Internet must continue to grow, which growth may occur at slower rates than those experienced in the United States. Moreover, we must continue to successfully tailor our products and services to the unique customs and cultures of foreign jurisdictions, which can be difficult and costly and the failure to do so could slow our international growth and adversely impact our business, financial condition and results of operations.

Operating abroad, particularly in jurisdictions where we have limited experience, exposes us to additional risks. These additional risks include, among others:

- operational and compliance challenges caused by distance, language and cultural differences;
- difficulties in staffing and managing international operations;
- differing levels of social and technological acceptance of our products and services or lack of acceptance of them generally;
- foreign currency fluctuations;
- restrictions on the transfer of funds among countries and back to the United States and costs associated with repatriating funds to the United States;
- differing and potentially adverse tax laws;
- multiple, conflicting and changing laws, rules and regulations, and difficulties understanding and ensuring compliance with those laws by both our employees and our business partners, over whom we exert no control;
- competitive environments that favor local businesses;
- limitations on the level of intellectual property protection; and
- trade sanctions, political unrest, terrorism, war and epidemics or the threat of any of these events.

The occurrence of any or all of the events described above could adversely affect our international operations, which could in turn adversely affect our business, financial condition and results of operations. Our success in international markets will also depend, in part, on our ability to identify potential acquisition candidates, joint venture or other partners, and to enter into arrangements with these parties on favorable terms and successfully integrate their businesses and operations with our own.

A variety of new laws, or new interpretations of existing laws, could subject us to claims or otherwise harm our business.

We are subject to a variety of laws in the U.S. and abroad that are costly to comply with, can result in negative publicity and diversion of management time and effort, and can subject us to claims or other remedies. Some of these laws, such as income, sales, use, value added and other tax laws and consumer protection laws, are applicable to businesses generally and others are unique to the various types of businesses in which we are engaged. Many of these laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies. Laws that do reference the Internet are being interpreted by the courts, but their applicability and scope remain uncertain.

For example, through our various businesses we post and link to third party content, including third party advertisements, links and websites. We also allow users to submit content, such as comments, photographs and videos. We could be subject to liability for posting, hosting or linking to third party content, and while we generally require third parties to indemnify us for related claims, we may not be able to enforce our indemnification rights. Some laws, including the Communications Decency Act, or CDA, and the Digital Millennium Copyright Act, or DMCA, limit our liability for posting or linking to third party content. For example, the DMCA generally protects online service providers from claims of copyright infringement based on the storage of third party content at the

direction of the user, so long as certain statutory requirements are satisfied. However, the scope and applicability of the DMCA are subject to judicial interpretation and, as such, remain uncertain, and the U.S. Congress may enact legislation affecting (and potentially limiting) the protections afforded by the DMCA to online service providers. Moreover, similar protections may not exist in other jurisdictions in which our various businesses operate. As a result, claims have been, and could be, threatened and filed under both U.S. and foreign laws based upon use of third party content asserting, among other things, negligence, defamation, invasion of privacy or right of publicity, copyright infringement or trademark infringement.

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Also, we send electronic messages to users through our various businesses, as well as develop, market and/or distribute a variety of downloadable applications through our Consumer and Partnerships businesses, which could subject us to liability for failing to comply with laws governing the sending of electronic messages to our users and the installation of downloadable applications. For example, Canada's Anti-Spam Legislation ("CASL"), which became effective on July 1, 2014, prohibits all commercial electronic messages (including e-mail, text, social media, sound and image messages) that are sent without proper consumer consent. And, effective January 15, 2015, the CASL restricts the unsolicited installation of computer programs and applications. While several Canadian regulators are jointly empowered to enforce and issue administrative and monetary penalties for CASL violations, effective July 1, 2017 individuals may also file private and class action lawsuits to collect statutory damages for CASL violations. In addition, changing Internet business practices may attract increased legal and regulatory attention. One example of such changing practices is the increasing use of "native" advertising, a form of advertising in which sponsored content is presented in a manner that some may view as similar to traditional editorial content. The U.S. Federal Trade Commission has indicated that it will continue to monitor the use of online native advertising to ensure that it is presented in a manner that is not confusing or deceptive to consumers.

Lastly, one of the businesses within our Applications segment, SlimWare, operates a paid telephone technical support service, which it promotes, in part, through its software products. In the recent past and currently, the U.S. Federal Trade Commission and various state regulatory agencies and attorneys general have been aggressively enforcing laws governing telephonic sales in the computer support industry. While SlimWare has put a related compliance program in place with the third party vendor who provides paid telephone technical support services on its behalf to ensure compliance with applicable laws, no assurances can be given that this program will be effective.

Any failure on our part to comply with applicable laws may subject us to additional liabilities, which could adversely affect our business, financial condition and results of operations. In addition, if the laws to which we are currently subject are amended or interpreted adversely to our interests, or if new adverse laws are adopted, our products and services might need to be modified to comply with such laws, which would increase our costs and could result in decreased demand for our products and services to the extent that we pass on such costs to our customers.

Specifically, in the case of tax laws, positions that we have taken or will take are subject to interpretation by the relevant taxing authorities. While we believe that the positions we have taken to date comply with applicable law, there can be no assurances that the relevant taxing authorities will not take a contrary position, and if so, that such positions will not adversely affect us. Any events of this nature could adversely affect our business, financial condition and results of operations.

We may fail to adequately protect our intellectual property rights or may be accused of infringing the intellectual property rights of third parties.

We rely heavily upon our trademarks and related domain names and logos to market our brands and to build and maintain brand loyalty and recognition, as well as upon trade secrets. We also rely, to a lesser extent, upon patented and patent pending proprietary technologies with expiration dates ranging from 2017 to 2034.

We rely on a combination of laws and contractual restrictions with employees, customers, suppliers, affiliates and others to establish and protect our various intellectual property rights. For example, we have generally registered and continue to apply to register and renew, or secure by contract where appropriate, trademarks and service marks as they are developed and used, and reserve, register and renew domain names as we deem appropriate. Effective trademark protection may not be available or may not be sought in every country in which products and services are made available and contractual disputes may affect the use of marks governed by private contract. Similarly, not every variation of a domain name may be available or be registered, even if available.

We also generally seek to apply for patents or for other similar statutory protections as and if we deem appropriate, based on then current facts and circumstances, and will continue to do so in the future. No assurances can be given that any patent application we have filed (or will file) will result in a patent being issued, or that any existing or future patents will afford adequate protection against competitors and similar technologies. In addition, no assurances can be given that third parties will not create new products or methods that achieve similar results without infringing upon patents we own.

Despite these measures, our intellectual property rights may still not be protected in a meaningful manner, challenges to contractual rights could arise or third parties could copy or otherwise obtain and use our intellectual property without authorization. The occurrence of any of these events could result in the erosion of our brands and limitations on our ability to control marketing on or through the Internet using our various domain names, as well as impede our ability to effectively compete against competitors with similar technologies, any of which could adversely affect our business, financial condition and results of operations.

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From time to time, we have been subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks, copyrights, patents and other intellectual property rights held by third parties. In addition, litigation may be necessary in the future to enforce our intellectual property rights, protect our trade secrets or to determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business, financial condition and results of operations. Patent litigation tends to be particularly protracted and expensive.

Our estimated income taxes could be materially different from income taxes that we ultimately pay.

We are subject to income taxes in both the United States and numerous jurisdictions abroad. Significant judgment and estimation is required in determining our provision for income taxes and related matters. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determinations are uncertain or otherwise subject to interpretation. Our determination of our income tax liability is always subject to review by applicable tax authorities and we are currently subject to audits in a number of jurisdictions. Although we believe our income tax estimates and related determinations are reasonable and appropriate, relevant taxing authorities may disagree. The ultimate outcome of any such audits and reviews could be materially different from estimates and determinations reflected in our historical income tax provisions and accruals. Any adverse outcome of any such audit or review could have an adverse effect on our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

IAC believes that the facilities for its management and operations are generally adequate for its current and near-term future needs. IAC's facilities, most of which are leased by IAC's businesses in various cities and locations in the United States and various jurisdictions abroad, generally consist of executive and administrative offices, operations centers, data centers and sales offices.

All of IAC's leases are at prevailing market rates. IAC believes that the duration of each lease is adequate. IAC believes that its principal properties, whether owned or leased, are currently adequate for the purposes for which they are used and are suitably maintained for these purposes. IAC does not anticipate any future problems renewing or obtaining suitable leases for any of its principal businesses. IAC's approximately 202,500 square foot corporate headquarters in New York, New York houses offices for IAC corporate and various IAC businesses within the following segments: Match Group, Publishing, Applications and Video.

Item 3. Legal Proceedings

In the ordinary course of business, the Company and its subsidiaries are parties to litigation involving property, personal injury, contract, intellectual property and other claims. The amounts that may be recovered in such matters may be subject to insurance coverage.

Rules of the Securities and Exchange Commission require the description of material pending legal proceedings (other than ordinary, routine litigation incidental to the registrant's business) to which the registrant or any of its subsidiaries is a party or to which any of their property is subject and advise that proceedings ordinarily need not be described if they primarily involve claims for damages 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 the Company and its subsidiaries are defending involves (or is likely to involve) amounts of that magnitude, nor do such matters involve issues or claims that may be of particular interest to the Company's shareholders.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Registrant's Common Equity and Related Stockholder Matters

IAC common stock is quoted on the Nasdaq Global Select Market ("NASDAQ") under the ticker symbol "IAC." There is no established public trading market for IAC Class B common stock. The table below sets forth, for the calendar periods indicated, the high and low sales prices per share for IAC common stock as reported on NASDAQ.

	High	Low
Year Ended December 31, 2015		
Fourth Quarter	\$73.15	\$58.30
Third Quarter	84.66	63.29
Second Quarter	82.40	66.63
First Quarter	70.10	59.11
Year Ended December 31, 2014		
Fourth Quarter	\$68.40	\$56.50
Third Quarter	73.93	63.00
Second Quarter	73.27	61.00
First Quarter	80.64	64.45

As of February 25, 2016, there were approximately 1,600 holders of record of the Company's common stock and the closing price of IAC common stock on NASDAQ was \$44.31. Because the substantial majority of the outstanding shares of IAC common stock are held by brokers and other institutions on behalf of shareholders, IAC is not able to estimate the total number of beneficial shareholders represented by these record holders. As of February 25, 2016, there were three holders of record of the Company's Class B common stock.

In 2014, IAC's Board of Directors declared four quarterly cash dividends, two of which were \$0.24 per share of common and Class B common stock outstanding and two of which were \$0.34 per share of common and Class B common stock outstanding. In 2015, IAC's Board of Directors declared four quarterly cash dividends, all of which were \$0.34 per share of common and Class B common stock outstanding.

On February 2, 2016, IAC announced that following the completion of the Match Group initial public offering and related debt transactions, IAC's Board of Directors had suspended the Company's quarterly cash dividend program. Accordingly, we do not currently expect that comparable cash dividends will continue to be paid in the near future. Any future cash or other dividend declarations are subject to the determination of IAC's Board of Directors.

During the quarter ended December 31, 2015, the Company did not issue or sell any shares of its common stock or other equity securities pursuant to unregistered transactions.

Issuer Repurchases of Equity Securities

The Company did not purchase any shares of its common stock during the quarter ended December 31, 2015. As of that date, approximately 5.6 million shares of common stock remained available for repurchase under the Company's previously announced April 2013 repurchase authorization. IAC may purchase shares pursuant to this repurchase authorization over an indefinite period of time in the open market and in privately negotiated transactions, depending on those factors IAC management deems relevant at any particular time, including, without limitation, market conditions, share price and future outlook.

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Item 6. Selected Financial Data

The following selected financial data for the five years ended December 31, 2015 should be read in conjunction with the consolidated financial statements and accompanying notes included herein.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in thousands, except per share data)				
Statement of Operations Data: ⁽¹⁾					
Revenue	\$3,230,933	\$3,109,547	\$3,022,987	\$2,800,933	\$2,059,444
Earnings from continuing operations	113,357	234,557	281,799	169,847	175,569
Earnings per share from continuing operations attributable to IAC shareholders:					
Basic	\$1.44	\$2.88	\$3.40	\$1.95	\$2.05
Diluted	\$1.33	\$2.71	\$3.27	\$1.81	\$1.89
Dividends declared per share	\$1.36	\$1.16	\$0.96	\$0.72	\$0.12
	December 31,				
	2015	2014 ⁽²⁾	2013 ⁽²⁾	2012 ⁽²⁾	2011 ⁽²⁾
	(In thousands)				
Balance Sheet Data:					
Total assets	\$5,209,950	\$4,256,885	\$4,201,364	\$3,786,643	\$3,368,989
Long-term debt, including current maturities	1,788,213	1,080,000	1,080,000	595,844	95,844

(1) We recognized items that affected the comparability of results for the years 2015, 2014 and 2013, see "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Total assets has been adjusted due to the adoption of Financial Accounting Standards Board Accounting Standards Update No. 2015-17, Income Taxes which requires that deferred tax assets and liabilities be classified as noncurrent in the consolidated balance sheet, see "Note 2—Summary of Significant Accounting Policies" in the consolidated financial statements included in "Item 8—Consolidated Financial Statements and Supplementary Data."

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Key Terms:

When the following terms appear in this report, they have the meanings indicated below:

Reportable Segments

Match Group - includes the businesses of Match Group, Inc., which completed its initial public offering ("IPO") on November 24, 2015; and is comprised of Dating, which consists of Dating North America and Dating International, and Non-dating, which consists of The Princeton Review.

HomeAdvisor - is a leading nationwide home services digital marketplace that helps connect consumers with home professionals.

Publishing - consists of Premium Brands, which includes About.com, Dictionary.com, Investopedia and The Daily Beast; and Ask & Other, which includes Ask.com, CityGrid and ASKfm.

Applications - consists of Consumer, which includes our direct-to-consumer downloadable desktop applications, including SlimWare, and Apalon, which houses our mobile applications operations; and Partnerships, which includes our business-to-business partnership operations.

Video - consists primarily of Vimeo and DailyBurn, as well as Electus, IAC Films, CollegeHumor and Notional.

Other - consists of ShoeBuy and PriceRunner.

Dating North America - includes Match, Chemistry, People Media, PlentyOfFish, OkCupid, Tinder and other dating businesses operating within the United States and Canada.

Dating International - includes Meetic, the international operations of PlentyOfFish and Tinder and all other dating businesses operating outside of the United States and Canada.

Direct Revenue - is revenue that is directly received by Match Group from an end user of its products.

Average PMC - is calculated by summing the number of paid subscribers, or paid member count ("PMC"), at the end of each day in the relevant measurement period and dividing it by the number of calendar days in that period.

Average Revenue per Paying User ("ARPPU") - is Direct Revenue in the relevant measurement period divided by the Average PMC in such period divided by the number of calendar days in such period.

Service Requests - are fully completed and submitted customer service requests on HomeAdvisor.

Paying Service Professionals ("SPs") - are the number of service professionals that had an active membership or paid for leads in the last month of the period.

Cost of revenue - consists primarily of traffic acquisition costs and includes payments made to partners who distribute our Partnerships customized browser-based applications, integrate our paid listings into their websites and fees related to the distribution and facilitation of in-app purchase of product features. These payments include amounts based on revenue share and other arrangements. Cost of revenue also includes ShoeBuy's cost of products sold and shipping and handling costs, production costs related to media produced by Electus and other businesses within our Video segment, content acquisition costs, expenses associated with the operation of the Company's data centers, including compensation (including stock-based compensation) and other employee-related costs, rent, energy and hosting fees.

Selling and marketing expense - consists primarily of advertising expenditures and compensation (including stock-based compensation) and other employee-related costs for personnel engaged in selling and marketing, sales support and customer service functions. Advertising expenditures include online marketing, including fees paid to search

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engines and third parties that distribute our Consumer downloadable desktop applications, offline marketing, which is primarily television advertising and partner-related payments to those who direct traffic to the Match Group brands. General and administrative expense - consists primarily of compensation (including stock-based compensation) and other employee-related costs for personnel engaged in executive management, finance, legal, tax and human resources, facilities costs and fees for professional services.

Product development expense - consists primarily of compensation (including stock-based compensation) 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.

2012 Senior Notes - IAC's 4.75% Senior Notes due December 15, 2022, with interest payable each June 15 and December 15, which commenced June 15, 2013; a portion of which were exchanged for new 6.75% Match Group Senior Notes on November 16, 2015.

2013 Senior Notes - IAC's 4.875% Senior Notes due November 30, 2018, with interest payable each May 30 and November 30, which commenced May 30, 2014.

Match Group Senior Notes - Match Group's 6.75% Senior Notes due December 15, 2022, with interest payable each June 15 and December 15; which were issued in exchange for 2012 Senior Notes on November 16, 2015.

Match Group Term Loan - an \$800 million, seven-year term loan received by Match Group on November 16, 2015.

Liberty Bonds - 5% New York City Industrial Development Agency Liberty Bonds due September 1, 2035, with interest payable each March 1 and September 1, which commenced March 1, 2006. The Liberty Bonds were redeemed on September 1, 2015.

MANAGEMENT OVERVIEW

IAC is a leading media and Internet company comprised of some of the world's most recognized brands and products, such as HomeAdvisor, Vimeo, About.com, Dictionary.com, The Daily Beast, Investopedia, and Match Group's online dating portfolio, which includes Match, OkCupid, Tinder and PlentyOfFish.

Sources of Revenue

Match Group's Dating revenue is substantially derived directly from users in the form of recurring membership fees, which typically provide unlimited access to a bundle of features for a specific period of time, and the balances from à la carte features, where users pay a fee for a specific action or event; with additional revenue generated from online advertisers who pay to reach our large audiences. Non-dating revenue is primarily earned from fees received for in-person and online test preparation classes, access to online test preparation materials and individual tutoring services.

HomeAdvisor's revenue is derived primarily from fees paid by members of its network of home services professionals for consumer leads and memberships.

Substantially all of the revenue from our Publishing and Applications segments is derived from online advertising.

Most of the Company's online advertising revenue is attributable to our services agreement with Google Inc.

("Google"). On October 26, 2015, the Company and Google entered into a services agreement that is effective as of April 1, 2016, following the expiration of the current services agreement, and expires on March 31, 2020. The

Company may choose to terminate the agreement effective March 31, 2019. These services agreements require that we comply with certain guidelines promulgated by Google. Google may generally unilaterally update its own policies and guidelines without advance notice, which could in turn require modifications to, or prohibit and/or render obsolete certain of our products, services and/or business practices, which could be costly to address or otherwise have an adverse effect on our business, financial condition and results of operations. For the years ended December 31, 2015, 2014 and 2013, revenue earned from Google was \$1.3 billion, \$1.4 billion and \$1.5 billion, respectively. For the years ended December 31, 2015, 2014 and 2013, Google revenue represents 83% and 94%; 83% and 97%; and 83% and 98%, of Publishing and Applications revenue, respectively.

The revenue earned by our Video segment is derived from media production and distribution, subscriptions and advertising.

ShoeBuy's revenue is derived principally from merchandise sales. PriceRunner's revenue is derived principally from advertising.

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Strategic Partnerships, Advertiser Relationships and Online Advertising

A significant component of the Company's revenue is attributable to the services agreement with Google described above. We market and offer our products and services directly to consumers through branded websites and subscriptions, allowing consumers to transact directly with us in a convenient manner. We have made, and expect to continue to make, substantial investments in online and offline advertising to build our brands and drive traffic to our websites and consumers and advertisers to our businesses.

We pay traffic acquisition costs, which consist of payments to partners who distribute our Partnerships customized browser-based applications, integrate our paid listings into their websites and fees related to the distribution and facilitation of in-app purchases of product features. We also pay to market and distribute our services on third-party distribution channels, such as search engines and social media websites. In addition, some of our businesses manage affiliate programs, pursuant to which we pay commissions and fees to third parties based on revenue earned. These distribution channels might also offer their own products and services, as well as those of other third parties, which compete with those we offer.

The cost of acquiring new consumers through online and offline third-party distribution channels has increased, particularly in the case of online channels, as Internet commerce continues to grow and competition in the markets in which IAC's businesses operate increases.

Recent Developments

During the fourth quarter of 2015, IAC realigned its reportable segments. See Note 1—Organization to the consolidated financial statements for more information.

On November 24, 2015, Match Group completed its IPO. At December 31, 2015, IAC's ownership interest and voting interest in Match Group were 84.6% and 98.2%, respectively.

On November 16, 2015:

• Match Group exchanged \$445.3 million of 2012 Senior Notes for \$445.2 million of Match Group Senior Notes.

• Match Group amended and restated the Match Group credit agreement to provide for an \$800 million Term Loan.

On October 28, 2015, Match Group completed the purchase of Plentyoffish Media Inc., or PlentyOfFish, for \$575 million in cash.

On October 26, 2015, the Company amended and extended its services agreement with Google as described above.

On October 7, 2015:

• IAC amended and restated its \$300 million revolving credit facility, which now expires on October 7, 2020.

• Match Group entered into a credit agreement, which provides for a \$500 million revolving credit facility that expires on October 7, 2020.

Factors Affecting Consolidated Results

In 2015, we delivered 4% revenue growth; however, Adjusted EBITDA and operating income declined 11% and 53%, respectively. Revenue growth was primarily driven by the Match Group, HomeAdvisor and Video segments; the decline in Adjusted EBITDA was primarily driven by the Publishing segment; and the decline in operating income was primarily driven by the Publishing, Match Group, Other and Corporate segments. Revenue growth at the Match Group was driven by an increase in Direct revenue and the full year contribution from The Princeton Review.

HomeAdvisor's revenue growth was driven by higher service requests and an increase in Paying SPs in their domestic business, while the Video segment saw strong revenue growth at Vimeo, DailyBurn and Electus. Adjusted EBITDA was negatively impacted by lower revenue at Publishing driven by a decrease at Ask.com and certain legacy businesses. The operating income decline was due to the decrease in Adjusted EBITDA, an \$88.0 million impairment charge related to certain indefinite-lived intangible assets at Publishing, an increase of \$45.8 million in stock-based compensation (\$29.2 million at Match Group and \$15.8 million at Corporate) and a \$14.1 million goodwill impairment charge at Other.

Other events affecting year-over-year comparability include:

(i) foreign exchange effects, which negatively impacted Dating revenue 6% (reflected in the Match Group segment);

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(ii) the acquisitions of Eureka, on April 24, 2015, and PlentyOfFish, on October 28, 2015 (both reflected in the Match Group segment);

(iii) \$16.8 million of costs in 2015 related to the ongoing consolidation and streamlining of technology systems and European operations at the Dating businesses (reflected in the Match Group segment);

(iv) acquisitions in 2014 of:

the ValueClick O&O website businesses on January 10, 2014 (reflected in the Publishing segment except for PriceRunner which is reflected in the Other segment),

- SlimWare on April 1, 2014 (reflected in the Applications segment),
- The Princeton Review on August 1, 2014 (reflected in the Match Group segment),
- FriendScout24 on August 31, 2014 (reflected in the Match Group segment), and
- Apalon on November 3, 2014 (reflected in the Applications segment);