



New Age Business at Deep Value Price

IAC is a direct play on high growth, profitable internet businesses that provides online services like search, home services, gaming, dating, footwear retailing and others. The stock has very strong deep value characteristics as it is currently trading at 5x EV/EBITDA multiple on our 2010 EBITDA estimate, versus peer group consensus average of 10x and historical (2004-2009) average EV/EBITDA multiple of 9x. 2010E Price/FCF stands at 6.9x.

Fortress Balance Sheet – Strong Net Cash Position – 25% of M.Cap repurchased

As of the most recently concluded quarter (September 30, 2009), IAC had \$1.8 billion in cash and \$96 million in long-term debt. This approximates to a net cash position of \$1.7 billion (\$12.25 per share) or 60% of Current Market Cap. The company has also been buying back stock with 25% of market cap repurchased in the last 6 quarters. We believe there is a solid bargain at hand with the underlying core branded internet franchise valued at only 40% of Market Cap, or \$1.1 billion.

Free Optionality on Numerous Growth Engines

The stock today is attributing only 40% value to more than 50 growing diversified internet businesses that IAC operates. This gives investors free options on a number of growth engines. If any one of these businesses clicks, the stock can be a potential multi-bagger.

Grossly misunderstood Stock – with Numerous Significant Catalysts

We believe a series of corporate actions (Spin-offs, acquisitions etc) have weighed heavily on the stock with the street completely overlooking numerous upside opportunities that the stock has on offer. Some of them, which we discuss later in our report, are – pick-up in share buyback activity, potential acquisition of ask.com, rebounding consumer sentiment with economic recovery, cost control and corporate actions.

USA Christmas Internet Spending up 18%

There have been visible signs that the internet consumer is back. According to Spending Pulse, this season online sales jumped 18% from Nov. 27 to Dec. 24 compared to a 3.4% decline last year. In a sluggish USA consumer environment, on-line and internet is growing rapidly and gaining share. IAC is well positioned in a secular growth area.

Target Price	\$34.00
Current Price	\$20.30
Upside	70%

Deep Value Matrix

60% of Mkt. cap in Cash

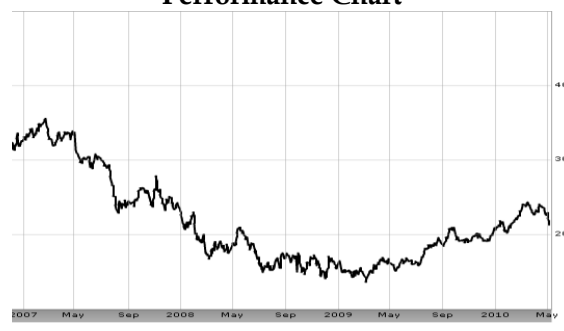
5X EV/EBITDA, 6.9x P/FCF

25% Mkt. cap repurchased in the last 6 quarters.

Company Profile / Data

Market Cap.	USD 2,814 mn
Shares Outstanding	139 mn
Free Float (FF %)	132 mn/ 95%
52 Week Range	USD 14.85/24.47
Avg. Daily Value (\$m)	44.4

Performance Chart



Forecasting & Valuations

(USD mn except ratio)	Dec 09A	Dec 10E	Dec 11E
Revenue	1,376	1,582	1,788
EBIT	33	40	45
Net Income (adjusted)	165	159	186
EPS (adjusted)	1.2	1.4	1.7
EPS Growth (%)	308.5	15.5	26.9
PE	17.1	14.8	11.7
EV/EBITDA	5.2	5.2	5.2
Div. yield (%)	0	0	0
P/B	0.79	0.76	0.74
FCF per share	2.1	2.9	3.3
Price/FCF per share	9.8	7.0	6.1
Net Cash (Debt)	1,911	1,728	1,602

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Price Target & Recommendation

Our EV/EBITDA multiple and DCF valuation suggests a \$34.00 price target

Within investor's immediate time horizon (i.e., next 12 months), we have a price target of \$34.00. This represents 10x EV/EBITDA multiple on our \$230 million EBITDA estimate for 2010. The stock is currently trading at 5x our 2010 EBITDA estimate, versus an average (2004-2009) forward year EBITDA multiple of 9x.

The details of our EV/EBITDA multiple analyses are in the table below:

EV/EBITDA multiple analysis

\$ in millions except multiples and price target

2010 EBITDA	230
Target EV/EBITDA multiple	10x
Implied Enterprise Value	2,303
Add: cash	1,767
Less: Debt	96
Market value	3,974
Share count (2010E)	116
2010 price target	\$34

Source: Company Reports, VIP Global Research estimates

Our DCF suggests a \$34.00 valuation, assuming 9% cost of capital, terminal growth of 3.0% and \$274 million in FCF generation in 2020. See details of our DCF analysis in the appendix at the back.

Value per Share

Terminal Growth	Cost of Capital					WACC	9%
	7%	8%	9%	10%	11%		
2.5%	42.29	36.86	33.02	30.17	27.96	PV of Free Cash Flow	1,279
2.8%	43.68	37.73	33.60	30.57	28.26	PV of Terminal Value	1,799
3.0%	44.71	38.37	34.02	30.86	28.46	Add: Net Cash	1,638
3.3%	46.44	39.41	34.70	31.33	28.80	Total Equity Value	4,715
3.5%	47.75	40.18	35.19	31.66	29.03	Shares outstanding	139
						DCF value	34.02

Source: VIP Global Research

We see limited downside to valuation at current levels given IAC's \$1.7 billion net cash balance (\$12.25 per share), ownership of important media & search assets and defensive Match business.

IACI is one of the growth stories in the IT space; still we find the valuations very attractive, at 5X 2010 EBITDA estimates this stock clearly falls under our definition of Deep Value.

We believe our price target of USD 34 is very conservative as the company has USD 12.25 per share in net cash. Current market price is USD 20.30

We believe aggressive share buyback activity will act as a catalyst for the stock price in 2010.

Potential M&A of Ask.com will help in improving margins similar to that of acquirer.

Catalysts

Share buy backs

With a huge cash pile of \$1.8 billion and 21.5 million shares remaining in its stock repurchase authorization; it is almost certain that IAC will resume its aggressive buy back activity. This will shrink the share count resulting in increased EPS and share price.

In Table 1, we discuss various stock buyback scenarios using the available net cash of \$1.7 billion. Our analysis suggests that a buyback using 10% of the available cash will result in a 7% appreciation in stock price (assuming the shares are bought back at the current stock price), whereas a 30% cash utilization for share repurchase will lead to a share price appreciation of 24%.

Table 1: Buyback sensitivity analysis

% of net cash used	10%	15%	20%	25%	30%
x current net cash (\$ millions)	1,767	1,767	1,767	1,767	1,767
= cash available for buy back	176.7	265.05	353.4	441.75	530.1
/current share price	20.29	20.29	20.29	20.29	20.29
= shares repurchased (\$ millions)	-9	-13	-17	-22	-26
+ current shares o/s	135	135	135	135	135
= new shares outstanding	126	122	117	113	109
Current Market Cap.	2,737	2,737	2,737	2,737	2,737
Implied price per share	21.69	22.47	23.30	24.20	25.16
% price appreciation	7%	11%	15%	19%	24%

Source: VIP Global Research estimates

Ask.com could be an acquisition target

CEO Barry Diller has stated his desire to combine ask.com with another business with IAC not being an acquirer. If the potential acquirer is a bigger operator in term of scale, we believe ask can cut down on its costs and improve margins to a level similar to that of the acquirer.

Economic recovery and increased consumer confidence

The bulk of IAC's operating revenues are derived directly from consumer spending. A rebound in consumer activity will result in more search queries, increased demand for home related services and more ecommerce transactions.

Cost control

Management has already stated its intentions to scale back marketing efforts for the search business. This along with any further cost control measures will improve margins and profitability, thereby acting as a catalyst for the stock price.

Corporate actions

Other than share buybacks, management can also create value for shareholders through strategic acquisitions, Joint ventures, spin-offs and by paying out dividends.

Recent Results

Despite the collapse of Lehman brothers and the ensuing global recession, IAC reported positive results for 2008. Full-year Dec 2008 revenues were up 8.4% y/y with all the segments registering an improvement over 2007. OBIA (Operating Income before Amortization) was up 24% y/y and OBIA margin increased 100 bps. Reported net income was negative at \$156 million due to non recurring extraordinary losses from discontinued operations. However, net income was positive on an adjusted basis at \$137 million compared to a net loss of \$4 million in 2007.

With the economic recession becoming more pronounced, 2009 began on a weaker note as both revenue and OIBA were down 22%/128% y/y respectively in 1Q09. This was accompanied by a decline in OBIA margins across all the reportable revenue segments.

However, we are now seeing visible signs of improvement with OIBA up 31% y/y in 3Q09 and OIBA margin up 380 bps. With the exception of the Emerging Business segment, the individual business segments are also gaining momentum.

The Search business, which has been one of the most severely hit segments due to recession, has shown improvement sequentially with both revenue and OIBA up 2.2%/71.1% respectively in 3Q09.

IAC's ServiceMagic segment continues to post impressive revenue growth both sequentially and on a y/y basis. In fact it posted record revenue of \$44 million in 3Q09 due to more active service providers in the network, as well as mix shift to higher value services. OIBA has also shown improvement in 3Q09 but OIBA margin declined by 300 basis points y/y due to increased marketing spend.

Match continues to be a relatively stable business for IAC with subscriber base growing in the mid-to-high single digits y/y over the past five quarters. There were 1.4 million paid subscribers at the end of 3Q09, up 5% y/y. The Average Revenue Per User (ARPU) was down 10% to \$21.10 as a result of the sale of higher ARPU Match Europe to Meetic in 2Q09, and the acquisition of lower ARPU People Media in 3Q09. We believe ARPU has bottomed out and expect flat pricing in 2010.

Emerging Business segment continues to make losses with revenue down 18% y/y in 3Q09 and OIBA at -\$8.3 million vs. -6.1 million in 3Q08.

With management's intentions to bring costs down by scaling back marketing efforts for the Search business and better macroeconomic and home improvement trends, we expect Search and ServiceMagic revenue/margins growth to improve going forward.

Business Description

IAC has diversified internet businesses organized into four segments: (1) Media & Advertising; (2) Match; (3) ServiceMagic; and (4) Emerging businesses

We are now seeing visible signs of improvement with OIBA up 31% y/y in 3Q09 and OIBA margin up 380 bps. With the exception of the Emerging Business segment, the individual business segments are also gaining momentum.

Some of the well known websites of the company are:-

*Ask.com
Dictionary.com
Citysearch.com
Urbanspoon.com
Shoebuy.com
Evite.com
Filife.com
Singlesnet.com*

Media & Advertising

Media & Advertising segment consists primarily of the search business, which includes Ask.com and other destination search websites through which the company provides search and related advertising services, and toolbars and applications through which it promotes and distributes these services, Citysearch, a leading online local city guide, and Evite, an online social planning website.

Advertising is the primary source of revenue for the Media & Advertising business with a substantial majority of the revenue coming from ICAI's paid listing agreement with Google which expires in 2012. In 2008, Media was 54% of revenue with 18% OBIA margin.

Match

Match primarily consists of match.com, a subscription-based personals and dating site, as well as other smaller personals sites in the People Media group. As of December 31, 2008, IAC collectively provided online personals services to over 1.3 million subscribers. In February 2009, Match.com and Meetic, a leading European online dating company based in France, entered into an agreement for Meetic to acquire the European operations of Match.com in exchange for a 27% interest in Meetic and a €5 million note.

The primary source of revenue is subscription fees for online personals services and online advertising. In 2008, Match was 25% of revenue with 25% OBIA margin.

ServiceMagic

ServicesMagic is an internet base lead generation service that connects home improvement service professionals to homeowner seeking repair. When consumers submit a home service request through the ServiceMagic marketplace, ServiceMagic generally matches them with up to four members from its network of home service professionals, which as of December 31, 2008, consisted of more than 56,000 home service professionals providing services in more than 500 categories, ranging from simple home repairs to complete home building and home remodeling projects.

The primary source of revenue is fees paid by member home service professionals for consumer leads, regardless of whether the home service professional that received the lead ultimately provides the requested service. In 2008, ServiceMagic was 8.5% of revenue with 21% OBIA margin.

Emerging Businesses

Emerging Businesses segment include Shoebuy, Pronto.com, InstantAction.com, CollegeHumor, Vimeo, Life123.com and The Daily Beast. Shoebuy, a leading internet retailer of footwear and related apparel and accessories, generally acts as an agent in connection with the purchase of merchandise through its various websites, passing purchases made by customers through its various websites on to the relevant vendors for fulfillment and shipping. Pronto owns and operates Pronto.com, a leading comparison search engine, through which consumers can search and compare prices for a wide range of merchandise offered by online retailers. In 2008, Emerging Business was 13.5% of revenue with -18.1% OBIA margin.

History

IAC was incorporated in July 1986 in Delaware under the name Silver King Broadcasting Company, Inc., as a subsidiary of Home Shopping Network, Inc. On December 28, 1992, Home Shopping Network distributed the capital stock of Silver King to its stockholders. In December 1996, the Company completed mergers with Savoy Pictures Entertainment, Inc. and Home Shopping Network, with Savoy and Home Shopping Network becoming subsidiaries of Silver King. In connection with these mergers, the Company changed its name to HSN, Inc.

The Company acquired a controlling interest in Ticketmaster Group, Inc. in 1997 and the remaining interest in 1998. In 1998, upon the purchase of USA Networks and Studios USA from Universal Studios, Inc., the Company was renamed USA Networks, Inc. From 1999 through 2001, the Company acquired Hotel Reservations Network (later renamed Hotels.com), Match.com and other smaller e-commerce companies. In 2001, the Company sold USA Broadcasting to Univision Communications, Inc.

In February 2002, the Company acquired a controlling stake in Expedia.com. In May 2002, after contributing its entertainment assets to Vivendi Universal Entertainment LLLP, or VUE, a joint venture then controlled by Vivendi, the Company changed its name to USA Interactive. In September 2002, the Company acquired Interval International. In 2003, the Company acquired the minority interests in its former public subsidiaries, Expedia.com, Hotels.com and Ticketmaster, and acquired a number of other companies, including Entertainment Publications, Inc. ("EPI"), LendingTree and Hotwire. The Company changed its name to InterActiveCorp in June 2003 and to IAC/InterActiveCorp in July 2004.

On August 9, 2005, IAC completed the separation of its travel and travel-related businesses and investments into an independent public company. In this report, the company refers to this transaction as the "Expedia spin-off" and to the company that holds the travel and travel-related businesses formerly held by IAC as "Expedia". Immediately prior to the Expedia spin-off, IAC effected a one-for-two reverse stock split. IAC also completed the following transactions in 2005: the acquisition of IAC Search & Media (formerly known as Ask Jeeves, Inc.), the results of operations of which are now reported within the Media & Advertising segment (July 2005), a transaction with NBC Universal in which IAC sold its common and preferred interests in VUE (June 2005) and the acquisition of Cornerstone Brands, Inc. ("Cornerstone Brands") (April 2005).

In November 2006, IAC sold PRC, LLC, its Teleservices subsidiary. In June 2007, the Company sold its German TV and internet retailer, HSE Germany. In June 2008, the Company sold EPI and on August 20, 2008, IAC completed its previously announced plan to separate into five publicly traded companies which includes:

Match.com operates some of the leading subscription-based online dating sites in 24 countries, in eight languages and spanning five continents.

Match.com is the Guinness world record holder for being the world's largest online dating website.

- The businesses comprising its Media & Advertising segment.
- The Match and Service Magic segments.
- The businesses comprising its Emerging Businesses segment, including Shoebuy and Reserve America, which were previously included in the former Retailing and Ticketmaster segments, respectively.

And certain investments in unconsolidated affiliates viz.:

- HSN, Inc. ("HSNi"), which then included HSN TV, HSN.com and the Cornerstone Brands portfolio of catalogs, websites and retail locations;
- Interval Leisure Group, Inc. ("ILG"), which then included the businesses that comprised the former Interval segment;
- Ticketmaster, which then included Ticketmaster's primary domestic and international operations, as well as certain investments in unconsolidated affiliates; and
- Tree.com, Inc. ("Tree.com"), which then included the businesses that comprised the former Lending and Real Estate segments.

ICA refers to this transaction as the "Spin-Off". Immediately following the Spin-Off, IAC affected a one-for-two reverse stock split.

Risks

The company's shares could underperform if:

- There is a misuse of capital for strategic acquisitions.
- The company is unable to achieve higher query volumes from Ask or if Ask runs unproductive and expensive advertising campaigns.
- ServiceMagic is hit by negative residential real estate trends or is impacted by macroeconomic pressures more than expected.
- Match faces higher subscriber churn to other free social networking sites.
- There is unproductive investments in new or existing properties in the Emerging business segment.
- Stiff competition from portals like Google, Yahoo, AOL might also weigh on the company's performance.

Conclusion

IAC presents a fantastic opportunity for investors looking to acquire a high growth, profitable internet business at attractive valuation levels. Within investor's immediate time horizon (i.e., next 12 months), we have a price target of \$34.00. This represents 10x EV/EBITDA multiple on our \$230 million EBITDA estimate for 2010. The stock is currently trading at 5x EV/EBITDA multiple on our 2010 EBITDA estimate, versus peer group consensus average of 10x and historical (2004-2009) average EV/EBITDA multiple of 9x.

We see limited downside to valuation at current levels given IAC's \$1.7 billion net cash balance (\$12.25 per share), ownership of important media & search assets and defensive Match business.

Deep value available at attractive Risk-Reward ratio.



Updated information subsequent to initial report.

Source: Bloomberg

ICA /INTERACTIVECORP

Income Statement (\$ mn)	FY2006	FY2007	FY2008	FY2009	FY2010 E	FY2011 E	FY2012 E	FY2013 E	FY2014 E	FY2015 E	CAGR (2010-2014)
Revenue	1,001	1,333	1,445	1,376	1,582	1,788	2,002	2,223	2,489	2,788	12.6%
<i>y/y</i>		33.2%	8.4%	-4.8%	15.0%	13.0%	12.0%	11.0%	12.0%	12.0%	
- Cost of Revenue	-369	-522	-477	-450	-522	-599	-681	-778	-871	-976	
Gross Profit	632	811	968	926	1,060	1,189	1,322	1,445	1,618	1,812	
<i>Gross margin (%)</i>	63.1%	60.8%	67.0%	67.3%	67.0%	66.5%	66.0%	65.0%	65.0%	65.0%	
Selling, General & Admin Expense	-573	-683	-812	-764	-870	-974	-1,089	-1,178	-1,319	-1,472	
<i>as a % of sales</i>	57.3%	51.2%	56.2%	55.5%	55.0%	54.5%	54.4%	53.0%	53.0%	52.8%	
Other Operating expenses	-90.591	-121	-143	-129	-150	-170	-180	-200	-212	-237	
<i>as a % of sales</i>	9.1%	9.1%	9.9%	9.4%	9.5%	9.5%	9.0%	9.0%	8.5%	8.5%	
Operating Income	-32	7	14	33	40	45	52	67	87	103	21.5%
<i>y/y</i>		-121.6%	96.5%	143.1%	20.0%	13.0%	16.5%	28.1%	30.7%	18.4%	
<i>Operating Margin (%)</i>	-3.2%	0.5%	0.9%	2.4%	2.5%	2.5%	2.6%	3.0%	3.5%	3.7%	
Interest Expense	-58	-59	-32	-6	-8	-8	-8	-8	-8	-8	
Interest income	64	59	25	10	10	15	20	30	30	30	
Equity in (losses)income of affiliates	31	22	17	-14	5	18	25	35	30	30	
Other recurring (expenses)income	-8	36	-235	72	65	80	80	76	85	90	
Amortization of non-cash marketing	-37	-50	-20	-16							
Amortization of intangibles	-42	-36	-44	-158							
Goodwill impairment			-12	-918							
Other non recurring (expenses) income	6	17	381	29							
Pretax Income (reported)	-76	-4	93	-968	112	150	169	200	224	245	
<i>y/y</i>		-94.6%	2385.6%	-1135.0%	111.5%	34.2%	12.9%	18.1%	12.2%	9.4%	
Pretax Income (adjusted)	-2	65	-212	95	112	150	169	200	224	245	18.7%
<i>y/y</i>		-2925.3%	-428.1%	144.8%	17.3%	34.2%	12.9%	18.1%	12.2%	9.4%	
Income Tax Expense	48	-2	38	-1	-33	-45	-51	-60	-67	-74	
<i>effective tax rate (%)</i>	63.9%	-56.7%	-40.3%	-0.2%	30%	30%	30%	30%	30%	30%	
Minority Interests	1	2	6	1	1	1	1	1	1	1	
Income Before XO Items	-27	-4	137	-968	79	106	119	141	158	173	
Extraordinary Loss Net of Tax	214	-140	-293	-11	0	0	0	0	0	0	
Total Cash Preferred Dividends	0	0	0	0	0	0	0	0	0	0	
Net Income (reported)	187	-144	-156	-979	79	106	119	141	158	173	16.9%
<i>y/y</i>		-177.0%	-8.4%	-526.6%	-108.1%	33.8%	12.8%	18.0%	12.2%	9.3%	
Exceptionals	0	-74	-87	-70	-80	-80	-80	-80	-80	-80	
Net Income (adjusted)	47	138	-82	165	159	186	199	221	238	253	7.6%
<i>y/y</i>		193.8%	159.5%	300.7%	-3.3%	16.8%	7.3%	10.8%	7.8%	6.2%	
Basic EPS (reported)	1.23	-1.01	-1.12	-7.06	0.63	0.92	1.09	1.36	1.52	1.67	
Basic EPS (adjusted)	0.31	0.97	-0.59	1.19	1.28	1.62	1.83	2.13	2.30	2.44	
<i>Basic Weighted Avg Shares</i>	153	143	140	139	125	115	109	104	104	104	
Diluted EPS (reported)	1.23	-1.01	-1.08	-7.06	0.68	0.99	1.24	1.54	1.73	1.89	
<i>y/y</i>		-182.3%	-7.6%	-551.0%	109.7%	45.4%	25.3%	24.2%	12.2%	9.3%	
Diluted EPS (adjusted)	0.31	0.97	-0.57	1.19	1.37	1.74	2.08	2.42	2.61	2.77	17.0%
<i>y/y</i>		213.9%	-159.0%	308.5%	15.5%	26.9%	19.2%	16.6%	7.8%	6.2%	
<i>Diluted Weighted Avg Shares</i>	153	143	144	139	116	107	96	91	91	91	
Reference Items											
Amortization of non cash marketing		37.1	49.7	20	16						
Amortization of intangibles		42.3	35.7	44	158						
Amortization of non cash compensation expense		93.2	73.6	86.5	70	80	80	80	80	80	80
Goodwill impairment				11.6	918						
Amortization per share		1.13	1.11	1.04	1.76						

Model updated subsequent to initial report.

Balance Sheet (\$ mn)	FY2006	FY2007	FY2008	FY2009	FY2010 E	FY2011 E	FY2012 E	FY2013 E	FY2014 E	FY2015 E
Assets										
+ Cash & Near Cash Items	1,428	1,585	1,745	1,246	859	630	384	205	283	170
+ Short-Term Investments	898	327	126	488	492	496	500	504	508	512
+ Accounts & Notes Receivable	412	117	98	102	108	122	137	152	171	191
+ Inventories	326	0	0	0	50	57	65	75	84	94
+ Other Current Assets	895	1,397	218	165	165	165	165	165	165	165
Total Current Assets	3,958	3,426	2,187	2,000	1,674	1,470	1,250	1,100	1,209	1,131
+ Long-Term Investments	169	301	121	273	473	573	673	773	973	973
+ Gross Fixed Assets	1,212	503	517	552	631	738	879	1,056	1,256	1,423
- Accumulated Depreciation	-617	-169	-190	-255	-365	-473	-573	-684	-808	-948
+ Net Fixed Assets	595	334	327	297	266	266	306	372	447	475
+ Other Long-Term Assets	8,475	8,529	2,616	1,446	1,666	1,736	1,806	2,126	2,096	2,516
Total Long-Term Assets	9,239	9,165	3,064	2,016	2,404	2,574	2,784	3,271	3,516	3,963
Total Assets	13,197	12,591	5,251	4,016	4,075	4,038	4,026	4,359	4,710	5,076
Liabilities & Shareholders' Equity										
+ Accounts Payable	559	42	53	39	64	74	84	96	107	120
+ Short-Term Borrowings	358	12	0	0	0	0	0	0	0	0
+ Other Short-Term Liabilities	1,350	1,680	233	251	351	451	551	651	751	851
Total Current Liabilities	2,267	1,734	286	290	415	525	635	747	859	971
+ Long-Term Borrowings	856	835	96	96	96	96	96	96	96	96
+ Other Long-Term Liabilities	1,309	1,405	418	474	474	474	474	474	474	474
Total Long-Term Liabilities	2,165	2,240	514	570	570	570	570	570	570	570
Total Liabilities	4,432	3,974	800	860	985	1,095	1,205	1,317	1,428	1,541
+ Total Preferred Equity	0	0	0	0	0	0	0	0	0	0
+ Minority Interest	25	33	23	28	29	30	31	32	33	34
+ Share Capital & APIC	14,637	14,745	11,112	11,323	11,097	10,764	10,441	10,441	10,441	10,441
+ Retained Earnings & Other Equity	-5,897	-6,161	-6,685	-8,195	-8,036	-7,851	-7,651	-7,430	-7,193	-6,940
Total Shareholders' Equity	8,764	8,617	4,450	3,156	3,090	2,944	2,821	3,043	3,282	3,535
Total Liabilities & Equity	13,197	12,591	5,251	4,016	4,075	4,038	4,026	4,359	4,710	5,076

Model updated subsequent to initial report.

Cash Flow (\$ mn)	FY2006	FY2007	FY2008	FY2009	FY2010 E	FY2011 E	FY2012 E	FY2013 E	FY2014 E	FY2015 E
+ Net Income	187	-144	-156	-979	159	186	199	221	238	253
+ Depreciation & Amortization	333	96	115	222	191	187	180	191	204	219
+ Other Non-Cash Adjustments	100	1,100	367	964						
+ Changes in Non-Cash Capital	200	-181	48	121	69	88	88	88	84	82
Cash From Operating Activities	821	871	374	328	418	461	467	499	527	554
+ Disposal of Fixed Assets	0	0	0							
+ Capital Expenditures	-244	-113	-66	-38	-79	-107	-140	-178	-199	-167
+ Increase in Investments	-21	-230	-68	-6	-500	-250	-250	-500	-250	-500
+ Decrease in Investments	7	126	549	64						
+ Other Investing Activities	738	289	16	-446						
Cash From Investing Activities	481	72	432	-427	-579	-357	-390	-678	-449	-667
+ Dividends Paid	0	0	0							
+ Change in Short-Term Borrowings	0	0	0	0	0	0	0	0	0	0
+ Increase in Long-Term Borrowing	7,701	0	0	0	0	0	0	0	0	0
+ Decrease in Long-term Borrowing	-7,737	-8	0							
+ Increase in Capital Stocks	112	75	1	153						
+ Decrease in Capital Stocks	-983	-607	-156	-545	-226	-333	-323	0	0	0
+ Other Financing Activities	47	-246	29	-8						
Cash from Financing Activities	-861	-785	-127	-400	-226	-333	-323	0	0	0
Net Changes in Cash	441	157	680	-499	-387	-229	-246	-178	77	-113

Model updated subsequent to initial report.

Ratio Analysis	FY2006	FY2007	FY2008	FY2009	FY2010 E	FY2011 E	FY2012 E	FY2013 E	FY2014 E	FY2015 E
Per Share Data (US \$)										
Basic EPS adjusted	0.31	0.97	-0.59	1.19	1.28	1.62	1.83	2.13	2.30	2.44
Diluted EPS adjusted	0.31	0.97	-0.57	1.19	1.37	1.74	2.08	2.42	2.61	2.77
Dividend per share (DPS)	0	0	0	0	0	0	0	0	0	0
Book Value per share (BVPS)	59.7	121.0	31.5	22.8	26.6	27.6	29.4	33.3	36.0	38.7
Margins (%)										
Gross Margin	63.1%	60.8%	67.0%	67.3%	67.0%	66.5%	66.0%	65.0%	65.0%	65.0%
Operating Margin	-3.2%	0.5%	0.9%	2.4%	2.5%	2.5%	2.6%	3.0%	3.5%	3.7%
EBITDA Margin	21.2%	10.5%	11.8%	12.2%	14.6%	13.0%	11.6%	11.6%	11.7%	11.6%
Pre-Tax Margin	-7.6%	-0.3%	6.5%	-70.3%	7.1%	8.4%	8.4%	9.0%	9.0%	8.8%
Net Income Margin	4.7%	10.3%	-5.7%	12.0%	10.1%	10.4%	10.0%	9.9%	9.6%	9.1%
Growth (%)										
Sales growth		33.2%	8.4%	-4.8%	15.0%	13.0%	12.0%	11.0%	12.0%	12.0%
EBIT growth		-121.6%	96.5%	143.1%	20.0%	13.0%	16.5%	28.1%	30.7%	18.4%
Net Income (adjusted) growth		193.8%	159.5%	300.7%	-3.3%	16.8%	7.3%	10.8%	7.8%	6.2%
EPS (adjusted) growth		213.9%	-159.0%	308.5%	15.5%	26.9%	19.2%	16.6%	7.8%	6.2%
Dupont ROE (%)										
Margin (%)	4.7%	10.3%	-5.7%	12.0%	10.1%	10.4%	10.0%	9.9%	9.6%	9.1%
Turnover (x)	0.1	0.1	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5
Leverage (x)	1.5	1.5	1.2	1.3	1.3	1.4	1.4	1.4	1.4	1.4
ROA										
ROA	0.4%	1.1%	-1.6%	4.1%	3.9%	4.6%	4.9%	5.1%	5.0%	5.0%
Net cash / equity	18.7%	16.0%	42.6%	60.5%	55.9%	54.4%	51.8%	45.6%	50.8%	44.1%
FCF Calculation										
Op. cash	821	871	374	328	418	461	467	499	527	554
capex	-244	-113	-66	-38	-79	-107	-140	-178	-199	-167
FCF (\$ million)	577	758	309	290	339	354	327	322	327	387
FCF margin (%)	57.7%	56.9%	21.3%	21.1%	21.4%	19.8%	16.3%	14.5%	13.2%	13.9%
FCF per share	3.78	5.31	2.14	2.09	2.93	3.32	3.40	3.53	3.59	4.24
Price/FCF per share	8.58	2.21	7.13	9.78	6.94	6.12	5.97	5.76	5.66	4.78
Net Cash calculation										
Cash + short term investments	2,326	1,912	1,871	1,734	1,350	1,125	883	709	790	682
Investment securities	169	301	121	273	473	573	673	773	973	973
Less: long term debt	-856	-835	-96	-96	-96	-96	-96	-96	-96	-96
Net Cash	1,638	1,379	1,895	1,911	1,728	1,602	1,460	1,386	1,668	1,559
Net cash per share	10.74	9.65	13.16	13.79	14.89	15.02	15.20	15.19	18.28	17.08

Model updated subsequent to initial report.

Valuation ratio's	FY2006	FY2007	FY2008	FY2009	FY2010 E	FY2011 E	FY2012 E	FY2013 E	FY2014 E	FY2015 E
P/B	0.54	0.19	0.50	0.79	0.76	0.74	0.69	0.61	0.56	0.52
P/E	12.47	35.59	41.39	17.09	14.80	11.66	9.78	8.39	7.79	7.33
P/S	0.84	1.26	1.52	2.06	1.49	1.21	0.97	0.83	0.74	0.66
EV/sales	9.79	2.09	0.32	0.63	0.76	0.67	0.60	0.54	0.48	0.43
EV/EBITDA	46.26	19.86	2.69	5.18	5.20	5.17	5.16	4.65	4.11	3.72
EV/EBIT	-306.54	NM	NM	NM	30.30	26.82	23.02	17.98	13.76	11.62
EV/FCF	16.97	3.68	1.49	2.99	3.53	3.39	3.67	3.73	3.66	3.10
Dividend Yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Receivable days	150	32	25	27	25	25	25	25	25	25
Inventory days	322	0	0	0	35	35	35	35	35	35
payables days	553	29	40	32	45	45	45	45	45	45
Current ratio	1.7	2.0	7.6	6.9	4.0	2.8	2.0	1.5	1.4	1.2

Enterprise Value Calculation	FY2006	FY2007	FY2008	FY2009	Current
Market Cap.	10,882	3,821	2,212	2476.68	2,814
+ Minority Interest	25	33	23	28.18	23
+Total Debt (ST & LT Debt)	1,214	847	96	95.84	96
- Cash & Equivalents	2,326	1,912	1,871	1733.59	1,734
Enterprise Value	9,795	2,788	460	867	1,199

Model updated subsequent to initial report.

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DCF model	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
(in US\$ mn)																
EBIT	0	-32	7	14	33	40	45	52	67	87	103	307	337	364	393	413
% growth		0%	-122%	97%	143%	20%	13%	16%	28%	31%	18%	197%	10%	8%	8%	5%
Taxes @	0.0%	63.9%	-56.7%	-40.3%	-0.2%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	20.0%	20.0%	20.0%	20.0%	20.0%
EBIAT	0	-12	11	19	33	28	31	36	47	61	72	245	270	291	315	331
% growth		0.0%	-193.7%	75.9%	73.5%	-16.1%	13.0%	16.5%	28.1%	30.7%	18.4%	239.8%	10.0%	8.0%	8.0%	5.0%
+ D&A	0	333	96	115	222	191	187	180	191	204	219	123	101	109	118	41
- Capital expenditures	0	-244	-113	-66	-38	-79	-107	-140	-178	-199	-167	-107	-67	-73	-59	-41
- Change in net WC	0	200	-181	48	121	69	88	88	88	84	82	-47	-71	-59	-110	-56
Free Cash Flow to Firm	0	278	-187	116	338	208	199	164	148	151	207	214	233	269	264	274
FCY y/y growth		0%	-167%	-162%	190%	-38%	-4%	-18%	-10%	2%	37%	3%	9%	16%	-2%	4%

Value per Share

Terminal Growth	Cost of Capital				
	7%	8%	9%	10%	11%
2.5%	42.29	36.86	33.02	30.17	27.96
2.8%	43.68	37.73	33.60	30.57	28.26
3.0%	44.71	38.37	34.02	30.86	28.46
3.3%	46.44	39.41	34.70	31.33	28.80
3.5%	47.75	40.18	35.19	31.66	29.03

WACC	9%
PV of Free Cash Flow	1,279
PV of Terminal Value	1,799
Add: Net Cash	1,638
Total Equity Value	4,715
Shares outstanding	139
DCF value	34.02

Model updated subsequent to initial report.

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