Angi Inc. Q2 2025 Shareholder Letter

To our shareholders,

For the second quarter of 2025, we are happy to again report both solid results and considerable progress against our two core priorities:

- Our mission to deliver Jobs Done Well; and
- Returning to profitable growth in 2026.

Let's start with our return to growth. As we discussed previously, our revenue decline in the first quarter was driven almost entirely by the impact of implementing homeowner choice on our third party network traffic. As a reminder, homeowner choice means that when a homeowner submits the details of the job that needs to be done on our platform, the homeowner also selects all of the pros who will receive that homeowner's contact information. Previously, our entire third party network channel had been automatched, meaning that the homeowner did not choose the pros to whom they are matched. (Our third party network channel consists primarily of affiliate sites where the homeowner submits job details under a different brand with a different user interface and answers different questions than in our proprietary channel.) Automatching is a less good experience for both the homeowner and the pro and results in fewer jobs done well. As of the end of January, however, all homeowners submitting service requests through all our channels must choose the Angi pros to whom they are matched. This change drove down the volume of both matches and service requests in our network channels, resulting in overall revenue declines for both the first and second quarters of the year as expected.

In the second quarter, however, we reached a significant milestone in our return to growth: for the first time since Q1 2021, proprietary service requests and leads both grew year over year, +7% and +16%, respectively. Thus, more than 100% of our revenue decline happened in the network channel. With our proprietary service requests and leads both now approximately 90% of total service requests and leads, our formula for growth in 2026 is: continue to grow proprietary traffic with flat to modestly declining network traffic, coupled with modest revenue per lead growth (in the second quarter, revenue per lead grew +5%). While our network traffic was down sequentially in the second quarter from the first, we expect our network volumes to be roughly stable with our second quarter exit run rates going forward. The sequential decline occurred because (1) the move to homeowner choice happened at the end of January - meaning that January volumes were inflated versus the new run rates - and (2) we have optimized our bidding and matching for both network and proprietary traffic to drive better performance overall and, thus, reduced volume a bit more.

We are extremely pleased with what we have been able to accomplish in our proprietary channels; we achieved real growth again by entirely transforming our paid traffic acquisition over the last 18 months: rebuilding our analytical and bidding approaches and systems, expanding into profitable new channels, and making a number of key changes in our user experience to improve conversion. The net result of this growth has been a mix shift into paid channels, driving an increase in our consumer marketing as a percentage of revenue quarter over quarter. This increase is driven by both increased marketing spend, the result of which can be seen in our proprietary traffic growth, and a decrease in free traffic from search. Our organic traffic has declined over the years and is now less than 10% of our volume, and this trend does not look likely to reverse given the ongoing changes to search engine user interfaces. Our increased spending was roughly 40% driven by the re-launch of television advertising in the quarter, and the remainder from our successful efforts across paid channels. Importantly, we have done all of this while marketing profitably: across our channels, we market until we see our incremental spend at neutral profit – we are not chasing growth with our spend.

Further, we have also continued our transformation of profitability in our pro acquisition efforts. In the second quarter, the aggregate pro lifetime value sold by our salesforce net of the cost of acquisition grew more than +300% year over year after growing nearly 150% in the first quarter. Aggregate lifetime value sold was down only (4)% while sales headcount is down (50)% and newly acquired pro volume is down (39)%. That means much fewer sales people are selling our product to much more valuable pros. We are, therefore, nearly back to pro capacity growth notwithstanding unit volume declines in pros. We anticipate network capacity growth in 2026 and a return to nominal network growth by 2027.

We calculate aggregate lifetime value by using our calculated historical 36 month pro revenue retention performance, giving us three year revenue for each pro sold, and then using our actual margin performance to calculate the margin we will earn from each pro sold over those three years. The cost of acquisition is the cost of the actual marketing we spend to acquire pro prospects plus the salaries, cash commissions, benefits and other costs, including all the costs of management, technology, and support for our sales representatives. To get to the average pro cost of acquisition we simply take all those costs in the quarter and divide by the number of new pros acquired in the same period. The math and our results speak for themselves - over the last two years we have moved from an average LTV (lifetime value) to CAC (cost of acquisition) ratio of 1.0 to a ratio of 2.8. Similar to our paid homeowner marketing approach, we run our sales efforts to incremental breakeven, meaning that we should make back in LTV the cost of the dials on our lowest converting prospects: our target on an incremental sale for LTV to CAC is 1.0.

While we have been highly focused on returning to profitable growth, we have been even more vigilant on improving our customer experience to drive more Jobs Done Well and create greater long-term value in the business. Our customer metrics continued to show steady progress in the quarter:

- In line with the first quarter, Homeowner Net Promoter Score improved +9 points year over year and is up +30 points over the same quarter in 2023, showing the material improvement in the experience on the homeowner side of the marketplace;
- Self-reported pro win rate (the percentage of leads paid for by a pro for which the pro wins a job) was up yet again, this quarter by +8%, year over year, and with the win rate, pro retention continues to improve because pros are getting more value from the platform for their money:
  - at our two key early retention measurement points, 6 months and 12 months, retention improved by +2% and +4% versus the same quarter in 2024, respectively;
  - Our overall last twelve month base retention continued to improve, +3% year over year; and
  - Wins per pro were up versus last year and improved through the quarter, up double digits year over year for both legacy Ads pros and all Leads pros in June.

Looking forward, our highest priority product initiatives continue to be focused on improving the quality of the match between the homeowner and the right pro, which is critical to getting the job done well, and thus customer satisfaction and lifetime value.

- First, we continue to improve our assessment of homeowner needs, and thus our ability to identify the right pros for the job, by improving both the questions we ask and homeowner engagement in the service request submission process:
  - We have produced and put into test improved questions for 74% of our service request volume. Currently, we have rolled out a winning Q&A for 14% of our service request volume, but we expect that number to be over 40% by the end of the quarter;
  - On the tasks where we have rolled out a winner, we have improved several measures of match quality: credit requests for wrong tasks are better by +16%, and we have improved conversion rate, pro engagement, hire rate, and win rate by single digits percentage points; and
  - Additionally, our AI homeowner helper has seen adoption increase from ~10% in March to approximately 16% in July, driving increased engagement and accuracy of matching.

- Secondly, we are in the home stretch of moving all of our marketplace pros to a single platform and product which allows each pro control over which tasks and zip codes to which they are matched.
    - Our legacy Ads product was a region- and category-based product rather than a task- and zip code-based product, resulting in lower matching fidelity and lower pro response and connection rates. Obsolescing that product will bring a significant improvement in quality of match and thus pro response and connection rates, which will in turn lead to more homeowners hiring our pros and thus more jobs done well. We expect the migration to launch by the end of the third quarter. We ceased sales of the legacy product in March of this year.
- Thirdly, we are within weeks of re-launching our online self-enroll pro acquisition path, modeled on the online enroll channel from our international business.
    - Pros who self-enroll will likely view each individual service request before choosing to match (instead of pre-selecting preferred tasks and zip codes like the majority of our network today), adding additional fidelity to the matching process. Our estimated European hire and win rates are approximately 50% higher than our U.S. rate, and our view is that the double-opt-in process contributes to that rate through an improved quality of match.
    - We are also projecting renewed network growth driven by pro self-enroll: since we rolled self-enroll out in all of European markets in early 2020, we have onboarded nearly 650,000 pros at a fraction of the cost of acquisition we see in the United States. Lifetime value for these pros in Europe is also lower than in the U.S., but overall the European ratio of LTV to CAC is higher than our US ratio. In terms of potential volume, our 5 primary markets in Europe collectively have less than half the GDP of the US market, so we believe that we can add thousands of new pros per month in the United States with this product on top of the number of pros we are currently acquiring.

In terms of capital deployment and allocation in the second quarter, we repurchased 4.6 million shares, or more than 9% of the company, for $67 million. As of Friday August 1, we have repurchased 6 million shares in fiscal year 2025 for $91 million, bringing our shares outstanding to 44.3 million, or 12% below the share count at the beginning of the year. As of June 30, we had $362 million of cash on our balance sheet and $500 million of notes due in 2028 at a very attractive 3.875% interest rate. In terms of capital allocation going forward, we will continue to buy in additional shares when our board deems buyback to be appropriate and the highest and best use of our excess capital (within any applicable limitations) while maintaining net leverage at moderate levels.

We continue to anticipate that revenue declines will progressively moderate over the remainder of 2025, now with a full year revenue decline in the range of (11) to (13)%. We fully expect to return to revenue growth in 2026. We also have confidence in our ability to hit the middle of our prior range for full year 2025 adjusted EBITDA, or roughly $140 million to $145 million. Finally, for the third quarter, we expect a revenue decline in the range of (8)% to (11)%, with adjusted EBITDA projected at $34 million to $37 million. This implies a fourth quarter of (5)% to (10)% revenue decline and an EBITDA range of approximately $45 million to $47 million. We expect to realize similar operating margin leverage from the third to fourth quarters of 2025 to what we experienced from the third to fourth quarters of 2024, without the fixed expense margin deleverage, and thus deliver the implied adjusted EBITDA growth.

This spring, Angi celebrated its 30th birthday, marking 30 years of Jobs Done Well. As we set out on our next 30 years, we are both very happy with the progress we are making and very aware of the tremendous amount of work still to do. However, we believe that our trajectory and our strategic initiatives chart a clear path to success, and we look forward to delivering more Jobs Done Well for our customers, shareholders and employees over the months and years to come.

Best regards,

Jeff Kip

Non-GAAP Financial Measures

This letter contains references to certain non-GAAP measures, including Adjusted EBITDA. These non-GAAP measures should be considered in conjunction with, but not as a substitute for, financial information presented in accordance with GAAP. Please refer to our Q2 2025 Earnings Release available at https://ir.angi.com/quarterly-earnings and furnished on Form 8-K on August 5, 2025, for a complete reconciliation of operating (loss) income to Adjusted EBITDA.

Q3 2025, Q4 2025 and FY 2025 Operating Income to Adjusted EBITDA Reconciliation:

	2025 Outlook		
($ in million)	**Q3 2025**	**Q4 2025**	**FY 2025**
Operating income / (loss)	**$14 - $27**	**$25 - $37**	**$77 - $102**
Depreciation	13 - 7	13 - 7	46 - 34
Stock-based compensation expense (a)	7 - 3	7 - 3	17 - 9
Adjusted EBITDA	**$34 - $37**	**$45 - $47**	**$140 - $145**

(a) Stock-based compensation expense reflects the reversal in Q1 2025 of approximately $10 million of previously recognized stock-based compensation expense in connection with the Employment Transition Agreement, dated as of January 13, 2025, between IAC Inc. and Joseph Levin, in his capacity as CEO of IAC Inc. The expense was previously recognized from October 10, 2022 through April 8, 2024 when Mr. Levin served as CEO of Angi Inc.

Webcast and Conference Call Details

Angi Inc. will host a conference call to answer questions on August 6, 2025, at 8:30 a.m. Eastern Time. This conference call will include the disclosure of certain information, including forward-looking information, which may be material to an investor's understanding of Angi Inc.'s businesses. The conference call will be accessible to the public at ir.angi.com and a recording of the webcast will be made available at the same location. This letter will not be read on the call.

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

This letter and our conference call, which will be held at 8:30 a.m. Eastern Time on Wednesday, August 6, 2025, may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "may," "will," "should," "could," "intend," "target," "project," "continue," "anticipate," "estimate," "expect," "plan," "believe," and "potential" among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to: the future financial performance of the Company and its businesses, business prospects and strategy, the timing, development, and expected impact of strategic and product initiatives, future capital allocation strategy, the anticipated benefits of being an independent public company, anticipated trends and prospects in the home services industry and other similar matters. Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, among others: (i) the continued migration of the home services market online, (ii) our ability to market our various products and services in a successful and cost-effective manner, (iii) the continued prominence of the display of links to websites offering our products and services in search results, (iv) our ability to expand our pre-priced offerings, while balancing the overall mix of service requests and directory services on Angi platforms, (v) our ability to establish and maintain relationships with quality and trustworthy Pros, (vi) our continued ability to develop and monetize versions of our products and services for mobile and other digital devices, (vii) our ability to access, share, use and protect the personal data of consumers, (viii) our continued ability to communicate with consumers and Pros via e-mail (or other sufficient means), (ix) our ability to continue to generate leads for Pros given changing requirements applicable to certain communications with consumers, (x) any challenge to the contractor classification or employment status of our Pros, (xi) our ability to compete, (xii) unstable market and economic conditions (particularly those that adversely impact advertising spending levels and consumer confidence and spending behavior), either generally and/or in any of the markets in which our businesses operate, as well as geopolitical conflicts, (xiii) our ability to maintain and/or enhance our various brands, (xiv) our ability to protect our systems, technology and infrastructure from cyberattacks (including cyberattacks experienced by third parties who whom we do business), (xv) the occurrence of data security breaches and/or fraud, (xvi) increased liabilities and costs related to the processing, storage, use and disclosure of personal and confidential user information, (xvii) the integrity, quality, efficiency and scalability of our systems, technology and infrastructures (and those of third parties with whom we do business), (xviii) changes in key personnel, (xix) various risks related to our relationship with IAC following the spin-off, (xx) our ability to generate sufficient cash to service our indebtedness and (xxi) certain risks related to ownership of our Class A common stock. Certain of these and other risks and uncertainties are discussed in Angi Inc.'s filings with the Securities and Exchange Commission (the "SEC"), including the most recent Annual Report on Form 10-K filed with the SEC on February 28, 2025, and subsequent reports that Angi Inc. files with the SEC. Other unknown or unpredictable factors that could also adversely affect Angi Inc.'s business, financial condition and results of operations may arise from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed in any forward-looking statements we may make. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this letter.