As filed with the Securities and Exchange Commission on August 9, 2018

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2018

Or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from__________to__________

Commission File No. 001-38220

ANGI HOMESERVICES

ANGI HOMESERVICES INC.

(Exact name of registrant as specified in its charter)

Delaware	**82-1204801**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14023 Denver West Parkway, Building 64, Golden, CO 80401
(Address of registrant's principal executive offices)

(303) 963-7200
(Registrant's telephone number, including area code)

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 o

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 o

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☒

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

As of August 6, 2018, the following shares of the registrant's common stock were outstanding:

Class A Common Stock	65,481,643
Class B Common Stock	415,884,757
Class C Common Stock	—
Total outstanding Common Stock	481,366,400

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of August 6, 2018 was $1,063,199,426. For the purpose of the foregoing calculation only, IAC/InterActiveCorp and all directors and executive officers of the registrant are assumed to be affiliates of the registrant.

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PART I
FINANCIAL INFORMATION

Item 1. ***Consolidated and Combined Financial Statements***

ANGI HOMESERVICES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Unaudited)

	June 30, 2018	December 31, 2017
	(In thousands, except par value amounts)	
ASSETS		
Cash and cash equivalents	$ 255,595	$ 221,521
Accounts receivable, net of allowance and reserves of $15,934 and $9,263, respectively	43,411	28,085
Other current assets	54,978	12,772
Total current assets	353,984	262,378
Property and equipment, net of accumulated depreciation and amortization of $29,868 and $24,368, respectively	53,396	53,292
Goodwill	768,976	770,226
Intangible assets, net of accumulated amortization of $67,351 and $36,289, respectively	296,227	328,571
Deferred income taxes	47,696	50,723
Other non-current assets	8,022	2,072
TOTAL ASSETS	$ 1,528,301	$ 1,467,262
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current portion of long-term debt	$ 13,750	$ 13,750
Current portion of long-term debt—related party	—	816
Accounts payable	22,389	18,933
Deferred revenue	69,411	62,371
Accrued expenses and other current liabilities	66,448	75,171
Total current liabilities	171,998	171,041
Long-term debt, net	251,740	258,312
Long-term debt—related party, net	1,576	1,997
Deferred income taxes	4,410	5,626
Other long-term liabilities	9,247	5,892
Redeemable noncontrolling interests	21,840	21,300
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Class A common stock, $0.001 par value; authorized 2,000,000 shares; 65,416 and 62,818 shares issued and outstanding, respectively	65	63
Class B convertible common stock, $0.001 par value; authorized 1,500,000 shares; 415,885 and 415,186 shares issued and outstanding, respectively	416	415
Class C common stock, $0.001 par value; authorized 1,500,000 shares; no shares issued and outstanding	—	—
Additional paid-in capital	1,138,938	1,112,400
Accumulated deficit	(82,101)	(121,764)
Accumulated other comprehensive income	1,091	2,232
Total ANGI Homeservices Inc. shareholders' equity	1,058,409	993,346
Noncontrolling interests	9,081	9,748
Total shareholders' equity	1,067,490	1,003,094
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,528,301	$ 1,467,262

The accompanying Notes to Consolidated and Combined Financial Statements are an integral part of these statements.

ANGI HOMESERVICES INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Revenue	$ 294,822	$ 180,711	$ 550,133	$ 331,456
Operating costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	14,703	7,562	28,298	14,392
Selling and marketing expense	141,843	110,922	279,775	206,788
General and administrative expense	79,688	52,152	155,958	88,874
Product development expense	13,662	6,943	29,442	12,519
Depreciation	5,886	3,218	12,070	6,214
Amortization of intangibles	15,778	2,750	32,084	4,117
Total operating costs and expenses	271,560	183,547	537,627	332,904
Operating income (loss)	23,262	(2,836)	12,506	(1,448)
Interest expense—third party	(3,011)	—	(5,665)	—
Interest expense—related party	(34)	(2,082)	(79)	(3,674)
Other income, net	1,053	505	1,409	736
Earnings (loss) before income taxes	21,270	(4,413)	8,171	(4,386)
Income tax benefit	1,753	4,388	5,738	30,248
Net earnings (loss)	23,023	(25)	13,909	25,862
Net (earnings) loss attributable to noncontrolling interests	(124)	279	105	1,005
Net earnings attributable to ANGI Homeservices Inc. shareholders	$ 22,899	$ 254	$ 14,014	$ 26,867
Per share information attributable to ANGI Homeservices Inc. shareholders:				
Basic earnings per share	$ 0.05	$ 0.00	$ 0.03	$ 0.06
Diluted earnings per share	$ 0.05	$ 0.00	$ 0.03	$ 0.06
Stock-based compensation expense by function:				
Cost of revenue	$ (1)	$ 8	$ —	$ 10
Selling and marketing expense	997	195	1,658	693
General and administrative expense	19,312	11,302	41,005	14,918
Product development expense	1,745	334	4,296	679
Total stock-based compensation expense	$ 22,053	$ 11,839	$ 46,959	$ 16,300

The accompanying Notes to Consolidated and Combined Financial Statements are an integral part of these statements.

ANGI HOMESERVICES INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED STATEMENT OF COMPREHENSIVE OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Net earnings (loss)	$ 23,023	$ (25)	$ 13,909	$ 25,862
Other comprehensive (loss) income:				
Change in foreign currency translation adjustment	(5,955)	1,006	(1,451)	2,013
Total other comprehensive (loss) income	(5,955)	1,006	(1,451)	2,013
Comprehensive income	17,068	981	12,458	27,875
Components of comprehensive loss (income) attributable to noncontrolling interests:				
Net (earnings) loss attributable to noncontrolling interests	(124)	279	105	1,005
Change in foreign currency translation adjustment attributable to noncontrolling interests	822	(676)	310	(522)
Comprehensive loss (income) attributable to noncontrolling interests	698	(397)	415	483
Comprehensive income attributable to ANGI Homeservices Inc. shareholders	$ 17,766	$ 584	$ 12,873	$ 28,358

The accompanying Notes to Consolidated and Combined Financial Statements are an integral part of these statements.

ANGI HOMESERVICES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Six Months Ended June 30, 2018

(Unaudited)

		ANGI Homeservices Inc. Shareholders' Equity											
		Class A Common Stock $0.001 Par Value		Class B Common Stock $0.001 Par Value		Class C Common Stock $0.001 Par Value							
	Redeemable Noncontrolling Interests	$	Shares	$	Shares	$	Shares	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total ANGI Homeservices Inc. Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
								(In thousands)					
Balance as of December 31, 2017	$ 21,300	$ 63	62,818	$ 415	415,186	$ —	—	$ 1,112,400	$ (121,764)	$ 2,232	$ 993,346	$ 9,748	$ 1,003,094
Cumulative effect of adoption of ASU No. 2014-09	—	—	—	—	—	—	—	—	25,649	—	25,649	—	25,649
Net (loss) earnings	(89)	—	—	—	—	—	—	—	14,014	—	14,014	(16)	13,998
Other comprehensive loss	(218)	—	—	—	—	—	—	—	—	(1,141)	(1,141)	(92)	(1,233)
Stock-based compensation expense	800	—	—	—	—	—	—	46,159	—	—	46,159	—	46,159
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	—	2	2,598	—	—	—	—	(19,292)	—	—	(19,290)	—	(19,290)
Issuance of common stock to IAC pursuant to the employee matters agreement	—	—	—	1	699	—	—	(1)	—	—	—	—	—
Purchase of redeemable noncontrolling interests	(53)	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	(818)	(818)
Adjustment of redeemable noncontrolling interests to fair value	61	—	—	—	—	—	—	(61)	—	—	(61)	—	(61)
Other	39	—	—	—	—	—	—	(267)	—	—	(267)	259	(8)
Balance as of June 30, 2018	$ 21,840	$ 65	65,416	$ 416	415,885	$ —	—	$ 1,138,938	$ (82,101)	$ 1,091	$ 1,058,409	$ 9,081	$ 1,067,490

The accompanying Notes to Consolidated and Combined Financial Statements are an integral part of these statements.

ANGI HOMESERVICES INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS

	Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Cash flows from operating activities:		
Net earnings	$ 13,909	$ 25,862
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Stock-based compensation expense	46,959	16,300
Amortization of intangibles	32,084	4,117
Bad debt expense	20,581	13,741
Depreciation	12,070	6,214
Deferred income taxes	(6,416)	6,519
Other adjustments, net	164	(356)
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(36,951)	(23,720)
Other assets	(14,217)	(3,914)
Accounts payable and other liabilities	(1,673)	16,472
Income taxes payable and receivable	667	(36,931)
Deferred revenue	6,389	6,682
Net cash provided by operating activities	73,566	30,986
Cash flows from investing activities:		
Acquisitions, net of cash acquired	—	(46,429)
Capital expenditures	(21,448)	(9,628)
Proceeds from sale of fixed assets	10,410	—
Net cash used in investing activities	(11,038)	(56,057)
Cash flows from financing activities:		
Principal payments on term loan	(6,875)	—
Proceeds from issuance of related party debt	—	51,855
Principal payments on related party debt	(1,322)	(2,838)
Proceeds from the exercise of stock options	2,125	—
Withholding taxes paid on behalf of employees on net settled stock-based awards	(21,439)	—
Transfers to IAC/InterActiveCorp for periods prior to the Combination	—	(13,990)
Purchase of noncontrolling interests	(871)	(12,361)
Other, net	39	—
Net cash (used in) provided by financing activities	(28,343)	22,666
Total cash provided (used)	34,185	(2,405)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(111)	825
Net increase (decrease) in cash, cash equivalents, and restricted cash	34,074	(1,580)
Cash, cash equivalents, and restricted cash at beginning of period	221,521	46,925
Cash, cash equivalents, and restricted cash at end of period	$ 255,595	$ 45,345

The accompanying Notes to Consolidated and Combined Financial Statements are an integral part of these statements.

NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

ANGI Homeservices Inc. connects millions of homeowners to home service professionals through its portfolio of digital home service brands, including HomeAdvisor® and Angie’s List®. Combined, these leading marketplaces allow homeowners to match, research, and connect on-demand to the largest network of service professionals either online, through our mobile apps, or by voice assistants. The network of service professionals across our platforms is supported by 15 million consumer reviews submitted on hundreds of thousands of service professionals, collected over the course of 20 years. ANGI Homeservices owns and operates brands in eight countries.

On September 29, 2017, IAC/InterActiveCorp's ("IAC") HomeAdvisor business and Angie's List Inc. ("Angie's List") combined under a new publicly traded company called ANGI Homeservices Inc. (the "Combination"). At June 30, 2018, IAC owned 86.4% and 98.5% of the economic and voting interest, respectively, of ANGI Homeservices.

The Company has two operating segments: (i) North America, which primarily includes HomeAdvisor, Angie's List, mHelpDesk and HomeStars, and (ii) Europe, which includes Travaux.com, MyHammer, MyBuilder, Werkspot and Instapro.

All references to "ANGI Homeservices," the "Company," "ANGI," "we," "our" or "us" in this report are to ANGI Homeservices Inc.

Basis of Presentation and Consolidation

The Company prepares its consolidated and combined financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”). The Company's financial statements were prepared on a consolidated basis beginning September 29, 2017 and on a combined basis for periods prior thereto. The difference in presentation is due to the fact that the final steps of the legal reorganization through which IAC contributed the HomeAdvisor business and cash to fund the cash consideration paid in the Combination to ANGI Homeservices Inc. were not completed, as planned, until immediately prior to September 29, 2017. The preparation of the financial statements on a combined basis for periods prior thereto allows for the financial statements to be presented on a consistent basis for all periods presented. The combined financial statements have been prepared on a standalone basis and are derived from the historical consolidated financial statements and accounting records of IAC through September 29, 2017. The combined financial statements reflect the historical financial position, results of operations and cash flows of the businesses comprising the HomeAdvisor business since their respective dates of acquisition by IAC. The consolidated financial statements include the accounts of the Company, all entities that are wholly-owned by the Company and all entities in which the Company has a controlling financial interest.

The consolidated and combined financial statements reflect the allocation to ANGI Homeservices of certain IAC corporate expenses relating to the HomeAdvisor business based on the historical consolidated financial statements and accounting records of IAC through September 29, 2017. However, the allocations may not reflect the expenses that the Company may have incurred as a standalone public company for the periods presented. For the purpose of these financial statements, income taxes have been computed as if ANGI Homeservices filed on a standalone, separate tax return basis.

All intercompany transactions and balances between and among the Company and its subsidiaries have been eliminated. All intercompany transactions between (i) ANGI Homeservices and (ii) IAC and its subsidiaries, with the exception of a promissory note payable to a foreign subsidiary of IAC, are considered to be effectively settled for cash at the time the transaction is recorded. The promissory note payable to a foreign subsidiary of IAC is included in “Long-term debt—related party” in the accompanying consolidated balance sheet. See "Note 11—Related Party Transactions with IAC" for additional information on transactions between ANGI Homeservices and IAC.

In the opinion of management, the assumptions underlying the historical consolidated and combined financial statements, including the basis on which certain corporate expenses have been allocated from IAC, are reasonable and the unaudited interim consolidated and combined financial statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for the fair presentation of our financial position, results of operations and cash flows for the periods presented. Interim results are not necessarily indicative of the results that may be expected for the full year. The accompanying unaudited interim consolidated and combined financial statements should be read in conjunction with the audited consolidated and combined financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Accounting Estimates

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

On an ongoing basis, the Company evaluates its estimates and judgments including those related to: the recoverability of goodwill and indefinite-lived intangible assets; the useful lives and recoverability of definite-lived intangible assets and property and equipment; the carrying value of accounts receivable, including the determination of the allowance for doubtful accounts; the determination of revenue reserves; unrecognized tax benefits; the valuation allowance for deferred income tax assets; and the fair value of and forfeiture rates for stock-based awards, among others. The Company bases its estimates and judgments on historical experience, its forecasts and budgets and other factors that the Company considers relevant.

Recent accounting pronouncements

Accounting Pronouncements adopted by the Company

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 supersedes nearly all existing revenue recognition guidance under GAAP. The Company adopted ASU No. 2014-09 effective January 1, 2018 using the modified retrospective transition method for open contracts as of the date of initial application. The effect of the adoption of ASU No. 2014-09 is that commissions paid to employees pursuant to certain sales incentive programs, which represent the incremental direct costs of obtaining a service professional contract, are now capitalized and amortized over the estimated life of a service professional (also referred to as the estimated customer relationship period). These costs were expensed as incurred prior to January 1, 2018. The cumulative effect of the adoption of ASU No. 2014-09 was the establishment of a current and non-current asset for capitalized sales commissions of $29.7 million and $4.2 million, respectively, and a related deferred tax liability of $8.3 million, resulting in a net increase to retained earnings of $25.6 million on January 1, 2018.

The adoption of ASU No. 2014-09 is expected to reduce sales commissions expense for the year ending December 31, 2018 by approximately $10.0 million. See "Note 2—Revenue Recognition" for additional information on the impact to the Company.

The Company's disaggregated revenue disclosures are presented in "Note 9—Segment information."

The following tables present the impact of the adoption of ASU No. 2014-09 by segment under Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, as reported, and ASC 605, *Revenue Recognition*, for the three and six months ended June 30, 2018.

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09
	(In thousands)					
Revenue by segment:						
North America	$ 277,505	$ 277,505	$ —	$ 513,531	$ 513,531	$ —
Europe	17,317	17,317	—	36,602	36,602	—
Total	$ 294,822	$ 294,822	$ —	$ 550,133	$ 550,133	$ —

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09
	(In thousands)					
Operating costs and expenses by segment:						
North America	$ 251,395	$ 253,460	$ (2,065)	$ 492,786	$ 500,891	$ (8,105)
Europe	20,165	20,218	(53)	44,841	44,947	(106)
Total	$ 271,560	$ 273,678	$ (2,118)	$ 537,627	$ 545,838	$ (8,211)

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09
	(In thousands)					
Operating income (loss) by segment:						
North America	$ 26,110	$ 24,045	$ 2,065	$ 20,745	$ 12,640	$ 8,105
Europe	(2,848)	(2,901)	53	(8,239)	(8,345)	106
Total	$ 23,262	$ 21,144	$ 2,118	$ 12,506	$ 4,295	$ 8,211

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09	Under ASC 606 (as reported)	Under ASC 605	Effect of adoption of ASU No. 2014-09
	(In thousands)					
Net earnings	$ 23,023	$ 21,445	$ 1,578	$ 13,909	$ 7,731	$ 6,178

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash*, which requires companies to explain the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. Therefore, amounts generally described as restricted cash or restricted cash equivalents are combined with unrestricted cash and cash equivalents when reconciling the beginning and end of period balances on the statement of cash flows. ASU No. 2016-18 also requires companies to disclose the nature of their restricted cash and restricted cash equivalents balances. Additionally, when cash, cash equivalents, restricted cash, and restricted cash equivalents are presented within different captions on the balance sheet, a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet is required. ASU No. 2016-18 is effective for reporting periods beginning after December 15, 2017. The Company's adoption of ASU No. 2016-18 effective January 1, 2018, on a retrospective basis, did not have a material effect on its consolidated and combined financial statements.

The only restricted cash held by the Company was $10.6 million at December 31, 2016, which was included in "Other assets" in the combined balance sheet and is now included in the beginning of the period balance in the statement of cash flows for the six months ended June 30, 2017. The restricted cash at December 31, 2016 comprised funds held in escrow for the MyHammer tender offer, which were returned to the Company in the first quarter of 2017.

Accounting Pronouncement not yet adopted by the Company

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes existing guidance on accounting for leases in *"Leases (Topic 840)"* and generally requires all leases to be recognized in the statement of financial position. The provisions of ASU No. 2016-02 are effective for reporting periods beginning after December 15, 2018; early adoption is permitted. In July 2018, the FASB issued ASU No. 2018-11, which provides the option of an additional transition method that allows entities to initially apply the new lease guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company expects to implement the transition method option provided by ASU No. 2018-11. The Company will adopt the new lease guidance effective January 1, 2019.

The Company is not a lessor, has no capitalized leases and does not expect to enter into any capitalized leases prior to the adoption of ASU No. 2016-02. Accordingly, the Company does not expect the amount or classification of rent expense in its statement of operations to be affected by the adoption of ASU No. 2016-02. The primary effect of the adoption of ASU No. 2016-02 will be the recognition of a right of use asset and related liability to reflect the Company's rights and obligations under its operating leases. The Company will also be required to provide the additional disclosures stipulated in ASU No. 2016-02.

The adoption of ASU No. 2016-02 will not have an impact on the leverage calculation set forth in the Company's term loan facility because the leverage calculation is not affected by the liability that will be recorded upon adoption of the new standard.

While the Company's evaluation of the impact of the adoption of ASU No. 2016-02 on its consolidated financial statements continues, outlined below is a summary of the status of the Company's progress:

- the Company has selected a software package to assist in the determination of the right of use asset and related liability as of January 1, 2019 and to provide the required information following the adoption;
- the Company has prepared summaries of its leases for input into the software package;
- the Company is assessing the other inputs required in connection with the adoption of ASU No. 2016-02; and
- the Company is developing its accounting policy, procedures and controls related to the new standard.

The Company does not expect to have a preliminary estimate of the right of use asset and related liability as of the adoption date until the fourth quarter of 2018.

NOTE 2—REVENUE RECOGNITION

General Revenue Recognition

The Company accounts for a contract when it has approval and commitment from all parties, the rights of the parties and payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when control of the promised services or goods is transferred to our customers, and in an amount that reflects the consideration the Company is contractually due in exchange for those services or goods.

Revenue is primarily derived from (i) consumer connection revenue, which comprises fees paid by service professionals for consumer matches (regardless of whether the professional ultimately provides the requested service), and (ii) membership subscription fees paid by service professionals. Consumer connection revenue varies based upon several factors, including the service requested, type of match and geographic location of service. The Company’s consumer connection revenue is generated and recognized when an in-network service professional is delivered a consumer match. Membership subscription revenue from service professionals is initially deferred and is recognized using the straight-line method over the applicable subscription period, which is typically one year. Consumer connection revenue is generally billed one week following a consumer match; with payment due upon receipt of invoice.

Revenue is also derived from Angie's List (i) sales of time-based website, mobile and call center advertising to service professionals and (ii) membership subscription fees from consumers. Angie's List service professionals generally pay for advertisements in advance on a monthly or annual basis at the option of the service professional, with the average advertising contract term being approximately one year. Angie's List website, mobile and call center advertising revenue is recognized ratably over the contract term. Revenue from the sale of advertising in the *Angie’s List Magazine* is recognized in the period in which the publication is distributed. Angie's List prepaid consumer membership subscription fees are recognized as revenue using the straight-line method over the term of the applicable subscription period, which is typically one year.

Transaction Price

The objective of determining the transaction price is to estimate the amount of consideration the Company is due in exchange for its services or goods, including amounts that are variable. The Company determines the total transaction price, including an estimate of any variable consideration, at contract inception and reassesses this estimate each reporting period.

The Company excludes from the measurement of transaction price all taxes assessed by governmental authorities that are both (i) imposed on and concurrent with a specific revenue-producing transaction and (ii) collected from customers. Accordingly, such tax amounts are not included as a component of net revenue or cost of revenue.

For contracts that have an original duration of one year or less, the Company uses the practical expedient available under ASU No. 2014-09 applicable to such contracts and does not consider the time value of money.

Accounts Receivables, net of allowance for doubtful accounts and revenue reserves

Accounts receivable include amounts billed and currently due from customers. The Company maintains an allowance for doubtful accounts to provide for the estimated amount of accounts receivables that will not be collected. The allowance for doubtful accounts is based upon a number of factors, including the length of time accounts receivable are past due, the Company’s previous loss history and the specific customer’s ability to pay its obligation to the Company. The term between the Company issuance of and invoice and payment due date is not significant. The Company also maintains allowances to reserve for potential credits issued to service professionals or other revenue adjustments. The amounts of these reserves are based primarily upon historical experience.

Deferred Revenue

Deferred revenue consists of payments that are received or due in advance of the Company's performance. The Company’s liabilities are reported on a contract by contract basis at the end of each reporting period. The Company generally classifies deferred revenue as current when the term of the applicable subscription period or expected completion of our performance obligation is one year or less. The deferred revenue balance as of January 1, 2018 is $64.1 million. During the three months ended June 30, 2018, the Company recognized $41.0 million of revenue that was included in the deferred revenue balance as of April 1, 2018. During the six months ended June 30, 2018, the Company recognized $54.1 million of revenue that was included in the deferred revenue balance as of January 1, 2018. The current and non-current deferred revenue balances at June 30, 2018 are $69.4 million and $1.0 million, respectively. Non-current deferred revenue is included in “Other long-term liabilities” in the accompanying consolidated balance sheet.

Arrangements with Multiple Performance Obligations

The Company’s contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on the prices charged to customers, which are directly observable or based on an estimate if not directly observable.

Assets Recognized from the Costs to Obtain a Contract with a Customer

The Company has determined that certain costs, primarily commissions paid to employees pursuant to certain sales incentive programs, meet the requirements to be capitalized as a cost of obtaining a contract. Capitalized sales commissions are amortized over the estimated customer relationship period. The Company calculates the estimated customer relationship period as the average customer life, which is based on historical data. When customer renewals are expected and the renewal commission is not commensurate with the initial commission, the average customer life includes renewal periods. For sales incentive programs where the customer relationship period is one year or less, the Company has elected the practical expedient to expense the costs as incurred.

During the three and six months ended June 30, 2018, the Company recognized expense of $12.5 million and $23.7 million, respectively, related to the amortization of these costs. The contract asset balance at June 30, 2018 is $42.1 million.

Performance Obligations

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

NOTE 3—INCOME TAXES

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

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

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

For the three and six months ended June 30, 2018, the Company recorded an income tax benefit, despite pre-tax income, of $1.8 million and $5.7 million, respectively, due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards. For the three and six months ended June 30, 2017, the Company recorded an income tax benefit of $4.4 million and $30.2 million, respectively, due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act implemented a number of changes that took effect on January 1, 2018, including but not limited to, a reduction of the U.S. federal corporate tax rate from 35% to 21% and a new minimum tax on global intangible low-taxed income earned by foreign subsidiaries. While the Company was able to make a reasonable estimate of the impacts of the Tax Act, certain amounts are provisional as the Company gathers additional data. Any adjustment of the Company's provisional tax expense will be reflected as a change in estimate in its results in the period in which the change in estimate is made in accordance with Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, which is also included in the FASB issued ASU No. 2018-05, *Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*, which was issued and adopted by the Company in March 2018. In addition, our estimates may also be impacted and adjusted as the law is clarified and additional guidance is issued at the federal and state levels. No adjustment was made in the three and six months ended June 30, 2018 to the Company's previously recorded provisional tax expense.

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

The Company is routinely under audit by federal, state, local and foreign authorities in the area of income tax as a result of previously filed separate company and consolidated tax returns with IAC. These audits include questioning the timing and the amount of income and deductions and the allocation of income and deductions among various tax jurisdictions. The Internal Revenue Service is currently auditing IAC’s federal income tax returns for the years ended December 31, 2010 through 2016, which includes the operations of the HomeAdvisor business. The statute of limitations for the years 2010 through 2012 has been extended to June 30, 2019, and the statute of limitations for the years 2013 and 2014 has been extended to March 31, 2019. Returns filed in various other jurisdictions are open to examination for various tax years beginning with 2009. Income taxes payable include unrecognized tax benefits considered sufficient to pay assessments that may result from examination of prior year tax returns. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Although management currently believes changes in unrecognized tax benefits from period to period and differences between amounts paid, if any, upon resolution of issues raised in audits and amounts previously provided will not have a material impact on liquidity, results of operations, or financial condition of the Company, these matters are subject to inherent uncertainties and management’s view of these matters may change in the future.

At June 30, 2018 and December 31, 2017, unrecognized tax benefits, including interest, are $1.7 million and $1.5 million, respectively, for tax positions included in IAC’s consolidated tax return filings. If unrecognized tax benefits at June 30, 2018 are subsequently recognized, income tax provision would be reduced by $1.6 million. The comparable amount as of December 31, 2017 is $1.5 million.

The Company regularly assesses the realizability of deferred tax assets considering all available evidence including, to the extent applicable, the nature, frequency and severity of prior cumulative losses, forecasts of future taxable income, tax filing status, the duration of statutory carryforward periods, available tax planning and historical experience. As of June 30, 2018, the Company has a gross deferred tax asset of $85.1 million that the Company expects to fully utilize on a more likely than not basis.

NOTE 4—BUSINESS COMBINATIONS

Angie's List Combination

Through the Combination, the Company acquired 100% of the common stock of Angie's List on September 29, 2017 for a total purchase price valued at $781.4 million.

HomeStars Acquisition

The Company acquired a 90% voting interest in HomeStars on February 8, 2017. The purchase price was $16.6 CAD million (or $12.7 million) in cash. In connection with the acquisition, the Company measured and recorded the acquisition date fair value of the 10% noncontrolling interest in HomeStars, which totaled $1.9 CAD million (or $1.4 million).

MyBuilder Acquisition

The Company acquired a 75% voting interest in MyBuilder Limited on March 24, 2017. The purchase price was £32.6 million (or $40.7 million) in cash. In connection with the acquisition, the Company measured and recorded the acquisition date fair value of the 25% noncontrolling interest in MyBuilder, which totaled £10.7 million (or $13.3 million).

MyHammer Acquisition

On November 3, 2016, the Company acquired a 70% voting interest in MyHammer. The purchase price was €17.7 million (or $19.7 million) in cash. In connection with the acquisition, the Company measured and recorded the acquisition date fair value of the 30% noncontrolling interest in MyHammer, which totaled €9.4 million (or $10.4 million). At June 30, 2018, the Company's ownership stake in MyHammer is approximately 83%.

Unaudited pro forma financial information

The unaudited pro forma financial information in the table below presents the combined results of the Company and Angie's List, HomeStars, MyBuilder and MyHammer as if these acquisitions had occurred on January 1, 2016. The unaudited pro forma financial information includes adjustments required under the acquisition method of accounting and is presented for informational purposes only and is not necessarily indicative of the results that would have been achieved had the acquisitions actually occurred on January 1, 2016. For the three and six months ended June 30, 2017, pro forma adjustments include increases in stock-based compensation expense of $11.6 million and $26.3 million, respectively, and amortization of intangibles of $10.9 million and $23.2 million, respectively.

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
	(In thousands, except per share data)	
Revenue	$ 253,222	$ 479,920
Net (loss) earnings attributable to ANGI Homeservices Inc. shareholders	$ (9,454)	$ 7,066
Basic (loss) earnings per share attributable to ANGI Homeservices Inc. shareholders	$ (0.02)	$ 0.02
Diluted (loss) earnings per share attributable to ANGI Homeservices Inc. shareholders	$ (0.02)	$ 0.02

NOTE 5—FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

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

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

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

	June 30, 2018			
	Quoted market prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total fair value measurements
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	$ 243,357	$ —	$ —	$ 243,357
Certificates of deposit	—	960	—	960
Total	$ 243,357	$ 960	$ —	$ 244,317

	December 31, 2017			
	Quoted market prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total fair value measurements
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	$ 189,207	$ —	$ —	$ 189,207
Treasury discount notes	500	—	—	500
Certificates of deposit	—	6,195	—	6,195
Total	$ 189,707	$ 6,195	$ —	$ 195,902

Assets measured at fair value on a nonrecurring basis

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

Financial instruments measured at fair value only for disclosure purposes

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

	June 30, 2018		December 31, 2017	
	Carrying value	Fair value	Carrying value	Fair value
	(In thousands)			
Current portion of long term debt	$ (13,750)	$ (13,613)	$ (13,750)	$ (13,802)
Long-term debt, net	(251,740)	(251,831)	(258,312)	(262,230)
Current portion of long-term debt—related party	—	—	(816)	(837)
Long-term debt—related party, net	(1,576)	(1,743)	(1,997)	(2,048)

The fair value of long-term debt, including the current portion, is estimated using observable market prices or indices for similar liabilities, which are Level 2 inputs. The fair value of long-term debt—related party, including the current portion, is based on Level 3 inputs and is estimated by discounting the future cash flows based on current market conditions.

NOTE 6—LONG-TERM DEBT

Long-term debt consists of:

	June 30, 2018	December 31, 2017
	(In thousands)	
Term Loan due November 1, 2022	$ 268,125	$ 275,000
Less: current portion of Term Loan	13,750	13,750
Less: unamortized debt issuance costs	2,635	2,938
Total long-term debt, net	$ 251,740	$ 258,312

See "Note 11—Related Party Transactions with IAC" for a description of related-party long-term debt.

At June 30, 2018 and December 31, 2017, the outstanding balance of the five-year term loan facility ("Term Loan") was $268.1 million and $275.0 million respectively. The Term Loan bears interest at LIBOR plus 2.00%, which is subject to change in future periods based on the Company's consolidated net leverage ratio, and was 4.36% and 3.38% at June 30, 2018 and December 31, 2017 respectively. Interest payments are due at least quarterly through the term of the loan and quarterly principal payments of 1.25% of the original principal amount in the first three years, 2.5% in the fourth year and 3.75% in the fifth year are required.

The terms of the Term Loan require the Company to maintain a consolidated net leverage ratio of not more than 4.5 to 1.0 and a minimum interest coverage ratio of not less than 2.5 to 1.0 (in each case as defined in the credit agreement). There are additional covenants under the Term Loan that limit the ability of the Company and its subsidiaries to, among other things, incur indebtedness, pay dividends or make distributions. The Term Loan is guaranteed by the Company's wholly-owned material domestic subsidiaries and is secured by substantially all assets of the Company and the guarantors, subject to certain exceptions.

NOTE 7—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the three and six months ended June 30, 2018 and 2017, the Company's accumulated other comprehensive income (loss) relates to foreign currency translation adjustments, which is presented in the table below.

	Three Months Ended June 30,	
	2018	2017
	(In thousands)	
Balance at April 1	$ 6,224	$ (560)
Other comprehensive (loss) income before reclassifications	(4,942)	330
Amounts reclassified to earnings	(191)	—
Net current period other comprehensive (loss) income	(5,133)	330
Balance at June 30	$ 1,091	$ (230)

	Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Balance at January 1	$ 2,232	$ (1,721)
Other comprehensive (loss) income before reclassifications	(1,089)	1,491
Amounts reclassified to earnings	(52)	—
Net current period other comprehensive (loss) income	(1,141)	1,491
Balance at June 30	$ 1,091	$ (230)

The amount reclassified out of accumulated other comprehensive income into earnings for both the three and six months ended June 30, 2018 relates to the liquidation of an international subsidiary.

At June 30, 2018 and 2017, there was no tax benefit or provision on the accumulated other comprehensive income (loss).

NOTE 8—EARNINGS PER SHARE

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

	Three Months Ended June 30,			
	2018		2017	
	Basic	Diluted	Basic	Diluted
	(In thousands, except per share data)			
Numerator:				
Net earnings (loss)	$ 23,023	$ 23,023	$ (25)	$ (25)
Net (earnings) loss attributable to noncontrolling interests	(124)	(124)	279	279
Net earnings attributable to ANGI Homeservices Inc. shareholders	$ 22,899	$ 22,899	$ 254	$ 254
Denominator:				
Weighted average basic shares outstanding	480,618	480,618	414,754	414,754
Dilutive securities including stock appreciation rights, stock options, RSUs and subsidiary denominated equity awards [(a)(b)]	—	28,145	—	—
Denominator for earnings per share—weighted average shares [(c)]	480,618	508,763	414,754	414,754
Earnings per share attributable to ANGI Homeservices Inc. shareholders:				
Earnings per share	$ 0.05	$ 0.05	$ 0.00	$ 0.00

	Six Months Ended June 30,			
	2018		2017	
	Basic	Diluted	Basic	Diluted
	(In thousands, except per share data)			
Numerator:				
Net earnings	$ 13,909	$ 13,909	$ 25,862	$ 25,862
Net loss attributable to noncontrolling interests	105	105	1,005	1,005
Net earnings attributable to ANGI Homeservices Inc. shareholders	$ 14,014	$ 14,014	$ 26,867	$ 26,867
Denominator:				
Weighted average basic shares outstanding	479,470	479,470	414,754	414,754
Dilutive securities including stock appreciation rights, stock options, RSUs and subsidiary denominated equity awards [(a)(b)]	—	27,544	—	—
Denominator for earnings per share—weighted average shares [(c)]	479,470	507,014	414,754	414,754
Earnings per share attributable to ANGI Homeservices Inc. shareholders:				
Earnings per share	$ 0.03	$ 0.03	$ 0.06	$ 0.06

(a) If the effect is dilutive, weighted average common shares outstanding include the incremental shares that would be issued upon the assumed exercise of stock appreciation rights, stock options and subsidiary denominated equity and vesting of restricted stock units ("RSUs"). For the three and six months ended June 30, 2018, 0.1 million and 0.3 million potentially dilutive securities, respectively, are excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

(b) Performance-based stock units (“PSUs”) are considered contingently issuable shares. Shares issuable upon vesting of PSUs are included in the denominator for earnings per share if (i) the applicable performance condition(s) has been met and (ii) the inclusion of the PSUs is dilutive for the respective reporting periods. For both the three and six months ended June 30, 2018, 1.3 million shares underlying PSUs were excluded from the calculation of diluted earnings per share because the performance condition(s) had not been met.

(c) The Company computed basic and diluted earnings per share for both the three and six months ended June 30, 2017 using the shares issued to IAC for the contribution of the HomeAdvisor business.

NOTE 9—SEGMENT INFORMATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Revenue:				
North America	$ 277,505	$ 165,491	$ 513,531	$ 303,563
Europe	17,317	15,220	36,602	27,893
Total	$ 294,822	$ 180,711	$ 550,133	$ 331,456

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Operating Income (Loss):				
North America	$ 26,110	$ 1,784	$ 20,745	$ 8,208
Europe	(2,848)	(4,620)	(8,239)	(9,656)
Total	$ 23,262	$ (2,836)	$ 12,506	$ (1,448)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Adjusted EBITDA[(a)]:				
North America	$ 68,088	$ 17,112	$ 107,693	$ 31,296
Europe	$ (1,109)	$ (2,141)	$ (4,074)	$ (6,113)

(a) The Company’s primary financial measure is Adjusted EBITDA, which is defined as operating income excluding: (1) stock-based compensation expense; (2) depreciation; and (3) acquisition-related items consisting of amortization of intangible assets and impairments of goodwill and intangible assets, if applicable. The Company believes this measure is useful for analysts and investors as this measure allows a more meaningful comparison between our performance and that of our competitors. Moreover, our management uses this measure internally to evaluate the performance of our businesses, and this measure is one of the primary metrics on which our internal budgets are based and by which management is compensated. The above items are excluded from our Adjusted EBITDA measure because these items are non-cash in nature. Adjusted EBITDA has certain limitations in that it does not take into account the impact to ANGI Homeservices Inc.'s statement of operations of certain expenses.

The following table presents revenue disaggregated by service for the Company's reportable segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
North America				
Marketplace:				
Consumer connection revenue[b]	$ 187,172	$ 141,163	$ 336,232	$ 257,163
Membership subscription revenue	16,565	13,704	32,192	26,456
Other revenue	998	888	1,919	1,780
Marketplace revenue	204,735	155,755	370,343	285,399
Advertising & Other revenue[c]	72,770	9,736	143,188	18,164
Total North America revenue	277,505	165,491	513,531	303,563
Europe				
Consumer connection revenue[b]	12,496	11,170	26,863	19,635
Membership subscription revenue	4,517	3,872	9,188	7,878
Advertising and other revenue	304	178	551	380
Total Europe revenue	17,317	15,220	36,602	27,893
Total revenue	$ 294,822	$ 180,711	$ 550,133	$ 331,456

(b) Fees paid by service professionals for consumer matches.

(c) Includes Angie's List revenue from service professionals under contract for advertising and Angie's List membership subscription fees from consumers, as well as revenue from mHelpDesk, HomeStars and Felix.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Revenue				
United States	$ 274,785	$ 163,669	$ 508,260	$ 301,135
All other countries	20,037	17,042	41,873	30,321
Total	$ 294,822	$ 180,711	$ 550,133	$ 331,456

	June 30, 2018	December 31, 2017
	(In thousands)	
Long-lived assets (excluding goodwill and intangible assets)		
United States	$ 48,684	$ 49,356
All other countries	4,712	3,936
Total	$ 53,396	$ 53,292

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

	Three Months Ended June 30, 2018				
	Operating income (loss)	Stock-based compensation expense	Depreciation	Amortization of intangibles	Adjusted EBITDA
	(In thousands)				
North America	$ 26,110	$ 21,821	$ 5,354	$ 14,803	$ 68,088
Europe	(2,848)	$ 232	$ 532	$ 975	$ (1,109)
Operating income	23,262				
Interest expense—third party	(3,011)				
Interest expense—related party	(34)				
Other income, net	1,053				
Earnings before income taxes	21,270				
Income tax benefit	1,753				
Net earnings	23,023				
Net earnings attributable to noncontrolling interests	(124)				
Net earnings attributable to ANGI Homeservices Inc. shareholders	$ 22,899				

	Three Months Ended June 30, 2017				
	Operating income (loss)	Stock-based compensation expense	Depreciation	Amortization of intangibles	Adjusted EBITDA
	(In thousands)				
North America	$ 1,784	$ 11,395	$ 2,892	$ 1,041	$ 17,112
Europe	(4,620)	$ 444	$ 326	$ 1,709	$ (2,141)
Operating loss	(2,836)				
Interest expense—related party	(2,082)				
Other income, net	505				
Loss before income taxes	(4,413)				
Income tax benefit	4,388				
Net loss	(25)				
Net loss attributable to noncontrolling interests	279				
Net earnings attributable to ANGI Homeservices Inc. shareholders	$ 254				

	Six Months Ended June 30, 2018				
	Operating income (loss)	Stock-based compensation expense	Depreciation	Amortization of intangibles	Adjusted EBITDA
	(In thousands)				
North America	$ 20,745	$ 46,396	$ 10,928	$ 29,624	$ 107,693
Europe	(8,239)	$ 563	$ 1,142	$ 2,460	$ (4,074)
Operating income	12,506				
Interest expense—third party	(5,665)				
Interest expense—related party	(79)				
Other income, net	1,409				
Earnings before income taxes	8,171				
Income tax benefit	5,738				
Net earnings	13,909				
Net loss attributable to noncontrolling interests	105				
Net earnings attributable to ANGI Homeservices Inc. shareholders	$ 14,014				

	Six Months Ended June 30, 2017				
	Operating income (loss)	Stock-based compensation expense	Depreciation	Amortization of intangibles	Adjusted EBITDA
	(In thousands)				
North America	$ 8,208	$ 15,396	$ 5,777	$ 1,915	$ 31,296
Europe	(9,656)	$ 904	$ 437	$ 2,202	$ (6,113)
Operating loss	(1,448)				
Interest expense—related party	(3,674)				
Other income, net	736				
Loss before income taxes	(4,386)				
Income tax benefit	30,248				
Net earnings	25,862				
Net loss attributable to noncontrolling interests	1,005				
Net earnings attributable to ANGI Homeservices Inc. shareholders	$ 26,867				

NOTE 10—CONTINGENCIES

In the ordinary course of business, the Company is a party to various lawsuits. The Company establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Management has also identified certain other legal matters where we believe an unfavorable outcome is not probable and, therefore, no reserve is established. Although management currently believes that resolving claims against us, including claims where an unfavorable outcome is reasonably possible, will not have a material impact on the liquidity, results of operations, or financial condition of the Company, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. The Company also evaluates other contingent matters, including income and non-income tax contingencies, to assess the likelihood of an unfavorable outcome and estimated extent of potential loss. It is possible that an unfavorable outcome of one or more of these lawsuits or other contingencies could have a material impact on the liquidity, results of operations, or financial condition of the Company. See "Note 3—Income Taxes" for additional information related to income tax contingencies.

NOTE 11—RELATED PARTY TRANSACTIONS WITH IAC

For periods prior to the Combination, the Company's combined statement of operations includes allocations of general and administrative costs, including stock-based compensation expense, related to IAC's accounting, treasury, legal, tax, corporate support and internal audit functions. These allocations were based on the HomeAdvisor business' revenue as a percentage of IAC's total revenue. Allocated general and administrative costs, inclusive of stock-based compensation expense, was $1.7 million and $3.1 million, respectively, for the three and six months ended June 30, 2017 and are included in "General and administrative expense" in the accompanying consolidated and combined statement of operations. It is not practicable to determine the actual expenses that would have been incurred for these services had the HomeAdvisor business operated as a standalone entity during the periods presented. Management considers the allocation method to be reasonable.

Relationship with IAC following the Combination

In connection with the Combination, ANGI Homeservices and IAC entered into certain agreements to govern our relationship following the Combination. These agreements include: a contribution agreement; an investor rights agreement; a services agreement; a tax sharing agreement; and an employee matters agreement.

There were no shares issued to IAC pursuant to the employee matters agreement for the three months ended June 30, 2018. For the six months ended June 30, 2018, 0.7 million shares of ANGI Homeservices Class B common stock were issued to IAC pursuant to the employee matters agreement as reimbursement for shares of IAC common stock issued in connection with the exercise and vesting of IAC equity awards held by ANGI Homeservices employees.

For the three and six months ended June 30, 2018, the Company was charged $1.2 million and $2.7 million, respectively, by IAC for services rendered pursuant to the services agreement which were paid in full by the Company at June 30, 2018. At December 31, 2017, the Company had outstanding payables due to IAC of $0.4 million pursuant to the services agreement and $2.0 million related primarily to transaction related costs incurred in connection with the Combination. These amounts were paid in full during the first quarter of 2018.

Long-term debt—related party

Immediately prior to the Combination, the Company, through a foreign subsidiary, sold a promissory note due December 31, 2020 in the amount of €2.4 million to a foreign subsidiary of IAC. The amounts outstanding on the promissory note at June 30, 2018 and December 31, 2017 are €1.4 million and €2.4 million ($1.6 million and $2.8 million), respectively.

NOTE 12—TRANSACTION AND INTEGRATION RELATED COSTS IN CONNECTION WITH THE COMBINATION

During the three and six months ended June 30, 2018, the Company incurred $0.8 million and $3.3 million, respectively, in costs related to the Combination (including severance, retention and integration related costs) as well as deferred revenue write-offs of $1.8 million and $4.6 million, respectively. The Company also incurred $16.7 million and $35.8 million, respectively, in stock-based compensation expense during the three and six months ended June 30, 2018 related to the modification of previously issued HomeAdvisor equity awards and previously issued Angie's List equity awards, both of which were converted into ANGI Homeservices' equity awards in the Combination, and the acceleration of certain converted equity awards resulting from the termination of Angie's List employees in connection with the Combination.

A summary of the costs incurred, payments made and the related accrual is presented below.

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
	(In thousands)	
Integration related costs	$ 819	$ 3,323
Stock-based compensation expense	16,723	35,829
Total	$ 17,542	$ 39,152

	Six Months Ended June 30, 2018
	(In thousands)
Accrual as of January 1	$ 8,480
Charges incurred	3,323
Payments made	(10,526)
Accrual as of June 30	$ 1,277

The costs are allocated as follows in the accompanying consolidated statement of operations:

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	Integration Related Costs	Stock-based Compensation Expense	Total	Integration Related Costs	Stock-based Compensation Expense	Total
	(In thousands)					
Cost of revenue	$ —	$ —	$ —	$ —	$ —	$ —
Selling and marketing expense	—	690	690	—	1,100	1,100
General and administrative expense	819	14,825	15,644	3,323	31,529	34,852
Product development expense	—	1,208	1,208	—	3,200	3,200
Total	$ 819	$ 16,723	$ 17,542	$ 3,323	$ 35,829	$ 39,152

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

GENERAL

Management Overview

ANGI Homeservices Inc. ("ANGI Homeservices," the "Company," "ANGI," "we," "our," or "us") connects millions of homeowners to home service professionals through its portfolio of digital home service brands, including HomeAdvisor® and Angie's List®. Combined, these leading marketplaces allow homeowners to match, research, and connect on-demand to the largest network of service professionals either online, through our mobile apps, or by voice assistants. The network of service professionals across our platforms is supported by 15 million consumer reviews submitted on hundreds of thousands of service professionals, collected over the course of 20 years. ANGI Homeservices owns and operates brands in eight countries.

The Company has two operating segments: (i) North America, which primarily includes HomeAdvisor, Angie's List, mHelpDesk and HomeStars, and (ii) Europe, which includes Travaux.com, MyHammer, MyBuilder, Werkspot and Instapro.

For a more detailed description of the Company's operating businesses, see the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Operating Metrics:

In connection with the management of our businesses we identify, measure and assess a variety of operating metrics. The principal metrics we use in managing our businesses are set forth below:

- **Marketplace Revenue** includes revenue from the HomeAdvisor domestic marketplace service, including consumer connection revenue for consumer matches and membership subscription revenue from service professionals. It excludes revenue from Angie's List, mHelpDesk, HomeStars and Felix.

- **Advertising & Other Revenue** includes Angie's List revenue (revenue from service professionals under contract for advertising and membership subscription fees from consumers) as well as revenue from mHelpDesk, HomeStars and Felix.

- **Marketplace Service Requests** are fully completed and submitted domestic customer service requests to HomeAdvisor.

- **Marketplace Paying Service Professionals ("Marketplace Paying SPs")** are the number of HomeAdvisor domestic service professionals that had an active subscription and/or paid for consumer matches in the last month of the period.

- **Advertising Service Professionals** are the total number of Angie's List service professionals under contract for advertising at the end of the period.

Components of Results of Operations

Revenue

Marketplace Revenue is primarily derived from (i) consumer connection revenue, which includes fees paid by service professionals for consumer matches (regardless of whether the professional ultimately provides the requested service), and (ii) membership subscription fees paid by service professionals. Consumer connection revenue varies based upon several factors, including the service requested, type of match and geographic location of service. Effective with the Combination (described below), revenue is also derived from Angie's List (i) sales of time-based website, mobile and call center advertising to service professionals and (ii) membership subscription fees from consumers.

Operating Costs and Expenses:

- **Cost of revenue** - consists primarily of traffic acquisition costs, credit card processing fees, costs associated with publishing and distributing the *Angie's List Magazine* and hosting fees. Traffic acquisition costs include amounts based on revenue share arrangements.

- **Selling and marketing expense** - consists primarily of advertising expenditures, which include online marketing, including fees paid to search engines, offline marketing, which is primarily television advertising, and partner-related payments to those who direct traffic to our brands, compensation expense (including stock-based compensation expense) and other employee-related costs for our sales force and marketing personnel, and facilities costs.

- **General and administrative expense** - consists primarily of compensation expense (including stock-based compensation expense) and other employee-related costs for personnel engaged in executive management, finance, legal, tax, human resources and customer service functions, fees for professional services (including transaction-related costs related to acquisitions and the Combination), bad debt expense, facilities costs and software license and maintenance costs. Our customer service function includes personnel who provide support to our service professionals and consumers.

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

Non-GAAP financial measure

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") is a non-GAAP financial measure. See "Principles of Financial Reporting" for the definition of Adjusted EBITDA.

The Combination

On September 29, 2017, IAC/InterActiveCorp's ("IAC") HomeAdvisor business and Angie's List Inc. ("Angie's List") combined under a new publicly traded company called ANGI Homeservices Inc. (the "Combination"). At June 30, 2018, IAC owned 86.4% and 98.5% of the economic and voting interest, respectively, of ANGI Homeservices. During the three and six months ended June 30, 2018, the Company incurred $0.8 million and $3.3 million, respectively, in costs related to this transaction (including severance, retention and integration related costs), as well as deferred revenue write-offs of $1.8 million and $4.6 million, respectively. The Company expects the remaining transaction-related expenses, including the deferred revenue write-offs, during 2018 to total approximately $2 million. The Company also incurred $16.7 million and $35.8 million in stock-based compensation expense during the three and six months ended June 30, 2018, respectively, related to the modification of previously issued HomeAdvisor equity awards and previously issued Angie's List equity awards, both of which were converted into ANGI Homeservices' equity awards in the Combination, and the acceleration of certain converted equity awards resulting from the termination of Angie's List employees in connection with the Combination. Stock-based compensation expense arising from the Combination is expected to be approximately $30 million for the remainder of 2018, and approximately $40 million in 2019 and $25 million in 2020.

Second Quarter 2018 and Year to Date June 2018 Consolidated Results

For the three months ended June 30, 2018, the Company delivered $114.1 million, or 63%, revenue growth. Revenue growth was primarily driven by a full quarter contribution from Angie's List of $58.5 million, which reflects the write-off of deferred revenue due to the Combination of $1.8 million; Marketplace growth of $49.0 million, or 31%; and growth in Europe of $2.1 million, or 14%. Operating income increased $26.1 million due primarily to the increase in Adjusted EBITDA of $52.0 million, or 347%, partially offset by increases of $10.2 million in stock-based compensation expense due primarily to modification and acceleration charges of $16.7 million related to the Combination, $13.0 million in amortization of intangibles due to the Combination and $2.7 million in depreciation. Adjusted EBITDA increased primarily due to the increase in revenue of $114.1 million and lower selling and marketing expense as a percentage of revenue, partially offset by higher compensation expense due, in part, to increased headcount following the Combination, increases of $7.1 million in cost of revenue, $4.3 million in software license and maintenance costs and $3.3 million in bad debt expense and the inclusion in 2018 of $0.8 million in costs related to the Combination (including severance, retention and integration related costs). Operating income and Adjusted EBITDA in 2018 benefited from a reduction in sales commissions expense of $2.1 million due to the adoption of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* on January 1, 2018. As a result of the adoption of ASU No. 2014-09, sales commissions, which represent the incremental direct costs of obtaining a service professional contract, are now capitalized and amortized over the estimated life of a service professional; these costs were expensed as incurred prior to January 1, 2018.

For the six months ended June 30, 2018, the Company delivered $218.7 million, or 66%, revenue growth. Revenue growth was primarily driven by a full six months contribution from Angie's List of $116.4 million, which reflects the write-off of deferred revenue due to the Combination of $4.6 million; Marketplace growth of $84.9 million, or 30%; and growth in Europe of $8.7 million, or 31%. Operating income increased $14.0 million due primarily to the increase in Adjusted EBITDA of $78.4 million, or 311%, partially offset by increases of $30.7 million in stock-based compensation expense due primarily to modification and acceleration charges of $35.8 million related to the Combination, $28.0 million in amortization of intangibles due to the Combination and $5.9 million in depreciation. Adjusted EBITDA increased primarily due to the increase in revenue of $218.7 million and lower selling and marketing expense as a percentage of revenue, partially offset by higher compensation expense due, in part, to increased headcount following the Combination, increases of $13.9 million in cost of revenue, $9.1 million in software license and maintenance costs and $6.8 million in bad debt expense and the inclusion in 2018 of $3.3 million in costs related to the Combination (including severance, retention and integration related costs). Operating income and Adjusted EBITDA in 2018 benefited from a reduction in sales commissions expense of $8.2 million due to the adoption of ASU No. 2014-09 on January 1, 2018.

Other events affecting year-over-year comparability include the acquisitions of controlling interests in HomeStars Inc. ("HomeStars") on February 8, 2017 (reflected in the North America segment) and MyBuilder Limited ("MyBuilder") on March 24, 2017 (reflected in the Europe segment).

Results of Operations for the three and six months ended June 30, 2018 compared to the three and six months ended June 30, 2017

Revenue

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	$ Change	% Change	2017	2018	$ Change	% Change	2017
	(Amounts in thousands)							
Revenue:								
Marketplace:								
Consumer connection revenue	$ 187,172	$ 46,009	33%	$ 141,163	$ 336,232	$ 79,069	31%	$ 257,163
Membership subscription revenue	16,565	2,861	21%	13,704	32,192	5,736	22%	26,456
Other revenue	998	110	12%	888	1,919	139	8%	1,780
Total Marketplace Revenue	204,735	48,980	31%	155,755	370,343	84,944	30%	285,399
Advertising & Other Revenue	72,770	63,034	647%	9,736	143,188	125,024	688%	18,164
North America	277,505	112,014	68%	165,491	513,531	209,968	69%	303,563
Europe	17,317	2,097	14%	15,220	36,602	8,709	31%	27,893
Total Revenue	$ 294,822	$ 114,111	63%	$ 180,711	$ 550,133	$ 218,677	66%	$ 331,456
Percentage of Total Revenue:								
North America	94%			92%	93%			92%
Europe	6%			8%	7%			8%
Total Revenue	100%			100%	100%			100%

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	Change	% Change	2017	2018	Change	% Change	2017
	(Amounts in thousands)							
Operating metrics:								
Marketplace Service Requests	6,799	1,576	30%	5,223	11,829	2,950	33%	8,879
Marketplace Paying SPs	202	38	23%	164	202	38	23%	164
Advertising Service Professionals	39	NA	NA	NA	39	NA	NA	NA

NA = Not applicable

For the three months ended June 30, 2018 compared to the three months ended June 30, 2017

North America revenue increased $112.0 million, or 68%, due to increases in Advertising & Other Revenue of $63.0 million, or 647%, and Marketplace Revenue of $49.0 million, or 31%. The increase in Advertising & Other Revenue includes $58.5 million from Angie's List in 2018, which reflects the write-off of deferred revenue due to the Combination of $1.8 million. The increase in Marketplace Revenue is due to an increase in consumer connection revenue of $46.0 million, or 33%, which was driven by a 30% increase in Marketplace Service Requests to 6.8 million and an increase in membership subscription revenue of $2.9 million, or 21%, due to a 23% increase in Marketplace Paying SPs to 202,000.

Europe revenue grew $2.1 million, or 14%, due to growth across all regions. Europe revenue also benefited from the weakening of the U.S. dollar relative to the Euro and the British Pound.

For the six months ended June 30, 2018 compared to the six months ended June 30, 2017

North America revenue increased $210.0 million, or 69%, due to increases in Advertising & Other Revenue of $125.0 million, or 688%, and Marketplace Revenue of $84.9 million, or 30%. The increase in Advertising & Other Revenue includes $116.4 million from Angie's List in 2018, which reflects the write-off of deferred revenue due to the Combination of $4.6 million. The increase in Marketplace Revenue is due to an increase in consumer connection revenue of $79.1 million, or 31%, which was driven by a 33% increase in Marketplace Service Requests to 11.8 million and an increase in membership subscription revenue of $5.7 million, or 22%, due to a 23% increase in Marketplace Paying SPs to 202,000.

Europe revenue grew $8.7 million, or 31%, driven by the acquisition of a controlling interest in MyBuilder on March 24, 2017, as well as organic growth across other regions. Europe revenue also benefited from the weakening of the U.S. dollar relative to the Euro and the British Pound.

Cost of revenue

For the three months ended June 30, 2018 compared to the three months ended June 30, 2017

	Three Months Ended June 30,			
	2018	**$ Change**	**% Change**	**2017**
	(Dollars in thousands)			
Cost of revenue (exclusive of depreciation shown separately below)	$14,703	$7,141	94%	$7,562
As a percentage of revenue	5%			4%

North America cost of revenue increased $6.8 million, or 91%, driven by increases of $2.4 million in traffic acquisition costs, $2.0 million in credit card processing fees due to $1.2 million from the inclusion of Angie's List and higher Marketplace Revenue, $1.0 million in hosting fees, principally from the inclusion of Angie's List, and $0.8 million in costs associated with publishing and distributing the *Angie's List Magazine*.

Europe cost of revenue increased $0.3 million, or 368%, driven by an increase of $0.2 million in hosting fees.

For the six months ended June 30, 2018 compared to the six months ended June 30, 2017

	Six Months Ended June 30,			
	2018	**$ Change**	**% Change**	**2017**
	(Dollars in thousands)			
Cost of revenue (exclusive of depreciation shown separately below)	$28,298	$13,906	97%	$14,392
As a percentage of revenue	5%			4%

North America cost of revenue increased $13.2 million, or 93%, driven by increases of $3.9 million in traffic acquisition costs, $3.9 million in credit card processing fees due to $2.5 million from the inclusion of Angie's List and higher Marketplace Revenue, $2.4 million in costs associated with publishing and distributing the *Angie's List Magazine*, and $1.7 million in hosting fees, principally from the inclusion of Angie's List.

Europe cost of revenue increased $0.7 million, or 461%, driven by an increase of $0.5 million in hosting fees.

Selling and marketing expense

For the three months ended June 30, 2018 compared to the three months ended June 30, 2017

	Three Months Ended June 30,			
	2018	**$ Change**	**% Change**	**2017**
	(Dollars in thousands)			
Selling and marketing expense	$141,843	$30,921	28%	$110,922
As a percentage of revenue	48%			61%

North America selling and marketing expense increased $30.5 million, or 30%, but declined as a percentage of revenue. The increase in North America selling and marketing expense was driven by increases in marketing expense of $14.8 million and compensation expense of $13.3 million, both reflecting the impact from the inclusion of Angie's List. The increase in marketing expense is due primarily to increased investments in television spend and online marketing. Compensation expense increased due primarily to growth in the sales force, partially offset by a reduction in sales commissions expense of $2.1 million due to the adoption of ASU No. 2014-09. As a percentage of revenue, North America selling and marketing expense declined due, in part, to accelerated revenue growth driven by capacity expansion efforts combined with marketing optimization efforts.

Europe selling and marketing expense increased $0.4 million, or 5%, driven by increases in compensation expense of $0.4 million due, in part, to an increase in the sales force, and facilities costs of $0.4 million, partially offset by a decrease in marketing expense of $0.7 million.

For the six months ended June 30, 2018 compared to the six months ended June 30, 2017

	Six Months Ended June 30,			
	2018	$ Change	% Change	2017
	(Dollars in thousands)			
Selling and marketing expense	$279,775	$72,987	35%	$206,788
As a percentage of revenue	51%			62%

North America selling and marketing expense increased $69.4 million, or 37%, but declined as a percentage of revenue. The increase in North America selling and marketing expense was driven by increases in marketing expense of $40.0 million and compensation expense of $24.4 million, both reflecting the impact from the inclusion of Angie's List. The increase in marketing expense is due primarily to increased investments in online marketing and television spend. Compensation expense increased due primarily to growth in the sales force, partially offset by a reduction in sales commissions expense of $8.1 million due to the adoption of ASU No. 2014-09. As a percentage of revenue, North America selling and marketing expense declined due, in part, to accelerated revenue growth driven by capacity expansion efforts combined with marketing optimization efforts.

Europe selling and marketing expense increased $3.6 million, or 19%, driven by $2.4 million of expense from the inclusion of MyBuilder, principally related to marketing, and increases in compensation expense of $1.1 million due, in part, to an increase in the sales force, and facilities costs of $0.6 million, partially offset by a decrease in marketing expense of $1.0 million.

General and administrative expense

For the three months ended June 30, 2018 compared to the three months ended June 30, 2017

	Three Months Ended June 30,			
	2018	$ Change	% Change	2017
	(Dollars in thousands)			
General and administrative expense	$79,688	$27,536	53%	$52,152
As a percentage of revenue	27%			29%

North America general and administrative expense increased $28.8 million, or 64%, due primarily to higher compensation expense of $20.0 million. The increase in compensation expense is due primarily to an increase of $8.2 million in stock-based compensation expense, an increase in headcount following the Combination and existing business growth and the inclusion of $0.5 million in severance and retention costs in 2018 related to the Combination. The increase in stock-based compensation expense reflects $12.6 million in expense due to the modification of previously issued HomeAdvisor equity awards which were converted into ANGI Homeservices' equity awards and $2.2 million in expense related to previously issued Angie's List equity awards including the acceleration of certain converted equity awards resulting from the termination of Angie's List employees in connection with the Combination, partially offset by the inclusion in 2017 of a modification charge related to an equity award. North America general and administrative expense also includes increases of $3.3 million in bad debt expense due to higher Marketplace Revenue and $3.0 million in software license and maintenance costs, reflecting the impact from the inclusion of Angie's List, partially offset by the inclusion in 2017 of $3.7 million of transaction-related costs related to the Combination.

Europe general and administrative expense decreased $1.2 million, or 17%, due primarily to a reduction in facilities costs.

For the six months ended June 30, 2018 compared to the six months ended June 30, 2017

	Six Months Ended June 30,			
	2018	$ Change	% Change	2017
	(Dollars in thousands)			
General and administrative expense	$155,958	$67,084	75%	$88,874
As a percentage of revenue	28%			27%

North America general and administrative expense increased $67.8 million, or 90%, due primarily to higher compensation expense of $49.6 million. The increase in compensation expense is due primarily to an increase of $26.4 million in stock-based compensation expense, an increase in headcount following the Combination and existing business growth and the inclusion of $2.4 million in severance and retention costs in 2018 related to the Combination. The increase in stock-based compensation expense reflects $25.2 million in expense due to the modification of previously issued HomeAdvisor equity awards which were converted into ANGI Homeservices' equity awards and $6.3 million in expense related to previously issued Angie's List equity awards including the acceleration of certain converted equity awards resulting from the termination of Angie's List employees in connection with the Combination, partially offset by the inclusion in 2017 of a modification charge related to an equity award. North America general and administrative expense also includes increases of $6.7 million in bad debt expense due to higher Marketplace Revenue, and $5.3 million in software license and maintenance costs, reflecting the impact from the inclusion of Angie's List, partially offset by the inclusion in 2017 of $4.0 million of transaction-related costs principally related to the Combination.

Europe general and administrative expense decreased $0.7 million, or 5%, due primarily to a reduction in facilities costs and the inclusion in 2017 of $0.8 million of transaction-related costs primarily related to the acquisition of MyBuilder, partially offset by $1.2 million of expense from the inclusion of MyBuilder and an increase of $0.2 million in compensation expense due, in part, to increased headcount.

Product development expense

For the three months ended June 30, 2018 compared to the three months ended June 30, 2017

	Three Months Ended June 30,			
	2018	$ Change	% Change	2017
	(Dollars in thousands)			
Product development expense	$13,662	$6,719	97%	$6,943
As a percentage of revenue	5%			4%

North America product development expense increased $5.4 million, or 96%, due primarily to an increase in compensation expense of $4.3 million and an increase in software license and maintenance costs of $0.8 million, reflecting the impact from the inclusion of Angie's List. The increase in compensation expense is due primarily to increased headcount as well as an increase of $1.4 million in stock-based compensation expense due principally to the modification charges related to the Combination.

Europe product development expense increased $1.3 million, or 102%, due to increases of $0.5 million in compensation expense due, in part, to increased headcount and $0.4 million in facilities costs.

For the six months ended June 30, 2018 compared to the six months ended June 30, 2017

	Six Months Ended June 30,			
	2018	$ Change	% Change	2017
	(Dollars in thousands)			
Product development expense	$29,442	$16,923	135%	$12,519
As a percentage of revenue	5%			4%

North America product development expense increased $14.2 million, or 136%, due primarily to an increase in compensation expense of $11.1 million and an increase in software license and maintenance costs of $2.2 million, reflecting the impact from the inclusion of Angie's List. The increase in compensation expense is due primarily to increased headcount as well as an increase of $3.6 million in stock-based compensation expense due principally to the modification charges related to the Combination.

Europe product development expense increased $2.7 million, or 132%, due to an increase of $1.0 million in compensation expense due, in part, to increased headcount, $0.7 million of expense from the inclusion of MyBuilder and increases in software license and maintenance costs of $0.3 million and facilities costs of $0.3 million.

Depreciation

For the three months ended June 30, 2018 compared to the three months ended June 30, 2017

	Three Months Ended June 30,			
	2018	$ Change	% Change	2017
	(Dollars in thousands)			
Depreciation	$5,886	$2,668	83%	$3,218
As a percentage of revenue	2%			2%

North America depreciation increased $2.5 million, or 85%, of which $0.7 million was from the inclusion of Angie's List and the remaining increase was due primarily to continued growth, including internally developed capitalized software.

For the six months ended June 30, 2018 compared to the six months ended June 30, 2017

	Six Months Ended June 30,			
	2018	$ Change	% Change	2017
	(Dollars in thousands)			
Depreciation	$12,070	$5,856	94%	$6,214
As a percentage of revenue	2%			2%

North America depreciation increased $5.2 million, or 89%, of which $2.0 million was from the inclusion of Angie's List and the remaining increase was due primarily to continued growth, including internally developed capitalized software. Europe depreciation increased $0.7 million.

Operating income (loss)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	$ Change	% Change	2017	2018	$ Change	% Change	2017
	(Dollars in thousands)							
North America	$ 26,110	$ 24,326	1363%	$ 1,784	$ 20,745	$ 12,537	153%	$ 8,208
Europe	(2,848)	1,772	38%	(4,620)	(8,239)	1,417	15%	(9,656)
Total	$ 23,262	$ 26,098	NM	$ (2,836)	$ 12,506	$ 13,954	NM	$ (1,448)
As a percentage of revenue	8%			(2)%	2%			—%

NM = Not meaningful

For the three months ended June 30, 2018 compared to the three months ended June 30, 2017

North America operating income increased $24.3 million, or 1363%, due primarily to the increase in Adjusted EBITDA of $51.0 million described below, partially offset by increases of $13.8 million in amortization of intangibles, $10.4 million in stock-based compensation expense and $2.5 million in depreciation. The increase in stock-based compensation expense was due primarily to modification and acceleration charges of $16.7 million related to the Combination, partially offset by the inclusion in 2017 of a modification charge related to an equity award. The increase in amortization of intangibles was due to the Combination.

Europe operating loss decreased $1.8 million, or 38%, due primarily to the reduction in Adjusted EBITDA loss of $1.0 million described below and decreases of $0.7 million in amortization of intangibles and $0.2 million in stock-based compensation expense, partially offset by an increase of $0.2 million in depreciation. The decrease in amortization of intangibles was primarily due to certain intangibles related to the acquisition of MyBuilder being fully amortized in 2018.

For the six months ended June 30, 2018 compared to the six months ended June 30, 2017

North America operating income increased $12.5 million, or 153%, due primarily to the increase in Adjusted EBITDA of $76.4 million described below, partially offset by increases of $31.0 million in stock-based compensation expense, $27.7 million in amortization of intangibles and $5.2 million in depreciation. The increase in stock-based compensation expense was due primarily to modification and acceleration charges of $35.8 million related to the Combination, partially offset by the inclusion in 2017 of a modification charge related to an equity award. The increase in amortization of intangibles was due to the Combination.

Europe operating loss decreased $1.4 million, or 15%, due primarily to the reduction in Adjusted EBITDA loss of $2.0 million described below and a decrease in stock-based compensation expense of $0.3 million, partially offset by increases of $0.7 million in depreciation and $0.3 million in amortization of intangibles. The increase in amortization of intangibles was due to the acquisition of MyBuilder.

At June 30, 2018, there was $141.7 million of unrecognized compensation cost, net of estimated forfeitures, related to all equity-based awards, which is expected to be recognized over a weighted average period of approximately 2.3 years.

Adjusted EBITDA

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	$ Change	% Change	2017	2018	$ Change	% Change	2017
	(Dollars in thousands)							
North America	$ 68,088	$ 50,976	298%	$ 17,112	$ 107,693	$ 76,397	244%	$ 31,296
Europe	(1,109)	1,032	48%	(2,141)	(4,074)	2,039	33%	(6,113)
Adjusted EBITDA	$ 66,979	$ 52,008	347%	$ 14,971	$ 103,619	$ 78,436	311%	$ 25,183
As a percentage of revenue	23%			8%	19%			8%

For a reconciliation of operating income (loss) for the Company's reportable segments and net earnings attributable to ANGI Homeservices Inc.'s shareholders to Adjusted EBITDA, see "Note 9—Segment Information" to the consolidated and combined financial statements included in "Item 1. Consolidated and Combined Financial Statements."

For the three months ended June 30, 2018 compared to the three months ended June 30, 2017

North America Adjusted EBITDA increased $51.0 million, or 298%, due primarily to the increase of $112.0 million in revenue, which reflects the write-off of deferred revenue related to the Combination of $1.8 million, and lower selling and marketing expense as a percentage of revenue, partially offset by higher compensation expense due, in part, to increased headcount following the Combination and, as described above, increases of $6.8 million in cost of revenue, $4.3 million in software license and maintenance costs and $3.3 million in bad debt expense and the inclusion in 2018 of $0.8 million in costs related to the Combination (including severance, retention and integration related costs). Additionally, North America Adjusted EBITDA in 2017 reflects the inclusion of $3.7 million of transaction-related costs related to the Combination.

Europe Adjusted EBITDA loss decreased $1.0 million, or 48%, due primarily to the increase of $2.1 million in revenue, of which $0.9 million was from MyBuilder, and the decrease in marketing expense of $0.7 million, partially offset by higher compensation expense of $1.3 million primarily due to increased organic headcount and an increase in facilities costs of $0.5 million.

Adjusted EBITDA in 2018 benefited from a reduction in sales commissions expense of $2.1 million ($2.1 million for North America and $0.1 million for Europe) due to the adoption of ASU No. 2014-09 on January 1, 2018.

For the six months ended June 30, 2018 compared to the six months ended June 30, 2017

North America Adjusted EBITDA increased $76.4 million, or 244%, due primarily to the increase of $210.0 million in revenue, which reflects the write-off of deferred revenue related to the Combination of $4.6 million, and lower selling and marketing expense as a percentage of revenue, partially offset by higher compensation expense due, in part, to increased headcount following the Combination and, as described above, increases of $13.2 million in cost of revenue, $8.9 million in software license and maintenance costs and $6.7 million in bad debt expense and the inclusion in 2018 of $3.3 million in costs related to the Combination (including severance, retention and integration related costs). Additionally, North America Adjusted EBITDA in 2017 reflects the inclusion of $4.0 million of transaction-related costs principally related to the Combination.

Europe Adjusted EBITDA loss decreased $2.0 million, or 33%, due primarily to the increase of $8.7 million in revenue, of which $5.0 million was from MyBuilder, and the decrease in marketing expense of $1.0 million, partially offset by $4.3 million of expense from the inclusion of MyBuilder primarily related to marketing, higher compensation expense of $2.7 million primarily due to increased organic headcount and an increase in facilities costs of $0.5 million. Additionally, Europe Adjusted EBITDA loss in 2017 includes $0.8 million of transaction-related costs primarily related to the acquisition of MyBuilder.

Adjusted EBITDA in 2018 benefited from a reduction in sales commissions expense of $8.2 million ($8.1 million for North America and $0.1 million for Europe) due to the adoption of ASU No. 2014-09 on January 1, 2018.

Interest expense

Interest expense—third party relates to interest on the Term Loan, which commenced on November 1, 2017.

Interest expense—related party includes interest charged by IAC and its subsidiaries on related party notes, which were primarily related to acquisitions. All related party notes were settled prior to the Combination, with the exception of a promissory note payable to a foreign subsidiary of IAC.

For the three months ended June 30, 2018 compared to the three months ended June 30, 2017

	Three Months Ended June 30,			
	2018	**$ Change**	**% Change**	**2017**
	(Dollars in thousands)			
Interest expense—third party	$3,011	$3,011	NA	$—
Interest expense—related party	34	(2,048)	(98)%	2,082

For the six months ended June 30, 2018 compared to the six months ended June 30, 2017

	Six Months Ended June 30,			
	2018	**$ Change**	**% Change**	**2017**
	(Dollars in thousands)			
Interest expense—third party	$5,665	$5,665	NA	$—
Interest expense—related party	79	(3,595)	(98)%	3,674

Other income, net

For the three months ended June 30, 2018 compared to the three months ended June 30, 2017

	Three Months Ended June 30,			
	2018	**$ Change**	**% Change**	**2017**
	(Dollars in thousands)			
Other income, net	$1,053	$548	109%	$505

Other income, net in 2018 principally includes third party interest income of $0.9 million.

Other income, net in 2017 principally includes net foreign currency exchange gains.

For the six months ended June 30, 2018 compared to the six months ended June 30, 2017

	Six Months Ended June 30,			
	2018	**$ Change**	**% Change**	**2017**
	(Dollars in thousands)			
Other income, net	$1,409	$673	91%	$736

Other income, net in 2018 includes third party interest income of $1.6 million, partially offset by net foreign currency exchange losses of $0.2 million.

Other income, net in 2017 principally includes net foreign currency exchange gains.

Income tax benefit

For the three months ended June 30, 2018 compared to the three months ended June 30, 2017

	Three Months Ended June 30,			
	2018	**$ Change**	**% Change**	**2017**
	(Dollars in thousands)			
Income tax benefit	$1,753	$(2,635)	(60)%	$4,388
Effective income tax rate	NM			99%

The 2018 income tax benefit, despite pre-tax income, is due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards.

The 2017 income tax benefit is due primarily to excess tax benefits generated by the exercise and vesting of stock-based awards.

For the six months ended June 30, 2018 compared to the six months ended June 30, 2017

	Six Months Ended June 30,			
	2018	**$ Change**	**% Change**	**2017**
	(Dollars in thousands)			
Income tax benefit	$5,738	$(24,510)	(81)%	$30,248
Effective income tax rate	NM			NM

The 2018 income tax benefit, despite pre-tax income, is due primarily to the factors described above in the three-month discussion.

The 2017 income tax benefit is due primarily to the factors described above in the three-month discussion.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act implemented a number of changes that took effect on January 1, 2018, including but not limited to, a reduction of the U.S. federal corporate tax rate from 35% to 21% and a new minimum tax on global intangible low-taxed income earned by foreign subsidiaries. While the Company was able to make a reasonable estimate of the impacts of the Tax Act, certain amounts are provisional as the Company gathers additional data. Any adjustment of the Company's provisional tax expense will be reflected as a change in estimate in its results in the period in which the change in estimate is made in accordance with Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, which is also included in the FASB issued ASU No. 2018-05, *Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*, which was issued and adopted by the Company in March 2018. In addition, our estimates may also be impacted and adjusted as the law is clarified and additional guidance is issued at the federal and state levels. No adjustment was made in the three and six months ended June 30, 2018 to the Company's previously recorded provisional tax expense.

For further details of income tax matters, see "Note 3—Income Taxes" to the consolidated and combined financial statements included in "Item 1. Consolidated and Combined Financial Statements."

We report Adjusted EBITDA as a supplemental measure to U.S. generally accepted accounting principles ("GAAP"). This measure is one of the primary metrics by which we evaluate the performance of our businesses, on which our internal budgets are based and by which management is compensated. We believe that investors should have access to, and we are obligated to provide, the same set of tools that we use in analyzing our results. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. We endeavor to compensate for the limitations of the non-GAAP measure presented by providing the comparable GAAP measure with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measure. We encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measure, which we discuss below.

Definition of Non-GAAP Measure

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") is defined as operating income excluding: (1) stock-based compensation expense; (2) depreciation; and (3) acquisition-related items consisting of amortization of intangible assets and impairments of goodwill and intangible assets, if applicable. We believe this measure is useful for analysts and investors as this measure allows a more meaningful comparison between our performance and that of our competitors. The above items are excluded from our Adjusted EBITDA measure because these items are non-cash in nature. Adjusted EBITDA has certain limitations in that it does not take into account the impact to our consolidated and combined statement of operations of certain expenses.

For a reconciliation of operating income (loss) by reportable segment and net earnings attributable to ANGI Homeservices Inc. shareholders to Adjusted EBITDA for the three and six months ended June 30, 2018 and 2017, see "Note 9—Segment Information" to the consolidated and combined financial statements included in "Item 1. Consolidated and Combined Financial Statements."

Non-cash expenses that are excluded from Non-GAAP Measure

Stock-based compensation expense consists principally of expense associated with the grants, including unvested grants assumed in acquisitions (including the Combination), of stock appreciation rights, restricted stock units, or RSUs, stock options and performance-based RSUs. These expenses are not paid in cash, and we include the related shares in our fully diluted shares outstanding using the treasury stock method. Performance-based RSUs are included only to the extent the applicable performance condition(s) have been met (assuming the end of the reporting period is the end of the contingency period). To the extent that stock-based awards are settled on a net basis, the Company remits the required tax-withholding amounts from its current funds.

Depreciation is a non-cash expense relating to our property and equipment and is computed using the straight-line method to allocate the cost of depreciable assets to operations over their estimated useful lives, or, in the case of leasehold improvements, the lease term, if shorter.

Amortization of intangible assets and impairments of goodwill and intangible assets are non-cash expenses related primarily to acquisitions (including the Combination). At the time of an acquisition, the identifiable definite-lived intangible assets of the acquired company, such as service professional relationships, technology, memberships, customer lists and user base, and trade names are valued and amortized over their estimated lives. Value is also assigned to acquired indefinite-lived intangible assets, which comprise trade names and trademarks, and goodwill that are not subject to amortization. An impairment is recorded when the carrying value of an intangible asset or goodwill exceeds its fair value. We believe that intangible assets represent costs incurred by the acquired company to build value prior to acquisition and the related amortization and impairment charges of intangible assets or goodwill, if applicable, are not ongoing costs of doing business.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Financial position

	June 30, 2018	December 31, 2017
	(In thousands)	
Cash and cash equivalents:		
United States	$ 250,038	$ 214,803
All other countries[(a)]	5,557	6,718
Total cash and cash equivalents	**$ 255,595**	**$ 221,521**
Long-term debt—third party		
Term Loan due November 1, 2022	$ 268,125	$ 275,000
Less: current portion of Term Loan	13,750	13,750
Less: unamortized debt issuance costs	2,635	2,938
Total long-term debt—third party, net	**$ 251,740**	**$ 258,312**
Long-term debt—related party		
Other	1,576	2,813
Less: current portion of long-term debt—related party	—	816
Total long-term debt—related party, net	**$ 1,576**	**$ 1,997**

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

For a detailed description of long-term debt—net, see "Note 6—Long-term Debt" and for a detailed description of long-term debt—related party, see "Note 11—Related Party Transactions with IAC" to the consolidated and combined financial statements included in "Item 1. Consolidated and Combined Financial Statements."

Cash flow information

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

	Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Net cash provided by (used in):		
Operating activities	$ 73,566	$ 30,986
Investing activities	(11,038)	(56,057)
Financing activities	(28,343)	22,666

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

2018

Adjustments to earnings consist primarily of $47.0 million of stock-based compensation expense, $32.1 million of amortization of intangibles, $20.6 million of bad debt expense and $12.1 million of depreciation, partially offset by $6.4 million of deferred income taxes. The deferred income tax benefit primarily relates to stock-based compensation expense. The decrease from changes in working capital consists primarily of an increase in accounts receivable of $37.0 million and an increase in other assets of $14.2 million, partially offset by an increase in deferred revenue of $6.4 million. The increase in accounts receivable is primarily due to revenue growth in North America. The increase in other assets is due to increases in capitalized sales commissions and prepaid marketing. The increase in deferred revenue is due mainly to growth in subscription sales to service professionals.

Net cash used in investing activities includes $21.4 million of capital expenditures, primarily related to investments in the development of capitalized software to support the Company's products and services, leasehold improvements and computer hardware, partially offset by $10.4 million in net proceeds from the sale of Angie's List's campus located in Indianapolis.

Net cash used in financing activities includes $21.4 million for the payment of withholding taxes on behalf of employees for stock-based awards that were net settled and $6.9 million in principal payments on the Term Loan, partially offset by $2.1 million in proceeds from the exercise of stock options.

2017

Adjustments to earnings consist primarily of $16.3 million of stock-based compensation expense, $13.7 million of bad debt expense, $6.5 million of deferred income taxes, $6.2 million of depreciation and $4.1 million of amortization of intangibles. The deferred income tax provision primarily relates to the exercise and vesting of stock-based awards. The decrease from changes in working capital consists primarily of a decrease in income taxes payable and receivable of $36.9 million, an increase in accounts receivable of $23.7 million, and an increase in other assets of $3.9 million, partially offset by an increase of $16.5 million in accounts payable and other liabilities and an increase in deferred revenue of $6.7 million. The decrease in income taxes payable and receivable primarily relates to the exercise and vesting of stock-based awards. The increase in accounts receivable is primarily due to revenue growth in North America. The increase in other assets is due to an increase in prepaid marketing. The increase in accounts payable and other liabilities is due to an increase in accrued advertising. The increase in deferred revenue is due to growth in subscription sales to service professionals.

Net cash used in investing activities includes $46.4 million of cash used for the acquisitions of controlling interests in MyBuilder and HomeStars, and capital expenditures of $9.6 million, primarily related to investments in the development of capitalized software to support the Company's products and services and computer hardware.

Net cash provided by financing activities includes proceeds from the borrowings of related party debt of $51.9 million to fund the acquisitions of controlling interests in MyBuilder and HomeStars, partially offset by cash transfers of $14.0 million to IAC pursuant to IAC’s centrally managed U.S. treasury management function, the purchase of noncontrolling interests of $12.4 million and principal payments on related party debt of $2.8 million.

Liquidity and capital resources

In periods prior to the Combination, the Company received funding from IAC, including loans from certain IAC foreign subsidiaries, the proceeds of which were primarily used to fund acquisitions.

All outstanding long-term debt—related party amounts due between certain IAC subsidiaries and the HomeAdvisor business were settled prior to the completion of the Combination, with the exception of a promissory note payable to a foreign subsidiary of IAC, the principal amount of which at June 30, 2018 was €1.4 million ($1.6 million).

On November 1, 2017, the Company borrowed $275 million under a five-year term loan facility ("Term Loan"). The Term Loan is guaranteed by the Company's wholly-owned material domestic subsidiaries and is secured by substantially all assets of the Company and the guarantors, subject to certain exceptions. At June 30, 2018, the Term Loan bears interest at 4.36%, which is LIBOR plus 2.00%, which is subject to change in future periods based on ANGI Homeservices' consolidated net leverage ratio. Interest payments are due at least quarterly through the term of the loan and quarterly principal payments of 1.25% of the original principal amount in the first three years, 2.5% in the fourth year and 3.75% in the fifth year are required.

In connection with the Combination, previously issued stock appreciation rights related to the common stock of HomeAdvisor (US) were converted into ANGI stock appreciation rights that are settleable on a net basis with ANGI remitting withholding taxes on behalf of the employee; most of these awards are not currently exercisable. At IAC's option, these awards are settled in Class A shares of ANGI or shares of IAC common stock. If settled in IAC common stock, ANGI reimburses IAC in either cash or through the issuance of Class A common shares to IAC. Assuming all converted stock appreciation rights outstanding on August 6, 2018 were settled, ANGI would have issued 16.7 million Class A shares either to IAC as reimbursement or to equity holders and ANGI would have remitted $272.7 million in cash for withholding taxes (assuming a 50% withholding rate). ANGI is net settling substantially all other equity awards upon exercise or vesting. Assuming all other

ANGI awards outstanding on August 6, 2018 were net settled, ANGI would have issued 1.2 million Class A common shares and would have remitted $19.9 million in cash for withholding taxes (assuming a 50% withholding rate).

The Company believes its existing cash, cash equivalents and expected positive cash flows generated from operations will be sufficient to fund its normal operating requirements, including capital expenditures, debt service, the payment of withholding taxes on behalf of employees for net-settled stock-based awards, and investing and other commitments, for the foreseeable future. The Company's 2018 capital expenditures are expected to be higher than 2017 by approximately 80%, driven, in part, by investments in the development of capitalized software to support the Company's products and services, its new corporate headquarters in Denver and the expansion of office space in Indianapolis. The Company's liquidity could be negatively affected by a decrease in demand for its products and services. The Company expects the Tax Act to favorably impact its future liquidity, primarily as a result of a reduction in the corporate tax rate from 35% to 21%, which will lower its effective tax rate and annual tax liability.

The Company’s indebtedness could limit its ability to: (i) obtain additional financing to fund working capital needs, acquisitions, capital expenditures or debt service or other requirements; and (ii) use operating cash flow to make certain acquisitions or investments, in the event a default has occurred or, in certain circumstances, if its leverage ratio (as defined in the Term Loan) exceeds the ratios set forth in the Term Loan. There were no such limitations at June 30, 2018.

At June 30, 2018, IAC holds Class B shares of ANGI Homeservices which represent 86.4% of the economic interest and 98.5% of the voting interest of ANGI Homeservices. As a result, IAC has the ability to control ANGI Homeservices’ financing activities, including the issuance of additional debt and equity securities by ANGI Homeservices or any of its subsidiaries, or the incurrence of other indebtedness generally. While ANGI Homeservices is expected to have the ability to access debt and equity markets if needed, such transactions may require the approval of IAC due to its control of the majority of the outstanding voting power of ANGI Homeservices’ capital stock and its representation on the ANGI Homeservices board of directors. Additional financing may not be available on terms favorable to the Company or at all.

CONTRACTUAL OBLIGATIONS

At June 30, 2018, there have been no material changes to the Company's contractual obligations and off-balance sheet arrangements since the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2017, except as noted below.

During 2018, the Company extended the lease term of its headquarters in Colorado for another 7.5 years and entered into a new 8.5-year lease for its expansion of office space in Indianapolis.

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

At June 30, 2018, there have been no material changes to the Company's instruments or positions that are sensitive to market risk since the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 4. ***Controls and Procedures***

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

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company’s management, including our principal executive and principal financial officers, or persons performing similar functions, evaluated the effectiveness of the Company's disclosure controls and procedures as defined by Rule 13a-15(e) under the Exchange Act. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes to our internal control over financial reporting during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. *Legal Proceedings*

Overview

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

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

Service Professional Class Action Litigation against HomeAdvisor

In July 2016, a putative class action, *Airquip, Inc. v. HomeAdvisor, Inc. et al.*, No. l:16-cv-1849, was filed in the U.S. District Court for the District of Colorado. The complaint, as amended, alleges that HomeAdvisor engages in certain deceptive practices affecting the service professionals who join its network, including charging them for substandard customer leads or failing to disclose certain charges. The complaint seeks certification of a nationwide class consisting of all HomeAdvisor service professionals since October 2012, asserts claims of fraud, breach of implied contract, unjust enrichment and violation of the Colorado Consumer Protection Act ("CCPA") and the federal RICO statute and seeks injunctive relief and damages in an unspecified amount. In December 2016, HomeAdvisor filed a motion to dismiss the RICO and CCPA claims. In September 2017, the court issued an order granting the motion and dismissing those claims. In October 2017, HomeAdvisor filed an answer denying the material allegations of the remaining claims in the complaint. Discovery is under way, and the issue of class certification remains to be litigated. On May 18, 2018, more than one year after the deadline to amend pleadings, the plaintiffs filed a motion for leave to file a second amended complaint that would add nine new plaintiffs, five new defendants and 55 new claims, most of them for various violations of the laws of nine separate states. On June 22, 2018, HomeAdvisor filed its opposition to the motion, which remains pending. On July 16, 2018, as an apparent hedge against denial of the motion, plaintiffs' counsel filed a separate putative class action in the same court on behalf of the same nine proposed new plaintiffs, naming as defendants HomeAdvisor, the Company, IAC/InterActiveCorp and CrowdSteer Inc., and asserting 45 claims largely duplicative of those asserted in the proposed second amended complaint in the *Airquip* action. *See Costello v. HomeAdvisor, Inc. et al.*, No. 1:18-cv-1802 (U.S. District Court, District of Colorado). The Company believes that the allegations in these lawsuits are without merit and will continue to defend vigorously against them.

Item 1A. *Risk Factors*

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipates," "estimates," "expects," "plans" and "believes," among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to the Company's future financial performance, business prospects and strategy, anticipated trends and prospects in home services industry, expected synergies and other benefits to be realized following the Combination and other similar matters. These forward-looking statements are based on Company management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict.

Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, among others: (i) our ability to compete effectively against current and future competitors, (ii) the failure or delay of the home services market to migrate online, (iii) adverse economic events or trends, particularly those that adversely impact consumer confidence and spending behavior, (iv) our ability to establish and maintain relationships with quality service professionals, (v) our ability to build, maintain and/or enhance our various brands, (vi) our ability to market our various products and services in a successful and cost-effective manner, (vii) our continued ability to communicate with consumers and service professionals via e-mail or an effective alternative means of communication, (viii) our ability to introduce new and enhanced products and services that resonate with consumers and service professionals and that we are able to effectively monetize, (ix) our ability to realize the expected benefits of the Combination within the anticipated time frames or at all, (x) the integrity, efficiency and scalability of our technology systems and infrastructures (and those of third parties) and our ability to enhance, expand and adapt our technology systems and infrastructures in a timely and cost-effective manner, (xi) our ability to protect our systems from cyberattacks and to protect personal and confidential user information, (xii) the occurrence of data security breaches, fraud and/or additional regulation involving or impacting credit card payments, (xiii) our ability to adequately protect our intellectual property rights and not infringe the intellectual property rights of third parties, (xiv) our ability to operate (and expand into) international markets successfully, (xv) operational and financial risks relating to acquisitions, (xvi) changes in key personnel, (xvii) increased costs and strain on our management as a result of operating as a new public company, (xviii) adverse litigation outcomes and (xix) various risks related to our relationship with IAC and our outstanding indebtedness. Certain of these and other risks and uncertainties are discussed in our filings with the SEC, including in Part I-Item 1A-Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Other unknown or unpredictable factors that could also adversely affect our business, financial condition and operating results may arise from time to time. In light of these risks and uncertainties, the forward-looking statements discussed in this report may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of Company management as of the date of this quarterly report. We do not undertake to update these forward-looking statements.

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

Unregistered Sales of Equity Securities

The Company did not issue or sell any shares of its common stock or any other equity securities pursuant to unregistered transactions during the quarter ended June 30, 2018.

Issuer Purchases of Equity Securities

The Company did not purchase any shares of its Class A common stock during the quarter ended June 30, 2018.

Table of Contents

Item 6. ***Exhibits***

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

Exhibit Number	Description	Location
3.1	Amended and Restated Certificate of Incorporation of ANGI Homeservices Inc.	Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on October 2, 2017.
3.2	Amended and Restated Bylaws of ANGI Homeservices Inc.	Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed on October 2, 2017.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)	
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)	
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (2)	
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (2)	
101.INS	XBRL Instance (1)	
101.SCH	XBRL Taxonomy Extension Schema (1)	
101.CAL	XBRL Taxonomy Extension Calculation (1)	
101.DEF	XBRL Taxonomy Extension Definition (1)	
101.LAB	XBRL Taxonomy Extension Labels (1)	
101.PRE	XBRL Taxonomy Extension Presentation (1)	

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(1) Filed herewith.

(2) Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 9, 2018

ANGI Homeservices Inc.

By: /s/ GLENN H. SCHIFFMAN
Glenn H. Schiffman
Chief Financial Officer

Signature	Title	Date
/s/ GLENN H. SCHIFFMAN Glenn H. Schiffman	Chief Financial Officer	August 9, 2018

Quicklinks

Exhibit 31.1

Certification

I, Chris Terrill, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2018 of ANGI Homeservices Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2018

/s/ CHRIS TERRILL

Chris Terrill
Chief Executive Officer

Exhibit 31.2

Certification

I, Glenn H. Schiffman, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2018 of ANGI Homeservices Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2018

/s/ GLENN H. SCHIFFMAN

Glenn H. Schiffman
Chief Financial Officer

Exhibit 32.1

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

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

(1) the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018 of ANGI Homeservices Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ANGI Homeservices Inc.

Dated:	August 9, 2018	/s/ CHRIS TERRILL
		Chris Terrill
		Chief Executive Officer

Exhibit 32.2

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

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

(1) the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018 of ANGI Homeservices Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ANGI Homeservices Inc.

Dated:	August 9, 2018	/s/ GLENN H. SCHIFFMAN
		Glenn H. Schiffman *Chief Financial Officer*