



**qurate**  
RETAIL, INC.

Curated Experiences.  
Infinite Possibilities.®

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## Preferred Stock Investor Presentation September 2020

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# Disclaimers

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This presentation includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about the anticipated cash and preferred stock dividend, future payments with respect to the preferred stock, our ability to attract new investors, the future trading price of our common stock and preferred stock, our future cash flow generation, and other matters that are not historical facts. These forward-looking statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including, without limitation, the impact of the COVID-19 pandemic on our businesses, possible changes in market acceptance of new securities, products or services, competitive issues, regulatory matters affecting our businesses, continued access to capital on terms acceptable to Qurate Retail, Inc. ("QRI"), availability of investment opportunities and market conditions conducive to stock repurchases. These forward-looking statements speak only as of the date of this presentation, and QRI expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in QRI's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Please refer to the publicly filed documents of QRI, including its most recent Forms 10-K and 10-Q, for additional information about QRI and about the risks and uncertainties related to its businesses which may affect the statements made in this presentation.

This presentation does not constitute an offer to sell or a solicitation of an offer to buy the securities described herein, nor shall there be any sale of these securities in any state or other jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

This presentation includes a summary of terms of our proposed 8.0% Series A Cumulative Redeemable Preferred Stock. Such description is qualified in its entirety by reference to the full text of our Certificate of Designations of 8.0% Series A Cumulative Redeemable Preferred

Stock, which is filed as Exhibit 4.1 to our Registration Statement on Form 8-A filed with the Securities and Exchange Commission on August 27, 2020.

This presentation includes non-GAAP financial measures including adjusted OIBDA and free cash flow. Information regarding the comparable GAAP metrics, along with required definitions and reconciliations, can be found in this presentation or in the earnings press release and related slide presentation issued August 10, 2020, as well as earnings press releases and slide presentations relating to prior periods, all of which are available on our website.

This presentation includes reference to free cash flow, which is a non-GAAP financial measure for QRI. QRI defines free cash flow as cash flows from operating activities less capital expenditures, expenditures for television distribution rights, investments in and loans to cost and equity investees and dividends paid to non-controlling interests. QRI believes free cash flow is an important indicator of the financial stability of our business. QRI believes cash flows from operating activities is the most directly comparable GAAP measure. Free cash flow is not meant to replace or supersede this GAAP measure, but rather to supplement such GAAP measure in order to present investors with a supplemental metric of financial performance. Please see the reconciliation of free cash flow to cash flows from operating activities calculated in accordance with GAAP for QRI on slide 12 of this presentation.

# Transaction Overview

## Transaction Overview

- On August 10<sup>th</sup>, 2020, Qurate Retail, Inc. (“QRI” or the “Company”) announced a special dividend consisting, in part, of a preferred stock dividend equivalent to \$3.00 in initial liquidation value per share
- The preferred stock will be non-voting, have an 8.0% dividend rate and be subject to a mandatory redemption on March 15<sup>th</sup>, 2031
- QRI Board Member, John Malone, and Chairman, Greg Maffei, announced their intentions to be long-term holders of the preferred stock
- The dividend is expected to be payable on September 14<sup>th</sup>
- The preferred stock will trade separate from the common shares on NASDAQ following the distribution date

## Rationale for Preferred Distribution

- Effectively dividing common stock into more bond-like instrument and more levered common equity
- Unlike a recurring common dividend which forces common shareholders to receive a distribution, provides shareholder flexibility to either:
  - Hold income-paying security plus the common equity, or
  - Monetize preferred stock and maintain net position in more levered common equity
- Attractive security for shareholders who elect to hold:
  - Compelling after-tax rate; favorable relative to comparable securities in market
  - Long tenor
- Highlights management and board of directors' confidence in strong free cash flow generation at QRI, even after preferred dividends
- Ability to attract new investor base, including fixed income investors
- Over longer term, expect preferred stock and common equity in aggregate (after giving effect to cash dividend) to trade in excess of current trading price

## Simplified Timeline

<b>August 10<sup>th</sup>:</b>	Qurate Retail, Inc. announces intention to declare a special dividend consisting, in part, of a preferred stock dividend of \$3.00 per share liquidation value equivalent
<b>August 21<sup>st</sup>:</b>	Qurate Retail, Inc. announces declaration of a special dividend consisting, in part, of a preferred stock dividend of \$3.00 per share liquidation value equivalent
<b>August 31<sup>st</sup>:</b>	Record date; as a result of due bill trading procedures, investors who held Qurate Retail common stock on this record date or purchase Qurate Retail common stock subsequent to the record date will only be entitled to receive the special dividend of cash and preferred stock if they continue to hold such Qurate Retail common stock through the distribution date on September 14th
<b>September 1<sup>st</sup>:</b>	“When-issued” market for preferred stock begins (symbol: QRTEV); investors are able to trade in the preferred stock with trades settling on September 17 <sup>th</sup>
<b>September 2<sup>nd</sup>:</b>	“Ex-distribution when-issued” market for QRTEA and QRTEB begins (symbols: QRTAV and QRTBV, respectively); shares of common stock acquired by investors in this market will not have the right to receive the special dividend of cash and Preferred Shares
<b>September 14<sup>th</sup>:</b>	Distribution date; last day of “when-issued” market for preferred stock; last day of “ex-distribution when-issued” market for common stock
<b>September 15<sup>th</sup>:</b>	Expected ex-dividend date; regular-way trading begins
<b>September 17<sup>th</sup>:</b>	“When-issued” trades of preferred stock and “ex-distribution when-issued” trades of common stock settled

## Certain Comparisons to Subordinated Debt

<b>Maturity:</b>	“Long” 10-year (March 15, 2031)
<b>Call Protection:</b>	Non-Call 5 (other than Extraordinary Transactions); After 5-years, at par plus half the distribution rate and stepping down annually
<b>Cash Income:</b>	8.0% rate, paid quarterly
<b>Penalty for Missed Payments:</b>	Rate step-ups (a preferred cannot enforce creditor rights); After consecutive dividend delinquencies or a missed redemption/liquidation payment, investors begin to receive right to elect board seat(s), subject to certain restrictions
<b>Restricted Payment Limitations:</b>	Unable to pay dividends to common or repurchase common shares unless all accumulated preferred distributions satisfied
<b>Ranking:</b>	Senior to common, junior to all other debt in capital structure

# Pro Forma Capitalization

(\$M)	Ratings	Maturity	Spread	Amount	xAdj. OIBDA
	Corp: Ba3 / BB- / BB (Stable / Negative / Stable)				
<u>QVC Inc.</u>					
Cash & Cash Equivalents at OpCo¹				\$749	
\$2.95bn QVC / HSN / Zulily Revolving Credit Facility	Ba2 / BB+ / BBB-	Dec-23	L + 1.25% - 1.75%	-	
5.125% Senior Secured Notes	Ba2 / BB+ / BBB-	Jul-22	5.125%	-	
4.375% Senior Secured Notes	Ba2 / BB+ / BBB-	Mar-23	4.375%	750	
4.850% Senior Secured Notes	Ba2 / BB+ / BBB-	Apr-24	4.850%	600	
4.450% Senior Secured Notes	Ba2 / BB+ / BBB-	Feb-25	4.450%	600	
4.750% Senior Secured Notes	Ba2 / BB+ / BBB-	Feb-27	4.750%	575	
4.375% Senior Secured Notes	Ba2 / BB+ / BBB-	Sep-28	4.375%	500	
5.450% Senior Secured Notes	Ba2 / BB+ / BBB-	Aug-34	5.450%	400	
5.950% Senior Secured Notes	Ba2 / BB+ / BBB-	Mar-43	5.950%	300	
6.375% Senior Secured Notes	Ba2 / BB+ / BBB-	Sep-67	6.375%	225	
6.250% Senior Secured Notes	Ba2 / BB+ / BBB-	Nov-68	6.250%	500	
<b>OpCo Debt</b>				<b>\$4,450</b>	<b>2.2x</b>
<b>OpCo Net Debt</b>				<b>\$3,701</b>	<b>1.8x</b>
Corporate Cash & Cash Equivalents				150	
<u>Liberty Interactive LLC</u>					
8.500% Senior Debentures	B2 / B / BB	Jul-29	8.500%	287	
8.250% Senior Debentures	B2 / B / BB	Feb-30	8.250%	504	
4.000% Exchangeable Senior Debentures	B2 / B / BB	Nov-29	4.000%	431	
3.750% Exchangeable Senior Debentures	B2 / B / BB	Feb-30	3.750%	433	
3.500% Exchangeable Senior Debentures	B2 / B / BB	Jan-31	3.500%	221	
1.750% Exchangeable Senior Debentures	B2 / B / BB	Sep-46	1.750%	332	
<b>Total Debt</b>				<b>\$6,658</b>	<b>3.3x</b>
<b>Total Net Debt</b>				<b>\$5,759</b>	<b>2.9x</b>
<u>Qurata Retail, Inc.</u>					
New 8.0% Cumulative Redeemable Preferred Stock²		Mar-31	8.000%	1,266	
<b>Total Debt + Preferred Initial Liquidation Value</b>				<b>\$7,924</b>	<b>4.0x</b>
<b>Total Net Debt + Preferred Initial Liquidation Value</b>				<b>\$7,025</b>	<b>3.5x</b>
<b>LTM 6/30/2020 Adjusted OIBDA</b>				<b>\$2,005</b>	

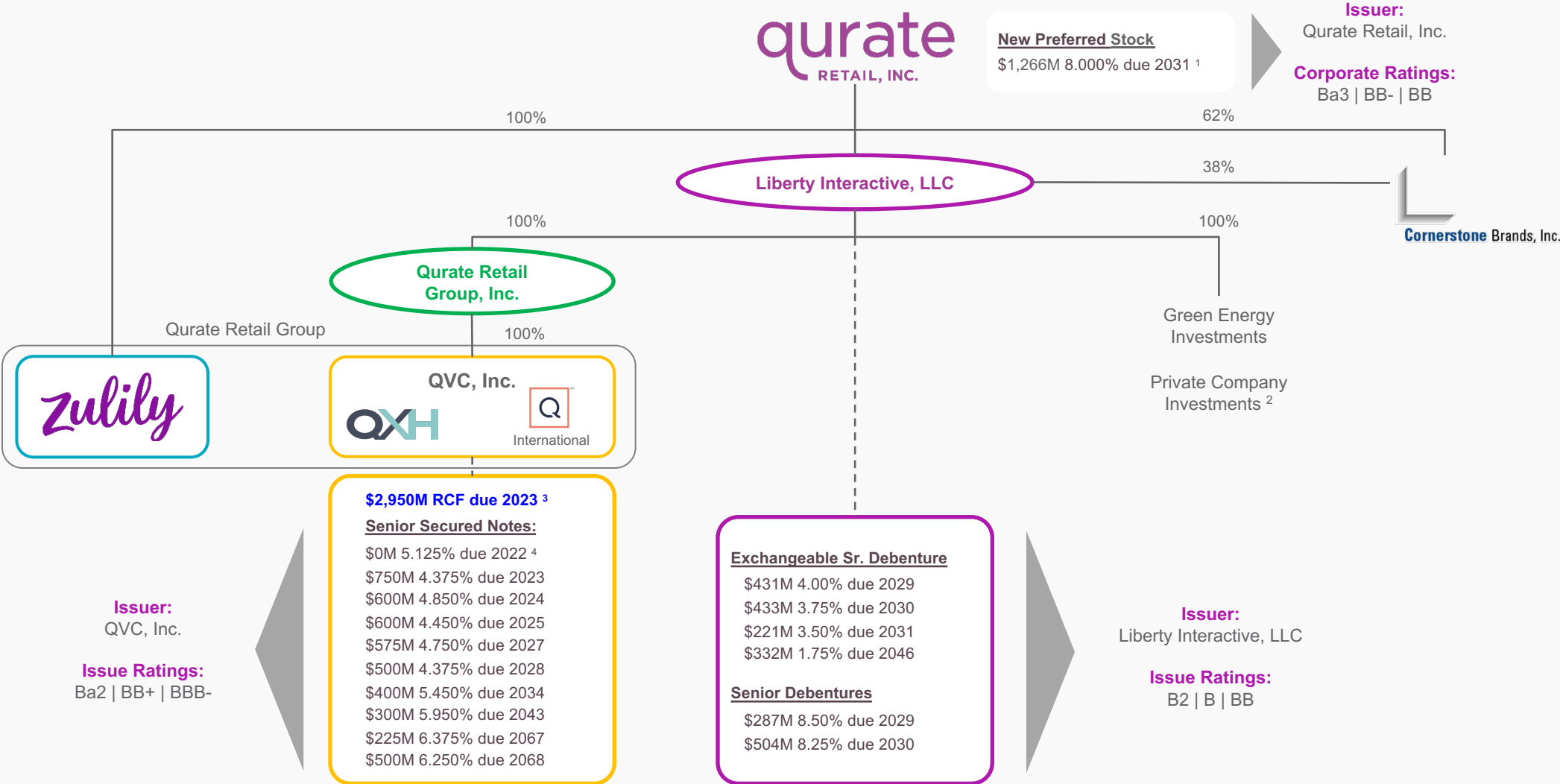
Note: cash before preferred dividends and excludes special cash dividend declared 8/21/2020

<sup>1</sup> Includes cash at QVC and Zulily pro forma for ~\$49M of repurchase premium and fees and expenses associated with the repurchase of the 2022 Senior Notes

<sup>2</sup> Estimated initial liquidation value for the preferred stock as of 8/31/2020 (final amount to be determined upon distribution)



# Organizational Structure



Note: Debt amounts are as of 6/30/20. For purposes of this presentation, Qurate Retail Group consists of QxH (QVC US and HSN), QVC International and Zulily. It excludes Cornerstone Brands (Ballard Designs, Frontgate, Garnet Hill, Grandin Road and Ryllace), which is not part of the credit group governed under the QVC, Inc. Credit Facility; <sup>1</sup> Estimated initial liquidation value for the preferred stock as of 8/31/2020 (final amount to be determined upon distribution); <sup>2</sup> Private assets include, among others, Liberty Technology Venture Capital II, NetBase Solutions, Inc. and Brit + Co.; <sup>3</sup> \$400M of the Credit Facility has Zulily as a co-borrower; <sup>4</sup> Pro Forma for repurchase of Senior Secured Notes due 2022

# Qurate Retail, Inc. Key Credit Highlights

1

## Significant Global Scale

- \$13.6B Revenue and \$2B Adjusted OIBDA (Q2 up 10.1% YoY)
- Carriage in over 380M homes via a broad distribution network of OTT, smart home devices, and direct to consumer access across 15 TV networks<sup>1</sup>
- 220M+ packages shipped annually<sup>2</sup>

2

## Operating Resilience Amidst COVID Environment

- Beneficiaries of ongoing consumer shift to at-home entertainment/shopping, leading to strong online sales performance and eCommerce revenue across QxH and QVC International (up 16% and 29% YoY, respectively)
- Rapidly adapted product offering and merchandising, driving meaningfully improved sales and new customer growth trends
- Unique business model more akin to exclusive eCommerce strategies without the fixed real estate costs associated with traditional retailers

3

## Significant Cash Flow Generator with Low Leverage

- Generated approximately \$1B of FCF at Qurate Retail, Inc. in first half of 2020
- Consolidated Gross Leverage reduction from 3.6x in 2019 to 3.3x at LTM 6/30/20 through debt paydown of nearly \$700M in the first half of 2020
- Historically convert ~40 – 50% of Adj. OIBDA to FCF

4

## Conservative Financial Policy

- Deploy excess cash flow commensurate with past shareholder return while maintaining 2.5x target leverage at QVC OpCo
- Maintain significant liquidity through revolver, ample cash balances and strong cash flow
- Proactively address near-term debt maturities

Note: Data shows LTM 6/30/20A on consolidated basis unless otherwise noted; Free Cash Flow metrics are before preferred dividends and exclude special cash dividend declared 8/21/2020

<sup>1</sup> Includes China JV; as of FY 2019

<sup>2</sup> As of FY 2019

# Appendix

## Qurate Retail, Inc. Free Cash Flow

(\$M)	Years ended December 31,			6 months ended June 30,		3 months ended June 30,	
	2018	2019	LTM (June 30, 2020)	2019	2020	2019	2020
Net Cash Provided by Operating Activities	\$1,273	\$1,284	\$1,889	\$593	\$1,198	\$437	\$1,026
Less: Capital Expenditures	(275)	(325)	(266)	(167)	(108)	(106)	(63)
Less: Expenditures for Television Distribution Rights	(140)	(134)	(20)	(124)	(10)	(72)	(9)
Less: Investments in and Loans to Cost and Equity Investees	(100)	(141)	(120)	(76)	(55)	(33)	(19)
Less: Dividends Paid to Non-controlling Interest	(40)	(40)	(42)	(28)	(30)	(6)	(15)
Free Cash Flow	\$718	\$644	\$1,441	\$198	\$995	\$220	\$920

## Qurate Retail, Inc. Adjusted OIBDA Reconciliation

(\$M)	Years ended December 31,			6 months ended June 30,		3 months ended June 30,	
	2018	2019	LTM (June 30, 2020)	2019	2020	2019	2020
Qurate Retail, Inc. Operating Income	\$1,324	\$184	\$196	\$624	\$636	\$336	\$405
Plus: Depreciation and amortization	637	606	581	311	286	158	144
Plus: Stock-based compensation	88	71	61	37	27	18	16
Plus: Impairment of intangible assets	33	1,167	1,167	-	-	-	-
Plus: Transaction related costs	72	1	-	1	-	1	-
<b>Qurate Retail, Inc. Adjusted OIBDA</b>	<b>2,154</b>	<b>2,029</b>	<b>2,005</b>	<b>973</b>	<b>949</b>	<b>513</b>	<b>565</b>

# Summary of Selected Terms of the Preferred Stock

<b>Issuer:</b>	<b>Qurate Retail, Inc. (the “Issuer”)</b>
<b>Securities:</b>	8.0% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the “ <b>New Preferred Stock</b> ”)
<b>Initial Liquidation Price:</b>	\$100 per share of New Preferred Stock
<b>Distribution Ratio:</b>	0.03 share of preferred stock per share of common stock (equivalent of \$3.00 Liquidation Price distributed per common share or an aggregate of approximately \$1,266M in Liquidation Price <sup>1</sup> )
<b>Voting Rights:</b>	Generally none, except for the right to elect one director to the Board upon certain dividend nonpayments and no more than three total directors to the Board upon certain redemption and liquidation nonpayments
<b>Conversion Rights:</b>	None
<b>Listing/Format:</b>	NASDAQ/SEC Registered
<b>Dividends:</b>	Cumulative cash dividends payable quarterly, when, as and if declared
<b>Dividend Payment Dates:</b>	March 15, June 15, September 15, and December 15, commencing on December 15, 2020
<b>Initial Dividend Rate:</b>	8.0% of the Liquidation Price per annum, with Liquidation Price equal to the sum of (i) \$100 <u>plus</u> (ii) all accrued and unpaid dividends (whether or not declared) that have been added to the Liquidation Price
<b>Ranking:</b>	The New Preferred Stock will rank senior to common shares and to any other junior stock; on parity with any subsequently created parity stock; and junior to any subsequently created senior stock and all existing and future indebtedness
<b>Mandatory Redemption:</b>	March 15, 2031, cash pay out of funds legally available at the Liquidation Price <u>plus</u> accumulated and unpaid distributions
<b>Optional Redemption:</b>	Beginning <b>5 years</b> after the original issue date, the Issuer may redeem the New Preferred Stock in whole or in part at a cash redemption price equal to the Liquidation Price <u>plus</u> accumulated and unpaid distributions <u>plus</u> : <ul style="list-style-type: none"> <li>On or after the 5<sup>th</sup> anniversary but prior to the 6<sup>th</sup> anniversary of the original issue date.....<b>4.00%</b> of the Liquidation Price</li> <li>On or after the 6<sup>th</sup> anniversary but prior to the 7<sup>th</sup> anniversary of the original issue date .....<b>2.00%</b> of the Liquidation Price</li> <li>On or after the 7<sup>th</sup> anniversary of the Original Issue Date.....<b>zero</b></li> </ul>
<b>Treatment Upon an Extraordinary Transaction:</b>	<p>Upon an Extraordinary Transaction, the New Preferred Stock will, at the sole discretion of the Board, either:</p> <ul style="list-style-type: none"> <li>remain outstanding;</li> <li>be redeemed for cash equal to the Liquidation Price <u>plus</u> accumulated and unpaid distributions; or</li> <li>be converted or exchanged into preferred stock of the surviving entity or a direct or indirect parent entity of such surviving entity having powers, preferences and rights substantially identical to that of a share of New Preferred Stock (with limited exceptions, which may include the grant of additional powers, preferences or rights, including voting rights)</li> </ul> <p>An “Extraordinary Transaction” generally means any exchange, consolidation, merger or similar transaction resulting in the Issuer’s common stockholders ceasing to own, directly or indirectly, at least 50% of the outstanding common stock (and at least 50% of the voting power, if the QRTEB shares represented 20% or more of the voting power of the Issuer prior to the transaction) of the Issuer or its successor or any direct or indirect 100% parent of such entity, if any</p>
<b>Dividend Stopper:</b>	Until all accumulated and unpaid distributions and redemption payments on the New Preferred Stock are satisfied, the Issuer shall not declare or pay cash or other dividends on junior stock or parity stock, nor purchase, redeem or otherwise acquire junior stock or parity stock of the Issuer or its subsidiaries, subject to certain exceptions
<b>U.S. Federal Income Tax Treatment of Dividends:</b>	Quarterly dividends paid to an individual out of earnings and profits will generally be considered qualified dividends so long as applicable holding periods have been met, customarily 61 days <sup>2</sup>

This summary is qualified in its entirety by reference to the full text of our Certificate of Designations of 8.0% Series A Cumulative Redeemable Preferred Stock, which is filed as Exhibit 4.1 to our Registration Statement on Form 8-A filed with the Securities and Exchange Commission on August 27, 2020.

<sup>1</sup> Estimated initial liquidation value for the preferred stock as of 8/31/2020 (final amount to be determined upon distribution)

<sup>2</sup> This is not intended to be tax advice, and holders should consult their own tax advisors regarding the application of the U.S. federal tax laws to their particular situations and the applicability and effect of state, local or foreign tax laws



 QVC |  HSN |  zulily | BALLARD DESIGNS | FRONTGATE | Garnet Hill |  grandinroad. | Ryllace