



qurate
RETAIL, INC.

Curated Experiences.
Infinite Possibilities.®

Q2 2020
Earnings Presentation

Safe Harbor and Non-GAAP Measures

This presentation includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about business strategies, our response to the COVID-19 pandemic, the anticipated cash and preferred stock dividend, including the declaration, payment and timing thereof, the amount of cash dividend, the amount of preferred stock dividend and the terms of the preferred stock, 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 products or services, competitive issues, regulatory matters affecting our businesses, continued access to capital on terms acceptable to Qurate Retail, Inc. ("QRI") and QVC, Inc. ("QVC"), 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 each of QRI and QVC 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 or QVC'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 and QVC, including their most recent Forms 10-K and 10-Q, for additional information about QRI and QVC and about the risks and uncertainties related to their respective businesses which may affect the statements made in this presentation.

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

This presentation includes reference to free cash flow, which is a non-GAAP financial measure for Qurate Retail. Qurate Retail 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. Qurate Retail believes free cash flow is an important indicator of the financial stability of our business. Qurate Retail believes cash flows from operating activities is the most directly comparable GAAP measures. Free cash flow is not meant to replace or supersede this GAAP measure, but rather to supplement such GAAP measures 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 Qurate Retail on slide 15 of this presentation.

Capital Allocation Update

Capital Allocation Update

Qurate Retail, Inc.'s Board of Directors approved a planned return of capital to shareholders, consisting of:

- 1) Special dividend of \$1.50 per QRTEA/QRTEB share
 - Expected to be payable on September 14th to stockholders of record as of August 31st
 - Approximately \$633 million aggregate one-time cash dividend
- 2) Preferred stock dividend of \$3.00 per QRTEA/QRTEB share
 - Expected to be payable on September 14th to stockholders of record as of August 31st
 - 8.0% dividend rate maturing in the first quarter of 2031 (no acceleration rights)
 - \$1.3 billion aggregate preferred stock dividend
 - John Malone and Greg Maffei intend to be long term holders of the preferred
 - Collectively represent approximately 8% of the preferred shares expected to be outstanding on the proposed distribution date
- 3) Continued management of tax liability related to exchangeable debentures

Illustrative Term Sheet for Preferred Shares

Issuer:	Qurate Retail, Inc. (the “Issuer”)
Securities:	Fixed Rate Cumulative Redeemable Preferred Shares (the “Preferred Stock”)
Maturity:	“Long” 10-year (Q1 2031)
First Call Date:	5 years after the original issue date, at Liquidation Preference plus half the Distribution Rate (stepping down annually), plus accumulated and unpaid distributions
Liquidation Preference:	\$1.3 billion (\$100 par value equivalent of \$3.00 per common share)
Distributions:	Cumulative cash dividends, when, as, and if declared, payable quarterly
Distribution Rate:	To the extent declared, distributions will be payable at a 8.0% rate
Deferred Rate:	If a dividend payment is deferred, distributions will accumulate at the Distribution Rate plus 150bps (“Deferred Rate”) until accumulated and unpaid distributions are satisfied
Payment Penalty:	If Issuer fails to pay upon maturity, a liquidation event or an extraordinary transaction, distributions will accumulate at the Deferred Rate, stepping up 25bps every three months to a maximum Deferred Rate of 300bps, until accumulated and unpaid distributions are satisfied
Dividend Stopper:	No distribution (including share repurchases) may be declared or paid on any Junior Securities (including common shares) unless full cumulative distributions have been paid on the Preferred Stock
Extraordinary Transaction:	Upon closing of certain extraordinary transactions (such as merger involving change of control), each holder will receive, at the option of the Issuer, either their Liquidation Preference, plus accumulated and unpaid distributions, or a mirror preferred stock of the successor, which may include voting rights
Governance Rights:	If 2 consecutive distributions are deferred, preferred investors are permitted to elect 1 board member; if Issuer fails to pay upon maturity, a liquidation event or an extraordinary transaction, preferred investors are permitted to elect 3 board members
Voting Rights:	Generally none
Ranking:	The Preferred Stock will rank senior to common shares and to any other Junior Securities; on parity with each other, and any other Parity Securities; and junior to any Senior Securities and all existing and future indebtedness
Listing:	NASDAQ
Format:	SEC Registered

Rationale

Qurate Retail continues to generate substantial free cash flow, boosted by COVID-related surge in business activity and one-time cash distribution from pending green energy sale. Our management and board of directors explored alternative shareholder return approaches and believe the approved distributions are an attractive new use of Qurate Retail's strong cash flow generating capability to deliver sustained benefits to shareholders

- Why a One-Time Dividend?
 - Efficient method of distribution for recent cash build
 - Optimal timing in event that tax rates increase
 - Dividend was sized based on projected 2020 free cash flow, proceeds from pending green energy sale and increased cash due to pause in share repurchases over the past year
- Why a Preferred?
 - 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:
 - Hold income-paying security, 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 Qurate Retail
 - Ability to attract new investor base
- 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

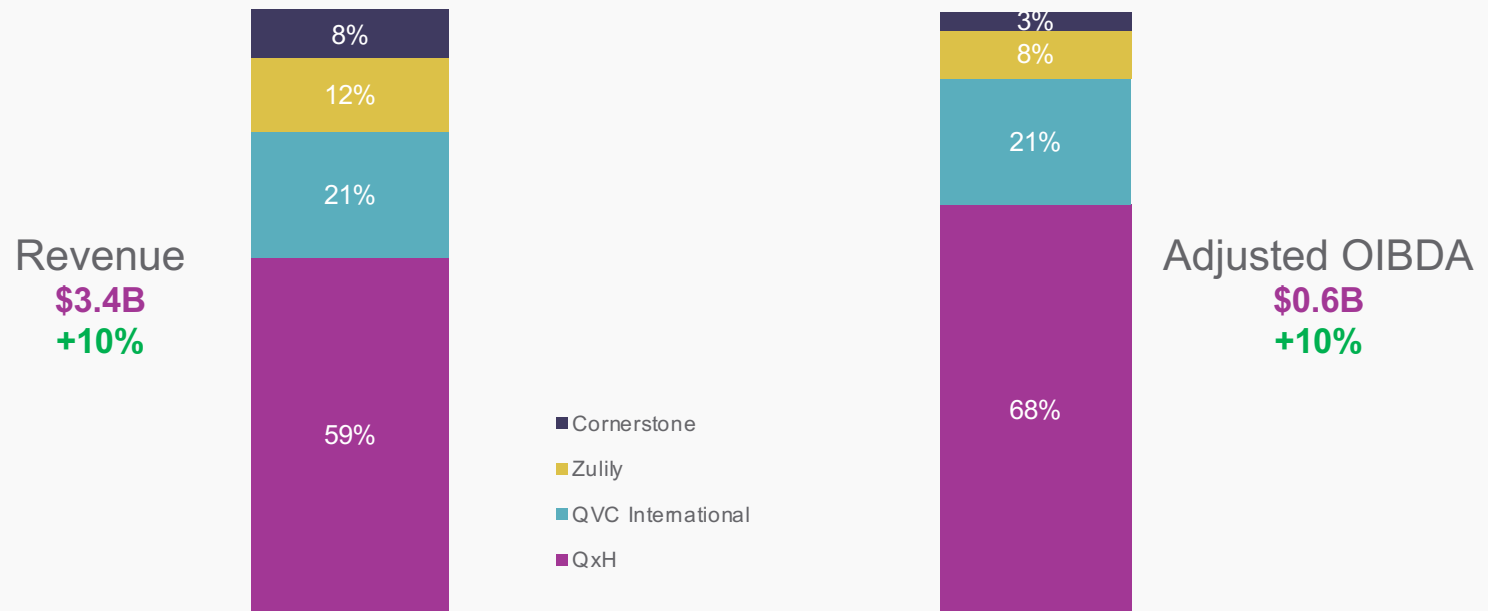
**Retain Qurate Retail's ability to deploy excess cash flow commensurate with past shareholder return practices;
Any future purchases of common stock will be more levered**

Second Quarter Results

Revenue & Adjusted OIBDA

Business Segment Contribution

Q2 2020



\$2.2B eCommerce Revenue

Note: Percentages exclude intersegment eliminations and unallocated corporate costs.

Revenue & Adjusted OIBDA

Year-on-Year Quarterly Comparative

REVENUE							
	2019					2020	
	Q1	Q2	Q3	Q4	FY 2019	Q1	Q2
QxH	-4%	-1%	-4%	-3%	-3%	-4%	7%
QVC International	-5%	-2%	2%	1%	-1%	-1%	11%
QVC International (Constant Currency)	1%	1%	3%	1%	1%	0%	12%
Zulily	-5%	-13%	-17%	-18%	-14%	-20%	16%
Cornerstone	-10%	-11%	-2%	-6%	-7%	-5%	18%
Total Qurate Retail	-4%	-4%	-4%	-5%	-4%	-5%	10%
Total Qurate Retail (Constant Currency)	-3%	-3%	-4%	-5%	-4%	-5%	10%

ADJUSTED OIBDA							
	2019					2020	
	Q1	Q2	Q3	Q4	FY 2019	Q1	Q2
QxH	-5%	-1%	-7%	-9%	-6%	-17%	-2%
QVC International	-6%	6%	14%	3%	4%	-4%	12%
QVC International (Constant Currency)	-1%	10%	15%	3%	6%	-3%	13%
Zulily	-37%	-76%	-56%	-53%	-56%	-88%	543%
Cornerstone	0%	-26%	157%	100%	57%	-167%	50%
Total Qurate Retail	-7%	-5%	-3%	-8%	-6%	-17%	10%
Total Qurate Retail (Constant Currency)	-5%	-5%	-2%	-7%	-4%	-16%	10%



QxH Category Performance

Prior Year Comparative

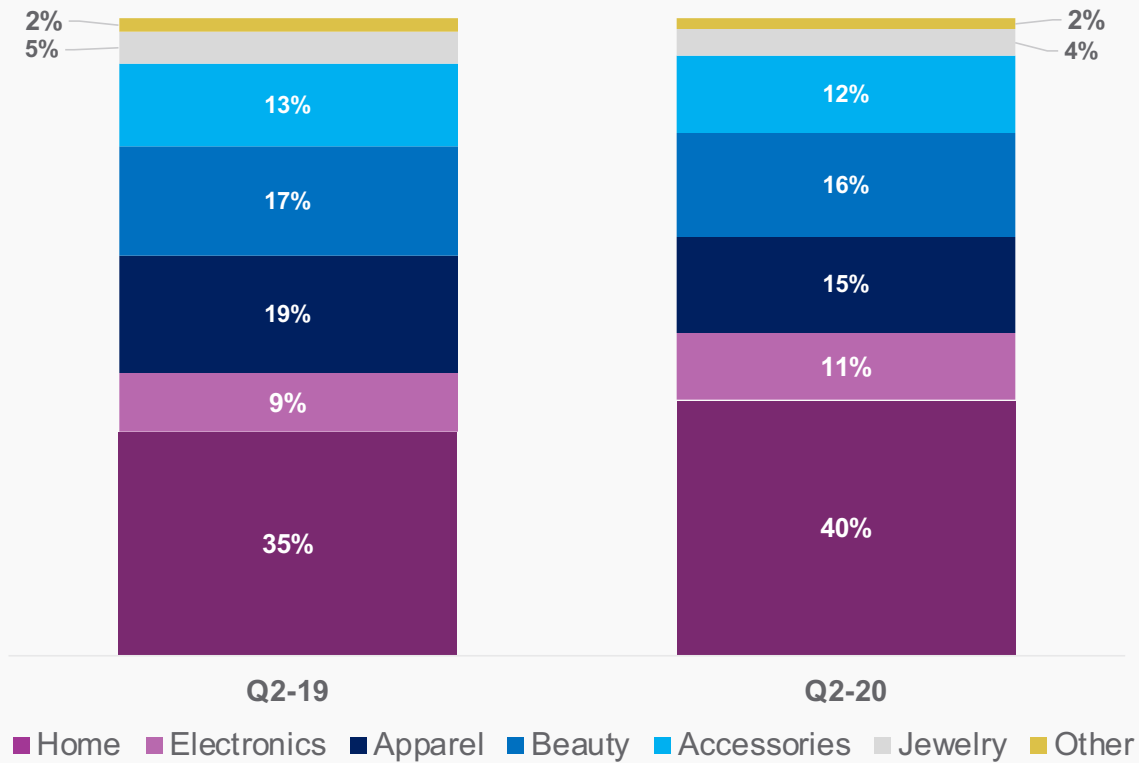
CATEGORY	2019					2020	
	Q1	Q2	Q3	Q4	FY 2019	Q1	Q2
Home	●	●	●	●	●	●	●
Apparel	●	●	●	●	●	●	●
Beauty	●	●	●	●	●	●	●
Accessories	●	●	●	●	●	●	●
Electronics	●	●	Flat	●	●	●	●
Jewelry	●	●	●	●	●	●	●

Notable Brands



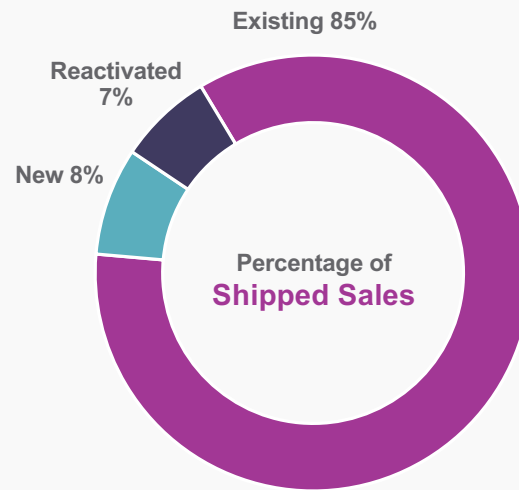
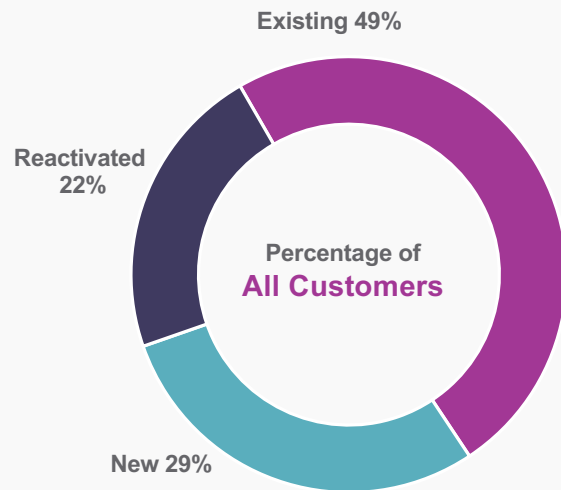
QxH Category Mix Shift to Home and Electronics

Category % of Revenue



QxH Customer Profile

Trailing Twelve Months
Ended June 2020



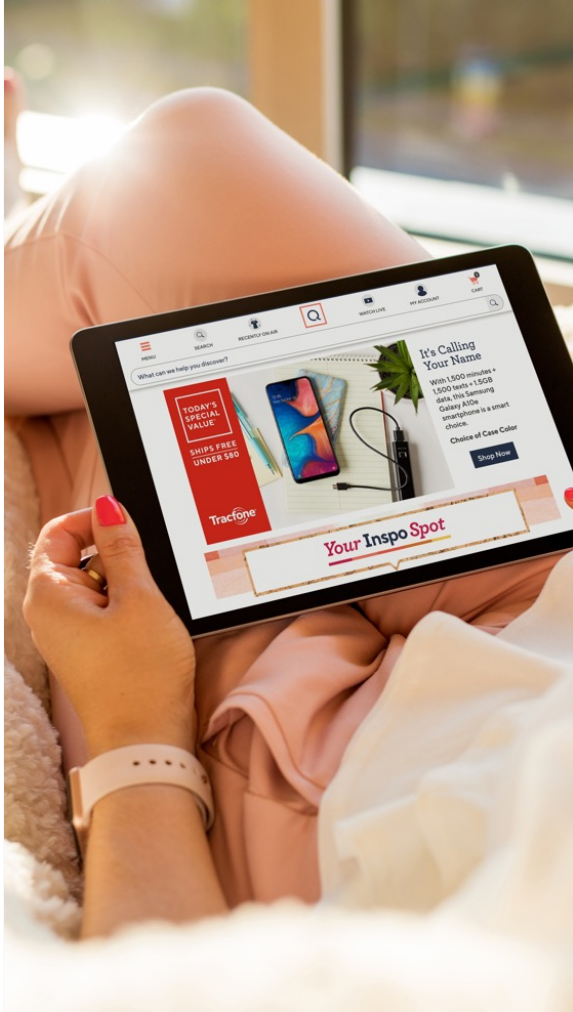
Existing Customers

Annual Purchases: **27** Items purchased

\$1.4K Spend

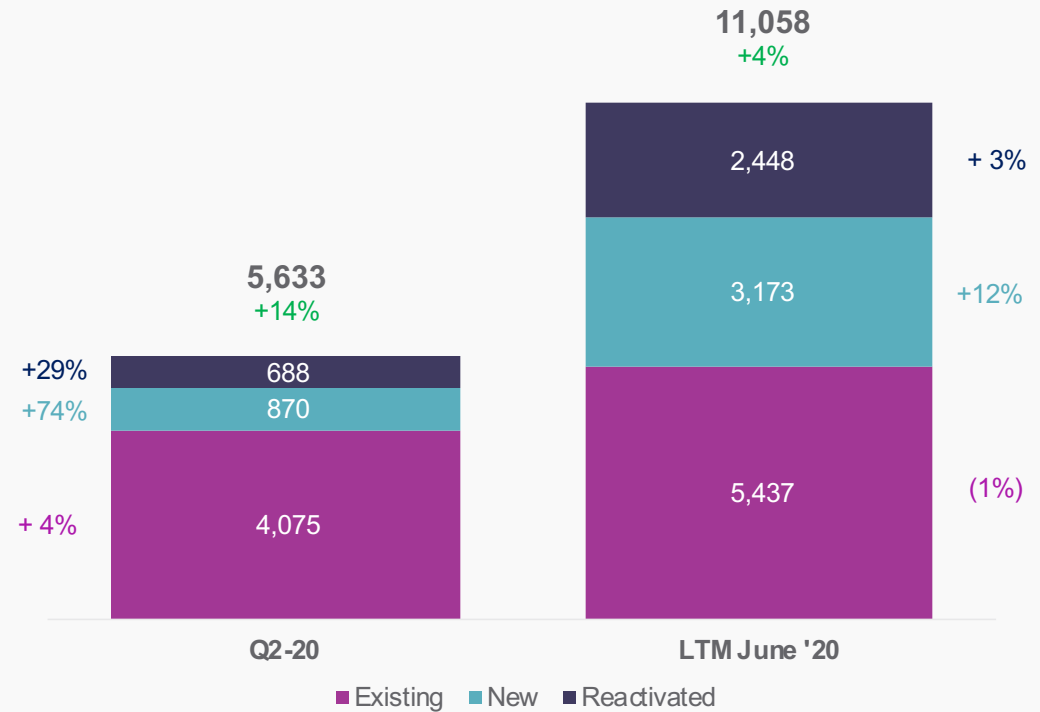
- New:** Never purchased previously
- Reactivated:** Purchased in past, but not in last 12 months
- Existing:** Made a purchase in two consecutive 12-month periods





QxH Customer Growth

Number of Customers



New: Never purchased previously
Reactivated: Purchased in past, but not in last 12 months
Existing: Made a purchase in two consecutive 12-month periods
 Number of customers in thousands

QxH Adjusted OIBDA Margin

Basis Point Change Year Over Year

		Adjusted OIBDA	Explanation
Q2-19 Margin		21.1%	
Product Margin¹	Cost of Goods Sold	(25)	(-) Category Mix, Early Q2 Pricing Actions/S&H (+) Returns, Mid Q2 Promotional Reset
Fulfillment²	Cost of Goods Sold	(60)	(-) COVID Premium Pay, Pack Factor, Freight Rate Increases, Drop Ship (+) Returns, Sales Leverage
Obsolescence	Cost of Goods Sold	(10)	(-) Outlet Stores Closures
Commissions³	Operating Expense	35	(+) Digital Penetration
Marketing	SG&A	(55)	(-) Performance Marketing
Bad Debt	SG&A	(10)	(-) New Customer Exposure, Potential Economic Risk (+) Provision Adjustments
Administrative Costs⁴	SG&A	(40)	(-) Incentive Compensation, Severance, Charitable Donations, WFH Allowances (+) Sales Leverage, Outside Services, Travel
Other⁵	Various	(15)	Miscellaneous
Q2-20 Margin		19.3%	
Δ vs. LY		(180)	

Note: All figures rounded to the nearest 5 bps

¹ Includes Net Revenue less Product Cost of Goods Sold (including shipping & handling revenue, private label card income, returns, royalties, and liquidation costs)

² Includes owned facilities warehouse and freight, Manpower and Non-Manpower expenses, and drop-ship

³ Reflects carriage agreements and off-air penetration

⁴ Includes other Manpower and Non-Manpower expenses (including bonus accrual, outside services, legal settlements, severance, remote work allowances, COVID-related costs, and travel & entertainment)

⁵ Includes miscellaneous non-material items not included in above categories

Qurate Retail, Inc. Free Cash Flow

US\$ Millions

	Six Months Ended	
	June 2019	June 2020
Net Cash Provided by Operating Activities	593	1,198
Less: Capital Expenditures	(167)	(108)
Less: Expenditures for Television Distribution Rights	(124)	(10)
Less: Investments in and Loans to Cost and Equity Investees	(76)	(55)
Less: Dividends Paid to Non-controlling Interest	(28)	(30)
Free Cash Flow	198	995

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RETAIL, INC.

 QVC |  HSN |  *Zulily* | BALLARD DESIGNS | FRONTGATE | Garnet Hill |  **grandinroad.** | Ryllace