

qurate
RETAIL, INC.

Curated Experiences.
Infinite Possibilities.®

Q4 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; expectations regarding consumer trends 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 Form 10-K, 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, adjusted OIBDA margin, 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 February 26, 2021, 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 February 26, 2021, earnings press release, which is 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 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 QRI on slide 12 of this presentation.

Key Highlights

→ **FY 2020 continued overall progress toward our long-term plan**

- Strong revenue and profit growth, margin expansion and cash flow generation
- Robust new customer growth
- Expanded reach across new digital platforms

→ **Our performance enabled us to increase shareholder capital return**

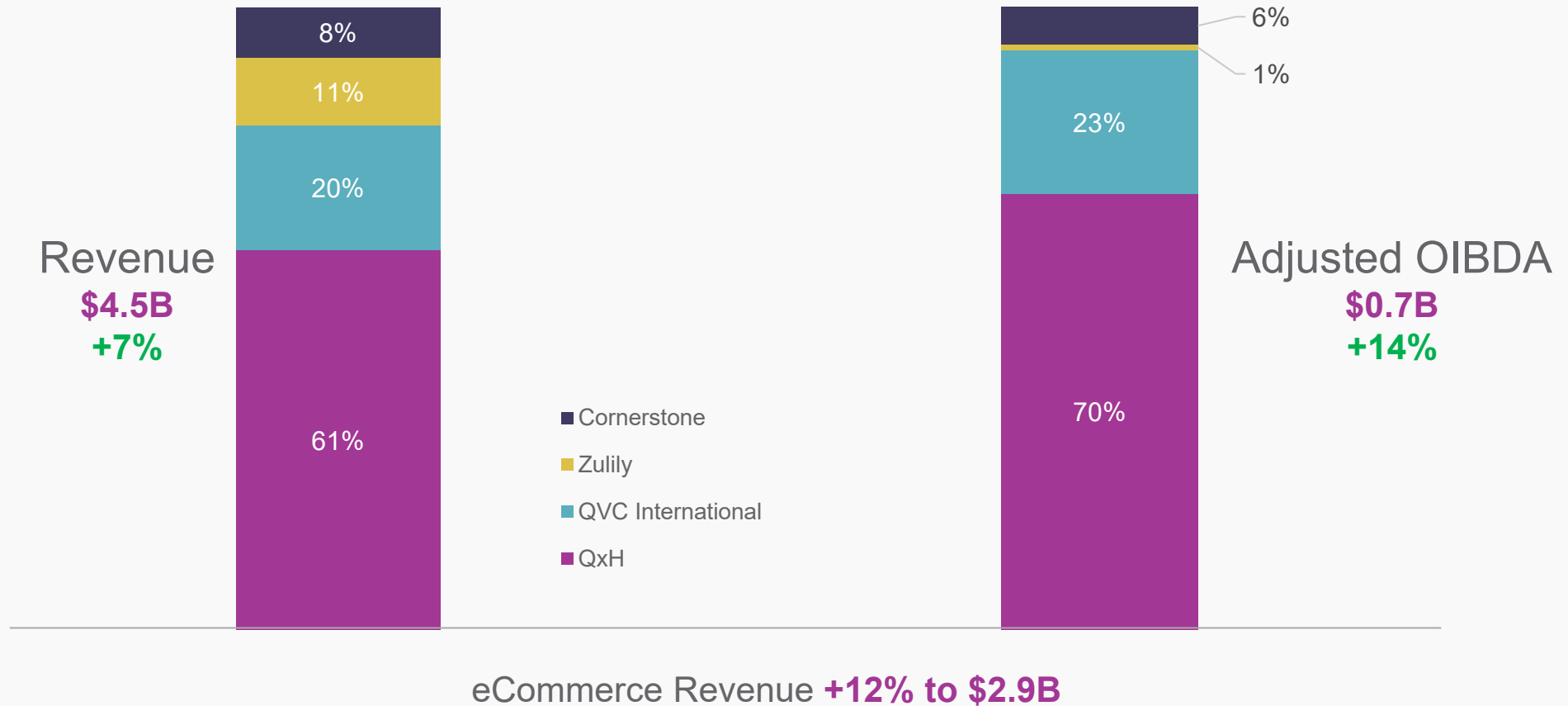
- Resumed share repurchases; bought 7.7 million shares from November 1, 2020 to January 31, 2021
- Paid nearly \$1.3 billion in special cash dividends
- Distributed a \$1.3 billion dividend of newly created 8% Preferred Stock

→ **We expect the macro consumer digital trends exhibited in 2020 to continue**

Revenue & Adjusted OIBDA Growth

Business Segment Contribution

Q4 2020

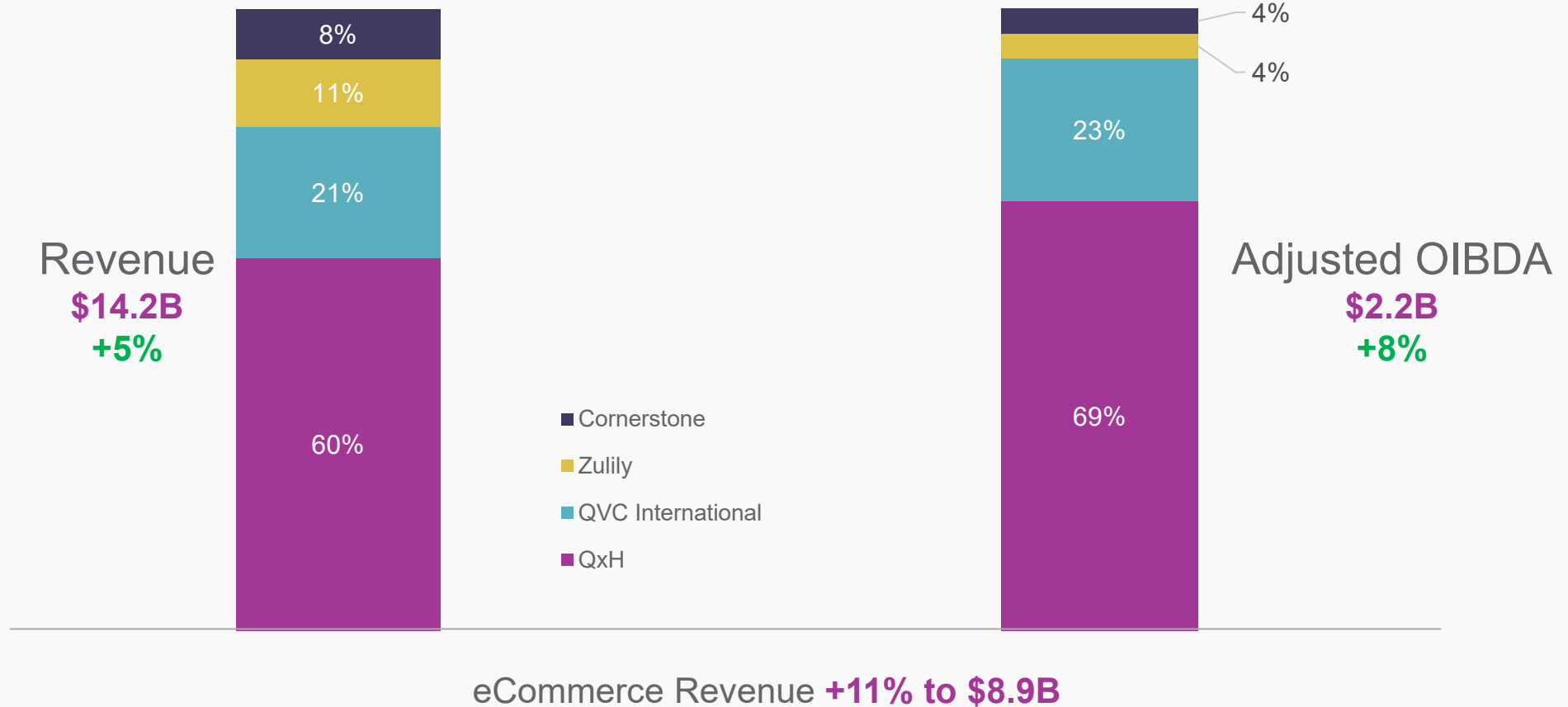


Note: Percentages within the stacked bars exclude intersegment eliminations and unallocated corporate costs.

Revenue & Adjusted OIBDA Growth

Business Segment Contribution

Fiscal 2020



Note: Percentages within the stacked bars exclude intersegment eliminations and unallocated corporate costs.

Broad-Based FY 2020 Revenue & Adjusted OIBDA Growth

Year-on-Year Quarterly Comparative

	REVENUE									
	2019					2020				
	Q1	Q2	Q3	Q4	FY 2019	Q1	Q2	Q3	Q4	FY2020
QxH	-4%	-1%	-4%	-3%	-3%	-4%	7%	7%	1%	3%
QVC International	-5%	-2%	2%	1%	-1%	-1%	11%	11%	16%	10%
QVC International ^A	1%	1%	3%	1%	1%	0%	12%	8%	10%	8%
Zulily	-5%	-13%	-17%	-18%	-14%	-20%	16%	10%	11%	4%
Cornerstone	-10%	-11%	-2%	-6%	-7%	-5%	18%	26%	30%	19%
Total Qurate Retail	-4%	-4%	-4%	-5%	-4%	-5%	10%	10%	7%	5%
Total Qurate Retail ^A	-3%	-3%	-4%	-5%	-4%	-5%	10%	9%	6%	5%

	ADJUSTED OIBDA									
	2019					2020				
	Q1	Q2	Q3	Q4	FY 2019	Q1	Q2	Q3	Q4	FY 2020
QxH	-5%	-1%	-7%	-9%	-6%	-17%	-2%	10%	10%	1%
QVC International	-6%	6%	14%	3%	4%	-4%	12%	25%	22%	14%
QVC International ^A	-1%	10%	15%	3%	6%	-3%	13%	21%	16%	12%
Zulily	-37%	-76%	-56%	-53%	-56%	-88%	543%	238%	-44%	73%
Cornerstone	0%	-26%	157%	100%	57%	-167%	50%	775%	233%	185%
Total Qurate Retail	-7%	-5%	-3%	-8%	-6%	-17%	10%	24%	14%	8%
Total Qurate Retail ^A	-5%	-5%	-2%	-7%	-4%	-16%	10%	23%	13%	8%



QxH Category Performance

Prior-Year Comparative

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

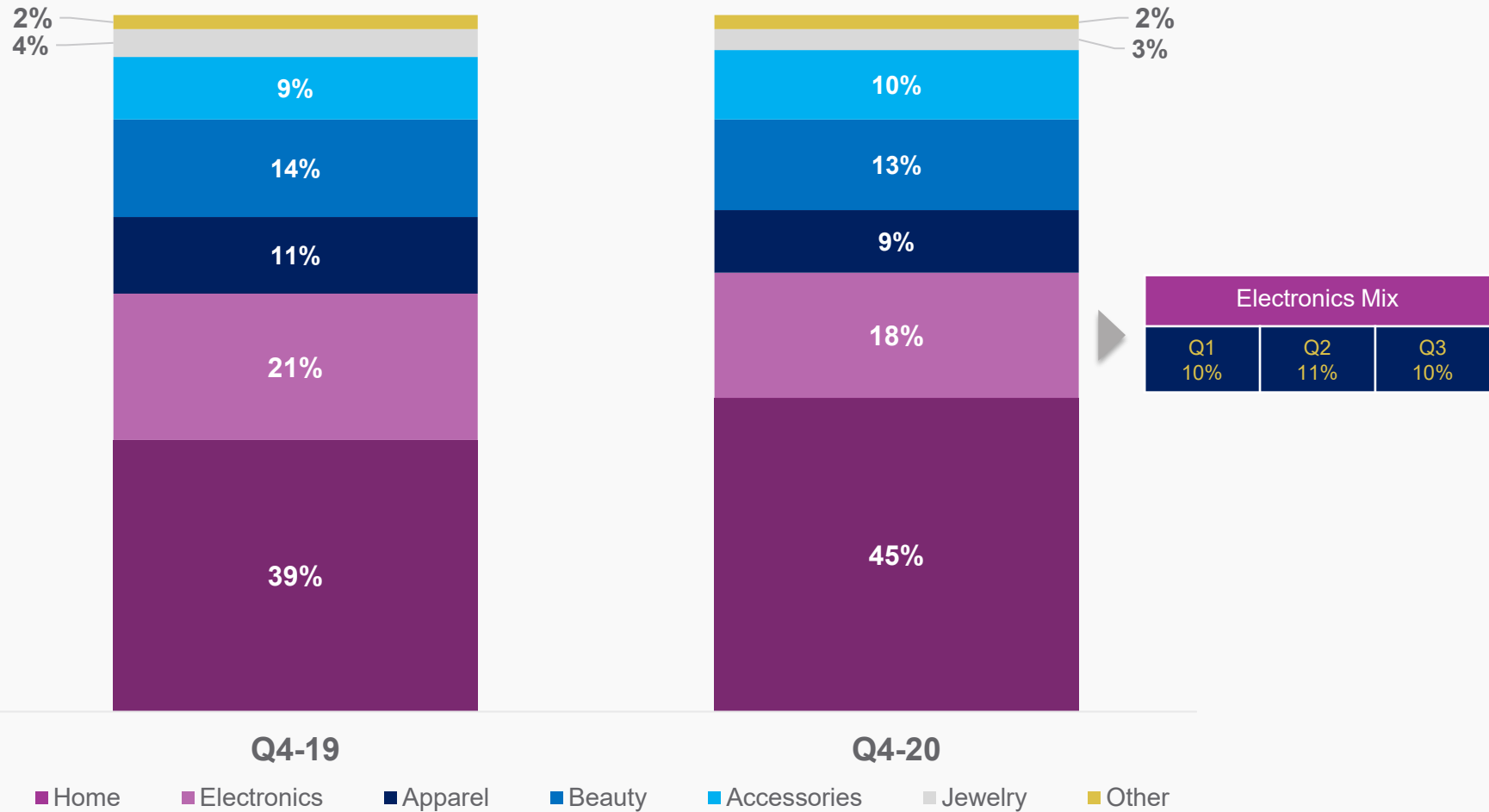
2020 Trend: Strength in Home, Weakness in Fashion

Notable Brands



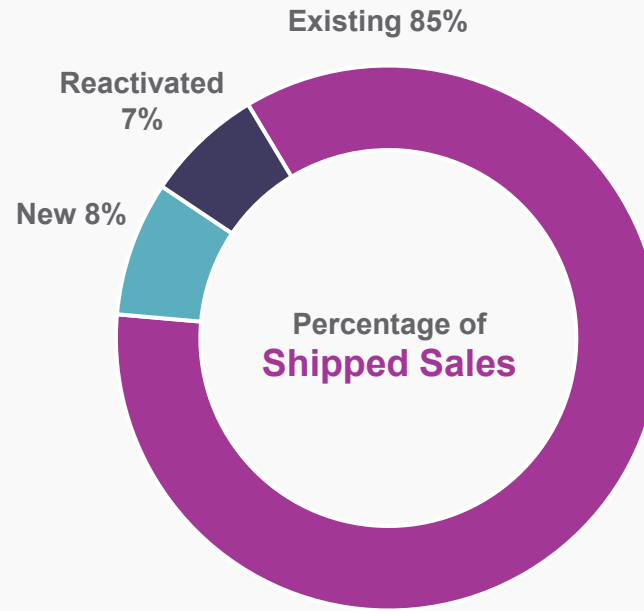
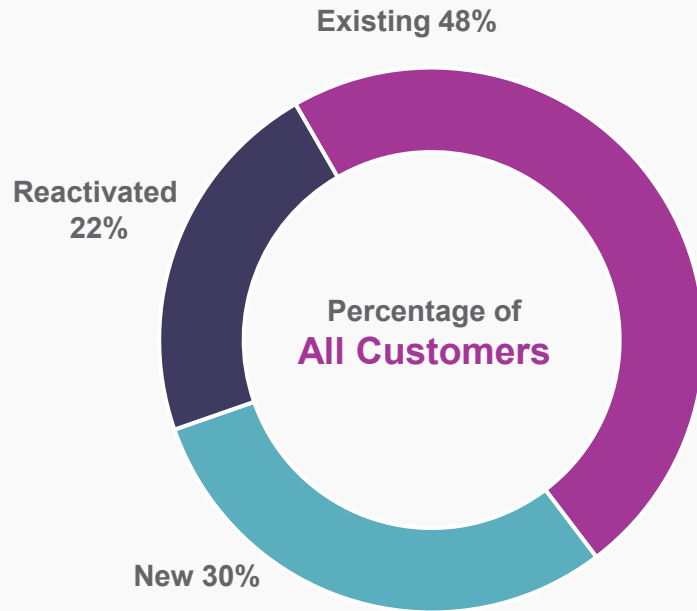
QxH Category Mix Shift to Home

Category % of Revenue



QxH Customer Profile

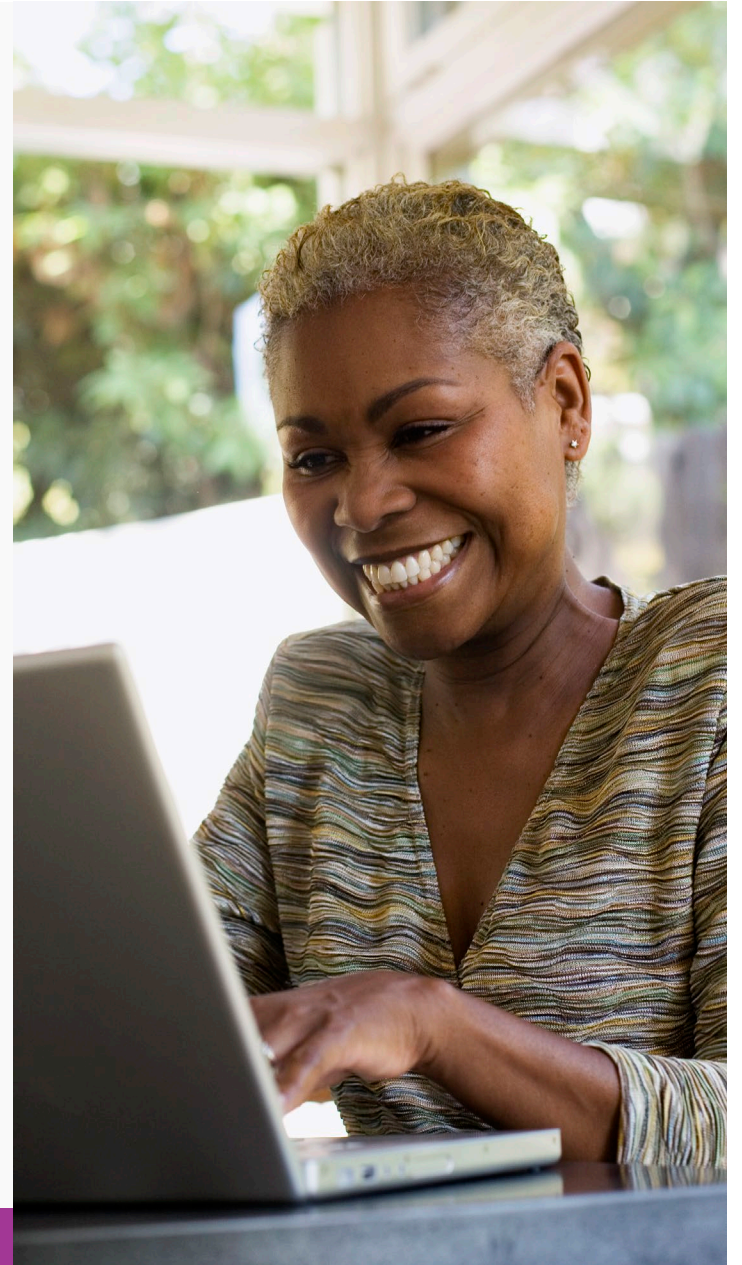
Trailing Twelve Months
Ended December 2020



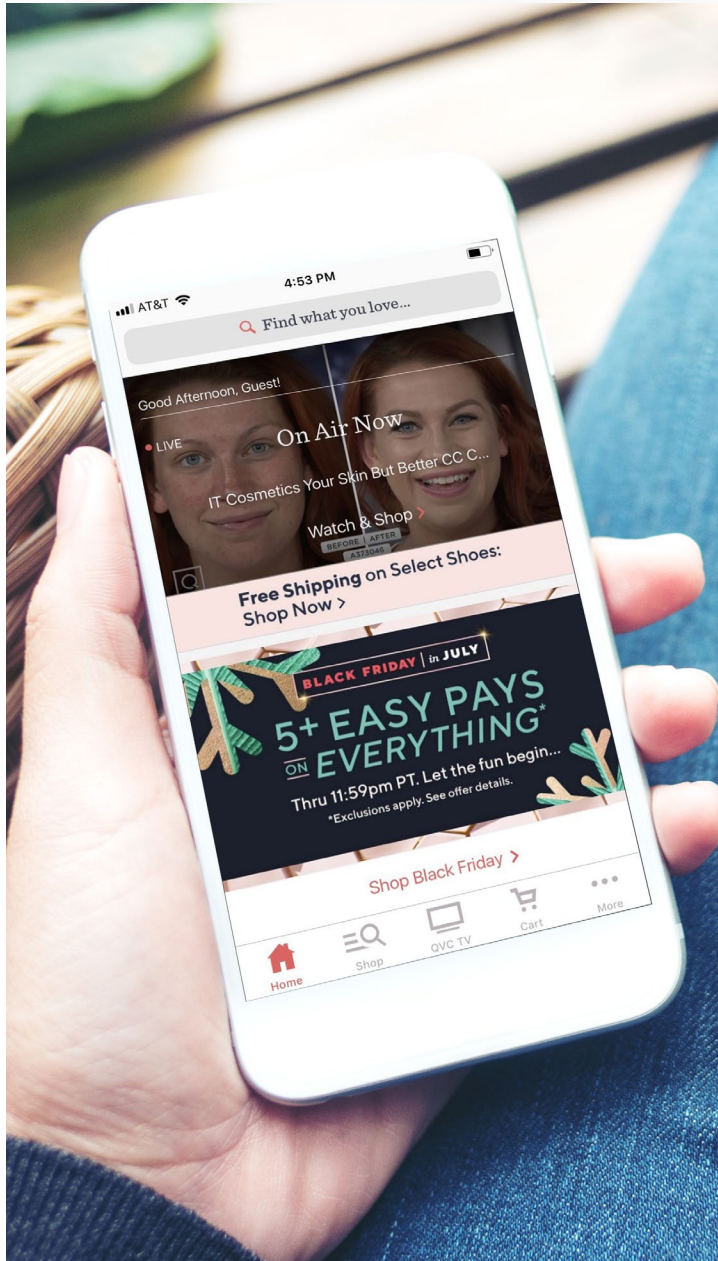
Existing Customers

Annual Purchases: **27** Items purchased | **\$1.4K** Spend

Existing Customer Annual Purchases and Spend Consistent with 2019

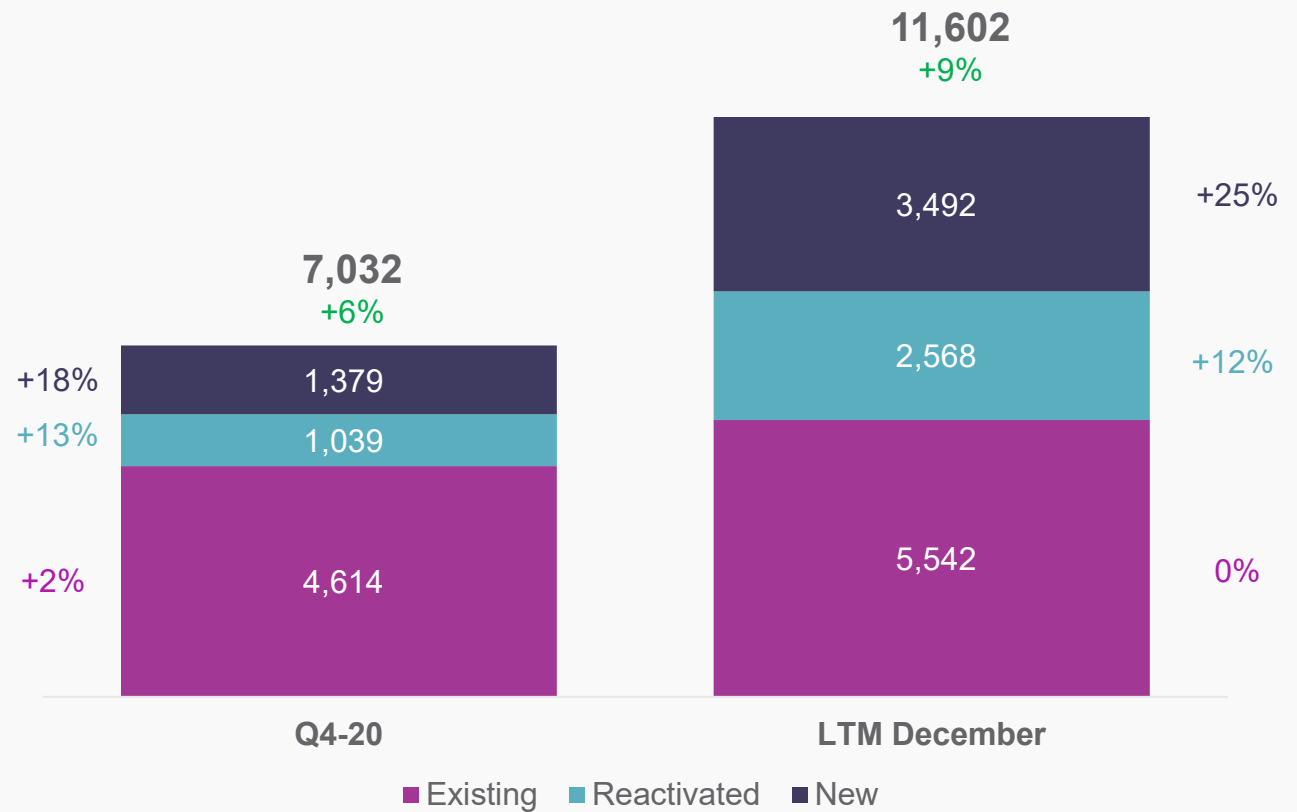


New: Never purchased previously
Reactivated: Purchased in past, but not in last 12 months
Existing: Made a purchase in two consecutive 12-month periods



QxH Customer Growth

Number of Customers
Year-on-Year Comparative



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: Strong Q4 Adjusted OIBDA Margin Expansion

Basis Point Change Year Over Year

Basis Point Change Year over Year	Fiscal 2020					Q4 Trend Driver
	Q1	Q2	Q3	Q4	FY	
Prior Year	19.0%	21.1%	18.7%	16.5%	18.6%	
Product Margin ¹	5	(25)	220	360	165	▲ ▼ Strategic Sourcing, Promotional Pullback, Returns, Pricing to Offset Freight Shipping and Handling Revenue
Fulfillment ²	(125)	(60)	(90)	(150)	(110)	▲ ▼ Pack Factor Surcharges, Freight Rates, Productivity
Obsolescence	30	(10)	(65)	(5)	(15)	
Commissions ³	(10)	35	30	15	15	▲ Digital Penetration
Marketing	(25)	(55)	(35)	(90)	(55)	▼ Performance Marketing (Customer Acquisition, Development and Engagement)
Bad Debt	(50)	(10)	75	125	45	▲ Lower Customer Default Rates, Fewer Offered Installment Payments
Administrative Costs ⁴	(65)	(40)	(105)	(90)	(80)	▲ ▼ Disciplined Expense Management Incentive Compensation
Other ⁵	(20)	(15)	20	(35)	(5)	
Current Year	16.4%	19.3%	19.2%	17.8%	18.2%	
Δ vs. LY	(260)	(180)	50	130	(40)	

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

	Twelve Months Ended December 31	
	2019	2020
Net Cash Provided by Operating Activities	1,284	2,455
Less: Capital Expenditures	(325)	(257)
Less: Expenditures for Television Distribution Rights	(134)	(56)
Less: Investments in and Loans to Cost and Equity Investees	(141)	(119)
Less: Dividends Paid to Non-controlling Interest	(40)	(62)
Free Cash Flow	644	1,961

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RETAIL, INC.

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