



**qurate**  
RETAIL, INC.

Curated Experiences.  
Infinite Possibilities.®

---

**Q4 2022**  
**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 and initiatives and their expected benefits (including the sale leaseback transactions); market conditions (including inflation and supply chain issues), 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 continuing global and regional economic impacts of the COVID-19 pandemic on our customers, vendors and businesses, the impact of the fire at QVC's Rocky Mount fulfillment center, insurance recoveries, possible changes in market acceptance of new products or services, failure to successfully implement Project Athens, 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, issues impacting the global supply chain and labor market 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.

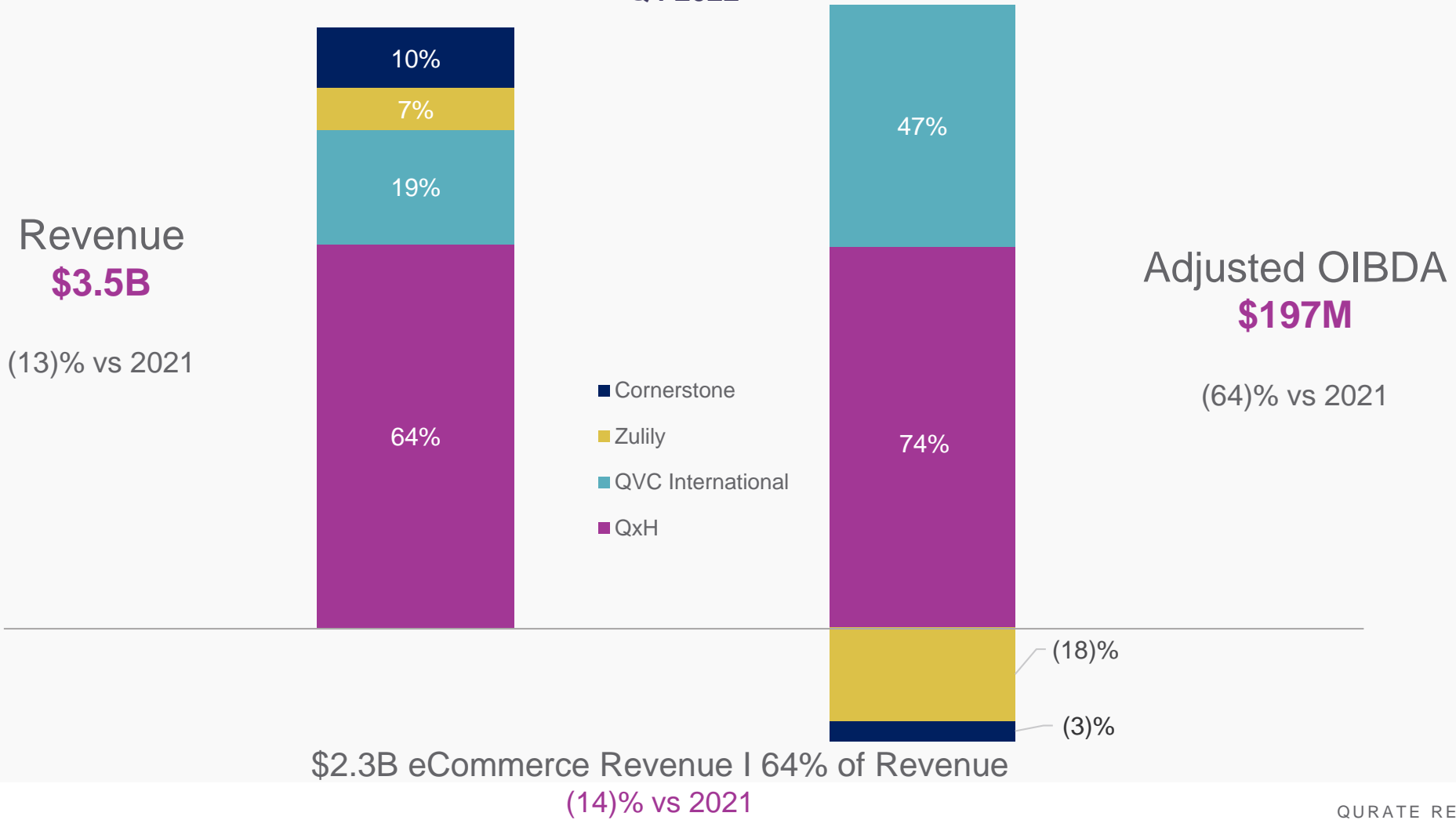
This presentation includes non-GAAP financial measures including adjusted OIBDA, adjusted OIBDA margin, free cash flow, and constant currency. Information regarding the comparable GAAP metrics, along with required definitions and reconciliations, can be found in this presentation or in the earnings press release issued March 1, 2023, 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 March 1, 2023 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 green energy 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 10 of this presentation.

# Revenue & Adjusted OIBDA

## Business Segment Contribution

Q4 2022



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

# Revenue & Adjusted OIBDA

## Prior Year Quarterly Comparative

REVENUE										
	2021					2022				
	Q1	Q2	Q3	Q4	FY-21	Q1	Q2	Q3	Q4	FY-22
QxH	8%	(1)%	(8)%	(7)%	(3)%	(13)%	(12)%	(8)%	(11)%	(11)%
QVC International	22%	11%	(3)%	(9)%	4%	(13)%	(19)%	(21)%	(18)%	(18)%
QVC International <sup>A</sup>	15%	5%	(4)%	(5)%	2%	(7)%	(8)%	(5)%	(4)%	(6)%
Zulily	19%	(6)%	(17)%	(30)%	(11)%	(38)%	(45)%	(39)%	(28)%	(38)%
Cornerstone	41%	18%	7%	8%	16%	19%	4%	8%	(3)%	6%
<b>Total Qurate Retail</b>	14%	2%	(7)%	(9)%	(1)%	(14)%	(16)%	(13)%	(13)%	(14)%
Total Qurate Retail <sup>A</sup>	13%	1%	(7)%	(8)%	(1)%	(12)%	(13)%	(9)%	(10)%	(11)%

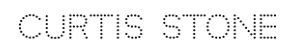
ADJUSTED OIBDA										
	2021					2022				
	Q1	Q2	Q3	Q4	FY-21	Q1	Q2	Q3	Q4	FY-22
QxH	19%	1%	(14)%	(23)%	(7)%	(36)%	(41)%	(56)%	(60)%	(48)%
QVC International	47%	21%	(13)%	(1)%	10%	(27)%	(34)%	(46)%	(39)%	(36)%
QVC International <sup>A</sup>	38%	16%	(14)%	2%	8%	(22)%	(24)%	(35)%	(26)%	(27)%
Zulily	200%	(80)%	NM	NM	NM	NM	NM	(47)%	(260)%	(708)%
Cornerstone	1,450%	148%	(31)%	(15)%	46%	15%	(15)%	(58)%	NM	(43)%
<b>Total Qurate Retail</b>	35%	3%	(24)%	(19)%	(5)%	(35)%	(40)%	(57)%	(64)%	(49)%
Total Qurate Retail <sup>A</sup>	32%	2%	(24)%	(19)%	(6)%	(34)%	(38)%	(54)%	(60)%	(46)%

# QxH Category Performance

## Prior-Year Comparative

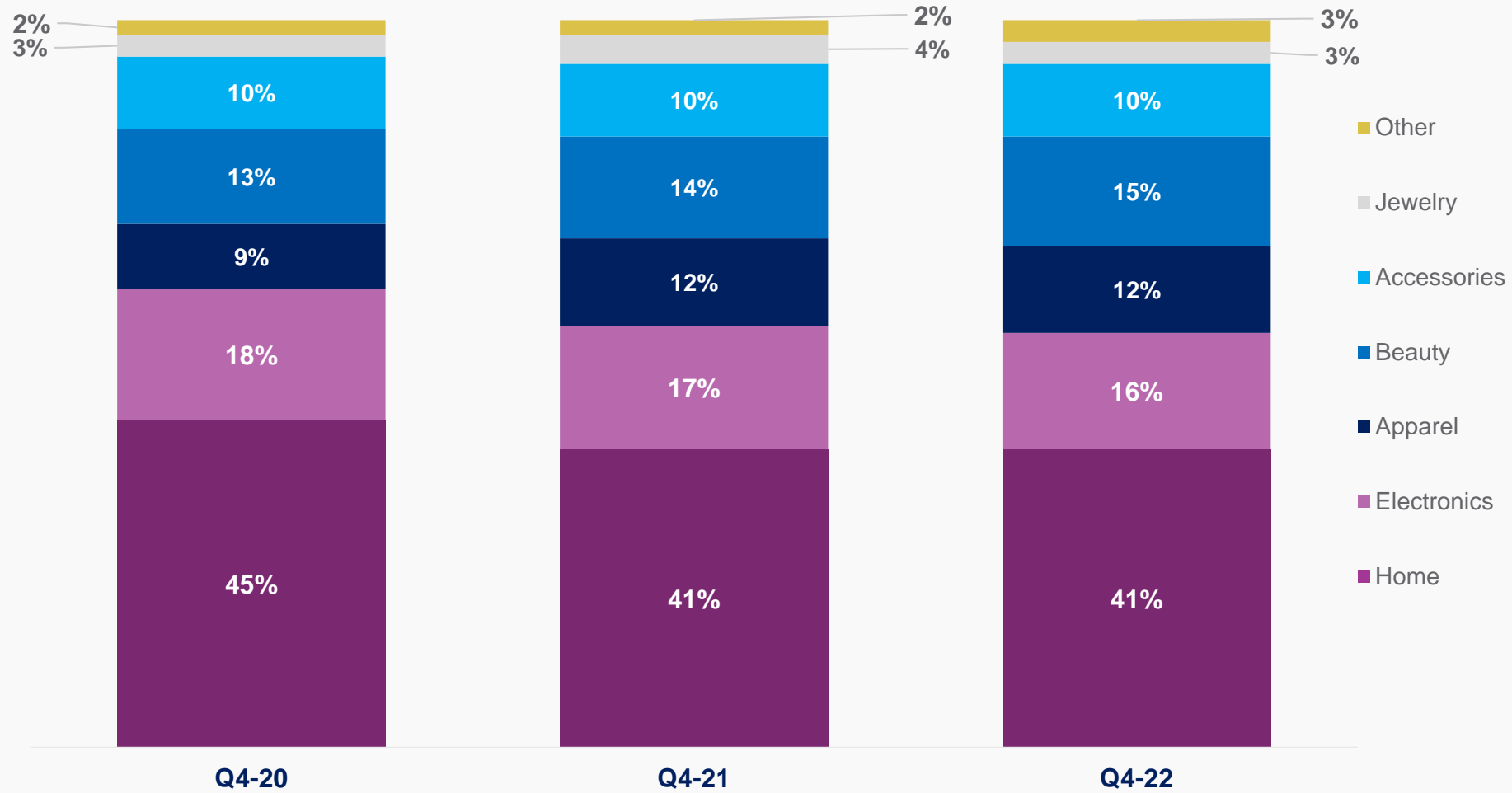
	2021					2022				
	Q1	Q2	Q3	Q4	FY-21	Q1	Q2	Q3	Q4	FY-22
Home	14%	(3)%	(17)%	(14)%	(7)%	(16)%	(12)%	(9)%	(13)%	(13)%
Electronics	16%	(23)%	(13)%	(12)%	(10)%	(27)%	(33)%	(11)%	(14)%	(20)%
Apparel	(3)%	19%	8%	19%	10%	2%	(1)%	(2)%	(15)%	(4)%
Beauty	(1)%	(10)%	(6)%	4%	(3)%	(9)%	(14)%	(10)%	(6)%	(9)%
Accessories	12%	11%	(4)%	(3)%	4%	(15)%	(11)%	(10)%	(10)%	(12)%
Jewelry	0%	(7)%	2%	0%	(1)%	(11)%	(7)%	(23)%	(11)%	(13)%
<b>Total</b>	<b>8%</b>	<b>(1)%</b>	<b>(8)%</b>	<b>(7)%</b>	<b>(3)%</b>	<b>(13)%</b>	<b>(12)%</b>	<b>(8)%</b>	<b>(11)%</b>	<b>(11)%</b>

## Notable Brands



# QxH Category Mix

Category % of Revenue

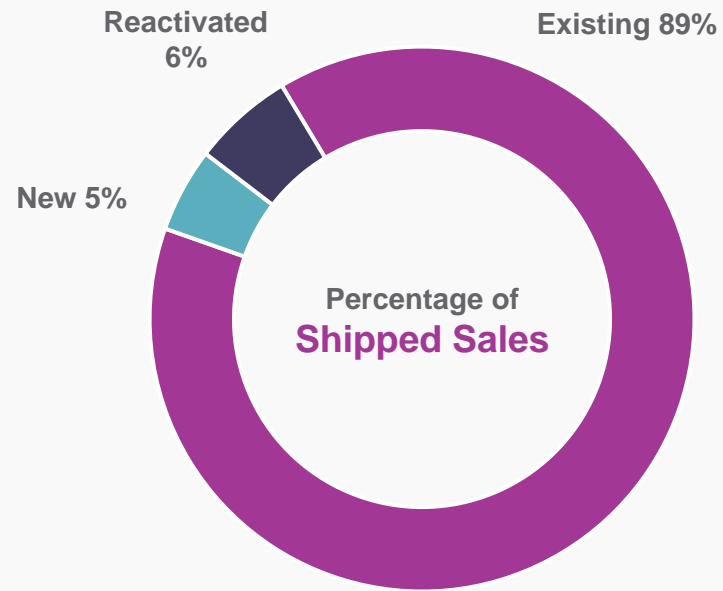
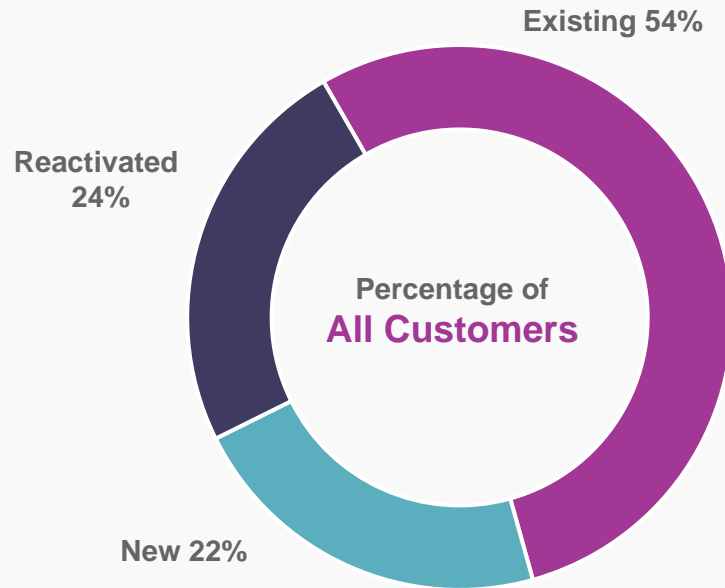


Fashion Categories: Apparel, Beauty, Accessories and Jewelry

Home Categories: Home and Electronics

# QxH Customer Profile

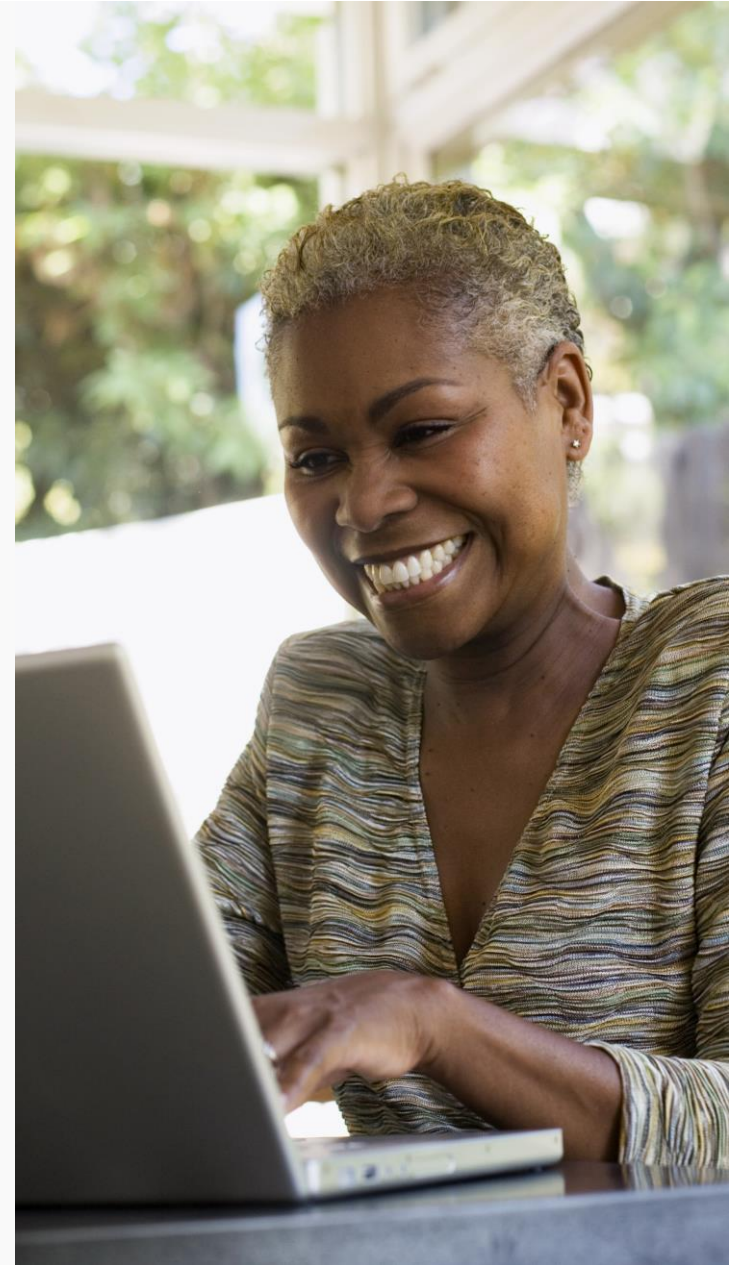
Trailing Twelve Months  
Ended December 2022



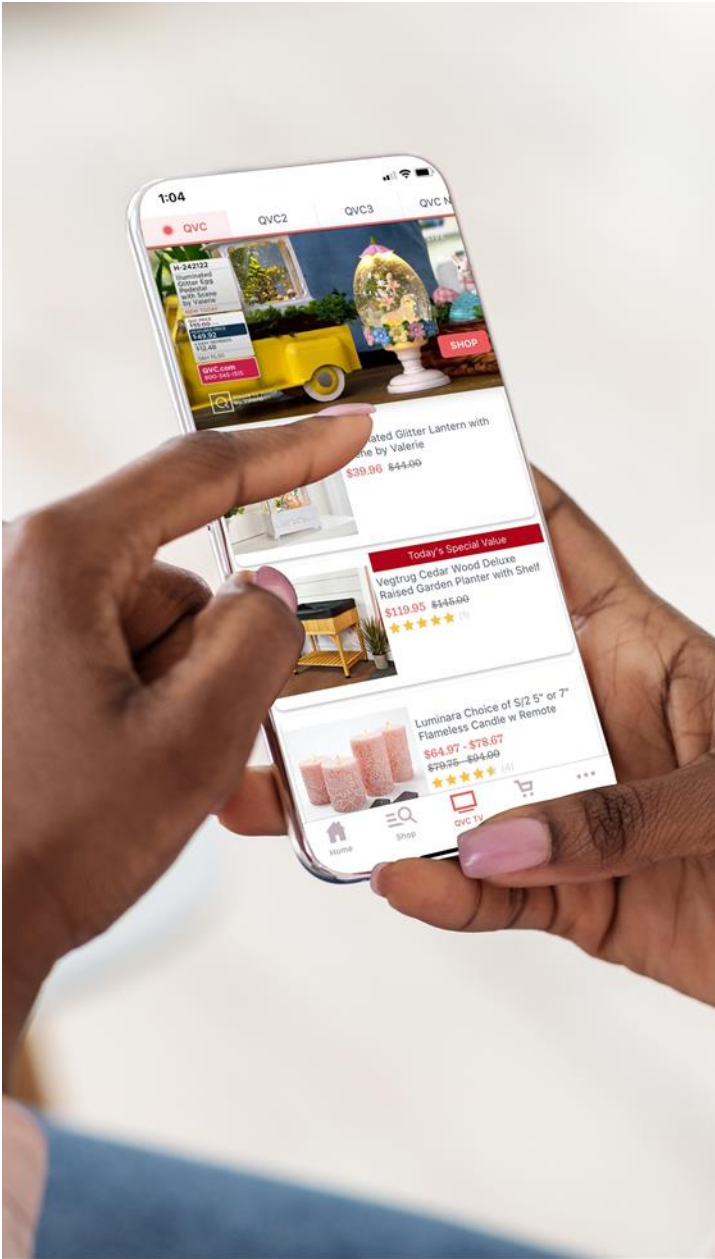
## Existing Customers

Annual Purchases: **29** Items purchased

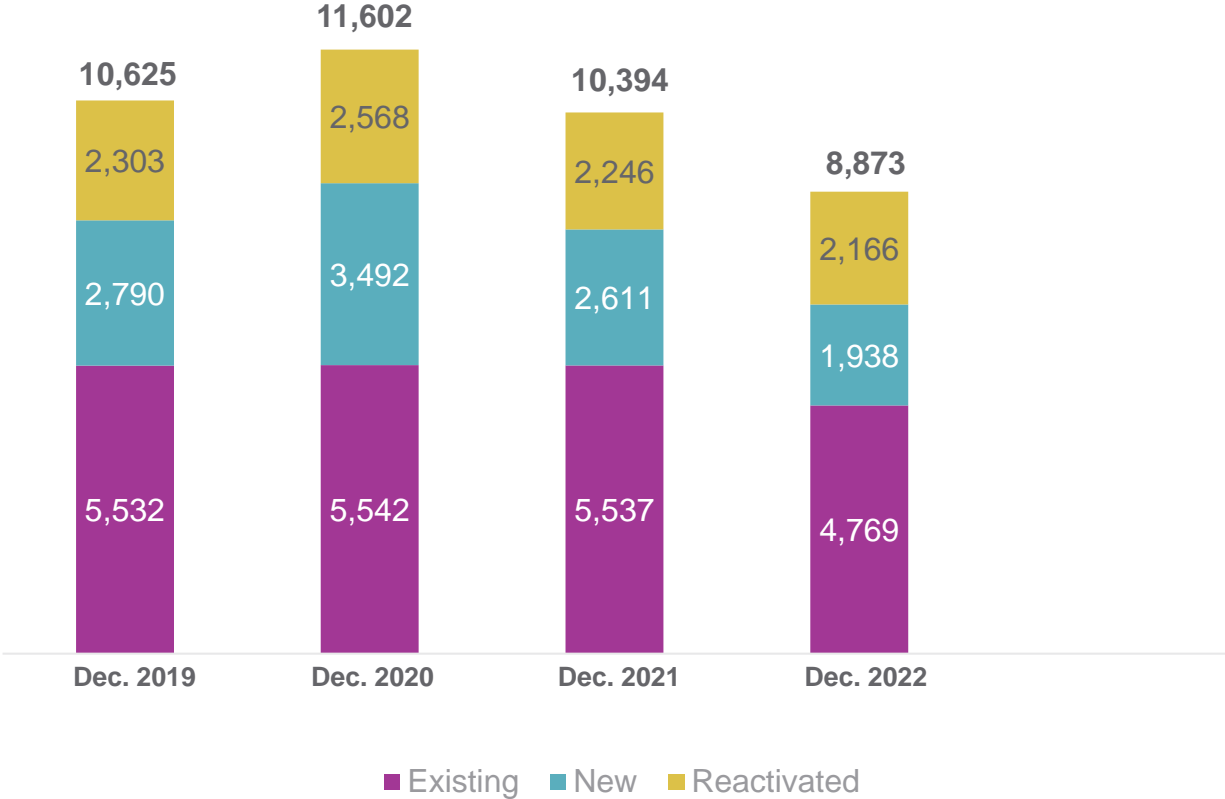
**\$1.5K** Spend



**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 Count Last 12 Months Ended (‘000s)














**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 Adjusted OIBDA Margin

Basis Point Change Year Over Year

		Fiscal 2022					Q4 Trend Driver	
		Q1	Q2	Q3	Q4	FY		
<b>Prior Year</b>		18.0%	19.7%	17.9%	<b>14.7%</b>	17.4%		
<b>Gross Margin</b>	Product Margin <sup>1</sup>	140	10	(135)	<b>(300)</b>	(90)	 	Favorable Returns Inventory Reduction, Promotions   Shipping & Handling Revenue
<b>Gross Margin</b>	Fulfillment <sup>2</sup>	(165)	(230)	(320)	<b>(95)</b>	(195)	 	PY Decommission Lancaster, PA and Roanoke, VA FCs   Labor rates Freight (Rates, Fuel, Surcharges)   FC Rent   Detention and Demurrage   Sales Deleverage
<b>Gross Margin</b>	Obsolescence	(105)	(145)	(65)	<b>(25)</b>	(80)	 	Reduced Inventory Levels Reserves on Remaining Inventory
<b>Operating Expense</b>	Commissions	(25)	(25)	(40)	<b>(60)</b>	(40)		Expanded Distribution
<b>SGA</b>	Marketing	(25)	(25)	(95)	<b>(70)</b>	(55)	 	Advertising Spend Retention Marketing   Platform Expansion Investment
<b>SGA</b>	Bad Debt	(65)	(85)	(25)	<b>0</b>	(40)		
<b>SGA</b>	Administrative Costs <sup>3</sup>	(155)	(110)	(175)	<b>(240)</b>	(175)		Sales Deleverage   Video Commerce Ventures   Corporate Rent
	Other <sup>4</sup>	(60)	(40)	(75)	<b>(20)</b>	(45)		Customer Service
<b>Current Year</b>		13.4%	13.2%	8.6%	<b>6.6%</b>	10.2%		
	<b>Δ vs. LY</b>	(460)	(650)	(930)	<b>(810)</b>	(720)		

Note: All figures rounded to the nearest 5 bps.

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

<sup>2</sup> Includes owned facilities warehouse and freight, Manpower and Non-Manpower expenses, and drop-ship.

<sup>3</sup> Includes other Manpower and Non-Manpower expenses (including bonus accrual, outside services, legal settlements, severance, remote work allowances, COVID-19 related costs, and travel & entertainment).

<sup>4</sup> Includes other items not included in above categories.

# Qurate Retail, Inc. Free Cash Flow

US\$ Millions

	Twelve Months Ended December 31	
	2021	2022
<b>Net Cash Provided (Used) by Operating Activities</b>	1,225	194
Plus: Insurance Proceeds Related to Fixed Assets	--	184
Less: Capital Expenditures	(244)	(268)
Less: Expenditures for Television Distribution Rights	(187)	(45)
Less: Investments in Green Energy <sup>1</sup>	(123)	(6)
Less: Dividends Paid to Non-controlling Interest	(60)	(68)
<b>Free Cash Flow</b>	<b>611</b>	<b>(9)</b>

<sup>1</sup>Included within investments in and loans to cost and equity investees.

# QxH Sale and Leaseback Transactions Summary

---

- Completed sale and leaseback for Ontario, CA fulfillment center on 6/28/22
  - \$340 million aggregate consideration
    - \$250 million cash proceeds
    - \$84 million debt forgiveness related to previous lease
    - \$37 million right-of-use asset, offset by \$31 million operating lease liability
  - Annual expense impacting QxH adjusted OIBDA: \$14 million
- Completed sale and leaseback for five US properties on 7/15/22
  - \$443 million cash proceeds
  - Average annual expense impacting QxH adjusted OIBDA: \$33 million
  - Annual cash rent expense: \$27 million<sup>(1)</sup> in year 1, increasing 2% per annum
- Completed sale and leaseback for UK and German properties on 1/6/23
  - \$182 million US\$ equivalent cash proceeds
  - Average annual expense impacting QVC International adjusted OIBDA: \$16 million<sup>(2)</sup>
- Weighted average tenor of lease agreements across the eight closed properties is approximately 19 years
- Aggregate expected after-tax proceeds for Qurate Retail from eight closed properties of approximately \$765 million
- QVC, Inc. leverage as of 12/31/22 is 2.8x as defined in QVC's credit agreement
  - Gains from leaseback transactions included in operating income and within covenant calculations under QVC's bank credit facility<sup>(3)</sup>

(1) Cash rent of \$27 million in year 1, increasing 2% per annum. Rent expense impacting adjusted OIBDA reflected as average cash rent expected over term of lease.

(2) Based on exchange rates as of December 31, 2022.

(3) \$520 million of gains related to the sale and leaseback of six US properties recognized in 2022.

# QVC, Inc. Headline Financial Covenant Summary

## ➤ Liberty Interactive, LLC (“LI LLC”) Debt

- No material covenants other than liens tests

## ➤ QVC, Inc. Credit Facility

- Primary covenant is 4.5x net leverage test (maintenance based)
  - Inclusive of debt, cash and adjusted EBITDA<sup>(1)</sup> of QVC, Inc., Cornerstone and Zulily
  - QVC, Inc. leverage as of 12/31/22 is 2.8x as defined in QVC’s credit agreement
  - Gains from leaseback transactions included in operating income and within covenant calculations under QVC’s bank credit facility
- Debt service of LI LLC debt (principal and interest) and tax sharing payments are carved out of restricted payments
- Dividends payable to holders of Qurate Retail’s preferred stock is not carved out of restricted payments
- Additional information can be found in QVC, Inc.’s publicly filed documents<sup>(2)</sup>

## ➤ QVC, Inc. Bond Indentures

- Restricted payment test of 3.5x gross leverage (incurrence based)
  - Inclusive of debt, cash and adjusted EBITDA<sup>(3)</sup> of QVC, Inc.
  - Cornerstone and Zulily sit outside of QVC, Inc.
    - However, as a result of current performance, QVC, Inc. debt includes any borrowing (if applicable) at Zulily under QVC’s credit agreement due to the accounting for obligations resulting from joint and several liability arrangements
      - As of December 31, 2022 there was no debt borrowed at Zulily
- Debt service of LI LLC debt (principal and interest) and tax sharing payments are carved out of restricted payments
- Dividends payable to holders of Qurate Retail’s preferred stock is not carved out of restricted payments
- 2:1 fixed charge coverage ratio in order to incur new debt

(1) As defined in QVC’s credit agreement.

(2) [https://www.sec.gov/Archives/edgar/data/0001254699/000110465921131049/tm2131224d1\\_ex4-1.htm](https://www.sec.gov/Archives/edgar/data/0001254699/000110465921131049/tm2131224d1_ex4-1.htm)

(3) As defined in QVC’s bond indenture.

# Glossary

---

**Average Daily Reach:** Pertains to linear TV broadcasts and is the count of distinct homes that watch at least 20 consecutive seconds within a day.

**Total Minutes Viewed:** Pertains to linear TV broadcasts and is the sum of total daily minutes viewed within a specified time period.

**Monthly Active Users:** Pertains to our streaming services and is the number of unique households that watched for any length of time during the month.

**Existing Customer:** Made a purchase in two consecutive 12-month periods.

**New Customer:** Never made a purchase previously.

**Reactivated Customer:** Purchased in past, but not in last 12 months.

**Best Customer (QVC):** Purchased 20+ units in last 12 months.

# qurate

RETAIL, INC.

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