November 12, 2009

HSN, Inc. Reports Third Quarter 2009 Results

ST. PETERSBURG, Fla., Nov. 12, 2009 (GLOBE NEWSWIRE) -- HSN, Inc. (Nasdaq:HSNI) reported results for the third quarter ended September 30, 2009 for HSN, Inc. ("HSNi") and its two operating segments, HSN and Cornerstone.

Table 1

SUMMARY RESULTS AND KEY OPERATING METRICS (a)
($ in millions, except per share and average price point amounts)

	Q3 2009	Q3 2008	Change
Net Sales	$ 641.2	$ 672.3	(5%)
Non-GAAP:			
Adjusted EBITDA	$ 48.8	$ 37.7	30%
Adjusted Net Income	$ 18.6	$ 14.9	24%
Adjusted EPS	$ 0.32	$ 0.26	23%
GAAP:			
Operating Income	$ 36.1	$ 12.3	193%
Net Income	$ 16.6	$ 2.2	660%
Diluted EPS	$ 0.29	$ 0.04	625%
HSNi:			
Average price point	$ 58.05	$ 61.48	(6%)
Units shipped (millions)	12.4	12.3	1%
Gross profit %	37.0%	35.1%	190 bps
Return rate %	18.1%	18.9%	(80 bps)
Internet net sales % (b)	37.2%	35.2%	200 bps

(a) Segment results for HSNi's two business segments, HSN and Cornerstone, are presented separately in Tables 2 and 3 of this release.
(b) Internet net sales as a percent of total HSNi net sales.
See reconciliation of GAAP to non-GAAP measures in Table 4.

Third Quarter 2009 Results vs Third Quarter 2008 Results

-- HSNi's Adjusted EBITDA increased 30% to $48.8 million in the third quarter of 2009 and Adjusted EBITDA margins improved to 7.6% from 5.6% as a result of an increase in gross profit margin of 190 basis points and a reduction in operating expenses, excluding non-cash charges, of 5.4%, or $10.7 million.

-- HSNi reported operating income of $36.1 million in the third quarter of 2009 compared to operating income of $12.3 million in the prior year. Operating income benefited from a reduction in operating expenses of $22.5 million, including $12.6 million of non-cash charges.

-- HSNi's Adjusted EPS improved 23% to $0.32 in the third quarter of 2009 from $0.26 in the prior year. GAAP diluted EPS was $0.29 per share in the third quarter this year compared to $0.04 per share last year.

-- HSNi ended the third quarter of 2009 with $238.7 million in cash and cash equivalents. Cash from operating activities during the first nine months of 2009 was $117.0 million compared to $24.0 million in the same period last year. Cash flow improved by effectively managing working capital.

"In our first year as an independent public company, we have clearly demonstrated our ability to leverage our differentiated business model, strengthen our foundation and exert strict financial and operational discipline to maximize results. Despite the continued macro-economic challenges, we emerged as a stronger company at the end of the third quarter with EBITDA growth of 30% and $238.7 million in cash," stated Mindy Grossman, Chief Executive Officer of HSNi.

"At HSN, sales momentum continued to build as the quarter progressed. Our strategy of driving customer engagement through unique interactive experiences, differentiated brands and products, and a continued focus on customer service resulted in a 6% increase in unit sales and best customer growth of 7%. And ten years after the launch of hsn.com, we now have one of the most video pervasive sites in e-commerce and our hsn.com sales penetration now represents 30% of our total business.

Ms. Grossman concluded, "We remain on the forefront of transactional innovation. In addition to launching the first live in-flight television shopping experience, we are the only retailer streaming live video across three different screens - television, online and mobile and we continue our roll-out of Shop by Remote, the only interactive shopping platform of its kind in the U.S. We are excited about our opportunities as we continue to fully maximize our capabilities combining innovative products and lifestyle brands with our unique ability to interact with our customers across multiple platforms."

Table 2

SEGMENT RESULTS
($ in millions)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2009	2008	Change	2009	2008	Change
Net Sales						
HSN	$467.0	$471.0	(1%)	$1,396.1	$1,410.9	(1%)
Cornerstone	174.2	201.3	(13%)	514.8	634.2	(19%)
Total HSNi	$641.2	$672.3	(5%)	$1,910.9	$2,045.1	(7%)

Gross Profit						
HSN	$168.6	$155.5	8%	$ 473.4	$ 459.7	3%
Cornerstone	68.5	80.3	(15%)	206.8	260.2	(21%)
Total HSNi	$237.1	$235.8	1%	$ 680.2	$ 719.9	(6%)
Adjusted EBITDA (Non-GAAP measure)						
HSN	$ 47.1	$ 35.7	32%	$ 120.6	$ 105.8	14%
Cornerstone	1.7	2.0	(12%)	(2.5)	3.8	(167%)
Total HSNi	$ 48.8	$ 37.7	30%	$ 118.1	$ 109.6	8%
Operating Income (Loss)						
HSN	$ 37.1	$ 17.3	115%	$ 92.0	$ 64.2	43%
Cornerstone	(1.0)	(5.0)	79%	(11.3)	(314.4)	96%
Total HSNi	$ 36.1	$ 12.3	193%	$ 80.7	$ (250.2)	132%

See reconciliation of GAAP to non-GAAP measures in Table 4.

Table 3

SEGMENT KEY OPERATING METRICS

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2009	2008	Change	2009	2008	Change
HSN:						
Average price point	$56.25	$59.66	(6%)	$56.50	$59.61	(5%)
Units shipped (millions)	9.5	9.0	6%	28.0	27.1	3%
Gross profit %	36.1%	33.0%	310 bps	33.9%	32.6%	130 bps
Return rate %	19.5%	20.3%	(80 bps)	18.8%	19.9%	(110 bps)
Internet net sales % (a)	29.8%	27.6%	220 bps	29.4%	28.0%	140 bps
Cornerstone:						
Average price point	$64.03	$66.60	(4%)	$65.70	$66.86	(2%)
Units shipped (millions)	2.9	3.2	(10%)	8.4	10.2	(18%)
Gross profit %	39.3%	39.9%	(60 bps)	40.2%	41.0%	(80 bps)
Return rate %	14.2%	15.4%	(120 bps)	15.1%	16.0%	(90 bps)
Internet net sales % (a)	56.9%	52.9%	400 bps	56.0%	51.8%	420 bps
Catalog circulation (millions)	55.5	73.5	(24%)	180.0	241.4	(25%)

(a) Internet net sales as a percent of segment net sales.

HSN Segment Results

HSN's net sales decreased less than 1% to $467.0 million, following a comparable sales growth of 4% in the prior year. Shipped units increased by 6% while the average price point decreased by 6% as a result of our continued focus on key items and price/value. Return rates improved by 80 basis points due to improved product quality, apparel fit initiatives, and lower price points. HSN.com net sales grew 7% over the prior year following the 17% growth in the prior year. Sales from e-commerce represented 29.8% of HSN's total net sales, up from 27.6% in the prior year.

Gross profit increased 8% to $168.6 million and the gross profit margin improved 310 basis points to 36.1% in the third quarter of 2009 compared to 33.0% in the prior year. The significant improvement in gross profit was due to a reduction in inventory reserves, improved product margin and net shipping and handling costs. The improvement in net shipping and handling was due to lower fuel costs and warehouse productivity improvements. Gross profit margins also benefited from a reduction in inventory reserves related to HSN's inventory levels. Continued efforts on aligning inventory purchases with sales demand and reducing aged inventory resulted in a decrease in inventory by $39.6 million, or 15%, compared to the same period last year.

Adjusted EBITDA increased 32% to $47.1 million in the third quarter of 2009 compared to the prior year as a result of the increase in gross profit. Operating income increased 115% to $37.1 million compared to $17.3 million in the prior year.

Cornerstone Segment Results

Net sales for Cornerstone decreased 13% to $174.2 million in the third quarter of 2009 as compared to $201.3 million in the prior year. The decrease in third quarter sales, which moderated from a decline in sales of 21% in the first half of 2009, was due to the continued softness in consumer demand for luxury home furnishings and apparel as well as a strategic reduction in catalog circulation.

Gross profit margin declined 60 basis points to 39.3% in the third quarter of 2009 compared to 39.9% in the prior year, primarily from promotional activity which offset lower shipping costs and improved return rates. Continued focus on cash flow resulted in a 25% decrease in inventories compared to the third quarter of 2008.

Operating expenses, excluding non-cash charges, decreased 15%, or $11.9 million, in the third quarter of 2009 compared to the prior year driven by lower circulation costs and reduced personnel related expenses. Despite the decline in net sales and gross profit, Adjusted EBITDA decreased by only $0.2 million to $1.7 million due to the expense management efforts described above.

Operating loss in the current quarter was ($1.0) million compared to an operating loss of ($5.0) million in the third quarter of 2008.

Other Selected Financial Results

HSNi reported operating income of $36.1 million in the third quarter of 2009 compared to $12.3 million in the prior year. Included in operating income was a reduction in non-cash expenses of $12.6 million. The reduction in non-cash expenses was primarily due to a $7.2 million reduction in non-cash compensation expense and a $3.8 million reduction in amortization of non-cash marketing expense. The third quarter of 2008 included charges associated with the modification of stock-based awards in connection with the spin-off from IAC.

HSNi's effective tax rate from continuing operations was 39.5% for the third quarter of 2009 and 19.3% for the third quarter of 2008. The effective tax rate of 19.3% for the quarter ended September 30, 2008 was lower than the federal statutory rate of 35% due to the settlement of certain income tax related liabilities. The annual effective tax rate for 2009 is expected to be 39%.

Liquidity and Capital Resources

As of September 30, 2009, HSNi had cash and cash equivalents of $238.7 million, up from $205.9 million at June 30, 2009 and up from $177.5 million at December 31, 2008. For the nine months ended September 30, 2009, HSNi generated net cash provided by operating activities of $117.0 million compared to $24.0 million in the same period last year due to effective working capital management. Total debt was approximately $377.4 million as of September 30, 2009, resulting in a ratio of total debt to EBITDA, as defined in HSNi's credit agreement, of approximately 2.21x, as compared to a maximum allowable leverage ratio of 2.75x.

OTHER INFORMATION

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This press release may contain forward-looking statements relating to the future performance of HSNi and its consolidated subsidiaries that are based on current expectations, forecasts and assumptions. HSNi's actual results could differ materially from those predicted. Factors that could cause or contribute to such differences include but are not limited to: the depth and duration of the current recession, which may persist throughout and beyond 2009, and the impact of these conditions on consumer confidence and spending levels; whether national economic stimulus initiatives and measures to stabilize the economy will be successful in achieving their objectives within the expected timeframes; other changes in political, business and economic conditions, particularly those that affect consumer confidence, consumer spending or e-commerce growth; changes in the interest rate environment and developments in the overall credit markets, and particularly the impact of the current constrained credit environment, if it persists; HSNi's business prospects and strategy, including whether HSNi's initiatives will be effective; changes in our relationships with pay television operators, vendors, manufacturers and other third parties; technological or regulatory changes; changes in senior management; our ability to offer new or alternative products and services in a cost effective manner and consumer acceptance of these products and services; and changes in product delivery costs. More information about potential factors that could affect HSNi's business and financial results is included in our filings with the U.S. Securities and Exchange Commission ("SEC"). Other unknown or unpredictable factors that could also adversely affect HSNi's business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, any forward-looking statements may not prove to be accurate. Accordingly, you should not place undue reliance on any forward-looking statements, which only reflect the views of HSNi management as of the date of this press release. Reported results should not be considered as an indication of future performance. Such statements speak only to the date such statements are made and HSNi does not undertake to update any forward-looking statements.

Conference Call

Mindy Grossman, Chief Executive Officer, and Judy Schmeling, Executive Vice President and Chief Financial Officer, will hold a conference call on November 12, 2009 at 11:00 a.m., Eastern Time, to discuss these results. Those interested in participating in the conference call should dial 719-325-4928 or 877-675-4755 at least five minutes prior to the call. There will also be a simultaneous audio webcast available via HSNi's website at www.hsni.com.

A replay of the conference call can be accessed until Thursday, November 26, 2009 by dialing 719-457-0820 or 888-203-1112, plus the passcode 8247487, and will also be hosted on HSNi's website (www.hsni.com) for a limited time.

About HSN, Inc.

HSN, Inc. (Nasdaq:HSNI) is a $3 billion interactive multi-channel retailer with strong direct-to-consumer expertise among its two operating segments, HSN and Cornerstone. HSNi offers innovative, differentiated retail experiences on TV, online, in catalogs, and in brick and mortar stores. HSNi ships 49 million products and handles 48 million inbound customer calls annually. HSN, which created the television retail industry 32 years ago, now reaches approximately 93 million homes (24 hours a day, seven days a week, live 364 days a year). HSN.com(r) ranks in the top 30 of the top 500 internet retailers, is one of the top 10 trafficked e-commerce sites, and has more than a quarter million unique users every day. As the first retailer to offer live video streaming across three different screens - television, online and via mobile - HSN is the leader in the multichannel industry. HSN continues to lead the transformation of electronic retail with technological innovations such as HSN Shop by Remote(r), the only service of its kind in the U.S., and Video on Demand. Cornerstone comprises leading home and apparel lifestyle brands including Ballard Designs(r), Frontgate(r), Garnet Hill(r), Grandin Road(r), Improvements(r), Smith + Noble(r), The Territory Ahead(r) and TravelSmith(r). Cornerstone distributes over 200 million catalogs annually, operates eight separate e-commerce sites and operates 25 retail stores.

GAAP FINANCIAL STATEMENTS

HSN, INC. CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited; in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net sales	$641,244	$672,348	$1,910,947	$2,045,060
Cost of sales	404,176	436,522	1,230,784	1,325,185
Gross profit	237,068	235,826	680,163	719,875
Operating expenses:				
Selling and				

marketing	120,997	134,106	367,909	415,102
General and administrative	55,501	58,528	160,220	168,688
Production and programming	14,922	15,980	42,383	44,791
Amortization of non-cash marketing	--	3,761	--	8,022
Amortization of intangible assets	140	1,755	421	5,709
Depreciation	9,430	9,380	28,510	27,801
Asset impairments	--	--	--	300,000
Total operating expenses	200,990	223,510	599,443	970,113
Operating income (loss)	36,078	12,316	80,720	(250,238)
Other (expense) income:				
Interest income	124	365	212	404
Interest expense	(8,768)	(6,461)	(26,517)	(6,461)
Total other (expense) income, net	(8,644)	(6,096)	(26,305)	(6,057)
Income (loss) from continuing operations before income taxes	27,434	6,220	54,415	(256,295)
Income tax (provision) benefit	(10,849)	(1,202)	(21,210)	21,342
Income (loss) from continuing operations	16,585	5,018	33,205	(234,953)
Loss from discontinued operations, net of tax	(13)	(2,837)	(69)	(3,366)
Net income (loss)	$ 16,572	$ 2,181	$ 33,136	$ (238,319)
Income (loss) from continuing operations per share:				
Basic	$ 0.29	$ 0.09	$ 0.59	$ (4.18)
Diluted	$ 0.29	$ 0.09	$ 0.58	$ (4.18)
Net income (loss) per share:				
Basic	$ 0.29	$ 0.04	$ 0.59	$ (4.24)
Diluted	$ 0.29	$ 0.04	$ 0.58	$ (4.24)
Shares used in computing earnings per share:				
Basic	56,391	56,207	56,362	56,206
Diluted	57,502	56,665	57,151	56,206

HSN, INC. CONSOLIDATED BALANCE SHEETS
(unaudited; in thousands)

	Sept. 30, 2009	Dec. 31, 2008

ASSETS		
Cash and cash equivalents	$ 238,740	$ 177,463
Accounts receivable	122,789	165,114
Inventories	294,682	304,172
Deferred income taxes	21,698	21,777
Prepaid expenses and other current assets	46,368	42,080
Total current assets	724,277	710,606
Property and equipment, net	151,164	157,832
Intangible assets, net	261,326	261,747
Other non-current assets	18,435	22,272
TOTAL ASSETS	$1,155,202	$1,152,457
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable, trade	$ 199,894	$ 198,464
Current maturities of long-term debt	20,625	15,000
Accrued expenses and other current liabilities	186,679	190,788
Total current liabilities	407,198	404,252
Long-term debt, net of current maturities	356,799	393,528
Deferred income taxes	78,143	83,276
Other long-term liabilities	12,167	13,116
Total liabilities	854,307	894,172
TOTAL SHAREHOLDERS' EQUITY	300,895	258,285
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,155,202	$1,152,457

HSN, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited; in thousands)

	Nine Months Ended September 30,	
	2009	2008
Cash flows from operating activities attributable to continuing operations:		
Net income (loss)	$ 33,136	$(238,319)
Less: Loss from discontinued operations, net of tax	(69)	(3,366)
Income (loss) from continuing operations	33,205	(234,953)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities attributable to continuing operations:		
Depreciation	28,510	27,801
Amortization of intangible assets	421	5,709
Asset impairments	--	300,000
Non-cash compensation expense	8,084	18,025
Amortization of cable and satellite distribution fees	2,520	3,068

Amortization of non-cash marketing	--	8,022
Amortization of debt issuance costs	1,915	482
Loss on disposition of fixed assets	398	271
Deferred income taxes	(4,665)	(29,882)
Bad debt expense	11,757	14,048
Excess tax benefits from stock-based awards	--	(135)
Changes in current assets and liabilities:		
Accounts receivable	29,079	43,529
Inventories	9,490	(45,887)
Prepaid expenses and other current assets	(4,740)	(6,932)
Accounts payable and other current liabilities	1,037	(79,147)
Net cash provided by operating activities attributable to continuing operations	117,011	24,019
Cash flows from investing activities attributable to continuing operations:		
Transfers from IAC	--	17,021
Capital expenditures	(25,512)	(26,732)
Net cash used in investing activities attributable to continuing operations	(25,512)	(9,711)
Cash flows from financing activities attributable to continuing operations:		
Proceeds from issuance of long-term debt, net of debt issuance costs	--	373,894
Repayment under revolving credit facility	(20,000)	--
Repayment of long-term debt	(11,250)	(140)
Excess tax benefits from stock-based awards	--	135
Distribution to IAC in connection with the spin-off	--	(333,799)
Net cash (used in) provided by financing activities attributable to continuing operations	(31,250)	40,090
Total cash provided by continuing operations	60,249	54,398
Total cash provided by (used in) operating activities attributable to discontinued operations	1,028	(6,286)
Effect of exchange rate changes on cash and cash equivalents	--	2,033
Net increase in cash and cash equivalents	61,277	50,145
Cash and cash equivalents at beginning of period	177,463	6,220
Cash and cash equivalents at end of period	$ 238,740	$ 56,365

Table 4

RECONCILIATIONS OF GAAP TO NON-GAAP MEASURES

HSN, INC. RECONCILIATION OF GAAP EPS TO ADJUSTED EPS
(unaudited; in thousands except per share amounts)

	Three Months Ended September 30,	Nine Months Ended September 30,

	2009	2008	2009	2008
Diluted earnings (loss) per share	$ 0.29	$ 0.04	$ 0.58	$ (4.24)
Net income (loss)	$ 16,572	$ 2,181	$ 33,136	$(238,319)
Non-cash compensation expense	3,057	10,288	8,084	18,025
Amortization of non-cash marketing expense	--	3,761	--	8,022
Amortization of intangible assets	140	1,755	421	5,709
Asset impairments	--	--	--	300,000
Loss on disposition of fixed assets	93	155	398	271
Loss from discontinued operations, net of tax	13	2,837	69	3,366
Impact of income taxes	(1,300)	(6,048)	(3,455)	(48,694)
Adjusted Net Income	$ 18,575	$ 14,929	$ 38,653	$ 48,380
GAAP diluted weighted average shares outstanding	57,502	56,665	57,151	56,206
Adjusted EPS	$ 0.32	$ 0.26	$ 0.68	$ 0.86

HSN, INC. RECONCILIATION OF DETAILED SEGMENT RESULTS TO GAAP
(unaudited; in thousands)

	Three Months Ended September 30, 2009			Three Months Ended September 30, 2008		
	HSN	Cornerstone	Total	HSN	Cornerstone	Total
Operating income (loss)	$37,144	$ (1,066)	$36,078	$17,298	$(4,982)	$12,316
Non-cash compensation expense	2,463	594	3,057	7,438	2,850	10,288
Amortization of non-cash marketing	--	--	--	3,761	--	3,761
Amortization of intangible assets	140	--	140	142	1,613	1,755
Asset impairments	--	--	--	--	--	--
Depreciation	7,253	2,177	9,430	6,890	2,490	9,380
Loss on disposition of						

fixed assets	61	32	93	151	4	155
Adjusted EBITDA	$47,061	$ 1,737	$48,798	$35,680	$ 1,975	$37,655

	Nine Months Ended September 30, 2009			Nine Months Ended September 30, 2008		
	HSN	Cornerstone	Total	HSN	Cornerstone	Total
Operating income (loss)	$ 92,045	$ (11,325)	$80,720	$64,205	$(314,443)	$(250,238)
Non-cash compensation expense	6,462	1,622	8,084	12,664	5,361	18,025
Amortization of non-cash marketing	--	--	--	8,022	--	8,022
Amortization of intangible assets	421	--	421	426	5,283	5,709
Asset impairments	--	--	--	--	300,000	300,000
Depreciation	21,387	7,123	28,510	20,210	7,591	27,801
Loss on disposition of fixed assets	360	38	398	266	5	271
Adjusted EBITDA	$120,675	$ (2,542)	$118,133	$105,793	$ 3,797	$109,590

SEE IMPORTANT NOTES AT END OF THIS DOCUMENT

HSN, INC.'S PRINCIPLES OF FINANCIAL REPORTING

HSNi reports Adjusted EBITDA, Adjusted Net Income and Adjusted EPS, all of which are supplemental measures to GAAP. These measures are among 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. These non-GAAP measures 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. HSNi endeavors to compensate for the limitations of the non-GAAP measures presented by providing the comparable GAAP measures with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measures. We encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures contained in this release and which we discuss below.

Definitions of Non-GAAP Measures

Adjusted EBITDA is defined as operating income excluding, if applicable: (1) non-cash compensation expense and amortization of non-cash marketing, (2) amortization of intangibles, (3) depreciation and gains and losses on asset dispositions, (4) goodwill, long-lived asset and intangible asset impairments, (5) pro forma adjustments for significant acquisitions, and (6) one-time items. Adjusted EBITDA is not a measure determined in accordance with GAAP, and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. Adjusted EBITDA is used as a measurement of operating efficiency and overall financial performance and HSNi believes it to be a helpful measure for those evaluating companies in the retail industry. Adjusted EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures. Adjusted EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Adjusted EBITDA has certain limitations in that it does not take into account the impact to HSNi's statement of operations of certain expenses, including non-cash compensation, amortization of non-cash marketing, amortization of intangibles, depreciation, gains and losses on asset dispositions, asset impairment charges, acquisition-related accounting and one-time items.

Adjusted Net Income generally captures all items on the statement of operations that have been, or ultimately will be, settled in cash and is defined as net income available to common shareholders excluding, net of tax effects, if applicable: (1) non-cash compensation expense and amortization of non-cash marketing, (2) amortization of intangible assets, (3) gains and losses on asset dispositions, (4) goodwill, long-lived asset and intangible asset impairments, (5) pro forma adjustments for significant acquisitions, (6) one-time items, and (7) discontinued operations. We believe Adjusted Net Income is useful to investors because it represents HSNi's consolidated results taking into account charges which are not allocated to the operating businesses such as interest expense and taxes, but excluding the effects of identified non-cash expenses or one-time items.

Adjusted EPS is defined as Adjusted Net Income divided by diluted weighted average shares outstanding for Adjusted EPS purposes. We believe Adjusted EPS is useful to investors because it represents, on a per share basis, HSNi's consolidated results, taking into account charges which are not allocated to the operating businesses such as interest expense and taxes, but excluding the effects of identified non-cash expenses or one-time items. Adjusted Net Income and Adjusted EPS have the same limitations as Adjusted EBITDA. Therefore, we think it is important to evaluate these measures along with our consolidated statement of operations.

Pro Forma Results

We will only present Adjusted EBITDA, Adjusted Net Income and Adjusted EPS on a pro forma basis if we view a particular transaction as significant in size or transformational in nature. For the periods presented in this release, there are no transactions that we have included on a pro forma basis.

One-Time Items

Adjusted EBITDA, Adjusted Net Income and Adjusted EPS are presented before one-time items, if applicable. In accordance with SEC rules, these items are truly one-time in nature and non-recurring, infrequent or unusual, and have not occurred in the past two years or are not expected to recur in the next two years. GAAP results include one-time items. For the periods presented in this release, there are no adjustments for any one-time items.

Basis of Presentation

On November 5, 2007, IAC announced its plan to separate into five independent public companies in order to better achieve certain strategic objectives of the various businesses. This transaction is referred to as the "spin-off."

On August 21, 2008, HSN, Inc. became an independent public company and began trading on the NASDAQ Global Select Market under the symbol "HSNI." These unaudited consolidated financial statements present our results of operations, financial position, shareholders' equity and cash flows of HSN, Inc. on a combined basis up through the spin-off and on a consolidated basis thereafter.

For the three and nine months ended September 30, 2008, we computed basic earnings per share using the number of shares of common stock outstanding immediately following the spin-off, as if such shares were outstanding for the entire period. The diluted earnings per share for prior periods was computed based upon the dilutive impact of all stock-based awards outstanding immediately following the spin-off, as if such awards were outstanding for the entire period.

CONTACT: HSN, Inc.
Analysts/Investors
Felise Glantz Kissell
727-872-7529
felise.kissell@hsn.net
Media
Brad Bohnert
727-872-7515
brad.bohnert@hsn.net