

# Qurate Retail Investor Event

JUNE 27, 2022

qurate  
RETAIL, INC.





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# Portfolio of leading retail brands

## Reaching 21M customers

Global Video Commerce Leader



**9.9M**  
CUSTOMERS

**\$8.0B**  
REVENUE

**52+ HRS/DAY**  
LIVE PROGRAMMING



**4.7M**  
CUSTOMERS

**\$3.0B**  
REVENUE

**75+ HRS/DAY**  
LIVE PROGRAMMING

Daily Discovery  
Destination for Mom



**4.0M**  
CUSTOMERS

**\$1.3B**  
REVENUE

Aspirational  
Lifestyle Brands

**Cornerstone** Brands, Inc.  
BALLARD DESIGNS | FRONTGATE  
Garnet Hill | **grandinroad.**

**2.3M**  
CUSTOMERS

**\$1.3B**  
REVENUE





**200M+**  
HOMES REACHED GLOBALLY

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**14**  
CHANNELS GLOBALLY

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**5**  
CHANNELS IN THE U.S.

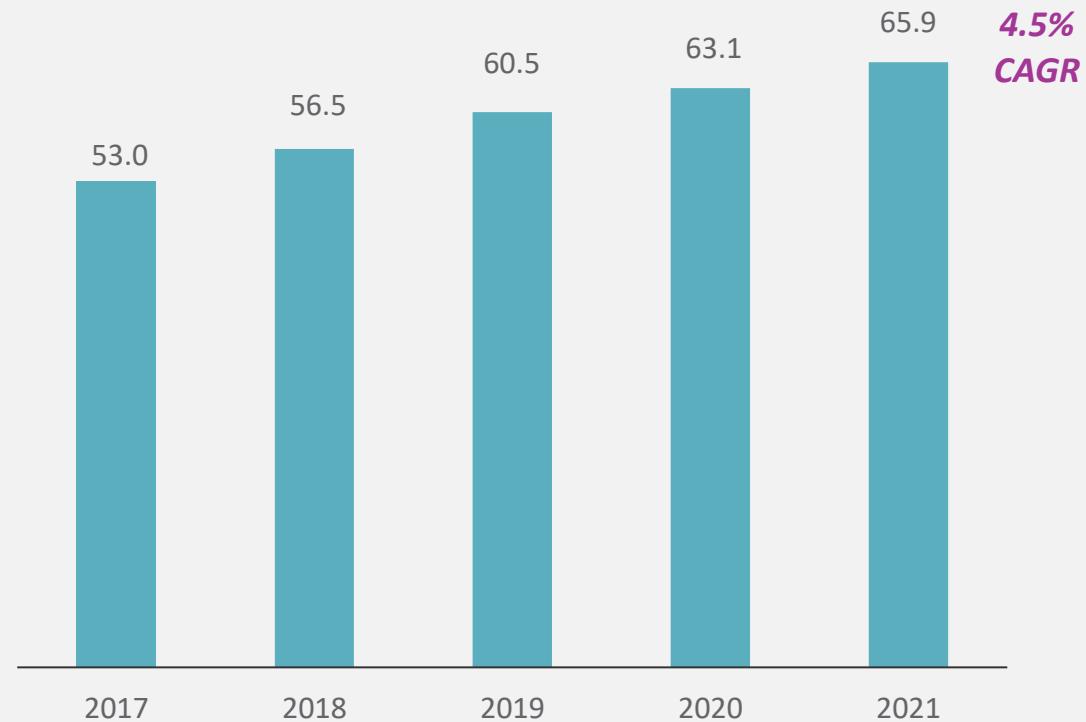


# Through linear TV distribution video commerce, we reach and engage millions of households daily

Across all 5 U.S.  
channels, daily  
tune-in averages  
**2X per day.**

*It's a habit to check in  
on our channels.*

QVC & HSN U.S. Total Minutes Viewed  
(IN BILLIONS)

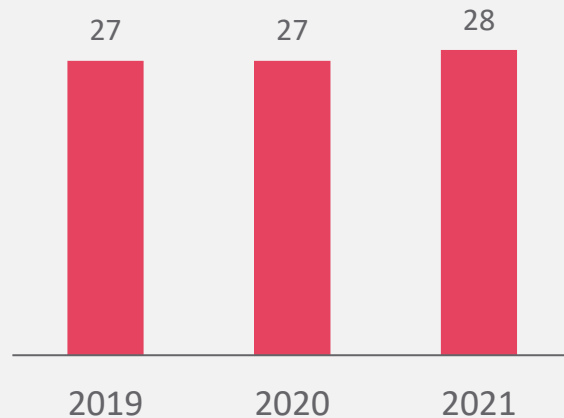




# When our business connects with customers, frequency, value and retention follow

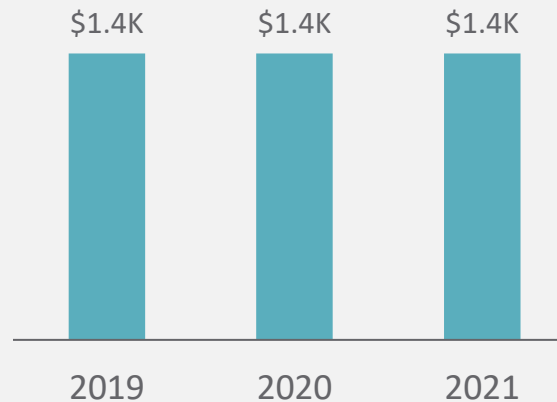
## Frequency

ITEMS PER EXISTING CUSTOMER<sup>1</sup>



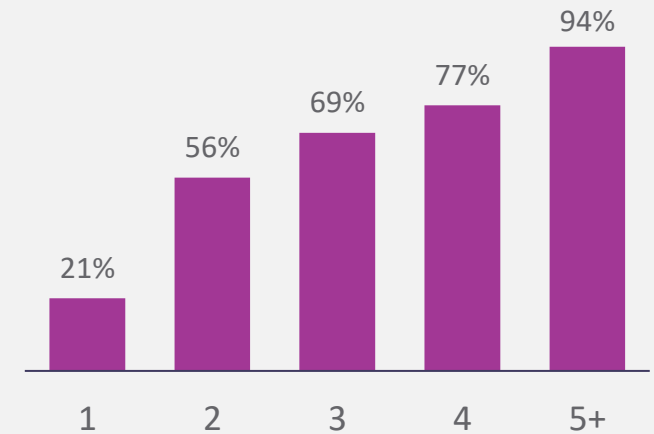
## Value

SPEND PER EXISTING CUSTOMER<sup>1</sup>



## Retention

BY NUMBER OF PURCHASES<sup>2</sup>



Data LTM ended December of respective year.

<sup>1</sup> Existing Customer: Made a purchase in two consecutive 12-month periods.

<sup>2</sup> Retention rate of customers based on number of purchases in the 12-months following the 12-month period ended December 2020.









# Beyond TV distribution, established reach across next-gen digital platforms

**+36%**  
AVG VIEWS PER VIDEO Y/Y\*

**+129%**  
AVG ENGAGEMENTS PER POST Y/Y\*

**SOCIAL STREAMING**  
(livestreams, VOD, original series)

**16M**  
HOUSEHOLDS

**FREE OTT TV: 'FAST' services**  
(livestreams)



**14M**  
HOUSEHOLDS

**PAID DIGITAL TV - vMVPD**  
(livestreams)

**78M**  
DEVICES

**OTT DEVICE AND SMART TV SERVICES**  
(livestreams)

**75M**  
DEVICES

**QVC/HSN INTERACTIVE STREAMING SHOPPING SERVICE**  
(livestreams, VOD, original series)

**QVC & HSN APP ACCESS**  
(livestreams, VOD, in-app purchasing)

**QVC & HSN WEB ACCESS**  
(livestreams, VOD, ecommerce)

YouTube, Google TV and Android TV are trademarks of Google LLC.

All data as of 12/31/21, except vMVPD includes June 2022 launch on Fubo.

\*Social data excludes TikTok (data n/a for full time periods); Engagements defined as Likes, Comments, Shares.



# A perfect customer

## LOVES to Shop

*Inspired by product stories and finding the perfect item*



## Stays Connected

*Enjoys meeting new people and staying connected on social media*



## Likes a Deal

*They are in-the-know and love a good value*



## High Discretionary Income

*Control 70%+ of household purchasing decisions and relatively insulated from economic downturns and inflation*

## Women 40+

*Living in major cities or suburbs*



# We made 5 fundamental mistakes

over the last few years, compounded by macroeconomic pressure

## Eroded Customer Trust

Diluted QVC and HSN customer identities

Lack of personalization and tailoring customer journey

Under-rewarded most loyal customers

## Lost Focus On Our Fundamentals

Weaker “Today’s Special” and “Today’s Special Value”

Pricing confusion

Low on-air productivity

Assortment grew stale

## Added Higher Inflexible Costs

Distribution system expensive & falling behind competitor performance

Indirect spend not optimized

Did not fully exploit COGS buying process for margin

Excess inventory

Cost base grew faster than revenue

## Limited Portfolio Utilization

Loss of strategic clarity with Zulily, failure to address costs

Didn’t expand Cornerstone Brands

## Underinvested in Streaming Reach

Reacted too slowly to cord cutting

Streaming reach not fully exploited

Late to participate in exploding Livestream Commerce Market

COVID — Inflation — Supply Chain Challenges — Rocky Mount



# Project Athens: 3-Year path to re-establish revenue growth, margin expansion and incremental free cash flow generation

## PILLARS OF IMPACT

1

Improve  
Customer  
Experience  
and Grow  
Relationships



2

Rigorously  
Execute Core  
Processes



3

Lower Cost  
to Serve



4

Optimize  
Brand  
Portfolio



5

Build New  
High Growth  
Businesses  
Anchored in  
Strength





## Pillar 1



**Improve Customer Experience  
and Grow Relationships**



# Reorganized company to give separate focus to the QVC & HSN customer



## Who Are Our Target Customers

We focus on smart, youthful women over 50 who love to shop, are in-the-know, and are driven by relationships

## What Q Is

An alternative to soulless shopping — one that's alive with possibilities.

## Best Customers<sup>1</sup>

70+ items/year on average

***QVC is the premier experiential retailer  
for people who love to shop***



## Who Are Our Target Customers

An ethnically diverse group of women over 40 who like to stand out in a crowd

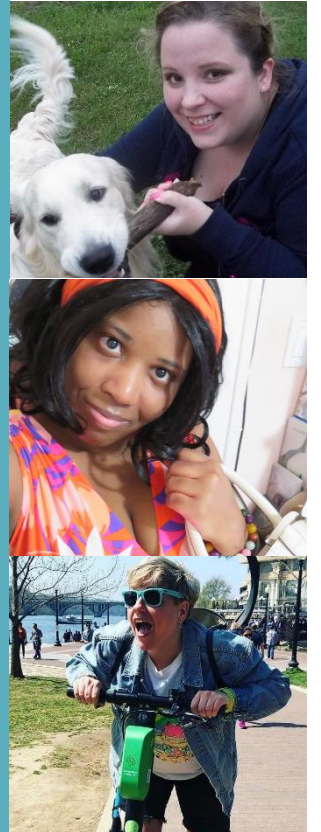
## What H Is

A favorite escape that celebrates individuality and uniqueness.

## Best Customers<sup>1</sup>

35+ items/year on average

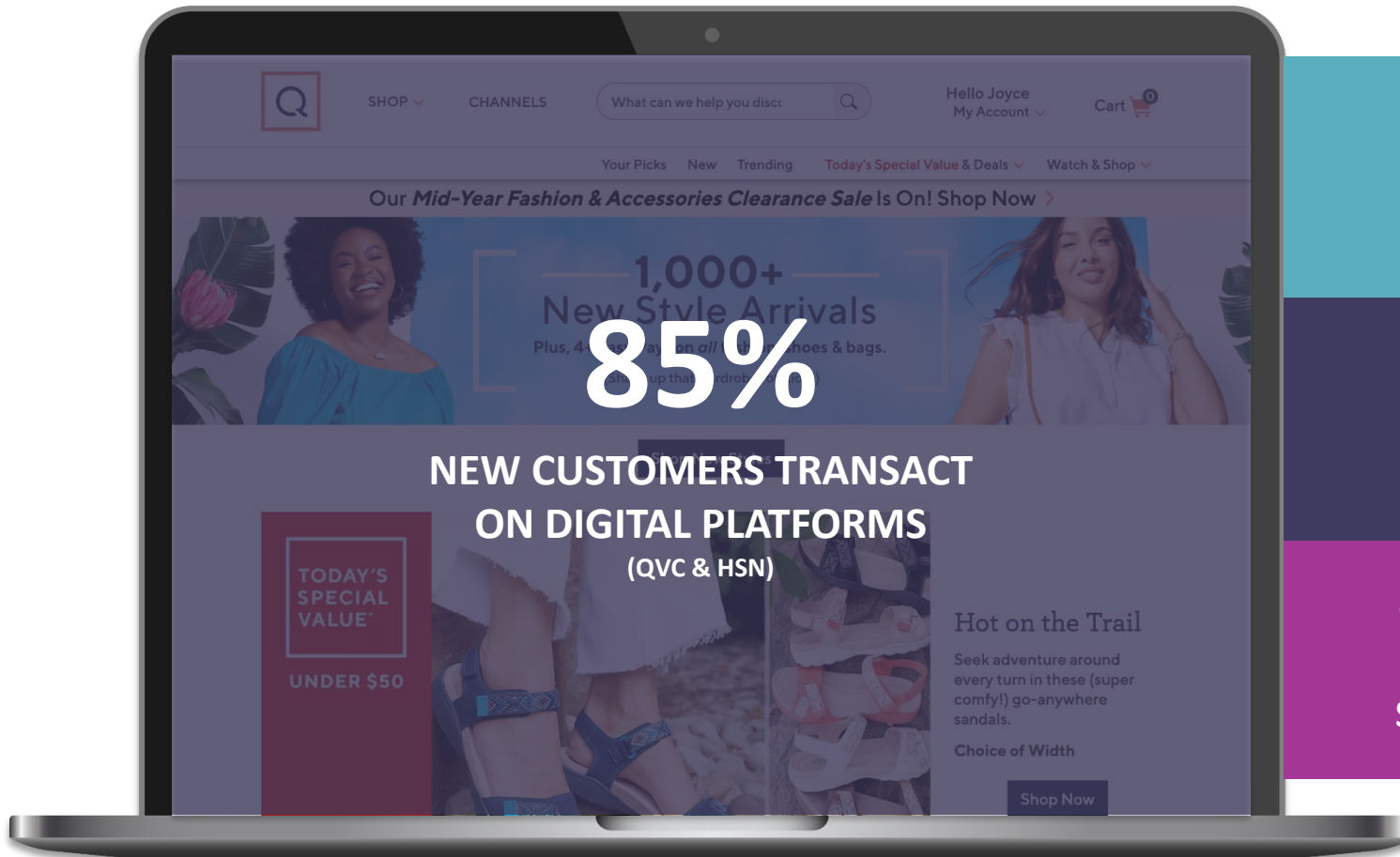
***HSN is a boutique experience  
for shoppers who thrive on self-expression***



<sup>1</sup> Best customers are defined as those who purchase more than 20 units per year at QVC US and 10 units per year at HSN



# Opportunity to more directly engage in our customer's digital lifecycle



11  
WEBSITES

2.5B  
DIGITAL SESSIONS<sup>1</sup>

175+  
SOCIAL PAGES

19M  
SOCIAL FANS

<sup>1</sup> Includes web, mobile web and apps.



# We have a plan to build greater intimacy, connection and LTV with our customers digitally

1

## Improve Quality and Conversion Traffic

Targeted Messaging on Paid Search & Social

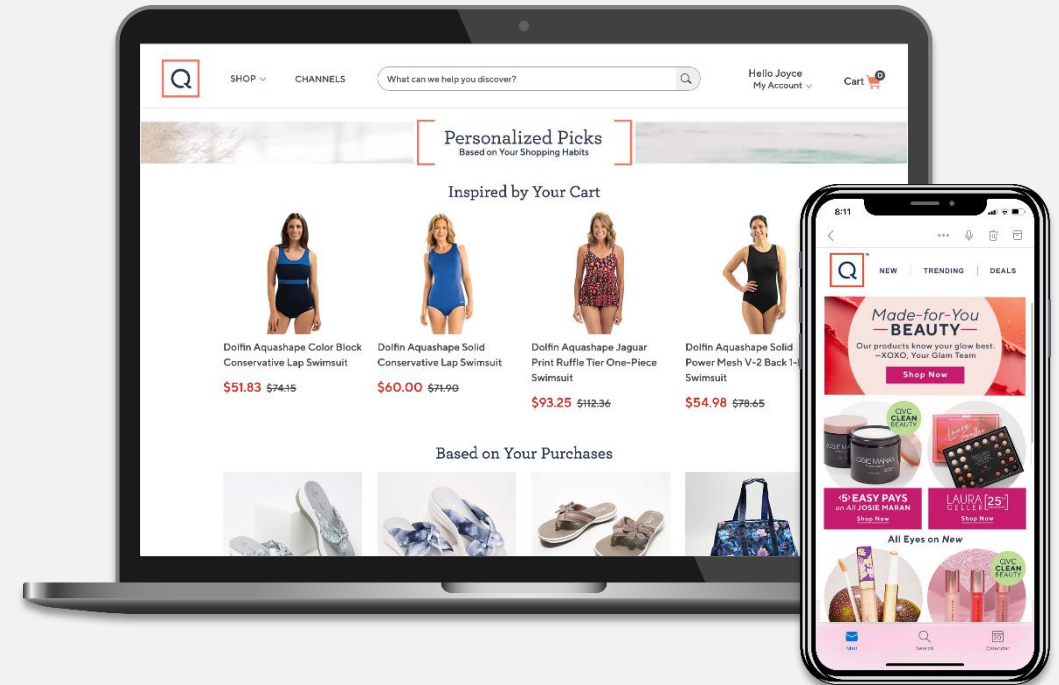
Robust Retention Strategy

2

## Improve On-site Conversion

Provide a Personalized Experience

**GREATER BENEFITS FOR THE BEST CUSTOMERS**





## Pillar 2

**Rigorously Execute Core Processes**



# We have opportunity to refine our assortment, improve productivity, sharpen our pricing and drive urgency



## Programming

Reallocate airtime to high performing sub-categories to improve margin/airtime ratio

Leverage advanced analytics to optimize scheduling (time and day)



## Assortment

Improve assortment productivity through analytics by:

1. Identifying key consumer purchase drivers
2. Understanding purchase substitutions
3. Simulating impacts of assortment changes and effects on sales and margin



## Pricing

Re-establish uniqueness and value of TSV/TS

Adjust pricing to match customer perception and peer set

Reduce depth of discount and install systematic markdown plan



# We focus on and strengthen our long-term partnerships

## *Chef Curtis Stone*

10 YEAR ANNIVERSARY WITH HSN IN 2022 –  
EXCLUSIVE DISTRIBUTOR OF HIS BRAND IN THE U.S.

**5.2M**

UNITS SOLD

**\$225M**


IN REVENUE



CURTIS  
STONE

“Cooking should be fun and easy.  
I design kitchen solutions to  
help make meals hassle free.”

Chef Curtis Stone

[Behind the brand](#) 





## Pillar 3

**Lower Cost to Serve**



# Recently completed review of full operating potential

## Identified substantial run-rate cost savings potential over 2–3 years

Remedy transportation & distribution inefficiencies  
and deliver a better customer experience

Improve category margin performance within sub-par  
brand relationships

Expand penetration of proprietary brands within  
overall sales mix

Align organization cost structure

Sharpen contract negotiation for indirect expenditures

**Hundreds of millions of  
dollars in cost-driven net  
OIBDA dollar growth**



# Effort underway to improve net working capital over next 18 months to **reduce QVC U.S. and HSN inventory by 20 – 30%**

## DISCIPLINED OPEN TO BUY PROCESS

Reduce /  
Cancel  
Inventory  
Receipts

Accelerate  
Return to  
Vendor

Disciplined  
Markdown  
Cadence

Reduce Low  
Productivity  
SKUs

## EXCESS/AGED SKU EFFICIENCY

3<sup>rd</sup> Party  
Liquidations

Establish  
Zulily as a  
Clearance  
Channel



## Pillar 4

# Optimize Brand Portfolio



# Zulily expected to return to growth by year end 2023, building on flash model with an always-on sales strategy

Zulily



FOCUSING ON  
QUALITY/VALUE



ENCOURAGING  
DISCOVERY



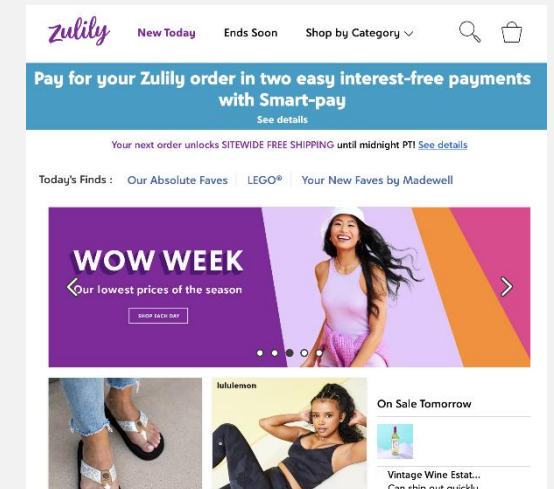
ANTICIPATING  
HER NEEDS



Recommitting to **early-stage Moms with kids**; large white space opportunity



Refining marketing strategy to capture the fun and value of this **digital purpose-driven store** — not just the one-day sell

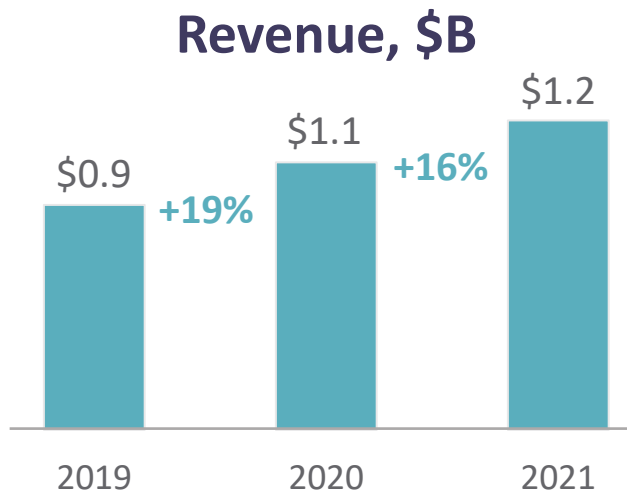


Focusing on **site functionality, merchandise approach and operational efficiency**



# Cornerstone Brands grew revenue 37% and increased adjusted OIBDA 4x in last two years

Portfolio of Aspirational Lifestyle Brands  
with a Loyal Base of High Value Customers



**22 Locations**  
FULL PRICE & RETAIL OUTLET

BALLARD DESIGNS  
FRONTGATE®

**3+ New Locations**  
IN NEXT 6 MONTHS

Cross Brand  
Partnerships



Behind the Scenes with  
Grandin Road Halloween





## **Pillar 5**



**Build New High-Growth Businesses  
Anchored in Strength**



We have created a new team to build  
**high-growth businesses anchored in what we do best**

```
graph TD; A[vCommerce VENTURES] --- B[Streaming]; A --- C[Coming Soon];
```

**vCommerce**  
VENTURES

## **Streaming**

An extension of the core business with more **content, innovative formats and a superior experience** tailored to the demands of the existing **large-screen television app**.

## ***Coming Soon***

In the process of building and scaling new businesses and business models focused on the small-screen/mobile apps. **Business launch in first-half of 2023.**



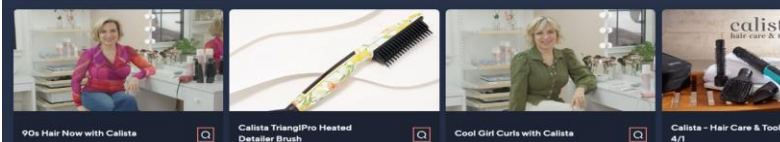
# With tons of new content

## TOTAL EXPERIENCE SWIMLANES FILLED WITH SHOWS

### THE TOTAL EXPERIENCE: BLUE JEAN CHEF



### THE TOTAL EXPERIENCE: CALISTA



### THE TOTAL EXPERIENCE: MALLY



## (PRETTY MUCH)

CONVERSATIONS ABOUT BEAUTY WITH PEOPLE OVER 40



## ORIGINAL PROGRAMMING

## NEW CHANNELS

in the kitchen

LIVE NOW

4:00 PM

7:00 PM

WATCH LIVE ▶

Fashion Finds  
STYLE CHANNEL



Total Look  
WITH JULIA CEARLEY

1 great piece, styled 3 ways. Rock the Total Look.



Vanessa Can't Cook!

She's really learning to cook. Really.



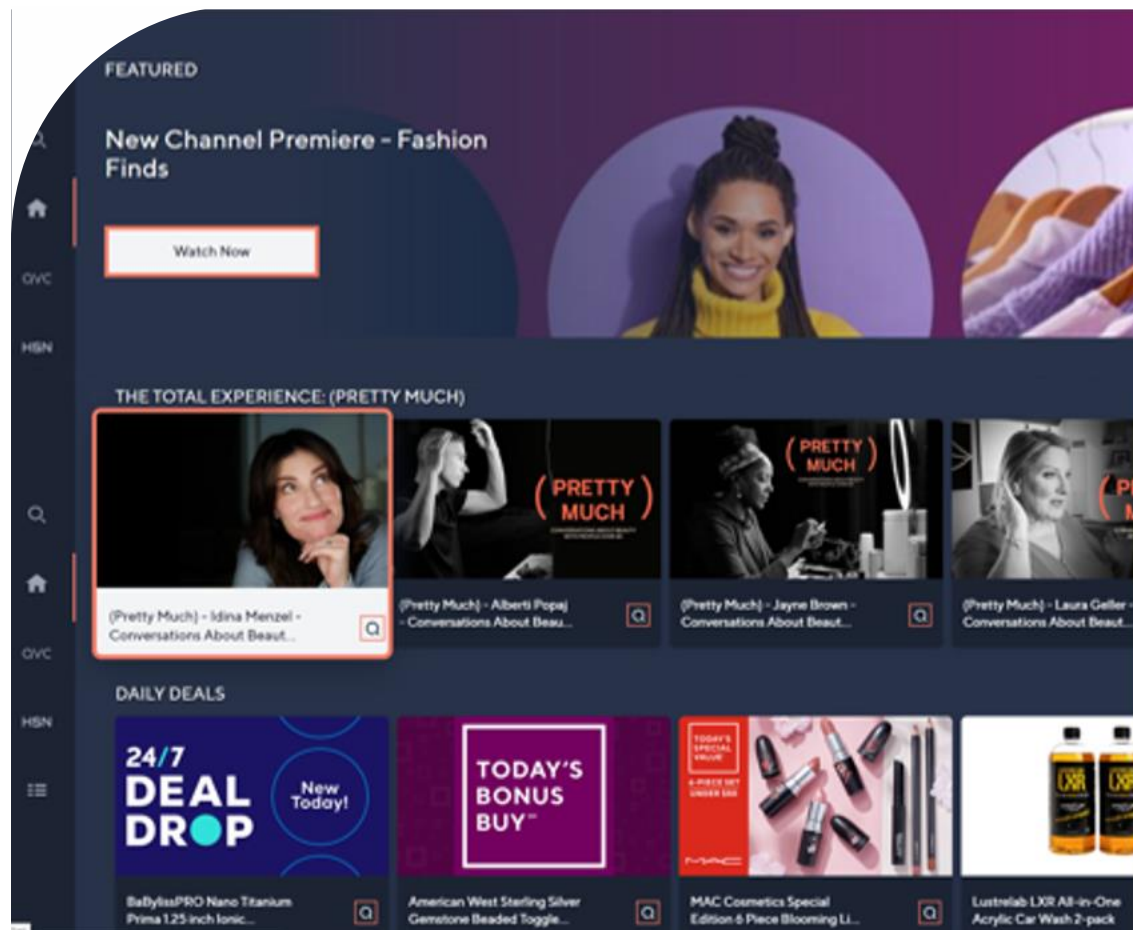
## NEW STATIC SHOWS

# 24/7 DEAL DROP

## EXCLUSIVE STREAMING DEALS



# Our goal is to become the market leader in streaming video commerce



Over 7M downloads of our big screen streaming app, and on Xfinity and LG with no download needed

- 8 distinct 24/7 Channels *as of 7/1*
- 40+ hrs of extra content available to watch
- **Product search** links-in to videos
- 600K MAUs and climbing



Continue to meet our customers where they are  
**with new distribution deals**

**ion**  
TELEVISION

**fubo**<sup>TV</sup>

**15M**  
HOUSEHOLDS

**1M**  
HOUSEHOLDS



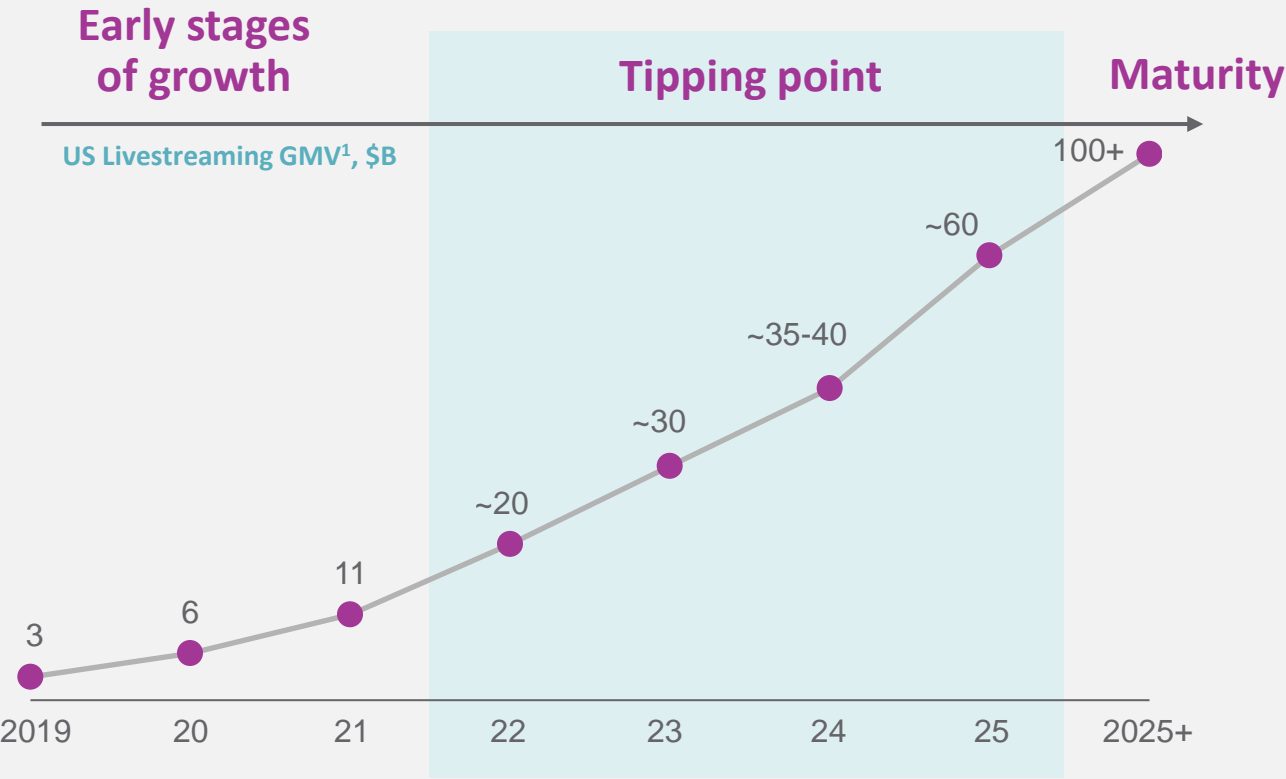
OTA



vMVPD



# The U.S. digital livestream commerce market has attractive customer fundamentals, and is at its tipping point



**+\$200B**

<sup>2</sup>CHINA'S LIVESTREAM COMMERCE MARKET;  
U.S. MARKET EXPECTED TO FOLLOW SIMILAR  
TRAJECTORY

**LIVE SELLING IS LUCRATIVE**  
Sellers see higher conversion and  
AOVs relative to ecommerce

1. The tipping point for ecommerce, social media, or streaming were all accelerated by a key player (Amazon, Facebook, and Netflix respectively) as was live in China; players listed are initial players, but not necessarily tipping point key players.

2. Data sourced from Everbright Securities, iResearch and McKinsey



# Project Athens

**1**

**Improve  
Customer  
Experience  
and Grow  
Relationships**



**2**

**Rigorously  
Execute Core  
Processes**



**3**

**Lower Cost  
to Serve**



**4**

**Optimize  
Brand  
Portfolio**



**5**

**Build New  
High Growth  
Businesses  
Anchored in  
Strength**





# Financial Outlook

(2023 - 2024)

## Project Athens

Base Year: Full Year 2022

Revenue



Stable

Net Adjusted OIBDA  
& Free Cash Flow Growth



Double-Digit CAGR through 2024

**Committed to 2.5x or better long-term leverage target**



**Q&A**