



# 2016 Investor Day

November 10, 2016

# Forward-Looking Statement

This presentation includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about business strategies, market potential, the anticipated benefits and synergies resulting from our acquisition of zulily, future financial prospects, international expansion, new service and product offerings, the monetization of our non-core assets, the performance of QVC US, the continuation of our stock repurchase program, the estimated liabilities under exchangeable debentures and the ability of invested cash flows to meet obligations under the debentures 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, 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 Liberty Interactive, changes in law and government regulations that may impact the derivative instruments that hedge certain of our financial risks and market conditions conducive to stock repurchases. These forward-looking statements speak only as of the date of this presentation, and Liberty Interactive expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in Liberty Interactive'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 Liberty Interactive, including the most recent Forms 10-Q and 10-K for additional information about Liberty Interactive and about the risks and uncertainties related to Liberty Interactive's business which may affect the statements made in this presentation. During today's presentation we will discuss certain non-GAAP financial measures including adjusted OIBDA, adjusted OIBDA margin, adjusted net income and free cash flow. Please refer to the Appendix at the end of the Liberty Ventures Group portion of this presentation for definitions and applicable GAAP reconciliations. The Appendix will be available on our website [www.libertyinteractive.com](http://www.libertyinteractive.com) throughout this meeting.

# Agenda

12:15 – 12:25	Welcome.....	Courtnee Chun
12:25 – 12:40	QVC Group.....	Greg Maffei & Mark Carleton
12:40 – 1:05	QVC.....	Mike George
1:05 – 1:15	zulily .....	Darrell Cavens
1:15 – 1:25	Liberty Ventures.....	Greg Maffei & Mark Carleton
1:25 – 1:35	Liberty Expedia.....	Chris Shean
1:35 – 1:50	CommerceHub....	Frank Poore
1:50 – 1:55	Liberty Broadband.....	Greg Maffei
1:55 – 2:15	Charter.....	Tom Rutledge
2:15 – 3:00	Q&A.....	John Malone & Greg Maffei



“And now back to Q”

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Greg Maffei – President & CEO

# QVC Group – Discovery-based, Shopping Pure-play

- QVC International and zulily performing better
- Working to return QVC US to normalized trajectory



(Figures in millions except %'s and Orders)

	 LTM Growth		     LTM Growth <sup>(1)</sup>		 LTM Growth	
LTM Customers:	8.1	0%	4.6	4%	5.0	2%
LTM Revenue:	\$6,262	1%	\$2,562	3%	\$1,523 <sup>(4)</sup>	16%
LTM OIBDA:	\$1,476	-1% <sup>(2)</sup>	\$434 <sup>(3)</sup>	0% <sup>(2)</sup>	\$110 <sup>(4)</sup>	105%
% e-comm (Revenue):	51%		33%		100%	
% Mobile (e-comm):	55%		60%		66%	
Avg. Orders/Cust/Year	25		23		6	

(1) Growth rate on constant currency basis and excluding impact of cost reallocation from US to International.

(2) Excluding impact of cost reallocation from US to International.

(3) Adjusted for France start up expenses of \$31m.

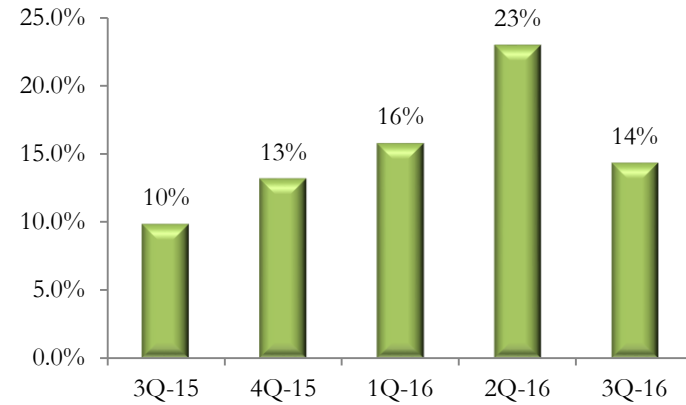
(4) Adjusted to add back \$17 million reduction in deferred revenue associated with purchase accounting.



# zulily Operating Performance Confirms Investment Thesis

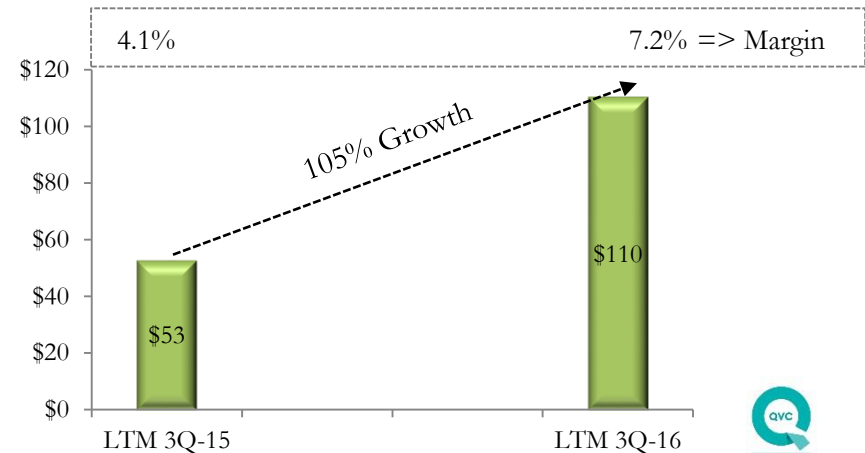
- Impressive revenue growth profile since August 2015 acquisition announcement
  - Driven by improvements in marketing, assortment expansion and customer experience
  - Revenue synergies from QVC Group acquisition still ramping
- Strong progress expanding margins
  - Benefits of increasing scale
  - Progress optimizing fulfillment cost structure
  - Modest, early cost synergies
- More runway on margin expansion
- Over past four quarters, zulily has increased QVC Group revenue and OIBDA growth rates by 2.0% and 2.9%, respectively<sup>(2)</sup>

Quarterly Revenue Growth<sup>(1)</sup>



(\$ in millions)

LTM OIBDA<sup>(3)</sup>



(1) Versus comparable prior year quarter.

(2) Assumes QVC Group had owned zulily for past 8 quarters. QVC Group began consolidating zulily in 4Q-15.

(3) Adjusted to add back \$17 million reduction in deferred revenue associated with purchase accounting.

## *Added Talent*



**Mark Vadon**  
Director, Liberty Interactive  
Co-Founder of zulily



**Darrell Cavens**  
President and CEO, zulily  
Co-Founder of zulily



**Lori Twomey**  
Chief Merchant, zulily



**Bob Spieth**  
EVP Customer and Business  
Services, QVC & zulily

## *Cross-promoting platforms*



## *Expanding zulily vendors*



## *QVC Clearance Platform*



# QVC US – Working Through Near Term Challenges, But Still Great Business

- Recent decline in performance for QVC is not structural
  - Viewership, retention and average customer demographics have remained stable
- Significant contributors to recent sales decline:
  - Challenges in key product areas
  - Increased promotional competition
  - Macro/geo-political factors
- Factors receiving disproportionate market attention as supposed drivers of recent decline
  - Easy-Pay
  - Amazon
  - Cord cutting
- Structural change would likely manifest as steady erosion of operating results





## Proactively Responding Across Business

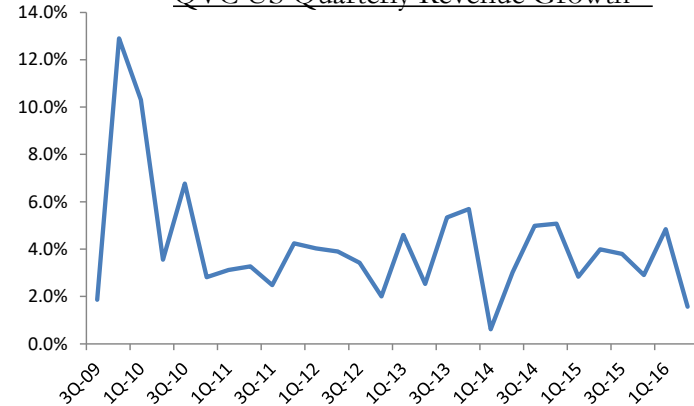
- Team is working proactively to return QVC US to normalized financial results
  - Pursuing new product trends
  - Refining pricing
  - Adding distribution (Beauty iQ)
  - Expanding digital (i.e., Facebook Live and OTT)
  - Cost reduction initiatives targeting \$25-30m in annual savings
  - Moving forward with previously announced initiatives that will add value over coming years, including Global Business Services Center and West Coast Distribution Center
- Working to grow long-term value of franchise. Avoiding actions with short-term motivations:
  - Excessive use of clearance activity
    - Keep customer habituated to QVC model of first-price-best-price
    - Modest clearance to maintain healthy inventory and better compete in end of season promotional environments (especially Q3)
  - Further ramping Easy-Pay penetration to paper over sales decline
    - Carefully managing penetration based on sales efficacy and bad debt exposure
    - Still see Easy-Pay as important part of value proposition
  - Investment in low ROI marketing
    - QVC has historically spent less than 1% of revenue on marketing
    - Continuous experimentation with marketing channels, but must produce attractive ROI to scale
    - Presence on TV dial and word of mouth have been primary awareness drivers

# Long History of Stable Results

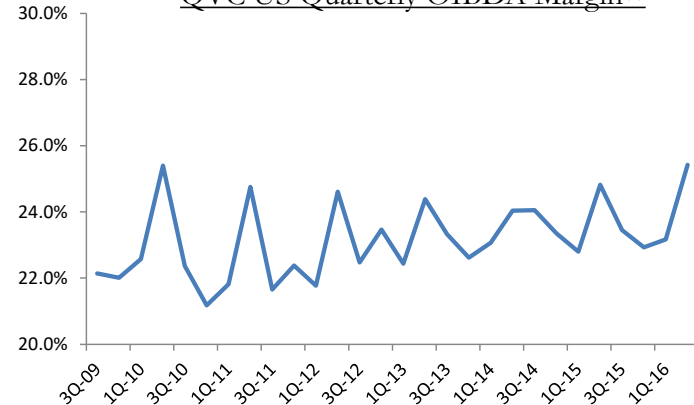
- QVC US posted 28 consecutive quarters of revenue growth through 2Q-16
- Liberty appreciates QVC's unique combination of:
  - Stable revenue growth
  - High margins
  - Reasonable capital requirements
- First down quarter in past seven years does not change this assessment
- QVC distribution model has sustainable competitive advantage based on
  - Programming/inventory flexibility
  - Entertainment/demonstration based medium
  - Difficult to replicate infrastructure
  - Economies of scale (with vendors and distributors)
  - Embedded vendor advertising value

(as of 6/30/16)

QVC US Quarterly Revenue Growth<sup>(1)</sup>



QVC US Quarterly OIBDA Margin<sup>(2)</sup>



(1) Versus comparable prior year quarter.

(2) Includes benefit of cost reallocation between QVC US and QVC International beginning in 1Q-16.

# Buyback Philosophy

- QVC Group continues to be levered return of capital story
  - Highly cash generative
  - Mandate for focused M&A (e.g., zulily)
  - Tax efficient return of capital
- Buyback has run at roughly levered free cash flow over past few years (+/- \$800m per annum)
- Relevant considerations for buyback pace
  - Buyback ROIC
  - Financial policy
    - QVC drew down \$900m on revolving credit facility to fund zulily acquisition and additional \$345m<sup>(1)</sup> to fund repayment of 1% HSNI exchangeable
    - Current leverage at 2.8x (pro forma for repayment of 1% HSNI Exchangeable), above stated leverage target of 2.5x
    - Financial maintenance covenant at 3.5x an additional consideration
- Buybacks have been used as steady return of capital program
  - Recent share price movements have not changed this philosophy
  - Attractive LTM levered free cash flow yield of 9-10%

(1) Including borrowings by zulily.

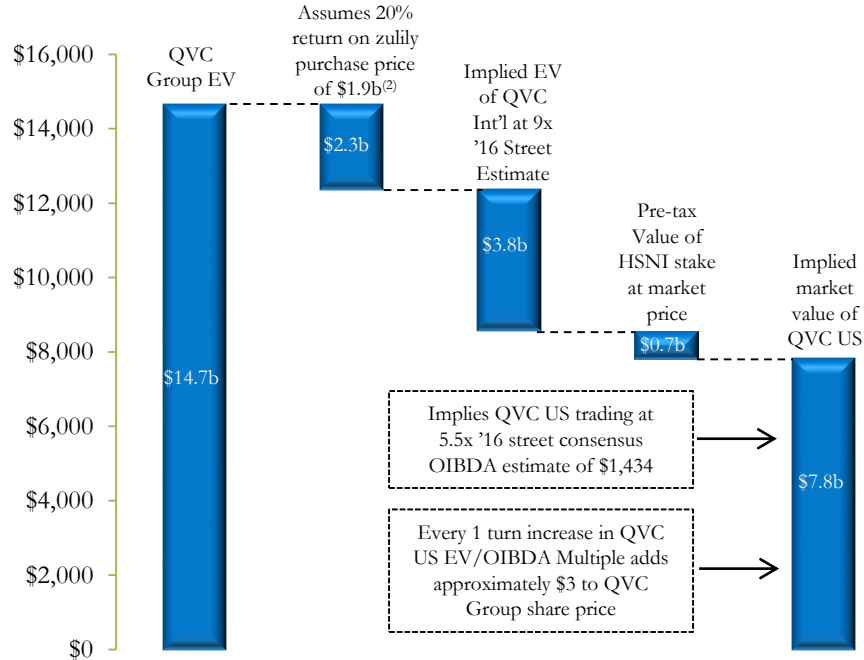
Mark Carleton – CFO

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# Market Overly Discounting Value of QVC US

## Implied Value of QVC US at 5.5x '16E OIBDA<sup>(1)</sup>...

(Figures in billions)



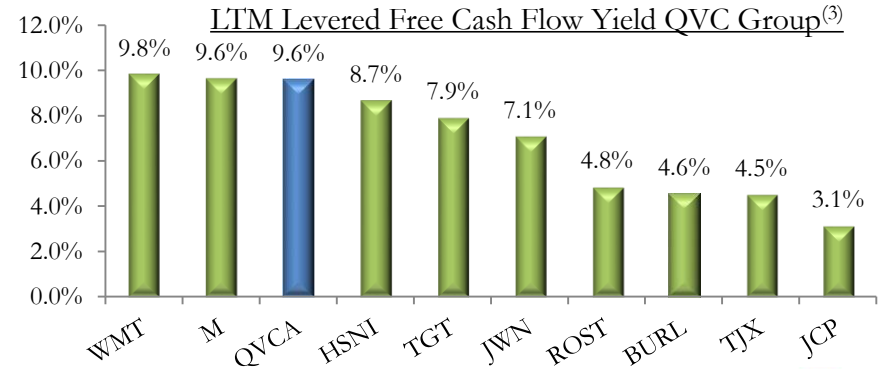
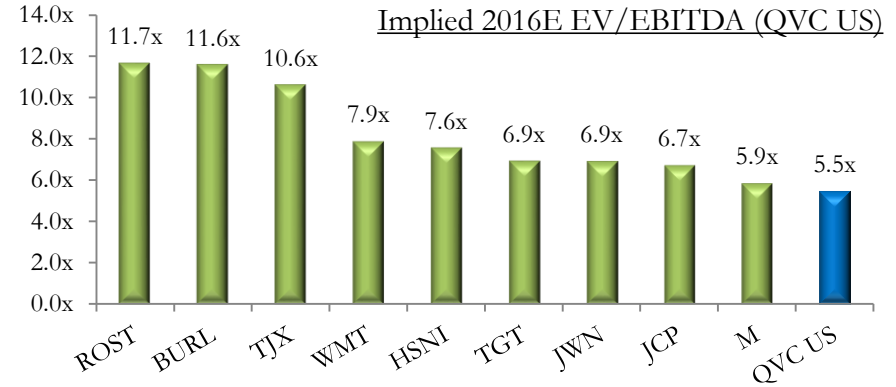
Note: Market data as of 11/3/16.

(1) Based on street consensus 2016 OIBDA estimates for QVC US.

(2) Excludes cash at zulily at time of acquisition.

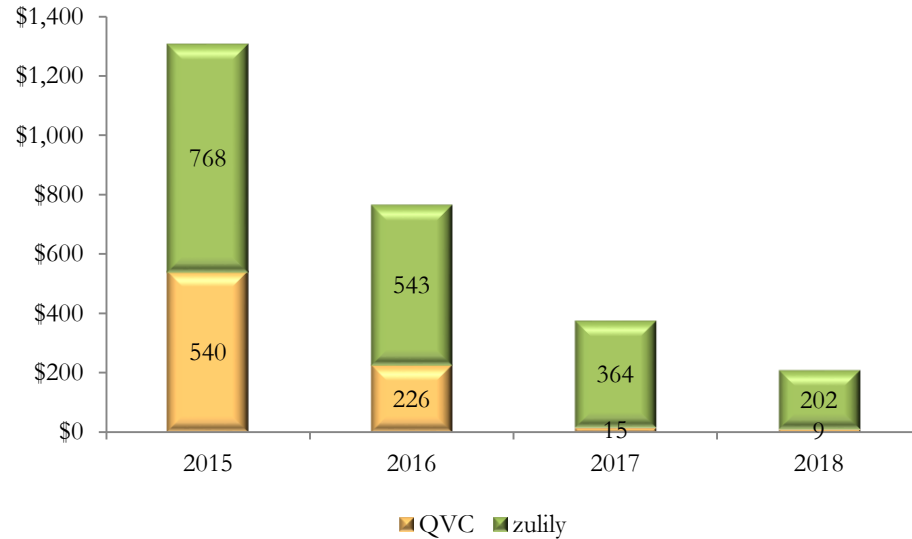
(3) Free cash flow (FCF) defined as operating income less capex. QVC Group free cash flow further reduced by distribution rights payments and dividends to Mitsui. Levered FCF yield calculated as FCF divided by equity value.

## ...More Akin to Department Store Multiple



# Review of Purchase Accounting Amortization

## QVC Group Intangible Asset Balance



## QVC Group Purchase Accounting Amort.

- QVC purchase accounting (“PA”) dates back to 2003 acquisition of Comcast’s interest in QVC
- QVC PA amortization rolls off in 2H 2017
- Additional PA amortization associated with zulily acquisition
- PA amortization is not deductible for cash tax purposes

# Adjusted Net Income

- Important to properly adjust for purchase accounting amortization when using a P/E valuation metric
- Purchase accounting amortization doesn't represent a cash expense for QVC Group and provides no tax shield benefit

## QVC Group Adjusted Net Income

	4Q15	1Q16	2Q16	3Q16	LTM
<b>QVC Group</b>					
QVC GAAP net income <sup>(1)</sup>	\$ 223	90	127	61	\$ 501
QVC Purchase accounting amort., net of deferred tax benefit <sup>(2)</sup>	50	50	50	50	200
zulily Purchase accounting amort., net of deferred tax benefit <sup>(3)</sup>	39	36	38	37	150
QVC Group Adjusted net income	<u>\$ 312</u>	<u>176</u>	<u>215</u>	<u>148</u>	<u>\$ 851</u>
QVCA/B shares outstanding as of October 31, 2016					467
Adjusted LTM earnings per share					1.82
Current QVCA share price (as of 11/3/2016)				\$	18.26
Price / adjusted earnings per share					10.0x

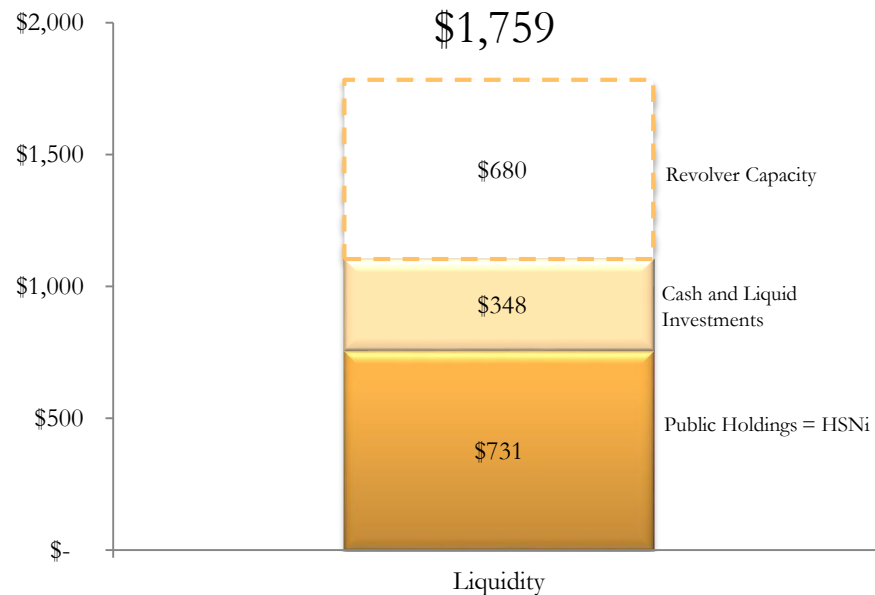
- (1) zulily's results for the fourth quarter 2015 include the impact of a \$17 million non-cash, one-time reduction in deferred revenue due to purchase accounting, net of book deferred tax benefit.
- (2) Add-back relates to non-cash, non-tax deductible purchase accounting amortization from Liberty Interactive's acquisition of QVC, net of book deferred tax benefit (gross non-cash, non-tax deductible purchase accounting amortization is expected to be \$316 million for the twelve months ended December 31, 2016, and is applied ratably across the four quarters in each year).
- (3) Add-back relates to non-cash, non-tax deductible purchase accounting amortization from Liberty Interactive's acquisition of zulily, net of book deferred tax benefit.

# QVC Group Liquidity

## Cash, Liquid Investments and Public Holdings

Pro Forma as of 9/30/16		
<b>Revolver capacity</b>		
QVC: \$2,650m total capacity - \$1,970m used <sup>(1)</sup>	\$680	
<b>Cash and liquid investments</b>		
QVC balance sheet cash and liquid investments	\$348	
<b>Public holdings</b>		
HSNi <sup>(2)</sup> : 20m shares x \$36.50/share	\$731	

\$ in millions



Market data as of 11/3/16.

(1) Includes \$345m drawn post 9/30/16 to repay 1% HSNi Exchangeable Debentures.

(2) Represents the fair value of QVC Group's investment in HSNi as of 11/3/16. HSNi is accounted for as an equity method investment by Liberty Interactive.

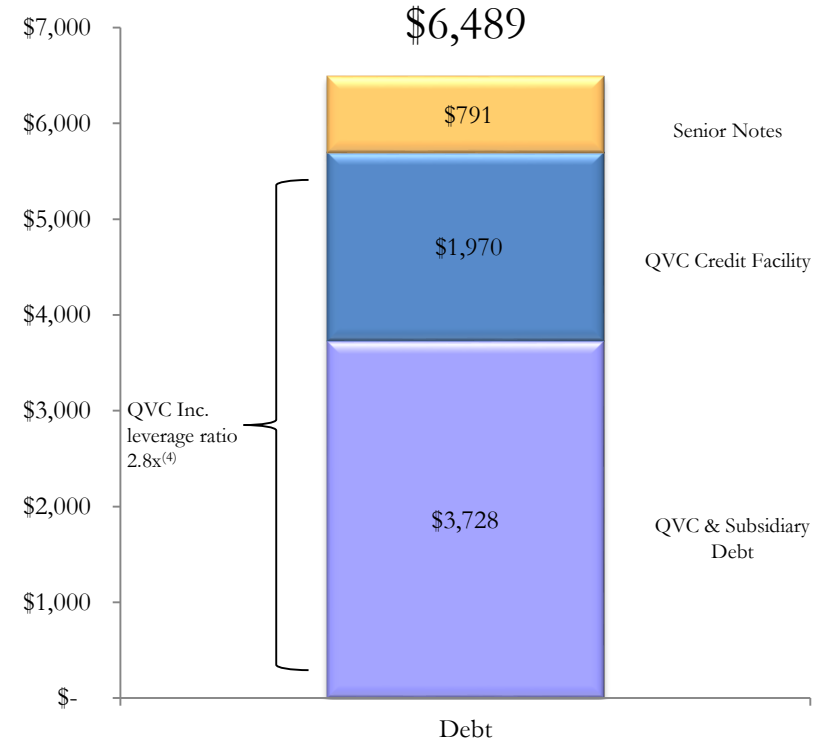


# QVC Group Debt

Pro Forma Debt Outstanding as of 9/30/2016 <sup>(1)</sup>		
<b>Senior notes and debentures<sup>(2)</sup></b>		<b>\$791</b>
8.5% senior debentures	\$287	
8.25% senior debentures	\$504	
<b>QVC Credit Facility<sup>(3)</sup></b>		<b>\$1,970</b>
<b>QVC senior notes and subsidiary debt</b>		<b>\$3,728</b>
QVC 3.125% senior secured notes due 2019	\$400	
QVC 5.125% senior secured notes due 2022	\$500	
QVC 4.375% senior secured notes due 2023	\$750	
QVC 4.850% senior secured notes due 2024	\$600	
QVC 4.45% senior secured notes due 2025	\$600	
QVC 5.45% senior secured notes due 2034	\$400	
QVC 5.95% senior secured notes due 2043	\$300	
Other subsidiary debt	\$178	

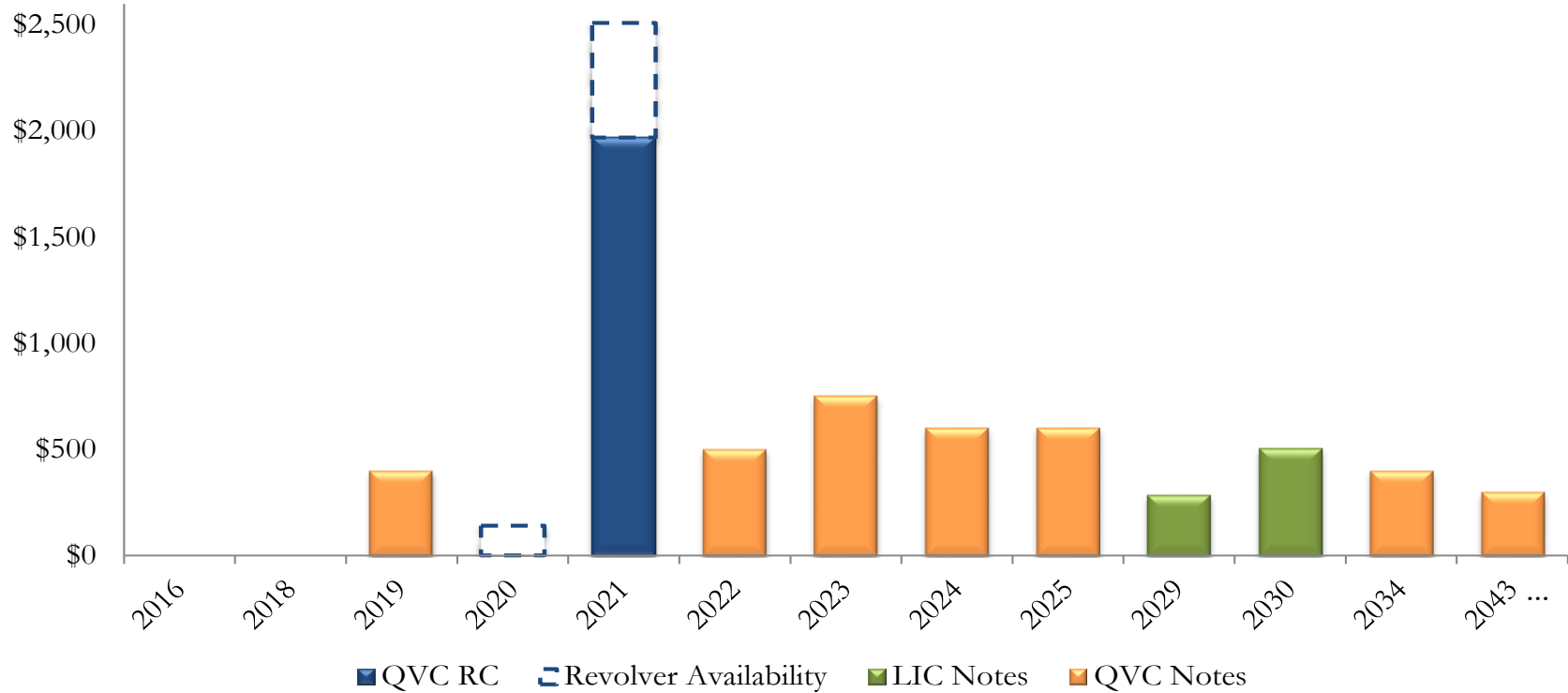
- (1) 1% HSNi Exchangeable Debentures were repaid post 9/30/16.
- (2) Face amount as of 9/30/16 with no reduction for the unamortized discount.
- (3) Includes \$345m drawn post 9/30/16 to repay 1% HSNi Exchangeable Debentures.
- (4) Inclusive of zulily OIBDA.

\$ in millions



## Well Diversified, Low Cost Maturities across QVC Group

- Weighted average cost of debt 4.0% (pre-tax)



(1) Note: Includes the repayment of 1% HSNI Exchangeable Debentures, which occurred after 9/30/16.

## Appendix

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# Non-GAAP Financial Measures

This presentation includes the use of adjusted OIBDA, which is a non-GAAP financial measure, for QVC (and certain of its subsidiaries) and zulily together with a reconciliation to that entity or such businesses' operating income, as determined under GAAP. Liberty Interactive defines adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses, excluding all stock based compensation, and excludes from that definition depreciation and amortization that are included in the measurement of operating income pursuant to GAAP. In addition, for purposes of this presentation, start-up costs associated with QVC France and purchase accounting related deferred revenue at zulily have been added back to adjusted OIBDA. The purchase accounting related deferred revenue at zulily has also been added back to GAAP revenue in this presentation (described herein as adjusted revenue). Further, this presentation includes adjusted OIBDA margin which is also a non-GAAP financial measure. Liberty Interactive defines adjusted OIBDA margin as adjusted OIBDA divided by revenue.

Liberty Interactive believes adjusted OIBDA is an important indicator of the operational strength and performance of its businesses, including each business' ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. Because adjusted OIBDA is used as a measure of operating performance, Liberty Interactive views operating income as the most directly comparable GAAP measure. Adjusted OIBDA is not meant to replace or supersede operating income or any other GAAP measure, but rather to supplement such GAAP measures in order to present investors with the same information that Liberty Interactive's management considers in assessing the results of operations and performance of its assets. Please see the attached schedules for applicable reconciliations.

This presentation also includes references to adjusted net income, which is a non-GAAP financial measure, for QVC Group. Liberty Interactive defines adjusted net income as net income, excluding the impact of purchase accounting amortization (net of deferred tax benefit).

Liberty Interactive believes adjusted net income is an important indicator of financial performance, in particular for QVC Group, due to the impact of purchase accounting amortization. Because adjusted net income is used as a measure of overall financial performance, Liberty Interactive views net income as the most directly comparable GAAP measure. Adjusted net income is not meant to replace or supersede net income or any other GAAP measure, but rather to supplement such GAAP measures in order to present investors with a supplemental metric of financial performance.

# Reconciliations

## QVC Group

### **QVC Adjusted OIBDA**

	4Q-15	1Q-16	2Q-16	3Q-16	LTM
QVC US	\$479	326	363	308	1,476
QVC International	129	89	100	85	403
Add back for France start-up costs	9	7	8	7	31
QVC International adjusted OIBDA <i>(as presented)</i>	138	96	108	92	434
QVC Consolidated adjusted OIBDA <i>(as presented)</i>	617	422	471	400	1,910
France start-up costs	(9)	(7)	(8)	(7)	(31)
Depreciation and amortization	(146)	(148)	(146)	(154)	(594)
Stock compensation	(7)	(6)	(10)	(8)	(31)
Operating Income	<u>\$455</u>	<u>261</u>	<u>307</u>	<u>231</u>	<u>1,254</u>

### **zulily**

Revenue	426	355	366	359	1,506
Add back for purchasing accounting deferred revenue	17	0	0	0	17
Adjusted Revenue	<u>\$443</u>	<u>355</u>	<u>366</u>	<u>359</u>	<u>1,523</u>
Adjusted OIBDA	21	23	31	18	93
Add back for purchasing accounting deferred revenue	17	0	0	0	17
Adjusted OIBDA <i>(as presented)</i>	38	23	31	18	110
Purchase accounting deferred revenue	(17)	0	0	0	(17)
Depreciation and amortization	(69)	(61)	(68)	(65)	(263)
Stock compensation	(5)	(5)	(6)	(5)	(21)
Operating Income	<u>(\$53)</u>	<u>(43)</u>	<u>(43)</u>	<u>(52)</u>	<u>(191)</u>

### LTM 3Q-15

### **zulily**

Adjusted OIBDA	\$53
Depreciation and amortization	\$19
Stock compensation	\$18
Acquisition Related Expenses	<u>\$30</u>
Operating Income	<u>(\$67)</u>



# Overview

Mike George, President and CEO

November 10, 2016

# Safe Harbor

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## Non-GAAP Measures

This presentation includes certain non-GAAP financial measures including adj. OIBDA, adj. OIBDA margin and constant currency growth rates. The required definitions and reconciliations (Preliminary Note and Schedules) can be found at the end of this presentation.

# Today's Discussion



- Highly differentiated shopping model with attractive long term growth potential
- Facing recent sales pressure at QVC US
- Taking actions to improve near-term results while investing for sustained success
- zulily enhances growth profile



# QVC Overview



## Unique Shopping Experience

- The joy of discovery & the power of relationships
- *Find what you love. Love what you find.*

## Diverse Product Mix

- Spans Fashion, Beauty & Health, Jewelry, Electronics, Home
- Distinctive assortment of prestige and proprietary brands and key items
- 75% of offerings exclusive in some way

## Global Reach and Success

- 360M homes reached via 14 networks, across 9 markets
- Leading share positions
- New OneQ structure better leverages global capabilities

## Digital Leader

- 51% eCom pen in US, 46% globally; growing 9%\*
- 56% mobile pen (of eComm) globally; growing 27%\*
- #3 multi-category mobile retailer and #4 eComm retailer\*\*
- 76% of new customers join on eComm platforms\*\*\*

\*Last 12 months ended 9/30/16, growth rates are in constant currency.

\*\*QVC Group (QVC + zulily), (eComm in N. America; Mobile in US). Internet Retailer (eCommerce, April 2016), (Mobile, August 2016).

\*\*\*QVC US, Q3-16.

# QVC Overview

## Loyal, Growing Customer Base

- 14.1M customers worldwide; 4.0M new customers<sup>1</sup>
- 89% retention rate for existing customers<sup>2</sup>, highly stable
- 24 items per existing customer p/yr<sup>2</sup>, highly stable

## Distinctive Competitive Position

- Relationship vs. transactional ecommerce model
- Unique blend of shopping, media, and social
- Significant economies of scale and hard to replicate video presence

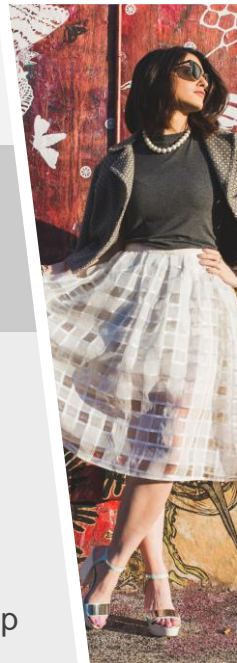
## Compelling Financials

### 2010-2015

- 3.5% Rev CAGR (3.6% US, 3.1% Int'l)<sup>3</sup>
- 12 bps avg adj OIBDA margin expansion p/yr
- ~50% of adj OIBDA converts to ULFCF

### LTM End 9/30/16

- Rev + 1% \$8.8b
- Op Inc margin 14.2%; Adj OIBDA margin 21.3%, down 50bp



<sup>1</sup>Last 12 months ended 9/30/16 including China JV

<sup>2</sup>Last 12 months ended 9/30/16, QVC Consolidated, does not include China JV

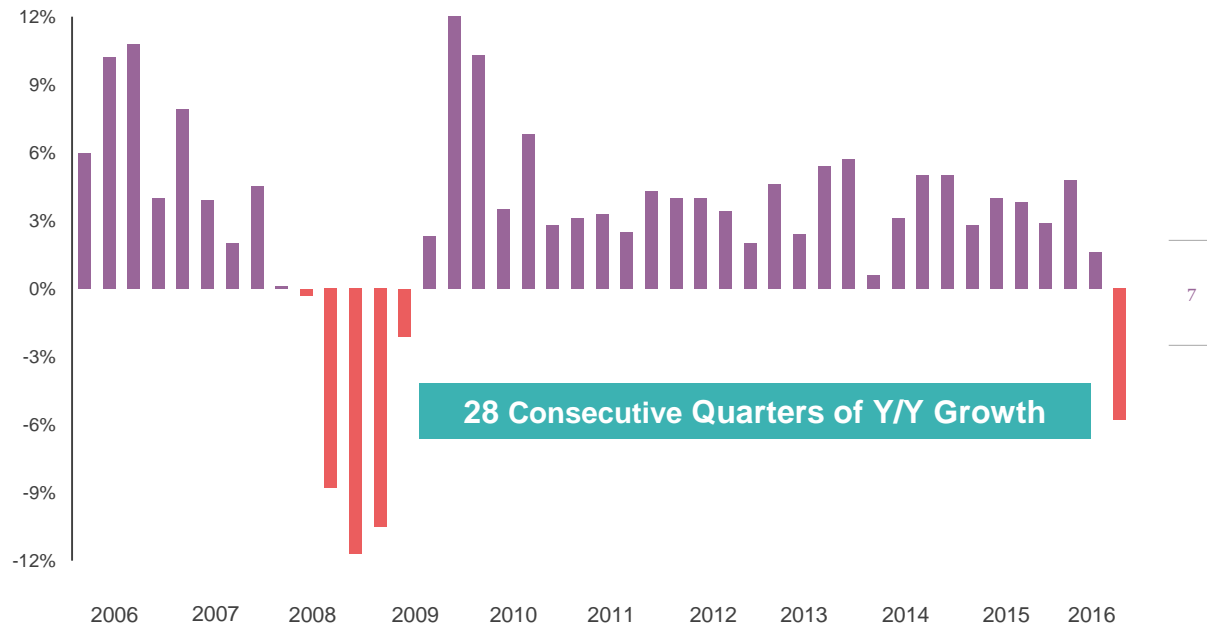
<sup>3</sup>In constant currency, 2010 – 2015.

- 5

# Recent Downturn in US Revenue Growth

- Q3 first negative quarter in US since Great Recession
- Primarily driven by unique confluence of unfavorable trends in key categories
- Other contributing factors include:
  - Geopolitical distractions
  - Weak/promotional environment at retail
  - Moderate easing in QVC credit usage
- Confident issues are addressable; no indication of more structural change in business outlook

## QVC US Revenue Growth



# Category Trends

Strong performance in a number of Home categories

- Increasing strength in Floorcare, Outdoor Living, Bedding, Mattresses, and Holiday Decor




Steep declines in about one third of our businesses, representing highest ASP categories

- Jewelry – Accelerated clearance and eliminated new receipts
- Electronics – PC/tablet liability, comp'ing Windows 10, Easy Pay pullback
- Kitchen/Cook – Erosion in premium electrics (Kitchen Aid, Ninja, Vitamix, Keurig)
- Hair Care – Vendor specific issue (Wen)
- Handbags - Weak market and narrow assortment

Fashion and Beauty slowed to flat results, from double digit gains earlier in the year

- Challenged to comp strong growth, as new brands didn't work as well as expected

## Category Performance - Jun to Sept

Category Performance - Jun to Sept		Sales Mix	YoY Change					Seq Sales Change*
			Sales Change	Sales / Minute Change	EZ Pay Penetration Change	ASP	ASP Change	
	<b>Strong / Growing Categories</b> Household, Garden, Outdoor Living, Bedding, Mattresses, Holiday Decor	23%	+11%	-3%	-2 pts	\$53	-1%	+2 pts
	<b>Flat Categories</b> Apparel, Accessories (ex Handbags), Beauty (ex Hair Care)	45%	-1%	-10%	-1 pt	\$49	-2%	-16 pts
	<b>Struggling Categories</b> Jewelry, Electronics, Kitchen / Cook, Hair Care, Handbags	32%	-24%	-10%	-3 pts	\$74	-7%	-9 pts

Based on demand sales.

\*Difference between Jan-May 2016 growth rate and Jun-Sept 2016.

# Margin Pressure Compounded Sales Shortfall in Q3

Long track record of expanding US adj. OIBDA margins

- 15bp average annual expansion 2010-2015

Q3 margin dropped over 100bp

- Increased clearance activity (primarily Jewelry and Handbags) and volume deleverage
- Partially offset by tight inventory management and QCard income

Expect margin declines to moderate in short term

- Less clearance activity, benefit of restructuring initiatives

Focused on returning to OIBDA margin expansion, predicated on sales turnaround

## Q3 US Margin Change

Operating Income Margin	(260) bps* Y/Y	
Adj. OIBDA Margin	(100) bps* Y/Y	
<b>Positives</b>	Inventory obsolescence	+70 bps
	Qcard	+30 bps
<b>Challenges</b>	Product Clearance	(140) bps
	Warehouse and Freight (ASP deleverage)	(50) bps
	Fixed and Discretionary Costs (down 4% YoY)	(10) bps
	Bad debt	(10) bps

\*Q3-16 on a pre-cost allocation basis.  
Cost allocations were \$8 million in Q3-16 and favorably impacted margins 60 bps.

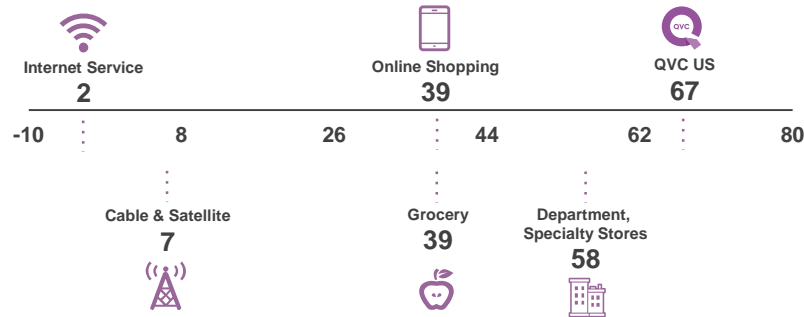
# Sales Slow Down Not Driven by Structural Challenges

No indication that sudden sales slowdown driven by longer term structural challenges

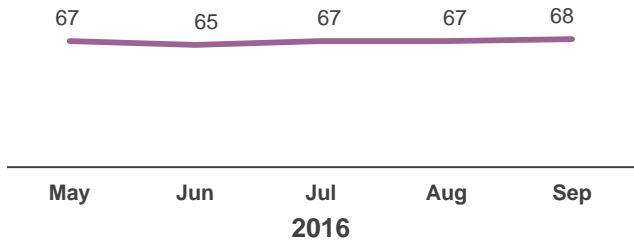
- Customer sentiment about QVC remains strong and stable
- 'Top of funnel' customer engagement with QVC remains strong and stable
- Customer retention and purchase frequency remain strong and stable
- No evidence of changes in competitive trends
- No change in cord cutting trend; minimal impact to date

# Customer Sentiment Remains Strong

## Strong and Stable Net Promoter Scores NPS Scores by Industry 2016 Average



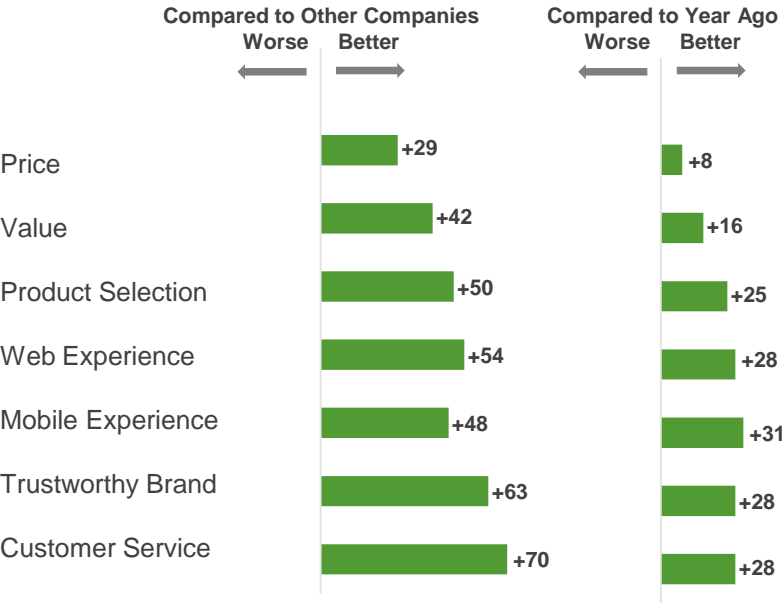
### QVC US NPS Trend



\*Net Promoter Score based on answering: *How likely are you to recommend this company, brand, product or service to family, friends or colleagues?* Score equals Promoters (answering 9-10) minus Detractors (1-6)

Sources: Satmetrix US Consumer 2016 Net Promoter Benchmarks and QVC Customer Survey July 2016.

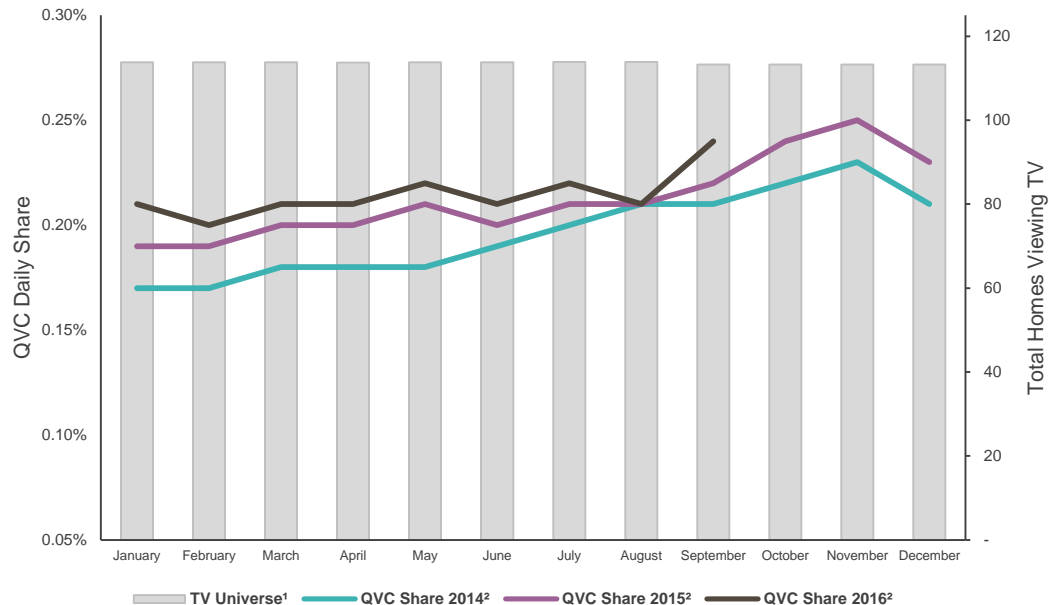
## Positive and Improving Purchase Attributes





# Customer Engagement Remains Healthy

## QVC US TV Viewership Share



## Engagement Remains Strong

TV viewership largely stable

- Slightly up over prior year
- Excluding dip associated with Olympics

Digital visits strong

- Sessions growing 5 – 10% YoY

<sup>1</sup>Overall TV universe 2015 per Rentrak in millions

<sup>2</sup>Average daily share of TV universe

# Customer Health Remains Strong

## Existing Customer Behavior

- No material change in count of customers, items purchased per customer, or retention rate
- All sales decline driven by reduction in price / item, reflecting weak results in our highest ASP categories

## New / Reactivated Customer Behavior

- No material change in items purchased per customer or retention rate
- Decline in count of new customers due to weakness in Electronics, Kitchen/Cook, and Hair Care, along with anniversary TV carriage expansion
- Decline in price / item due to weakness in above categories

## June-Sept Customer Trends\*

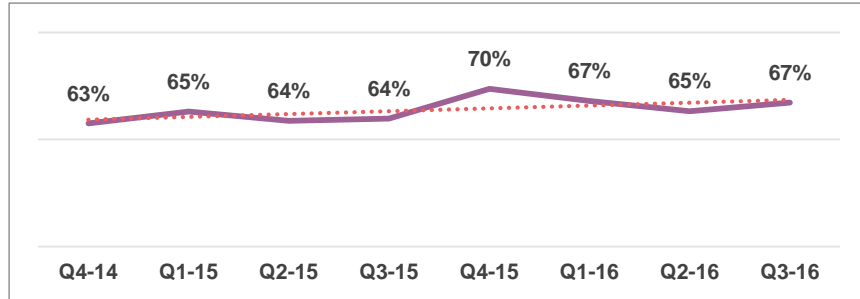
	Sales	YoY Change		Customer Count	YoY Change	Items per Customer	YoY Change	ASP	YoY Change	Retention	YoY Change
Existing	\$1,807M	-7%		3,344K	n/c	10	-1%	\$53.88	-6%	92%	n/c
New / Reactivated	\$172M	-15%		960K	-7%	2	+2%	\$88.88	-9%	49%	n/c

\*Based on demand sales.

# No Indicators That Amazon Effect is Accelerating

## QVC/Amazon Category Shopping Trend Appears Stable

% of QVC Customers Shopping at Amazon

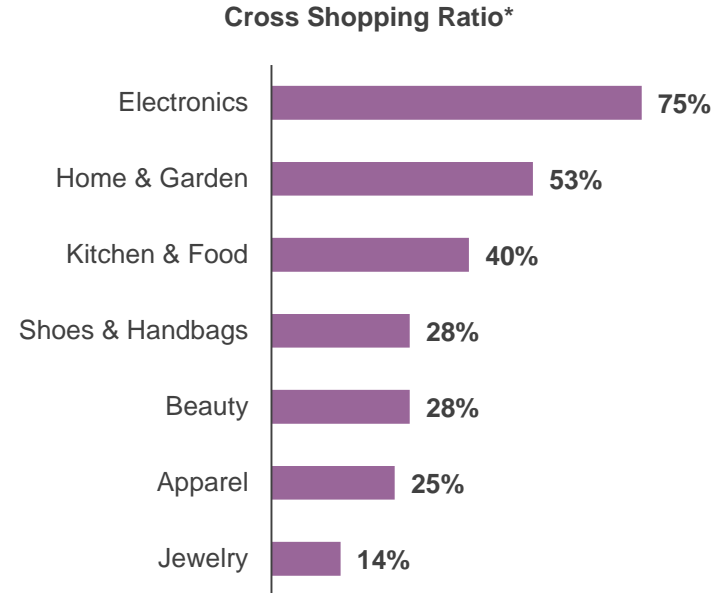


## Qualitative feedback doesn't highlight Amazon

Competitive themes from Best Customer focus groups and interviews:

- Knowledgeable shopper who has many favorite retailers
- In Fashion, most mentioned competitors are dept stores (Macy's, Kohl's) and off price (TJ Maxx, Ross)
- She generally needs to be prompted to discuss Amazon, and then highlights more consumable and household products

## No Clear Correlation between Amazon strengths and QVC performance



\*% of QVC customers shopping the category at QVC who also report shopping the category at Amazon.  
Source: QVC Active Customer Survey, July and September 2016.

# Today's Discussion



- Highly differentiated shopping model with attractive long term growth potential
- Facing recent sales pressures at QVC US
- **Taking actions to improve near-term results while investing for sustained success**
- zulily enhances growth profile

# Critical Priorities

Urgent focus on improving near term results *and* staying committed to our long term growth and innovation agenda

## Priorities

1. Get back to more balanced growth across product categories
2. Consistently deliver *perfect* experiences and *wow* values
3. Accelerate growth of new customers
4. Expand distribution reach and innovate next horizon shopping experiences
5. Drive continuous improvement in operating costs

# 1. Drive Balanced Growth Across Categories



## Comprehensive plans to accelerate growth in key categories

- Relevant merchandising, programming, service initiatives to improve momentum

## Accelerating new brand introduction

- Increased focus and organizational resources to attract and nurture 'wish list' brands
- Leveraging OneQ global network to introduce international brands to US audiences
- Exploring opportunities with zulily vendor network
- 24 new brands launched in October

## Trialing innovative relationships and new 'white space' offerings

- Leveraging relationships to access new customers / brands (e.g., Ulta, Scott Brothers)
- Subscription offerings (e.g., Blue Apron)

## Increasing focus on new item introduction and product rotation

- Drive freshness and variety

# Apparel & Accessories



## Recent Trends

### **Strong above market growth last two years**

- Proprietary lifestyle brand intensification
- Footwear expansion: 'Problem solution' (Vionic, Skechers), comfort (Clarks Cloud Steppers, Earth Brands)
- Static fashion programming (Isaac Mizrahi, Lori Goldstein, Inspired Style...)

### **Beginning mid 2016, slowed to market growth rate (about flat):**

- Handbag market weak; limited QVC brand portfolio
- Newer lifestyle brands mixed; Liz Claiborne liquidation
- Challenge comp'ing high growth rates in weak / promotional market

## Goal

### **Return to consistent growth (although likely not at double digit rates)**



## Key Initiatives

### **Accelerate growth of newer lifestyle brands** (including Halston, C Wonder)

### **Fill assortment gaps; capitalize on key trends with compelling personalities**

- Incl. distressed denim with Kim Gravel and Hot in Hollywood

### **Build credibility in broader range of footwear categories**

- Euro Casual (Fly London, Naot, MizMooz)
- Fashion (Marc Fischer, Franco Sarto)
- Athletic/outdoor (Merrell, Rockport, Puma)

### **Capitalize on Athleisure/comfort trends**

- Successful global launch of AnyBody proprietary brand, expansion of Cuddl Duds, Barefoot Dreams

### **Diversify and strengthen Handbag assortment; expand luggage business**

- Aimee Kestenberg, Plinio Visona, Lug, Scout, Travelon



## Recent Trends

### Strong and consistent growth in Prestige Beauty over last 10+ years

- Track record discovering / building mega brands (Philosophy, Bare Escentuals, IT Cosmetics)
- Ability to explain efficacy of premium skincare treatments (e.g., Dr. Perricone) and 'at home spa' devices

### Category softened late last year; declines accelerated this year

- #1 brand (WEN Hair Care) facing its challenges, significant sales drop
- Lack of innovation in Device segment

## Goal

### Return to consistent growth



## Key Initiatives

### Stem decline in Hair Care

- Begin comp'ing WEN declines late this year; anticipate continued (but more modest) erosion next year
- Adding new brands, including Madam CJ Walker, Marula Oil, Julien Farel, Rene Furterer

### Capitalize on next gen spa treatments and devices

- Dyson (hair dryer launch), JeNu (ultrasonic skin-care), Microderm (microdermabrasion), Nawa, SkinClinical (antiaging at-home treatments), Conture (skin toning)

### Continue accelerating new brand introductions in trending segments (over 40 new brand launches planned first half '17), including:

- Make up artist brands (Kristofer Buckle, Amazing Cosmetics)
- Asian inspired (Tatcha, SK-11, Glow Recipe)
- Teeth Whitening (Apa Beauty, MiBrite)
- Mask systems (111SKIN, DERMA9, Chaleur Beauty)
- Fragrance (Mon Guerlain, Melissa Flagg)
- Top QVC global brands (Elemis, Liz Earle)

### Leverage Beauty iQ platform to dramatically increase introduction of indie brands



# Jewelry



## Recent Trends

### **Long term decline in category; accelerated in 2016**

- Large gold business challenged by changing tastes and price of gold
- Diamonique category struggled to maintain differentiation; although rebounding over last 18 months
- Trend businesses (like Bronze) hard to sustain
- Mixed track record for designer segment recently, not effectively expanding customer base

## Goal

**Moderate declines short term; seek path to achieve modest growth mid/longer term**



## Key Initiatives

### **Short term**

**Hired new Jewelry leader with strong industry track record**

**Clearing troubled inventory while highly limiting new receipts**

- Drove ~90bp gross margin pressure in Q3, will moderate in Q4

### **Mid term**

**Expand watch segment**

- Significantly underpenetrated vs. traditional retail
- Adding well known brands (Anne Klein, Skagen, Scuderia Ferrari, Philip Stein, Swiss Army, Fossil group)

**Add national prestige brands to complement proprietary designer brands**

(Fred Leighton, Delatori)

**Expand Fashion Jewelry brands** (Hallmark, Dogeared)

**Increase agility in moving in and out of fast moving trends**

**Expand Special Occasion business** (leveraging Diamonique / Affinity heritage)



## Recent Trends

### *Kitchen / Cook*

#### **Outstanding results over multiple years**

- Premier Kitchen Electrics (Keurig, Vitamix, Ninja)
- Celebrity chefs (Rachel Ray, Emeril, Ree Drummond)
- High tune-in programming (In the Kitchen with David, Gourmet Food shows)

#### **Significant slow down in 2016 due to weak replacement cycle, moderation of growth in coffee and juicing trends**

### *Other Home Categories*

#### **Strong and accelerating growth:**

- Highly demonstrable premier brands and items in floorcare (Dyson, Shark), heating & cooling
- Entrepreneurial brands / Lori Grenier and Kevin O'Leary, hosts on ABC's Shark Tank
- Bedding (Northern Nights proprietary brand, Berkshire, My Pillow), premium mattresses (Serta, Sleep Number)
- Holiday Trim and Candles
- Garden and Outdoor Living

## Goal

**Restore growth in Kitchen / Cook, sustain growth in remaining Home categories**



## Key Initiatives

### *Kitchen / Cook*

**Maximize emerging trends to help offset key item erosion** (including Gotham Steel, Copper, air fryers)

**Build prestige cookware lines** (Le Creuset, All Clad, Calphalon)

**Capitalize on emerging subscription model** (Blue Apron)

**Expand storage / organization** (Lock and Lock)

### *Other Home Categories*

**Continue expanding showcases for entrepreneurial brands** (incl. Kevin O'Leary programming)

**Continue driving growth in powerhouse key items; leverage Dyson channel exclusivity and innovation**

**Expand outdoor living** (Scott Brothers)

# Consumer Electronics



## Recent Trends

### **Declining / inconsistent results in recent years, following multi year growth cycle**

- PC / tablet segments plateaued
- TV replacement cycle remains weak
- Navigation and Camera markets in substantial decline

### **Accelerating declines since mid year, driven by:**

- Comp'ing launch of Win 10
- Pull back in Easy Pay on extended assortments

## Goal

### **Moderate declines / stabilize business; grow selectively**



## Key Initiatives

### **Leverage demonstrability to help introduce/capitalize on emerging trends**

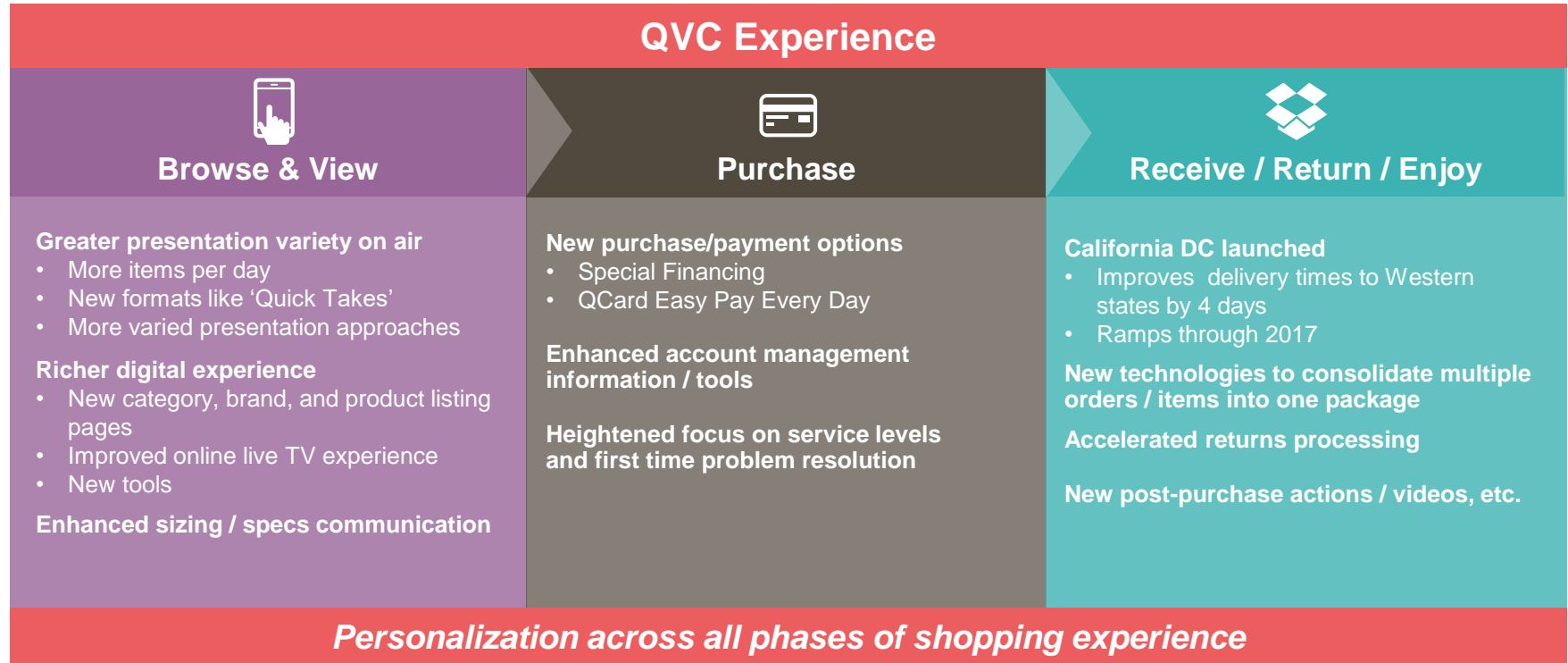
- Amazon Echo, Dot, Tap
- Drones

### **Expand cell phone / prepaid service offerings**

### **Moderate decline in PCs / tablets**

- Leverage special financing to enhance value proposition
- Expand new brands / subcategories (eg, Amazon Fire, touch and all-in-one PCs)

## 2. Consistently Deliver *Perfect* Customer Experiences and *Wow* Values



# Delivering Great Values



## Maintained core pricing philosophy and approach

Heritage of providing superior all-in price on curated items

- Attractive discount to prevailing retail price, including S&H charges
- First price generally best price
- Easy Pay provides added reason to buy

## Taken immediate actions to enhance value in difficult environment

Sharpened pricing as needed

- Improved pricing on key items for Fall / Holiday with vendor support
- Deeper clearance pricing in Fashion and Jewelry (primarily in Q3)

Selectively testing multi-purchase incentives

- High-frequency categories (apparel) that appeal to best customers

Strategic use of Easy Pay and piloting long-term financing program for big-ticket items

## Mid term, reassessing promotional strategy

Ensure relevance in heavily promotional time periods while staying true to core principles and reducing deep clearance activities seen in Q3

Expect to fund any pricing investments through cost offsets

# Recent Wow Values



Dyson V8 Cordless Vacuum



**\$499.98 - TSV**  
**Free Shipping**  
**Best Available Price**

**amazon**

**\$574.00**  
**Free Prime Shipping**

13% Lower



Amazon Echo



**\$159.96 – TSV**  
**Free Shipping**

**amazon**

**\$179.99**  
**Free Prime Shipping**

11% Lower



T3 Hair Dryer



**\$119.96 – TSV**  
**\$5.00 S+H**

**SEPHORA**

**\$225.00**

45% Lower

# Credit Important Part of Value Story

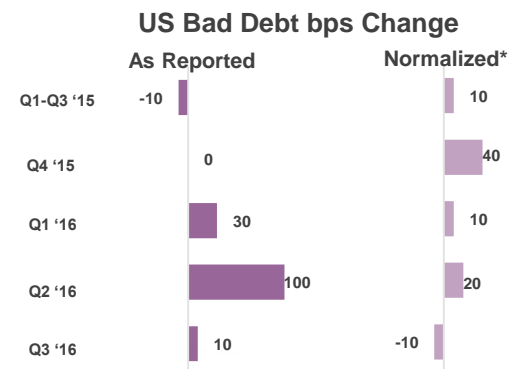
	Easy Pay Program	QCard Program
Description	2-6 payments offered on select items	QVC proprietary credit card
Credit Testing	No	Yes
Financials	QVC owns credit receivables; low (sub 2%) write off rate	“Bank” manages program and owns receivables
	QVC books bad debt expense associated with write offs (1-1.5% of net revenue)	QVC and “Bank” share net income from card
	Modest increase in write off rates first identified Mar 16 for sales in Q4 15; accruals trued up over Q1/Q2	Program highly profitable and drives customer engagement; no change in write off trends
New Programs	QCard <i>Easy Pay Every Day</i> , launched Aug 2015; enables QCard user to put any product on 3 installments	QCard <i>Special Financing</i> ; launched Oct 2016; enables QCard users to put select items on 9-18 mos financing

## Recent Actions

Launch of QCard *EZ Every Day* drove strong QCard growth (+300bp pen).  
*Not* intended to be a sales driver. Led to jump in AR; program now anniversaried.

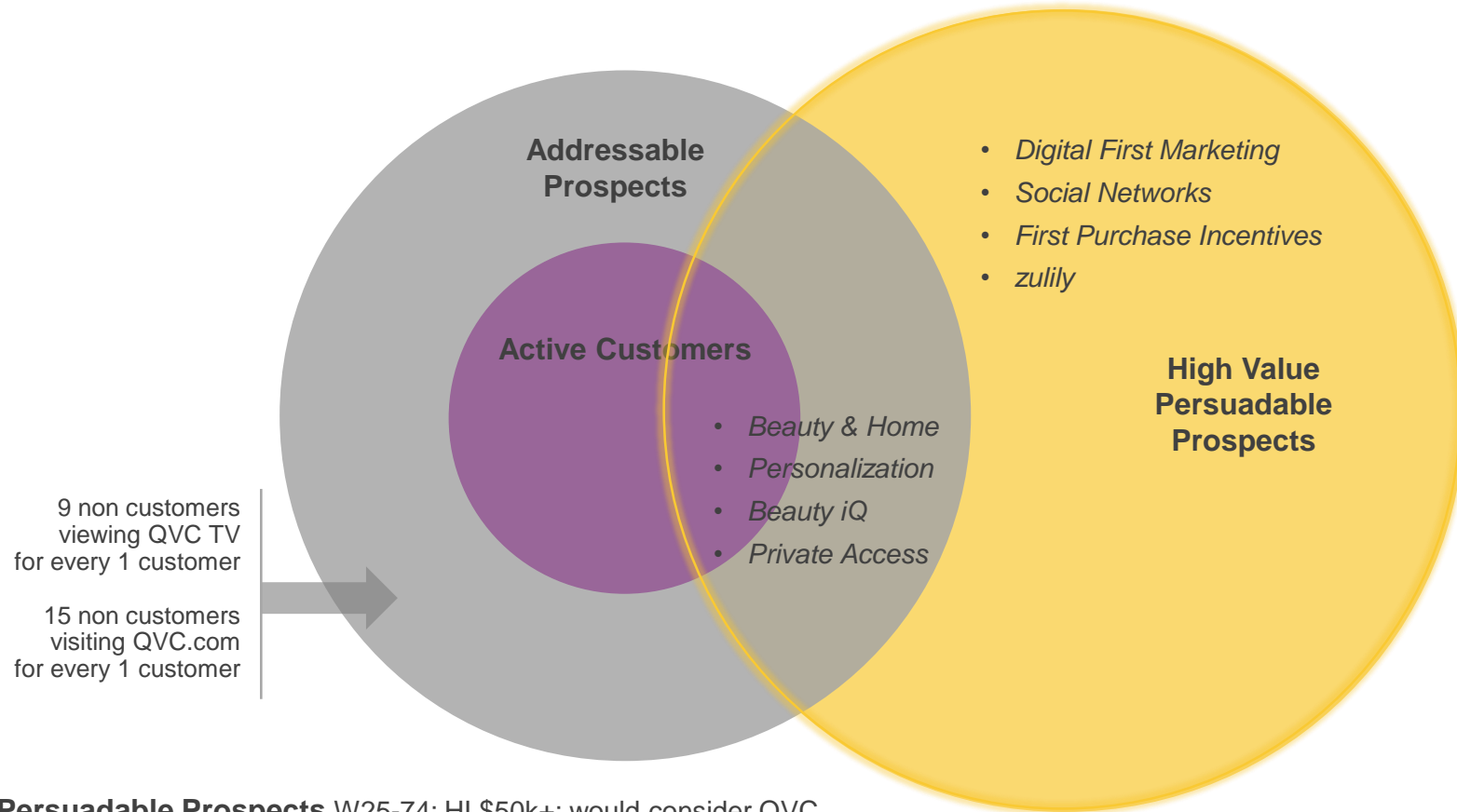
Slight pullback in easy pay usage beginning June as we monitored write off trends; likely some impact on sales, but not highly correlated

Now selectively expanding credit usage to create excitement (e.g., Easy Pay Events), while remaining conservative in high bad debt categories like CE



\*Normalized for timing of reserve adjustments

### 3. Accelerate New Customer Growth

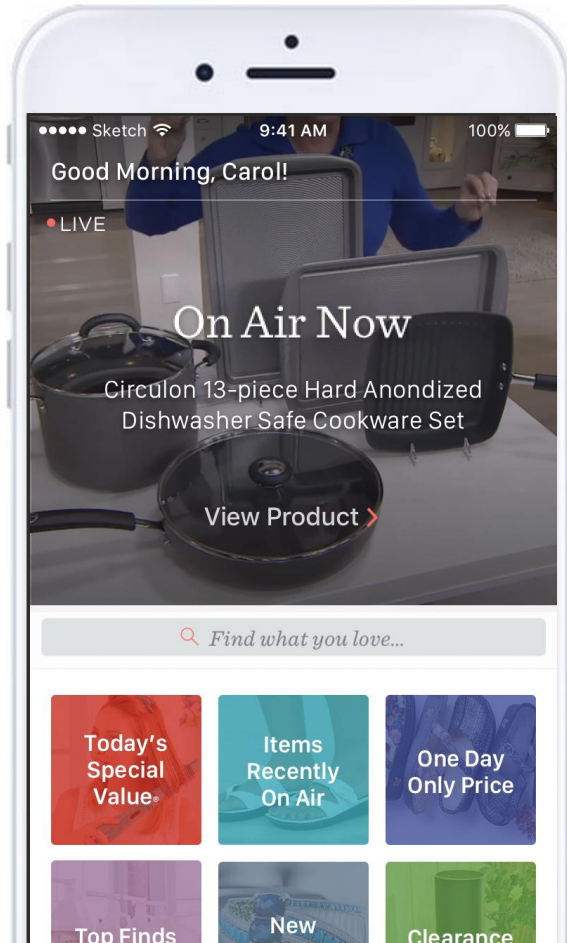


**Persuadable Prospects** W25-74; HI \$50k+; would consider QVC

**Addressable Prospects** Watch or visit QVC



## 4. Next Horizon Shopping Experiences: *Digital Innovation*



- Re-architected global websites; common technology platform
- Leveraging mobile-first approach
- Enhanced product detail pages
- Introduced new product listing pages for increased searchability and discovery
- Elevating live video across platforms (product detail, mobile apps, Facebook, YouTube)

## 4. Next Horizon Shopping Experiences: *Digital Innovation*



**A Seamless Multi-Platform Experience**

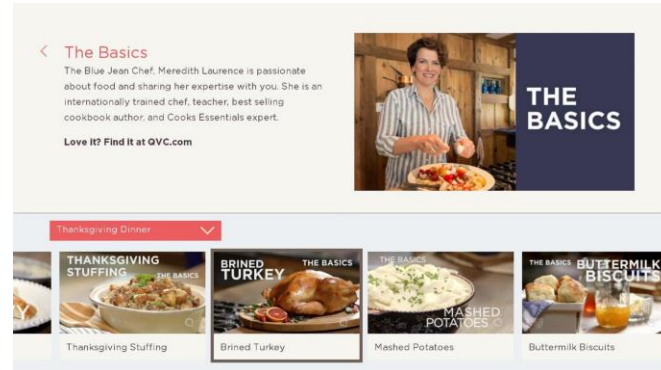
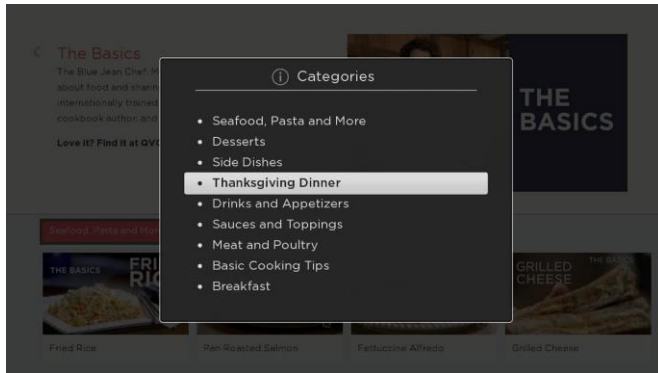
## 4. Next Horizon Shopping Experiences: *Roku*

### Roku TV



- November 2016 launch
- 10M+ active monthly users
- 3 live channels, VOD, weekly highlights, short-form lifestyle content
- Roku promotions marketing support

30




## 4. Next Horizon Shopping Experiences: *FaceBook Live*



- Actively using FB Live globally
- US: To date 500 live streams across multiple FB pages, 5.7M views; Simulcast live portion of Beauty iQ, Live from Pink Carpet at FFANY in NYC
- Germany: 2 hrs. backstage insights from *VOGUE Fashion's Night Out*, Two weekly static shows
- UK: Simulcast weekly *Saturday Night Show* and *Style Your Wardrobe*, 100 FB Live videos in Q3; simulcast of philosophy beauty show
- Italy: FB Live-specific shows: QVC Italy's 6<sup>th</sup> Anniversary, Christmas Kickoff

## 4. Next Horizon Shopping Experiences: *Alternative Platforms*

Over-the-Air	Over-the-Top	Social Live	Virtual Video On-Demand	Skinny Bundles
	 <b>Apple TV</b>	 	 <b>Direct TV 72 hr rewind</b>	  

## 4. Next Horizon Shopping Experiences: *Private Access*



- Piloting complementary off-price model
- Leverages zulily learnings and capabilities
- Events launch Tuesdays at 7 pm EST and run for three days
- Mix of QVC, zulily and new vendors
- Targeting incremental purchase occasions



## 4. Next Horizon Shopping Experiences: *Beauty iQ*

### World's First Live Multi-Platform Beauty Network

Beauty iQ™



Launched on TV and digital October 31

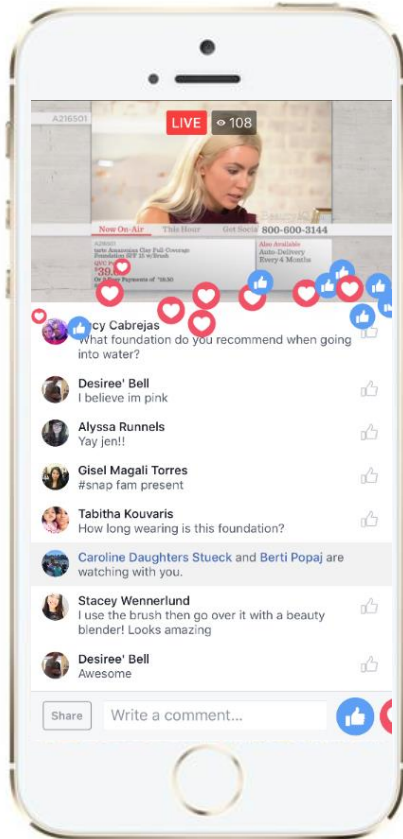
40M+ household TV reach initially

- 24/7 channel; 4 hours of live programming 5 days per week
- Available on Dish, DirecTV, AT&T, Verizon, Roku
- Live programming simulcast on Facebook Live

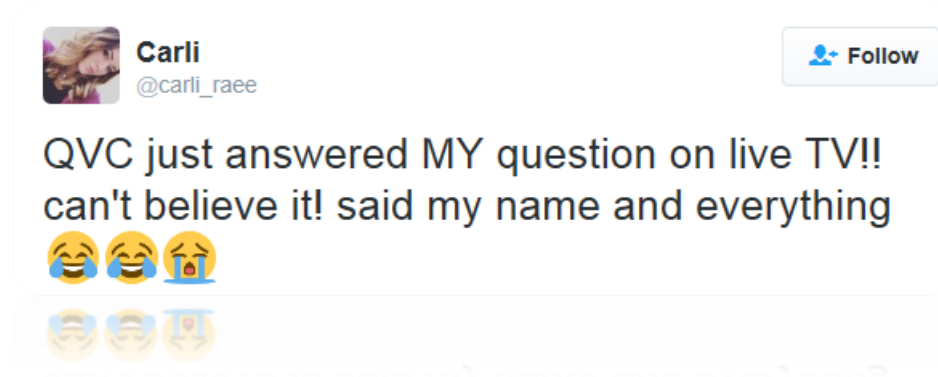
Separate brand identity

- Unique experience, focused on tips and tutorials
- Strong social integration
- Dedicated broadcast set and hosts
- Distinctive digital oriented graphics
- Expect to appeal to new / younger customers in addition to core customers

# Beauty iQ Premiere – Facebook Live Simulcast Results








- 157.5K Reach (despite only approximately 2K Beauty iQ fans as of launch)
- 22.9K Minutes Viewed, with top viewing audience being women 24-35
- 6.1K Engagements (Likes / Comments / Shares)
- Positive customer sentiment, excitement & engagement



35



## 5. Drive Continuous Improvement in Product and Operating Costs

	<b>Product</b> 	<b>Order / Payment</b> 	<b>Fulfillment</b> 	<b>Marketing / Commissions</b> 	<b>Fixed / Departmental</b> 	
	Product COGS Obsolescence	Credit card fees Customer service Telecom Bad debt QCard income	Warehouse Freight	Broadcast/affiliate commissions Discretionary marketing	Merchandising Commerce Platforms Brand Corporate Functions	
	<b>\$4.5B</b> <b>51.6% of sales</b>	<b>\$0.3B</b> <b>3.4% of sales</b>	<b>\$1.0B</b> <b>11.7% of sales</b>	<b>\$0.4B</b> <b>4.4% of sales</b>	<b>\$0.6B</b> <b>7.2% of sales</b>	
<b>Avg. Annual bp Improvement 2010-2015</b>	<b>+12bp</b>	<b>+5bp</b>	<b>+8bp</b>	<b>+1bp</b>	<b>-11bp</b>	<b>+15bp</b> Average Annual Improvement
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>SKU level markdowns % moderated clearance</li> <li>Inventory efficiency</li> <li>Ocean freight savings</li> </ul>	<ul style="list-style-type: none"> <li>QCard growth</li> <li>Alternative payment mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>CA DC</li> <li>Consolidate jewelry returns</li> <li>Increase items/package</li> <li>Leverage multiple carriers</li> <li>DC automation</li> <li>Leverage zu/Q consolidated spend</li> </ul>	<ul style="list-style-type: none"> <li>Improved attribution</li> <li>Volume leverage</li> <li>Digital ad sales</li> </ul>	<ul style="list-style-type: none"> <li>Organizational restructuring</li> <li>Global Business Services</li> </ul>	
<b>Investments</b>	<ul style="list-style-type: none"> <li>Customer Value</li> </ul>			<ul style="list-style-type: none"> <li>New customer acquisition</li> <li>Channel and distribution expansion</li> </ul>	<ul style="list-style-type: none"> <li>Multi-platform expansion; new channels</li> </ul>	

Consolidated 2015; Does not include depreciation, amortization, and stock compensation expense.

# Current Business Trends



Encouraged by recent improvements in category trends and customer behavior

Timing and rate of turnaround is difficult to forecast as we work through a variety of category pressures

## Q4 quarter-to-date trends

- Sales trend improved to low to mid single digit declines
- New customer growth positive
- Clearance activity moderated

# Today's Discussion



- Highly differentiated shopping model with attractive long term growth potential
- Facing recent sales pressures at QVC US
- Taking actions to improve near-term results while investing for sustained success
- **zulily enhances growth profile**

# zulily Enhances Growth Profile – Investment Thesis



**Highly attractive business with strong growth potential and QVC-like characteristics**

Similar customer value proposition, engagement model and culture to QVC

Powerful merchandising relationships with expertise in off-price sector

Outstanding management team

**Complementary companies extend customer reach, leverage assets and knowledge, and strengthen market positions**

Extends QVC customer reach to millennial moms

Provides an unparalleled product discovery pipeline

Leverages two powerful platforms, both with mobile leadership

Enhances international growth potential

**Significant potential returns with limited downside risk**

zulily can achieve accelerated revenue, OIBDA, and FCF growth

Incremental revenue upside and cost improvement by combining scale, industry expertise and two great brands

# Revenue Synergy Integration Progress

Knowledge Share: Increase customer wallet share



Smart-pay





# Revenue Synergy Integration Progress

**Q Merch on Z: Drive incremental sales to enterprise**

**250k Units Apparel Focus**



# Revenue Synergy Integration Progress

Brand Introductions: Drive new customer growth and existing customer wallet share



MY SAINT  MY HERO

FROST  GUARD



LAURA  
GELLER  
NEW YORK

Perricone MD

butter<sup>™</sup>  
LONDON

**TWEEZERMAN**  
The Beauty Tool Experts<sup>™</sup>

CHI<sup>™</sup>  
SMART

KEURIG



GoodHangups<sup>™</sup>  
Turn your wall into a magnet board

 JULEP<sup>™</sup>

 juice BEAUTY<sup>®</sup>  
THE ORGANIC SOLUTION<sup>™</sup>



My Pillow

115 brand introductions on zulily YTD 2016

# Cost Synergy Integration Progress



- Leverage combined scale
  - Transportation
  - Operating supplies
  - Digital marketing channels
  - Credit card fees
  - Cost avoidance\*
- Supply chain and network optimization
  - Order consolidation
  - Regional fulfillment
  - Warehouse management
  - Customer service

\*Includes public company costs, professional services, IT (hardware and software) and capital equipment.



## Recap



- Highly differentiated shopping model with attractive long term growth potential
- Facing recent sales pressures at QVC US
- Taking actions to improve near-term results while investing for sustained success
- zulily enhances growth profile



## Appendix

# Non-GAAP Reconciliations

This presentation includes references to Adj. OIBDA and constant currency growth rates, which are non-GAAP financial measures for QVC (and certain of its subsidiaries) and zulily. QVC and zulily define Adj. OIBDA as revenue less cost of sales, operating expenses and selling, general and administrative expenses (excluding stock and other equity-based compensation) and excludes from that definition depreciation and amortization, restructuring and impairment charges and legal settlements that are included in the measurement of operating Income pursuant to GAAP. Further, this presentation includes Adj. OIBDA margin, which is also a non-GAAP financial measure. QVC and zulily define Adj. OIBDA margin as Adj. OIBDA divided by revenue.

QVC and zulily believe Adj. OIBDA is an important indicator of the operational strength and performance of their businesses, including the ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. Because Adj. OIBDA is used as a measure of operating performance, QVC and zulily view operating income as the most directly comparable GAAP measure. Adj. OIBDA is not meant to replace or supersede operating income or any other GAAP measure, but rather to supplement such GAAP measures in order to present investors with the same Information that QVC and zulily's respective management consider in assessing the results of operations and performance of its assets. Please see the attached schedule for a reconciliation of Adj. OIBDA to operating income (loss) calculated in accordance with GAAP for QVC and zulily.

Constant currency revenue growth rates, as presented herein, are calculated by translating the respective-period reported amounts in US Dollars to comparable amounts using a single foreign exchange rate for each currency.

QVC believes constant/local currency financial metrics are an important indicator of financial performance due to the transitional impact of foreign currency fluctuations relating to subsidiaries in non-US markets. We use constant/local currency financial metrics to provide a framework to assess how our businesses performed excluding the effects of foreign currency exchange fluctuations

# Reconciling Schedule

## eCommerce and Mobile Growth Rates LTM 9/30/16

	US Dollars	Constant Currency
<b>eCommerce Revenues</b>		
QVC Consolidated	9%	9%
<b>Mobile Orders</b>		
QVC Consolidated	26%	27%

The information shown above provides a comparison of the growth rate for eCommerce revenues and mobile orders in constant currency to the comparable figures in US Dollars (GAAP) for the last twelve months ended September 30, 2016.

# Reconciling Schedule

## Revenue CAGR 2010-2015

	As Reported in USD	Constant Currency
QVC US revenue	3.6%	3.6%
QVC International revenue	-0.7%	3.1%
QVC Consolidated revenue	2.3%	3.5%

The information shown above provides a comparison of the compound annual growth rate for QVC US, QVC International and QVC Consolidated revenue in constant currency to the comparable figures in US Dollars (GAAP) for the five-year period 2010-2015.

# Reconciling Schedule

## Adjusted OIBDA

(in millions)

	2015	2010
QVC Consolidated operating income	\$ 1,275	\$ 1,130
Depreciation and amortization	588	523
Stock compensation	31	18
Consolidated adjusted OIBDA	<u>1,894</u>	<u>1,671</u>
France expenses	24	-
GBS expenses	9	-
Consolidated adj. OIBDA excluding France and GBS	<u>1,927</u>	<u>1,671</u>
Consolidated QVC net revenues	\$ 8,743	\$ 7,807
Consolidated adjusted OIBDA margin	22.0%	21.4%

The Information shown above provides a reconciliation for QVC's Consolidated adj. OIBDA to QVC's operating income calculated in accordance with GAAP for the years 2015 and 2010. It also reflects QVC Consolidated adj. OIBDA excluding France start-up and Global Business Service (GBS) expenses in 2015.

# Reconciling Schedule

## LTM Ended 9/30/16 Adj. OIBDA

(In millions)	LTM Ended 9/30/16	LTM Ended 9/30/16	
		Net Revenues	Margin
QVC Adjusted OIBDA			
QVC US	\$ 1,476	\$ 6,262	23.6%
QVC International	403	2,562	15.7%
Consolidated QVC Adjusted OIBDA	1,879	8,824	21.3%
Depreciation and amortization	594		
Stock compensation	31		
QVC operating income	1,254		14.2%

The Information shown above provides a reconciliation for QVC's (and certain of its subsidiaries) Adj. OIBDA to QVC's operating income calculated in accordance with GAAP for the last 12 months ended September 30, 2016.

# Supporting Schedule

<b>As % of Adj. OIBDA</b>	<b>Trailing 5 Year Average 2011-2015</b>
Adj. OIBDA	100%
Working Capital	-5%
Capital Expenditures	-12%
Taxes	-27%
TV Distribution Rights	-2%
Dividend to Mitsui	-2%
Other (1)	-1%
Unlevered FCF	51%
Interest (2)	-12%
Levered FCF	39%

(1) Not adjusted for tax shield, from actual interest expense

(2) QVC, Inc. only; Excludes impact of corporate overhead and interest expense at QVC Group level as well as zulily.

The information shown above provides a breakdown of the components of free cash flow as a percentage of adjusted OIBDA for the trailing five years (2011-2015) on an average basis..



# Reconciling Schedule

## QVC US Adj. OIBDA to Operating Income

(In millions)

	2010	2015
QVC US		
Adj. OIBDA	\$ 1,189	\$ 1,467
Depreciation and amortization	389	467
Stock compensation	18	28
QVC US operating income	782	972
QVC International operating income	348	303
QVC Consolidated operating income	<u>1,130</u>	<u>1,275</u>

US net revenue	\$ 5,235	\$ 6,257
US operating income margin	14.94%	15.53%
US adj.OIBDA margin	22.71%	23.45%

## QVC US

	Q3-15	Q3-16
QVC US		
Adj. OIBDA	\$ 333	\$ 308
Depreciation and amortization	112	125
Stock compensation	7	8
QVC US operating income	214	175
QVC International operating income	66	56
QVC Consolidated operating income	<u>280</u>	<u>231</u>

US net revenue	\$ 1,420	\$ 1,338
US operating income margin	15.1%	13.1%
US adj.OIBDA margin	23.5%	23.0%

QVC US operating income	\$ 214	\$ 175
Cost allocation	-	(8)
QVC US Op. Inc. (pre-alloc)	<u>214</u>	<u>167</u>
QVC US Op Inc Margin (pre-alloc)	15.07%	12.48%

QVC US adj. OIBDA	333	308
Cost allocations	-	(8)
QVC US adj. OIBDA (pre-alloc)	<u>333</u>	<u>300</u>
QVC US adj. OIBDA margin (pre-alloc)	23.45%	22.42%

The Information shown above provides a reconciliation for QVC US's adjusted OIBDA (non-GAAP) to operating income (GAAP) and to QVC's Consolidated operating income (GAAP) for the years 2010 and 2015 and for the third quarter of 2015 and 2016.



DARRELL CAVENS  
PRESIDENT AND CEO



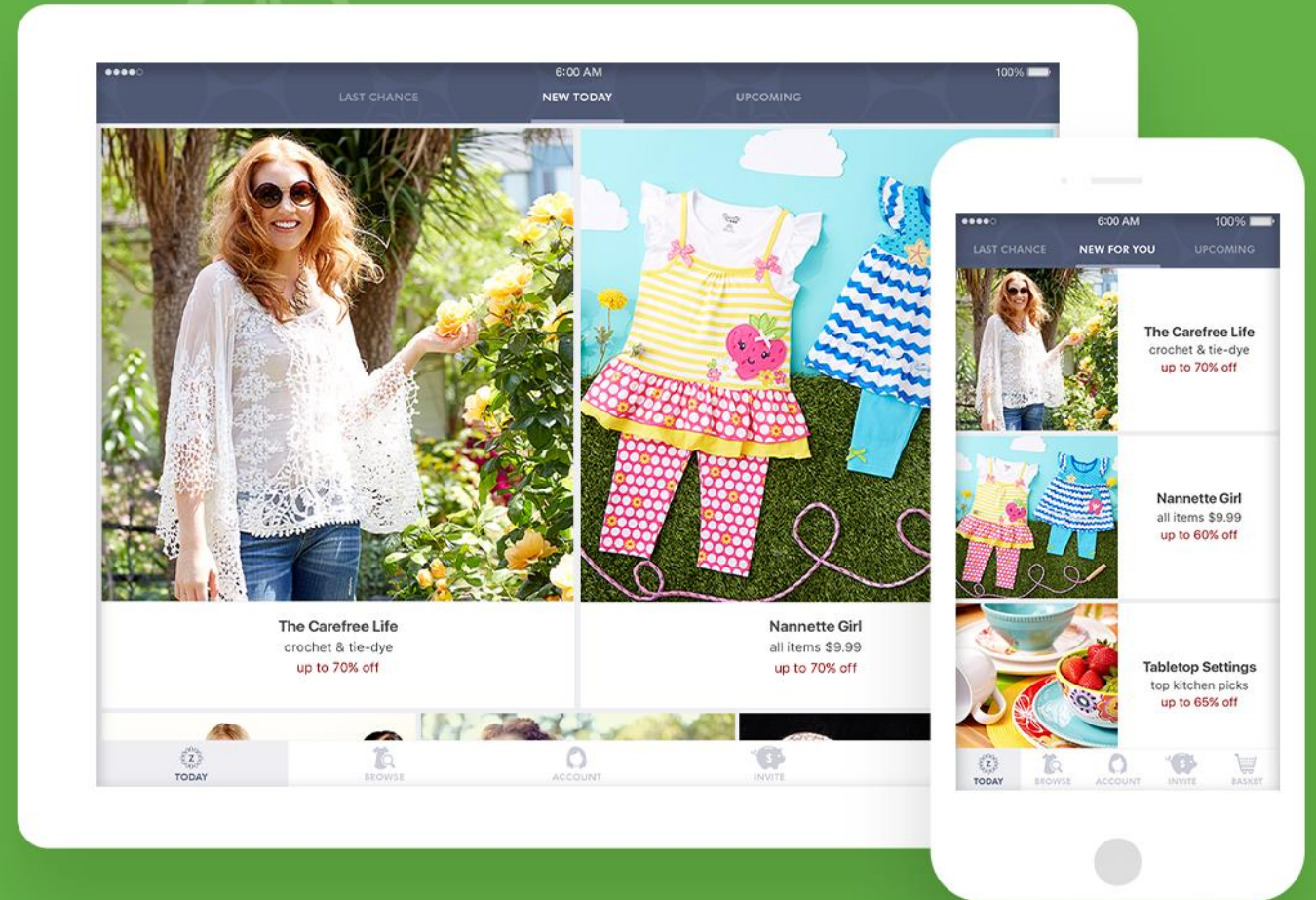
why is zulily different?

FRESH. BOUTIQUE. VALUE.



# new sales launch every morning

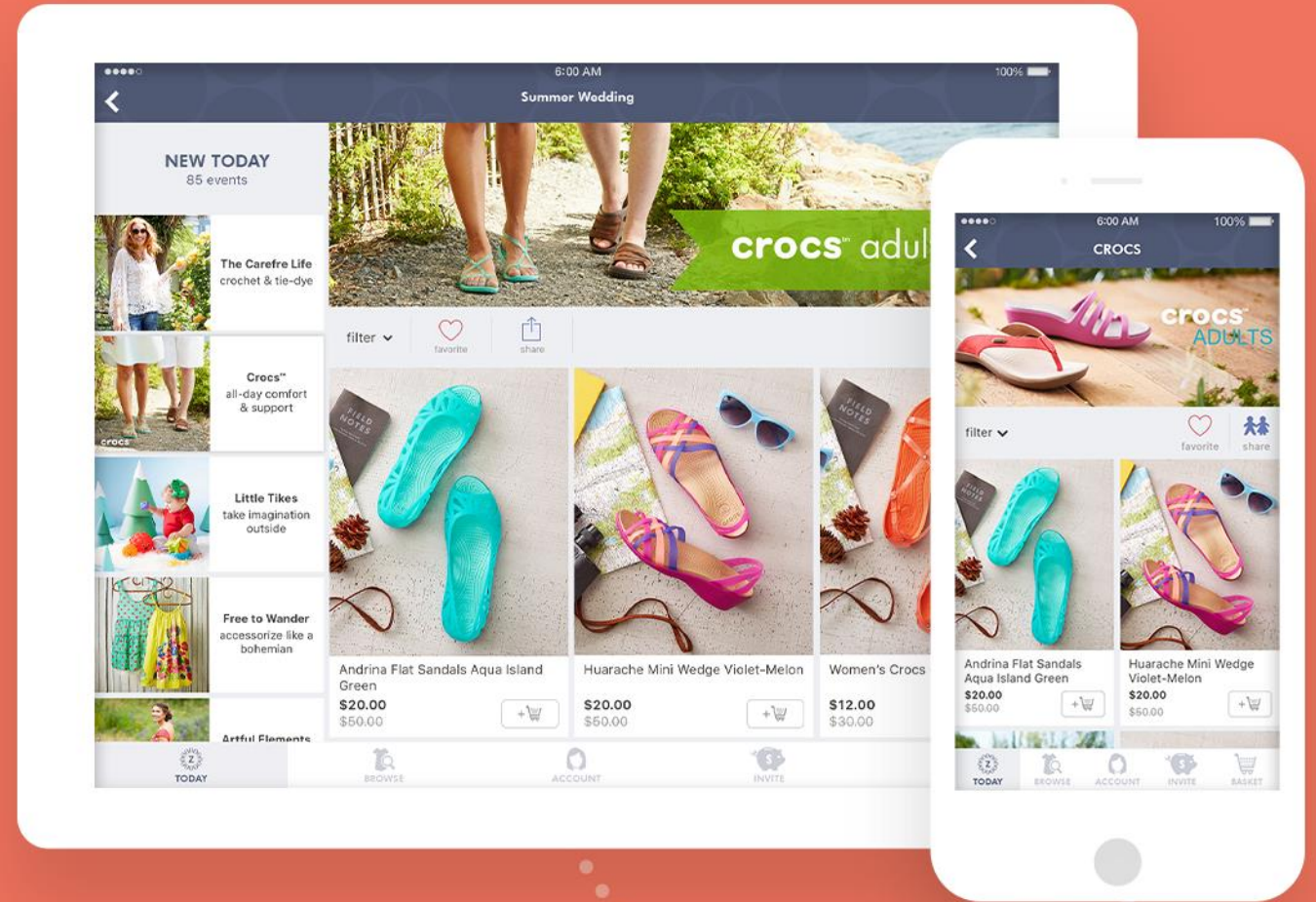
zulily changes its offering across the site daily – launching over 100 events and 9,000 styles each day. Sales run for a limited time, which brings urgency and excitement to what is launched every day. Daily freshness at scale is a competitive advantage in e-commerce and nearly impossible to recreate in physical retail.





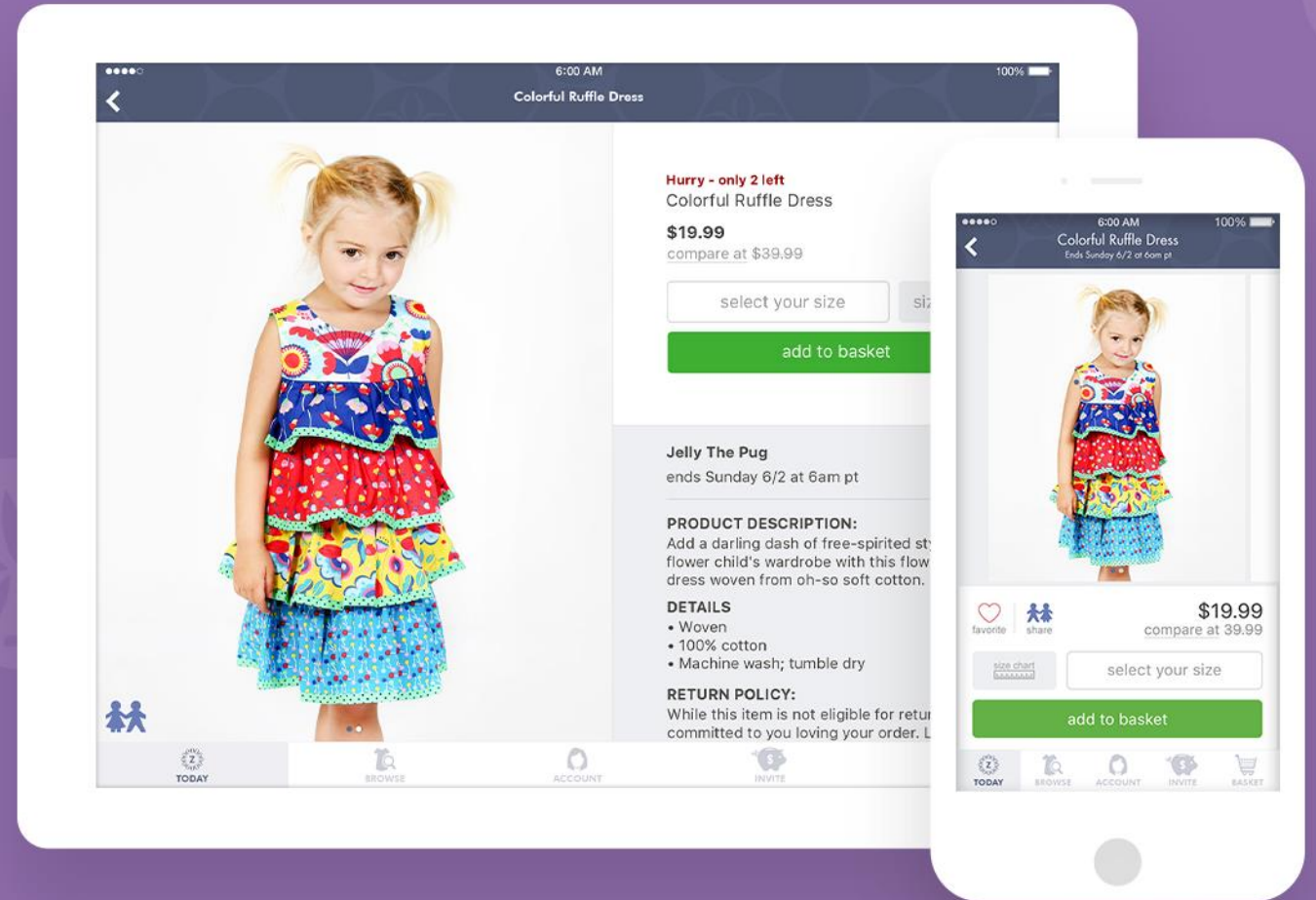
# discover unique products & brands

Through 1:1 personalization across platforms, zulily offers an engaging and differentiated experience for each of its customers. Every day zulily offers a curated collection of unique, up-and-coming brands alongside top, household name brands in categories ranging from women's and children's apparel to home décor and furniture.



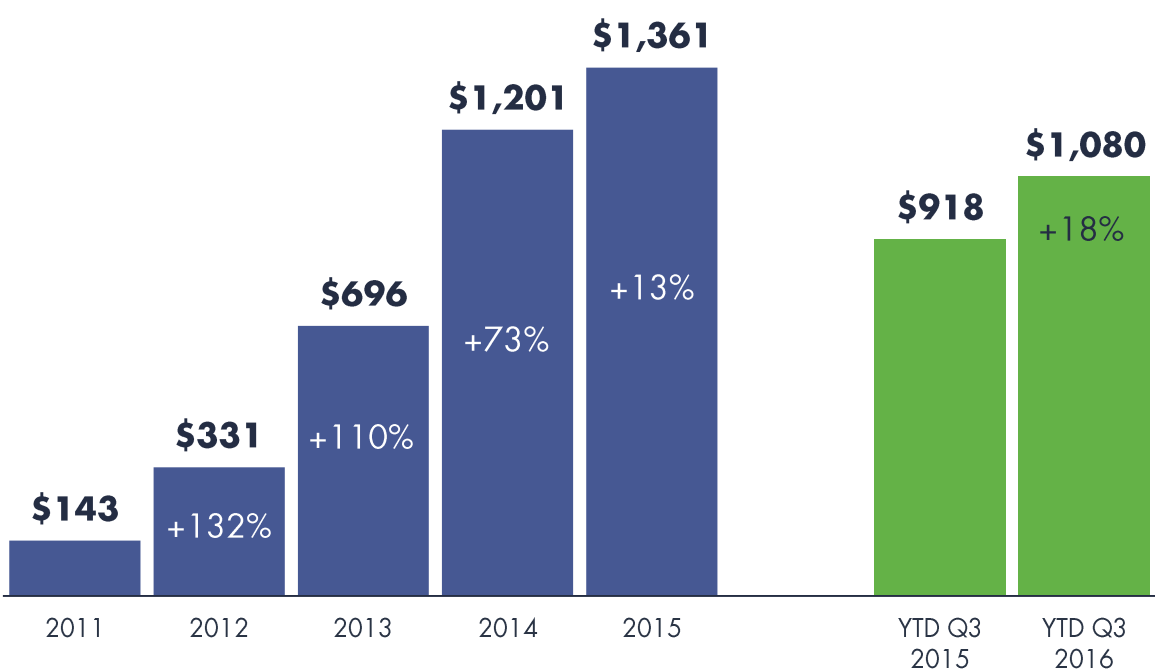
# save every day with deals just for zulily customers

zulily's powerful merchandising organization helps drive incredible value on our products, at a highly appealing average price point of \$19 per item. The inventory lite model allows zulily to offer a deep selection of products every day while also maintaining highly favorable free cash flow dynamics.

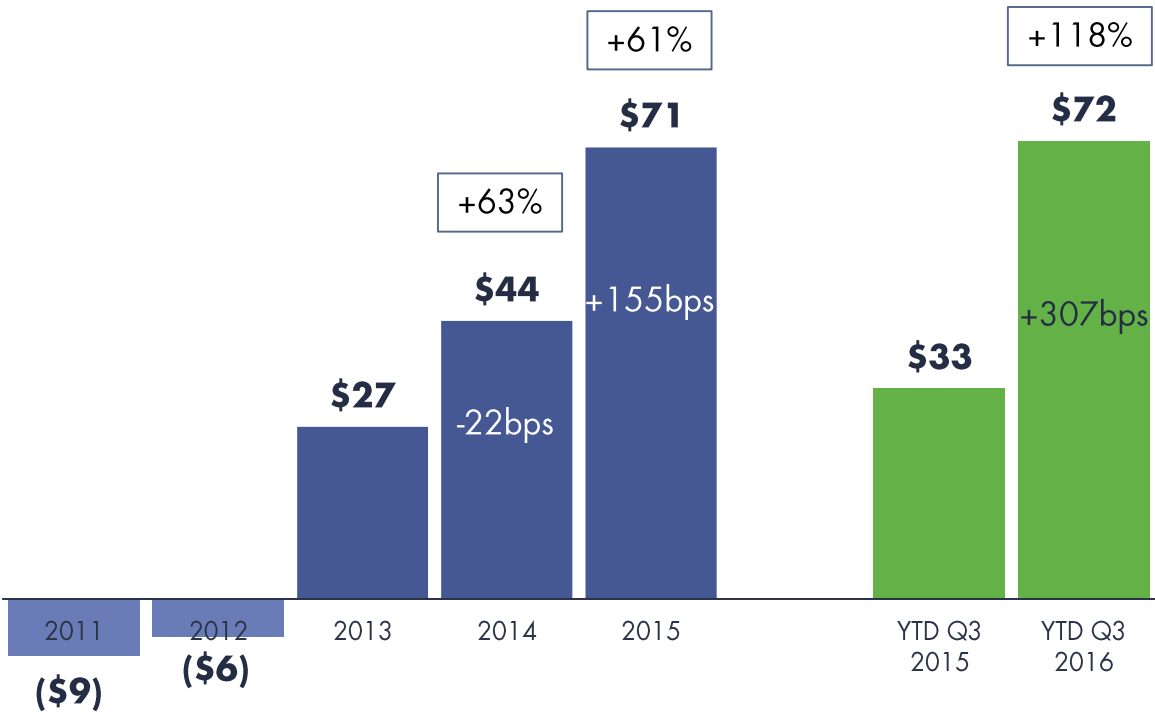


# strong and profitable growth driven by the core business

NET SALES (IN MILLIONS) and YEAR OVER YEAR PERCENT GROWTH

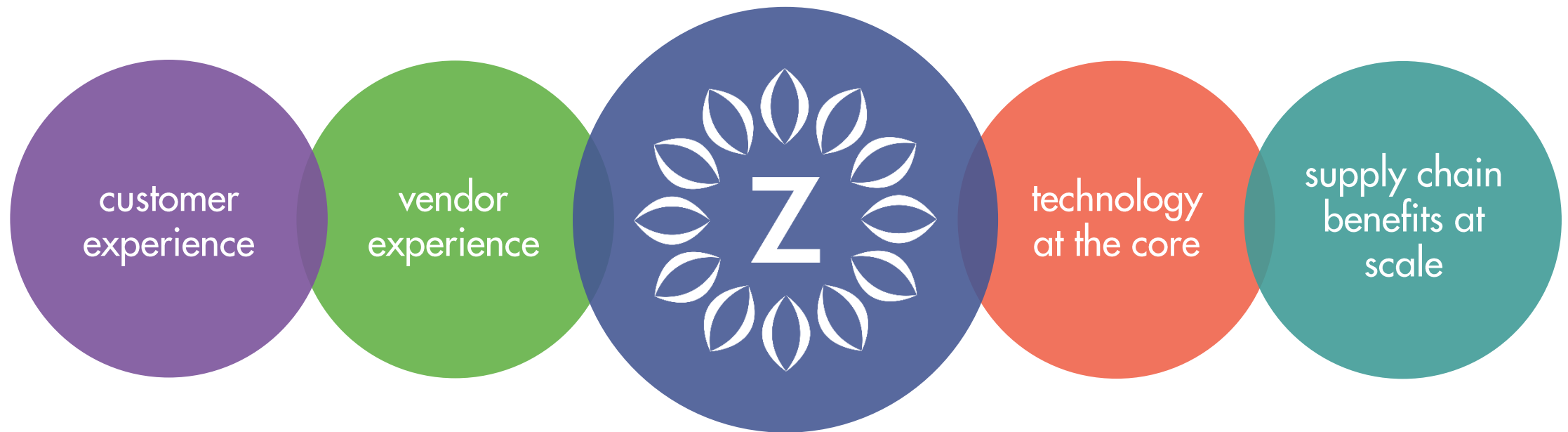


ADJUSTED OIBDA<sup>1</sup> (IN MILLIONS) and YEAR OVER YEAR PERCENT GROWTH AND MARGIN GROWTH (IN BASIS POINTS)



Note: Includes QVC intercompany. <sup>1</sup>Adjusted OIBDA is a non-GAAP financial measure that we calculate as operating income (loss) before interest and other income and expense, taxes, depreciation, amortization, stock-based compensation and acquisition related expenses. For a reconciliation of Adjusted OIBDA to operating income (loss), please refer to the Reconciliation of Non-GAAP Adjusted OIBDA to Operating Income (Loss) in the Appendix.

strong underlying unit economics allow us to continue  
innovating on new growth opportunities







innovative customer  
experiences alongside QVC



# expanded brands and categories



WOMEN



PLUS



BOYS



GIRLS



BABY & MATERNITY



SHOES



HOLIDAY SHOP



TOYS & PLAYTIME



PERSONALIZED



HEALTH & BEAUTY



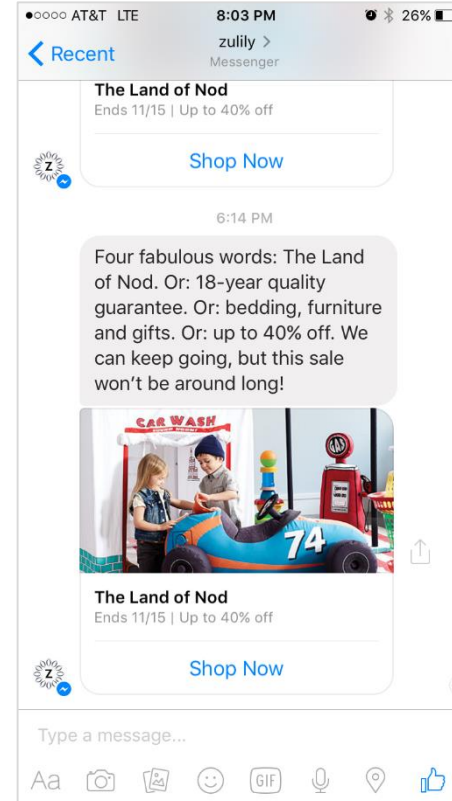
HOME



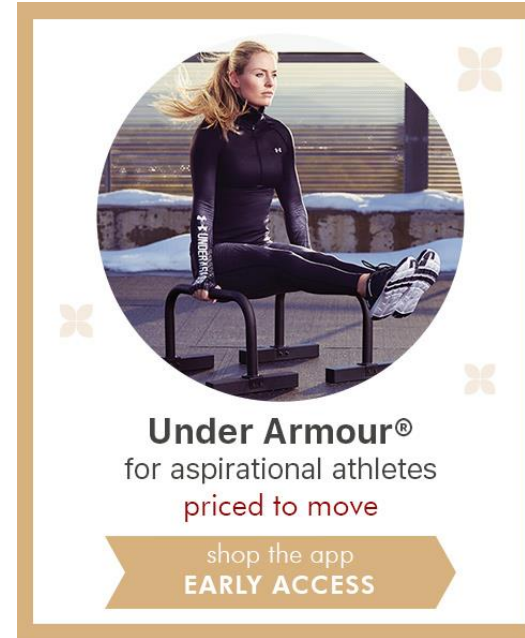
MEN



# new marketing channels



# new urgency drivers



**WOW! Interest-free payments on your entire order.**  
Choose this option in your basket. Limited time. *details*



# growing zulily Partner Services



units available  
to ship in 1-2 days<sup>1</sup>



average reduction in  
delivery time to zulily  
customers<sup>2</sup>

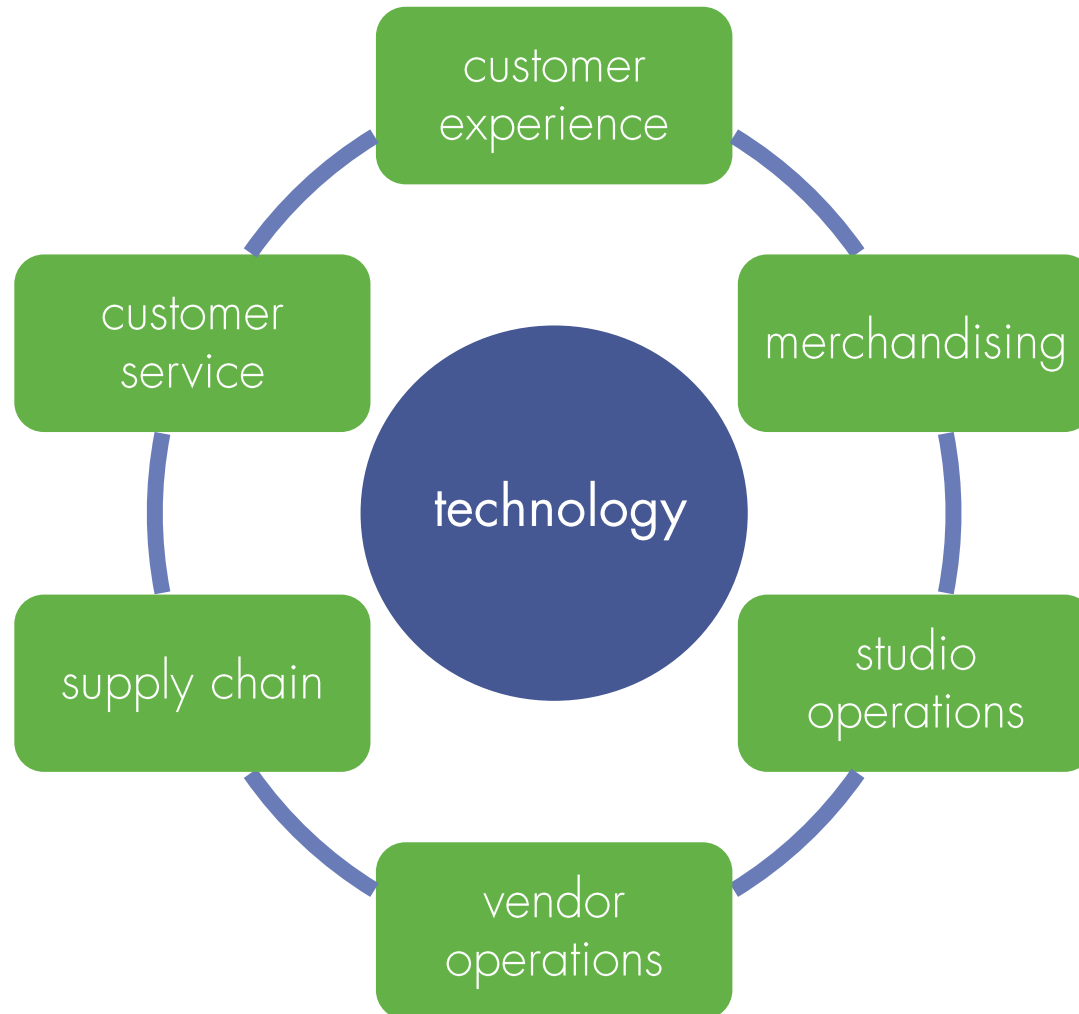


active vendor  
participants<sup>1</sup>

**zulily Partner Services opens incremental customer wallet share opportunities**

<sup>1</sup> As of November 1, 2016; <sup>2</sup> Reflects average reduction in delivery time for each zulily Partner Services (ZPS) vendor's total sales on zulily originating from ZPS as compared to same ZPS vendor's total sales on zulily not originating from ZPS during 1H 2016.

# technology at the core



## key 2017 incremental areas for investment

mobile

personalization

merchandising and vendor  
analytics and tools

international

QVC initiatives including site  
optimization, supply chain

# supply chain benefits at scale: zulily supply chain network

## ZULILY FULFILLMENT CENTER NETWORK

Fulfillment Center	Opened	Available Sq. Ft.	Automated?
McCarran, Nevada	2011	707,010	✓
Lockbourne, Ohio	2012	737,000	✓
Bethlehem, Pennsylvania	2015	800,250	Planned 2017
Shenzhen, China <sup>2</sup>	2016	44,000	✗

## Key highlights

- zulily has invested ~**\$60 million** towards supply chain technology and process improvements<sup>1</sup>
- Supply chain costs have improved >**\$0.40 per unit translating to ~\$30 million in annual savings**
- Plans to leverage zulily efficiencies in QVC supply chain

<sup>1</sup>From Q3 2014 through Q3 2016. Excludes equipment and leasehold improvements. <sup>2</sup>Fulfillment Center operated by third party.

# key investment highlights

differentiated offering of fresh and boutique brands at great value

.....

passionate and loyal customer base with **significant global market opportunity**

.....

**powerful merchandising relationships** and **six years of actionable data** drive highly personalized experience

.....

**custom built technology and operations** provide scalable platform for future growth

.....

**strong unit economics** in place to leverage with scale

.....

**strong free cash flow dynamics** support ongoing capital needs



# appendix

## Reconciliation of Non-GAAP Adjusted OIBDA to Operating Income (Loss)

(\$ in millions)	2013	2014	2015 <sup>1</sup>	YTD Q3 2015	YTD Q3 2016 <sup>2</sup>
Operating Income/(Loss)	\$13	\$16	\$(78)	\$(25)	\$(138)
Deferred Revenue Adjustment	-	-	\$17	-	-
Depreciation & Amortization	\$6	\$13	\$83	\$14	\$194
Stock-based Compensation	\$8	\$15	\$19	\$14	\$16
Acquisition Related Expenses	-	-	\$30	\$30	-
<b>Adjusted OIBDA</b>	<b>\$27</b>	<b>\$44</b>	<b>\$71</b>	<b>\$33</b>	<b>\$72</b>

Note: Totals may not sum due to rounding. <sup>1</sup> Excludes approximately \$26 million in transaction fees related to Liberty Interactive Corporation's acquisition of zulily which closed on October 1, 2015. <sup>2</sup> Includes QVC intercompany. YTD Q3 2016 Depreciation & Amortization includes \$178 million of amortization related to purchase accounting.



2016 Investor Day

November 10, 2016

“Breakin Down Like Fractions”  
Greg Maffei – President & CEO

## Since We Last Met...



Liberty  
BROADBAND

- Deployed \$2.4b in LBRDK in conjunction with closing of Charter/TWC transaction
    - Invested at \$56.23 per LBRDK share (total of 42.7m shares); up 15% through 11/3/16
    - Implies NAV accretion of \$4.29 per LVNTA share<sup>(1)</sup>
- 



Charter  
COMMUNICATIONS  
Time Warner

- Retired 0.75% Exchangeable Debenture<sup>(3)</sup>
  - Issued 1.75% Exchangeable Debenture (\$750m)
    - 2.2m CHTR shares underlying with strike price of \$341 per share
- 



CommerceHub

- Completed spin-off of CommerceHub
    - Trades at \$14.76 per share as of 11/3
    - Implies \$7.38 per LVNTA share based on CommerceHub distribution ratio of 0.3:1<sup>(2)</sup> and accounting for Liberty Expedia redemption<sup>(1)</sup>
- 



Liberty  
Expedia  
Holdings

- Completed split-off of Liberty Expedia Holdings
  - Redemption ratio of 0.4 LEXEA for 0.4 LVNTA
  - Distributed \$300m to Liberty Interactive (attributed to Liberty Ventures Group)<sup>(4)</sup>
  - Liberty Ventures undiluted sharecount reduced to 85.4m

(1) Liberty Ventures sharecount reduced by 40% due to shares redeemed in connection with the split-off of Liberty Expedia Holdings completed on 11/4/16.

(2) Each share of LVNTA was entitled to 0.1 shares of CHUBA and 0.2 shares of CHUBK.

(3) As of 9/30/16 there was \$2m of principal value outstanding.

(4) Requirement that Liberty Interactive repurchase a like amount of stock within 12 months (either QVC Group or Liberty Ventures Group).

# Liberty Ventures Now Significantly Weighted to Charter

## One Year Ago



## Today

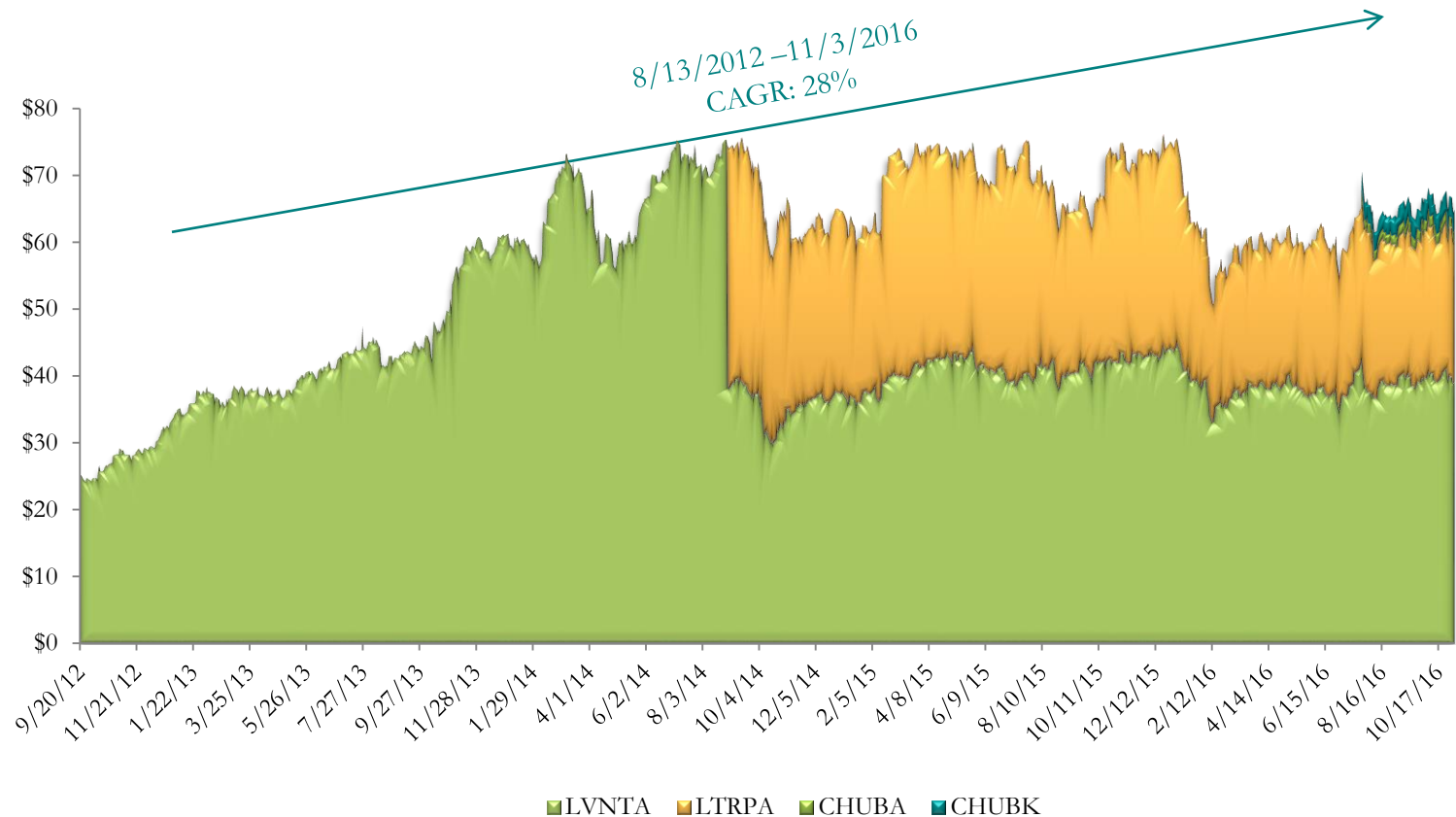


Charter and Liberty Broadband stakes have combined value of \$4.1b<sup>(1)</sup> representing over 75% of Enterprise Value of Liberty Ventures<sup>(2)</sup>

(1) Does not include impact of deferred tax liability.

(2) Market data as of 11/3/16.

# LVNTA Stock Performance



(1) As of 11/3/16 and includes the value of Liberty TripAdvisor and CommerceHub, which were spun out of Liberty Ventures in August 2014 and July 2016, respectively. The Split-off of Liberty Expedia was completed on 11/4/16.

# Ventures Benefits from Charter Returns

- 5.4m shares of TWC converted 1:1 into CHTR
  - 2.2m underlying 1.75% CHTR Exchangeable at \$341.10/share conversion price
- 42.7m shares of LBRDK purchased in May at \$56.23/share
- Total returns to date of \$532m
  - Incremental \$300m in value if able to collapse 9-10% discount on LBRDK vs. CHTR

*(Figures in millions except per share amounts)*

CHTR		LBRDK		LBRDK & CHTR	
CHTR Shares	5.4	LBRDK Shares	42.7	Value Accretion	
Avg. Long PX/Share <sup>(1)</sup>	\$216.50	Purchase PX/Share	\$56.23	<u>Total</u>	<u>Per Share</u> <sup>(2)</sup>
Current PX/Share	\$247.42	Current PX/Share	\$64.81	\$531.9	\$6.23
Incremental Value	\$165.7	Incremental Value	\$366.2		

Note: Market data as of 11/3/16.

(1) Implied price per Charter share based on exchanges and repurchases of the 0.75% Exchangeable Debentures as well as the pass-through payment to those Debentures upon closing of the Charter/TWC transaction.

(2) Assuming LVNTA/B sharecount of 85.4m; pro forma for split-off of Liberty Expedia.



# Liberty Ventures NAV Components

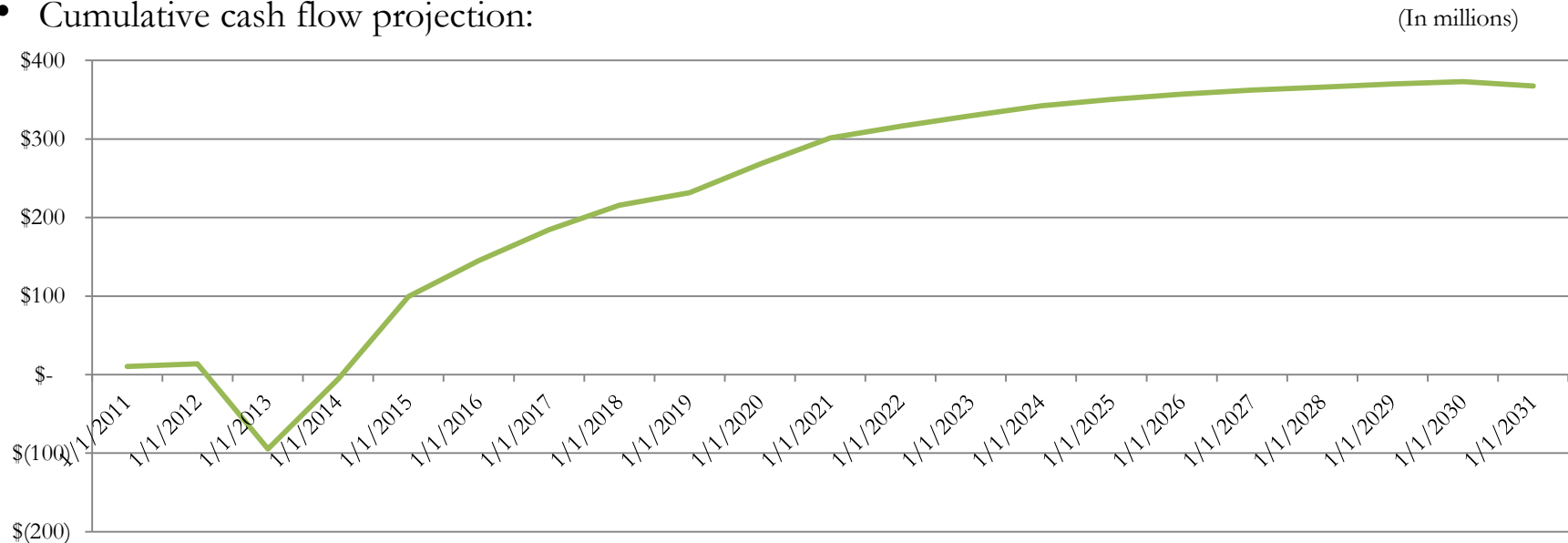
- Liberty Ventures has been significantly simplified over past few years
- Most recently, completed tax efficient split-off of Liberty Expedia
- Remaining value toggles for Liberty Ventures include:
  - Performance of Charter will drive Liberty Broadband
    - Determine structural path for our Liberty Broadband and Charter investments
    - Remaining material investment gain deferred tax liability (“DTL”) embedded in LBRDK and CHTR stakes (represents 16% of current Liberty Ventures NAV)
  - Opportunistically and efficiently rationalize or consolidate smaller public equity stakes (ILG, TREE, FTD)
    - Minimal net tax leakage (1-2% of current Liberty Ventures equity value) on non-CHTR/LBRDK public investments
  - Exchangeables (investing “tax shield”)
    - Investments likely to be episodic
    - Exchangeables (3.5%, 3.75%, 4%) currently generate annual cash flow \$130m+ per year; grows to \$400m+ in late 2020’s
      - 5% after-tax return compounded through maturity of exchangeable debentures (2029-2031) generates enough yield to cover associated DTL (\$5.1b at maturity) plus remaining amortization of retirement of debt gain from 2009 (\$340m)
      - 10% after-tax compound return generates future value \$2b in excess of DTL at maturity
      - For example - PV of potential excess returns (above DTL at maturity), assuming 10% after-tax return/discount rate, equates to \$6 per LVNT share<sup>(1)</sup>
  - Green energy investments expected to produce net after-tax cash inflows of \$30-50m per year through 2021 (declining thereafter)

(1) Assumes LVNTA/B sharecount of 85.4m, pro forma for completion of Liberty Expedia split-off

# Appendix

# Green Energy Investment Overview

- Investments began in 2011 and hit breakeven in 2015
  - Cumulative net cash inflows of \$120m
- NPV of remaining tax credits and net cash proceeds:
  - Discounted at 10%: \$150m
  - Discounted at 20%: \$100m
- Cumulative cash flow projection:



Note: Projection based on company estimates as of the date of this presentation.

# Balance Sheet Summary

(\$ in millions)

Cash and Public Equities		
Cash / Liquid Investments (as of 9/30/16)		\$157
Public Holdings (as of 11/3/16)		\$4,784
Liberty Broadband: 42.7m shares x \$64.81/share	\$2,766	
Charter: 5.4m shares x \$247.42/share	\$1,326	
LendingTree : 2.8m shares x \$79.85/share	\$222	
Interval: 16.6m shares x \$16.20/share	\$270	
FTD: 10.2m shares x \$19.50/share	\$199	
Other public holdings	\$2	

Pro Forma Debt as of 9/30/16		
Debt <sup>(1)</sup>		\$1,961
4.0% Exchangeable Debenture <sup>(2)</sup>	\$436	
3.75% Exchangeable Debenture <sup>(2)</sup>	\$436	
3.5% Exchangeable Debenture <sup>(2)</sup>	\$337	
0.75% Exchangeable Debenture <sup>(2)</sup>	\$2	
1.75% Exchangeable Debenture <sup>(2)</sup>	\$750	

(1) Excludes \$26m of subsidiary debt as of 9/30/16, which was split-off with Liberty Expedia Holdings on 11/4/16.

(2) Remaining principal value.

# Exchangeable Debentures 101 (3.5%, 3.75% and 4.0% Bonds)

- What are they?
  - Debt securities with exchangeability into an underlying basket of securities (or cash equal to fair market value thereof)
- How do they work?
  - Allows for tax deductions in excess of cash coupon (imputed interest due to exchangeability)
    - Creates current period cash benefit from tax deductions in excess of stated interest
    - Creates corresponding increasing deferred tax liability, which is expected to come due at maturity of underlying bond (effectively a zero cost loan)
    - Adjusted issue price accretes annually to produce escalating tax benefit
- Simplified example
  - \$1b bond at issuance with 4% cash coupon and 9% permissible interest deduction for tax purposes
  - Delta between 4% cash coupon and 9% interest deduction accretes to adjusted issue price each year
    - Year 1 incremental interest deduction:  $\$50m ((9\% - 4\%) \times \$1b)$
  - In year 2, adjusted issue price has accreted by \$50m of incremental interest deduction to \$1.05b
    - Cash coupon remains \$40m ( $4\% \times \$1b$ ), however, tax deductible interest is  $9\% \times \$1.05b$ , creating incremental interest deduction of \$54m
  - This compounding continues through to maturity

# Exchangeable Bond Overview

- Receive favorable tax treatment for three bonds
  - Sprint/CTL, 4% due 2029
  - Sprint/CTL, 3.75% due 2030
  - MSI, 3.5% due 2031
- Current annual contingent interest deductions of \$350m+ growing to \$1.1b in 2029
  - Results in \$130+m annual cash flow today growing to \$400+m annual cash flow by 2029
- Deferred tax liabilities (“DTL”)
  - Estimated 12/31/16 DTL related to exchangeable bonds is \$1.3b<sup>(1)</sup>
  - DTL grows to \$5.1b at maturity and likely to become a cash tax liability at that date<sup>(2)</sup>
    - However, growth in DTL from today through maturity will be offset dollar for dollar by cash tax savings from contingent interest deductions
    - Investment returns on interim cash tax savings can be applied against existing or future company obligations, including DTL and principal balance liability on exchangeable debentures

(1) Does not include deferred tax liability for mark-to-market adjustments on bonds.

(2) Assumes bonds remain outstanding until maturity.

# Exchangeable Bond Overview

Maturity	Interest Rate	Face 9/30/16 (\$m)	FV 9/30/16 (\$m)	Exch Ratio(s)
2029 <sup>(1)</sup>	4%	\$436	\$291	3.2265 S 0.786 CTL
2030 <sup>(2)</sup>	3.75%	\$436	\$273	2.3587 S 0.5746 CTL
2031 <sup>(3)</sup>	3.5%	\$337	\$313	5.2598 MSI
2046	1.75%	\$750	\$794	2.9317 CHTR

(1) Estimated principal amount at maturity is \$413 million (assumes no further extraordinary distributions).

(2) Estimated principal amount at maturity is \$421 million (assumes no further extraordinary distributions).

(3) Estimated principal amount at maturity is \$173 million (assumes no further extraordinary distributions).

# Exchangeable Bond Overview

Bond	Exch Security	Cash Interest	Interest Rate – Tax Purposes	Accreted Basis 12/31/15 (\$m)
4% 2029	S/CTL	4%	9.069%	\$1,302
3.75% 2030	S/CTL	3.75%	9.43%	\$1,381
3.5% 2031	MSI	3.5%	9.5%	\$1,645

Bond	Cash Coupon 2016E (\$m) <sup>(1)</sup>	Contingent Interest 2016E	Total Interest (Tax) 2016E	Estimated Accreted Basis 12/31/16 (\$m)
4% 2029	\$19	\$101	\$120	\$1,403
3.75% 2030	\$17	\$116	\$133	\$1,497
3.5% 2031	\$21	\$148	\$169	\$1,793

(1) Tax deductible interest. A portion of this reduces the outstanding principal amount of the bonds. See Liberty Interactive press releases for more detail.