

Liberty Interactive (LINTA)

The Liberty Family's Forgotten Child

Patrick Brennan, CFA

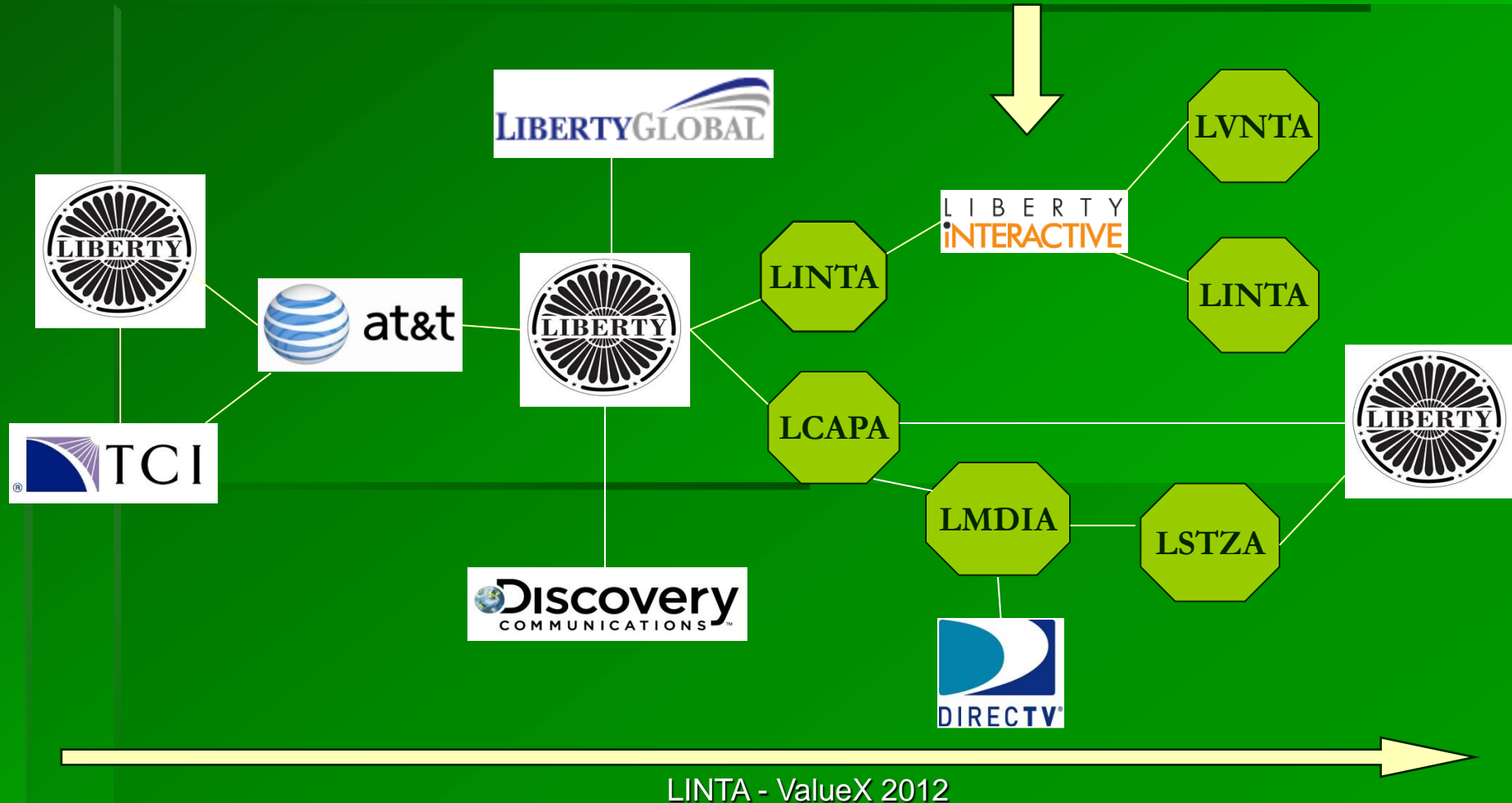
LINTA - ValueX 2012

Liberty Interactive

- **What exactly is LINTA?**
- **Why is QVC model superior to other retailers?**
- **Another f#!\$ tracking stock?**
- **How cheap is LINTA?**

A Brief History of Time

We are Here



LINTA

- **Assets**

- **QVC**
- **eCommerce Companies (Provide, Backcountry.com, Bodybuilding.com, Celebrate Interactive Holdings)**
- **20mm shares of HSN**
- **Cash \$0.5 B**

- **Liabilities**

- **~\$5B 2012E Debt (\$4B QVC/Revolver; \$1B Senior Notes)**

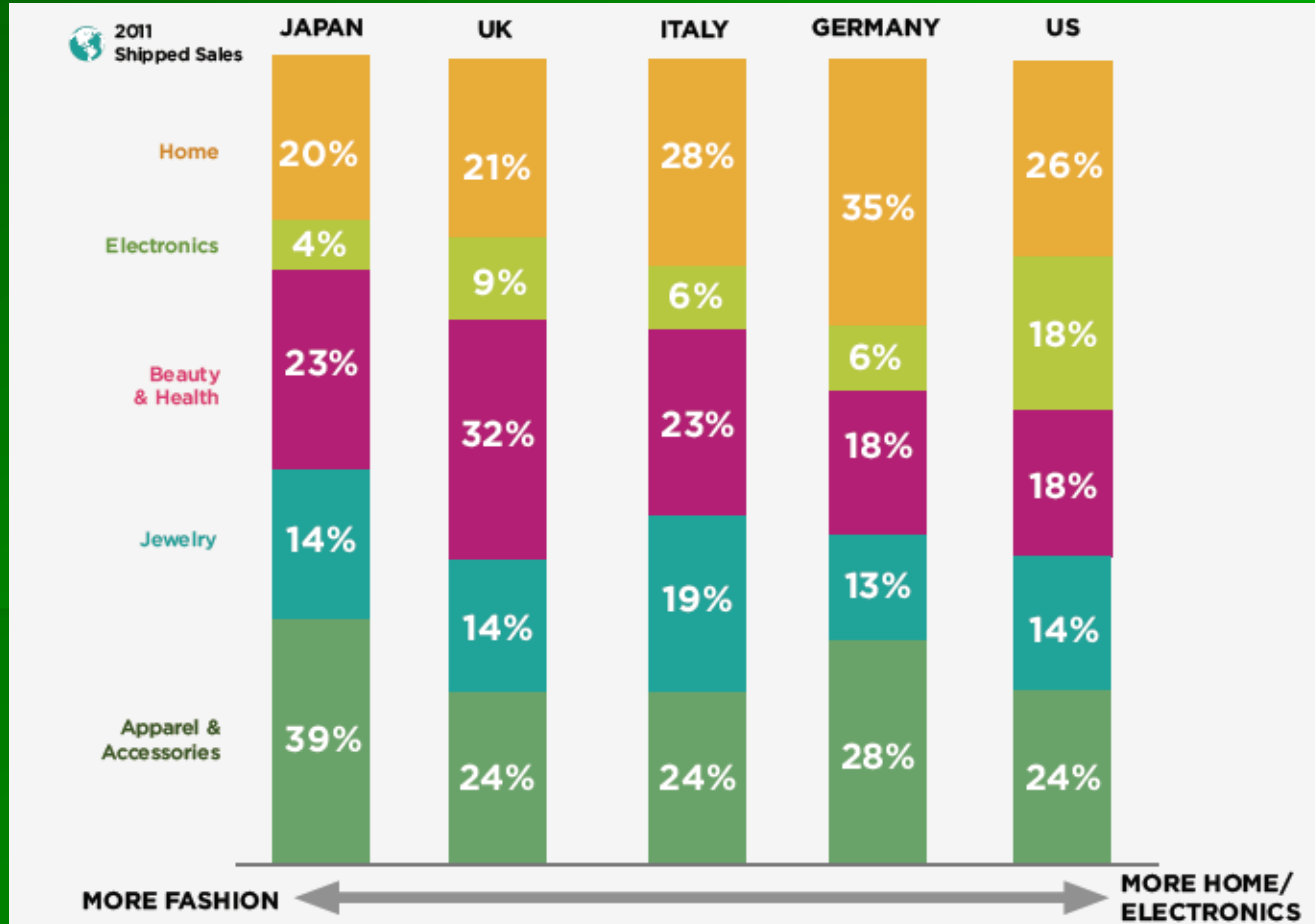
Liberty Ventures

- 20 Shares LINTA = 1 Share LVNTA
- 3 Shares LVNTA = 1 Right at 20% Discount
- Assets
 - Public Holdings (AOL, EXPE, IILG, TWX, TWC, TREE, TRIP)
 - Green Investments
 - ~\$1.6B cash + Subscription cash
- Liabilities
 - \$2.9B (\$2.4B market value) tax-advantaged exchangeables

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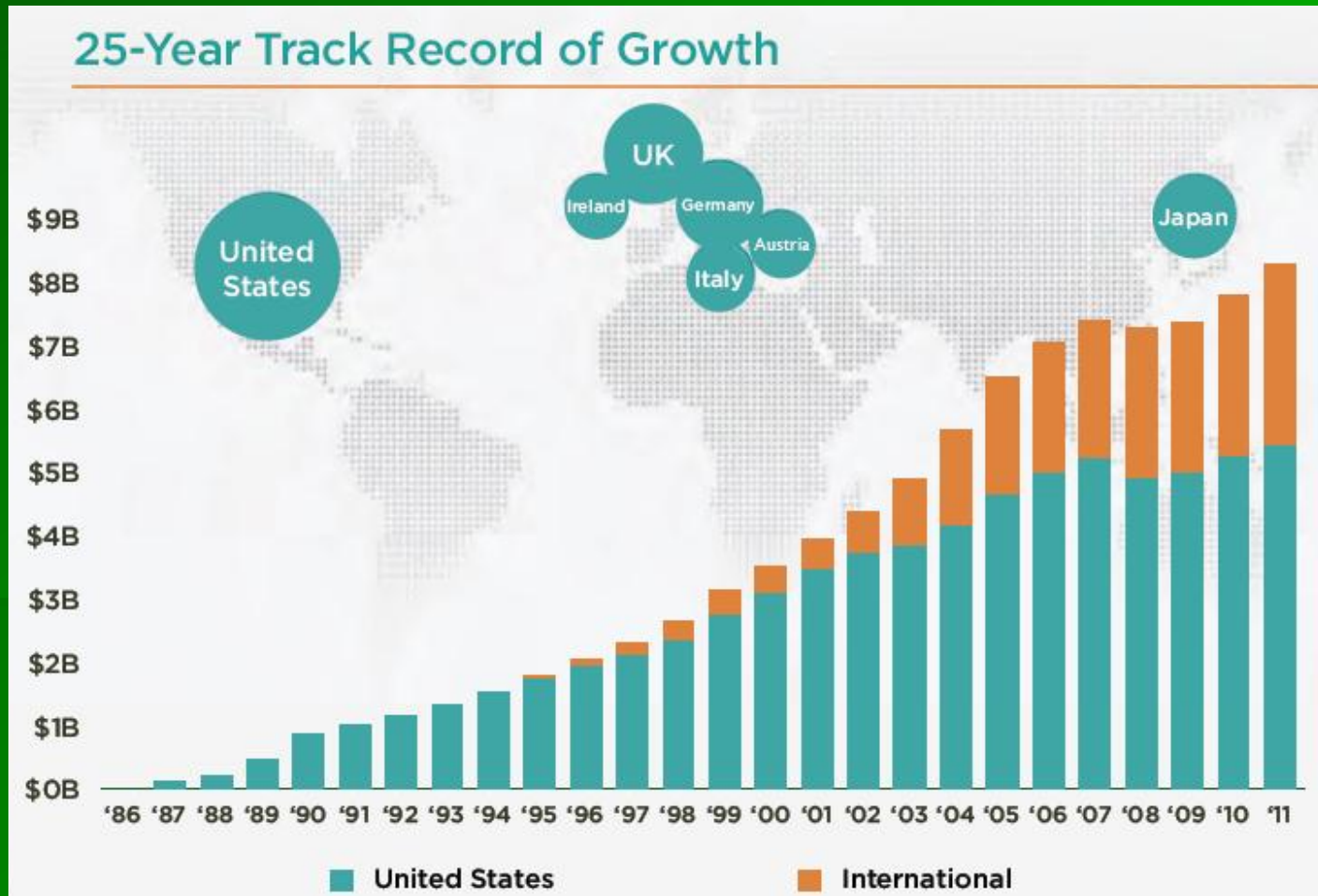
QVC Product Mix By Country



Source: Company Presentation

LINTA - ValueX 2012

QVC: Strong Growth Profile



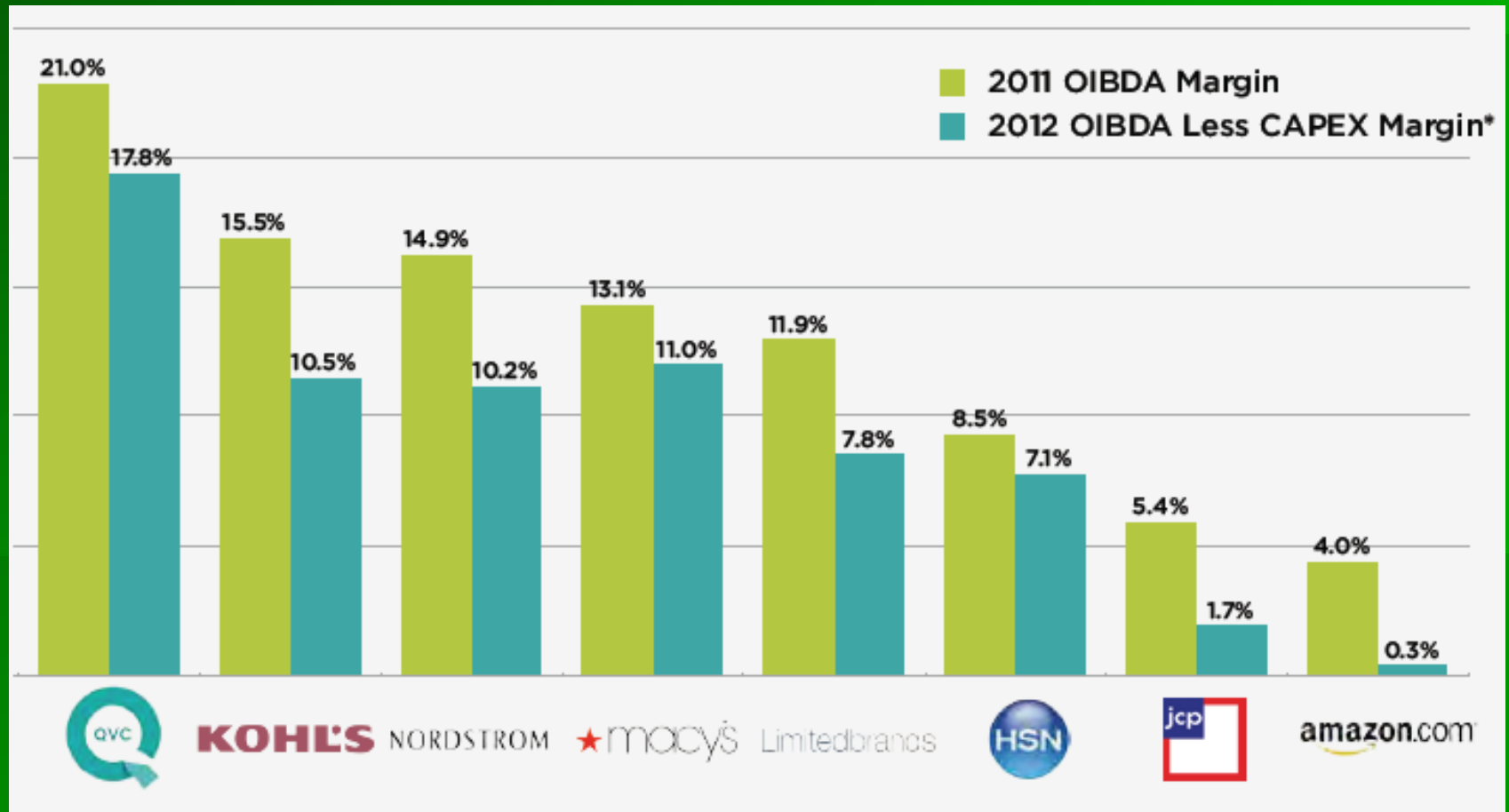
Source: Company Presentation

LINTA - ValueX 2012

LINTA

	2006	2007	2008	2009	2010	2011	5 Year CAGR
QVC Revenue	\$7,074	\$7,397	\$7,285	\$7,352	\$7,807	\$8,268	3.2%
eCommerce Revenue	\$252	\$405	\$776	\$931	\$1,125	\$1,348	39.8%
LINTA Revenue	\$7,326	\$7,802	\$8,061	\$8,283	\$8,932	\$9,616	5.6%
QVC EBITDA	\$1,656	\$1,652	\$1,502	\$1,556	\$1,671	\$1,733	0.9%
eCommerce EBITDA	\$30	\$40	\$79	\$112	\$103	\$123	32.6%
LINTA EBITDA	\$1,680	\$1,684	\$1,563	\$1,654	\$1,746	\$1,823	5.6%
LINTA Free Cash Flow	\$294	\$315	\$324	\$822	\$1,031	\$602	15.4%
LINTA Shares Outstanding	670	634	594	594	605	602	-2.1%
LINTA Net Debt/LINTA EBITDA	4.0x	3.6x	3.3x	3.0x	1.5x	1.5x	

QVC: Superior Margins



Source: Company Presentation

QVC International Success

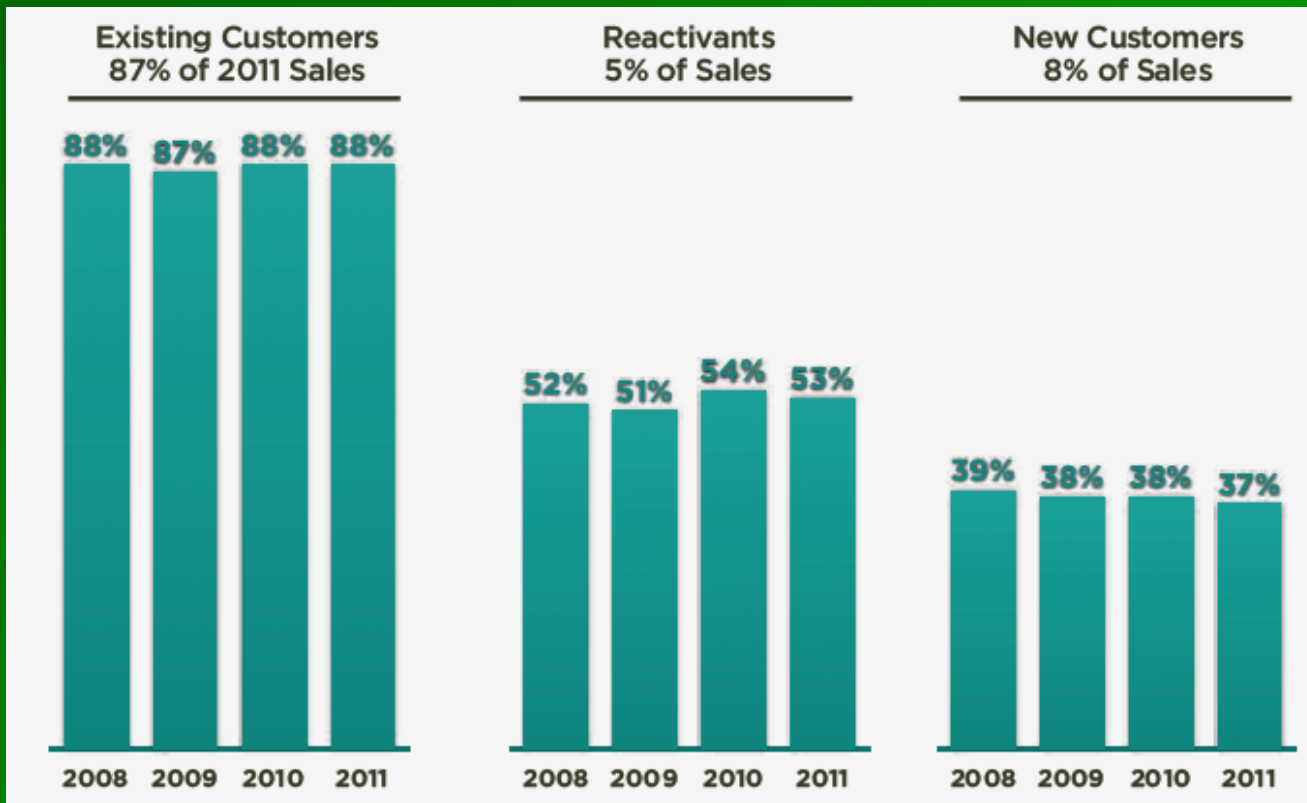
Ranked by 2011 GDP Estimate	Country	2011 GDP	2016 Projected GDP
<i>in \$ trillions</i>			
1	United States	15.1	18.7
2	China	7.3	11.6
3	Japan	5.9	6.5
4	Germany	3.6	3.8
5	France	2.8	3.1
6	Brazil	2.5	3.1
7	United Kingdom	2.4	3.0
8	Italy	2.2	2.2
9	Russia	1.9	2.9
10	Canada	1.7	2.1
11	India	1.7	2.6
12	Spain	1.5	1.5
13	Australia	1.5	1.8
14	Mexico	1.2	1.5
15	Korea	1.1	1.5

Existing/Planned Tier 1 Tier 2 Tier 3

Source: Company Presentation

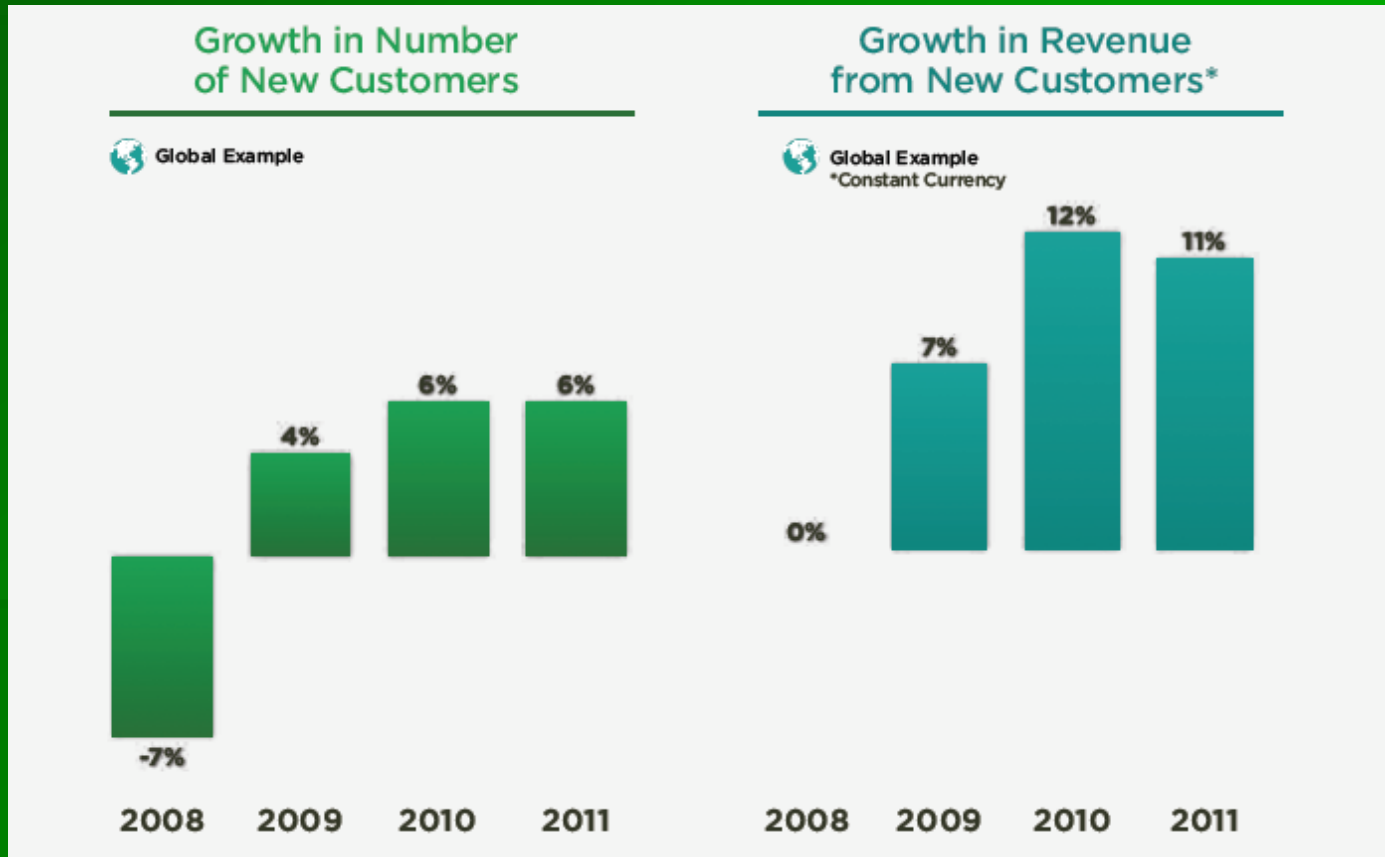
LINTA - ValueX 2012

QVC Retention Rates



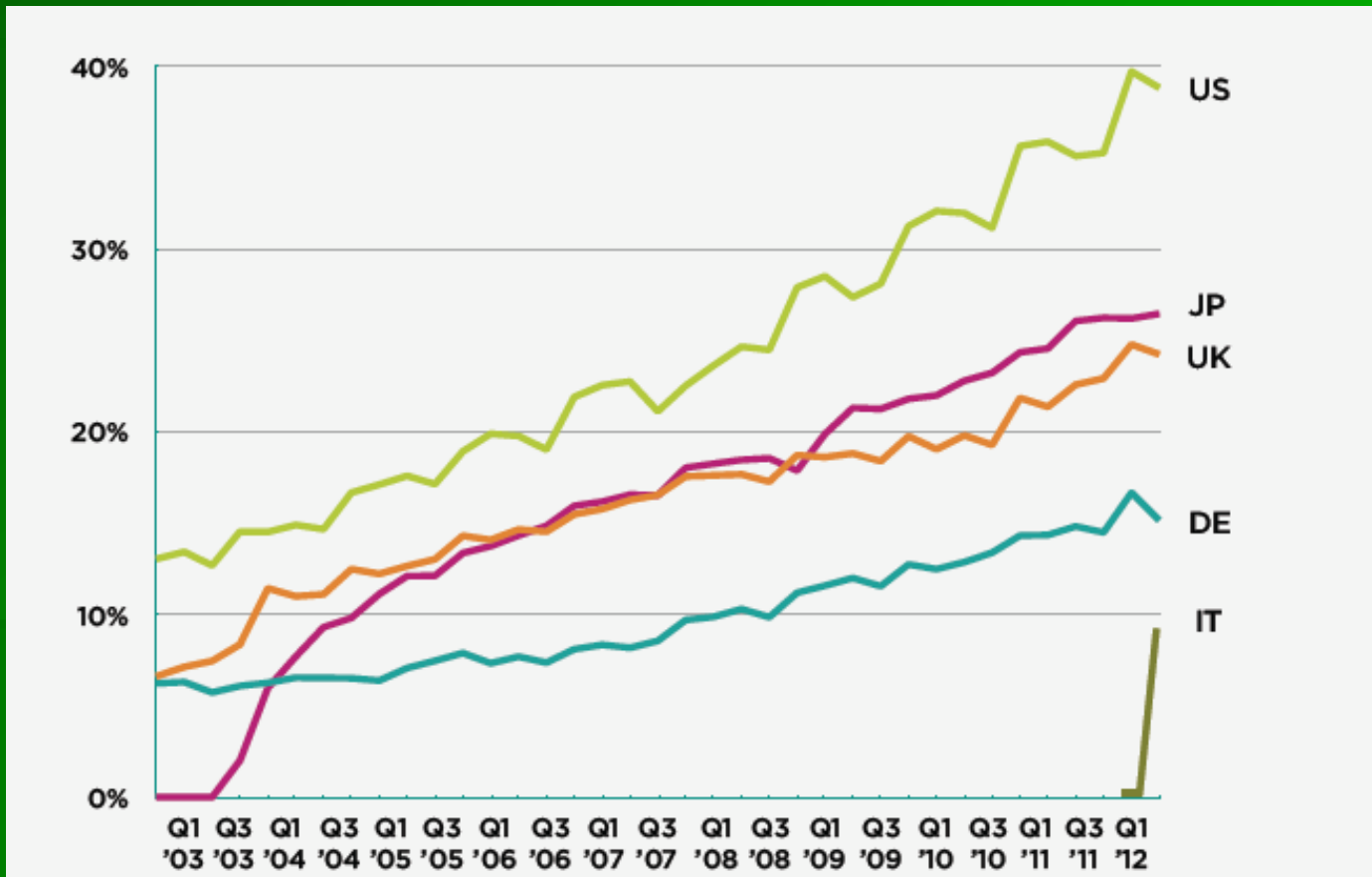
Source: Company Presentation

QVC New Customer Growth



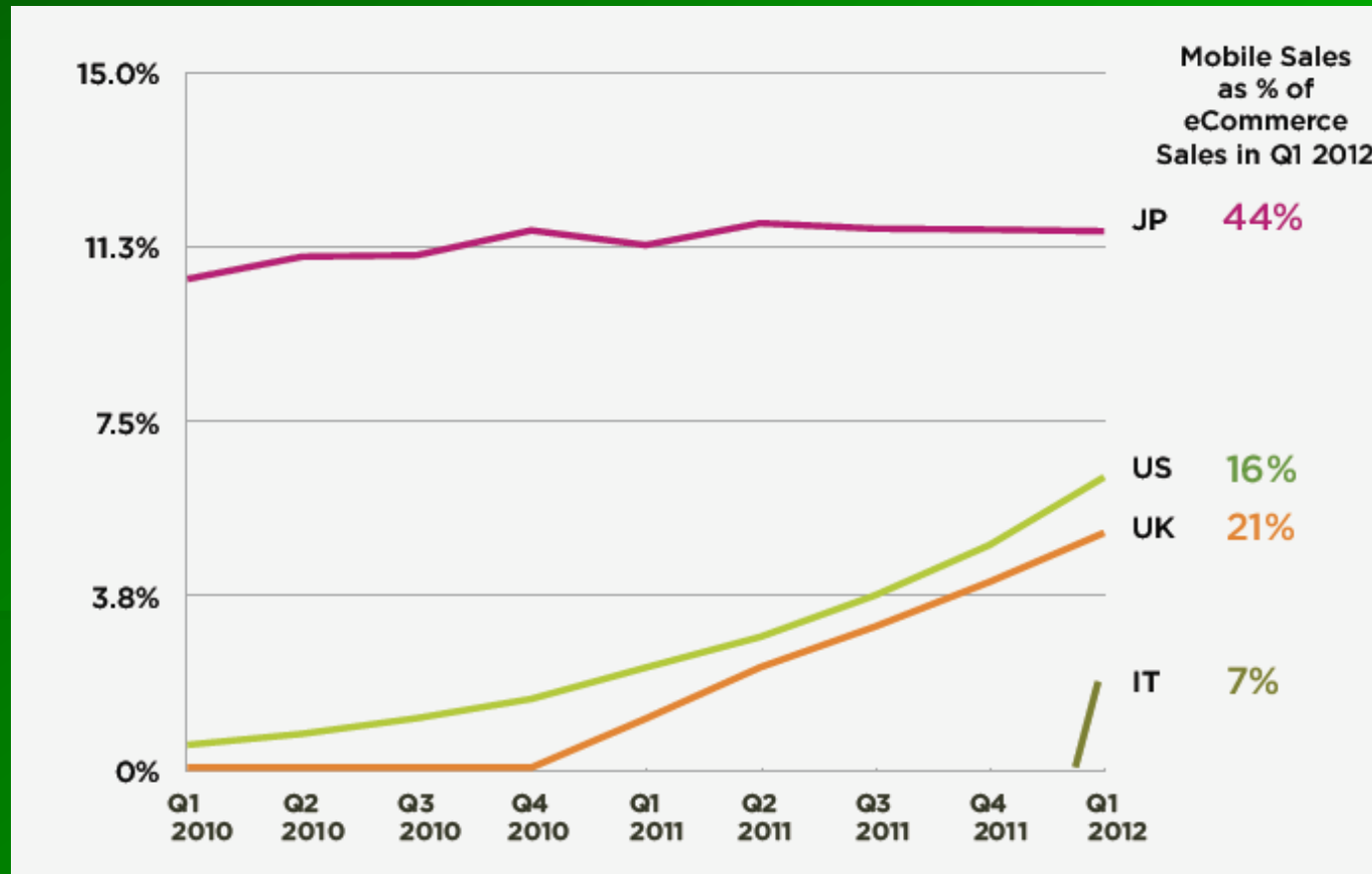
Source: Company Presentation

QVC Internet Penetration



Source: Company Presentation

QVC Mobile Penetration



Source: Company Presentation

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LINTA – Which Comp Set?

Name	Market Cap	EV	Price/FCF	2012 P/E	2013 P/E	EV/LTM EBITDA	EV/2012E EBITDA	EV/LTM Sales
LIBERTY INTERACTIVE CORP-A	\$9,106	\$13,335	8.7x	16.1x	12.7x	7.4x	6.9x	1.4x
MACY'S INC	\$15,125	\$20,146	9.4x	10.8x	9.5x	5.7x	5.4x	0.8x
LIMITED BRANDS INC	\$12,466	\$15,715	22.1x	15.2x	13.3x	8.6x	7.8x	1.5x
KOHL'S CORP	\$10,484	\$13,745	8.4x	9.3x	8.3x	4.7x	4.7x	0.7x
NORDSTROM INC	\$10,199	\$11,703	16.3x	14.2x	12.5x	7.1x	6.8x	1.0x
J.C. PENNEY CO INC	\$5,318	\$7,671	NM	19.5x	9.6x	12.4x	6.8x	0.5x
Average			14.0x	13.8x	10.7x	7.7x	6.3x	0.9x
Median			12.8x	14.2x	9.6x	7.1x	6.8x	0.8x
AMAZON.COM INC	\$100,314	\$97,057	88.9x	92.3x	54.9x	46.9x	30.2x	1.9x
EBAY INC	\$54,864	\$51,272	26.9x	18.1x	15.6x	14.7x	11.3x	4.1x
PRICELINE.COM INC	\$33,536	\$31,491	28.1x	21.2x	16.9x	20.4x	15.6x	6.9x
HSN INC	\$2,363	\$2,298	23.0x	16.1x	13.6x	8.3x	6.9x	0.7x
BLUE NILE INC	\$420	\$355	29.6x	37.0x	30.3x	20.8x	17.4x	1.0x
1-800-FLOWERS.COM INC-CL A	\$201	\$211	8.7x	20.3x	13.9x	5.7x	5.2x	0.3x
OVERSTOCK.COM INC	\$162	\$106	44.7x	29.4x	14.1x	74.8x	5.5x	0.1x
Average			35.7x	33.5x	22.8x	27.4x	13.2x	2.1x
Median			28.1x	21.2x	15.6x	20.4x	11.3x	1.0x

Liberty Ventures - Exchangeables

Description	Principal Value	Carrying Value	Maturity Year	Cash Coupon	Tax Deduction
Sprint/Century Link	469	258	2029	4.000%	9.07%
Sprint/Century Link	460	254	2030	3.750%	9.43%
Motorola Solutions/Motorola Mobility	484	364	2031	3.500%	9.50%
Viacom/CBS	414	373	2031	3.250%	3.250%
Time Warner/Time Warner Cable/AOL	1138	1374	2023	3.125%	3.125%

LINTA Ventures Valuation

			<u>Value</u>
Tree.Com	2.8	\$9.72	\$27
Interval Leisure Group	16.6	\$17.62	\$292
Expedia	22.6	\$48.49	\$1,096
Trip Advisors	26.1	\$44.24	\$1,155
Time Warner	21.8	\$37.33	\$813
Time Warner Cable	5.5	\$79.65	\$436
AOL	2.0	\$26.72	\$53
Total Investments			\$3,872
Cash From LINTA			\$1,250
Cash From Equity Sales			\$750
Cash From Subscription			\$541
Estimated Tax on Available for Sale Securities 50% full tax rate			(\$95)
Estimated Tax on Equity Method Securities 50% full tax rate			(\$404)
Discounted Exchangable Tax			(\$1,607)
Face Value of Exchangables			(\$2,967)
Adjustments			
Difference Between Face/Market Value of Exchangeables			\$524
Discounted Value on Interest Free Loan Return Assuming 2% Return			\$1,744
Adjusted Value			\$3,608
Complexity Discount			25%
Total Value			\$2,706
Venture Value Per Liberty Share			\$4.91
Assumed Venture Price			\$73.68

LINTA - ValueX 2012

Liberty Ventures

Liberty Venture Price Per LINTA Share*

		Assumed % Taxes Paid				
		0%	10%	50%	75%	100%
Assumed Return on Float	\$4.91					
	1.0%	\$5.51	\$5.35	\$4.71	\$4.31	\$3.91
	2.0%	\$5.71	\$5.55	\$4.91	\$4.51	\$4.11
	3.0%	\$5.93	\$5.77	\$5.13	\$4.73	\$4.33
	4.0%	\$6.17	\$6.01	\$5.37	\$4.97	\$4.57
	5.0%	\$6.44	\$6.28	\$5.64	\$5.24	\$4.84
	6.0%	\$6.74	\$6.58	\$5.94	\$5.54	\$5.14
	7.0%	\$7.06	\$6.90	\$6.26	\$5.86	\$5.46

*Assumes 25% complexity discount

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Projected LINTA

	2011	2012E	2013E	2014E	2015E	2016E	CAGR
QVC Revenue	\$8,268	\$8,573	\$8,901	\$9,252	\$9,615	\$9,979	3.8%
eCommerce Revenue	\$1,348	\$1,510	\$1,661	\$1,794	\$1,919	\$2,053	8.8%
LINTA Revenue	\$9,616	\$10,083	\$10,562	\$11,046	\$11,535	\$12,033	4.6%
QVC EBITDA	\$1,733	\$1,810	\$1,906	\$1,984	\$2,060	\$2,152	4.4%
eCommerce EBITDA	\$123	\$143	\$166	\$188	\$211	\$236	13.9%
LINTA EBITDA	\$1,823	\$1,928	\$2,045	\$2,144	\$2,243	\$2,358	5.3%
LINTA Free Cash Flow	\$602	\$761	\$897	\$980	\$1,018	\$1,081	12.4%
LINTA Shares Outstanding	575	500	460	421	383	347	-9.6%
LINTA Free Cash Flow/Share	\$1.05	\$1.52	\$1.95	\$2.33	\$2.66	\$3.11	
QVC Net Debt/QVC EBITDA	0.9x	1.9x	1.9x	1.8x	1.7x	1.6x	
LINTA Net Debt/LINTA EBITDA	1.5x	2.4x	2.2x	2.1x	1.9x	1.8x	

LINTA Value

	<u>Value</u>
QVC @ 8x 2012 Operating Cash Flow	\$14,484
Less Japan Minority Stake	(\$848)
Total QVC Value	\$13,636
Internet Investments at 11x 2012E EBITDA	\$1,578
HSN, Inc.	\$821
Assumed Public Holding Discount	20.0%
Sub Total:	\$15,870
Total 2012E Debt	(\$4,606)
Equity Value	\$11,264
2012E Ending Shares Outstanding	500
Per Share	\$22.55
QVC/Internet Assets Per Share	\$21.23
Investment Per Share	\$1.31

LINTA Adjusted Value

	2011	2012E	2013E	2014E	2015E	2016E
LINTA Stock Price	\$16.29	\$16.29	\$16.29	\$16.29	\$16.29	\$16.29
Less HSNI Per LINTA Share	\$1.43	\$1.64	\$1.78	\$1.95	\$2.14	\$2.36
Less Ventures Value LINTA Share	\$4.00	\$4.60	\$5.00	\$5.47	\$6.00	\$6.63
Adjusted LINTA Stock Price	\$10.86	\$10.04	\$9.51	\$8.87	\$8.15	\$7.30
LINTA Free Cash Flow/Share	\$1.05	\$1.52	\$1.95	\$2.33	\$2.66	\$3.11
Adjusted Price to Free Cash Flow/Share	10.4x	6.6x	4.9x	3.8x	3.1x	2.3x
Adjusted LINTA Enterprise Value ¹	\$11,542	\$11,542	\$11,542	\$11,542	\$11,542	\$11,542
LINTA EV/EBITDA	6.3x	6.0x	5.6x	5.4x	5.1x	4.9x

¹ Assumed Enterprise Value at 2012 year end. EV does not include Liberty Ventures' rights offering.

LINTA

- **Risks**
 - **European Exposure**
 - **Liquidity Issue/Poor Investments at Ventures**
 - **Equity Holding Declines**
 - **US Recession**
 - **Cheap gets cheaper**

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BrennanValue@comcast.net