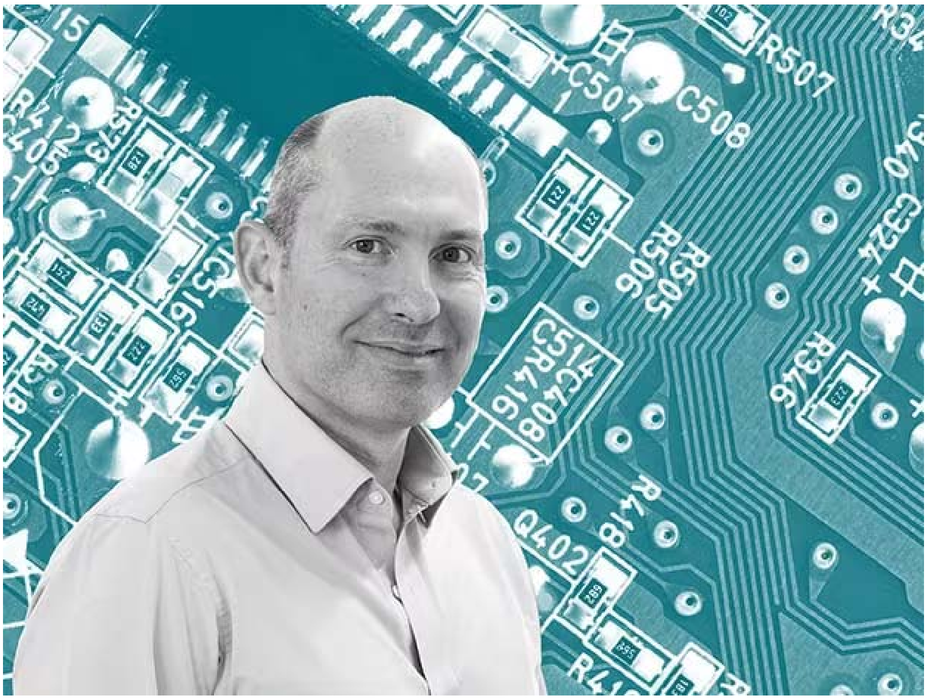

FUNDS

Shares I Love: IAC

IAC builds businesses in sectors that are trying to transition online

May 12, 2022
By **Leonora Walters**

- IAC specialises in building businesses in sectors that are trying to transition from offline to online
- The company has a long and successful history of spinning off these companies when they reach maturity

Joe Bauernfreund, chief executive officer and chief investment officer of Asset Value Investors, which runs **AVI Global Trust (AGT)**, explains why he invests in North American media and internet company **IAC (US:IAC)**.

"IAC offers exposure to attractive quality assets at a big discount. The company has specialised in building businesses in sectors that are trying to transition from offline to online, such as Expedia with travel and Match with dating. Such businesses are typically capital light, exhibit network effects and enjoy strong structural growth trends. IAC, which describes itself as the "anti-conglomerate conglomerate", has a track record of spinning off such companies to shareholders when they reach maturity and has spawned 10 public companies.

"IAC spun-off Match and video streamer Vimeo in 2020 and 2021, respectively, and currently is in 'building mode'. Its portfolio includes Dotdash Meredith, a digital media company formed in 2021 when IAC's Dotdash acquired Meredith Corp's media assets. IAC also owns listed stakes in **Angi (US:ANGI)**, the leading home services market place, and **MGM Resorts International (US:MGM)** whose BetMGM is a leader in the nascent US sports betting and online gaming market.

"IAC also holds a collection of smaller unlisted assets, the most promising of which are Care.com, a marketplace which is trying to bring the $300bn care market online, and a minority stake in Turo, a peer-to-peer car rental marketplace.

“Investors tend to get excited about IAC when it is about to spin off an asset but become despondent during the lulls when there are no obvious catalysts on the horizon. This is reflected the company’s in discount widening.

"On top of this, following weaker than expected fourth-quarter results, investors are increasingly sceptical as to whether Angi can reinvigorate growth. The jury may be out, but at current prices it represents an extremely attractive risk reward, with downside protection if it restores profitability and potential multiples of upside if it is successful.

"IAC has been trading on a historically wide discount to our estimated net asset value (NAV). But given its history of spinning off assets to shareholders, which acts as a pull to par, we believe that the fair discount is close to zero. We are optimistic about the prospective returns from discount narrowing, as well as NAV growth, with chairman and senior executive Barry Diller having compounded returns at 13 per cent per cent a year, on average, since 1995.

"The company has a long and successful history: a dollar invested in Silver King, the precursor to IAC, when Barry Diller took control of it in 1995 would have grown to a little under $27 (£21.87) by April 2022. $1 invested in the S&P 500 index over the same period would only have grown to $12."