

INTERACTIVECORP
Form S-4/A
July 10, 2003

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As Filed with the Securities and Exchange Commission on July 9, 2003

Registration No. 333-104973

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**AMENDMENT NO. 1
TO
FORM S-4**

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

INTERACTIVECORP

(formerly USA Interactive)

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

4833
(Primary Standard Industrial
Classification Code Number)
152 West 57th Street
New York, New York 10019
(212) 314-7300

59-2712887
(I.R.S. Employer
Identification Number)

(Address, including Zip Code, and Telephone Number, including
Area Code, of Registrant's Principal Executive Offices)

David G. Ellen, Esq.
Vice President, Acting General Counsel and Secretary
InterActiveCorp
152 West 57th Street
New York, New York 10019
(212) 314-7300

(Name, Address, including Zip Code, and Telephone Number,
including Area Code, of Agent For Service)

Copies to:

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Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022
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Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after this registration statement becomes effective and upon completion of the merger described in the enclosed information statement/prospectus.

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If the securities registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Securities Act"), check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(3)
Common Stock, par value \$0.01 per share	138,595,999(1)	N/A	\$3,955,034,762(2)	\$319,963
Warrants to purchase 1.93875 shares of Common Stock	12,503,093(4)	N/A	\$987,494,285(5)	\$79,889
Common Stock, par value \$0.01 per share	24,240,372(6)	N/A	N/A(7)	N/A
Total				\$399,852(8)

- (1) Based on the maximum number of shares of common stock, par value \$0.01 per share, of the Registrant ("IAC common stock") that may be issued in connection with the merger described in the enclosed proxy and information statement/prospectus, calculated as the product of (a) 71,487,298 (the sum of (i) 50,646,686 shares of common stock, par value \$0.01 per share, of Expedia, Inc. ("Expedia common stock") outstanding on April 11, 2003, plus (ii) 22,714,242 shares of Expedia common stock reserved for issuance upon the exercise of stock options and restricted stock units outstanding on April 11, 2003, less (iii) 1,873,630 shares of Expedia common stock held by the Registrant), multiplied by (b) 1.93875, the exchange ratio in the merger. Outstanding shares exclude shares of Expedia common stock held by Expedia or any subsidiary of Expedia.
- (2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f) and Rule 457(c) under the Securities Act, based on the product of (a) 71,487,298, multiplied by (b) \$55.325, the average of the high and low sales prices for shares of Expedia common stock as reported on the Nasdaq National Market on April 25, 2003.
- (3) Calculated by multiplying 0.00008090 by the proposed maximum aggregate offering price.
- (4) Based on the maximum number of warrants ("IAC warrants") issuable upon the conversion of Expedia, Inc. warrants listed on the Nasdaq National Market ("Expedia warrants") on April 11, 2003.
- (5) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f), Rule 457(c) and Rule 457(i) under the Securities Act, based on the sum of (a) 662,413,867, the product of (i) 12,503,093, the number of Expedia warrants outstanding on April 11, 2003, multiplied by (ii) \$52.98, the average of the high and low sales prices for an Expedia warrant as reported on the Nasdaq National Market on July 1, 2003, and (b) 325,080,418, the product of (i) 12,503,093 multiplied by (ii) 26.00, the exercise price to be received by the Registrant upon exercise of an IAC warrant.
- (6) Based on the maximum number of shares of IAC common stock issuable upon exercise of the IAC warrants, calculated by multiplying 12,503,093, the maximum number of IAC warrants being registered hereunder, by 1.93875, the number of shares of IAC common stock to be received upon exercise of an IAC warrant.
- (7) Pursuant to 457(i) under the Securities Act, the maximum amount of \$26.00 per warrant that may be received in connection with the exercise of an IAC warrant has been added to the proposed offering price of the IAC warrant and no separate registration fee is payable in connection with the shares of IAC common stock issuable upon exercise of the IAC warrants. See note (5) above.

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(8)

The total registration fee due in connection with this filing is \$399,852. On or about May 2, 2003, a filing fee of \$375,924 was paid in connection with the filing of the initial Registration Statement with the Commission. Accordingly, a fee payable upon filing of this Amendment No. 1 to the Registration Statement is \$23,928.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Dear Shareholders:

As you may be aware, the board of directors of Expedia, based upon the unanimous approval and recommendation of a special committee of its disinterested directors, has approved a merger agreement that would result in Expedia becoming a wholly owned subsidiary of InterActiveCorp ("IAC," formerly USA Interactive). In the merger, each outstanding share of Expedia common stock and Expedia Class B common stock (other than shares held by Expedia shareholders who validly perfect dissenters' rights under Washington law) will be converted into 1.93875 shares of IAC common stock and each outstanding warrant to purchase shares of Expedia common stock listed on the Nasdaq National Market will be converted into a warrant to acquire 1.93875 shares of IAC common stock. In connection with the merger, the special committee received an opinion of Morgan Stanley & Co. Incorporated to the effect that, as of March 18, 2003, the exchange ratio of 1.93875 pursuant to the merger agreement was fair, from a financial point of view, to the holders of Expedia common stock (other than IAC and its affiliates).

Both IAC and Expedia believe the merger will enhance shareholder value by providing Expedia shareholders, through a transaction that is tax-free to Expedia shareholders, with a significant premium for their Expedia shares, as well as the opportunity to participate in the growth and future value of IAC.

Before we can proceed with the merger, the holders of a majority of the voting power of outstanding Expedia shares must vote in favor of adoption and approval of the merger agreement and the proposed merger at the special meeting of Expedia shareholders. Because IAC, which currently owns 94.9% of the combined voting power of Expedia's outstanding shares, has agreed to vote in favor of adoption and approval of the merger agreement and the proposed merger, approval of the merger by Expedia shareholders at the special meeting is assured.

Your board of directors recommends that you vote FOR approval of the merger agreement and the transactions contemplated thereby.

Whether or not you attend the special meeting, it is important that your shares be properly represented and voted at the meeting. Therefore, I urge you to sign, date and promptly return the enclosed proxy in the enclosed postage-paid envelope. Sending in your proxy will not prevent you from voting your shares at the meeting in person if you so desire, as your proxy is revocable at your option.

Please see "Risk Factors" beginning on page 13 for a discussion of matters relating to an investment in IAC common stock and IAC warrants.

IAC common stock is listed on the Nasdaq National Market under the symbol "IACI" and Expedia common stock is listed on the Nasdaq National Market under the symbol "EXPE." Based on the closing price of IAC common stock on July 8, 2003, the last practicable day before the printing of this proxy and information statement/prospectus, 1.93875 shares of IAC common stock had a value of \$81.41. You should be aware that, because the number of shares of IAC common stock you will receive per Expedia share in the merger is fixed, the value of the consideration you will receive in the merger will fluctuate as the market price of IAC common stock changes.

Sincerely,

Erik C. Blachford
Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the IAC common stock to be issued in the merger or determined if the information contained in this proxy and information statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The date of this proxy and information statement/prospectus is July 9, 2003
and it is first being mailed on or about July 11, 2003.

Dear Stockholders:

As you may be aware, the board of directors of InterActiveCorp ("IAC", formerly USA Interactive) and, based upon the unanimous approval and recommendation of a special committee of Expedia's disinterested directors, the board of directors of Expedia, has each approved a merger agreement that would result in Expedia becoming a wholly owned subsidiary of IAC. In the merger, each outstanding share of Expedia common stock and Expedia Class B common stock (other than shares held by Expedia shareholders who validly perfect dissenters' rights under Washington law) would be converted into 1.93875 shares of IAC common stock. IAC expects to issue approximately 99.9 million shares of IAC common stock at the closing of the merger.

Under the Nasdaq rules, because IAC might issue in excess of 20% of its current outstanding common stock under the terms of the merger, before we can complete the merger, IAC stockholders must approve the issuance of the IAC common stock in the merger. Pursuant to a stockholders Agreement, each of Universal Studios, Inc., a subsidiary of Vivendi Universal S.A., and Liberty Media Corporation has granted to Barry Diller an irrevocable proxy over all IAC securities owned by Universal, Liberty and their affiliates for all matters, except for limited contingent matters, which require the consent of each of Mr. Diller and Liberty. The merger is not a contingent matter. As a result, Mr. Diller, through shares owned by him, as well as those owned by Liberty and Vivendi, controls approximately 64.1% of the combined voting power of IAC common stock and IAC Class B common stock, which is sufficient for approval by IAC stockholders of the issuance of the IAC securities in the merger. Mr. Diller has signed a written stockholder's consent approving the issuance of IAC securities in the merger. As a result, no action is required on the part of IAC stockholders. **We are not asking IAC stockholders for a proxy and IAC stockholders are requested not to send IAC a proxy.**

IAC common stock is listed on the Nasdaq National Market under the symbol "IACI" and Expedia common stock is listed on the Nasdaq National Market under the symbol "EXPE." Based on the closing price of IAC common stock on the Nasdaq National Market on July 8, 2003, the last practicable day before the printing of this proxy and information statement/prospectus, 1.93875 shares of IAC common stock had a value of \$81.41.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the IAC common stock to be issued in the merger or determined if the information contained in this proxy and information statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The date of this proxy and information statement/prospectus is July 9, 2003
and it is first being mailed on or about July 11, 2003.

EXPEDIA, INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held on August 8, 2003

A special meeting of shareholders of Expedia, Inc., a Washington corporation, will be held at 10:00 a.m., local time, on Friday, August 8, 2003 at the Doubletree Hotel, 300 112th Avenue SE, Bellevue, Washington, to consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of March 18, 2003, among USA Interactive, now InterActiveCorp or "IAC," Equinox Merger Corp., a wholly owned subsidiary of IAC, and Expedia (which we refer to in this proxy and information statement/prospectus as the merger agreement), and the transactions contemplated thereby. Under the terms of the merger agreement, among other things:

Equinox Merger Corp. will merge with and into Expedia, with Expedia continuing as the surviving corporation. As a result of the merger, Expedia will be a wholly owned subsidiary of IAC.

Each share of Expedia common stock and Expedia Class B common stock (other than shares held by Expedia shareholders who validly perfect dissenters' rights under Washington law) will be converted into 1.93875 shares of IAC common stock and each outstanding warrant to purchase shares of Expedia common stock listed on the Nasdaq National Market will be converted into a warrant to acquire 1.93875 shares of IAC common stock.

Holders of record of shares of Expedia common stock and Expedia Class B common stock at the close of business on June 25, 2003 will be entitled to vote at the special meeting or any adjournment or postponement.

By Order of the Board of Directors

Mark S. Britton,
Secretary

Bellevue, Washington
July 9, 2003

Whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope.

IMPORTANT

This document, which is sometimes referred to as the proxy and information statement/prospectus, constitutes (1) a proxy statement of Expedia to Expedia shareholders, (2) a prospectus of IAC to Expedia shareholders for the shares of IAC common stock that IAC will issue to Expedia shareholders in the merger, (3) a prospectus of IAC to holders of Expedia warrants listed on the Nasdaq National Market for the IAC warrants that IAC will issue to holders of such Expedia warrants, and (4) an information statement of IAC to IAC stockholders. This document also constitutes notice of the contemplated merger to the holders of outstanding warrants to acquire shares of Expedia common stock pursuant to the terms of the underlying warrant documents. As permitted under the rules of the U.S. Securities and Exchange Commission, or the SEC, this proxy and information statement/prospectus incorporates important business and financial information about IAC, Expedia and their affiliates that is contained in documents filed with the SEC and that is not included in or delivered with this proxy and information statement/prospectus. You may obtain copies of these documents, without charge, from the website maintained by the SEC at www.sec.gov, as well as other sources. See "Where You Can Find More Information" beginning on page 97. You may also obtain copies of these documents, without charge, from IAC and from Expedia by writing or calling:

InterActiveCorp
152 West 57th Street
New York, New York 10019
(212) 314-7300
Attention: Corporate Secretary

Expedia, Inc.
13810 SE Eastgate Way, Suite 400
Bellevue, Washington 98005
(425) 564-7200
Attention: Corporate Secretary

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You may also obtain documents incorporated by reference into this proxy and information statement/prospectus by requesting them in writing or by telephone from MacKenzie Partners, Inc., the proxy solicitor for the merger, at the following address and telephone number:

105 Madison Avenue
New York, New York 10016
(212) 929-5500 (collect)
(800) 322-2885 (toll-free)

In order to obtain delivery of these documents prior to completion of the merger, you should request such documents no later than August 1, 2003.

In "Questions and Answers About the Merger" and in the "Summary," we highlight selected information from this proxy and information statement/prospectus, but we have not included all of the information that may be important to you. To better understand the merger agreement and the merger, and for a complete description of their legal terms, you should carefully read this entire proxy and information statement/prospectus, including the appendices, as well as the documents that we have incorporated by reference into this proxy and information statement/prospectus. See "Where You Can Find More Information" beginning on page 97.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

- Q:** **What is the proposed transaction?**
- A:** IAC is proposing to acquire all of the outstanding shares of Expedia common stock that it does not already own. The acquisition will be effected by the merger of a wholly owned subsidiary of IAC with and into Expedia, with Expedia surviving as a wholly owned subsidiary of IAC.
- Q:** **Why is IAC acquiring the remaining Expedia shares that it does not already own?**
- A:** IAC believes that the combined company will benefit from, among other things, the alignment of management interests and the ability of the combined company to offer improved and integrated products and services, in each case creating greater value for both IAC's stockholders and Expedia's shareholders. To review IAC's reasons for the merger, as well as the special committee's and Expedia's reasons for the merger, see the discussion beginning on page 26.
- Q:** **If I am an Expedia shareholder, what will I receive in exchange for my Expedia shares?**
- A:** If you are an Expedia shareholder, you will receive 1.93875 shares of IAC common stock in exchange for each share of Expedia common stock owned at the time the merger is completed (unless you properly exercise dissenters' rights). IAC will not issue fractional shares of IAC common stock. Any Expedia shareholder entitled to receive a fractional share of IAC common stock will receive a cash payment instead of a fractional share.
- Q:** **If I am an Expedia warrant holder, what will I receive in exchange for my Expedia warrants?**
- A:** *Expedia Shareholder Warrants.* Each outstanding Expedia warrant to acquire one share of Expedia common stock that was issued to shareholders of Expedia in respect of their shares of Expedia common stock in the February 2002 transaction whereby IAC acquired a controlling interest in Expedia will be converted into an IAC warrant to acquire 1.93875 shares of IAC common stock. Each IAC stockholder warrant will have substantially equivalent rights to the converted Expedia shareholder warrant. We refer in this proxy and information statement/prospectus to the transaction whereby IAC acquired a controlling interest in Expedia as the IAC acquisition of control.
- Expedia Employee Warrants.* Each outstanding Expedia warrant to acquire one share of Expedia common stock that was issued to Expedia employees in respect of certain of their stock options shortly prior to the IAC acquisition of control will be converted into an IAC warrant to acquire 1.93875 shares of IAC common stock, subject, in the case of vested warrants, to applicable withholding taxes. Except with respect to vesting (including transferability prior to vesting) and withholding taxes, the IAC employee warrants will be identical in all material respects to the IAC stockholder warrants. Each IAC employee warrant will have substantially equivalent rights

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to the converted Expedia employee warrant.

Other Expedia Warrants. All other outstanding warrants to acquire Expedia common stock will either remain outstanding as Expedia warrants and become exercisable solely for shares of IAC common stock with the number of shares that each warrant represents a right to purchase and the exercise price per share being adjusted based on the exchange ratio, or be converted into warrants of IAC to acquire shares of IAC common stock, with substantially the same terms and conditions that were applicable to the converted Expedia warrants, except that the number of shares of IAC common stock that each warrant represents a right to purchase and the exercise price per share shall be adjusted based on the exchange ratio.

Q:

If I am an IAC stockholder, how will I be affected by the merger?

A:

After the merger, IAC stockholders will continue to own the IAC shares that they held immediately prior to the merger. However, because IAC plans to issue approximately 99.9 million new shares of IAC common stock in the merger to current Expedia shareholders, each outstanding IAC share immediately prior to the merger will represent a smaller percentage of a significantly larger company after the merger. IAC's public stockholders currently

own approximately 67.6% of IAC's outstanding common equity and 35.8% of IAC's voting power based on shares outstanding as of June 30, 2003. After the merger, based on shares outstanding as of June 30, 2003, IAC's public stockholders immediately prior to the merger will own approximately 58.0% of IAC's outstanding equity and 33.1% of IAC's outstanding voting power.

Q:

How are the economic terms of the merger different from the terms of the contemplated exchange offer IAC announced on June 3, 2002?

A:

On June 3, 2002, IAC announced its intention to commence an exchange offer of 1.34845 shares of IAC common stock for each share of Expedia common stock that IAC did not own (after adjusting the exchange ratio to give effect to a two-for-one stock split of Expedia shares effective March 10, 2003), which represented a 7.5% premium over the closing price of Expedia common stock immediately prior to IAC's June 3, 2002 announcement. On June 5, 2002, IAC announced that it would not commence any exchange offer in the near future, and no exchange offer was ever commenced. The 1.93875 exchange ratio in the merger represents approximately a 30% premium based on the closing prices of Expedia and IAC common stock on March 18, 2003, the last trading date before IAC and Expedia announced the merger.

Q:

What vote of Expedia shareholders is needed to approve the merger?

A:

Under Washington law and Expedia's articles of incorporation, at the Expedia special meeting, the approval of the holders of Expedia shares representing a majority of the voting power of the outstanding shares of Expedia common stock and Expedia Class B common stock, voting together as a single class, is required in order to approve the merger. As of the record date for the special meeting, IAC controlled shares of Expedia common stock and Expedia Class B common stock representing 94.9% of the aggregate outstanding voting power of Expedia shares, and has agreed to vote such shares in favor of approval of the merger. As a result, approval of the merger at the special meeting by Expedia shareholders is assured.

Q:

Is a further vote of IAC stockholders needed to approve the merger?

A:

No. Delaware law allows stockholders to act by written consent instead of holding a meeting, unless prohibited by the company's certificate of incorporation. IAC's certificate of incorporation does not prohibit stockholder action by written consent. Since Barry Diller, who controls the vote of sufficient IAC shares to approve the issuance of IAC common stock in the merger by written consent, has already executed a written consent voting these shares in favor of the issuance of shares in the merger, no other vote of IAC stockholders is required.

Q:

Will I have dissenters' rights in connection with the merger?

A:

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Under Washington law, holders of shares of Expedia common stock will be entitled to dissenters' rights in connection with the merger. Under Delaware law, holders of IAC shares are not entitled to any dissenters' rights. For a detailed discussion of the dissenters' rights of holders of shares of Expedia common stock, see "The Merger Dissenters' Rights" beginning on page 42.

Q: Will Expedia shareholders be taxed on the IAC common stock that they receive in exchange for their Expedia shares?

A: The exchange of shares by Expedia shareholders is intended to be tax-free to Expedia shareholders for U.S. federal income tax purposes, except for taxes on cash received instead of fractional shares of IAC common stock and cash received by holders of shares of Expedia common stock properly exercising dissenters' rights in connection with the merger. We recommend that Expedia shareholders carefully read the complete explanation of the material U.S. federal income tax consequences of the merger beginning on page 38, and that Expedia shareholders consult their tax advisors for a full understanding of the tax consequences to them.

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Q: Will holders of Expedia warrants be taxed on the conversion of their Expedia warrants into warrants to acquire IAC common stock?

A: Maybe, depending on whether you hold Expedia employee warrants that will be converted into IAC employee warrants or any other Expedia warrant (including Expedia shareholder warrants). The conversion of Expedia warrants (other than Expedia employee warrants) into warrants to acquire IAC common stock is intended to be tax-free to Expedia warrant holders for U.S. federal income tax purposes. The tax treatment of the conversion of Expedia employee warrants into IAC employee warrants is not clear. We recommend that Expedia warrant holders carefully read the complete explanation of the material U.S. federal income tax consequences of the merger beginning on page 38, and that Expedia warrant holders consult their tax advisors for a full understanding of the tax consequences to them.

Q: What do I need to do now?

A: If you are an Expedia shareholder, after reviewing this proxy and information statement/prospectus, indicate on your proxy card how you want to vote on the merger, and sign, date and mail your proxy card in the enclosed return envelope as soon as possible, so that your shares may be represented at the special meeting. The meeting will take place on Friday, August 8, 2003. You may also grant your proxy by telephone, on the Internet or vote in person at the special meeting.

If you do not sign and send in your proxy card, vote by telephone or on the Internet, and do not attend and cast your vote in person at the Expedia special meeting, such inaction will have the effect of voting against the merger.

If you sign, date and send in your proxy card, but do not indicate how you want to vote, your proxy will be voted in favor of the merger.

If you are an IAC stockholder, you do not need to do anything, other than carefully read the information contained in this proxy and information statement/prospectus.

Q: If my Expedia shares are held in street name by my broker, will my broker automatically vote my shares for me?

A: No. Your broker will vote your shares only if you provide instructions to your broker on how to vote. You should fill out the voter instruction form sent to you by your broker with this proxy and information statement/prospectus and return the form to your broker.

Q: If I am an Expedia shareholder, may I change my vote even after submitting a proxy card?

A:

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Yes. If you are a holder of record, there are three ways you can change your proxy instructions after you have submitted your proxy card. First, you may send a written notice to the person to whom you submitted your proxy revoking your proxy. Second, you may complete and submit a new proxy card. The last proxy actually received by Expedia before the special meeting of Expedia shareholders will be counted, and any earlier proxies will be revoked. Third, you may attend the Expedia special meeting and vote in person. Any earlier proxy will thereby be revoked. However, simply attending the special meeting without voting will not revoke your proxy. You may also withdraw your proxy or change your vote by telephone or on the Internet as described in this proxy and information statement/prospectus.

If your shares are held in the name of a broker or nominee and you have instructed your broker or nominee to vote your shares, you must follow the directions you receive from your broker or nominee in order to change or revoke your vote.

Q:

Should I send in my Expedia stock certificates or Expedia warrant certificates now?

A:

No. After the merger is completed, Expedia shareholders will receive written instructions and a letter of transmittal for exchanging their shares of Expedia common stock for shares of IAC common stock and cash instead of fractional shares of IAC common stock, and holders of Expedia shareholder warrants will receive written instructions and a letter of transmittal for exchanging their Expedia shareholder warrants for IAC

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stockholder warrants. Because Expedia employee warrants are uncertificated, Expedia employee warrants will, without any action on the part of the holder, be converted into IAC employee warrants, subject to applicable withholding taxes. Holders of Expedia employee warrants that are held either by the original holder or a person that acquired the warrants other than in an arm's-length transfer will, prior to the date of the Expedia shareholder meeting, receive a form of election for selecting the method for satisfying any applicable withholding taxes in connection with the merger. **Please do not send your Expedia stock certificates or warrant certificates until you receive the instructions and letter(s) of transmittal.**

Q:

When do you expect to complete the merger?

A:

We currently expect to complete the merger promptly after the Expedia special meeting, provided that all conditions to closing have been satisfied or waived.

Q:

Where can I find more information?

A:

You may obtain more information from various sources, as set forth under "Where You Can Find More Information" beginning on page 97. If you have any questions about the merger, or would like copies of any of the documents we refer to in this proxy and information statement/prospectus, please call MacKenzie Partners, Inc., the proxy solicitor, toll-free at (800) 322-2885.

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SUMMARY

The following summary highlights selected information from this proxy and information statement/prospectus and may not contain all of the information that is important to you. To better understand the merger, you should carefully read this entire document and the other documents to which this proxy and information statement/prospectus refers you. See "Where You Can Find More Information" beginning on page 97.

Throughout this proxy and information statement/prospectus when we use the term "we," "us," or "our," we are referring to both IAC and Expedia.

The Companies

InterActiveCorp

152 West 57th Street
New York, New York 10019
(212) 314-7300

InterActiveCorp (Nasdaq: IACI), formerly USA Interactive, is comprised of the following operating businesses: Expedia, Inc. (Nasdaq: EXPE), which oversees Interval International and TV Travel Shop; Hotels.com; HSN; Ticketmaster, which oversees Evite and ReserveAmerica; Match.com, which oversees uDate.com; Entertainment Publications; Citysearch; and Precision Response Corporation. IAC has also entered into an agreement to acquire LendingTree (Nasdaq: TREE), which is expected to be completed in the third quarter of 2003. The goal of IAC is to be the world's largest and most profitable interactive commerce company by pursuing a multi-brand strategy.

Expedia, Inc.

13810 SE Eastgate Way, Suite 400
Bellevue, Washington 98005
(425) 564-7200

Expedia, Inc. is a leading provider of travel planning services. Expedia offers airplane, hotel and car reservations, trip cancellation waivers, and numerous smaller vacation and business travel services, like tickets to Broadway shows and 24-hour business travel support, that makes Expedia a one-stop travel shop for leisure and business travelers. Expedia offers services through Expedia-branded websites, co-branded websites, third-party websites, a tour operator, a corporate travel agency, and the telephone.

Equinox Merger Corp.

c/o InterActiveCorp
152 West 57th Street
New York, New York 10019
(212) 314-7300

Equinox Merger Corp., a Washington corporation, is a wholly owned subsidiary of IAC created solely for the purpose of effecting the merger. In the merger, Equinox Merger Corp. will be merged with and into Expedia, with Expedia surviving the merger as a wholly owned subsidiary of IAC.

The Merger (Page 22)

In the merger, Equinox Merger Corp. will merge with and into Expedia, and Expedia will survive the merger as a wholly owned subsidiary of IAC. In the merger, each share of Expedia common stock and Expedia Class B common stock (other than shares held by Expedia shareholders who properly exercise dissenters' rights) will be converted into the right to receive 1.93875 shares of IAC common stock and cash instead of a fractional share of IAC common stock. Based on shares of Expedia common stock outstanding as of June 15, 2003, IAC expects to issue approximately 99.9 million shares of IAC common stock at the closing of the merger. Immediately following the merger, it is anticipated that current shareholders of Expedia, other than IAC, will own approximately 15.7% of IAC's outstanding common stock, based on shares of Expedia common stock and IAC common stock outstanding as of June 15, 2003 and after giving effect to IAC's acquisition of the publicly held shares of Hotels.com that was completed on June 23, 2003.

The merger agreement is the legal document that governs the merger and the other transactions contemplated by the merger agreement. We have attached the merger agreement as Appendix A to this proxy and

information statement/prospectus. We urge you to read it carefully and in its entirety.

Treatment of Expedia Stock Options and Restricted Stock Awards (Page 62)

Upon completion of the merger, IAC will assume Expedia's employee stock options. As a result, options to acquire shares of Expedia common stock will be converted into options to acquire shares of IAC common stock, with the number of shares that each option represents a

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right to purchase and the exercise price per share being adjusted based on the exchange ratio, with substantially similar terms in all other respects. Existing stock options to acquire shares of IAC common stock will not be affected by the merger.

Upon completion of the merger, IAC also will assume Expedia's obligations with respect to Expedia's restricted stock awards. As a result, Expedia restricted stock awards will be converted into IAC restricted stock awards, with the number of shares that each award represents being adjusted, based on the exchange ratio, with substantially similar terms and restrictions in all other respects.

Treatment of Expedia Warrants (Page 63)

Upon completion of the merger, each outstanding Expedia shareholder warrant, which entitles its holder to acquire one share of Expedia common stock at an exercise price of \$26.00 per warrant, will be converted into an IAC stockholder warrant. Each IAC stockholder warrant will entitle its holder to purchase 1.93875 shares of IAC common stock at any time on or prior to February 4, 2009 upon payment of an exercise price of \$26.00, which is equal to an exercise price of \$13.41 per share. Each IAC stockholder warrant will have substantially equivalent rights to the converted Expedia shareholder warrant.

Also upon completion of the merger, each outstanding Expedia employee warrant, whether vested or unvested, to acquire one share of Expedia common stock will be converted into one IAC employee warrant with the same vesting schedule as the converted Expedia employee warrant. Except with respect to vesting (including transferability prior to vesting) and withholding taxes, the IAC employee warrants will be identical in all material respects to the IAC stockholder warrants. Each IAC employee warrant will have substantially equivalent rights to the converted Expedia employee warrant.

As of June 30, 2003, there were 8,116,054 Expedia shareholder warrants and 4,379,955 Expedia employee warrants outstanding.

We refer in this proxy and information statement/prospectus to the Expedia shareholder warrants and the Expedia employee warrants collectively which are currently listed on the Nasdaq National Market under the symbol "EXPEW" as the Expedia listed warrants, and to the IAC stockholder warrants and the IAC employee warrants collectively which will be listed on the Nasdaq National Market under the symbol "IACIZ" to the extent eligible for listing as the IAC listed warrants.

All other outstanding warrants to acquire Expedia common stock will either remain outstanding as Expedia warrants and become exercisable solely for shares of IAC common stock with the number of shares that each warrant represents a right to purchase and the exercise price per share being adjusted based on the exchange ratio, or be converted into warrants of IAC to acquire shares of IAC common stock, with substantially similar terms to the converted Expedia warrants, except that the number of shares that each warrant represents a right to purchase and the exercise price per share shall be adjusted based on the exchange ratio.

Expedia Shareholder Vote Required (Page 19)

IAC and Expedia will only proceed with the merger if it is approved at the special meeting by holders of a majority of the shares of Expedia common stock and Expedia Class B common stock, voting together as a single class,

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outstanding on June 25, 2003, the record date, and the other conditions to the merger are satisfied or waived.

As of the record date, IAC and its affiliates beneficially owned 1,873,630 shares of Expedia common stock and all of the Expedia Class B common stock, representing an ownership interest in Expedia of approximately 58% and a voting interest in Expedia of 94.9%. At the close of business on June 15, 2003, executive officers and directors of Expedia, excluding directors who are also officers and/or directors of IAC, beneficially owned approximately 17% of the outstanding shares of Expedia common stock, collectively representing 1% of the total outstanding voting power of Expedia on that date. IAC has agreed to vote all of its Expedia shares in favor of the proposal to approve the merger. Accordingly, approval of the proposal to approve the merger at the special meeting is assured.

Recommendation to Expedia Shareholders (Page 26)

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A special committee consisting entirely of non-management, disinterested directors of Expedia was appointed by the Expedia board of directors to represent the interests of Expedia's shareholders, other than IAC. The special committee unanimously approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, and unanimously recommended that the Expedia board of directors approve the merger agreement and the transactions contemplated thereby.

Based on the recommendation of the special committee, the Expedia board of directors unanimously approved the merger agreement, and unanimously recommends adoption and approval of the merger agreement and authorization of the merger by Expedia shareholders at the special meeting. The Expedia board of directors concurred with and adopted the analysis of the special committee with respect to the merger in deciding to recommend that shareholders vote "**FOR**" the adoption and approval of the merger agreement and authorization of the merger.

You should refer to the factors considered by the special committee in approving and making its recommendation to the Expedia board of directors, and the factors considered by the Expedia board in making its decision to adopt and approve the merger. These factors are discussed beginning on page 26.

Opinion of Financial Advisor to the Special Committee (Page 29)

In deciding to approve and recommend approval of the merger to the Expedia board of directors, the special committee considered the opinion of its financial advisor, Morgan Stanley & Co. Incorporated, to the effect that, as of March 18, 2003, and subject to and based on the assumptions and other considerations set forth in its written opinion, the exchange ratio of 1.93875 pursuant to the merger agreement was fair to the holders of Expedia common stock (other than IAC and its affiliates) from a financial point of view. The full text of Morgan Stanley's opinion is attached as Appendix B to this proxy and information statement/prospectus. Expedia recommends that its shareholders read the opinion of Morgan Stanley in its entirety.

Interests of Certain Persons in the Merger (Page 53)

You should be aware that a number of directors and officers of Expedia, some of whom are also directors and/or officers of IAC, and other directors and officers of IAC, have interests in the merger that are different from, or in addition to, your interests as an Expedia shareholder or IAC stockholder. We describe these interests beginning on page 53.

Regulatory Approvals (Page 45)

We are not aware of any material regulatory approvals required in connection with the merger. We intend to make all required filings under the Securities Act of 1933 and the Securities Exchange Act of 1934 relating to the merger.

Shares of IAC common stock issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act, except

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for shares of IAC common stock issued to affiliates of either IAC or Expedia.

Accounting Treatment (Page 46)

The merger will be accounted for under the purchase method of accounting in accordance with United States generally accepted accounting principles.

Comparison of Shareholder Rights (Page 87)

If we successfully complete the merger, each Expedia shareholder (other than Expedia shareholders who properly exercise their dissenters' rights) will become a stockholder of IAC. The rights of IAC stockholders are governed by Delaware law and by IAC's charter and by-laws. IAC stockholders' rights under Delaware law and IAC's charter and by-laws differ in some material respects from Expedia shareholders' rights under

Washington law and Expedia's articles of incorporation and bylaws. For a summary of these material differences, see the discussion beginning on page 87 of this proxy and information statement/prospectus.

Selected Historical Financial Information of IAC and Expedia

We are providing the following selected financial information to assist you in analyzing the financial aspects of the merger. The selected IAC and Expedia financial data set forth below, including the accompanying notes, are qualified in their entirety by, and should be read in conjunction with, the historical consolidated financial statements and related notes contained in the annual, quarterly and other reports filed by IAC and Expedia with the SEC, which we have incorporated by reference into this proxy and information statement/prospectus. See "Where You Can Find More Information" beginning on page 97.

IAC Selected Historical Consolidated Financial Data

The following table presents selected historical consolidated financial data for IAC for each of the years in the five-year period ended December 31, 2002, and for the three-month periods ended March 31, 2002 and 2003. This data was derived from IAC's audited and unaudited consolidated financial statements and reflects the operations and financial position of IAC at the dates and for the periods indicated. The financial statements for each of the five years in the period ended December 31, 2002 for IAC have been audited by Ernst & Young LLP, independent auditors. The financial statements for the three-month periods ended March 31, 2002 and 2003 are unaudited and are not necessarily indicative of results for any other interim period or for any calendar year.

In August 2001, IAC completed its previously announced sale of all of the capital stock of certain USA Broadcasting subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations to Univision Communications Inc., or Univision. On May 7, 2002, IAC completed its transaction with Vivendi Universal, S.A., or Vivendi, in which the USA Entertainment Group, consisting of USA Cable, Studios USA, and USA Films, was contributed to Vivendi Universal Entertainment LLLP, or VUE, a new joint venture controlled by Vivendi. We have presented the financial position and results of operations of USA Broadcasting and USA Entertainment Group as discontinued operations in all periods presented.

	Year Ended December 31,					Three Months Ended March 31,	
	1998 ⁽¹⁾⁽²⁾	1999 ⁽³⁾	2000 ⁽⁴⁾	2001 ⁽⁵⁾	2002 ⁽⁶⁾⁽⁷⁾	2002 ⁽⁶⁾⁽¹⁰⁾	2003 ⁽⁸⁾
	(In thousands, except per share data)					(unaudited)	
Statement of Operations Data:							
Net revenues	\$ 1,639,828	\$ 2,001,108	\$ 2,964,612	\$ 3,468,860	\$ 4,621,224	\$ 971,945	\$ 1,392,066
Operating profit (loss)	59,391	(48,842)	(349,746)	(216,423)	86,753	27,783	93,489
Earnings (loss) from continuing operations before cumulative effect of accounting change	26,848	(69,212)	(172,398)	(186,799)	7,378	3,970	(106,796)
Earnings (loss) before cumulative effect of accounting change	76,874	(27,631)	(147,983)	392,795	2,414,492	25,900	(106,796)
Net earnings (loss) available to common shareholders	76,874	(27,631)	(147,983)	383,608	1,941,344	(437,456)	(110,060)
Basic earnings (loss) per common share from continuing operations available to common shareholders ⁽⁹⁾⁽¹¹⁾ :	0.09	(0.21)	(0.48)	(0.50)	(0.01)	0.01	(0.23)
	0.04	(0.21)	(0.48)	(0.50)	(0.02)	(0.01)	(0.23)

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	Year Ended December 31,				Three Months Ended March 31,			
Diluted earnings (loss) per common share from continuing operations available to common shareholders ⁽⁹⁾⁽¹¹⁾ :								
Basic earnings (loss) per common share before cumulative effect of accounting change available to common shareholders ⁽⁹⁾⁽¹¹⁾ :	0.27	(.08)	(0.41)	1.05	5.64	0.06	(0.23)	
Diluted earnings (loss) per common share before cumulative effect of accounting change available to common shareholders ⁽⁹⁾⁽¹¹⁾ :	0.21	(.08)	(0.41)	1.05	5.62	0.06	(0.23)	
Basic earnings (loss) per common share available to common shareholders ⁽⁹⁾⁽¹¹⁾ :	0.27	(.08)	(0.41)	1.03	4.55	(1.11)	(0.23)	
Diluted earnings (loss) per common share available to common shareholders ⁽⁹⁾⁽¹¹⁾ :	0.21	(.08)	(0.41)	1.03	4.54	(0.53)	(0.23)	
Balance Sheet Data (end of period):								
Working Capital	\$ 443,408	\$ 381,046	\$ 355,157	\$ 1,380,936	\$ 3,080,766	\$ 1,347,776	\$ 2,812,679	
Total Assets	4,161,873	5,151,160	5,646,290	6,527,068	15,663,113	7,990,358	16,220,043	
Long-term obligations, net of current maturities	775,683	573,056	551,766	544,372	1,211,145	544,501	1,189,155	
Minority Interest	336,788	742,365	908,831	706,688	1,074,501	629,903	610,350	
Shareholders' equity	2,571,405	2,769,729	3,439,871	3,945,501	7,931,463	5,274,245	8,735,625	
Other Data:								
Net cash provided by (used in):								
Operating activities	\$ (91,660)	\$ 77,760	\$ 87,321	\$ 298,335	\$ 741,561	\$ 13,586	\$ 467,013	
Investing activities	(1,179,346)	(468,318)	(408,016)	35,052	808,009	757,759	(778,343)	
Financing activities	1,297,654	100,204	58,163	56,256	716,621	(21,737)	(102,150)	
Discontinued operations	304,173	267,651	86,266	348,174	(178,288)	(18,451)	(72,461)	
Effect of exchange rate changes	(1,501)	(123)	(2,687)	(3,663)	11,130	34	1,811	
Cash dividends declared per common share								

- (1) Net earnings available to common shareholders includes the operations of USA Cable and Studios USA since their acquisition by IAC from Universal Studios, Inc. on February 12, 1998 and the consolidated statement of operations data includes Citysearch since its acquisition by IAC on September 28, 1998.
- (2) Net earnings available to common shareholders for the year ended December 31, 1998 include a pre-tax gain of \$74.9 million related to IAC's sale of its Baltimore television station during the first quarter of 1998 and a pre-tax gain of \$109.0 million related to the purchase of Citysearch during the fourth quarter of 1998.
- (3) The consolidated statement of operations data include the operations of Hotels.com since its acquisition of control by IAC on May 10, 1999 and net earnings available to common shareholders includes the results of October Films and the domestic film distribution and development businesses of Universal (which previously operated Polygram Filmed Entertainment), collectively referred to as USA

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Films, that were acquired by IAC on May 28, 1999. USA

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Films was contributed to VUE on May 7, 2002. Net earnings for the year ended December 31, 1999 includes a pre-tax gain of \$89.7 million related to the sale of securities.

- (4) Includes a pre-tax gain of \$104.6 million by Styleclick, Inc. related to IAC's exchange of its interest in Internet Shopping Network for 75% of Styleclick, Inc., a pre-tax gain of \$3.7 million related to the Hotels.com initial public offering, and a pre-tax charge of \$145.6 million related to impairment of Styleclick goodwill.
- (5) Net earnings available to common shareholders includes a gain of \$517.8 million, net of tax, related to the sale of capital stock of certain USA Broadcasting subsidiaries and an after-tax expense of \$9.2 million related to the cumulative effect of adoption as of January 1, 2001 of SOP 00-2, "Accounting by Producers or Distributors of Films."
- (6) In connection with IAC's acquisition of a controlling interest in Expedia, IAC issued approximately 13.1 million shares of Series A Redeemable Preferred Stock, or IAC preferred stock, at \$50 face value (\$656 million aggregate value), with a 1.99% annual dividend rate and which is convertible at any time into IAC common stock at an initial conversion price of \$33.75. The conversion price will be adjusted downward pursuant to a specified formula if the average share price of IAC common stock over a ten-day trading period prior to conversion exceeds \$35.10. Holders of IAC preferred stock may require IAC to purchase their shares on the fifth, seventh, tenth and fifteenth anniversary of the closing on February 4, 2002. IAC has the right to redeem the IAC preferred stock commencing on the tenth anniversary of
- (7) February 4, 2002. Any payment by IAC with respect to the dividend or pursuant to any redemption requested by holders of IAC preferred stock or by IAC may be made in cash or IAC common stock, or a combination thereof, at the option of IAC.
- (7) Net earnings available to common shareholders includes a gain of \$2.4 billion, net of tax, related to the contribution of the USA Entertainment Group to VUE and an after-tax expense of \$461.4 million related to the cumulative effect of adoption as of January 1, 2002 of Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets." Also includes results of TV Travel Group and Interval since their acquisition by IAC on May 1, 2002 and September 24, 2002, respectively.
- (8) Loss from continuing operations before cumulative effect of accounting change includes a charge related to IAC's proportionate share of the 2002 results of VUE which is recorded on a one-quarter lag due to delays in VUE's financial reporting. During the first quarter of 2003, IAC received the audited financial statements of VUE for the year ended December 31, 2002 which disclosed that VUE had recorded an impairment charge for goodwill and intangible assets and other long-lived assets of \$4.5 billion in the period May 7, 2002 to December 31, 2002 based on VUE management's review of the estimated fair value of VUE as of December 4, 2002. IAC recorded its 5.44% proportionate share of this charge which amounted to approximately \$245 million before a tax benefit of \$96 million.
- (9) Earnings (loss) per common share data and shares outstanding retroactively reflect the impact of two-for-one stock splits of IAC common stock and IAC Class B common stock paid on February 24, 2000 and March 26, 1998. All share numbers give effect to such stock splits.
- (10) Net earnings available to common shareholders includes an after-tax expense of \$461.4 million related to the cumulative effect of adoption as of January 1, 2002 of Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets."
- (11) The following table adjusts IAC's reported net earnings (loss) and basic and diluted net earnings (loss) per share to exclude amortization expense related to goodwill and other intangible assets with indefinite lives as if Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets," was effective January 1, 1999:

(tables appear on next page)

	Year Ended December 31,		
	1999	2000	2001
(In thousands, except per share data)			
<u>Earnings (loss) from continuing operations available to common shareholders</u>			
Reported loss from continuing operations available to common shareholders	\$ (69,212)	\$ (172,398)	\$ (186,799)
Add: goodwill amortization	71,859	166,705	134,077
Earnings (loss) from continuing operations as adjusted	\$ 2,647	\$ (5,693)	\$ (52,722)
Basic earnings (loss) per share from continuing operations available to common shareholders as adjusted:			
Reported basic loss per share	\$ (0.21)	\$ (0.48)	\$ (0.50)
Add: goodwill amortization	0.22	0.46	0.36
Adjusted basic earnings (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.14)
Diluted earnings (loss) per share from continuing operation available to common shareholders as adjusted:			
Reported diluted loss per share	\$ (0.21)	\$ (0.48)	\$ (0.50)
Add: goodwill amortization	0.22	0.46	0.36
Adjusted diluted earnings (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.14)
<u>NET EARNINGS (LOSS) AVAILABLE TO COMMON SHAREHOLDERS</u>			
Net earnings (loss) available to common shareholders	\$ (27,631)	\$ (147,983)	\$ 383,608
Add: goodwill amortization	104,704	206,151	176,413
Net earnings available to common shareholders as adjusted	\$ 77,073	\$ 58,168	\$ 560,021
Basic earnings (loss) per share as adjusted:			
Reported basic net earnings (loss) per share	\$ (0.08)	\$ (0.41)	\$ 1.03
Add: goodwill amortization	0.32	0.57	0.47
Adjusted basic net earnings per share	\$ 0.24	\$ 0.16	\$ 1.50
Diluted earnings (loss) per share:			
Reported diluted net earnings (loss) per share	\$ (0.08)	\$ (0.41)	\$ 1.03
Add: goodwill amortization	0.29	0.57	0.47

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Year Ended December 31,

Adjusted diluted net earnings per share

\$ 0.21 \$ 0.16 \$ 1.50

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Expedia Selected Historical Consolidated Financial Data

In February 2002, Expedia changed its fiscal year from June 30 to December 31. The following table presents selected historical consolidated financial data for Expedia for each of the years in the four-year period ended June 30, 2001, the six months ended December 31, 2001, the year ended December 31, 2002, and the three-month periods ended March 31, 2002 and 2003. This data was derived from Expedia's audited and unaudited consolidated financial statements and reflects the operations and financial position of Expedia at the dates and for the periods indicated. The financial statements for the year ended December 31, 2002 have been audited by Ernst & Young LLP, independent auditors. The financial statements for all periods prior to 2002 have been audited by Deloitte & Touche LLP, independent auditors. The financial statements for the three-month periods ended March 31, 2002 and 2003 are unaudited and are not necessarily indicative of results for any other interim period or for any calendar year.

	Years ended June 30,				Six-month period ended December 31, 2001	Year ended December 31, 2002	Three Months Ended March 31,	
	1998	1999	2000	2001			2002	2003
	(In thousands, except per share data)						(unaudited)	
Statement of Operations Data:								
Merchant revenues	\$	\$	\$ 10,912	\$ 64,548	\$ 68,423	\$ 339,137	\$ 57,650	\$ 116,741
Agency revenues	6,866	24,677	59,534	122,987	81,545	231,817	51,741	77,855
Advertising and other revenues	6,961	14,022	24,185	34,685	11,272	19,644	6,615	4,164
Revenues	13,827	38,699	94,631	222,220	161,240	590,598	116,006	198,760
Cost of merchant revenues			3,369	17,567	19,325	98,770	14,793	30,677
Cost of agency revenues	8,996	14,548	34,136	53,427	31,287	87,771	19,503	24,504
Cost of advertising and other revenues	696	1,402	2,643	3,280	1,555	2,726	848	533
Cost of revenues	9,692	15,950	40,148	74,274	52,167	189,267	35,144	55,714
Gross profit	4,135	22,749	54,483	147,946	109,073	401,331	80,862	143,046
Operating expenses	33,613	42,351	96,599	137,381	76,887	255,893	51,804	88,928
Operating expenses non-cash			87,914	92,254	24,176	24,901	10,374	12,233
Total operating expenses	33,613	42,351	184,513	229,635	101,063	280,794	62,178	101,161
Income (loss) from operations	(29,478)	(19,602)	(130,030)	(81,689)	8,010	120,537	18,684	41,885
Net interest income and other			2,353	4,591	2,543	11,276	2,683	2,562
Share of joint venture net loss					(769)	(711)	(247)	(242)
					(7,691)	(11,566)	(9,860)	(2,002)

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	Three Months Ended March 31,							
IAC merger related expense								
Income (loss) before provision for income taxes	(29,478)	(19,602)	(127,677)	(77,098)	2,093	119,536	11,260	42,203
Provision for income taxes						(49,543)	(4,614)	(15,337)
Net income (loss)	\$ (29,478)	\$ (19,602)	\$ (127,677)	\$ (77,098)	\$ 2,093	\$ 69,993	\$ 6,646	\$ 26,866
Net income (loss) per share:								
Basic				\$ (0.82)	\$ 0.02	\$ 0.62	\$ 0.06	\$ 0.23
Diluted				\$ (0.82)	\$ 0.02	\$ 0.55	\$ 0.05	\$ 0.20
Pro forma basic and diluted		\$ (0.30)	\$ (1.68)					
Weighted average number of shares outstanding:								
Basic				94,420	102,342	113,072	108,558	118,316
Diluted				94,420	124,384	127,972	122,848	132,028
Pro forma basic and diluted		66,000	76,088					
Balance Sheet Data								
(end of period):								
Cash and cash equivalents	\$	\$	\$ 60,670	\$ 182,161	\$ 238,374	\$ 218,219	\$ 365,431	\$ 269,641
Working capital	4,814	1,390	20,122	96,147	116,487	270,945	113,090	313,355
Total assets	8,333	5,756	273,050	389,844	404,555	859,913	646,558	1,075,532
Deferred merchant bookings			14,424	80,326	52,965	149,348	152,840	270,202
Unearned revenues	7,963	6,215	9,696	1,545	1,574	4,772	2,092	5,048
Long-term liabilities, net of current portion	5,820	3,851	4,557	1,303			272	
Accumulated deficit	(67,162)	(86,764)					0	
Retained deficit			(123,172)	(200,327)	(198,261)	(128,328)	(184,300)	(126,473)
Total stockholders' equity (owner's net deficit)	(92)	(1,675)	207,496	230,999	249,101	486,006	322,496	525,828

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Selected Unaudited Pro Forma Combined Condensed Financial Information of IAC

The following selected unaudited pro forma combined condensed financial information for the year ended December 31, 2002 (for income statement purposes) and as of and for the three month period ended March 31, 2003 is presented to show the results of operations and financial position of IAC as if the following transactions had occurred as of the beginning of the period presented or as of the balance sheet date, as applicable: (1) the IAC acquisition of control, completed on February 4, 2002, (2) IAC's contribution of the USA Entertainment Group to VUE completed on May 7, 2002 (the VUE transaction), (3) the transaction in which Liberty Media Corporation, or Liberty, exchanged its shares of Home Shopping Network, Inc., or Holdco, for 31.6 million shares of IAC common stock and 1.6 million shares of IAC Class B common stock on June 27, 2002 (the Holdco exchange), (4) the merger of Ticketmaster with a wholly owned subsidiary of IAC completed on January 17, 2003 (the Ticketmaster merger), (5) the proposed Expedia merger and (6) the merger of Hotels.com with a wholly owned subsidiary of IAC (the Hotels.com merger).

You should read this selected unaudited pro forma combined condensed financial information in conjunction with the selected historical and pro forma financial information included in this proxy and information statement/prospectus and the financial statements of IAC and Expedia and accompanying notes that are incorporated by reference into this proxy and information statement/prospectus. You should not rely on the unaudited pro forma financial information as an indication of the results of operations or financial position that would have been achieved if the transactions described above had taken place at the beginning of the periods presented for the statements of operations and as of March 31,

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2003 for the balance sheet or of the results of operations or financial position of IAC after the completion of the transactions.

	Pro Forma	
	Year Ended December 31, 2002	Three Months Ended March 31, 2003
(In thousands, except per share data)		
Statement of Operations Data:		
Net revenues	\$ 4,656,711	\$ 1,392,066
Operating income (loss)	(229,125)	22,162
Loss from continuing operations before preferred dividend	(131,043)	(131,328)
Loss per share from continuing operations:		
Basic and diluted	\$ (0.21)	\$ (0.21)
Balance Sheet Data (end of period):		
Working capital		\$ 2,812,679
Total assets		20,380,185
Long-term obligations, including current portion		1,206,030
Minority interest		61,940
Common stock exchangeable for preferred interest		1,428,530
Shareholders' equity		13,306,078

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Certain Historical and Pro Forma Per Share Data

Unaudited Comparative Per Share Data

In the following table we present historical per share data for IAC and Expedia as of and for the three months ended March 31, 2003 and as of and for the year ended December 31, 2002, and combined pro forma per share data for IAC and equivalent pro forma per share data for Expedia as of and for the three months ended March 31, 2003 and as of and for the year ended December 31, 2002. The pro forma per share data, which we present for comparative purposes only, assumes that the Ticketmaster merger completed on January 17, 2003, the proposed Expedia merger and the Hotels.com merger completed on June 23, 2003 had each been completed on January 1, 2002 at the beginning of each fiscal period presented for income statement purposes and for balance sheet purposes it assumes that the proposed Expedia merger and Hotels.com merger had been completed at the balance sheet date. IAC did not declare any cash dividends on its common stock during the periods presented.

The unaudited comparative per share data does not purport to be, and you should not rely on it as, indicative of (1) the results of operations or financial position which would have been achieved if any of the foregoing transactions had been completed at the beginning of the period or as of the date indicated, or (2) the results of operations or financial position which may be achieved in the future. The unaudited pro forma per share data does not reflect any payment that may be required to be made in connection with the exercise of dissenters' rights by holders of Expedia common stock in connection with the merger.

It is important that when you read this information, you read along with it the separate financial statements and accompanying notes of IAC that are incorporated by reference into this proxy and information statement/prospectus. It is also important that you read the pro forma combined condensed financial information and accompanying notes that we have included in this information statement/prospectus beginning on page 74 under "Unaudited Pro Forma Combined Condensed Financial Statements of IAC."

IAC Historical Per Share Data	Combined IAC Pro Forma Per Share Data	Expedia Historical Per Share Data	Expedia Equivalent Pro Forma Per Share Data ⁽¹⁾

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	IAC Historical Per Share Data	Combined IAC Pro Forma Per Share Data	Expedia Historical Per Share Data	Expedia Equivalent Pro Forma Per Share Data ⁽¹⁾
Book value per share:				
March 31, 2003	\$ 17.55	\$ 20.73	\$ 4.40	\$ 40.18
December 31, 2002	\$ 17.61	\$ 20.90	\$ 4.12	\$ 40.51
Earnings (loss) per share from continuing operations, before dividend to preferred shareholders:				
Basic for the three months ended March 31, 2003	\$ (0.22)	\$ (0.21)	\$ 0.23	\$ (0.41)
Diluted for the three months ended March 31, 2003	\$ (0.22)	\$ (0.21)	\$ 0.20	\$ (0.41)
Basic for the twelve months ended December 31, 2002	\$ 0.02	\$ (0.21)	\$ 0.62	\$ (0.41)
Diluted for the twelve months ended December 31, 2002	\$ 0.00	\$ (0.21)	\$ 0.55	\$ (0.41)
Cash dividends per common share:				
March 31, 2003				
December 31, 2002				

- (1) We calculated the Expedia equivalent pro forma per share data by multiplying the applicable combined IAC pro forma per share data by 1.93875, the exchange ratio in the merger.

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Comparative Per Share Market Price Information and Dividend Policy

The following table sets forth the high and low sale prices for a share of IAC common stock and for a share of Expedia common stock (after giving effect to a two-for-one stock split of Expedia shares effective March 10, 2003), rounded to the nearest cent, for the periods indicated. The prices below are as quoted on the Nasdaq National Market, based on published financial sources.

	IAC Common Stock		Expedia Common Stock	
	High	Low	High	Low
2003				
Third Quarter (through July 8, 2003)	\$ 42.88	\$ 38.38	\$ 82.75	\$ 74.09
Second Quarter	40.12	25.07	76.70	48.25
First Quarter	29.09	20.73	55.16	27.93
2002				
Fourth Quarter	29.80	15.31	39.31	18.85
Third Quarter	24.11	16.25	30.98	20.55
Second Quarter	33.53	19.55	42.33	26.15
First Quarter	33.22	25.41	35.00	19.78
2001				
Fourth Quarter	27.84	17.45	20.86	11.46
Third Quarter	28.44	16.45	25.92	9.55
Second Quarter	28.20	20.16	23.85	6.09
First Quarter	24.94	17.69	9.25	4.56

On March 18, 2003, the last trading day before we announced the merger, IAC common stock closed at \$26.49 per share and Expedia common stock closed at \$38.90 per share. On July 8, 2003, the last practicable day before the printing of this proxy and information statement/prospectus, IAC common stock closed at \$41.99 per share and Expedia common stock closed at \$80.94 per share. You may obtain more recent stock price quotes from most newspapers or other financial sources and we encourage you to do so.

IAC has never paid any cash dividends on shares of IAC common stock, and Expedia has never paid cash dividends on shares of Expedia common stock. IAC and Expedia currently anticipate that they will retain all of their future earnings available for distribution to the holders of IAC common stock and Expedia common stock, respectively, for use in the expansion and operation of their respective businesses, and do not anticipate paying any cash dividends on shares of IAC common stock or Expedia common stock in the immediate future.

RISK FACTORS

As a result of the merger, Expedia's businesses will be subject to the following new or increased risks related to IAC's other businesses and/or the structure of the merger. In addition, as a result of the merger, IAC's stockholders will be subject to the following new or increased risks related to Expedia and/or the structure of the merger. In addition to the risks described below, the combined company will continue to be subject to the risks described in the documents that Expedia and IAC have filed with the SEC that are incorporated by reference into this proxy and information statement/prospectus. If any of the risks described below or in the documents incorporated by reference into this proxy and information statement/prospectus actually occur, the business, financial condition, results of operations or cash flows of the combined company could be materially adversely affected. The risks below should be considered along with the other information included or incorporated by reference into this proxy and information statement/prospectus.