

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**SCHEDULE 13E-3**

**RULE 13e-3 TRANSACTION STATEMENT UNDER SECTION 13(e)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**HSN, Inc.**

(Name of the Issuer)

**HSN, Inc.  
Liberty Interactive Corporation  
Liberty Horizon, Inc.**

(Name of Person(s) Filing Statement)

**Common Stock, par value \$0.01 per share**  
(Title of Class of Securities)

**404303109**

(CUSIP Number of Class of Securities)

**Gregory J. Henchel  
HSN, Inc.  
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St. Petersburg, Florida, 33729  
(727) 872-1000**

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Chief Legal Officer  
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Liberty Horizon, Inc.  
12300 Liberty Boulevard  
Englewood, Colorado 80112  
(720) 875-5300**

(Name, Address, and Telephone Numbers of Person Authorized to Receive Notices and Communications on Behalf of the  
Persons Filing Statement)

With copies to:

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New York, New York 10112  
(212) 408-2500**

This statement is filed in connection with (check the appropriate box):

- a. The filing of solicitation materials or an information statement subject to Regulation 14A [17 CFR 240.14a-1 to 240.14b-2], Regulation 14C [17 CFR 240.14c-1 to 240.14c-101] or Rule 13e-3(c) [§240.13e-3(c)] under the Securities Exchange Act of 1934.
- b. The filing of a registration statement under the Securities Act of 1933.
- c. A tender offer.
- d. None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies:

Check the following box if the filing is a final amendment reporting the results of the transaction:

**Calculation of Filing Fee**

**TRANSACTION VALUATION\***

\$1,314,340,932

**AMOUNT OF FILING FEE\*\***

\$163,636

(\*) **Calculated solely for purposes of determining the filing fee.** The transaction value was calculated based upon the market value of the securities to be acquired in accordance with Rule 0-11(b)(2) of the Securities Exchange Act of 1934, as amended, based on the average of the high and low prices for shares of common stock of HSN, Inc. as reported on the Nasdaq Stock Market LLC on October 16, 2017 (\$37.08 per share), multiplied by the estimated maximum number of shares of common stock common stock of HSN, Inc. (35,450,868) that may be acquired.

(\*\*) The amount of filing fee was calculated in accordance with Rule 0-11(b) of the Securities Exchange Act of 1934, as amended, by multiplying 0.0001245 by the aggregate transaction valuation.

Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$148,737

Form or Registration No.: Registration Statement on Form S-4 (Registration No. 333-220270)

Filing Party: Liberty Interactive Corporation

Date Filed: August 31, 2017

## INTRODUCTION

This Rule 13e-3 Transaction Statement on Schedule 13E-3, together with the exhibits hereto (this “[Transaction Statement](#)”), is being filed with the Securities and Exchange Commission (the “[SEC](#)”) by (a) HSN, Inc., a Delaware Corporation and the issuer of the common stock that is the subject of the Rule 13e-3 transaction (“[HSNi](#)”); (b) Liberty Interactive Corporation, a Delaware corporation (“[Liberty Interactive](#)”); and (c) Liberty Horizon, Inc., a Delaware corporation and a wholly owned subsidiary of Liberty Interactive (“[Merger Sub](#)”) (collectively, the “[Filing Persons](#)”).

On July 5, 2017, Liberty Interactive entered into an Agreement and Plan of Merger (the “[merger agreement](#)”) with HSNi and Merger Sub. The merger agreement provides that Merger Sub will merge with and into HSNi, with HSNi continuing as the surviving corporation and becoming a wholly owned subsidiary of Liberty Interactive (the “[merger](#)”).

In the proposed merger, subject to the terms and conditions of the merger agreement, each holder of common stock, par value \$0.01 per share, of HSNi (the “[HSNi common stock](#)”, and each such holder, an “[HSNi stockholder](#)”) (other than Liberty Interactive or any of its wholly owned subsidiaries) will receive 1.650 (the “[exchange ratio](#)”) validly issued, fully paid and non-assessable shares of Liberty Interactive’s Series A QVC Group common stock, par value \$0.01 per share (the “[Liberty QVCA common stock](#)”), for each share of HSNi common stock held by such holder. The exchange ratio is fixed and will not reflect changes in the price of HSNi common stock or Liberty QVCA common stock prior to the closing of the merger. Based on the closing price of shares of Liberty QVCA common stock on the NASDAQ Global Select Market on July 5, 2017, the last trading day before public announcement of the merger agreement, the exchange ratio represented approximately \$40.36 in shares of Liberty QVCA common stock for each share of HSNi common stock, and, based on the closing price of shares of Liberty QVCA common stock on October 18, 2017, the last practicable date before the filing of this Transaction Statement, the exchange ratio represented approximately \$37.79 in shares of Liberty QVCA common stock. The exchange ratio is subject to customary anti-dilution adjustments, such as in the event of a stock split or of a stock dividend on shares of Liberty QVCA common stock.

At the effective time of the merger (the “[effective time](#)”), subject to the terms and conditions of the merger agreement, outstanding HSNi equity awards will be adjusted as follows: (a) each option to purchase shares of HSNi common stock (an “[HSNi stock option](#)”) that is outstanding as of immediately prior to the effective time, whether vested or unvested, will be converted into an option to purchase a number of shares of Liberty QVCA common stock equal to the product of (i) the number of shares of HSNi common stock subject to such HSNi stock option immediately prior to the effective time and (ii) the exchange ratio, rounded down to the nearest whole share, at an exercise price per share determined by dividing the per-share exercise price of the HSNi stock option immediately prior to the effective time by the exchange ratio (rounding the resulting quotient up to the nearest whole cent); (b) each stock appreciation right with respect to shares of HSNi common stock (an “[HSNi SAR](#)”) that is outstanding as of immediately prior to the effective time, whether vested or unvested, will be converted into a stock appreciation right with respect to a number of shares of Liberty QVCA common stock equal to the product of (i) the number of shares of HSNi common stock subject to such HSNi SAR immediately prior to the effective time and (ii) the exchange ratio, rounded down to the nearest whole share, at an exercise price per share determined by dividing the exercise price of such HSNi SAR immediately prior to the effective time by the exchange ratio (rounding the resulting quotient up to the nearest whole cent); (c) each award of restricted stock units with respect to shares of HSNi common stock (an “[HSNi RSU](#)”) that is outstanding as of immediately prior to the effective time, that is subject to time-based vesting, will be converted into an award of restricted stock units with respect to a number of shares of Liberty QVCA common stock equal to the product of (i) the number of shares of HSNi common stock subject to such HSNi RSU immediately prior to the effective time and (ii) the exchange ratio, rounded to the nearest whole share; and (d) each award of performance share units with respect to shares of HSNi common stock (an “[HSNi PSU](#)”) that is outstanding as of immediately prior to the effective time will be converted into an award of performance share units with respect to a target number of shares of Liberty QVCA common stock equal to the product of (i) the target number of shares of HSNi common stock subject to such HSNi PSU immediately prior to the effective time and (ii) the exchange ratio, rounded to the nearest whole share.

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Concurrently with the filing of this Transaction Statement, Liberty Interactive is filing with the SEC Amendment No. 1 to its Registration Statement on Form S-4 (Registration No. 333-220270), which includes a proxy statement of HSNi (the “[proxy statement/prospectus](#)”) relating to the special meeting of HSNi stockholders (the “[HSNi special meeting](#)”).

At the HSNi special meeting, HSNi stockholders will be asked to consider and vote upon (1) a proposal to approve the adoption of the merger agreement (the “[merger agreement proposal](#)”); (2) a proposal to authorize the adjournment of the HSNi special meeting by HSNi to permit further solicitation of proxies, if necessary or appropriate, if sufficient votes are not represented at the HSNi special meeting to approve the merger agreement proposal (the “[adjournment proposal](#)”); and (3) a proposal to approve, by a non-binding advisory vote, certain compensation that may be paid or become payable to HSNi’s named executive officers that is based on or otherwise relates to the merger (the “[non-binding compensation advisory proposal](#)”).

The approval of the merger agreement proposal is a condition to the completion of the merger. The approval of the adjournment proposal and the non-binding compensation advisory proposal are not conditions to the completion of the merger.

The cross-references below are being supplied pursuant to General Instruction G to Schedule 13E-3 and show the location in the proxy statement/prospectus of the information required to be included in responses to the items of Schedule 13E-3. Pursuant to General Instruction F to Schedule 13E-3, the information contained in the proxy statement/prospectus, including all annexes, exhibits and appendices thereto, is incorporated in its entirety herein by reference, and the responses to each item in this Transaction Statement are qualified in their entirety by the information in the proxy statement/prospectus. As of the date hereof, the proxy statement/prospectus is in preliminary form and is subject to completion or amendment. All information contained in this Transaction Statement concerning any of the Filing Persons has been provided by such Filing Person and no Filing Person has produced any disclosure with respect to any other Filing Persons.

Each of Centerview Partners LLC and Goldman Sachs & Co. LLC has consented to the inclusion of its respective materials filed as Exhibits under Item 16 of this Transaction Statement.

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**Item 1. Summary Term Sheet (Regulation M-A, Item 1001)**

The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Summary”

**Item 2. Subject Company Information (Regulation M-A, Item 1002)**

(a) **Name and Address.**

HSN, Inc.  
1 HSN Drive  
St. Petersburg, Florida, 33729  
(727) 872-1000

The information set forth in the proxy statement/prospectus under the caption “Summary—The Companies—HSN, Inc.” is incorporated herein by reference.

(b) **Securities.** The subject class of equity securities to which this Transaction Statement relates is the common stock, par value \$0.01, of HSN, Inc. (the HSNi common stock). As of October 18, 2017, 52,433,684 shares of HSNi common stock were outstanding.

(c) **Trading Market and Price.** The information set forth in the proxy statement/prospectus under the caption “Comparative Per Share Market Price and Dividend Information—HSNi Market Price” is incorporated herein by reference.

(d) **Dividends.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Summary”

“Comparative Per Share Market Price and Dividend Information—HSNi Market Price”

“Comparative Per Share Market Price and Dividend Information—Dividends”

“Special Factors—The Merger Agreement—Conduct of HSNi Pending the Merger”

(e) **Prior Public Offerings.** None.

(f) **Prior Stock Purchases.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Security Ownership of Certain Beneficial Owners—Security Ownership of Liberty Interactive, Merger Sub and Certain Persons—Transactions in HSNi Common Stock During the Past Two Years”

“Additional Information—Where You Can Find Additional Information”

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**Item 3. Identity and Background of Filing Persons (Regulation M-A, Item 1003)**

(a)-(c) **Name and Address, Business and Background of Entities, Business and Background of Natural Persons.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

- “Summary—The Companies”
- “Security Ownership of Certain Beneficial Owners”
- “Other Important Information Regarding the Parties”
- “The HSNi Special Meeting—Other Information”
- “Additional Information—Where You Can Find Additional Information”

**Item 4. Terms of the Transaction (Regulation M-A, Item 1004)**

(a) **Material Terms.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

- “Questions and Answers”
- “Summary”
- “Special Factors—Effect of the Merger on HSNi Stockholders; What HSNi Stockholders Will Receive in the Merger”
- “Special Factors—Liberty Interactive’s Purpose and Reasons for the Merger”
- “Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”
- “Special Factors—Accounting Treatment”
- “Special Factors—The Merger Agreement”
- “Special Factors—The Rights Plan Amendment”
- “Comparison of Stockholders’ Rights”
- “The HSNi Special Meeting—Required Vote”
- “Material U.S. Federal Income Tax Consequences”

(c) **Different Terms.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

- “Questions and Answers”

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- “Summary”
- “Special Factors—Effect of the Merger on HSNi Stockholders; What HSNi Stockholders Will Receive in the Merger”
- “Special Factors—Interests of Certain Persons of HSNi in the Merger”
- “Special Factors—The Merger Agreement—Consideration to HSNi Stockholders in the Merger”
- “Special Factors—The Merger Agreement—Treatment of HSNi Stock Options and Other Equity-Based Awards in the Merger”
- “Special Factors—The Merger Agreement—Liberty Interactive Voting Obligations”

(d) **Appraisal Rights.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

- “Questions and Answers”
- “Special Factors—No Appraisal Rights”

(e) **Provisions for Unaffiliated Security Holders.** The information set forth in the proxy statement/prospectus under the caption “Additional Information—Provisions for Unaffiliated Security Holders” is incorporated herein by reference.

(f) **Eligibility for Listing or Trading.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

- “Questions and Answers”
- “Summary”
- “Special Factors—The Merger Agreement—Conditions to the Completion of the Merger”

“Special Factors—The Merger Agreement—Listing of Liberty QVCA Common Stock in the Merger “

“Plans for HSNi After the Merger”

**Item 5. Past Contacts, Transactions, Negotiations and Agreements(Regulation M-A, Item 1005)**

(a) **Transactions.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Special Factors—Effects of the Merger on HSNi Stockholders; What HSNi Stockholders Will Receive in the Merger”

“Security Ownership of Certain Beneficial Owners—Security Ownership of HSNi Officers and Directors—Transactions in HSNi Common Stock During the Past 60 Days”

“Additional Information—Where You Can Find Additional Information”

(b)-(c) **Significant Corporate Events, Negotiations or Contracts.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

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“Special Factors—Background of the Merger”

“Special Factors—Liberty Interactive’s Purpose and Reasons for the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

(e) **Agreements Involving the Subject Company’s Securities.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Summary”

“Special Factors—Background of the Merger”

“Special Factors—Liberty Interactive’s Purpose and Reasons for the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

“Special Factors—Interests of Certain Persons of HSNi in the Merger”

“Special Factors—The Merger Agreement”

“Special Factors—The Rights Plan Amendment”

“Certain Relationships and Related Party Transactions”

**Item 6. Purposes of the Transaction and Plans or Proposals(Regulation M-A, Item 1006)**

(b) **Use of Securities Acquired.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Summary”

“Special Factors—Effect of the Merger on HSNi Stockholders; What HSNi Stockholders Will Receive in the Merger”

“Special Factors—The Merger Agreement—Consideration to HSNi Stockholders in the Merger”

“Special Factors—The Merger Agreement—Exchange of Shares in the Merger”

“Special Factors—Plans for HSNi After the Merger”

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(c)(1)-(8) **Plans.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Summary”

“Special Factors—Background of the Merger”

“Special Factors—Interests of Certain Persons of HSNi in the Merger”

“Special Factors—Liberty Interactive’s Purpose and Reasons for the Merger”

“Special Factors—Effects of the Merger on HSNi Stockholders; What HSNi Stockholders Will Receive in the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

“Special Factors—The Merger Agreement”

“Special Factors—The Rights Plan Amendment”

“Special Factors—Plans for HSNi After the Merger”

“Certain Relationships and Related Party Transactions”

**Item 7. Purposes, Alternatives, Reasons and Effects (Regulation M-A, Item 1013)**

(a) **Purposes.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Summary”

“Special Factors—Background of the Merger”

“Special Factors—Liberty Interactive’s Purpose and Reasons for the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

“Special Factors—Plans for HSNi After the Merger”

(b) **Alternatives.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Special Factors—Background of the Merger”

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“Special Factors—Liberty Interactive’s Purpose and Reasons for the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

(c) **Reasons.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Summary”

“Special Factors—Background of the Merger”

“Special Factors—Liberty Interactive’s Purpose and Reasons for the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

“Special Factors—Plans for HSNi After the Merger”

(d) **Effects.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Summary”

“Special Factors—Background of the Merger”

“Special Factors—Effect of the Merger on HSNi Stockholders; What HSNi Stockholders Will Receive in the Merger”

“Special Factors—Liberty Interactive’s Purpose and Reasons for the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

“Special Factors—Interests of Certain Persons of HSNi in the Merger”

“Special Factors—No Appraisal Rights”

“Special Factors—The Merger Agreement”

“Special Factors—The Rights Plan Amendment”

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“Special Factors—Plans for HSNi After the Merger”  
 “Certain Relationships and Related Party Transactions”  
 “Material U.S. Federal Income Tax Consequences”  
 “Security Ownership of Certain Beneficial Owners”

**Item 8. Fairness of the Transaction (Regulation M-A, Item 1014)**

(a)-(b) **Fairness; Factors Considered in Determining Fairness.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Summary”

“Special Factors—Background of the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

“Special Factors—Position of Liberty Interactive and Merger Sub as to the Fairness of the Merger”

“Special Factors—Opinion of the Special Committee Financial Advisor (Centerview Partners)”

“Special Factors—Opinion of the Special Committee Financial Advisor (Goldman Sachs)”

“Annex C: Opinion of Centerview Partners LLC”

“Annex D: Opinion of Goldman Sachs & Co. LLC”

(c) **Approval of Security Holders.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Special Factors—Background of the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

“The HSNi Special Meeting—Required Vote”

(d) **Unaffiliated Representatives.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Summary”

“Questions and Answers”

“Special Factors—Background of the Merger”

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“Special Factors—Position of Liberty Interactive and Merger Sub as to the Fairness of the Merger”

“Special Factors—Opinion of the Special Committee Financial Advisor (Centerview Partners)”

“Special Factors—Opinion of the Special Committee Financial Advisor (Goldman Sachs)”

“Annex C: Opinion of Centerview Partners LLC”

“Annex D: Opinion of Goldman Sachs & Co. LLC”

(e) **Approval of Directors.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Special Factors—Background of the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

“Special Factors—Interests of Certain Persons of HSNi in the Merger”

“The HSNi Special Meeting—Recommendation of the HSNi Board”

(f) **Other Offers.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Special Factors—Background of the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

**Item 9. Reports, Opinions, Appraisals and Negotiations (Regulation M-A, Item 1015)**

(a)-(b) **Report, Opinion or Appraisal; Preparer and Summary of the Report, Opinion or Appraisal.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Special Factors—Background of the Merger”

“Special Factors—Opinion of the Special Committee Financial Advisor (Centerview Partners)”

“Special Factors—Opinion of the Special Committee Financial Advisor (Goldman Sachs)”

“Annex C: Opinion of Centerview Partners LLC”

“Annex D: Opinion of Goldman Sachs & Co. LLC”

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The presentation materials dated January 13, 2017, January 30, 2017, February 9, 2017, February 24, 2017, March 9, 2017, March 20, 2017, May 11, 2017, May 15, 2017, May 19, 2017, May 24, 2017, May 26, 2017, June 1, 2017, June 12, 2017, June 13, 2017, June 22, 2017 and July 5, 2017, each jointly prepared by Centerview Partners LLC and Goldman Sachs & Co. LLC and reviewed by the Special Committee, and, in some cases, the HSNi board, are attached hereto as Exhibits (c)(1) through (c)(17) and are incorporated by reference herein.

(c) **Availability of Documents.** The reports, opinions or appraisals referenced in this Item 9 will be made available for inspection and copying at the principal executive offices of HSNi during its regular business hours by any interested holder of HSNi common stock or representative who has been designated in writing, and copies may be obtained by requesting them in writing or by telephone from HSNi at the address provided under the caption “Additional Information—Where You Can Find More Information” in the proxy statement/prospectus which is incorporated herein by reference.

**Item 10. Source and Amounts of Funds or Other Consideration (Regulation M-A, Item 1007)**

(a)-(b) **Source of Funds; Conditions.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Special Factors—Background of the Merger”

“Special Factors—Amount and Source of Funds and Financing in the Merger; Expenses”

“Special Factors—Effect of the Merger on HSNi Stockholders; What HSNi Stockholders Will Receive in the Merger”

“Special Factors—The Merger Agreement—Consideration to HSNi Stockholders in the Merger”

(c) **Expenses.** The information set forth in the proxy statement/prospectus under the following caption “Special Factors—Amount and Source of Funds and Financing in the Merger; Expenses” is incorporated herein by reference.

(d) **Borrowed Funds.** None.

**Item 11. Interest in Securities of the Subject Company (Regulation M-A, Item 1008)**

(a) **Securities Ownership.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Security Ownership of Certain Beneficial Owners—Security Ownership of HSNi Officers and Directors”

“Security Ownership of Certain Beneficial Owners—Security Ownership of Liberty Interactive, Merger Sub and Certain Persons”

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(b) **Securities Transactions.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Security Ownership of Certain Beneficial Owners—Security Ownership of Liberty Interactive, Merger Sub and Certain Persons—Transactions in HSNi Common Stock During the Past 60 Days”

“Security Ownership of Certain Beneficial Owners—Security Ownership of HSNi Officers and Directors—Transactions in HSNi Common Stock During the Past 60 Days”

**Item 12. The Solicitation or Recommendation (Regulation M-A, Item 1012)**

(d) **Intent to Tender or Vote in a Going Private Transaction.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:



“Questions and Answers”

“Special Factors—Background of the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

“Special Factors—Liberty Interactive’s Purpose and Reasons for the Merger”

“Special Factors—The Merger Agreement—Liberty Interactive Voting Obligations”

“The HSNi Special Meeting”

(e) **Recommendation of Others.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Special Factors—Background of the Merger”

“Special Factors—HSNi’s Purpose and Reasons for the Merger and Other Proposals; Recommendations of the Special Committee and HSNi Board; Fairness of the Merger”

“Special Factors—Liberty Interactive’s Purpose and Reasons for the Merger”

“The HSNi Special Meeting”

**Item 13. Financial Statements (Regulation M-A, Item 1010)**

(a) **Financial Information.** The audited financial statements set forth in HSNi’s Annual Report on Form 10-K for the year ended December 31, 2016 and the unaudited financial statements set forth in HSNi’s Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2017 and June 30, 2017 are incorporated by reference herein. The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

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“Selected Financial Data of Liberty Interactive and HSNi”

“Unaudited Comparative Per Share Information”

(b) **Pro Forma Information.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Unaudited Pro Forma Condensed Combined Financial Statements—Pro Forma Information”

“Unaudited Comparative Per Share Information—QVC Group Pro Forma Per Share Data”

**Item 14. Persons/Assets, Retained, Employed, Compensated and Used (Regulation M-A, Item 1009)**

(a)-(b) **Solicitations and Recommendations; Employees and Corporate Assets.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“Questions and Answers”

“Special Factors—Amount and Source of Funds and Financing in the Merger; Expenses”

“The HSNi Special Meeting”

**Item 15. Additional Information (Regulation M-A, Item 1011)**

(b) The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

“HSNi Proposals—HSNi Proposal 3: The Non-Binding Compensation Advisory Proposal”

“Special Factors—Interests of Certain Persons of HSNi in the Merger”

“Special Factors—Effects of the Merger on HSNi Stockholders; What HSNi Stockholders Will Receive in the Merger”

(c) **Other Material Information.** The information set forth in the proxy statement/prospectus, including all annexes, exhibits and appendices thereto, is incorporated herein by reference.

**Item 16. Exhibits (Regulation M-A, Item 1016)**

(a)(1) The preliminary proxy statement/prospectus of Liberty Interactive Corporation (the “proxy statement/prospectus”) (incorporated by reference to Amendment No. 1 to the Registration Statement on Form S-4 filed by Liberty Interactive Corporation with the SEC on October 20, 2017 (Registration No. 333-220270)).

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(a)(2) Form of Proxy Card (incorporated by reference to the proxy statement/prospectus).

- (a)(3) Letter to HSNi Stockholders (incorporated by reference to the proxy statement/prospectus).
- (a)(4) Notice of Special Meeting of HSNi Stockholders (incorporated by reference to the proxy statement/prospectus).
- (a)(5) Joint Press Release, dated July 6, 2017 (incorporated by reference to Exhibit 99.1 to Liberty Interactive Corporation's Current Report filed on Form 8-K with the SEC on July 6, 2017 and pursuant to Rule 425 of the Securities Act of 1933).
- (a)(6) Investor Presentation, dated July 6, 2017 (incorporated by reference to Exhibit 99.2 to Liberty Interactive Corporation's Current Report filed on Form 8-K with the SEC on July 6, 2017 and pursuant to Rule 425 of the Securities Act of 1933).
- (a)(7) Customer Talking Points and Communication (incorporated by reference to HSN, Inc.'s filing with the SEC on July 6, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(8) Employee FAQ (incorporated by reference to HSN, Inc.'s filing with the SEC on July 6, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(9) Employee Talking Points (incorporated by reference to HSN, Inc.'s filing with the SEC on July 6, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(10) Partner Talking Points and Communication (incorporated by reference to HSN, Inc.'s filing with the SEC on July 6, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(11) An Important Message from the Office of the CEO (incorporated by reference to HSN, Inc.'s filing with the SEC on July 6, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(12) Message from Mike George, President and CEO of QVC, Inc. to Employees of QVC, Inc. July 6, 2017 (incorporated by reference to Liberty Interactive Corporation's filing with the SEC on July 6, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(13) Press Release, dated July 11, 2017 (incorporated by reference to Exhibit 99.1 to Liberty Interactive Corporation's Current Report filed on Form 8-K with the SEC on July 12, 2017 and pursuant to Rule 425 of the Securities Act of 1933).
- (a)(14) Excerpts from the Transcript of Andrew Lessman Video Blog Post Regarding the Proposed Acquisition of HSN, Inc. by Liberty Interactive Corporation, dated July 12, 2017 (incorporated by reference to Liberty Interactive Corporation's filing with the SEC on July 13, 2017 pursuant to Rule 425 of the Securities Act of 1933).

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- (a)(15) Transcript of Andrew Lessman Video Blog Post Regarding the Proposed Acquisition of HSN, Inc. by Liberty Interactive Corporation, dated July 12, 2017 (incorporated by reference to HSN Inc.'s filing with the SEC on July 12, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(16) Transcript of remarks by the Office of the Chief Executive of HSN, Inc. (incorporated by reference to HSN, Inc.'s filing with the SEC on July 12, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(17) Transcript of "Open Mike" Presentation by Michael George, President and CEO of QVC, Inc., on July 6, 2017 to QVC, Inc. Employees (incorporated by reference to Liberty Interactive Corporation's filing with the SEC on July 13, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(18) Excerpts from the Transcript of the Presentation of Mike George, President and CEO of QVC, Inc., to HSN Employees on July 7, 2017 (incorporated by reference to Liberty Interactive Corporation's filing with the SEC on July 18, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(19) Transcript of the Presentation of Mike George, President and CEO of QVC, Inc., to HSN Employees on July 7, 2017 (incorporated by reference to HSN Inc.'s filing with the SEC on July 18, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(20) Excerpts of the Transcript of the Liberty Interactive Corporation and HSN, Inc. Investor Call Held on July 6, 2017 (incorporated by reference to Liberty Interactive Corporation's filing with the SEC on July 20, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(21) Transcript of CNBC Appearance by Michael George, President and CEO of QVC, Inc., on July 6, 2017 (incorporated by reference to Liberty Interactive Corporation's filing with the SEC on July 28, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(22) Press Release, dated August 3, 2017 (incorporated by reference to Exhibit 99.1 to HSN Inc.'s Current Report on Form 8-K filed with the SEC on August 3, 2017).
- (a)(23) Excerpts from Quarterly Report on Form 10-Q (incorporated by reference to HSN, Inc.'s filing with the SEC on August 3, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(24) Excerpts from Earnings Call Held by HSN, Inc. on August 3, 2017 (incorporated by reference to HSN, Inc.'s filing with the SEC on August 4, 2017 pursuant to Rule 425 of the Securities Act of 1933).

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- (a)(25) Press Release issued by QVC, Inc. on October 12, 2017 (incorporated by reference to Liberty Interactive Corporation's filing with the SEC on October 12, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(26) Letter to HSN Employees from the Office of the Chief Executive of HSN, Inc. (incorporated by reference to HSN, Inc.'s filing with the SEC on October 12, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(27) Partner Letter (incorporated by reference to HSN, Inc.'s filing with the SEC on October 12, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(28) Transcript of Presentation of Mike George, President and CEO of QVC, Inc., to HSN Employees on October 12, 2017 (incorporated by reference to HSN, Inc.'s filing with the SEC on October 13, 2017 pursuant to Rule 425 of the Securities Act of 1933).
- (a)(29) Presentation of Mike George, President and CEO of QVC, Inc., to HSN Employees on October 12, 2017 (incorporated by reference to HSN, Inc.'s filing

with the SEC on October 17, 2017 pursuant to Rule 425 of the Securities Act of 1933).

- [\(c\)\(1\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Special Committee of HSN, Inc., dated January 13, 2017.](#)
- [\(c\)\(2\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Board of Directors of HSN, Inc., dated January 30, 2017.](#)
- [\(c\)\(3\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Special Committee of HSN, Inc., dated February 9, 2017.](#)
- [\(c\)\(4\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Board of Directors of HSN, Inc., dated February 24, 2017.](#)
- [\(c\)\(5\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Special Committee of HSN, Inc., dated March 9, 2017.](#)
- [\(c\)\(6\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Special Committee of HSN, Inc., dated March 20, 2017.](#)
- [\(c\)\(7\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Special Committee of HSN, Inc., dated May 11, 2017.](#)
- [\(c\)\(8\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Special Committee of HSN, Inc., dated May 15, 2017.](#)
- [\(c\)\(9\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Special Committee of HSN, Inc., dated May 19, 2017.](#)
- [\(c\)\(10\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Board of Directors of HSN, Inc., dated May 24, 2017.](#)
- [\(c\)\(11\) Supplemental joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Board of Directors of HSN, Inc., dated May 24, 2017.](#)
- [\(c\)\(12\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Special Committee of HSN, Inc., dated May 26, 2017.](#)
- [\(c\)\(13\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Special Committee of HSN, Inc., dated June 1, 2017.](#)
- [\(c\)\(14\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Special Committee of HSN, Inc., dated June 12, 2017.](#)
- [\(c\)\(15\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Board of Directors of HSN, Inc., dated June 13, 2017.](#)
- [\(c\)\(16\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Board of Directors of HSN, Inc., dated June 22, 2017.](#)

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- [\(c\)\(17\) Joint presentation materials of Centerview Partners LLC and Goldman Sachs & Co. LLC to the Special Committee of HSN, Inc., dated July 5, 2017.](#)
- (c)(18) Opinion of Centerview Partners LLC to the Special Committee, dated July 5, 2017 (incorporated by reference to Annex C of the proxy statement/prospectus).
- (c)(19) Opinion of Goldman Sachs & Co. LLC to the Special Committee, dated July 5, 2017 (incorporated by reference to Annex D of the proxy statement/prospectus).
- (d)(1) Agreement and Plan of Merger, dated as of July 5, 2017, by and among Liberty Interactive Corporation, Liberty Horizon, Inc., and HSN, Inc. (incorporated by reference to Annex A of the proxy statement/prospectus).
- (d)(2) Rights Agreement, dated as of December 23, 2008, between HSN, Inc. and The Bank of New York Mellon, as Rights Agent (incorporated by reference to Exhibit 4.1 to HSN, Inc.'s Current Report filed on Form 8-K with the SEC on December 29, 2008).
- (d)(3) Amendment No. 1 to the Rights Agreement, dated as of July 5, 2017, by and between HSN, Inc. and Computershare Trust Company, N.A. (incorporated by reference to Annex D of the proxy statement/prospectus).
- (d)(4) Spinco Agreement, dated as of May 13, 2008, between IAC/InterActiveCorp, Liberty Media Corp., LMC Silver King, Inc., Liberty HSN II, Inc., LMC USA VIII, Inc., LMC USA IX, Inc., LMC USA XI, Inc., LMC USA XII, Inc., LMC USA XIII, Inc., LMC USA XIV, Inc., LMC USA XV, Inc., Liberty Tweety, Inc., BDTV II Inc., BDTV III Inc., BDTV IV Inc. and Barry Diller (incorporated by reference to Exhibit 10.1 to IAC/InterActiveCorp's Current Report on Form 8-K filed with the SEC on May 16, 2008).
- (d)(5) Spinco Assignment and Assumption Agreement, dated as of August 20, 2008, by and among IAC/InterActive Corp, HSN, Inc., Liberty Media Corporation and Liberty USA

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- Holdings, LLC (incorporated by reference to Exhibit 10.6 to HSN, Inc.'s Current Report on Form 8-K filed with the SEC on August 25, 2008).
- (d)(6) Registration Rights Agreement, dated as of August 20, 2008, among HSN, Inc., Liberty Media Corporation and Liberty USA Holdings, LLC (incorporated by reference to Exhibit 10.5 to HSN, Inc.'s Current Report on Form 8-K filed with the SEC on August 25, 2008).
  - (f) None.
  - (g) None.

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**SIGNATURES**

After due inquiry and to the best of each of the undersigned's knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated as of October 20, 2017

HSN, INC.

By: /s/ Rod R. Little  
Name: Rod R. Little  
Title: Chief Financial Officer

LIBERTY INTERACTIVE CORPORATION

By: /s/ Craig Troyer  
Name: Craig Troyer  
Title: Senior Vice President, Deputy General Counsel and Assistant Secretary

LIBERTY HORIZON, INC.

By: /s/ Craig Troyer  
Name: Craig Troyer  
Title: Senior Vice President and Assistant Secretary

[Signature Page to Transaction Statement on Schedule 13E-3]

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# Project Venus Organizational Materials

January 13, 2017

CENTER | VIEW PARTNERS

The Goldman Sachs logo, consisting of the words "Goldman" and "Sachs" stacked vertically in a white serif font, set against a solid blue square background.

# Project Venus Key Next Steps

## Key Next Steps and Initial Topics to Discuss

### Internal Organization

- Initial information requests, diligence and file sharing
- Development of long term financial model
- Organization of materials for “internal” virtual data room

### Internal Evaluation

- Assessment of standalone plan
  - Standalone strategic positioning and industry trends
  - Base plan and alternative cases
  - Key initiatives, opportunities for upside and risk assessment
  - Value of standalone margin improvement potential
  - Value creation for shareholders
- Evaluation of alternatives
  - Identification and financial analysis of non-control transaction alternatives and feasibility assessment
- Evaluation of combination with Q
  - Strategic positioning of pro forma company
  - Valuation analysis and synergy potential

### Process/External Interaction

- Timeline and next steps
- Public/shareholder relations strategy
- When/how we expect to engage with Q going forward

## Mobilization of the Working Group

### Special Committee

- Arthur C. Martinez
- James Follo
- Thomas McInerney

### HSNi Management

- Mindy Grossman, CEO
- Rod Little, Chief Financial Officer
- Greg Henchel, Chief Legal Officer
- Michael Attinella, CFO, HSN Segment
- Harold Herman, VP, Senior Counsel
- Bill Hunter, SVP, Corporate Controller
- Erick Cortes, VP, FP&A

### Centerview Partners

- Blair Effron, Partner
- Jack Levy, Partner
- Todd Davison, Partner
- Jim Christian, Managing Dir.
- Nolan Scaperotti, Principal
- Armaan Pai, Analyst
- Georgia Forbes, Analyst

### Goldman Sachs

- Gregg Lemkau, Managing Dir.
- David Friedland, Managing Dir.
- Jennifer Davis, Managing Dir.
- Dan Shefter, Advisory Dir.
- Stefan Duffner, Vice President
- Anne van der Voorden, Assoc.
- Jack Smith, Analyst
- Vera Shi, Analyst

### Davis Polk

- George (“Gar”) Bason, Partner
- Marc Williams, Partner
- Evan Rosen, Associate
- Alexander Simmons, Law Clerk

### Other Advisors

Kekst      E&Y/Deloitte

CENTERVIEW PARTNERS





# Illustrative Near-Term Timeline

## Key Events

*Timeline subject to when/how we expect to engage with Q going forward*

- **Week of January 9th:**

- Internal organization and kick-off
  - Initial information sharing, including standalone plan
  - Continue development of long term financial model

- **Week of January 16th:**

- Full-day advisor diligence session with management (January 19<sup>th</sup> in St. Petersburg)
  - Continued development of long term financial model and potential alternative cases
  - Identification and analysis of HSNi's strategic alternatives, potential strategic partners, etc.

- **Week of January 23rd:**

- Continued analysis and diligence of standalone plan and review of alternatives
- Discuss next steps for evaluation and schedule alternative review session with Committee

## Path to Board Meeting

January						
Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

February						
Su	M	Tu	W	Th	F	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	1	2	3	4

Tentative HSNi Earnings

Board Meeting

Federal Holiday

# Summary of Information Request List

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- **Historical Financials**
  - Estimated 4Q results
  - Quarterly P&L and cash flow (including detailed expenses, adjustments, allocations, fixed vs. variable costs, etc.)
  - Key performance indicators (e.g., price and volume, ticket sizes, return rates, customer demographics, etc.)
- **Business Trends**
  - Detail on trends by product, category, channel, etc.
- **Projected Financials**
  - FY2017 budget/plan and supporting assumptions
  - Longer-term financial model and supporting assumptions (including balance sheet and cash flow items)
- **Growth Drivers**
  - Detail on capital/investment and advertising/marketing budgets
  - Potential additional areas of investment (e.g., new products/geographies, other initiatives)
- **Industry Research**
  - Company or industry reports done internally or by third parties, including consulting strategy presentations
- **Financial Materials Reviewed with the Board (Last ~2 Years)**
  - December Board presentation and other relevant presentations/memos
  - Annual budgets, performance vs. budget, forecast updates and revisions
- **Capitalization and Other**
  - Detail on equity/debt capitalization, leases, PP&E, etc.

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# Project Venus

## Board Discussion Materials

January 30, 2017

# Disclaimer (Centerview Partners)

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This presentation has been prepared by Centerview Partners LLC ("Centerview") for use solely by the Special Committee of the Board of Directors of HSN, Inc. ("Hero" or the "Company") in connection with its evaluation of a proposed transaction involving the Company and for no other purpose. The information contained herein is based upon information supplied by Hero and publicly available information, and portions of the information contained herein may be based upon statements, estimates and forecasts provided by the Company. Centerview has relied upon the accuracy and completeness of the foregoing information, and have not assumed any responsibility for any independent verification of such information or for any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of the Company or any other entity, or concerning the solvency or fair value of the Company or any other entity. With respect to financial forecasts, including with respect to estimates of potential synergies, Centerview has assumed that such forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of the Company as to its financial performances, and at your direction Centerview has relied upon such forecasts, as provided by the Company's management, with respect to the Company, including as to expected synergies. Centerview assumes no responsibility for and expresses no view as to such forecasts or the assumptions on which they are based. The information set forth herein is based upon economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof, unless indicated otherwise and Centerview assumes no obligation to update or otherwise revise these materials.

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# Disclaimer (Goldman Sachs)

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These materials have been prepared and are provided by Goldman Sachs on a confidential basis solely for the information and assistance of the Special Committee of the Board of Directors (the "Special Committee") of Hero (the "Company") in connection with its consideration of the matters referred to herein. These materials and Goldman Sachs' presentation relating to these materials (the "Confidential Information") may not be disclosed to any third party or circulated or referred to publicly or used for or relied upon for any other purpose without the prior written consent of Goldman Sachs. The Confidential Information was not prepared with a view to public disclosure or to conform to any disclosure standards under any state, federal or international securities laws or other laws, rules or regulations, and Goldman Sachs does not take any responsibility for the use of the Confidential Information by persons other than those set forth above. Notwithstanding anything in this Confidential Information to the contrary, the Company may disclose to any person the US federal income and state income tax treatment and tax structure of any transaction described herein and all materials of any kind (including tax opinions and other tax analyses) that are provided to the Company relating to such tax treatment and tax structure, without Goldman Sachs imposing any limitation of any kind. The Confidential Information has been prepared by the Investment Banking Division of Goldman Sachs and is not a product of its research department.

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The Confidential Information has been prepared based on historical financial information, forecasts and other information obtained by Goldman Sachs from publicly available sources, the management of the Company or other sources (approved for our use by the Company in the case of information from management and non-public information). In preparing the Confidential Information, Goldman Sachs has relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by us, and Goldman Sachs does not assume any liability for any such information. Goldman Sachs does not provide accounting, tax, legal or regulatory advice.

Goldman Sachs has not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance sheet assets and liabilities) of the Company or any other party to any transaction or any of their respective affiliates and has no obligation to evaluate the solvency of the Company or any other party to any transaction under any state or federal laws relating to bankruptcy, insolvency or similar matters. The analyses contained in the Confidential Information do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold or purchased. Goldman Sachs' role in any due diligence review is limited solely to performing such a review as it shall deem necessary to support its own advice and analysis and shall not be on behalf of the Company. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses, and Goldman Sachs does not assume responsibility if future results are materially different from those forecast.

The Confidential Information does not address the underlying business decision of the Company to engage in any transaction, or the relative merits of any transaction or strategic alternative referred to herein as compared to any other transaction or alternative that may be available to the Company. The Confidential Information is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of, the date of such Confidential Information and Goldman Sachs assumes no responsibility for updating or revising the Confidential Information based on circumstances, developments or events occurring after such date. The Confidential Information does not constitute any opinion, nor does the Confidential Information constitute a recommendation to the Special Committee, any security holder of the Company or any other person as to how to vote or act with respect to any transaction or any other matter. The Confidential Information, including this disclaimer, is subject to, and governed by, any written agreement between the Company, the Board and/or any committee thereof, on the one hand, and Goldman Sachs, on the other hand.





# Introduction and Agenda for Today's Discussion

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- In December, Greg Maffei, President and CEO of Lion Interactive, approached Hero's Board of Directors (the "Board") and suggested the parties explore a potential combination between Hero and Queen
- As a result, the Board formed a Special Committee (the "Committee") and in early January 2017 engaged Centerview and Goldman Sachs (the "advisors") to assist the Committee with its evaluation of strategic alternatives and a potential transaction
- The purpose of today's discussion is to brief the Board on:
  - The current status of the process
  - Key work streams and topics advisors will cover during Committee / Board discussions in the coming weeks
  - Review of Management's 2017-2021 financial projections (the "Projections")
  - Next steps





# Process Update

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## Committee/Advisor Engagement

- On January 13, 2017, the Committee and the advisors had an initial call to discuss the work plan and process timeline
  - Earlier in the week, the advisors also had an initial call with Management to begin the process of information sharing and internal diligence
- The advisors and the Committee plan to meet during the week of February 6, 2017 to discuss the preliminary analysis of Hero's strategic alternatives, including a combination with Queen





## Management Focus on Projections

- On January 19, 2017, the advisors met with Management in St. Petersburg, FL to discuss Management's outlook on the business and review information provided to date
- During the week of January 23, 2017, Management provided and reviewed the Projections with the Committee and the advisors

## Engagement with Lion / Queen

- During the week of January 16, 2017, members of the Committee and the advisors separately spoke to Greg Maffei, President and CEO of Lion Interactive to discuss potential engagement
  - Committee and advisors indicated we are in process of evaluating standalone plan and strategic alternatives, which would take several weeks

# Key Work Streams and Objectives

Work Stream	Objectives	Parties Responsible	Progress
Finalization of Projections	<ul style="list-style-type: none"> <li>Committee approval of projected income statement, balance sheet and cash flow items for 2017-2021</li> </ul>	<ul style="list-style-type: none"> <li>Management</li> <li>Committee approval</li> </ul>	
Virtual Data Room Preparation	<ul style="list-style-type: none"> <li>Consolidation of business and financial information required for 3rd-parties to evaluate Hero opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Management, with assistance from advisors</li> </ul>	
Evaluation of Projections and "Self-Help" Alternatives	<ul style="list-style-type: none"> <li>Conduct financial analysis on the Projections and potential initiatives</li> <li>Evaluate potential "self-help" options for improving shareholder value, e.g., share repurchases, dividends and business development alternatives</li> </ul>	<ul style="list-style-type: none"> <li>Advisors, with input from Management</li> </ul>	
Identification of Potential Strategic Alternatives and Potential Third Parties	<ul style="list-style-type: none"> <li>Evaluate potential strategic alternatives</li> <li>Determine likelihood of other parties participating in a sale process for Hero</li> </ul>	<ul style="list-style-type: none"> <li>Management and advisors</li> </ul>	
Engagement with Queen	<ul style="list-style-type: none"> <li>If Committee decides to engage with Queen, coordinate initial outreach</li> <li>Scenario planning, including communications strategy</li> <li>Exploration of alternative transaction structures</li> <li>Evaluation of a pro forma combination with Queen</li> </ul>	<ul style="list-style-type: none"> <li>Advisors and Committee</li> </ul>	No substantial dialogue to date
Next Steps	<ul style="list-style-type: none"> <li>Close coordination between Hero Board, Committee, Management and advisors</li> <li>Near-term timeline driven by timing of 4Q earnings releases and any potential messages from Queen</li> </ul>	<ul style="list-style-type: none"> <li>Board, Committee, Management and advisors</li> </ul>	

# Key Valuation Questions for the Special Committee

Committee and advisors will work closely to conduct thorough evaluation of alternatives

	Focus Areas	Questions To Be Validated
<b>Standalone Plan Assessment as the "Base Line"</b>	<ul style="list-style-type: none"> <li>■ Macroeconomic environment</li> <li>■ Assessment of Projections and potential value creation</li> <li>■ Risks and ability to deliver</li> <li>■ Current valuation and credibility with investors</li> </ul>	<ul style="list-style-type: none"> <li>■ How much value can be created by the plan?</li> <li>■ How confident is Management and the Committee in the <b>achievability of the Projections?</b></li> <li>■ What do we believe are the likely <b>macro impacts on the business</b> going forward?</li> </ul>
<b>Other Alternatives</b>	<ul style="list-style-type: none"> <li>■ Evaluation of other alternatives for shareholder value creation, including execution risk of each</li> <li>■ Impact on growth, profitability and valuation</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>What are Hero's strategic alternatives</b> (self-help, acquisitions, separation of segments, broader process, etc.) and how do those compare?</li> </ul>
<b>Value Creation in Queen Combination</b>	<ul style="list-style-type: none"> <li>■ Reverse diligence on Queen</li> <li>■ Pro forma strategic positioning</li> <li>■ Growth, profitability and cash flow</li> <li>■ Potential synergies</li> <li>■ Pro forma ownership and leverage profile</li> <li>■ Value to Hero shareholders</li> <li>■ Transaction certainty</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>What is the value of the pro forma entity</b> and what does that imply for Hero shareholders?</li> <li>■ What is the <b>synergy opportunity?</b></li> <li>■ <b>Do we believe in Queen's plan</b> and their ability to deliver?</li> </ul>

# How Advisors Will Help The Committee Address Key Questions

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- 1 Hero Public Market Update**
  - Stock price history, total shareholder returns vs. peers
  - Analyst perspectives and their evolution
- 2 Review of Macro and Industry Trends**
  - State of retail industry, recent trends and outlook
  - Hero and Queen positioning in industry
- 3 Review of Hero Financial Performance and Standalone Plan**
  - Review of historical performance; comparisons vs. budgets
  - Analysis of plan assumptions; risks to plan initiatives; benchmarking vs. peers and historical performance
- 4 Preliminary Hero Valuation Analysis**
  - Valuation (share price, analyst price targets, premiums paid, trading and M&A multiples, DCF, PV of future share price, LBO)
- 5 Evaluation of Potential Strategic Alternatives**
  - Analysis of spectrum of alternatives (status quo, recap/capital returns, bolt-on M&A, split/spin options, repurchase Queen stake, sale options)
- 6 Queen Situation Update**
  - Stock price, shareholder returns vs. peers, financial performance
  - Analyst perspectives and their evolution
- 7 Evaluation of Combination with Queen**
  - Pro forma strategic positioning, financial profile and synergies
  - Accretion/dilution, contribution analysis and pro forma valuation
- 8 Process Update and Key Next Steps**
  - Key process considerations and implications
  - Next steps



# Identification of Potential Strategic Alternatives

## “Menu of Options” for Hero

### Illustrative “Menu of Options” for Hero

Status Quo	Status Quo With Plan Enhancements	Break-up of Hero	Effect Separation of Hero Stake from Queen	Sale of Hero
<ul style="list-style-type: none"><li>■ Maintain control of Hero, although Queen continues to own a 38% stake</li><li>■ Benefit from the value creation from Hero's standalone plan</li></ul>	<ul style="list-style-type: none"><li>■ Maintain control of Hero, although Queen continues to own a 38% stake</li><li>■ Benefit from the value creation from Hero's standalone plan supplemented with plan enhancements such as acquisitions, upside initiatives or capital structure moves</li></ul>	<ul style="list-style-type: none"><li>■ Separate Cornerstone from Hero, likely through a sale</li></ul>	<ul style="list-style-type: none"><li>■ Hero to become independent from Queen with broad shareholder base</li><li>■ Possibly achieved through:<ul style="list-style-type: none"><li>— Offer to buy Queen's 38% stake in Hero</li><li>— Queen spin-off of Hero stake</li><li>— Cash rich split-off</li></ul></li></ul>	<ul style="list-style-type: none"><li>■ Sale of Hero to Queen or interested third party</li><li>■ Process options include:<ul style="list-style-type: none"><li>— One-on-one negotiations with Queen</li><li>— Post-signing process through a go-shop provision after signing a deal with Queen</li><li>— Pre-signing process allowing interested third parties to participate</li></ul></li></ul>

# Illustrative Near-Term Process Timeline

## Key Events

*Timeline subject to when/how we expect to engage with Queen going forward*

- **January 30:** Qualified Directors Meeting
  - Discuss preliminary observations and Queen background materials
  - Confirmation of Projections
- **Week of January 29 – February 4:** Advisors continue to evaluate alternatives
- **Week of February 6:** Committee meeting to discuss preliminary perspectives on alternatives
- **February 23:** Hero Board meeting
- **February 28:** Hero 4Q earnings release (tentative)<sup>(1)</sup>
- **March 2:** Queen Q4 earnings release (estimated)<sup>(1)</sup>

## Illustrative Near-Term Calendar

January						
S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

February						
S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	1	2	3	4

Federal Holiday

(1) In 2016, Hero released Q4 earnings on Wednesday, Feb 24<sup>th</sup>, and Queen on Friday, Feb 26<sup>th</sup>.





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# Overview of Hero Management Projections

# Overview of Management Projections

Projections reflect a return to historical levels of growth and margin improvements driven by in-process initiatives

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## Overview of Hero Projections

- **Projections imply a return to historical levels of growth (prior to challenging 2016)**
  - Top-line initiatives include improvements to TV distribution and viewer experience (e.g., one-click remote-buying), product pricing and expanding digital capabilities, etc.
- **A number of in-process initiatives expected to drive margins above historical levels**
  - Initiatives include supply chain efficiencies (tailwind from resolution of Piney Flats issues and automation), merchandising initiatives, etc.
- **The Projections reflect a number of positive developments in December and January:**
  - Resolution of Piney Flats issues; increased confidence in ability to drive margin improvement led by new Chief Merchandising Officer; clarified view of trends in business mix
  - Broker estimates do not reflect these developments and as a result lag the Projections
  - Resulted in stronger outlook for 2017 relative to Plan shared with Board in December
- **Relative to Queen, Hero top-line growth is in-line but EBITDA growth and margin expansion is higher** due to a low 2016 base and the initiatives discussed above

## Risks to Plan in Context of Retail Industry

- **Broad retail industry conditions have been challenging** over the past two years, but positive signs seen at the end of 2016
  - TBD if recent trends represent temporary or sustained reversal
- **Hero underperformed its 2014 plan as a result of these headwinds and operating challenges;** reflects **difficulty of forecasting in an uncertain operating environment**
  - Hero's underlying key performance indicators consistent with broader industry trends

Projections subject to further review and evaluation with the Committee and Management, including review of upsides and potential risks

# Projections Summary

Projections imply 8.1% Adjusted EBITDA CAGR and 7.4% EPS CAGR from 2016A-2021E

	Historical			Projections					'14-'16A	'16A-'21E
	2014A	2015A	2016A	2017P	2018E	2019E	2020E	2021E	CAGR	CAGR
HSN Revenue	\$2,476	\$2,542	\$2,475	\$2,549	\$2,626	\$2,704	\$2,785	\$2,869	(0.0%)	3.0%
Cornerstone Revenue	1,114	1,151	1,095	1,089	1,162	1,243	1,316	1,390	(0.9%)	4.9%
(Less): Eliminations	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)		
<b>Total Revenue</b>	<b>\$3,588</b>	<b>\$3,691</b>	<b>\$3,567</b>	<b>\$3,637</b>	<b>\$3,786</b>	<b>\$3,946</b>	<b>\$4,100</b>	<b>\$4,257</b>	<b>(0.3%)</b>	<b>3.6%</b>
YoY Growth		2.9%	(3.3%)	1.9%	4.1%	4.2%	3.9%	3.8%		
<b>Gross Profit</b>	<b>\$1,273</b>	<b>\$1,315</b>	<b>\$1,217</b>	<b>\$1,251</b>	<b>\$1,316</b>	<b>\$1,383</b>	<b>\$1,447</b>	<b>\$1,513</b>	<b>(2.2%)</b>	<b>4.5%</b>
% Margin	35.5%	35.6%	34.1%	34.4%	34.8%	35.0%	35.3%	35.5%		
(Less): Operating Expenses	(\$926)	(\$957)	(\$918)	(\$944)	(\$970)	(\$1,006)	(\$1,039)	(\$1,072)		
% of Sales	25.8%	25.9%	25.7%	26.0%	25.6%	25.5%	25.3%	25.2%		
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$342</b>	<b>\$357</b>	<b>\$299</b>	<b>\$307</b>	<b>\$346</b>	<b>\$377</b>	<b>\$408</b>	<b>\$441</b>	<b>(6.5%)</b>	<b>8.1%</b>
% Margin	9.5%	9.7%	8.4%	8.4%	9.1%	9.5%	9.9%	10.4%		
(Less): D&A / FA Sale	(44)	(44)	(43)	(47)	(49)	(52)	(56)	(59)		
(Less): SBC	(16)	(18)	(19)	(21)	(22)	(22)	(23)	(24)		
(Less): Adjustments	2	(11)	(31)	-	-	-	-	-		
<b>Reported EBIT</b>	<b>\$285</b>	<b>\$284</b>	<b>\$206</b>	<b>\$238</b>	<b>\$275</b>	<b>\$302</b>	<b>\$329</b>	<b>\$358</b>	<b>(15.0%)</b>	<b>11.7%</b>
(Less): Net Interest	(7)	(15)	(16)	(18)	(18)	(18)	(18)	(18)		
Pre-Tax Income	\$278	\$269	\$190	\$221	\$257	\$284	\$311	\$340		
(Less): Taxes	(105)	(100)	(71)	(83)	(96)	(107)	(117)	(128)		
Net Income	\$173	\$169	\$119	\$138	\$161	\$178	\$195	\$213		
Plus: Adjustments	0	6	20	-	-	-	-	-		
<b>Adjusted Net Income</b>	<b>\$173</b>	<b>\$176</b>	<b>\$138</b>	<b>\$138</b>	<b>\$161</b>	<b>\$178</b>	<b>\$195</b>	<b>\$213</b>	<b>(10.6%)</b>	<b>9.0%</b>
<b>Adjusted EPS</b>	<b>\$3.23</b>	<b>\$3.28</b>	<b>\$2.62</b>	<b>\$2.61</b>	<b>\$2.98</b>	<b>\$3.24</b>	<b>\$3.48</b>	<b>\$3.74</b>	<b>(9.9%)</b>	<b>7.4%</b>
YoY Growth		1.7%	(20.3%)	(0.4%)	14.4%	8.5%	7.6%	7.4%		
<b>Memo:</b>										
Diluted Shares	53.6	53.5	52.9	52.9	53.9	54.9	55.9	56.9		
Tax Rate	37.7%	37.1%	37.4%	37.5%	37.5%	37.5%	37.5%	37.5%		
Comparable EBITDA <sup>(2)</sup>	\$327	\$339	\$280	\$286	\$324	\$354	\$385	\$417	(7.4%)	8.3%

Source: Hero Management.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.

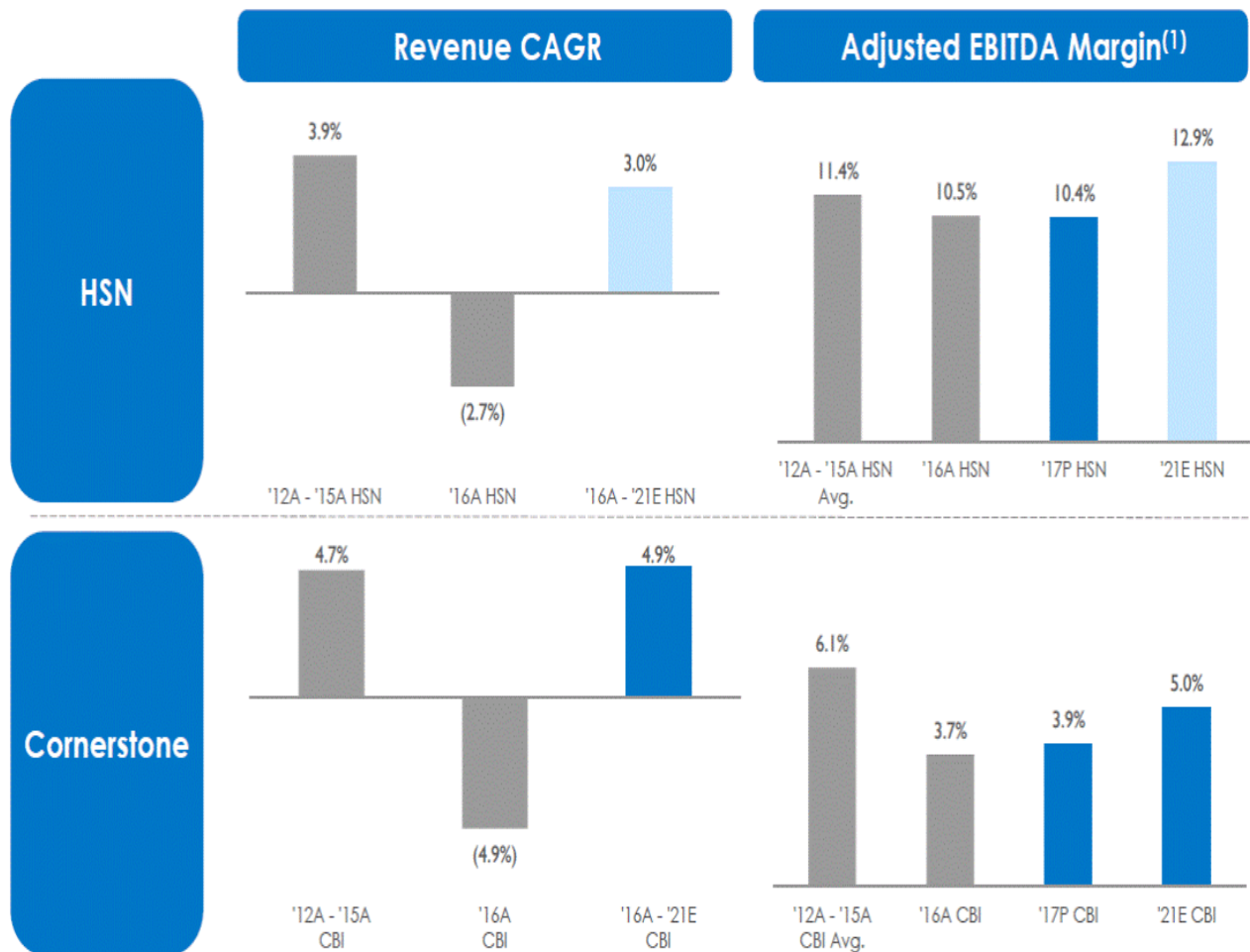
(2) Comparable EBITDA is after deduction of stock-based compensation expense.



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# Projection Assumptions in Context

Projections reflect a return to historical growth rates and HSN segment margin expansion driven by in-process initiatives



Source: Hero Management.

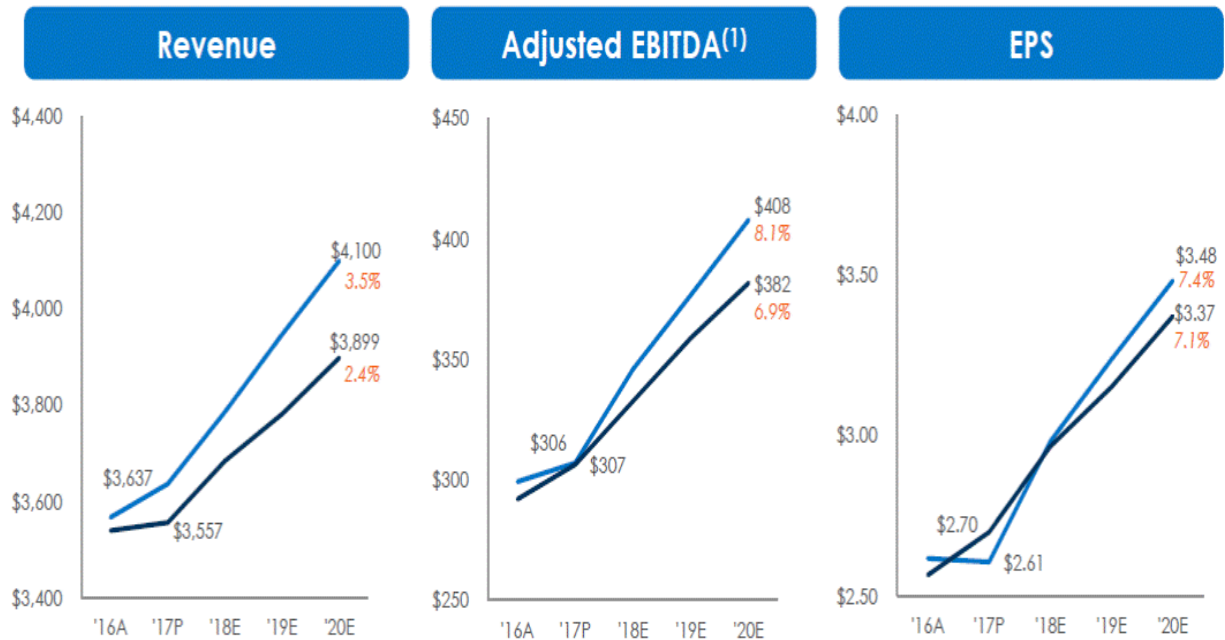
(1) Adjusted EBITDA is before deducting stock based compensation expense.



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# Projections Versus Consensus

Projections are in excess of Street expectations; however, Broker estimates do not reflect reversal of trends and Hero's positive performance in recent months



Number of Analysts	7	6	3	3	5	5	3	3	7	6	2	2
YoY Hero Management	1.9%	4.1%	4.2%	3.9%	2.6%	12.7%	8.9%	8.2%	(0.4%)	14.4%	8.5%	7.6%
Growth Hero Consensus	0.5%	3.6%	2.6%	3.1%	4.9%	8.6%	7.9%	6.3%	5.2%	9.9%	6.2%	7.0%
Adj. EBITDA Hero Management	8.4%	8.4%	9.1%	9.5%	9.9%							
Margin Hero Consensus	8.2%	8.6%	9.0%	9.5%	9.8%							

■ Hero Consensus Estimates ■ Hero Management ■ '16A - '20P CAGR

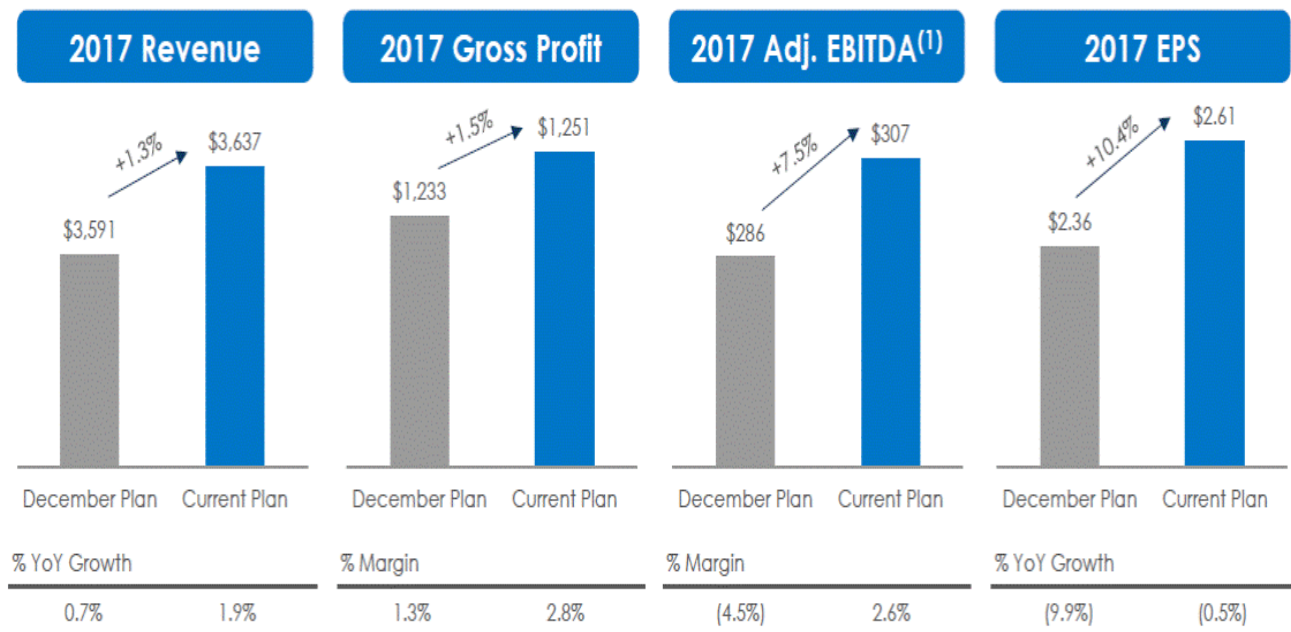
Source: Hero Management and Factset estimates as of January 27, 2017.  
 Note: Dollars in millions.  
 (1) Adjusted EBITDA is before deduction of stock based compensation expense.



# Projections vs. Management Plan Shared with Board in Dec. 2016

Positive developments in December and January contributed to better 4Q performance and a stronger outlook for 2017

- Projections reflect stronger view on 2017 than Plan shared with the Board in December
- Changes driven by a number of positive developments in December and January
  - Resolution of Piney Flats issues
  - Increased confidence in ability to drive margin improvement led by new Chief Merchandising Officer
  - Clarified view on trends in business mix



Source: Hero Management.

Note: Dollars in millions.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.



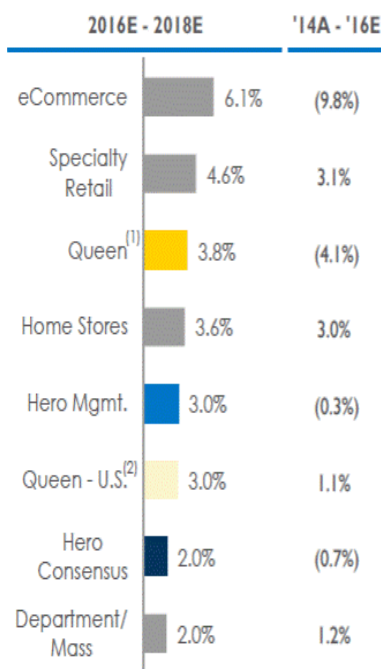
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# Peer Growth Benchmarking

Hero's EBITDA growth expected to outpace Queen's over near-term due to numerous margin enhancement initiatives; perception of little room for Queen margin improvement

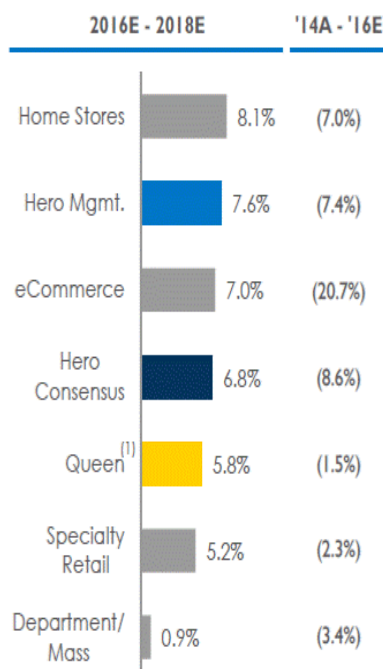
## Revenue CAGR

- Hero's expected revenue growth in-line with expectations for Queen's U.S. business



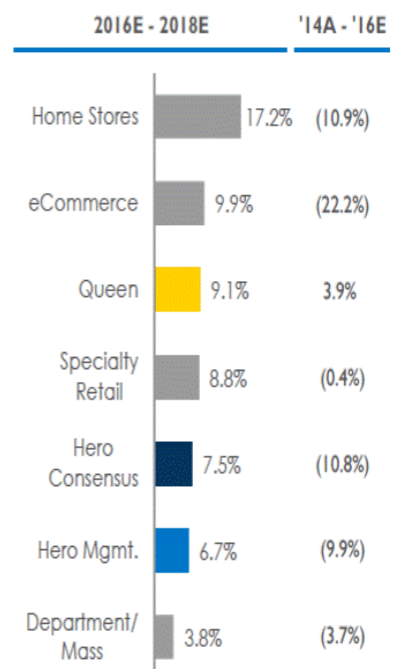
## Comparable EBITDA CAGR

- Hero's expected EBITDA growth a function of low current base and margin enhancement initiatives over near-term
- Perception that Queen margin has little room for improvement



## Comparable EPS CAGR

- Hero EPS outlook below Queen's but does not reflect total return
- Potential uses of Hero cash include potential debt repayment and dividends



Source: Hero Management and Factset fiscal year estimates as of January 27, 2017.

Note: Specialty Retail includes BBY, DKS, FL, FOSL, GNC, TIF, ULTA. Home Stores includes BBBY, ETH, PIR, RH, WSM. Department/Mass includes DDS, KSS, M, JWN, ROST, TGT, TJX, WMT. eCommerce includes EBAY and OSTK; eCommerce EPS includes only EBAY. Comparable EBITDA is after deduction of stock-based compensation expense. Comparable EPS is after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization.

(1) Queen 2014 revenue and EBITDA pro forma for zully acquisition, not pro forma for reattribution of Digital Commerce Business.

(2) Queen U.S. represents consensus estimate for U.S. segment only.



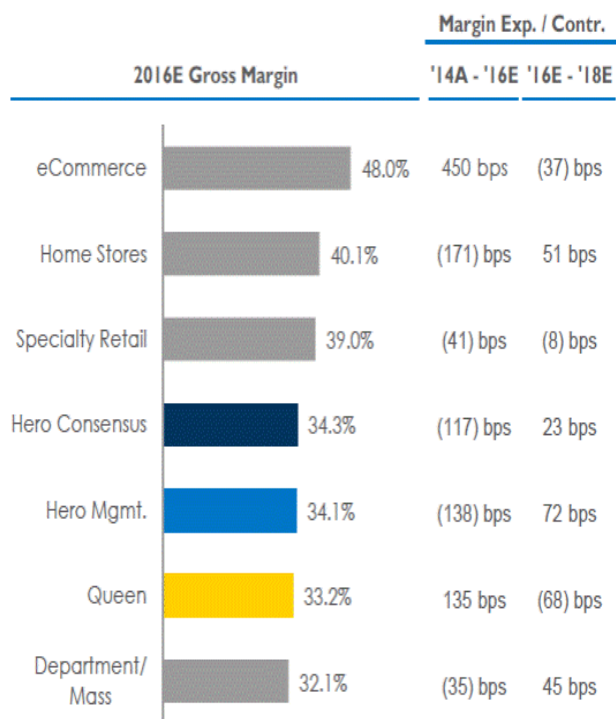
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# Peer Margin Benchmarking

Hero's gross margin in-line with Queen, but EBITDA margin differential reflects Hero's higher investment in viewer content; merchandising initiatives to expand margins

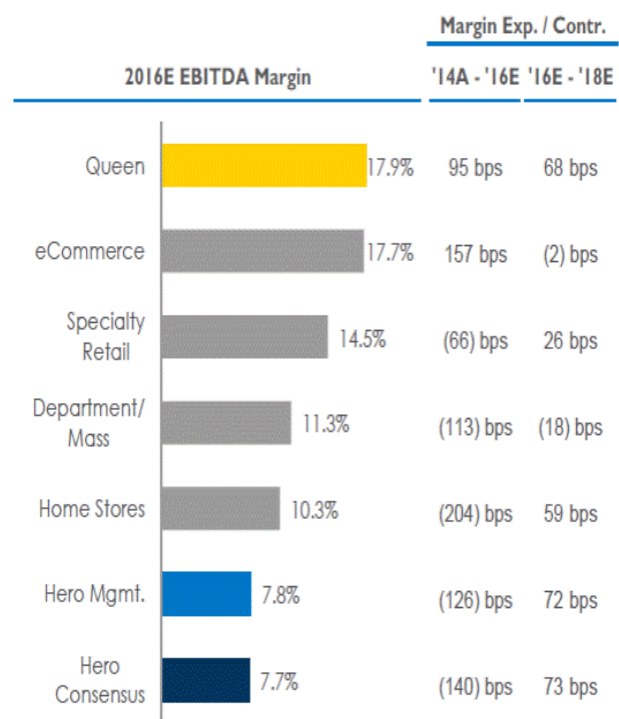
## Gross Margin

- Hero current gross margin in line with Queen's
- Hero gross margin outlook reflects potential cost savings from sourcing initiatives/supply chain efficiencies



## Comparable EBITDA Margin

- Lower Hero EBITDA margin relative to Queen reflects Hero's higher investments in content/differentiated viewer experience, and economics with TV operators
- In-process merchandising initiatives driven by new Chief Merchandising Officer expected to expand margins



(1)

Source: Hero Management and fiscal year Factset estimates as of January 27, 2017.

Note: Specialty Retail includes BBY, DKS, FL, FOSL, GNC, TIF, ULTA. Home Stores includes BBBY, ETH, PIR, RH, WSM. Department/Mass includes DDS, KSS, M, JWN, ROST, TGT, TJX, WMT. eCommerce includes EBAY, OSTK. FOSL excluded from EBITDA metrics.

Note: Comparable EBITDA is after deduction of stock-based compensation expense.

(1) Queen 2014 gross margin and EBITDA pro forma for zulily acquisition, not pro forma for reattribution of Digital Commerce Business.

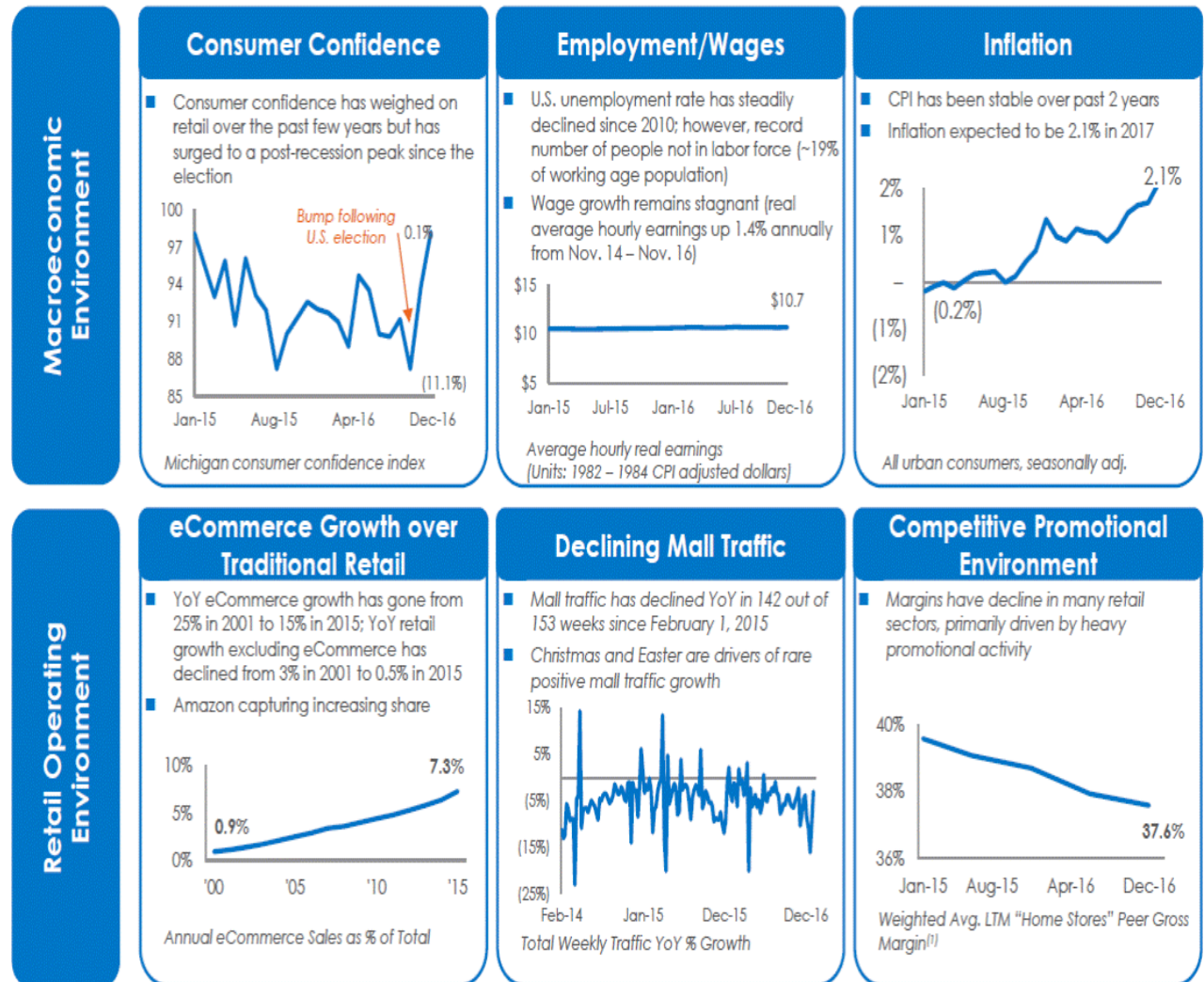


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# Broad Retail Industry Trends Have Been Challenging...

Broad retail industry conditions have been challenging over the past two years, but positive signs seen at the end of 2016; TBD if recent trends represent temporary or sustained reversal



Source: Factset, U.S. Census Bureau, Wall Street research and company filings as of January 27, 2017.

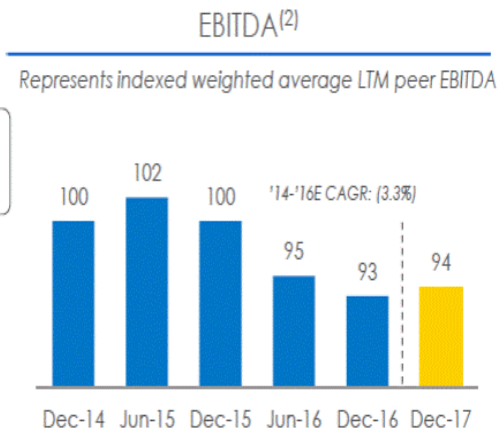
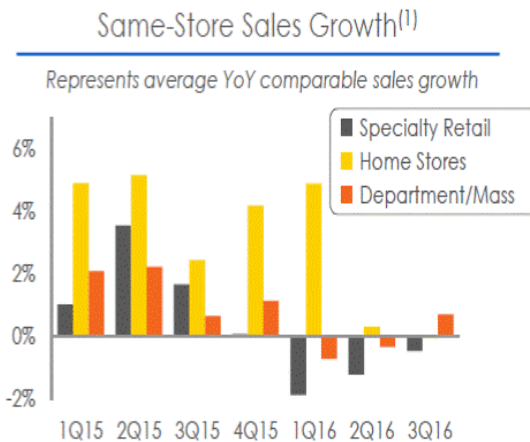
(1) Home Stores includes BBBY, ETH, PIR, RH, WSM.



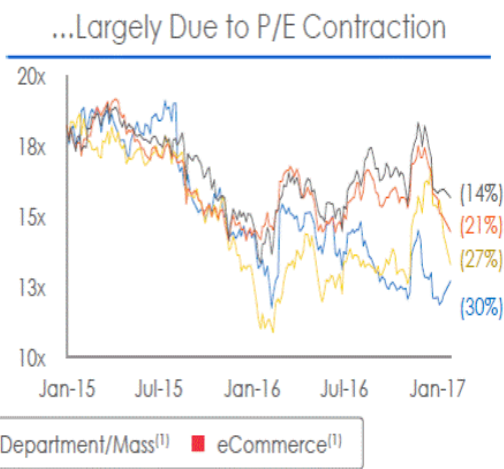
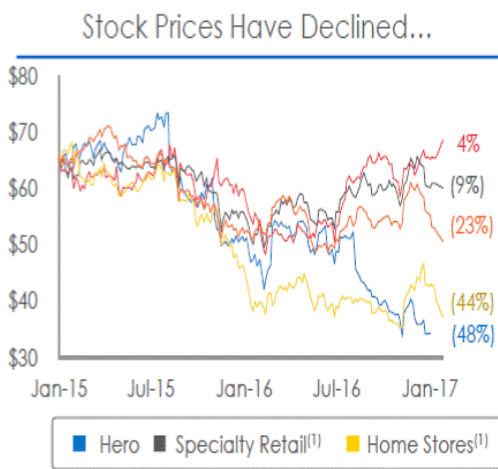
# ...and Have Pressured Retail Financial Performance and Valuation

Weak/negative top-line growth and declines in cash flow have pressured stock prices and valuations across the retail space

## Financial Performance



## Sector Valuation



Source: Factset, Wall Street Research and company filings as of January 27, 2017.

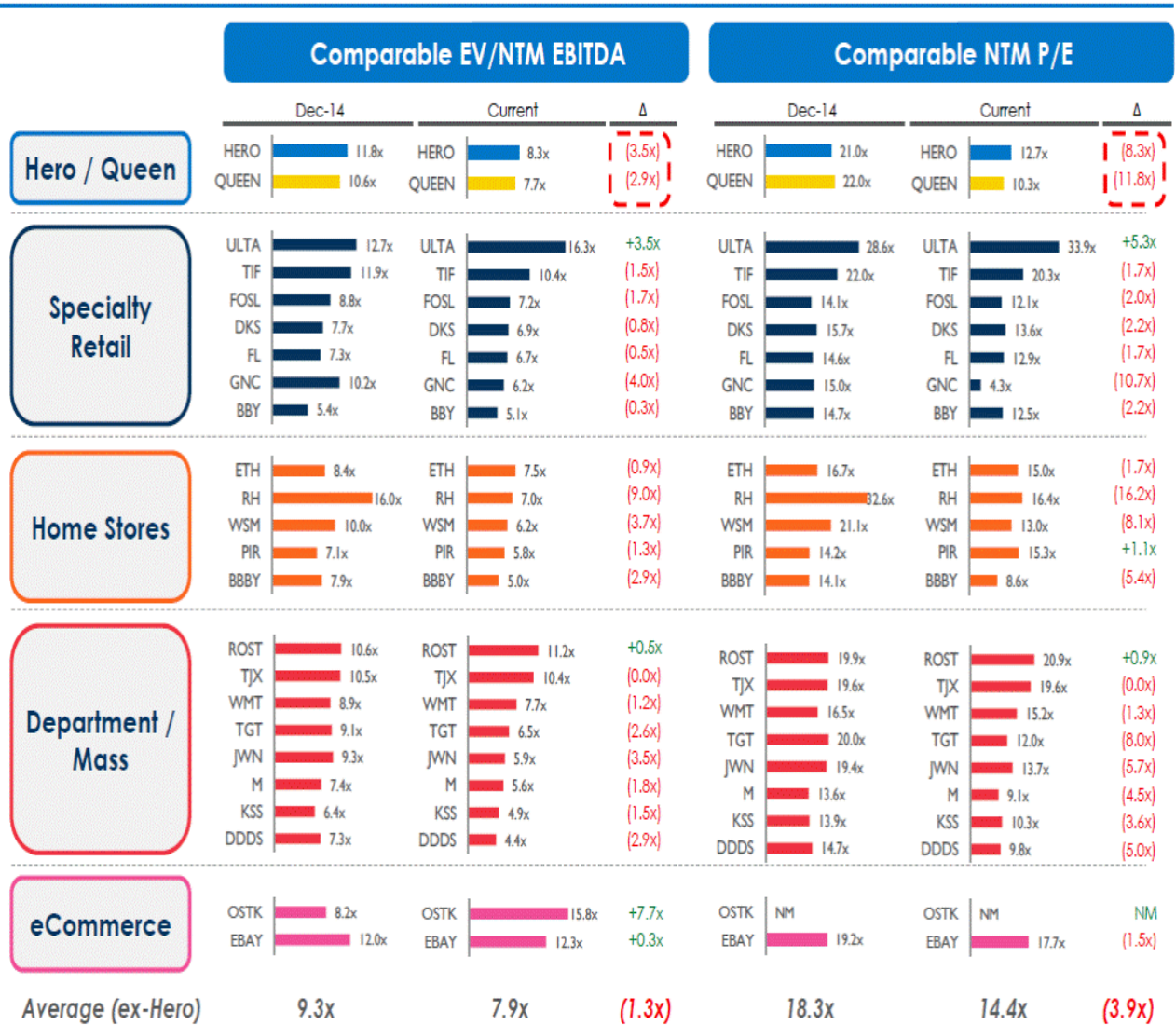
(1) Specialty Retail includes BBY, DKS, FL, FOSS, GNC, TIF, Home Stores includes BBBY, ETH, PIR, RH, WSM. Department/Mass includes DDS, KSS, M, JWN, ROST, TGT, TJX, WMT.

(2) Includes BBY, DKS, FL, FOSS, GNC, TIF, ULTA, BBBY, ETH, PIR, RH, WSM, DDS, KSS, M, JWN, ROST, TGT, TJX, WMT, NILE, EBAY, OSTK.



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# Valuation Has Contracted Across Retail Universe



Source: Hero Management, company filings and Factset as of January 27, 2017.

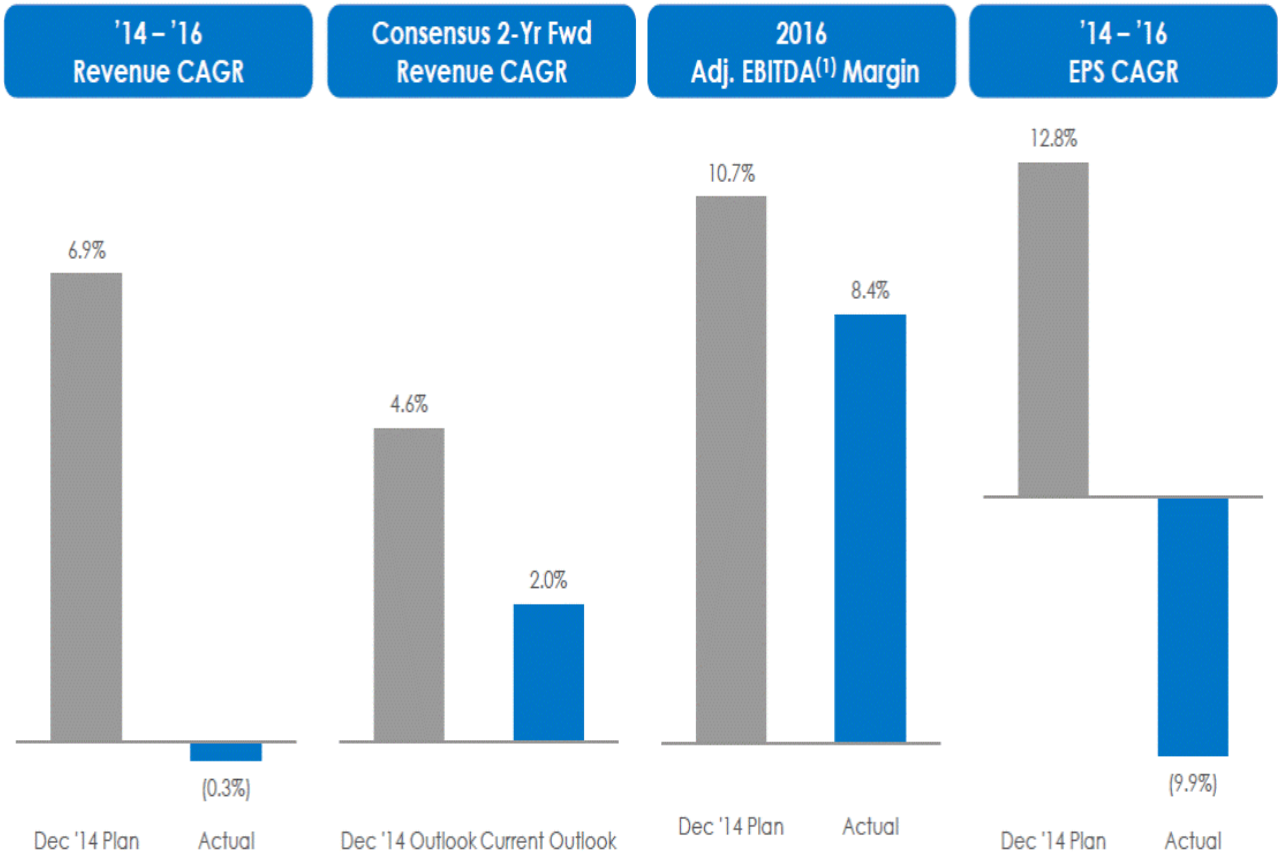
Note: Comparable EV calculated after deduction of stock-based compensation expense from Adjusted EBITDA. Comparable EPS is calculated after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization from EPS. OSTK excluded from P/E average.



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# Hero's Performance vs. 2014 Plan Reflects Challenges of Long Term Forecasting in Uncertain Environment

- Hero **underperformed its 2014 plan** as a result of retail industry headwinds and Hero-specific operating challenges
- Divergence from 2014 plan reflects **difficulty of forecasting in an uncertain operating environment**



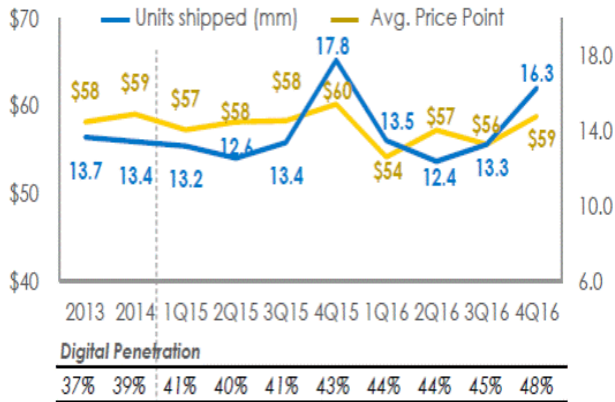
Source: Hero Management and Factset as of January 27, 2017.  
 (1) Adjusted EBITDA is before deduction of stock based compensation expense.



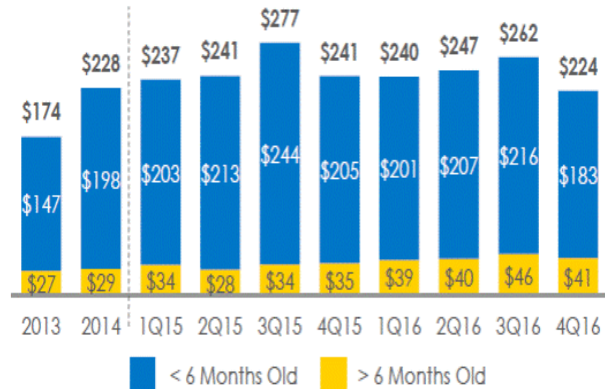
# HSN Segment KPI Trends

HSN segment's 2016 performance reflected industry challenges; positive developments in 4Q consistent with improved industry conditions and resolution of operating issues

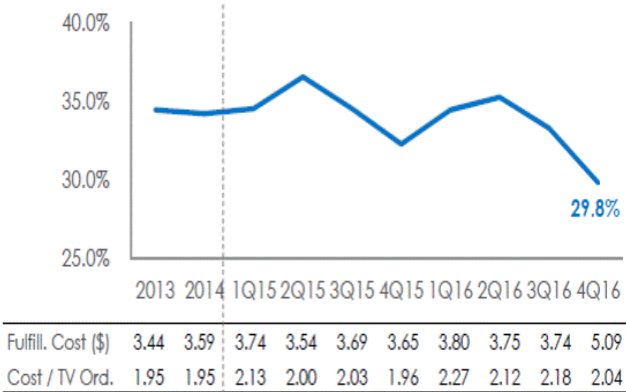
## HSN Units Shipped and Average Price<sup>(1)</sup>



## HSN Inventory (\$mm)<sup>(2)</sup>

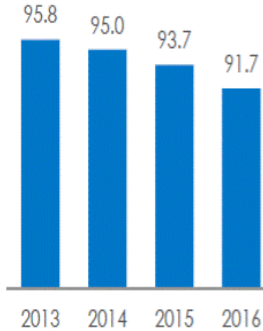


## HSN Gross Margin<sup>(2)</sup>

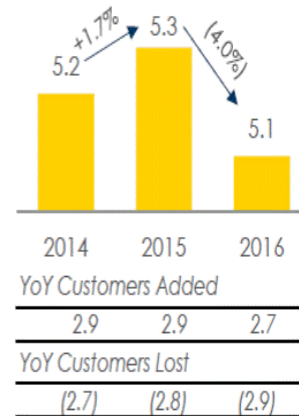


## Customer Engagement

### Homes Reached (mm)



### Active Customers (mm)



Source: Hero Management.

(1) FY'13 and FY'14 reflect average quarterly units shipped.

(2) Based on "Management Metrics".



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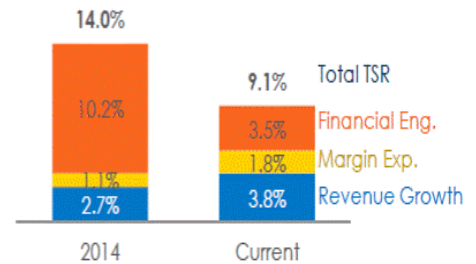
# What Does a Hero Deal Mean to Queen?

Queen has also been impacted by challenging retail industry trends; may view combination with Hero as compelling opportunity to enhance shareholder returns

## Perception of Limited Capacity for Incremental Organic Improvement

- Queen's share price has declined ~35% from December '14 amid the challenging retail sector environment
- Perception that Queen is nearing the limit of internal operating efficiencies; requires growth, increased capital returns and/or synergies to improve S/H value
- Current subsidiary-level leverage of ~2.8x is in excess of stated 2.5x target, limiting access to capital markets to drive value through M&A or capital returns

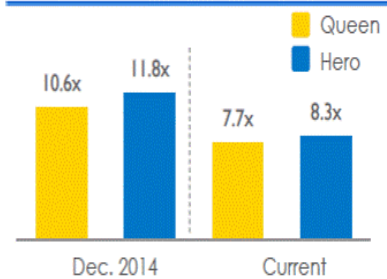
Queen TSR Outlook



## Valuation vs. Hero Has Improved

- Valuation gap between Hero and Queen has narrowed
- Queen's EV/NTM EBITDA multiple discount to Hero has narrowed over the past two years from 1.2x to 0.6x
- Illustrative share price exchange ratio vs. Hero is more favorable to Queen than it has been over the past two years (1.8x current ratio is in line with the minimum over the period)

EV / NTM Comparable EBITDA<sup>(1)</sup>



## Potentially Compelling Synergies

- Potential to capture cost synergies in, e.g., distribution, supply chain, IT and corporate functions
- Potential for incremental revenue synergy opportunities through synchronized programming and cross-selling
- Advisors will work closely with Management and the Committee to further evaluate the synergy opportunity

Source: Hero Management and Factset as of January 27, 2017.

(1) Comparable EBITDA is after deduction of stock based compensation expense.



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# Key Takeaways From Recent Lion Acquisition Situations

## Recent Liberty Acquisition Situations, e.g., Formula One and SiriusXM, Demonstrate Liberty's Preference for Using Tracking Stock as Acquisition Currency at a Low Premium

	Lion Media's Acquisition of Formula One	Lion Media Attempted Buyout of Sirius XM	Lion Interactive / Queen Acquisition of Zulily
Situation Overview	<ul style="list-style-type: none"> <li>In September 2016, Lion Media announced the agreement to acquire 100% of the shares of Delta Topco, the parent company of Formula One, from a consortium of sellers led by CVC</li> <li>The <b>consideration comprised cash and newly issued shares in the Lion Media Group tracking stock (LMCK) and a debt instrument exchangeable into shares of LMCK</b>. The transaction price represented an enterprise value for Formula One of \$8.0bn and an equity value of \$4.4bn<sup>1</sup></li> <li>After completion, Lion Media will own Formula One and it will be attributed to the Lion Media Group which will be renamed the Formula One Group. The consortium of sellers led by CVC will own approximately 65%<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>In January 2014, Lion Media offered to purchase the remaining 48% of Sirius XM that it did not already own, <b>an all-stock, tax-free offer that represented a 3.1% premium</b> over Sirius XM's closing price               <ul style="list-style-type: none"> <li>Lion would create a new class of stock, Series C, and Sirius XM public shareholders would own approximately 39% of Lion Media Corp's then-outstanding common stock</li> </ul> </li> <li><b>Lion ultimately rescinded the offer</b> in March 2014 and instead created two tracking stocks, Lion Broadband Group and Lion Media Group, with Lion Media Group holding its stake in Sirius XM</li> </ul>	<ul style="list-style-type: none"> <li>In August 2015, Lion Interactive announced the agreement to acquire all outstanding shares of Zulily for <b>\$18.75 per share, implying a 49% premium</b>, \$2.4bn equity value and \$2.1bn enterprise value</li> <li>Lion Interactive offered a <b>50/50 mix cash / stock consideration</b> per Zulily share of:               <ul style="list-style-type: none"> <li>\$9.375 per share in cash, and 0.3098 newly issued shares of Queen Series A stock, valued at \$9.375</li> </ul> </li> <li>The cash portion of the consideration was funded from cash on hand at Zulily and Queen's revolving credit facility</li> <li>Post-transaction close, <b>Zulily shareholders owned 8.5% of the combined company</b> and Zulily was attributed to Queen Group</li> </ul>
Implications for Hero	<ul style="list-style-type: none"> <li>Sellers, including sophisticated financial sponsors, are often <b>willing to take tracking stock of Malone-affiliated entities as consideration</b>, even when pro-forma value of the tracking stock group is difficult to predict</li> <li>Sellers often have some <b>reservations about tracking stock governance</b>, especially when combined with a dual (or third) class voting structure</li> <li>Market is generally <b>rewarding Malone-affiliated companies for significant acquisitions</b></li> </ul>	<ul style="list-style-type: none"> <li>Lion often attempts to pursue a <b>minority buyout at a nil / low premium</b>, especially in situations where it pays in equity (i.e., Lion shares), which is economically similar to the underlying companies (i.e., SiriusXM)</li> <li>Investors were <b>concerned swapping SiriusXM stock for Lion stock without a material premium</b></li> <li>Lion is very <b>willing to walk away</b> from a deal where the seller's price demands are perceived as too high</li> </ul>	<ul style="list-style-type: none"> <li>Structure of transaction was partially dictated by <b>Zulily's desire to retain upside and partial control</b> <ul style="list-style-type: none"> <li>Elements included large stock component and position on Lion board for Zulily Chairman</li> </ul> </li> <li><b>Diligence was a combined effort between Lion and Queen</b>, with Lion being the ultimate decision maker</li> <li>Strategic rationale included <b>acquisition of customers and cost synergies</b>, but also acquisition of digital know-how and technology</li> </ul>

Source: Company filings, press releases

(1) Calculated at time of transaction announcement.

(2) Based on the undiluted share count as of July 31, 2016 and is inclusive of the dilutive impact of the \$351mm exchangeable debt instrument.



## Key Takeaways and Next Steps

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- The Projections developed by Management reflect a return to growth and margin expansion due to a number of in-process top-line and cost improvement initiatives
- Advisors continue to work on addressing a number of key questions for the Committee around standalone alternatives and the potential implications of a combination with Queen
- Advisors will come back to the Board in the coming weeks with more detailed analysis of Hero's alternatives, including a combination with Queen
  - Like Hero, Queen has been impacted by challenging retail industry trends and may view a combination with Hero as a compelling opportunity to enhance shareholder returns
- Following the completion of our analysis and the Committee's full review of Hero's alternatives, the advisors will work with the Committee to decide how best to engage further with Queen



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Appendix

# Peer Growth Benchmarking Detail

(\$ in bn, except per share items)

	Share Price	Eq. Value	Ent. Value	Revenue						Comparable EBITDA						Comparable EPS					
				Values			CAGR			Values			CAGR			Values			CAGR		
				'14A	'16E	'18E	'14A-'16E	'16E-'18E	'14A	'16E	'18E	'14A-'16E	'16E-'18E	'14A	'16E	'18E	'14A-'16E	'16E-'18E			
Hero Consensus	\$34.55	\$1.8	\$2.40	\$3.6	\$3.5	\$3.7	(0.7%)	2.0%	\$0.3	\$0.3	\$0.3	(8.6%)	6.8%	\$3.23	\$2.57	\$2.97	(10.8%)	7.5%			
Hero Management				\$3.6	\$3.8		(0.3%)	3.0%	\$0.3	\$0.3		(7.4%)	7.6%	\$2.62	\$2.98		(9.9%)	6.7%			
Queen <sup>(1)</sup>	\$19.02	\$8.9	\$14.9	\$11.2	\$10.3	\$11.1	(4.1%)	3.8%	\$1.9	\$1.8	\$2.1	(1.5%)	5.8%	\$1.56	\$1.68	\$2.00	3.9%	9.1%			
<b>Specialty Retail</b>																					
Ulta	\$271.44	\$17.1	\$16.9	\$3.2	\$4.8	\$6.5	21.9%	16.5%	\$0.5	\$0.8	\$1.2	25.1%	19.8%	\$3.98	\$6.42	\$9.70	27.0%	23.0%			
Best Buy	43.47	\$14.0	\$12.1	40.3	39.5	39.9	(1.0%)	0.5%	2.1	2.4	2.3	5.0%	(0.2%)	2.60	3.28	3.70	12.4%	6.1%			
Tiffany & Co.	79.17	\$10.0	\$10.3	4.2	4.0	4.3	(3.1%)	3.6%	1.1	1.0	1.1	(6.4%)	5.3%	4.20	3.67	4.27	(6.5%)	7.8%			
Foot Locker	68.01	\$9.1	\$8.4	7.2	7.8	8.5	4.2%	4.6%	0.9	1.2	1.3	10.6%	6.8%	3.58	4.78	5.75	15.5%	9.8%			
Dick's Sporting Goods	51.31	\$5.9	\$6.2	6.8	7.9	9.3	7.8%	8.4%	0.7	0.8	1.0	1.8%	12.6%	2.87	3.10	4.21	3.9%	16.5%			
GNC	8.83	\$0.6	\$2.0	2.6	2.5	2.5	(1.4%)	(1.5%)	0.5	0.4	0.3	(13.0%)	(6.6%)	2.87	2.45	2.06	(7.6%)	(8.4%)			
Fossil	25.33	\$1.3	\$1.8	3.5	3.1	3.1	(6.6%)	(0.0%)	0.7	0.2	0.2	(39.6%)	(1.4%)	7.17	2.00	2.27	(47.2%)	6.5%			
Average							3.1%	4.6%				(2.3%)	5.2%				(0.4%)	8.8%			
<b>Home Stores</b>																					
Bed, Bath & Beyond	\$39.74	\$6.0	\$6.9	\$11.9	\$12.2	\$12.7	1.3%	1.9%	\$1.8	\$1.4	\$1.4	(10.5%)	(2.9%)	\$5.07	\$4.52	\$4.70	(5.6%)	2.0%			
Williams-Sonoma	47.50	\$4.3	\$4.3	4.7	5.1	5.5	4.4%	3.8%	0.7	0.7	0.7	0.5%	4.9%	3.20	3.40	3.92	3.0%	7.4%			
RH	26.09	\$1.1	\$1.5	1.9	2.1	2.5	6.9%	9.1%	0.2	0.2	0.3	(13.6%)	28.8%	2.10	0.87	2.15	(35.6%)	57.2%			
Ethan Allen	29.00	\$0.8	\$0.8	0.7	0.8	0.8	3.1%	2.0%	0.1	0.1	0.1	8.4%	2.2%	1.45	1.92	2.07	15.1%	3.8%			
Pier 1 Imports	7.05	\$0.6	\$0.7	1.9	1.8	1.9	(0.8%)	1.0%	0.2	0.1	0.1	(19.6%)	7.7%	0.84	0.39	0.52	(31.7%)	15.5%			
Average							3.0%	3.6%				(7.0%)	8.1%				(10.9%)	17.2%			
<b>Department/Mass</b>																					
Wal-Mart	\$65.66	\$202.3	\$249.2	\$485.7	\$485.6	\$506.9	(0.0%)	2.2%	\$36.5	\$32.7	\$32.9	(5.4%)	0.4%	\$5.07	\$4.32	\$4.55	(7.7%)	2.6%			
TJX	74.26	\$49.5	\$48.9	29.1	33.2	37.7	6.8%	6.6%	4.2	4.5	5.0	3.3%	5.5%	3.16	3.51	4.17	5.4%	9.0%			
Target	63.70	\$36.4	\$48.0	72.6	69.6	71.2	(2.1%)	1.2%	6.8	7.4	7.3	4.3%	(0.1%)	4.27	5.07	5.57	9.0%	4.8%			
Ross	65.33	\$25.8	\$25.3	11.0	12.8	14.5	7.7%	6.5%	1.7	2.1	2.5	10.6%	8.1%	2.21	2.82	3.47	12.9%	11.0%			
Macy's	29.11	\$8.9	\$16.0	28.1	25.9	24.4	(4.0%)	(2.9%)	3.9	2.9	2.8	(13.5%)	(2.6%)	4.40	3.06	3.18	(16.6%)	1.9%			
Kohl's	39.00	\$7.0	\$11.1	19.0	18.7	18.7	(0.8%)	0.0%	2.6	2.3	2.2	(5.9%)	(1.5%)	4.24	3.68	3.81	(6.8%)	1.7%			
Nordstrom	42.83	\$7.5	\$9.8	13.5	14.8	16.1	4.7%	4.2%	1.8	1.6	1.7	(6.7%)	3.5%	3.72	2.94	3.22	(11.0%)	4.5%			
Dillard's	54.65	\$1.8	\$2.6	6.8	6.5	6.2	(2.3%)	(1.9%)	0.8	0.6	0.5	(14.2%)	(5.9%)	7.70	5.55	4.99	(15.1%)	(5.2%)			
Average							1.2%	2.0%				(3.4%)	0.9%				(3.7%)	3.8%			
<b>eCommerce</b>																					
eBay	\$32.51	\$37.9	\$38.9	\$17.9	\$9.0	\$10.0	(29.2%)	5.3%	\$5.4	\$3.1	\$3.4	(24.7%)	5.1%	\$2.76	\$1.67	\$2.02	(22.2%)	9.9%			
Overstock	17.05	\$0.4	\$0.4	1.5	1.8	2.1	9.6%	7.0%	0.0	0.0	0.0	(16.7%)	8.9%	0.36	(0.28)	(0.06)	NA	NA			
Average							(9.8%)	6.1%				(20.7%)	7.0%				(22.2%)	9.9%			

Source: Factset fiscal year estimates as of January 27, 2017.

Note: Comparable EBITDA is after deduction of stock-based compensation expense. Comparable EPS is after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization. OSTK excluded from EPS average.

(1) Pro forma for acquisition of zulily but not for separation of Digital Commerce business.



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# Peer Margin Benchmarking Detail

(\$ in bn, except per share items)

	Share Price	Eq. Value	Ent. Value	Gross Income			Comparable EBITDA			Gross Margin			Exp. / (Contr.)		EBITDA Margin			Exp. / (Contr.)	
				'14A	'16E	'18E	'14A	'16E	'18E	'14A	'16E	'18E	'14A-'16E	'16E-'18E	'14A	'16E	'18E	'14A-'16E	'16E-'18E
<b>Hero Consensus</b>	\$34.55	\$1.8	\$2.4	\$1.3	\$1.2	\$1.3	\$0.3	\$0.3	\$0.3	35.5%	34.3%	34.5%	(117bps)	23bps	9.1%	7.7%	8.4%	(140bps)	73bps
<b>Hero Management</b>				\$1.2	\$1.3		\$0.3	\$0.3										(126bps)	72bps
<b>Queen<sup>(1)</sup></b>	\$19.02	\$8.9	\$14.9	\$3.6	\$3.4	\$3.6	1.9	\$1.8	\$2.1	31.9%	33.2%	32.5%	135bps	(68bps)	16.9%	17.9%	18.5%	95bps	68bps
<b>Specialty Retail</b>																			
Ulta	\$271.44	\$17.1	\$16.9	\$1.1	\$1.7	\$2.4	\$0.5	\$0.8	\$1.2	35.1%	36.2%	36.8%	109bps	65bps	16.7%	17.6%	18.6%	89bps	100bps
Best Buy	43.47	14.0	12.1	9.1	9.2	9.3	2.1	2.4	2.3	22.5%	23.3%	23.3%	88bps	(4bps)	5.3%	6.0%	5.9%	67bps	(9bps)
Tiffany & Co.	79.17	10.0	10.3	2.5	2.5	2.7	1.1	1.0	1.1	59.7%	62.0%	62.1%	226bps	14bps	25.5%	23.8%	24.6%	(170bps)	79bps
Foot Locker	68.01	9.1	8.4	2.4	2.6	2.9	0.9	1.2	1.3	33.2%	34.0%	34.2%	78bps	22bps	13.3%	14.9%	15.6%	168bps	64bps
Dick's Sporting Goods	51.31	5.9	6.2	2.1	2.4	2.9	0.7	0.8	1.0	30.7%	30.5%	30.8%	(20bps)	36bps	10.8%	9.7%	10.4%	(117bps)	76bps
GNC	8.83	0.6	2.0	1.0	0.9	0.8	0.5	0.4	0.3	37.7%	34.7%	32.9%	(297bps)	(183bps)	19.4%	15.1%	13.6%	(432bps)	(152bps)
Fossil	25.33	1.3	1.8	2.0	1.6	1.6	0.7	0.2	0.2	57.0%	52.3%	52.3%	(471bps)	(4bps)	18.9%	7.9%	7.7%	(1,100bps)	(22bps)
<b>Average</b>										39.4%	39.0%	38.9%	(41bps)	(8bps)	15.2%	14.5%	14.8%	(66bps)	26bps
<b>Home Stores</b>																			
Bed, Bath & Beyond	\$39.74	\$6.0	\$6.9	\$4.6	\$4.6	\$4.6	\$1.8	\$1.4	\$1.4	38.9%	37.4%	36.7%	(146bps)	(74bps)	15.1%	11.8%	10.7%	(330bps)	(108bps)
Williams-Sonoma	47.50	4.3	4.3	1.8	1.9	2.0	0.7	0.7	0.7	38.3%	36.6%	36.6%	(168bps)	14bps	14.0%	12.9%	13.2%	(102bps)	27bps
RH	26.09	1.1	1.5	0.7	0.7	0.9	0.2	0.2	0.3	37.0%	32.5%	34.9%	(454bps)	242bps	11.1%	7.3%	10.1%	(383bps)	285bps
Ethan Allen	29.00	0.8	0.8	0.4	0.4	0.5	0.1	0.1	0.1	54.4%	55.7%	56.0%	123bps	27bps	12.1%	13.4%	13.5%	127bps	4bps
Pier 1 Imports	7.05	0.6	0.7	0.7	0.7	0.7	0.2	0.1	0.1	40.2%	38.1%	38.5%	(210bps)	45bps	9.6%	6.3%	7.2%	(331bps)	86bps
<b>Average</b>										41.8%	40.1%	40.6%	(171bps)	51bps	12.4%	10.3%	10.9%	(204bps)	59bps
<b>Department/Mass</b>																			
Wal-Mart	\$65.66	\$202.3	\$249.2	\$118.1	\$122.3	\$126.5	\$36.5	\$32.7	\$32.9	24.3%	25.2%	25.0%	85bps	(21bps)	7.5%	6.7%	6.5%	(78bps)	(23bps)
TJX	74.26	49.5	48.9	8.3	9.6	11.1	4.2	4.5	5.0	28.6%	28.9%	29.4%	39bps	46bps	14.4%	13.5%	13.2%	(92bps)	(26bps)
Target	63.70	36.4	48.0	21.4	20.8	21.2	6.8	7.4	7.3	29.4%	30.0%	29.7%	54bps	(22bps)	9.3%	10.6%	10.3%	126bps	(27bps)
Ross	65.33	25.8	25.3	3.1	3.7	4.3	1.7	2.1	2.5	28.1%	28.6%	29.3%	53bps	62bps	15.6%	16.4%	16.9%	86bps	48bps
Macy's	29.11	8.9	16.0	11.2	10.2	9.7	3.9	2.9	2.8	40.0%	39.2%	39.9%	(80bps)	68bps	13.9%	11.3%	11.3%	(262bps)	8bps
Kohl's	39.00	7.0	11.1	6.9	6.7	6.9	2.6	2.3	2.2	36.4%	35.8%	37.1%	(56bps)	126bps	13.5%	12.2%	11.8%	(134bps)	(36bps)
Nordstrom	42.83	7.5	9.8	4.9	5.1	5.7	1.8	1.6	1.7	36.0%	34.2%	35.2%	(181bps)	101bps	13.4%	10.6%	10.5%	(276bps)	(15bps)
Dillard's	54.65	1.8	2.6	2.5	2.3	2.2	0.8	0.6	0.5	37.0%	35.0%	35.0%	(199bps)	-	12.1%	9.3%	8.6%	(275bps)	(75bps)
<b>Average</b>										32.5%	32.1%	32.6%	(35bps)	45bps	12.5%	11.3%	11.1%	(113bps)	(18bps)
<b>eCommerce</b>																			
eBay	32.51	\$37.9	\$38.9	12.3	7.0	7.7	5.4	3.1	3.4	68.4%	78.1%	77.3%	963bps	(74bps)	30.2%	34.2%	34.1%	398bps	(9bps)
Overstock	17.05	0.4	0.4	0.3	0.3	0.4	0.0	0.0	0.0	18.6%	18.0%	18.0%	(64bps)	-	2.0%	1.2%	1.2%	(85bps)	4bps
<b>Average</b>										43.5%	48.0%	47.7%	450bps	(37bps)	16.1%	17.7%	17.6%	157bps	(2bps)

Source: Factset fiscal year estimates as of January 27, 2017.

Note: Comparable EBITDA is after deduction of stock-based compensation expense. Comparable EPS is after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization.

(1) Pro forma for acquisition of zulily but not for separation of Digital Commerce business.



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## Special Committee Materials

### Project Venus

February 9, 2017



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# Situation Overview

## Hero current situation

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### Operating and Financial Results

- **Operating performance for Hero (the “Company”) has been challenged** during 2015 and 2016 due to a **combination of operational execution** (e.g., merchandizing capabilities, Piney Flats) **and external macro/industry factors** (e.g., consumer behavior)
  - Hero’s revenue growth decelerated in 2016, declining 1.9% relative to the prior year, well below the Company’s historical levels of mid-single digits growth
  - Profitability has also declined, with Adjusted EBITDA<sup>(1)</sup> margins falling from 10.1% in 2015 to 8.6%<sup>(2)</sup> in 2016 amid fixed cost deleveraging and gross margin headwinds
- **New growth initiatives** (e.g., merchandising strategies, Cornerstone retail) and cost rationalization (e.g., supply chain optimization) **have been implemented to improve operating performance**
- Hero has **taken steps to streamline the Cornerstone portfolio, divesting Chasing Fireflies and TravelSmith** in the third quarter of 2016
- Debt increased in 2015 to fund a special dividend and net leverage is currently 1.6x; **interest payments and regular dividends consume a significant portion of cash flow**

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### Equity Market Summary

- Amid a broader retail downturn, recent financial performance has led to a **decline in analysts’ expectations** for Hero’s future operating performance and a **contraction in the Company’s NTM comparable EBITDA<sup>(3)</sup> multiple** (currently 8.3x versus two-year average of 9.4x)
- This has led to a **significant decline in share price during 2016: down 32% (\$&P 500 was up 10%)** and the Company’s **share price is currently near its three year low**
- Wall Street analysts have **reduced price targets from an average in the high \$60s per share at the beginning of 2016 to a current average price per share target of ~\$43**

(1) Adjusted EBITDA is before deduction of stock based compensation expense.  
(2) Pro forma for divestitures of TravelSmith and Chasing Fireflies from Cornerstone.  
(3) Comparable EBITDA is after deduction of stock based compensation expense.



# Situation Overview

## Context for discussion of potential combination with Queen

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### Hero Financial Projections

- Hero management has presented to the Board its long-term operating forecast (“Projections”):
  - **Projections assume a return of organic revenue growth** (+3.2%) in 2017 and an overall CAGR over the projection period of +3.9%<sup>(1)</sup>
  - **Adjusted EBITDA margins** decline slightly (20bps) in 2017 and then are **forecast to expand ~200bps to 10.4% from 2017-2021**
  - The **Projections contemplate a '16-'21 EPS CAGR of ~9%**, with cash available to continue funding the dividend and buybacks to maintain a constant share count over time
- Projections are in excess of Wall Street consensus, which forecasts ~0.5% revenue growth in 2017 and 3.6% revenue growth in 2018

### Queen Situation

- In late 2016, **Queen’s CEO conveyed verbally to Hero’s Chairman that Queen would be interested in exploring a transaction to acquire Hero** with stock at a “modest premium”
- **Hero’s Board formed a Special Committee** to evaluate its long-term business plan and consider various alternatives, and verbally informed Queen of the process
- **Queen has not submitted a formal indication of interest**

### Strategic Alternatives Introduction

- **A number of key assumptions will need to be considered** as the Board reviews the range of strategic alternatives potentially available to the Company:
  - **Business Plan Execution:** Ability for Hero to reaccelerate growth from its current decline to the growth rates assumed in the Projections, which are more consistent with historical performance
  - **Balance Sheet Recapitalization:** Comfort level with increasing the Company’s target leverage level in order to execute enhanced capital return alternatives
  - **Acquisition Alternatives:** Ability to execute and finance potentially attractive acquisitions given the Company’s current operating performance and balance sheet

(1) Pro forma for divestitures of TravelSmith and Chasing Fireflies from Cornerstone.

# Agenda for Today's Discussion

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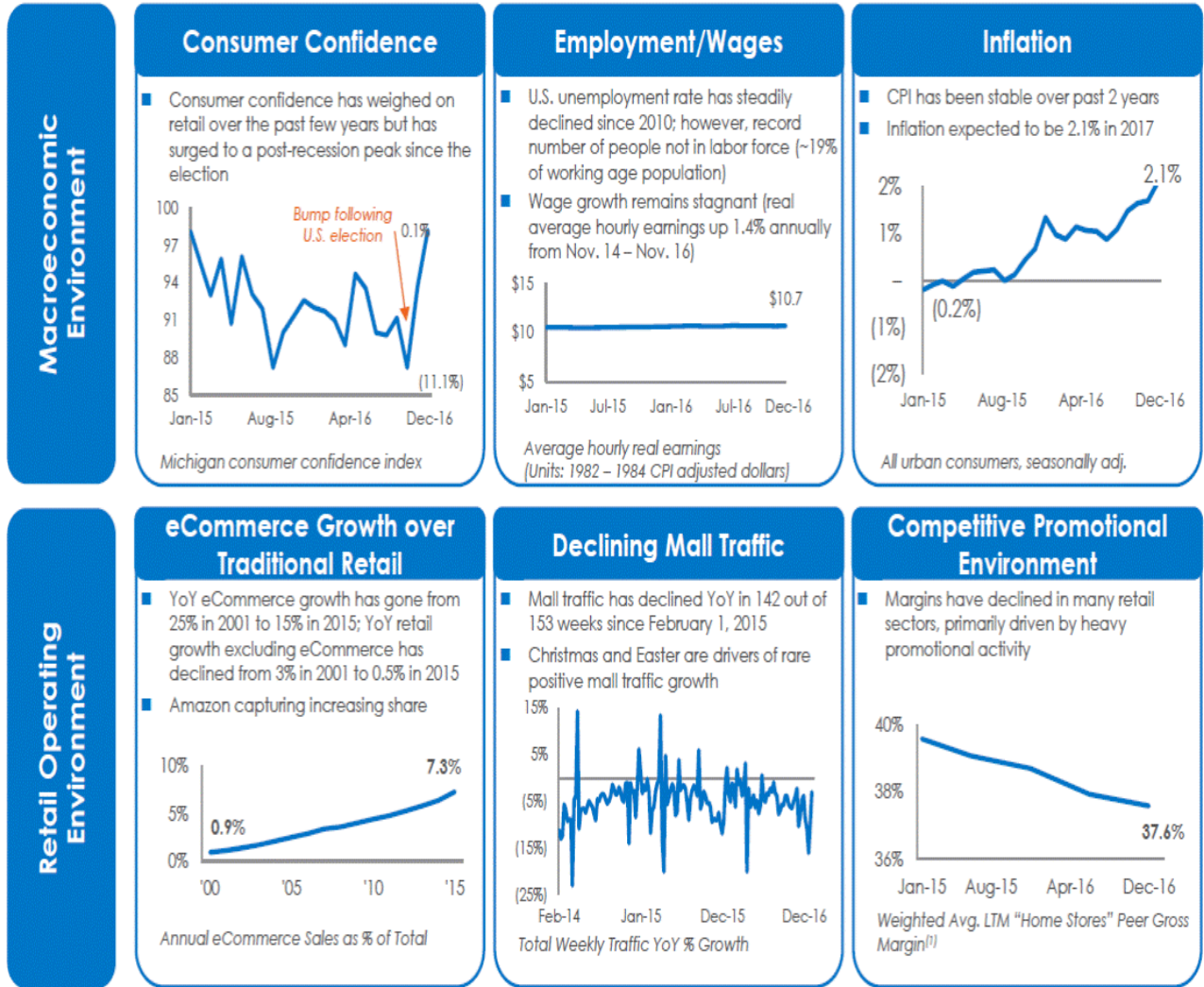
- 1 Retail Industry Dynamics
- 2 Public Market Perspectives on Hero
- 3 Review of Hero's Standalone Plan
- 4 Preliminary Financial Analysis of Hero
- 5 Queen Situation Update
- 6 Evaluation of Combination with Queen
- 7 Preliminary Evaluation of Potential Strategic Alternatives
- 8 Process Considerations and Potential Next Steps

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## I. Retail Industry Dynamics

# Broad Retail Industry Trends Have Been Challenging...

Broad retail industry conditions have been challenging over the past two years, but positive signs seen at the end of 2016; TBD if recent trends represent temporary or sustained reversal



Source: Factset, U.S. Census Bureau, Wall Street research and company filings as of February 3, 2017.

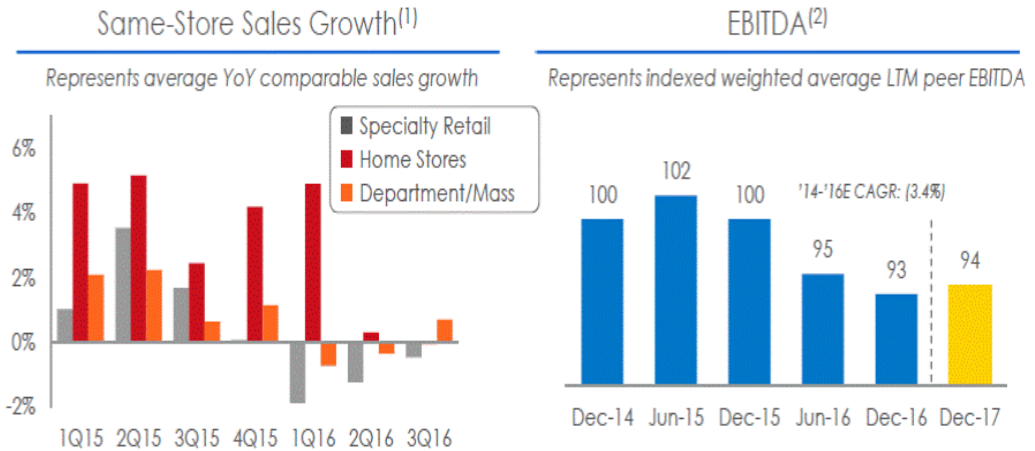
(1) Home Stores includes BBBY, ETH, PIR, RH, WSM.



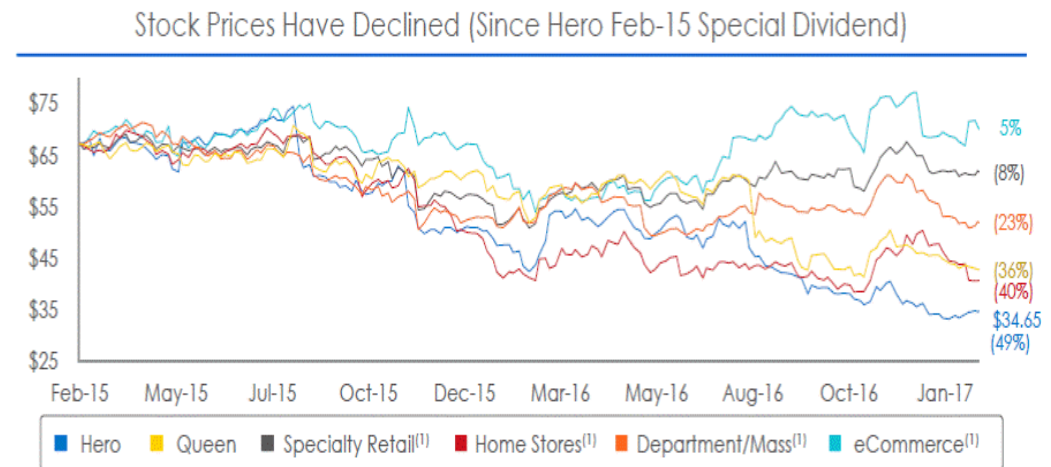
# ...and Have Pressured Retail Financials and Stock Prices

Weak/negative top-line growth and declines in cash flow have pressured stock prices and valuations across the retail space

## Financial Performance



## Share Price Performance



Source: Factset, Wall Street research and company filings as of February 3, 2017.

(1) Specialty Retail includes BBY, DKS, FL, FOXL, GNC, TIF; Home Stores includes BBBY, ETH, PIR, RH, WSM; Department/Mass includes DDS, KSS, M, JWN, ROST, TGT, TJX, WMT; eCommerce includes eBay and OSTK.

(2) Includes BBY, DKS, FL, FOXL, GNC, TIF, ULTA, BBBY, ETH, PIR, RH, WSM, DDS, KSS, M, JWN, ROST, TGT, TJX, WMT, NILE, EBAY, OSTK.

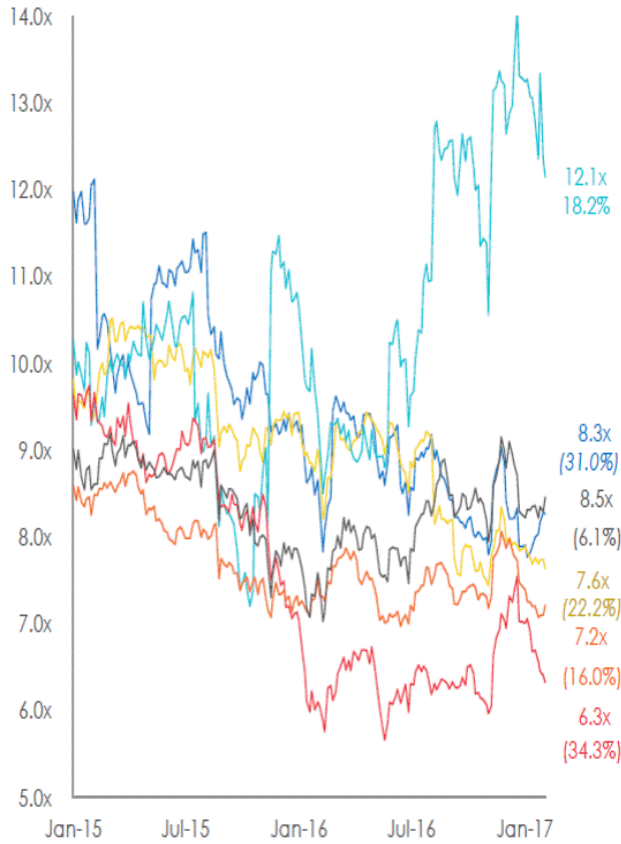


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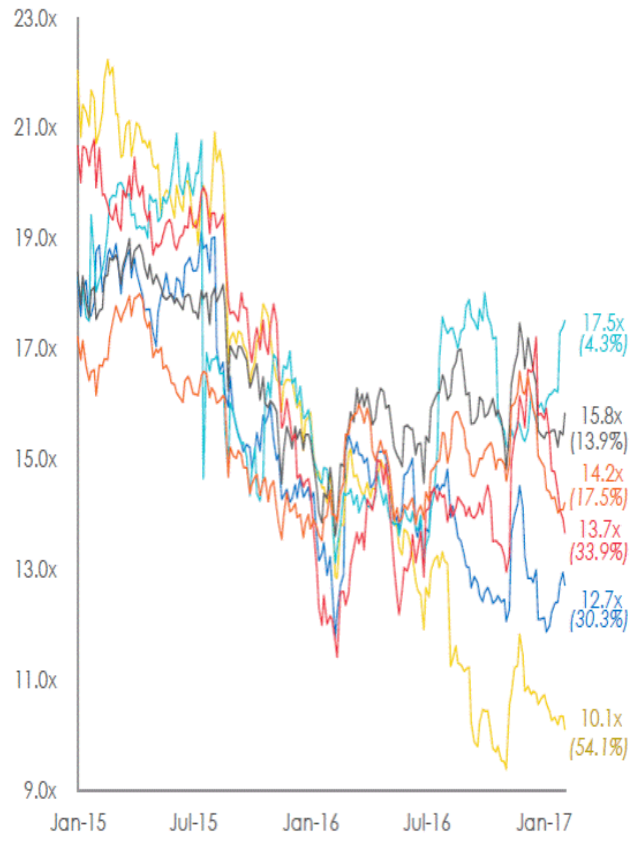


# Trading Multiples Have Contracted Across Retail Universe

## Comparable EV/NTM EBITDA



## Comparable NTM P/E



■ Hero ■ Queen ■ Specialty Retail<sup>(1)</sup> ■ Home Stores<sup>(1)</sup> ■ Department/Mass<sup>(1)</sup> ■ eCommerce<sup>(1)</sup>

Source: Hero Management, company filings and Factset as of February 3, 2017.

Note: Comparable EBITDA calculated after deduction of stock-based compensation expense from Adjusted EBITDA. Comparable EPS is calculated after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization from EPS.

(1) Specialty Retail includes BBY, DKS, FL, FOSL, GNC, TIF; Home Stores includes BBBY, ETH, PIR, RH, WSM; Department/Mass includes DDS, KSS, M, JWN, ROST, TGT, TJX, WMT; eCommerce includes eBay and OSTK. OSTK excluded from P/E average.



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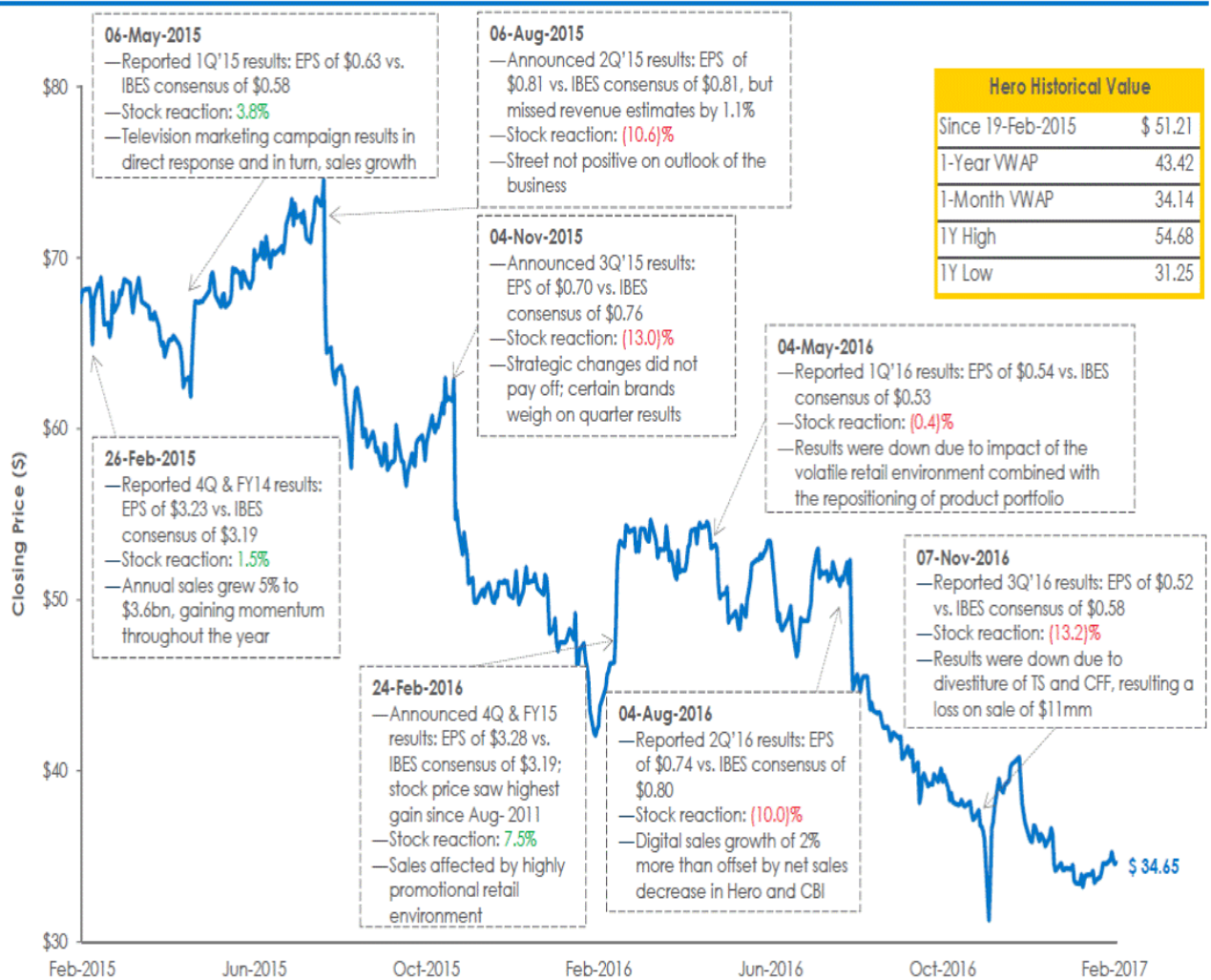


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## II. Public Market Perspectives on Hero

# Hero Stock Price Performance

Since Feb-2015 Hero Special Dividend



Source: Company filings, IBES, Bloomberg as of February 3, 2017.

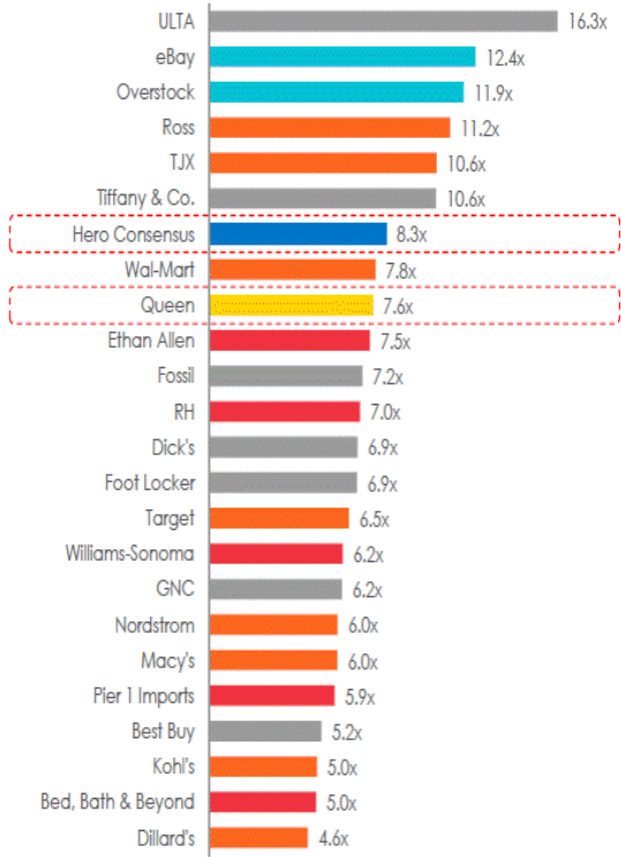


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# Public Trading Comparables



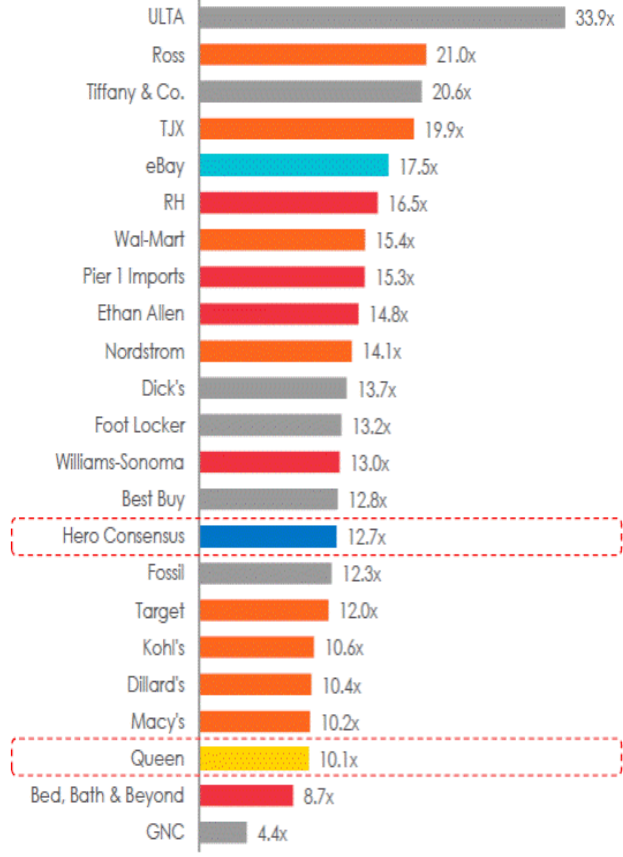
## NTM EV / Comparable EBITDA



**Stats**  
Ex - Hero

**25<sup>th</sup> Percentile:** 6.0x  
**Median:** 6.9x  
**75<sup>th</sup> Percentile:** 9.2x

## NTM Comparable P/E



**25<sup>th</sup> Percentile:** 10.5x  
**Median:** 13.2x  
**75<sup>th</sup> Percentile:** 16.0x










Source: Hero management, company filings and FactSet as of February 3, 2017.

Note: Comparable EBITDA calculated after deduction of stock-based compensation expense from Adjusted EBITDA. Comparable EPS is calculated after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization from EPS.



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# Analyst Views on Hero

Broker	12- Month Price Target <sup>(1)</sup>	Δ to Current Share Price	Valuation Methodology	Implied EV / NTM Adj. EBITDA Multiple <sup>(2)</sup>	Implied NTM Adj. P/E Multiple
 (Tom Forte)	\$54.00	55.8%	DCF	10.3x	14.6x
 (Anthony Lebiedzinski)	\$50.00	44.3%	P/E Multiple	10.1x	14.9x
 (Eric Sheridan)	\$50.00	44.3%	Weighted average multiples	9.4x	16.7x
 (Jason Bazinet)	\$43.00	24.1%	P/E Multiple	10.2x	15.8x
 (Matthew Harigan)	\$42.00	21.2%	DCF	9.2x	13.0x
 (Neely Tamminga)	\$40.00	15.4%	EV / EBITDA Multiple	9.9x	13.5x
 (Alex Fuhrman)	\$35.00	1.0%	Weighted average multiples	8.6x	12.2x
 (Barton Crockett)	\$34.00	(1.9%)	P/E Multiple	7.0x	10.6x
 (Heather Balsky)	\$27.00	(22.1%)	EV / EBITDA Multiple	7.8x	10.2x
<b>Median</b>	<b>\$42.50</b>	<b>22.7%</b>		<b>9.4x</b>	<b>13.5x</b>
<b>Mean</b>	<b>\$43.50</b>	<b>25.5%</b>		<b>9.2x</b>	<b>13.5x</b>

Source: Wall Street research as of February 3, 2017.

Note: Comparable EBITDA calculated after deduction of stock-based compensation expense from Adjusted EBITDA. Comparable EPS is after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization from EPS.

(1) Some analysts do not specify time range for price target.

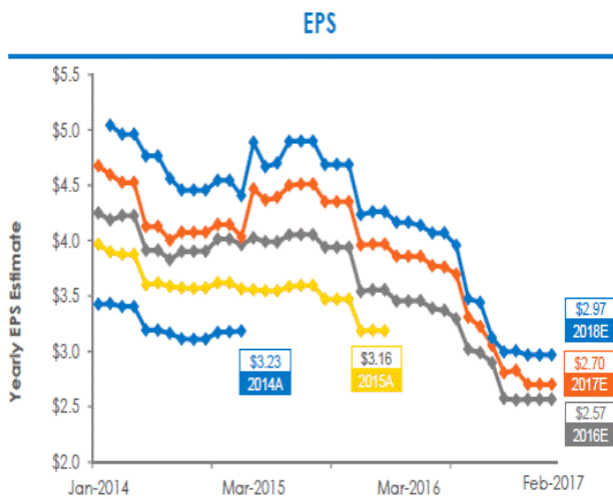
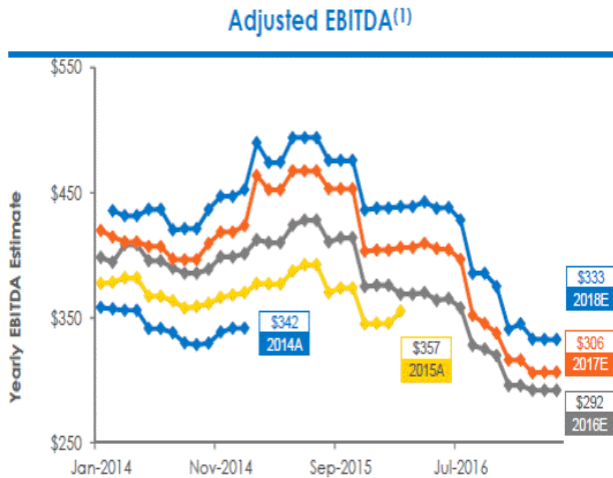
(2) Hero enterprise value implied from analyst price target and current diluted shares outstanding and net debt.



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# Hero Research Analyst Views

## Analyst Estimates Over Time



Source: Wall Street research Factset as of February 3, 2017.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.

## Selected Analyst Themes

### Top-Line

- "With a confluence of factors contributing to underperformance--**election/Olympic distractions** coupled with their own **missteps at the distribution center**--results for the quarter came in below expectations" (Piper Jaffray | 7-Nov-2016)
- "The Olympics and election coverage were headwinds, but we also blame the **tough retail environment and consumers shifting away from spending on smaller discretionary items**" (BAML | 7-Nov-2016)

### Initiatives

- "Hero has a number of **initiatives around merchandising, the customer experience, marketing, and customer acquisitions to help offset competitive pressures**, but we do not expect a turnaround near-term" (BAML | 7-Nov-2016)
- "Hero is shifting some of its distribution operations to its CA and VA DCs, issuing customer credits/appeasements, and expediting shipments. These **efforts are expected to cost \$10-15mn** in 4Q (\$0.12- 0.17)... we expect most future savings to be reinvested" (BAML | 7-Nov-2016)

### Industry

- "We still see the home shopping (with an increased element of digital and mobile) as a **category that can produce mid-single digit revenue growth and margin expansion** against a stock approaching historically low forward multiples" (UBS | 7-Nov-2016)
- "Competing retailers have become **increasingly competitive in offering free or discounted shipping and handling promotions**" (Craig Hallum | 7-Nov-2016)

### Mgmt.

- "We are encouraged by the hire and believe **Mr. Little will help the company with its efforts to reignite sales growth**. His addition should also free up Ms. Schmelting to focus more of her attention on turning around Comerstone as President of that unit" (Maxim | 28-Nov-2016)



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### III. Review of Hero's Standalone Plan

# Overview of Hero Standalone Plan

Projections reflect a return to historical levels of growth and margin improvements driven by in-process initiatives

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■ **Projections imply a return to historical levels of growth (prior to challenging 2016)**

—Top-line initiatives include improvements to TV distribution and viewer experience (e.g., one-click remote-buying), product pricing and expanding digital capabilities, etc.

■ **A number of in-process initiatives expected to drive margins above historical levels**

—Initiatives include supply chain efficiencies (tailwind from resolution of Piney Flats issues and automation), merchandising initiatives, etc.

■ **The Projections reflect a number of positive developments in December and January:**

—Resolution of Piney Flats issues; increased confidence in ability to drive margin improvement led by new Chief Merchandising Officer; clarified view of trends in business mix

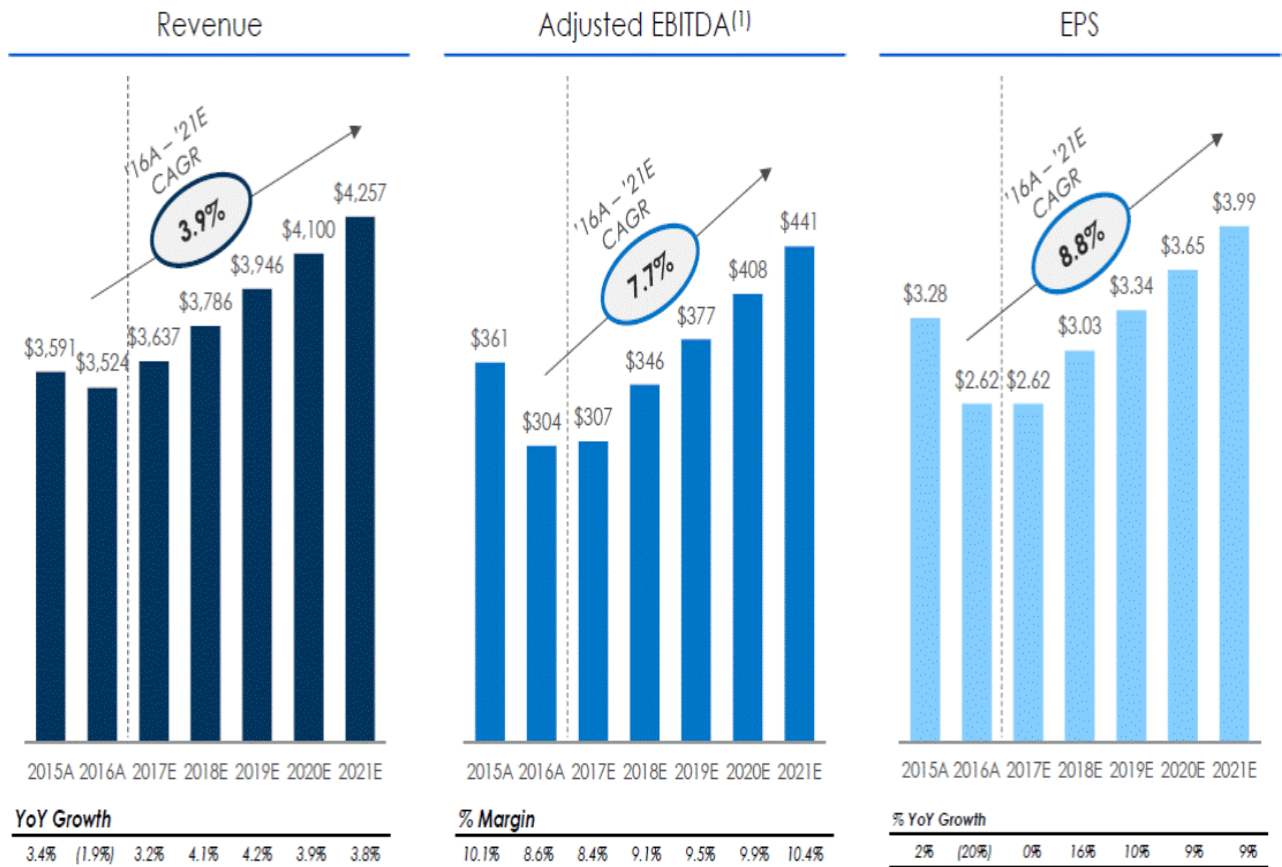
—Broker estimates do not reflect these developments and as a result lag the Projections

—Resulted in stronger outlook for 2017 relative to Plan shared with Board in December

■ **Relative to Queen, Hero top-line growth is in-line but EBITDA growth and margin expansion are higher due to a low 2016 EBITDA base and the initiatives discussed above**

# Hero Projections Summary

Projections imply 7.7% Adjusted EBITDA CAGR and 8.8% EPS CAGR from 2016A-2021E



Source: Hero Management.

Note: Revenue and EBITDA historical figures are pro forma for divestitures of TravelSmith and Chasing Fireflies from Cornerstone.

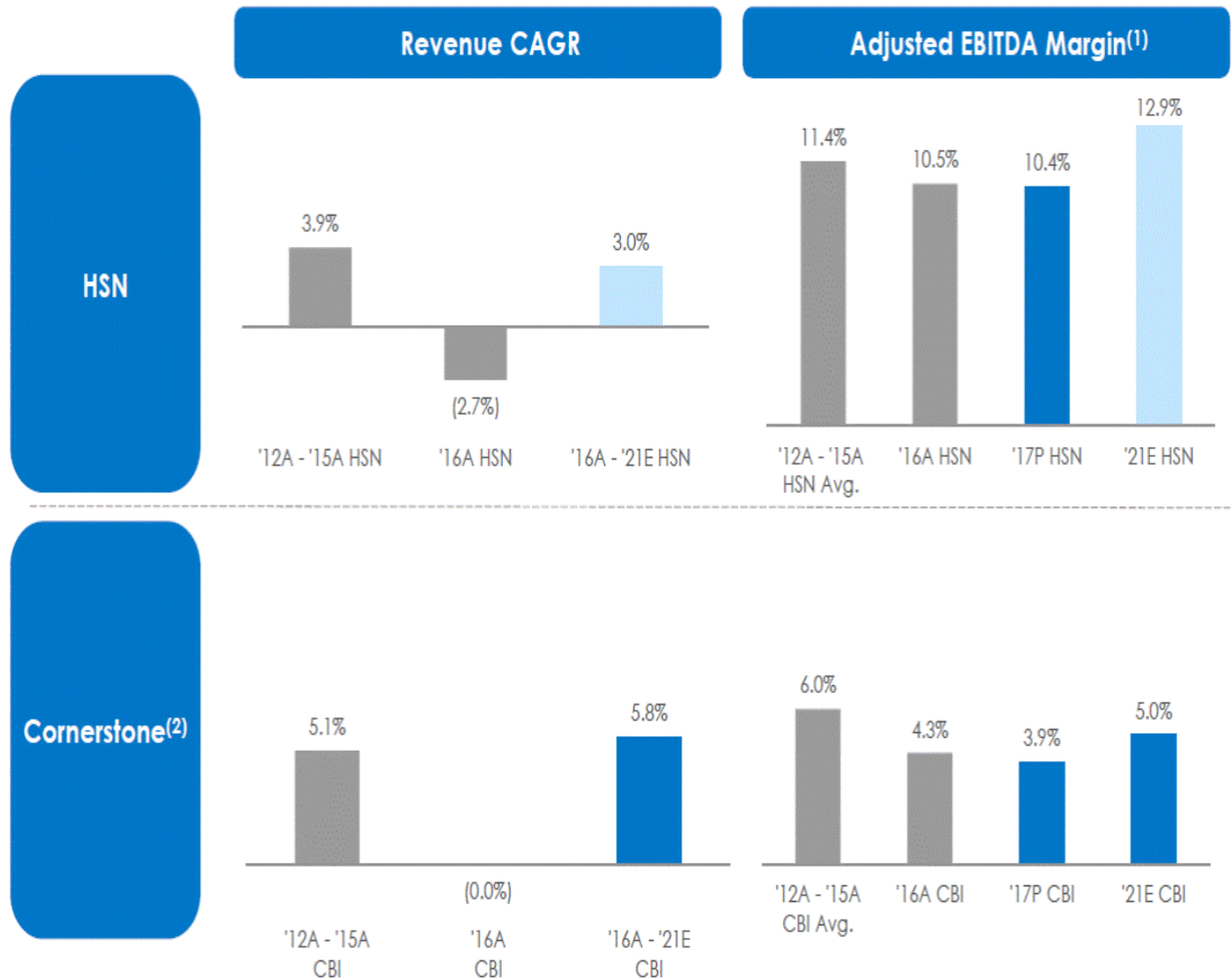
(1) Adjusted EBITDA is before deduction of stock based compensation expense.



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# Projection Assumptions: Historical Context

Projections reflect a return to historical growth rates and HSN segment margin expansion driven by in-process initiatives



Source: Hero Management.

(1) Adjusted EBITDA is before deducting stock based compensation expense.

(2) Cornerstone historical financials pro forma for sale of Chasing Fireflies and TravelSmith.



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## Projection Assumptions: Revenue and Cost Initiatives

Management has outlined key near-term initiatives that are expected to drive revenue growth and margin expansion with minimal incremental investment

	Overview	2017 Risk-Adj. Revenue (\$mm)	Investment Required?
<b>TV Distribution</b>	<ul style="list-style-type: none"> <li>Deploying shop by remote feature on Comcast, Time Warner Cable, DirecTV</li> <li>Upgrading DirecTV to high definition</li> <li>Increasing Video on Demand presence</li> </ul>	\$35.9	Minimal investment; capabilities already in place
<b>Merchandising Effectiveness / Pricing</b>	<ul style="list-style-type: none"> <li>Drive up average price point by +\$1.00</li> <li>Improve inventory management and merchandising</li> <li>Engaged First Insight to help improve product selection</li> <li>Improving margins through better product sourcing</li> </ul>	\$38.9	Investment planned in improved inventory and product information systems; capital beyond 2017 not yet committed
<b>Digital Site Optimization</b>	<ul style="list-style-type: none"> <li>Enhanced search capabilities on digital site to improve number of searches that lead to a sale</li> <li>Improved digital site loading times</li> <li>Improved analytics to help tailor offerings</li> </ul>	\$34.2	Small amount of investment required to improve site search capabilities
<b>Other Revenue Initiatives</b>	<ul style="list-style-type: none"> <li>Improving distributed commerce capabilities</li> <li>Mobile enhancements including app only features, personalization / concierge, TV companion</li> <li>Enhancing mobile video capabilities</li> </ul>	\$12.3	Minimal investment required
<b>Cost Initiatives</b>	<ul style="list-style-type: none"> <li>Rate improvements from                             <ul style="list-style-type: none"> <li>Reductions in clearance sales</li> <li>Improved product selection and sourcing</li> </ul> </li> <li>Recognizing benefits of Piney Flats automation</li> </ul>	<b>35 bps gross margin improvement</b>	Minimal investment required

Source: Hero Management.

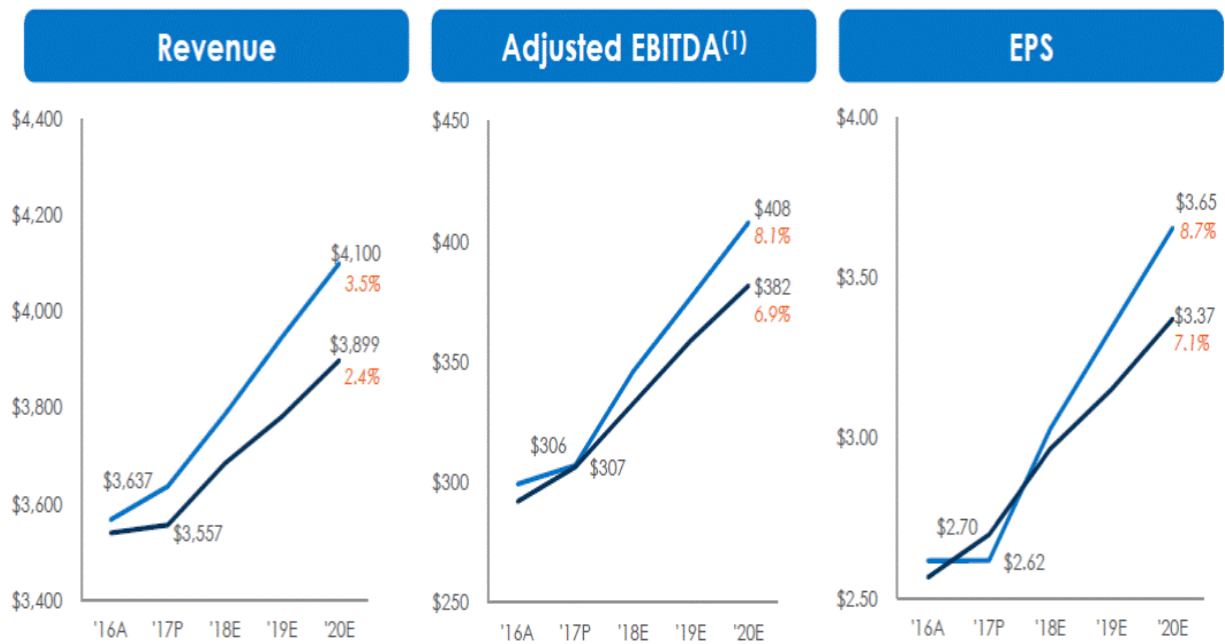


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# Projections Versus Consensus

Projections are in excess of Street expectations; however, Broker estimates do not reflect Hero's positive performance in recent months



	'16A	'17P	'18E	'19E	'20E
<b>Number of Analysts</b>	7	6	3	3	
<b>YoY Hero Management</b>	1.9%	4.1%	4.2%	3.9%	
<b>YoY Hero Consensus</b>	0.5%	3.6%	2.6%	3.1%	
<b>Adj. EBITDA Hero Management</b>	8.4%	8.4%	9.1%	9.5%	9.9%
<b>Margin Hero Consensus</b>	8.2%	8.6%	9.0%	9.5%	9.8%

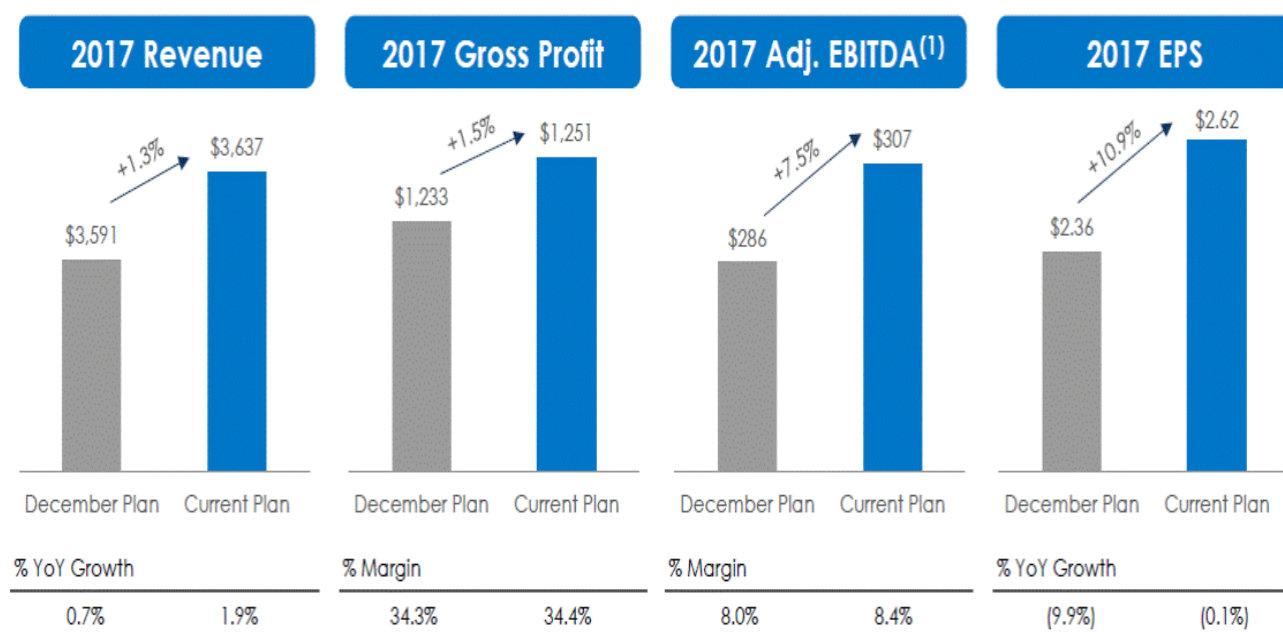
■ Hero Consensus Estimates ■ Hero Management ■ '16A - '20E CAGR

Source: Hero Management and Factset estimates as of February 3, 2017.  
 Note: Dollars in millions. 2016 figures are not pro forma for divestiture of Chasing Fireflies and TravelSmith.  
 (1) Adjusted EBITDA is before deduction of stock based compensation expense.

# Projections vs. Management Plan Shared with Board in Dec. 2016

Positive developments in December and January contributed to better 4Q performance and a stronger outlook for 2017

- Projections reflect stronger view on 2017 than Plan shared with the Board in December
- Changes driven by a number of positive developments in December and January
  - Resolution of Piney Flats issues
  - Increased confidence in ability to drive margin improvement led by new Chief Merchandising Officer
  - Clarified view on trends in business mix



Source: Hero Management.

Note: Dollars in millions. Figures are not pro forma for divestiture of Chasing Fireflies and TravelSmith.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.



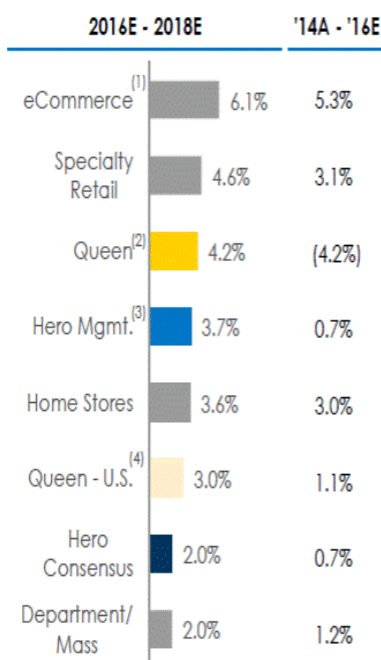
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# Peer Growth Benchmarking

Hero's EBITDA growth expected to outpace Queen's over near-term due to numerous margin enhancement initiatives; perception of less room for Queen margin improvement

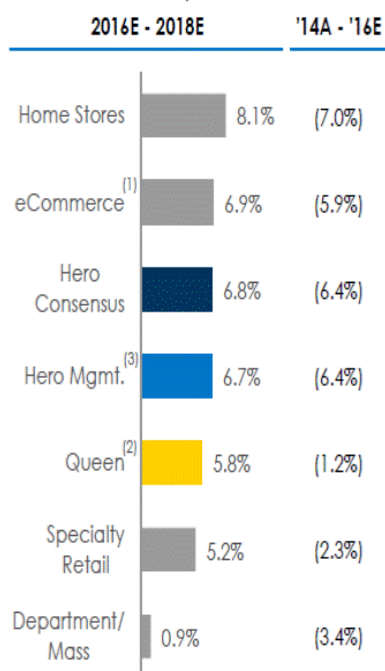
## Revenue CAGR

- Hero's expected revenue growth in-line with expectations for Queen's U.S. business



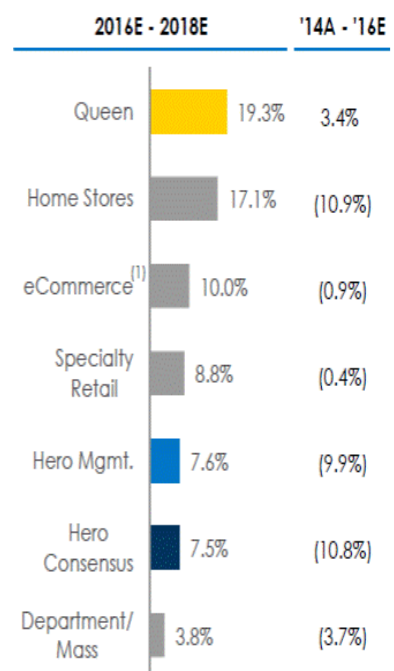
## Comparable EBITDA CAGR

- Hero's expected EBITDA growth a function of low current base and margin enhancement initiatives over near-term
- Perception that Queen margin has little room for improvement



## Comparable EPS CAGR

- Hero EPS outlook below Queen's but does not reflect total return
- Potential uses of Hero cash include potential debt repayment and dividends



Source: Hero Management and Factset fiscal year estimates as of February 3, 2017.

Note: Specialty Retail includes BBY, DKS, FL, FOSL, GNC, TIF, ULTA. Home Stores includes BBBY, ETH, PIR, RH, WSM. Department/Mass includes DDS, KSS, M, JWN, ROST, TGT, TJX, WMT. eCommerce includes EBAY and OSTK; eCommerce EPS includes only EBAY. Comparable EBITDA is after deduction of stock-based compensation expense. Comparable EPS is after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization.

(1) eBay historical values pro forma for eBay / PayPal split.

(2) Queen 2014 revenue and EBITDA pro forma for zully acquisition, not pro forma for reattribution of Digital Commerce Business.

(3) Hero Management represents consolidated historical financials pro forma for sale of Chasing Fireflies and TravelSmith. Hero consensus projected CAGRs do not reflect pro forma 2016 figures.

(4) Queen U.S. represents consensus estimate for U.S. segment only.



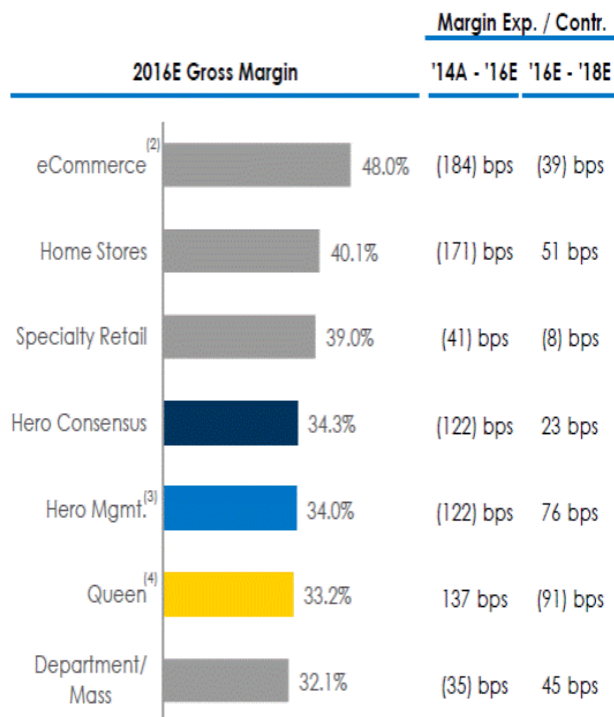
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# Peer Margin Benchmarking

Hero's gross margin in-line with Queen, but EBITDA margin differential reflects Hero's higher investment in viewer content; merchandising initiatives to expand margins

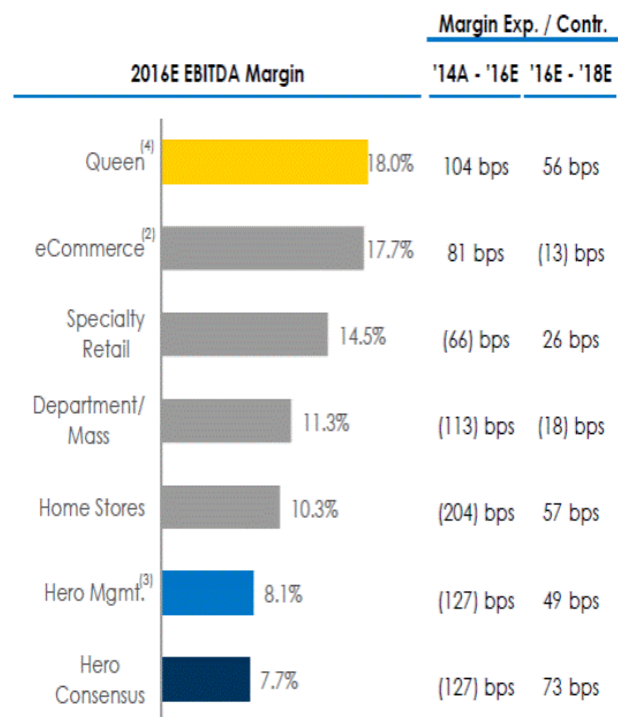
## Gross Margin

- Hero current gross margin in line with Queen's
- Hero gross margin outlook reflects potential cost savings from sourcing initiatives/supply chain efficiencies



## Comparable EBITDA<sup>(1)</sup> Margin

- Lower Hero EBITDA margin relative to Queen reflects Hero's higher investments in content/differentiated viewer experience, and economics with TV operators
- In-process merchandising initiatives driven by new Chief Merchandising Officer expected to expand margins



Source: Hero Management and fiscal year Factset estimates as of February 3, 2017.

Note: Specialty Retail includes BBY, DKS, FL, FOSL, GNC, TIF, ULTA. Home Stores includes BBBY, ETH, PIR, RH, WSM. Department/Mass includes DDS, KSS, M, JWN, ROST, TGT, TJX, WMT. eCommerce includes EBAY, OSTK. FOSL excluded from EBITDA metrics. Hero represents consolidated historical financials pro forma for sale of Chasing Fireflies and TravelSmith.

(1) Comparable EBITDA is after deduction of stock-based compensation expense.

(2) eBay historical values pro forma for eBay / PayPal split.

(3) Hero Management represents consolidated historical financials pro forma for sale of Chasing Fireflies and TravelSmith. Hero consensus projected CAGRs do not reflect pro forma 2016 figures.

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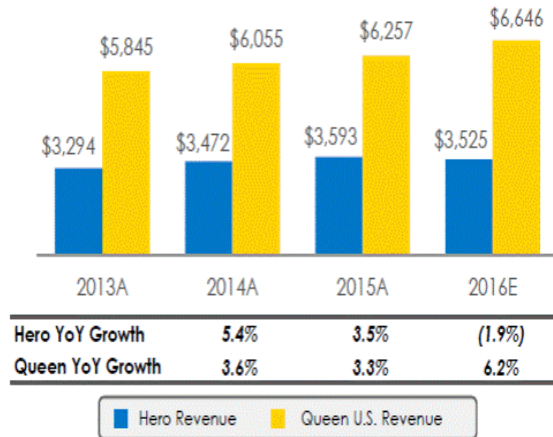


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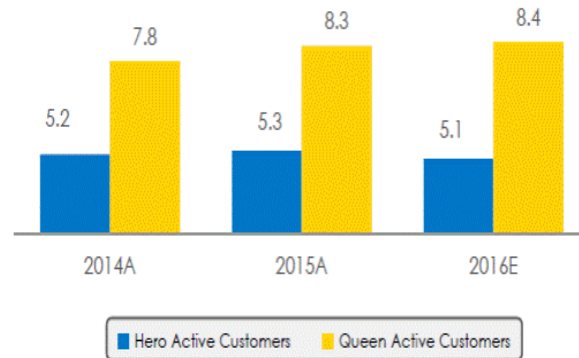


# Hero's Performance Has Shown Signs of Weakness in Challenging Retail Environment; Queen Results Have Been More Resilient

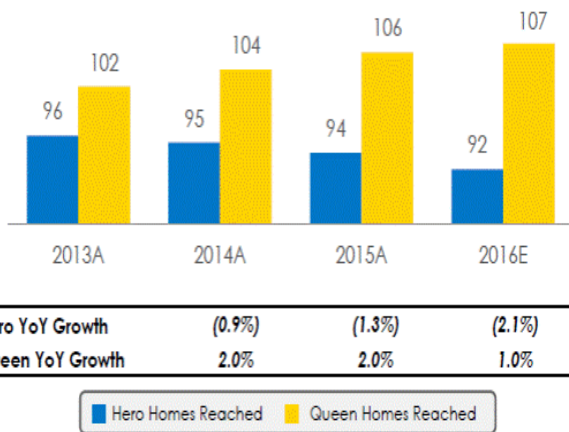
Hero and Queen U.S. Revenue Over Time<sup>(1)</sup>



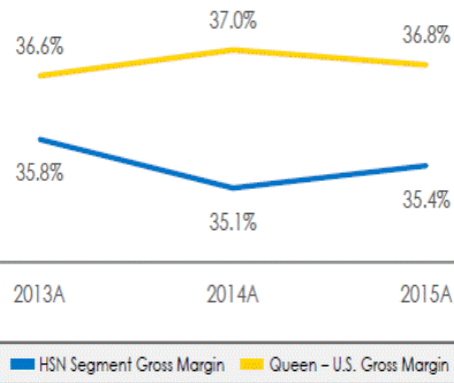
Active Customers



U.S. Homes Reached<sup>(2)</sup>



Historical Gross Margin



Source: Hero Management, Company filings, PWC Global Research and Wall Street research.

(1) Hero figures are pro forma for the sale of Chasing Fireflies and TravelSmith.

(2) Queen homes reached represents U.S. segment only.



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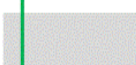
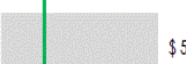



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IV. Preliminary Financial Analysis of Hero

# Summary of Illustrative Financial Analyses for Hero

## Per Management Projections

Analyses	Illustrative Price per Share	Comments
Present Value of Future Share Price <sup>(1)</sup> Goldman Sachs	\$ 36  \$ 51	<ul style="list-style-type: none"> <li>PV of 1-4 year future share price based on 7.5-9.5x one year forward EV/EBITDA on 2018E-2021E Comparable EBITDA<sup>(2)</sup></li> <li>Assuming cost of equity of 10.0%</li> </ul>
Discounted Cash Flow Goldman Sachs	\$ 33  \$ 53	<ul style="list-style-type: none"> <li>1.5% to 2.5% perpetuity growth rate</li> <li>8.0% to 10.0% weighted average cost of capital</li> </ul>
Discounted Cash Flow Centerview Partners	\$ 30  \$ 46	<ul style="list-style-type: none"> <li>1.0% to 3.0% perpetuity growth rate</li> <li>9.5% to 10.5% weighted average cost of capital</li> </ul>
Selected Transactions	\$ 34  \$ 44	<ul style="list-style-type: none"> <li>High: EV/LTM EBITDA 10.0x (2016 Comparable EBITDA of \$285mm<sup>(3)</sup>)</li> <li>Low: EV/LTM EBITDA 8.0x (2016 Comparable EBITDA of \$285mm<sup>(3)</sup>)</li> </ul>
Precedent Premia (All Stock Deals) Goldman Sachs	\$ 35  \$ 43	<ul style="list-style-type: none"> <li>Based on typical premiums over past 5 years of 0-25% for precedent stock deals with U.S. targets with \$1bn - \$5bn in EV</li> </ul>
Precedent Premia (All Cash Deals) Goldman Sachs	\$ 42  \$ 50	<ul style="list-style-type: none"> <li>Based on typical premiums over past 5 years of 20-45% for precedent cash deals with U.S. targets with \$1bn - \$5bn in EV</li> </ul>
Trading Range – P/E Centerview Partners	\$ 31  \$ 42	<ul style="list-style-type: none"> <li>High: 16x NTM EPS (2017 Comparable EPS of \$2.62)<sup>(2)</sup></li> <li>Low: 12x NTM EPS (2017 Comparable EPS of \$2.62)<sup>(2)</sup></li> </ul>
Trading Range – EV / EBITDA Centerview Partners	\$ 29  \$ 39	<ul style="list-style-type: none"> <li>High: 9x NTM EBITDA (2017 Comparable EBITDA of \$286mm)<sup>(2)</sup></li> <li>Low: 7x NTM EBITDA (2017 Comparable EBITDA of \$286mm)<sup>(2)</sup></li> </ul>
For Reference: 52-Week Trading Range	\$ 31  \$ 55	<ul style="list-style-type: none"> <li>High: \$54.68 (18-Mar-2016)</li> <li>Low: \$31.24 (07-Nov-2016)</li> </ul>
For Reference: Analyst Price Targets	\$ 27  \$ 54	<ul style="list-style-type: none"> <li>High: \$54.00 (Maxim 28-Nov-2016)</li> <li>Low: \$27.00 (BAML 07-Nov-2016)</li> </ul>
		

Source: Public filings, Hero Projections, Bloomberg, Factset, Wall Street research as of as of February 3, 2017

(1) Including dividends.

(2) Comparable EBITDA and EPS are after deduction of stock based compensation expense.

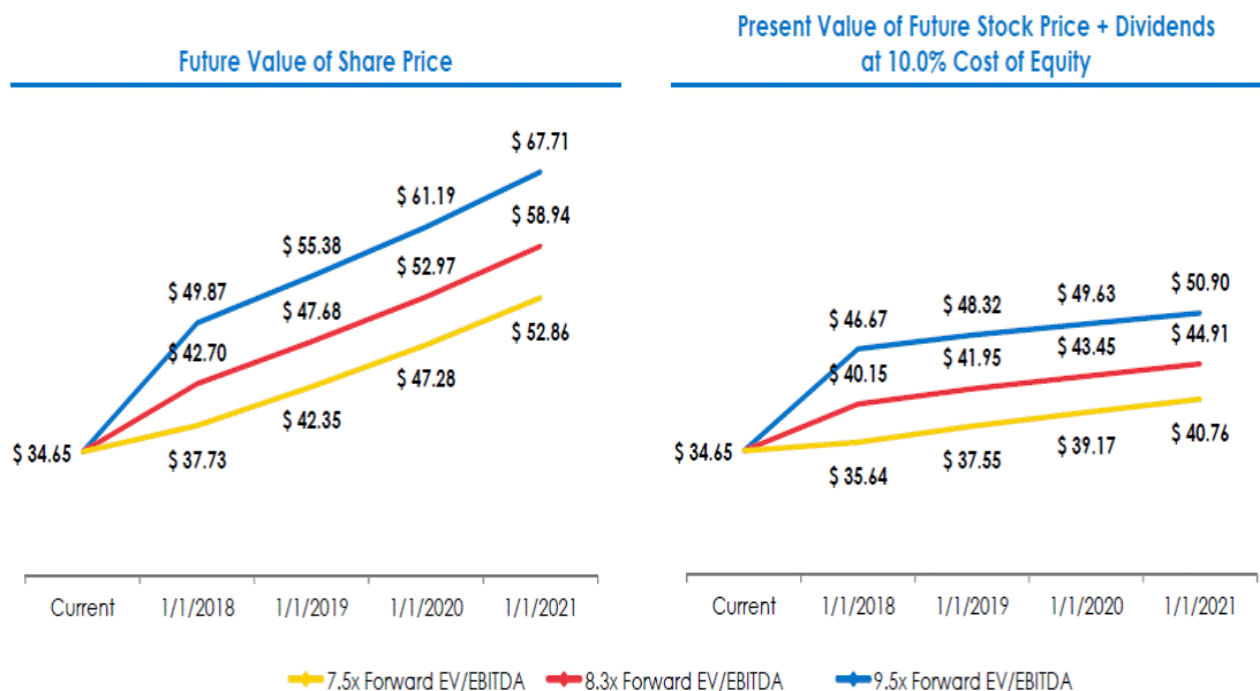
(3) Comparable EBITDA after deduction of stock based compensation expense. Pro forma for sale of Chasing Fireflies and TravelSmith.



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# Illustrative Public Market Present Value of Future Share Price Analysis Based on Hero Projections

Based on 1 Year Forward EV/EBITDA Multiples | Goldman Sachs Perspective



Balance Sheet at 8.3x EV / EBITDA	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
1-Yr Forward EBITDA	\$ 324	\$ 354	\$ 385	\$ 417
Net Debt	\$ 415	\$ 400	\$ 371	\$ 320
Diluted Shares Outstanding (mm)	53.4	53.4	53.4	53.4
Dividends Per Share	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40

Source: Hero Projections.

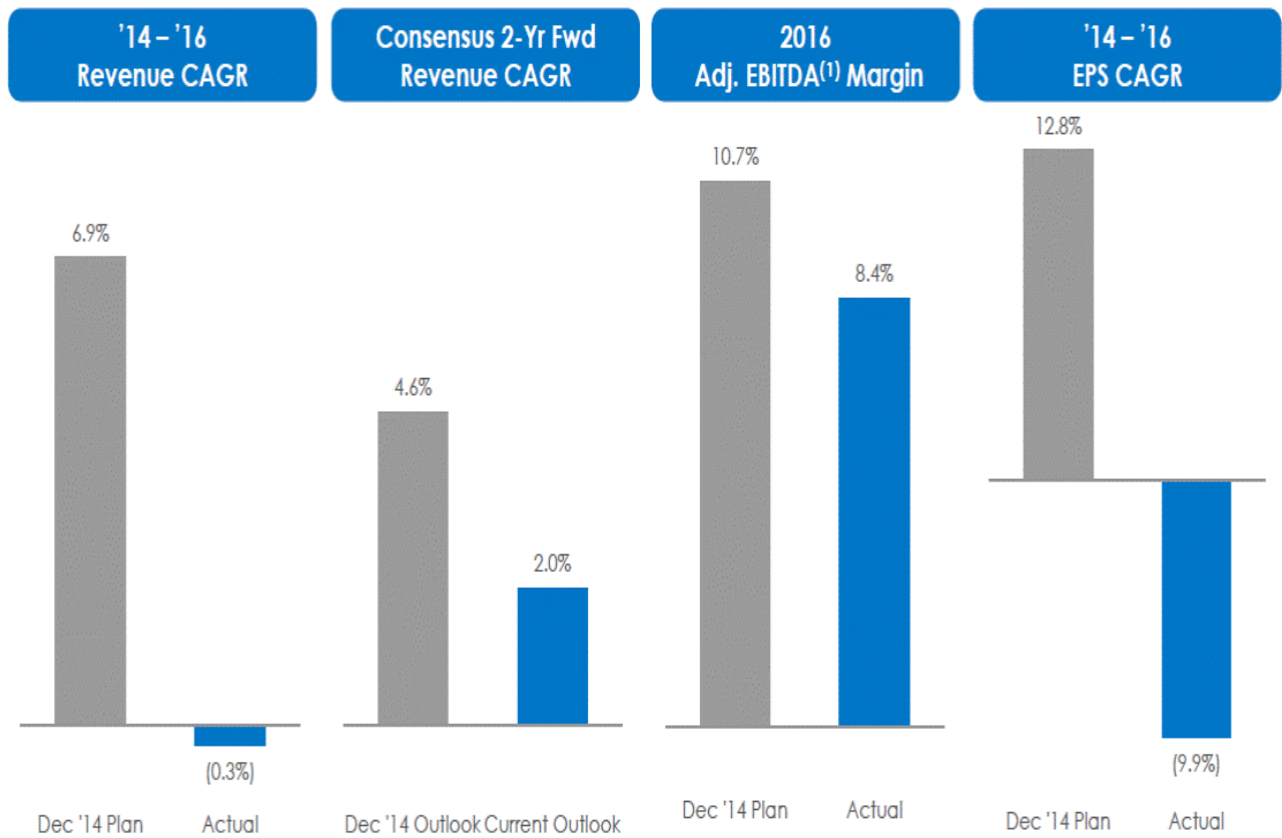
Note: Present Value of Future Stock Price includes dividends discounted based on mid-year convention. Future share prices and dividends discounted to January 1, 2017.



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# Hero's Performance vs. 2014 Plan Reflects Challenges of Long Term Forecasting in Uncertain Environment

- Hero **underperformed its 2014 plan** as a result of retail industry headwinds and Hero-specific operating challenges
- Divergence from 2014 plan reflects **difficulty of forecasting in an uncertain operating environment**
- Many of the **macro factors that created headwinds for retailers in 2016 have not abated** (e.g., promotional environment, eCommerce share gains, digital cannibalization, inventory challenges)



Source: Hero Management and Factset as of February 3, 2017.  
 (1) Adjusted EBITDA is before deduction of stock based compensation expense.

## Introduction to Sensitivity of Long-Term Key Drivers

Given recent macro dynamics and operating challenges, important for Committee to understand where the risks of outperformance/underperformance are relative to the plan

---

- A** HSN Segment Revenue Growth

  - **Trend:** HSN's Core TV sales continues to decline amid viewership declines and the challenge of engaging the new, younger customers and engaging customers through new distribution media
  - **Plan:** Includes return to meaningful sales growth driven by SBR/distribution initiatives, merchandising strategy, digital site optimization and mobile app enhancements

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- B** HSN Segment Gross Margin

  - **Trend:** Gross margins across the retail sector (including at Queen and HSN) have been under pressure amid increasing promotion, competition and rising inventories
  - **Plan:** Contemplates consistent gross margin improvement (+140bps from '16-'21) through reduced clearance/promotional activity, price increases and product sourcing initiatives

---

- C** Hero Consolidated OpEx

  - **Trend:** Operating expenditures have been relatively stable as a percentage of sales for the last three years
  - **Plan:** Opex as % sales increases in '17E with restoration of bonuses and investments in capabilities; moderates through rest of period (down 80bps from '17-'21)

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- D** Cornerstone Retail Performance

  - **Trend:** Cornerstone sales flat in 2016 on circulation decreases and continued weakness in outdoor assortment; gross profit declined ~4% amid intense promotional activity and opex remained flat
  - **Plan:** New retail strategy a key driver of ~6% sales CAGR from '16-'21, but requires investment in new talent, capabilities and facilities



# Illustrative Sensitivities to Key Drivers of Management Projections

Illustrative sensitivities suggest that HSN segment growth and gross margins along with Hero consolidated operating expenses are key drivers of shareholder value

Focus Areas	Illustrative Scenarios	Illustr. '20E Share Price Impact <sup>(1)</sup>	Illustrative Scenarios and Methodologies												
<b>A</b> <b>HSN Segment Revenue Growth '16A - '21E Revenue CAGR</b>	<table border="1"> <tr> <th>Scenario</th> <th>Revenue CAGR</th> </tr> <tr> <td>Plan</td> <td>3.0%</td> </tr> <tr> <td>Upside</td> <td>4.0%</td> </tr> <tr> <td>Downside</td> <td>0.0%</td> </tr> </table>	Scenario	Revenue CAGR	Plan	3.0%	Upside	4.0%	Downside	0.0%	<b>+\$3 / (\$8)</b>	<ul style="list-style-type: none"> <li><b>Plan:</b> In line with historical growth trend (~2.8% 5-year CAGR)</li> <li><b>Upside:</b> Growth in line with '12-'15; outperformance on in-process initiatives</li> <li><b>Downside:</b> Headwinds from '16A continue into future; revenue flat</li> </ul>				
Scenario	Revenue CAGR														
Plan	3.0%														
Upside	4.0%														
Downside	0.0%														
<b>B</b> <b>HSN Segment Gross Margin '16A-'21E Gross Margin Expansion</b>	<table border="1"> <tr> <th>Scenario</th> <th>Gross Margin</th> </tr> <tr> <td>'15A</td> <td>34.3%</td> </tr> <tr> <td>'16A</td> <td>32.9%</td> </tr> <tr> <td>Plan</td> <td>34.5%</td> </tr> <tr> <td>Upside</td> <td>35.5%</td> </tr> <tr> <td>Downside</td> <td>33.5%</td> </tr> </table>	Scenario	Gross Margin	'15A	34.3%	'16A	32.9%	Plan	34.5%	Upside	35.5%	Downside	33.5%	<b>+\$5 / (\$5)</b>	<ul style="list-style-type: none"> <li><b>Plan:</b> ~150bps expansion from 2016A from better merchandising and inventory management, Piney Flats tailwinds</li> <li><b>Upside:</b> +100bps of incremental expansion by '21E due to higher than expected merchandising/Piney Flats benefits</li> <li><b>Downside:</b> (100bps) lower margin by '21E due to higher-than-expected clearance</li> </ul>
Scenario	Gross Margin														
'15A	34.3%														
'16A	32.9%														
Plan	34.5%														
Upside	35.5%														
Downside	33.5%														
<b>C</b> <b>Hero Consolidated OpEx '16A-'21E Opex Improvement</b>	<table border="1"> <tr> <th>Scenario</th> <th>OpEx</th> </tr> <tr> <td>'15A</td> <td>25.9%</td> </tr> <tr> <td>'16A</td> <td>25.7%</td> </tr> <tr> <td>Plan</td> <td>25.2%</td> </tr> <tr> <td>Upside</td> <td>23.2%</td> </tr> <tr> <td>Downside</td> <td>26.2%</td> </tr> </table>	Scenario	OpEx	'15A	25.9%	'16A	25.7%	Plan	25.2%	Upside	23.2%	Downside	26.2%	<b>+\$14 / (\$7)</b>	<ul style="list-style-type: none"> <li><b>Plan:</b> ~50bps improvement from '16A OpEx margin through 2021E</li> <li><b>Upside:</b> 200bps of cost-takeout from distribution and supply chain by 2021</li> <li><b>Downside:</b> 100bps of extra OpEx investment needed to remain competitive through 2021</li> </ul>
Scenario	OpEx														
'15A	25.9%														
'16A	25.7%														
Plan	25.2%														
Upside	23.2%														
Downside	26.2%														
<b>D</b> <b>Cornerstone Retail Performance '21E CBI Revenue</b>	<table border="1"> <tr> <th>Scenario</th> <th>CBI Revenue</th> </tr> <tr> <td>Plan</td> <td>\$1,390</td> </tr> <tr> <td>Upside</td> <td>\$1,490</td> </tr> <tr> <td>Downside</td> <td>\$1,340</td> </tr> </table>	Scenario	CBI Revenue	Plan	\$1,390	Upside	\$1,490	Downside	\$1,340	<b>+\$1 / (\$0)</b>	<ul style="list-style-type: none"> <li><b>Plan:</b> ~\$140mm of retail sales by '20E</li> <li><b>Upside:</b> Retail stores highly successful; +\$100mm incremental retail sales in '21E</li> <li><b>Downside:</b> Stores less successful than expected; \$50mm less sales generated by '21E relative to Projections</li> </ul>				
Scenario	CBI Revenue														
Plan	\$1,390														
Upside	\$1,490														
Downside	\$1,340														

Source: Hero Management.

(1) Calculated as difference between illustrative 2020E share price implied by Projections and illustrative sensitivity case. Illustrative future 2020E share price calculated based on current EV/NTM EBITDA of 8.3x applied to 2021E EBITDA and 2020E year end capital structure.



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# Illustrative 2021E EBITDA and 2020E Future Stock Price Under Different Operating Scenarios<sup>(1)</sup>

- Hero Management Projections imply \$58.94 illustrative future share price at year end 2020 based on current NTM multiple of 8.3x and 2021E comparable EBITDA of \$417mm
- Projections assume '16A-'21E revenue CAGR of 3.6%<sup>(2)</sup>
- Projections assume comparable EBITDA margin increases from 7.8% in 2017E to 9.8% by 2021E

2021E Comparable EBITDA						Illustrative 2020E Share Price <sup>(3)</sup>						
2021E Δ EBITDA Margin	Annual Δ Plan Revenue Growth					2021E Δ EBITDA Margin	Annual Δ Plan Revenue Growth					
	(200bps)	(100bps)	-	+100bps	+200bps		(200bps)	(100bps)	-	+100bps	+200bps	
(200bps)	(28.4%)	(24.5%)	(20.4%)	(16.2%)	(11.8%)	7.8%	(200bps)	(\$19.61)	(\$17.15)	(\$14.60)	(\$11.94)	(\$9.19)
(100bps)	(19.2%)	(14.8%)	(10.2%)	(5.5%)	(0.5%)		(100bps)	(\$12.96)	(\$10.18)	(\$7.30)	(\$4.30)	(\$1.19)
-	(9.9%)	(5.1%)	\$417	+5.3%	+10.7%	'21E Comp. Margin	-	(\$6.31)	(\$3.22)	\$58.94	+\$3.34	+\$6.77
+100bps	(0.6%)	+4.7%	+10.2%	+16.0%	+22.0%		+100bps	+\$0.34	+\$3.75	+\$7.26	+\$10.87	+\$14.62
+200bps	+8.6%	+14.4%	20.4%	+26.7%	+33.2%	11.8%	+200bps	+\$6.94	+\$10.60	+\$14.40	+\$18.32	+\$22.38

1.6% ← '16A-'21E Revenue CAGR → 5.6%

Source: Hero Management and Factset as of February 3, 2017.

- (1) Sensitivities assume incremental 2021E margin (expansion phased in linearly over projection period) and/or incremental annual revenue growth in each year of projection period.
- (2) Not pro forma for divestitures of Chasing Fireflies and TravelSmith. 2016-2021E revenue CAGR is 3.9% pro forma.
- (3) Future share price assumes constant comparable EV / NTM EBITDA multiple of 8.3x.



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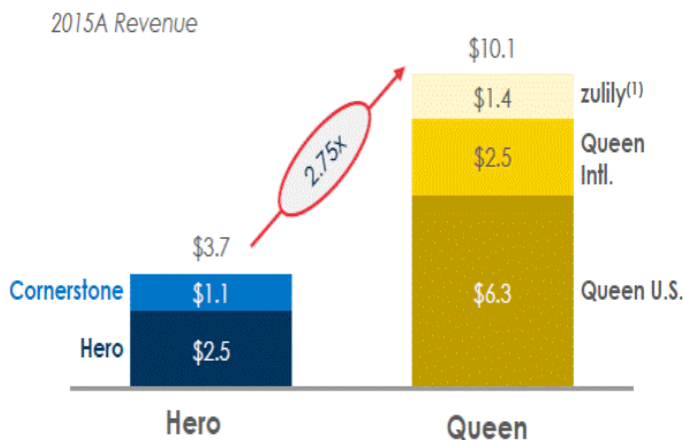
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V. Queen Situation Update

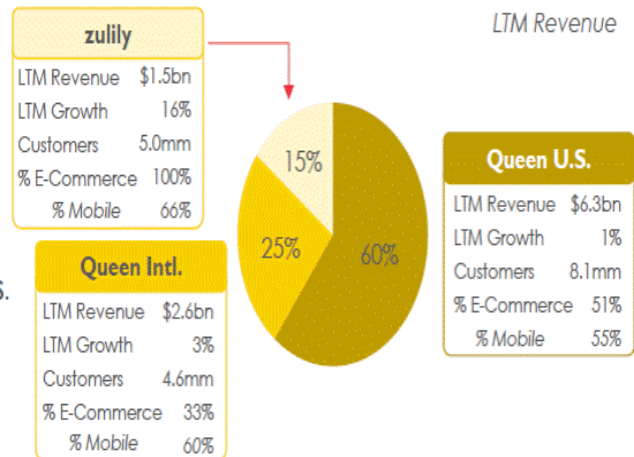
# Queen Business Overview

Queen U.S.	Queen International	zulily
<ul style="list-style-type: none"> <li>Live televised shopping programs distributed nationally, 24 hours per day, to ~107mm households</li> <li>Represents ~2/3 of total Queen revenues</li> <li>Queen.com in 1996; ~73% of new U.S. customers made their first purchase online in 2015</li> <li>In 2013, launched a new channel, Queen Plus, which has additional programming</li> </ul>	<ul style="list-style-type: none"> <li>Reaches ~137mm television households primarily in Germany, Austria, Japan, the UK, Ireland, Italy and France</li> <li>Queen's Japanese operations are conducted through a 60%-owned JV with Mitsui</li> <li>In addition, Queen owns 49% of a JV with Beijing-based CNR Media Group, which reaches ~114mm homes in China</li> </ul>	<ul style="list-style-type: none"> <li>Fast-growing business acquired in October 2015 for \$2.3bn</li> <li>Online retailer that markets and sells unique products including apparel, beauty and wellness products and home goods in the U.S. and several foreign countries</li> <li>Customers purchase products from daily flash sales events</li> <li>Accessed through desktop and mobile website as well as mobile applications</li> </ul>

## Significant Scale



## Diversified Multi-Channel Revenue Base



Source: Factset and company materials as of February 3, 2017.

(1) Represents adjusted 2015 total, including deferred revenue adjustment of \$17mm due to purchase accounting and \$918mm of revenue from the first three quarters of 2015 prior to the transaction close.





# The "Lion Ecosystem" – Overview of Lion Company Holdings

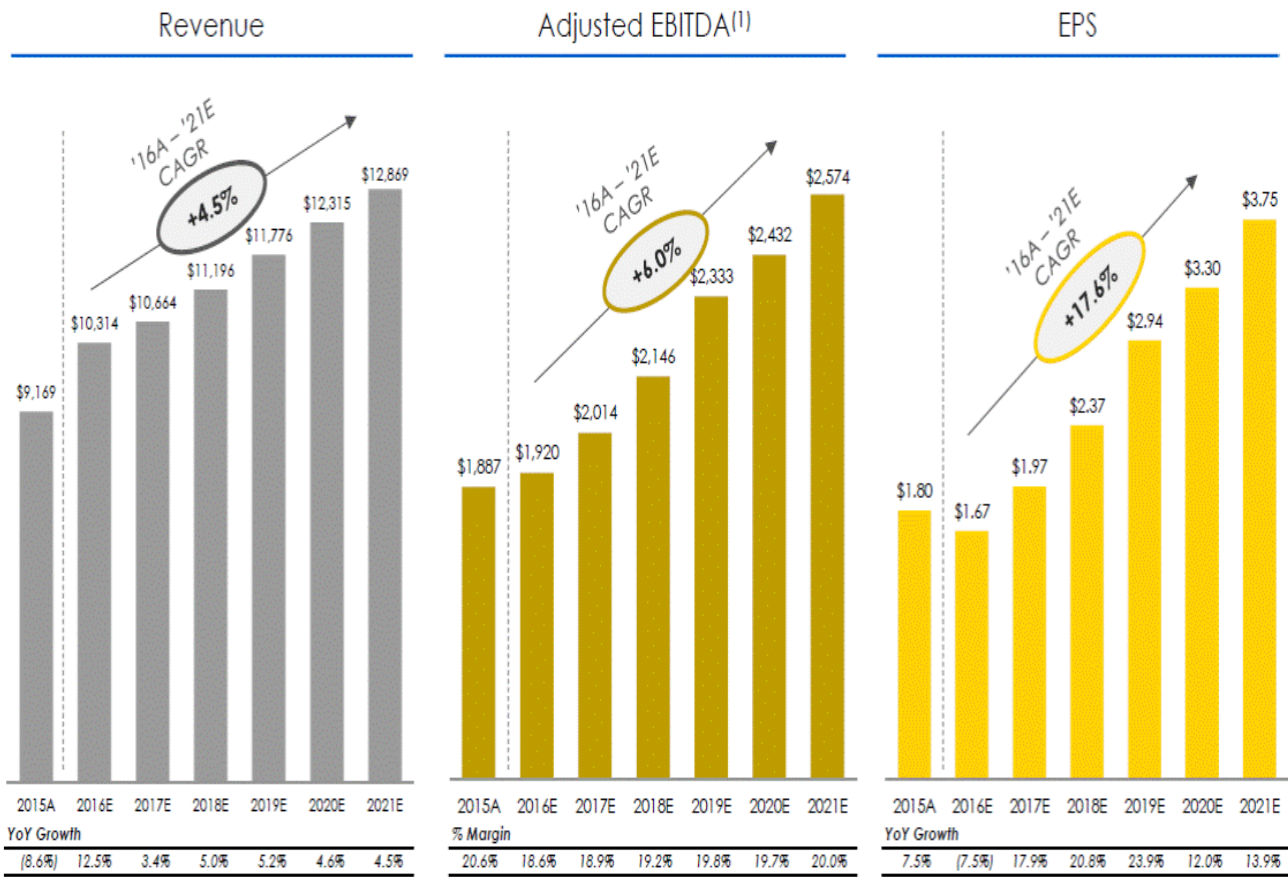


Source: Company public filings. Market data as of February 3, 2017.  
 Note: TS = Tracking Stock



# Queen Street Expectations Summary

- Queen projections based on Wall Street research for revenue and EBITDA through 2020 and extrapolated thereafter
- EPS assumes \$800mm annual share repurchases through projection period, consistent with Queen's historical repurchase activity



Source: Queen analyst broker spread as of February 3, 2017.

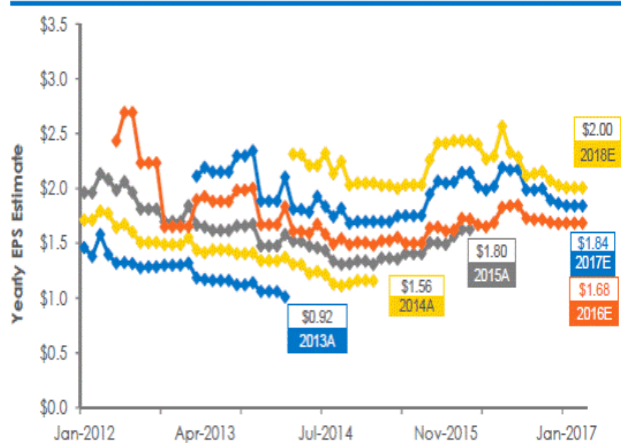
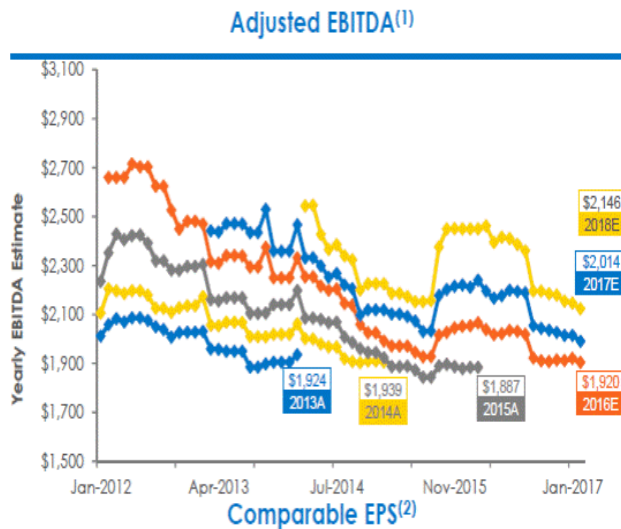
(1) Adjusted EBITDA is before the deduction of stock-based compensation expense.



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# Analysts Appear Bullish on Queen at Current Share Price

## Analyst Estimates Over Time



## Selected Analyst Themes

### Top-Line

- Q3 2016 was first negative y-o-y revenue growth quarter (6% down) since Great Recession
  - Temporary macro conditions, rather than structural changes, pressuring results: distractions from election and Olympics; changes in Easy Pay, competition with Amazon and cord-cutting not viewed as incrementally challenging
  - Expected return to positive revenue growth in 2017
- Long-term business model intact; upside from zulily and international (Japan returning to growth)

### Initiatives

- Appointments of Bob Spieth, EVP, Customer and Business Services, and Todd Sprinkle, Chief Information Officer, encouraging; should improve the company's technology-related efforts
- Several internal initiatives underway including: balancing growth across categories, improving customer service, sales & marketing, expanding distribution reach, operating efficiencies

### Valuation

- Valuation typically based on DCF and/or enterprise value multiples
- EBITDA multiple in line with HSNi and brick and mortar retailers (e.g., Nordstrom, Macy's)
- Queen currently trades at a discount to high quality retailers; should it trade at premium as company leverages zulily acquisition?

### Capital

- Leverage is currently above target
- Capital allocation decisions to continue to be driver of shareholder value

Source: Wall Street research and Factset as of February 3, 2017.

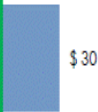


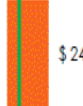


(1) Adjusted EBITDA is before deduction of stock based compensation expense. EBITDA estimates adjusted for abnormal movements in consensus; data point deleted is Feb-13 estimate for 2017E.

(2) Comparable EPS is after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization.



# Summary of Illustrative Financial Analyses for Queen

## Per Street Projections

Analyses	Illustrative Price per Share	Comments
Present Value of Future Share Price Goldman Sachs	\$ 19  \$ 30	<ul style="list-style-type: none"> <li>PV of 1-4 year future share price based on 7.0-8.5x one year forward EV/EBITDA on 2018E-2021E Comparable EBITDA<sup>(1)</sup></li> <li>Assuming cost of equity of 11.5%</li> </ul>
Discounted Cash Flow Goldman Sachs	\$ 21  \$ 37	<ul style="list-style-type: none"> <li>1.5% to 2.5% perpetuity growth rate</li> <li>8.0% to 10.0% weighted average cost of capital</li> </ul>
Discounted Cash Flow Centerview	\$ 18  \$ 30	<ul style="list-style-type: none"> <li>1.0% to 3.0% perpetuity growth rate</li> <li>9.0% to 10.0% weighted average cost of capital</li> </ul>
Trading Range – EV / EBITDA Centerview	\$ 16  \$ 24	<ul style="list-style-type: none"> <li>High: 9x NTM EBITDA (2017 Comparable EBITDA of \$1,944mm)<sup>(1)</sup></li> <li>Low: 7x NTM EBITDA (2017 Comparable EBITDA of \$1,944mm)<sup>(1)</sup></li> </ul>
For Reference: 52-Week Trading Range	\$ 18  \$ 27	<ul style="list-style-type: none"> <li>High: \$27.08 (27-May-2016)</li> <li>Low: \$18.12 (04-Nov-2016)</li> </ul>
For Reference: Analyst Price Targets	\$ 25  \$ 36	<ul style="list-style-type: none"> <li>High: \$36.00 (Maxim 08-Dec-2016; Craig-Hallum 08-Nov-2016)</li> <li>Low: \$25.00 (FBR Capital 24-Jan-2017)</li> </ul>
	<b>Current Price : \$18.75</b>	

Source: Public filings, Wall Street projections supplemented with extrapolated historical financial trends, Bloomberg, Factset as of as of February 3, 2017.

(1) Comparable EBITDA is after deduction of stock-based compensation expense.

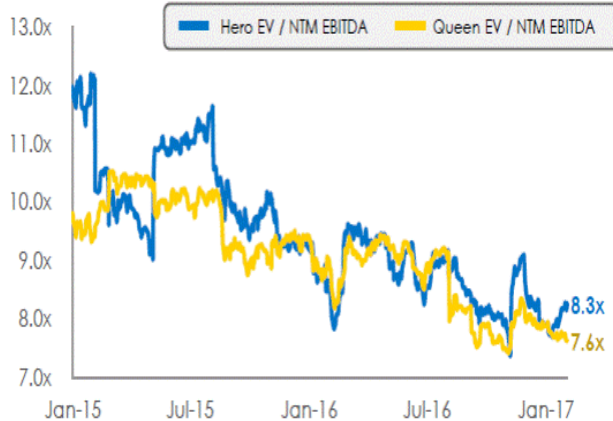


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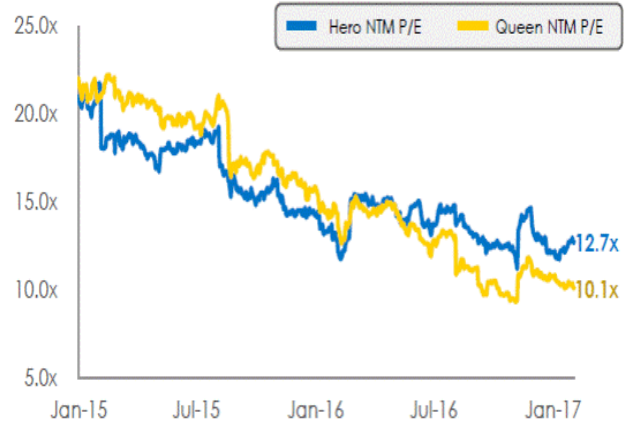
# Hero and Queen's Relative Trading Multiples

While magnitude of discount has varied, Queen has typically traded below Hero on an EV/EBITDA basis; current discount above 2-year average

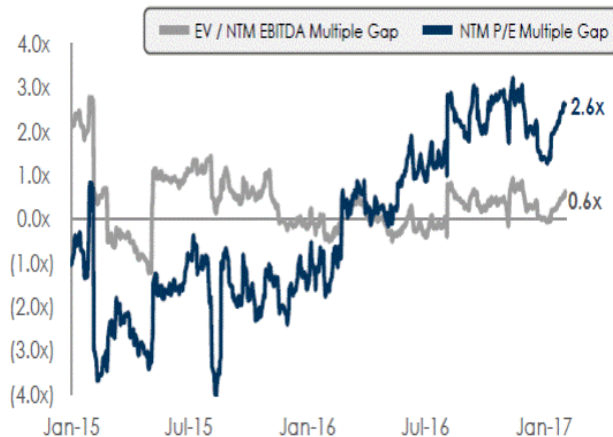
Historical EV / NTM Comparable EBITDA Multiples



Historical NTM Comparable P/E Multiples



Hero's Multiples Relative to Queen<sup>(1)</sup>



Summary Statistics

Summary Statistics - Hero & Queen

	EV / Comp. EBITDA			Comparable P/E		
	Hero	Queen	Delta	Hero	Queen	Delta
Current	8.3x	7.6x	0.6x	12.7x	10.1x	2.6x
Last 1-Month Avg.	8.1x	7.7x	0.4x	12.6x	10.3x	2.3x
Last 3-Months Avg.	8.2x	7.9x	0.3x	12.8x	10.7x	2.1x
Last 6-Months Avg.	8.2x	7.9x	0.4x	12.8x	10.5x	2.3x
Last 1-Year Avg.	8.7x	8.5x	0.2x	13.7x	12.1x	1.5x
Last 2-Years Avg.	9.4x	9.1x	0.3x	15.3x	15.5x	(0.2x)

Source: Hero Management, company filings and Factset estimates as of February 3, 2017.

Note: Comparable EBITDA calculated after deduction of stock-based compensation expense. Comparable EPS is after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization.

(1) Delta represents Hero's multiple minus Queen's multiple.





## What Might Be Driving Hero's Multiple Premium to Queen?

A number of financial and structural factors may be involved in Hero's multiple premium to Queen

---

### Tracking Stock Discount?

- Queen **tracking shares may trade at a discount to typical stocks** given investors do not have a direct claim on Queen's cash flow/assets or typical governance rights
    - One analyst assigns a 20% tracking stock discount to Queen's NAV
  - **Tracking stock status may affect liquidity**; for example, tracking stocks are not allowed in the S&P 500
- 

### Perception of Margin Expansion Opportunity?

- **Substantial EBITDA margin differential** between Hero and Queen (~1,000 bps)
    - Potential perception that Hero has significant room for EBITDA margin improvement
    - Potential perception that Queen is near/at the limit of organic margin enhancement opportunities
  - Hero's multiple may reflect **expectations of outsized longer-term EBITDA growth relative to Queen due to narrowing of margin differential**
- 

### Potential M&A Speculation?

- Hero's **stock price may reflect the market's expectation of some probability that Hero is acquired by Queen**
- *"With shares of both HSN and QVC under pressure...we believe **the potential for a merger could be higher than it was entering the year.**"* – Maxim, 11/8/16



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VI. Evaluation of Combination with Queen

# Framework for Evaluating a Potential Transaction with Queen

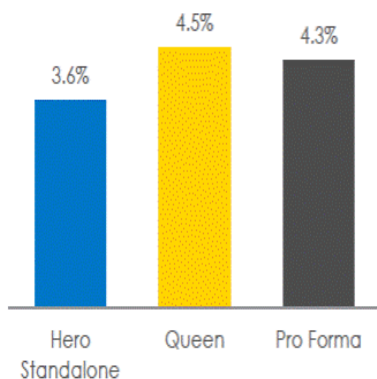
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- 1 Profile of Pro Forma Entity**
  - Assess financial and operating profile of pro forma company (e.g., growth outlook, business mix, margins, leverage, scale, etc.)
- 2 Price and Structure**
  - Evaluate price being offered relative to current and historical stock prices and multiples
  - Relative valuation analysis
  - Pro forma ownership relative to financial contribution
- 3 Potential Synergies**
  - Determine potential value creation from Hero Management's estimated cost synergies and upside from potential revenue synergies
- 4 Pro Forma Value Creation**
  - Estimated "package value" that Hero shareholders would receive in a transaction
  - Estimate of intrinsic value of pro forma entity including synergies and how that compares to Hero's standalone DCF (are Hero shareholders better off?)
- 5 Queen's Perspective**
  - What is the value creation potential for Queen?
  - How might their perspective on the combination differ?
- 6 Other Considerations**
  - Consider integration risks and risks to achieving synergies
  - Structural considerations

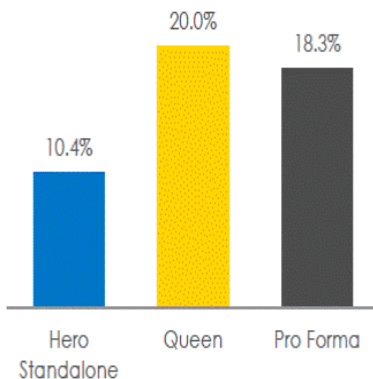
# Pro Forma Financial Profile

Assumes illustrative \$125mm of run-rate synergies

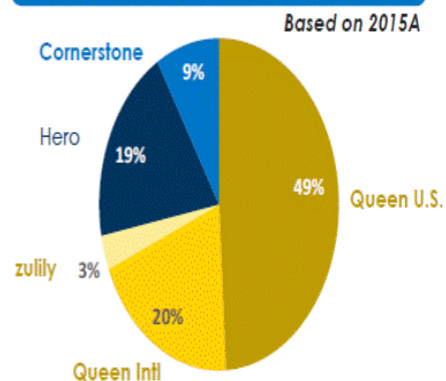
## '16A-'21E Revenue CAGR



## 2021E Adj. EBITDA Margin



## Pro Forma Revenue Mix



	Fiscal Year Ending December 31,						'16A-'21E CAGR
	2016A	2017E	2018E	2019E	2020E	2021E	
Queen Revenue	\$10,314	\$10,664	\$11,196	\$11,776	\$12,315	\$12,869	4.5%
Hero Revenue	3,567	3,637	3,786	3,946	4,100	4,257	3.6%
Revenue Synergies	-	-	-	-	-	-	
<b>Pro Forma Revenue</b>	<b>\$13,882</b>	<b>\$14,301</b>	<b>\$14,982</b>	<b>\$15,722</b>	<b>\$16,414</b>	<b>\$17,126</b>	<b>4.3%</b>
% YoY Growth		3.0%	4.8%	4.9%	4.4%	4.3%	
Memo: Hero S/A Growth		1.9%	4.1%	4.2%	3.9%	3.8%	
Queen Adjusted EBITDA	\$1,920	\$2,014	\$2,146	\$2,333	\$2,432	\$2,574	6.0%
Hero Adjusted EBITDA	299	307	346	377	408	441	8.1%
Net Synergies (Including Cost to Achieve)	-	(25)	25	125	125	125	
<b>Pro Forma Adjusted EBITDA<sup>(1)</sup></b>	<b>\$2,219</b>	<b>\$2,296</b>	<b>\$2,517</b>	<b>\$2,835</b>	<b>\$2,964</b>	<b>\$3,139</b>	<b>7.2%</b>
% Margin	16.0%	16.1%	16.8%	18.0%	18.1%	18.3%	
Memo: Hero Standalone Margin	8.4%	8.4%	9.1%	9.5%	9.9%	10.4%	

Source: Hero Management, Wall Street research, and Factset as of January 27, 2017.

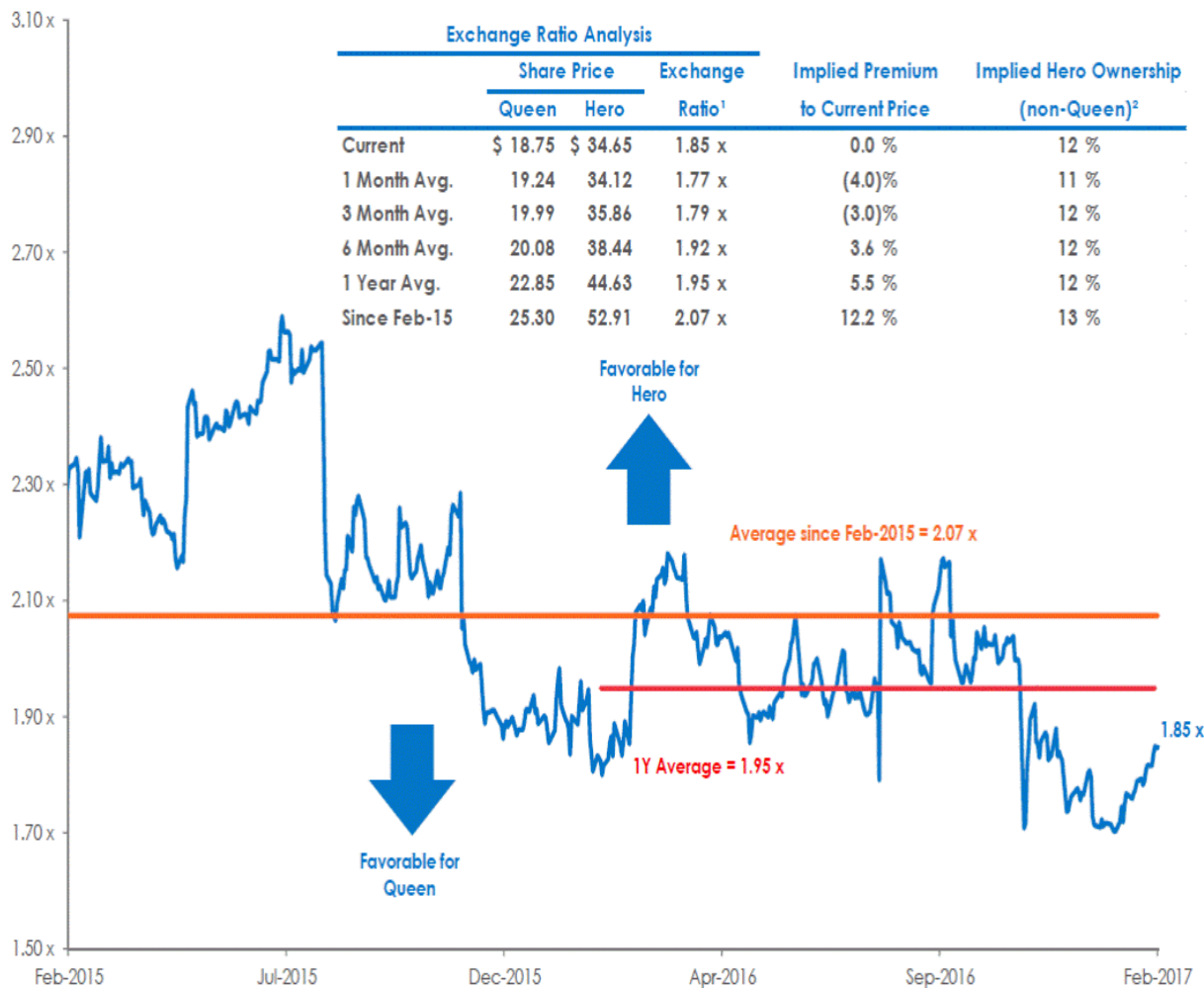
Note: For illustrative purposes, assumes \$125mm of run-rate synergies phased in 50% in 2018E and 100% in 2019E. Cost to achieve synergies equal to 50% of run-rate synergies and incurred 40% in 2017E and 60% in 2018E. Adjusted EBITDA is before deduction of stock based compensation expense.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.



# Exchange Ratio Over Time

## Since Feb-2015 Hero Special Dividend



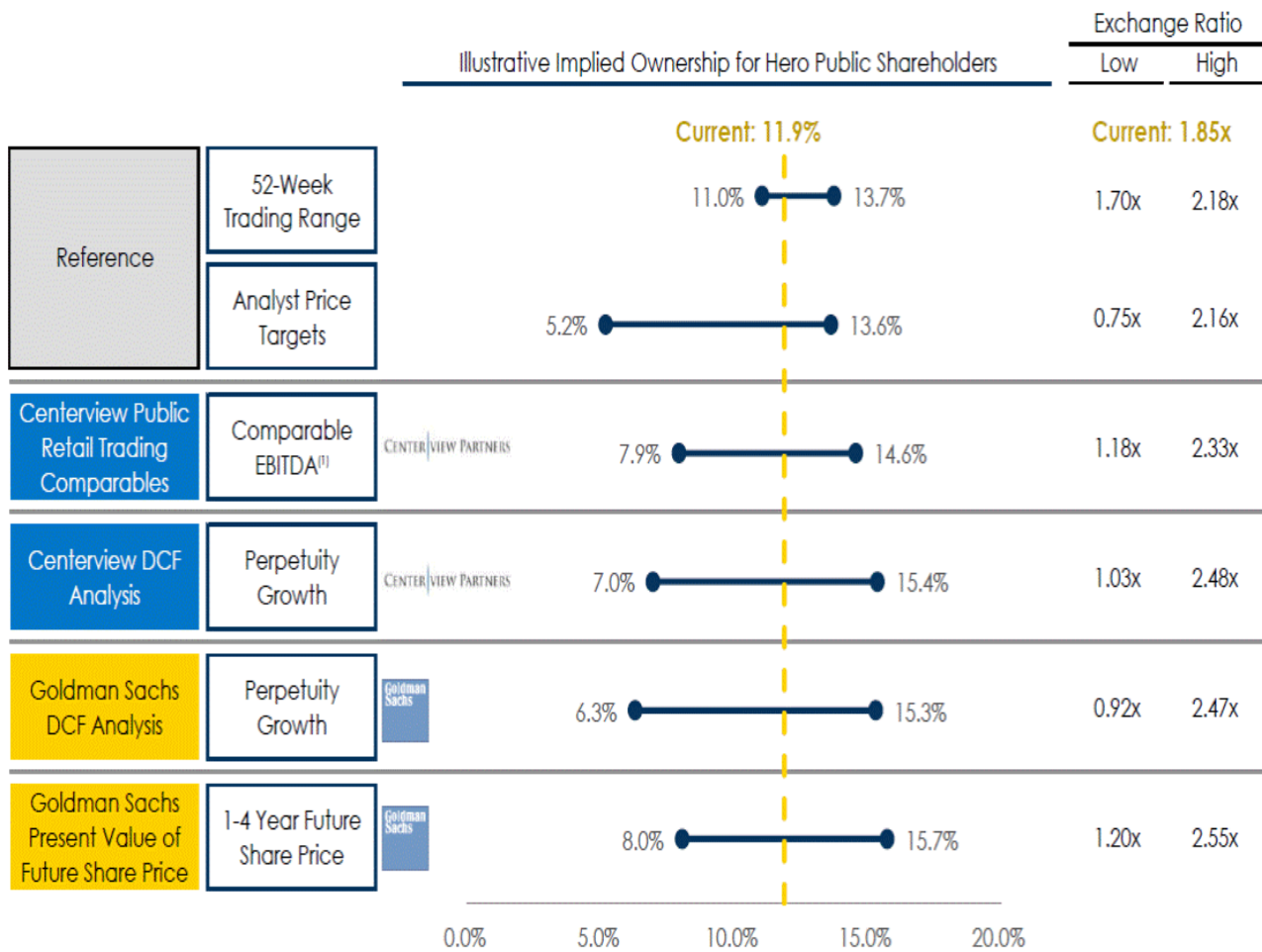
Source: Hero management, Bloomberg as of February 3, 2017.

(1) Exchange ratio defined as Queen series A shares per Hero shares.

(2) Based on Dec-2016 Queen estimated number of series A and B diluted shares outstanding.



# Preliminary Illustrative Relative Valuation Analysis



Source: Hero Management, Wall Street research, and Factset as of February 3, 2017.

Note: Balance sheet information as of December 31, 2016 (estimated for Queen). Analysis reflects maximum range of exchange ratios based on Queen and Hero respective standalone ranges. For Comparable EBITDA and Discounted Cash Flow Analysis, ratio is calculated after adjusting for the corresponding value of Queen's stake in Hero (e.g. in ratio of Queen High DCF value to Hero Low DCF value, Queen High DCF Value includes the value of its stake in Hero at the price per share implied by Hero Low DCF Value).

(1) Comparable EBITDA is calculated after deduction of stock-based compensation expense.





## Preliminary Synergy Estimates

Per Hero Management Guidance; base case analysis assumes \$125mm of run-rate annual cost synergies

- Significant margin differential between Hero and Queen (~1,000 bps), largely driven by Hero's higher marketing/distribution expenses
  - Hero Management estimates the greatest synergy opportunity in Program Distribution
- Combination potentially represents opportunity to reduce margin differential and also eliminate duplicative corporate functions

	Potential Synergy Opportunities	Illustrative Estimates (\$mm)
Operating Expenses	<b>COGS/Gross Profit</b>	<ul style="list-style-type: none"> <li>■ Rate benefits from small carrier shipping and handling contracts and procurement opportunities</li> </ul> ~\$25 – \$41
	<b>Variable Costs</b>	<ul style="list-style-type: none"> <li>■ Maximize call center utilization</li> <li>■ Improve affiliate commissions through rate/volume benefits</li> <li>■ Consolidate liquidation activity</li> </ul> ~\$2 – \$5
	<b>Program Distribution Costs</b>	<ul style="list-style-type: none"> <li>■ Consolidate distribution contracts</li> <li>■ Eliminate/consolidate affiliate sales and marketing costs</li> </ul> ~\$49 – \$65
	<b>Other OpEx</b>	<ul style="list-style-type: none"> <li>■ Eliminate redundancies across OpEx costs</li> <li>■ Streamline the supply chain</li> </ul> ~\$22 – \$41
	<b>Revenue</b>	<ul style="list-style-type: none"> <li>■ Potential for cross selling and increased basket sizes</li> <li>■ Increased viewership</li> <li>■ Coordinated programming</li> </ul> TBD
<b>Preliminary Run-Rate Synergies</b>		<b>~\$97 - \$152mm</b>

Source: Hero Management.

## Illustrative Has / Gets Analysis

### Key Illustrative Assumptions:

—2.0x Exchange Ratio

—\$125mm Synergies = \$965mm of value (capitalized at blended multiple)

	Hero		Queen		Pro Forma	
	Per Share	Aggregate	Per Share	Aggregate		
<b>Has</b>	<b>Enterprise Value</b>	\$2,415	\$15,243 <sup>(1)</sup>		\$17,658	
	(Less): Net Debt & NCI		(564)	(6,656)		
	<b>Observed Market Equity Value</b>	\$34.65	\$1,851	\$18.75	\$8,586 <sup>(1)</sup>	\$10,437
	(Less): Queen Stake in Hero		(694)		–	
	<b>Adjusted Equity Value</b>		\$1,157		\$8,586	\$9,744
		Implied Ownership (Non-Queen SHs)	11.9%	88.1%		
		Implied Exchange Ratio	1.85x	1.00x		
<b>Gets</b>	<b>Targeted Exchange Ratio</b>		2.00x	1.00x		
	<b>Implied Equity Value</b>	\$37.14	\$1,241	\$18.57	\$8,503	\$9,744
	Implied Ownership (Non-Queen SHs)		12.7%		87.3%	
	Implied Prem. / (Disc.) Before Synergies <sup>(2)</sup>		7.2%		(1.0%)	
	Plus: Share of Capitalized Synergies <sup>(3)</sup>	\$3.68	\$123	\$1.84	\$843	\$965
	<b>Value per Share w/ Synergies</b>	\$40.82	\$1,363	\$20.41	\$9,346	
	Implied Prem. / (Disc.) After Synergies <sup>(2)</sup>		17.8%		8.8%	
	<b>Value Creation</b>		\$206		\$759	\$965
	Share of Value Creation		21.3%		78.7%	

Source: Public filings, Hero Projections, Factset as of February 3, 2017.

Note: Dollars in millions, except per share data.

(1) Reflects projected enterprise value and market cap at year-end 2016E assuming both QVCA and QVCB shares trade at current QVCA price of \$18.75. For instance, market capitalization reflects 2016E year-end diluted shares multiplied by current QVCA share price.

(2) Represents share of pro forma equity value divided by standalone equity value minus 1.

(3) Capitalized at blended 2017E Comparable EV/EBITDA multiple of 7.7x.



## Illustrative Has / Gets Analysis Sensitivity

	Illustrative Exchange Ratio	1.85x	2.00x	2.20x	2.40x	2.60x
<b>Hero "Gets" Sensitivity</b>	Implied Ownership (Non-Queen SHs)	11.9%	12.7%	13.8%	14.9%	15.9%
	Implied Prem. / (Disc.) Before Synergies <sup>(1)</sup>	-	7.2%	16.4%	25.4%	34.2%
	Implied Prem. / (Disc.) After Synergies <sup>(1)</sup>	9.9%	17.8%	27.9%	37.8%	47.5%
	Share of Value Creation	11.9%	21.3%	33.5%	45.4%	57.0%

<b>Queen "Gets" Sensitivity</b>	Implied Ownership	88.1%	87.3%	86.2%	85.1%	84.1%
	Implied Prem. / (Disc.) Before Synergies <sup>(1)</sup>	-	(1.0%)	(2.2%)	(3.4%)	(4.6%)
	Implied Prem. / (Disc.) After Synergies <sup>(1)</sup>	9.9%	8.8%	7.5%	6.1%	4.8%
	Share of Value Creation	88.1%	78.7%	66.5%	54.6%	43.0%

Source: Public filings, Hero Projections, Factset as of as of February 3, 2017.

Note: Dollars in millions, except per share data.

(1) Represents share of pro forma equity value divided by standalone equity value minus 1.



# Analysis at Various Prices – Hero

Pro Forma Value per Share | Assumes \$125mm Run-Rate Synergies

Exchange Ratio		1.85 x	2.00 x	2.20 x	2.40 x		
Implied Hero Economic O/S - Non-Queen Shareholders		12 %	13 %	14 %	15 %		
Implied Headline Offer Price		\$ 34.65	\$ 37.50	\$ 41.25	\$ 45.00		
Premium to Current Share Price		0 %	8 %	19 %	30 %		
						Hero Standalone Value	
PVFSP - GS	Low	PF CombineCo Value	\$ 20	\$ 20	\$ 19	\$ 19	\$ 36
		PF Value to Hero	\$ 37	\$ 39	\$ 43	\$ 46	
		PF Premium to Hero Standalone	3 %	11 %	20 %	29 %	
	High	PF CombineCo Value	\$ 31	\$ 31	\$ 31	\$ 30	\$ 51
		PF Value to Hero	\$ 58	\$ 62	\$ 67	\$ 72	
		PF Premium to Hero Standalone	14 %	22 %	32 %	42 %	
DCF - GS	Low	PF CombineCo Value	\$ 22	\$ 22	\$ 22	\$ 21	\$ 33
		PF Value to Hero	\$ 41	\$ 44	\$ 48	\$ 51	
		PF Premium to Hero Standalone	23 %	32 %	43 %	54 %	
	High	PF CombineCo Value	\$ 39	\$ 38	\$ 38	\$ 37	\$ 53
		PF Value to Hero	\$ 71	\$ 76	\$ 83	\$ 90	
		PF Premium to Hero Standalone	33 %	43 %	55 %	68 %	
DCF - CVP	Low	PF CombineCo Value	\$ 19	\$ 19	\$ 18	\$ 18	\$ 30
		PF Value to Hero	\$ 35	\$ 37	\$ 41	\$ 44	
		PF Premium to Hero Standalone	15 %	23 %	34 %	44 %	
	High	PF CombineCo Value	\$ 32	\$ 32	\$ 31	\$ 31	\$ 46
		PF Value to Hero	\$ 59	\$ 63	\$ 69	\$ 74	
		PF Premium to Hero Standalone	28 %	38 %	50 %	61 %	

Source: Hero projections, Wall Street projections supplemented with extrapolated historical financial trends, Factset as of as of February 3, 2017.

Note: Goldman Sachs ("GS") Present Value of Future Stock Price Hero standalone range based on 7.5-9.5x 1-yr fwd EV/EBITDA and 10.0% cost of equity; Present Value of Future Stock Price CombineCo range based on 7.0-8.5x 1-yr fwd EV/EBITDA and 11.5% cost of equity. GS DCF Hero standalone and CombineCo range based on 1.5-2.5% PGR and 8.0-10.0% WACC. Centerview ("CVP") DCF Hero standalone range based on 1.0-3.0% PGR and 9.5-10.5% WACC. CVP CombineCo range based on 1.0-3.0% PGR and 9.0%-10.0% WACC. Combination analysis includes \$125mm of run-rate synergies and \$63mm of one-off implementation costs per management guidance.





# Analysis at Various Prices – Queen

Pro Forma Value per Share | Assumes \$125mm Run-Rate Synergies

Exchange Ratio		1.85 x	2.00 x	2.20 x	2.40 x	
Implied Hero Economic O/S - Non-Queen Shareholders		12 %	13 %	14 %	15 %	
Implied Headline Offer Price		\$ 34.65	\$ 37.50	\$ 41.25	\$ 45.00	
Premium to Current Share Price		0 %	8 %	19 %	30 %	
						Queen Standalone Value
PVFSP - GS	Low	PF CombineCo Value	\$ 20	\$ 20	\$ 19	\$ 19
		PF Premium to Queen Standalone	5 %	4 %	2 %	1 %
	High	PF CombineCo Value	\$ 31	\$ 31	\$ 31	\$ 30
		PF Premium to Queen Standalone	4 %	3 %	2 %	0 %
DCF - GS	Low	PF CombineCo Value	\$ 22	\$ 22	\$ 22	\$ 21
		PF Premium to Queen Standalone	4 %	3 %	2 %	0 %
	High	PF CombineCo Value	\$ 39	\$ 38	\$ 38	\$ 37
		PF Premium to Queen Standalone	5 %	4 %	3 %	2 %
DCF - CVP	Low	PF CombineCo Value	\$ 19	\$ 19	\$ 18	\$ 18
		PF Premium to Queen Standalone	6 %	5 %	4 %	3 %
	High	PF CombineCo Value	\$ 32	\$ 32	\$ 31	\$ 31
		PF Premium to Queen Standalone	7 %	6 %	5 %	4 %

Source: Hero projections, Wall Street projections supplemented with extrapolated historical financial trends, Factset as of as of February 3, 2017.

Note: Goldman Sachs Present Value of Future Stock Price Queen standalone and CombineCo range based on 7.0-8.5x 1-yr fwd EV/EBITDA and 11.5% cost of equity. GS DCF Queen standalone and CombineCo range based on 1.5-2.5% PGR and 8.0-10.0% WACC. CVP DCF Queen standalone and CombineCo range based on 1.0-3.0% PGR and 9.0-10.0% WACC. Combination analysis includes \$125mm of run-rate synergies and \$63mm of one-off implementation costs per management guidance.





## Queen May Have A Different Perspective on the Combination

Analysis suggests less value creation to Queen than to Hero from transaction; Queen may have other considerations or different perspective on financials

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### More Aggressive View of Potential Synergies?

- Cost synergies: Queen management may have a more aggressive view than Hero Management on potential cost take-outs
- Revenue synergies: Queen management may have conviction around revenue synergies that haven't been explicitly estimated by Hero management
- Deleveraging: modestly better leverage profile post-transaction could allow Queen to increase capital returns through additional share repurchases

### View on Queen Business Prospects

- Analysis herein is based on a Queen standalone plan derived from Wall Street broker expectations
- If Queen management has a significantly different view of its standalone operating potential, value creation may look substantially different
- A more negative view of Queen's outlook would imply significantly more value creation to Queen from a combination with Hero

### Other Structural Considerations

- Queen may see other structural benefits from a combination, e.g.:
  - Tax considerations
  - Opportunity to simplify tracking stock structure
  - Others?

## Illustrative DCF for Standalone Queen vs. Combined Co.

Reflects an illustrative 2x exchange ratio in combination at various synergy levels  
 Centerview Perspective

	Standalone Queen				Combined Company				
<b>Value Per Share</b>	Discount Rate	Perpetuity Growth Rate			<b>Queen Pro Forma Value per Share</b>	Discount Rate	Perpetuity Growth Rate		
		1.0%	2.0%	3.0%			1.0%	2.0%	3.0%
	9.00%	\$21.54	\$25.05	\$29.73		9.00%	\$22.69	\$26.49	\$31.56
	9.50%	19.59	22.69	26.66		9.50%	20.64	23.94	28.24
	10.00%	17.80	20.62	24.03	10.00%	18.72	21.70	25.39	
<b>Implied LTM EBITDA Exit Multiple<sup>(1)</sup></b>	Discount Rate	Perpetuity Growth Rate			<b>Queen Pro Forma Value per Share</b>	Discount Rate	Perpetuity Growth Rate		
		1.0%	2.0%	3.0%			1.0%	2.0%	3.0%
	9.00%	7.0x	8.1x	9.5x		9.00%	\$24.88	\$28.95	\$34.38
	9.50%	6.6x	7.6x	8.8x		9.50%	22.70	26.22	30.82
	10.00%	6.3x	7.1x	8.2x	10.00%	20.76	23.83	27.78	

Source: Hero Management, Wall Street research, and Factset as of February 3, 2017.

Note: Dollars in millions, unless otherwise noted. Assumes mid-year discounting convention. Balance sheet information as of December 31, 2016. For illustrative purposes, assumes run-rate synergies phased in 0% in 2017E, 50% in 2018E, 100% thereafter. Cost to achieve synergies equal to 50% of run-rate synergies and incurred 40% in 2017E and 60% in 2018E.

(1) Based on comparable EBITDA, which is calculated after deduction of stock-based compensation expense.



# Combination Potentially More Attractive to Queen if Its Management Has More Negative View of Standalone Plan

Illustrative analysis based on 2x Exchange Ratio and \$125m run-rate synergies

Base Case Scenario		Incremental Combination Value Creation in Illustrative Queen Sensitivity Cases			
Queen Consensus		Queen Revenue Sensitivity '16A - '21E CAGR		Queen Margin Sensitivity '21E EBITDA Margin Delta to Consensus	
4.5% CAGR from '16A-'21E 2021E Adj. EBITDA Margin of 20.0%		2.5% CAGR	0.0% CAGR	(100bps)	(200bps)
<u>Pro Forma 2020E</u>	<u>Value Impact</u>				
<u>Value per Share</u>	<u>vs. Standalone</u>				



Source: Hero Management, Wall Street research, and Factset as of February 3, 2017.

Note: Future share price assumes constant Blended EV / NTM EBITDA multiple of 7.7x applied to fully-synergized NTM comparable EBITDA. For illustrative purposes, assumes run-rate synergies phased in 0% in 2017E, 50% in 2018E, 100% thereafter. Cost to achieve synergies equal to 50% of run-rate synergies and incurred 40% in 2017E and 60% in 2018E.



## Other Structural Considerations

### Comparison of Structural Alternatives

#### Hero is Acquired for Asset-Based Queen Stock

##### 1 Lion Ventures Split-Off

- Lion Interactive (Interactive) transfers all Lion Ventures (Ventures) assets and liabilities (including allocated debt) to subsidiary (Ventures SplitCo)
- Interactive redeems all Ventures tracking stock in exchange for all the stock of Ventures SplitCo, leaving Queen as the only outstanding stock of Interactive
- Hero is acquired using Queen stock (which is no longer a tracking stock)

##### 2 Queen Split-Merger

- Interactive transfers all Queen Group assets and liabilities (including allocated debt) to subsidiary (Queen SplitCo)
- Interactive redeems all Queen tracking stock in exchange for all the stock of Queen SplitCo which is now an asset-based stock
- Queen SplitCo immediately acquires the Hero public in exchange for Queen stock

#### Queen Acquires Hero for Tracking Stock + Conversion

##### 1 Acquisition Followed by Lion Ventures Split-Off

- Hero is acquired using Queen tracking stock
- At some point following the acquisition, but pursuant to a preannounced plan, all the Ventures assets and liabilities are transferred to a new subsidiary (Ventures Splitco)
- Ventures tracking stock is redeemed in exchange for Ventures Splitco stock, leaving Queen as an asset-based stock
- Result is Hero shareholders receive Queen tracking stock which subsequently becomes asset-based stock

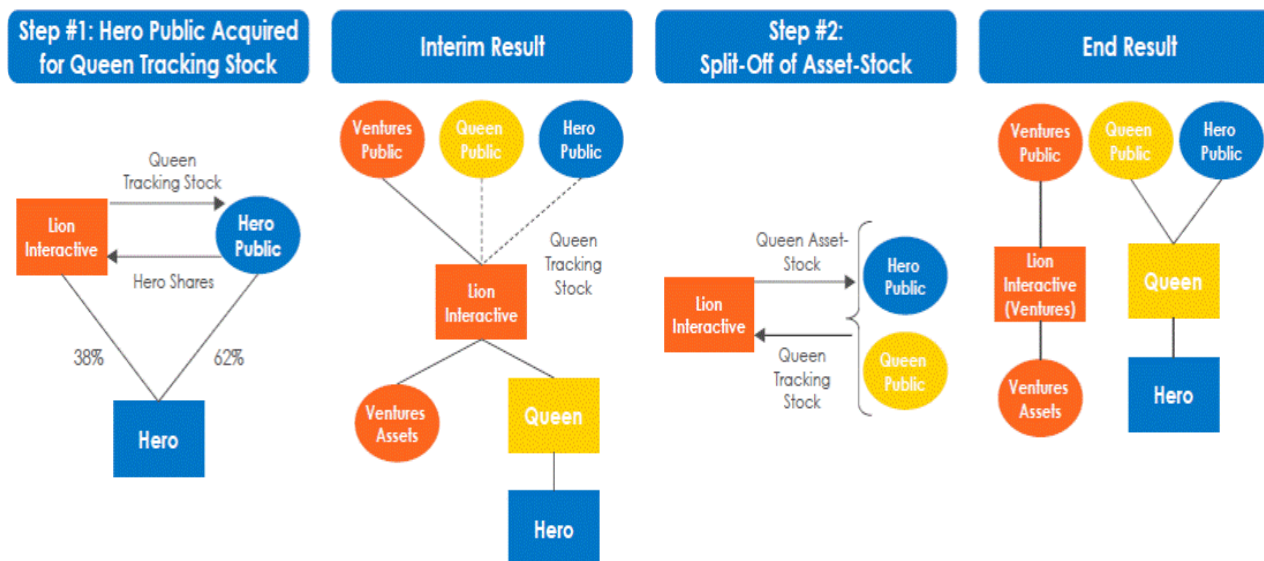
##### 2 Acquisition Followed by Queen Split-Off

- Hero is acquired using Queen tracking stock
- At some point following the acquisition, but pursuant to a preannounced plan, all the Queen assets and liabilities, including 100% of Hero, are transferred to a new subsidiary (Queen Splitco)
- Queen tracking stock is redeemed in exchange for Queen Splitco stock, converting Queen into an asset-based stock
- Result is Hero shareholders receive Queen tracking stock which subsequently becomes an asset-based stock



## Other Structural Considerations

### Tracking Stock Acquisition Followed by Spin-Off Illustrative Schematics



#### Key Considerations Associated With Two Step Transaction

- **Value Proposition to Hero shareholders:** unclear if tracking stock status of Queen causes it to trade at discount, but any discount likely to be modest
  - If there is commitment to convert Queen from tracking stock to asset-based stock in short time frame, this should further mitigate any discount
- **Timing:** may be faster to close acquisition using Queen tracking stock than if Lion is required to convert Queen to asset-based stock prior to acquisition
- **Ability of Hero Shareholders to Own Tracking Stock:** very few (if any) Hero investors are likely to be precluded from owning tracking stock so using tracking stock as acquisition currency should not meaningfully increase selling pressure
- **Governance of Queen** as asset-based stock: who would be CEO and what would be composition of Board of Queen once it became an asset-based stock
- Understanding Any **Potential Roadblocks** to Creating Queen asset-based stock
  - Any material tax-free spin-off concerns?
  - Confirm Ventures would not be an investment company under 1940 Act if it becomes asset based stock
  - Allocation of existing Lion Interactive debt and impact of spin-off on debt covenants
  - Tax or other potential dis-synergies?

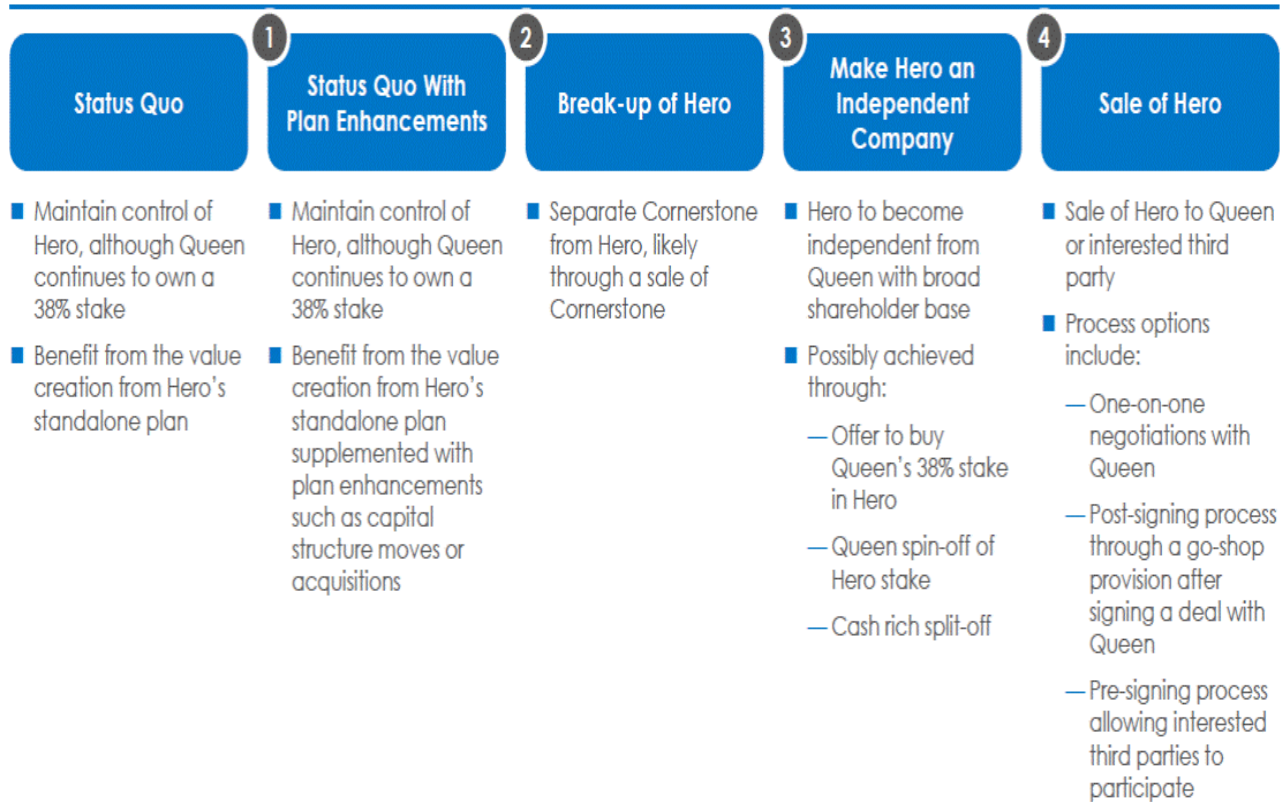


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## VII. Preliminary Evaluation of Potential Strategic Alternatives

# Spectrum of Potential Strategic Alternatives for Hero

## Illustrative "Menu of Options" for Hero



# 1 Status Quo With Plan Enhancements

## Illustrative Pro Forma Levered Dividend | Hero Projections

(\$ in millions, except for per share data)

		Pro Forma Leverage			
		2.5 x	3.0 x	3.5 x	4.0 x
Standalone	2017E Net Income	\$ 140	\$ 140	\$ 140	\$ 140
	Weighted Average Shares Outstanding	53.4	53.4	53.4	53.4
	<b>Earnings Per Share</b>	<b>\$ 2.62</b>	<b>\$ 2.62</b>	<b>\$ 2.62</b>	<b>\$ 2.62</b>
Levered Dividend	2016A Status Quo Leverage	1.8 x	1.8 x	1.8 x	1.8 x
	2016A Post-Dividend Leverage	2.5 x	3.0 x	3.5 x	4.0 x
	Size of Dividend	\$ 185	\$ 325	\$ 465	\$ 605
	<b>Dividend Per Share</b>	<b>\$ 3.54</b>	<b>\$ 6.22</b>	<b>\$ 8.90</b>	<b>\$ 11.58</b>
	Incremental Interest Expense (Pre-Tax)	\$ 12	\$ 21	\$ 30	\$ 39
	2017E Pro Forma Net Income	\$ 132	\$ 127	\$ 121	\$ 115
	<b>Earnings Per Share</b>	<b>\$ 2.48</b>	<b>\$ 2.37</b>	<b>\$ 2.26</b>	<b>\$ 2.16</b>

**Illustrative Moody's  
Credit Ratings:**

Ba1: < 3.25x

Ba2: 3.25- 3.75x

Ba3: 3.75- 4.5x

B1: 4.5- 5.0x

B2: 5.0-6.0x

Source: Company filings, Hero projections,

Note: Share repurchases financed entirely with debt. Issued at a 6.5% interest rate. Assumes special dividend issued at the end of 2016, and interest expense burdens full-year 2017.



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# 1 Status Quo With Plan Enhancements

## Potential M&A Targets

### Potential Bolt-On Acquisition Targets for Hero

#### Online Retailers

- Continued shift of consolidated sales mix from phone-based to online sales
- Leverage of logistics and fulfillment capabilities across a larger base
- Cross-selling between platforms to drive combined revenue
- Focus likely on profitable targets with established platform but moderate growth and size to keep acquisition price and multiple affordable

#### TV Shopping

- Leverage existing TV platform and expertise across a larger base
- Margin upside through economies of scale
- Potentially incremental growth through international exposure
- Cross-selling between platforms to drive combined revenue
- However, incremental exposure to TV-triggered sales

#### Home-Related TV Programming<sup>(1)</sup>

- Leverage existing TV platform and expertise multiple channels
- Content-based support of TV/online shopping experience across platforms
- Margin upside through economies of scale in network costs and production

Illustrative Targets



(1) Both targets listed, Cooking Channel and HGTV, are currently owned by Scripps Networks Interactive



## 2 Break-Up of Hero

### Illustrative Sale of Cornerstone at Various Prices | Hero Projections

(\$ in millions, except for per share data)

Illustrative Cornerstone Acquisition EV/LTM EBITDA Multiple	5.0 x	5.5 x	6.0 x	6.5 x	7.0 x	7.5 x	
<u>EBITDA<sup>4</sup></u>							
Implied Cornerstone Enterprise Value <sup>1</sup>	\$ 41	\$ 203	\$ 223	\$ 244	\$ 264	\$ 284	\$ 305
Implied Tax Leakage <sup>2</sup>	-	-	-	-	-	-	-
<b>Implied Post-Tax Proceeds</b>	<b>\$ 203</b>	<b>\$ 223</b>	<b>\$ 244</b>	<b>\$ 264</b>	<b>\$ 284</b>	<b>\$ 305</b>	
Implied Post-Tax Proceeds per Share	\$ 3.80	\$ 4.18	\$ 4.56	\$ 4.94	\$ 5.32	\$ 5.70	
Implied Hero RemainCo EV/207E EBITDA (post-SBC) <sup>3</sup>	8.9 x	8.8 x	8.7 x	8.6 x	8.6 x	8.5 x	
<u>Current</u>							
<b>Required EBITDA Multiple Expansion on Hero RemainCo to Breakeven for Shareholders</b>	<b>8.3 x</b>	<b>0.6 x</b>	<b>0.5 x</b>	<b>0.4 x</b>	<b>0.3 x</b>	<b>0.2 x</b>	<b>0.2 x</b>

Cornerstone EV/EBITDA (post-SBC)	<u>EBITDA</u>	<u>Selected Company Medians</u>								
		Specialty Retail	Home Stores	Department / Mass						
2016A	\$ 41	5.0 x	5.5 x	6.0 x	6.5 x	7.0 x	7.5 x	5.6 x	6.5 x	6.1 x
2017E	\$ 37	5.4	6.0	6.5	7.1	7.6	8.2	6.5	6.1	6.0

Source: Company filings, Hero projections, Bloomberg, Factset as of February 3, 2017

Note: Selected company medians adjusted for comps with a similar growth profile to Cornerstone. Specialty Retail includes Best Buy, Fossil and GNC; Home Retail includes Bed Bath & Beyond, Ethan Allen, Pier 1 and Williams-Sonoma; Department Stores / Mass includes Dillards, Nordstrom, Kohls, Macy's, Target and Wal-Mart.

(1) Implied enterprise value calculated based on \$36mm in LTM 2016A EBITDA after deduction of stock-based compensation.

(2) Assumes tax basis of \$723mm as per Hero management.

(3) 2017E EBITDA for Hero of \$285.5mm. Pro Forma 2017E Hero RemainCo EBITDA of \$238.4mm. Includes dis-synergies of approx. \$10mm (assumed to be 3% of Cornerstone 2016A operating expenses).

(4) Cornerstone EBITDA pro forma for sale of Chasing Fireflies and TravelSmith. 2016A EBITDA of \$40.6mm and 2017E EBITDA of \$37.3mm, both calculated after stock-based compensation.



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### 3 Make Hero an Independent Company

#### Potential Tax-Efficient Exit Alternatives for Lion/Queen

	I Cash-Rich Split-Off	IIa Hero Holding Company Spin-Off	IIb Hero RMT (Spin-Off and Collapse)
Description	<ul style="list-style-type: none"> <li>Hero contributes Cornerstone plus cash to a new subsidiary (SplitCo)</li> <li>Hero repurchases the Hero shares held by Queen in exchange for 100% of SplitCo</li> </ul>	<ul style="list-style-type: none"> <li>Queen contributes 38% Hero stake to a new subsidiary (SpinCo) along with a small active business</li> <li>Queen distributes SpinCo to Queen shareholders</li> <li>Spinco and Hero remain separate publicly traded companies</li> </ul>	<ul style="list-style-type: none"> <li>Queen contributes 38% Hero stake and small active business to SpinCo</li> <li>Queen distributes SpinCo to Queen shareholders</li> <li>SpinCo immediately merges with Hero and Hero shareholder receive &lt;50% of "MergeCo" stock and cash</li> <li>Queen shareholders own &gt;50% of MergeCo</li> </ul>
Potential Benefits	<ul style="list-style-type: none"> <li>✓ Queen receives cash and Cornerstone for its Hero shares on tax-free basis</li> <li>✓ Hero able to divest Cornerstone tax-free</li> <li>✓ Hero becomes independent public company</li> </ul>	<ul style="list-style-type: none"> <li>✓ Hero becomes independent from Queen</li> <li>✓ Hero can sell Cornerstone to optimal buyer (or retain)</li> <li>✓ Tax-free to Queen and Queen shareholders</li> <li>✓ Potential for SpinCo and Hero to merge after waiting period</li> </ul>	<ul style="list-style-type: none"> <li>✓ Tax-free to Queen and Queen shareholders</li> <li>✓ Only one Hero security trades publicly; Hero is an independent public company</li> <li>✓ Hero shareholders receive cash and ~50% of new independent Hero</li> </ul>
Key Considerations	<ul style="list-style-type: none"> <li>✗ Queen (and Lion) interest in Cornerstone</li> <li>✗ Complexity of negotiation with Queen (and Lion)</li> <li>✗ Business (i.e., Cornerstone) must be at least 1/3<sup>rd</sup> of value of Splitco</li> </ul>	<ul style="list-style-type: none"> <li>✗ Willingness of Queen to exit Hero at no premium</li> <li>✗ Two Hero securities trade publicly (Hero and SpinCo)</li> <li>✗ SpinCo needs active business (5%+ of value) to satisfy new tax-free spin-off rules</li> </ul>	<ul style="list-style-type: none"> <li>✗ Complexity of negotiation with Queen (and Lion)</li> <li>✗ Capital structure impact of increased leverage at Hero to fund cash payment to Hero shareholders</li> <li>✗ Willingness of Queen to exit at no premium</li> </ul>

# 4 Sale of Hero

## Potential Buyer Universe

(\$ in billions)

E-Commerce			Department Stores			Hard Goods Companies			Cornerstone Buyers		
Company	Key Statistics	Recent Transactions	Company	Key Statistics	Recent Transactions	Company	Key Statistics	Recent Transactions	Company	Key Statistics	Recent Transactions
<b>amazon</b>	<ul style="list-style-type: none"> <li>MCap: \$386.5</li> <li>EV: \$368.2</li> <li>Leverage: 1.5x</li> <li>Cash: \$19.3</li> <li>17E EV/EBITDA: 19.0x</li> </ul>	<ul style="list-style-type: none"> <li>Acquired Satuba Translation Solutions in Sep-2013 for undisclosed amount</li> <li>Acquired Zappos for \$1.2bn in Nov-2009</li> </ul>	<b>*macys</b>	<ul style="list-style-type: none"> <li>MCap: \$10.0</li> <li>EV: \$17.2</li> <li>Leverage: 2.3x</li> <li>Cash: \$0.5</li> <li>17E EV/EBITDA: 6.0x</li> </ul>	<ul style="list-style-type: none"> <li>Acquired Blumentary for \$210mm in Feb-2015</li> </ul>	<b>Walmart</b>	<ul style="list-style-type: none"> <li>MCap: \$204.9</li> <li>EV: \$254.1</li> <li>Leverage: 1.4x</li> <li>Cash: \$5.9</li> <li>17E EV/EBITDA: 7.8x</li> </ul>	<ul style="list-style-type: none"> <li>Walmart acquired Jet.com for \$3.3bn in Aug-2016</li> <li>Walmart Mexico sold Suburbia to B Puerto de Liverpool for \$64mm in Aug-2016</li> </ul>	<b>JC Penney</b>	<ul style="list-style-type: none"> <li>Land's End</li> <li>Otto</li> <li>Capmark</li> <li>Financial sponsors</li> </ul>	
<b>verizon</b> <b>YAHOO!</b>	<ul style="list-style-type: none"> <li>MCap: \$198.0</li> <li>EV: \$304.7</li> <li>Leverage: 2.4x</li> <li>Cash: \$2.9</li> <li>17E EV/EBITDA: 6.7x</li> </ul>	<ul style="list-style-type: none"> <li>Acquired Yahoo for \$4.8bn in Jul-2016</li> <li>Acquired Polyvore for \$160mm in Jul-2015</li> </ul>	<b>KOHL'S</b>	<ul style="list-style-type: none"> <li>MCap: \$7.2</li> <li>EV: \$11.2</li> <li>Leverage: 1.7x</li> <li>Cash: \$0.6</li> <li>17E EV/EBITDA: 5.0x</li> </ul>	<ul style="list-style-type: none"> <li>No recent M&amp;A activities</li> </ul>	<b>TARGET</b>	<ul style="list-style-type: none"> <li>MCap: \$86.4</li> <li>EV: \$48.0</li> <li>Leverage: 1.8x</li> <li>Cash: \$1.2</li> <li>17E EV/EBITDA: 6.5x</li> </ul>	<ul style="list-style-type: none"> <li>Sold pharmacy and clinic businesses to CVS Pharmacy for \$1.9bn in Jun-2015</li> </ul>			
<b>ebay</b>	<ul style="list-style-type: none"> <li>MCap: \$37.7</li> <li>EV: \$58.3</li> <li>LTM Leverage: 0.6x</li> <li>Cash: \$1.8</li> <li>17E EV/EBITDA: 12.2x</li> </ul>	<ul style="list-style-type: none"> <li>Sold Radial to for \$925mm in Jul-2015</li> </ul>	<b>NORDSTROM</b>	<ul style="list-style-type: none"> <li>MCap: \$7.7</li> <li>EV: \$10.0</li> <li>Leverage: 1.4x</li> <li>Cash: \$0.5</li> <li>17E EV/EBITDA: 6.0x</li> </ul>	<ul style="list-style-type: none"> <li>Acquired Trunk Club for \$350mm in Jul-2014</li> <li>Acquired HauteLook for \$270mm in Feb-2011</li> </ul>	<b>BED BATH &amp; BEYOND</b>	<ul style="list-style-type: none"> <li>MCap: \$6.1</li> <li>EV: \$7.0</li> <li>Leverage: 0.7x</li> <li>Cash: \$0.5</li> <li>17E EV/EBITDA: 5.0x</li> </ul>	<ul style="list-style-type: none"> <li>Acquired Personalization Mall.com for \$190mm in Nov-2016</li> <li>Acquired One Kings Lane in Jun-2016</li> </ul>			
<b>Queen</b>	<ul style="list-style-type: none"> <li>MCap: \$8.8</li> <li>EV: \$14.8</li> <li>LTM Leverage: 3.3x</li> <li>Cash: \$0.3</li> <li>17E EV/EBITDA: 7.6x</li> </ul>	<ul style="list-style-type: none"> <li>Acquired sully for \$2.5bn in Aug-2015</li> </ul>	<b>jcpenny</b>	<ul style="list-style-type: none"> <li>MCap: \$2.1</li> <li>EV: \$6.7</li> <li>Leverage: 6.3x</li> <li>Cash: \$0.2</li> <li>17E EV/EBITDA: 6.0x</li> </ul>	<ul style="list-style-type: none"> <li>Sold home office building in Plano for \$53mm in Aug-2016</li> <li>Acquired Liz Claiborne for \$268mm in Oct-2011</li> </ul>	<b>WILLIAMS SONOMA</b>	<ul style="list-style-type: none"> <li>MCap: \$4.3</li> <li>EV: \$4.3</li> <li>Leverage: 0.1x</li> <li>Cash: \$0.1</li> <li>17E EV/EBITDA: 6.3x</li> </ul>	<ul style="list-style-type: none"> <li>Sold credit card portfolio to Alliance Data Systems Corporation in Sep-2016</li> </ul>			
<b>Chinese E-Commerce</b>			<b>HBC</b>	<ul style="list-style-type: none"> <li>MCap: \$1.5</li> <li>EV: \$4.9</li> <li>Leverage: 8.5x</li> <li>Cash: \$0.1</li> <li>17E EV/EBITDA: 8.3x</li> </ul>	<ul style="list-style-type: none"> <li>Acquired Gil Groupe for \$250mm in Jan-2016</li> <li>Acquired GALERIA Kaufhof GmbH for \$2.7bn in Jun-2015</li> <li>Acquired Saks for \$2.9bn in Jul-2013</li> </ul>	<b>Four Seasons</b>	<ul style="list-style-type: none"> <li>MCap: \$0.6</li> <li>EV: \$0.7</li> <li>Leverage: 1.2x</li> <li>Cash: \$0.0</li> <li>17E EV/EBITDA: 5.9x</li> </ul>	<ul style="list-style-type: none"> <li>No recent M&amp;A activities</li> </ul>			
<b>Alibaba.com</b>	<ul style="list-style-type: none"> <li>MCap: \$251.0</li> <li>EV: \$249.7</li> <li>Leverage: 1.0x</li> <li>Cash: \$19.3</li> <li>17E EV/EBITDA: 19.2x</li> </ul>	<ul style="list-style-type: none"> <li>Acquired Weibo for \$135mm in Sep-2016</li> <li>Acquired Beijing Zhuyi Junchang Technology for \$200mm in Jul-2016</li> </ul>	<b>Dillard's</b>	<ul style="list-style-type: none"> <li>MCap: \$1.9</li> <li>EV: \$2.7</li> <li>Leverage: 1.3x</li> <li>Cash: \$0.1</li> <li>17E EV/EBITDA: 4.6x</li> </ul>	<ul style="list-style-type: none"> <li>No recent meaningful M&amp;A activities</li> </ul>	<b>Financial Sponsor / Quasi Strategic Buyer</b>					
<b>Baidu</b>	<ul style="list-style-type: none"> <li>MCap: \$60.8</li> <li>EV: \$55.7</li> <li>Leverage: (2.1)x</li> <li>Cash: \$1.7</li> <li>17E EV/EBITDA: 19.2x</li> </ul>	<ul style="list-style-type: none"> <li>Sold UberChina stake in Aug-2016 for undisclosed amount</li> <li>Sold Baidu Music for undisclosed amount in Dec-2015</li> </ul>	<b>Neiman Marcus</b>	<ul style="list-style-type: none"> <li>Total Debt: \$4.8</li> <li>Cash: \$0.4</li> </ul>	<ul style="list-style-type: none"> <li>Acquired mytheresa.com GmbH for \$194mm in Sep-2014</li> </ul>	<b>Blackstone</b>	<ul style="list-style-type: none"> <li>Dry Powder: \$27.5</li> </ul>	<ul style="list-style-type: none"> <li>Bought Ideal Shopping Direct in Sep-2015 for undisclosed amount</li> </ul>			
<b>JD.com</b>	<ul style="list-style-type: none"> <li>MCap: \$40.2</li> <li>EV: \$39.3</li> <li>LTM Leverage: 50.6x</li> <li>Cash: \$2.7</li> <li>17E EV/EBITDA: 41.1x</li> </ul>	<ul style="list-style-type: none"> <li>Acquired Huhai E-commerce for \$2.9bn in Jul-2016</li> <li>Acquired HotelVP in Jan-2014 for undisclosed amount</li> </ul>									
<b>唯品会</b>	<ul style="list-style-type: none"> <li>MCap: \$6.7</li> <li>EV: \$6.6</li> <li>Leverage: (0.2)x</li> <li>Cash: \$0.7</li> <li>17E EV/EBITDA: 10.2x</li> </ul>	<ul style="list-style-type: none"> <li>Acquired Ovation Entertainment for \$50mm in Feb-2014</li> <li>Acquired Lefeng.com for \$128mm in Feb-2014</li> </ul>									

Source: Capital IQ as of February 3, 2017, Press Releases, News Articles.  
 Note: LTM Leverage is calculated as LTM Net Debt/LTM EBITDA.



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## VIII. Process Considerations and Potential Next Steps

# Key Next Steps and Potential Communication with Queen

	If Committee Decides to Focus on Standalone...	If Committee Decides to Engage Further...
<b>Potential Next Communication with Queen</b>	<ul style="list-style-type: none"><li>■ Committee to message to Lion that the <b>Company is focused on executing its long-term plan in the near-term</b></li><li>■ Must consider ways Lion may respond – how might pressure be applied?</li></ul>	<ul style="list-style-type: none"><li>■ Committee to reach out to Lion and indicate that preliminary work with advisors is completed and <b>convey a willingness to listen</b></li></ul>
<b>Potential Response to Formal Proposal and Engagement</b>	<ul style="list-style-type: none"><li>■ Depending on proposal, may be early opportunity to use process leverage and extract concessions as a “price of admission” for further engagement</li><li>■ Potentially <b>convey inadequacy of current proposal</b> against strength of the standalone plan</li><li>■ Upon improved proposal, setup and <b>control process that maintains/maximizes Hero leverage</b></li><li>■ Formulate diligence / engagement plan that <b>highlights Queen’s need for the asset</b></li><li>■ <b>Understand their assumptions and articulate other sources of value</b> (e.g., dissipating headwinds, synergies, margin opportunities)</li><li>■ <b>Conduct thorough diligence on Queen</b> to more fully evaluate proposal</li></ul>	
<b>Maximize Competitive Tension</b>	<ul style="list-style-type: none"><li>■ Primary <b>leverage comes from the “walk away” option</b></li><li>■ Additional leverage may come from either the <b>threat of engaging with potentially interested 3rd parties</b> or actually running <b>a broader auction process</b> (pre-signing market check)</li><li>■ If Queen improves its proposal enough, Committee may move forward with deal and structure a <b>go-shop process to explore higher value alternatives</b> potentially with a “drag along” agreement with Queen (post-signing market check)</li></ul>	

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Appendix



# Hero Projections Summary

Projections imply 8.1% Adjusted EBITDA CAGR and 8.8% EPS CAGR from 2016A-2021E

	Historical			Projections					'14-'16A	'16A-'21E
	2014A	2015A	2016A	2017P	2018E	2019E	2020E	2021E	CAGR	CAGR
HSN Revenue	\$2,476	\$2,542	\$2,475	\$2,549	\$2,626	\$2,704	\$2,785	\$2,869	(0.0%)	3.0%
Cornerstone Revenue	1,114	1,151	1,095	1,089	1,162	1,243	1,316	1,390	(0.9%)	4.9%
(Less): Eliminations	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)		
<b>Total Revenue</b>	<b>\$3,588</b>	<b>\$3,691</b>	<b>\$3,567</b>	<b>\$3,637</b>	<b>\$3,786</b>	<b>\$3,946</b>	<b>\$4,100</b>	<b>\$4,257</b>	<b>(0.3%)</b>	<b>3.6%</b>
YoY Growth		2.9%	(3.3%)	1.9%	4.1%	4.2%	3.9%	3.8%		
<b>Gross Profit</b>	<b>\$1,273</b>	<b>\$1,315</b>	<b>\$1,217</b>	<b>\$1,251</b>	<b>\$1,316</b>	<b>\$1,383</b>	<b>\$1,447</b>	<b>\$1,513</b>	<b>(2.2%)</b>	<b>4.5%</b>
% Margin	35.5%	35.6%	34.1%	34.4%	34.8%	35.0%	35.3%	35.5%		
(Less): Operating Expenses	(\$931)	(\$957)	(\$918)	(\$944)	(\$970)	(\$1,006)	(\$1,039)	(\$1,072)		
% of Sales	25.9%	25.9%	25.7%	26.0%	25.6%	25.5%	25.3%	25.2%		
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$342</b>	<b>\$357</b>	<b>\$299</b>	<b>\$307</b>	<b>\$346</b>	<b>\$377</b>	<b>\$408</b>	<b>\$441</b>	<b>(6.5%)</b>	<b>8.1%</b>
% Margin	9.5%	9.7%	8.4%	8.4%	9.1%	9.5%	9.9%	10.4%		
(Less): D&A / FA Sale	(44)	(44)	(43)	(47)	(49)	(52)	(56)	(59)		
(Less): SBC	(16)	(18)	(19)	(21)	(22)	(22)	(23)	(24)		
(Less): Adjustments	2	(11)	(31)	-	-	-	-	-		
<b>Reported EBIT</b>	<b>\$285</b>	<b>\$284</b>	<b>\$206</b>	<b>\$238</b>	<b>\$275</b>	<b>\$302</b>	<b>\$329</b>	<b>\$358</b>	<b>(15.0%)</b>	<b>11.7%</b>
(Less): Net Interest	(7)	(15)	(16)	(15)	(16)	(17)	(17)	(17)		
Pre-Tax Income	\$278	\$269	\$190	\$224	\$259	\$286	\$312	\$341		
(Less): Taxes	(105)	(100)	(71)	(84)	(97)	(107)	(117)	(128)		
Net Income	\$173	\$169	\$119	\$140	\$162	\$178	\$195	\$213		
Plus: Adjustments	0	6	20	-	-	-	-	-		
<b>Adjusted Net Income</b>	<b>\$173</b>	<b>\$176</b>	<b>\$138</b>	<b>\$140</b>	<b>\$162</b>	<b>\$178</b>	<b>\$195</b>	<b>\$213</b>	<b>(10.6%)</b>	<b>9.0%</b>
<b>Adjusted EPS</b>	<b>\$3.23</b>	<b>\$3.28</b>	<b>\$2.62</b>	<b>\$2.62</b>	<b>\$3.03</b>	<b>\$3.34</b>	<b>\$3.65</b>	<b>\$3.99</b>	<b>(9.9%)</b>	<b>8.8%</b>
YoY Growth		1.7%	(20.3%)	0.1%	15.7%	10.3%	9.4%	9.1%		
<b>Memo:</b>										
Diluted Shares	53.6	53.5	52.9	53.4	53.4	53.4	53.4	53.4		
Tax Rate	37.7%	37.1%	37.4%	37.5%	37.5%	37.5%	37.5%	37.5%		
Comparable EBITDA <sup>(2)</sup>	\$327	\$339	\$280	\$286	\$324	\$354	\$385	\$417	(7.4%)	8.3%

Source: Hero Management.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.

(2) Comparable EBITDA is after deduction of stock-based compensation expense.



CENTERVIEW PARTNERS

# Illustrative Hero Discounted Cash Flow Analysis

Reflects Hero Management Case  
Centerview Perspective

## Hero Standalone Unlevered Free Cash Flows

	Fiscal Year Ending December 31,					
	2016A	2017E	2018E	2019E	2020E	2021E
<b>Adjusted EBITDA</b>	\$299	\$307	\$346	\$377	\$408	\$441
(Less): Stock-Based Compensation	(19)	(21)	(22)	(22)	(23)	(24)
<b>Comparable EBITDA<sup>(1)</sup></b>	<b>\$280</b>	<b>\$286</b>	<b>\$324</b>	<b>\$354</b>	<b>\$385</b>	<b>\$417</b>
(Less): D&A	(43)	(47)	(48)	(51)	(55)	(58)
(Less): Loss on Sale of FA	(0)	(1)	(1)	(1)	(1)	(1)
<b>Adjusted EBIT</b>	<b>\$237</b>	<b>\$238</b>	<b>\$275</b>	<b>\$302</b>	<b>\$329</b>	<b>\$358</b>
(Less): Taxes		(89)	(103)	(113)	(123)	(134)
Plus: D&A		47	48	51	55	58
(Less): Δ in Net Working Capital		(19)	(18)	(16)	(14)	(17)
(Less): Capital Expenditures		(59)	(82)	(84)	(80)	(73)
Plus: Loss on Sale of FA		1	1	1	1	1
<b>Unlevered Free Cash Flow</b>		<b>\$118</b>	<b>\$122</b>	<b>\$141</b>	<b>\$168</b>	<b>\$193</b>
YoY Growth			3%	16%	19%	15%

Discount Rate	Enterprise Value (\$bn)			Implied LTM Exit Multiple			Value per Share (\$)		
	Perpetuity Growth Rate			Perpetuity Growth Rate			Perpetuity Growth Rate		
	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%
9.50%	\$2.3	\$2.6	\$2.9	6.5x	7.5x	8.7x	\$35.15	\$39.79	\$45.83
10.00%	2.2	2.4	2.7	6.2x	7.0x	8.1x	32.61	36.67	41.86
10.50%	2.1	2.2	2.5	5.9x	6.6x	7.6x	30.34	33.91	38.42

Source: Hero Management, Wall Street research, and Factset as of February 3, 2017.

Note: Dollars in millions, unless otherwise noted. Assumes mid-year discounting convention. Balance sheet information as of December 31, 2016.

(1) Comparable EBITDA is calculated after deduction of stock-based compensation expense.



CENTERVIEW PARTNERS

# Illustrative Discounted Cash Flow Analysis

## Projected Unlevered Free Cash Flow & Terminal Value Goldman Sachs Perspective

(\$ in millions, except for per share data)

	Historical			Management Projections					Terminal Year
	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	
Revenue	\$ 3,588	\$ 3,691	\$ 3,567	\$ 3,637	\$ 3,786	\$ 3,946	\$ 4,100	\$ 4,257	\$ 4,343
% Growth	-	2.9 %	(3.3)%	1.9 %	4.1 %	4.2 %	3.9 %	3.8 %	2.0 %
Adj. EBITDA (pre-SBC)	\$ 347	\$ 357	\$ 299	\$ 307	\$ 346	\$ 377	\$ 408	\$ 441	\$ 449
% Margin	9.7 %	9.7 %	8.4 %	8.4 %	9.1 %	9.5 %	9.9 %	10.4 %	10.4 %
Stock-Based Compensation	\$ 16	\$ 18	\$ 19	\$ 21	\$ 22	\$ 22	\$ 23	\$ 24	\$ 24
Adj. EBITDA (post-SBC)	\$ 332	\$ 339	\$ 280	\$ 286	\$ 324	\$ 354	\$ 385	\$ 417	\$ 425
% Margin	9.2 %	9.2 %	7.8 %	7.9 %	8.6 %	9.0 %	9.4 %	9.8 %	9.8 %
Depreciation & Amortization	\$ 44	\$ 43	\$ 43	\$ 47	\$ 48	\$ 51	\$ 55	\$ 58	\$ 59
Other Expenses <sup>1</sup>	(2)	12	31	1	1	1	1	1	-
EBIT <sup>2</sup>	\$ 290	\$ 284	\$ 206	\$ 238	\$ 275	\$ 302	\$ 329	\$ 358	\$ 366
% Margin	8.1 %	7.7 %	5.8 %	6.6 %	7.3 %	7.7 %	8.0 %	8.4 %	8.4 %
Less: Adjusted Tax Expense (37.5%)				\$ 89	\$ 103	\$ 113	\$ 123	\$ 134	\$ 137
Plus: Depreciation & Amortization				47	48	51	55	58	59
Less: Capital Expenditures				59	82	84	80	73	66
Less: Increase in NWC				19	18	16	14	17	7
Plus: Other Non-Cash Items				1	1	1	1	1	-
Unlevered Free Cash Flow				\$ 118	\$ 122	\$ 141	\$ 168	\$ 193	\$ 216
% of EBITDA				38.5 %	35.2 %	37.5 %	41.1 %	43.8 %	48.0 %
<b>Illustrative Terminal Value</b>									
Assumed Perpetuity Growth Rate									2.0 %
Illustrative WACC									9.0 %
Terminal FCF									\$ 216
Terminal Value at Exit									\$ 3,081
Implied Terminal Value LTM EBITDA Multiple									7.2 x
Present Value of Terminal Value									\$ 2,090
Total DCF Value									\$ 2,679
Terminal Value % of Total Value									78.0 %
(-) Net Financial Debt									\$ 472
Equity Value									\$ 2,207
Shares Outstanding (mm)									53.47
Illustrative Implied Equity Value per Share									\$ 41.27

Source: Hero Historical Financials and Projections.

Note: Cash flows discounted to 01-Jan-2017 using mid-year convention for cash flows. Share price based on diluted shares outstanding. Implied EBITDA multiples based on adjusted EBITDA (post-SBC).

(1) Includes loss on sale of FA.

(2) Does burden EBIT with stock-based compensation expense.



CENTERVIEW PARTNERS

# Illustrative Discounted Cash Flow Sensitivities

## Implied Value Per Share of Hero Goldman Sachs Perspectives

(\$ in millions, except for per share data)

		Enterprise Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 2,973	\$ 3,145	\$ 3,348
	9.0 %	\$ 2,560	\$ 2,679	\$ 2,817
	10.0 %	\$ 2,244	\$ 2,330	\$ 2,428

		Value per Share		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 46.70	\$ 49.81	\$ 53.48
	9.0 %	\$ 39.05	\$ 41.27	\$ 43.82
	10.0 %	\$ 33.17	\$ 34.78	\$ 36.61

		% of EV from Terminal Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	79.7 %	80.8 %	82.0 %
	9.0 %	77.0 %	78.0 %	79.1 %
	10.0 %	74.4 %	75.3 %	76.3 %

		Implied Exit LTM EBITDA Multiple <sup>(1)</sup>		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	7.9 x	8.5 x	9.1 x
	9.0 %	6.9 x	7.2 x	7.7 x
	10.0 %	6.1 x	6.3 x	6.7 x

Source: Hero Projections.

Note: Free cash flow discounted to 01-Jan-2017 using mid-year convention for cash flows. Terminal value calculated as of 2021E.

(1) Calculated as terminal value at exit divided by terminal year adjusted EBITDA (post-SBC).



CENTERVIEW PARTNERS



# Select Transaction Multiples

■ Specialty Retail  
■ Home Stores  
■ Department / Mass

Date	Target	Acquiror	TEV	EV / LTM EBITDA
Feb-14	Zale Corporation	Signet Jewelers	\$1,174	15.6x
May-12	Cost Plus	Bed Bath & Beyond	682	12.7x
Feb-13	Office Max	Office Depot	1,789	12.2x
Feb-16	Rona	Lowe's	2,285	12.1x
Oct-16	Cabela's	Bass Pro Shop	5,649	11.8x
May-12	Charming Shoppes	Ascena Retail Group	828	9.9x
Jul-13	Saks	Hudson's Bay	2,614	9.8x
Sep-13	Neiman Marcus	CPP / Ares	6,000	9.4x
Nov-15	Petco	CVC, CPP	4,600	9.4x
Dec-14	PetSmart	BC Partners; GIC, Others	8,702	9.1x
May-15	ANN Inc.	Ascena Retail Group	2,072	8.6x
Dec-13	Nine West	Sycamore Partners	2,154	8.0x
Dec-10	Jo-Ann Stores	Leonard Green & Partners, LP	1,529	7.2x
Nov-12	Oriental Trading Co	Berkshire Hathaway	500	7.1x
Aug-15	Belk	Sycamore	2,867	6.9x
Nov-12	The Brick	Leon's Furniture	784	6.8x
Sep-14	Bluestem Brands	Capmark Financial Group	565	6.3x

<b>25th Percentile</b>	<b>7.2x</b>
<b>Median</b>	<b>9.4x</b>
<b>75th Percentile</b>	<b>11.8x</b>

Source: Company filings, Wall Street research.

Note: Based on select retail transactions with TEV above \$0.5bn since 1/1/2010. Excludes transactions where public information to calculate EV / LTM EBITDA is unavailable: Perry Corp / Barney's New York, AEA Investors / At Home Group, Avon / Silpada Designs, Bain Capital / Bob's Discount Furniture, Berkshire Hathaway / Oriental Trading Co., Wal-Mart / Jet.com, Hudson's Bay / Gilt Groupe, Investor Group / eBay Enterprise, Ahold / Bol.com, Naspers Limited / Markafoni, Amazon.com / Quidsj, Rakuten / Price Minister.



CENTERVIEW PARTNERS

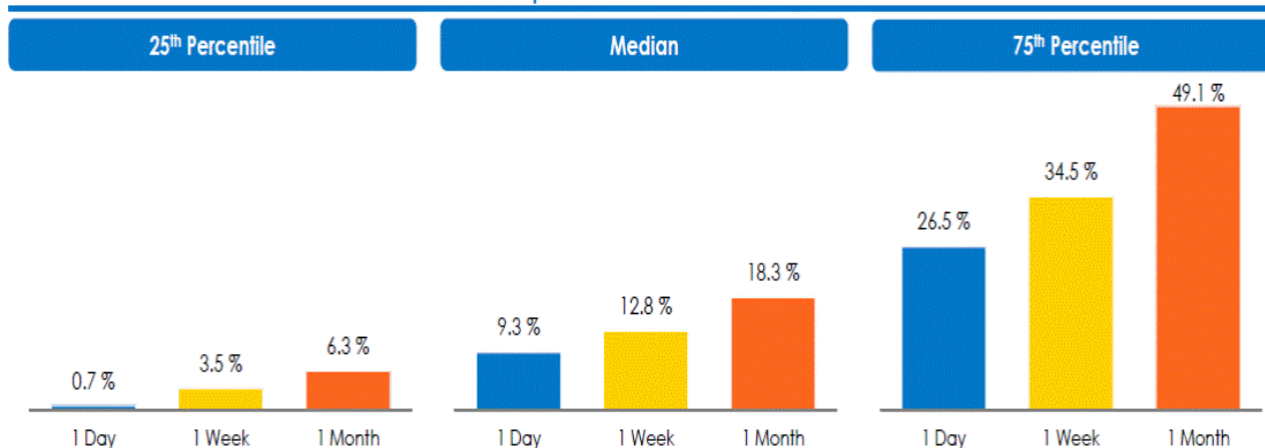


# Acquisition Premia for U.S. Precedent Transactions

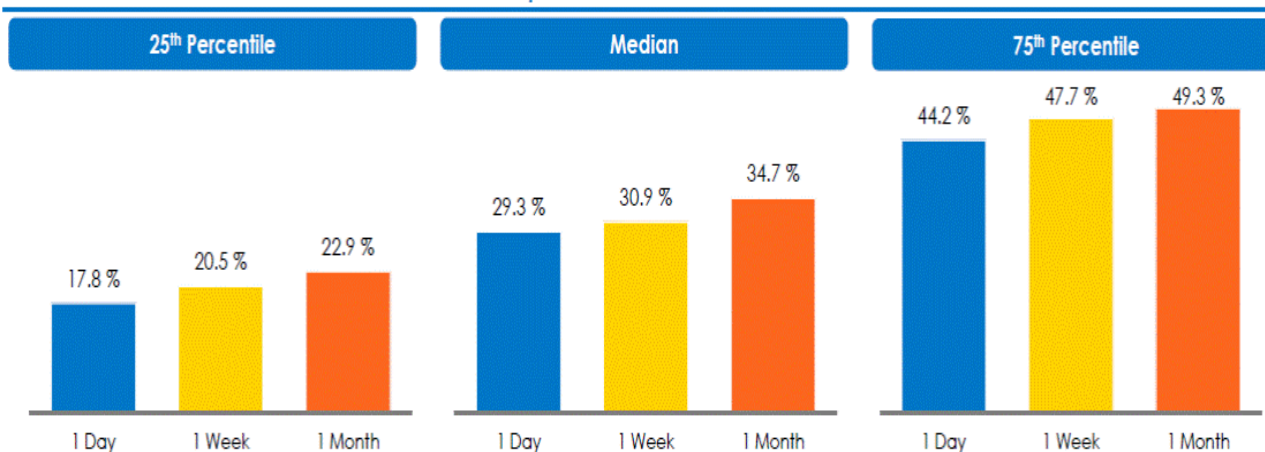
Last 5 Year Date Range | U.S. Targets with \$1bn to \$5bn EV

Goldman Sachs Perspective

Median Acquisition Premia for All Stock Deals<sup>(1)</sup>



Median Acquisition Premia for All Cash Deals<sup>(2)</sup>



Source: Thomson Financial Securities Data as of February 3, 2017.

(1) Includes 28 all-stock deals.

(2) Includes 170 all-cash deals.



CENTERVIEW PARTNERS

# Queen Standalone Street Financials

	Historical		Street Projections						CAGR	
	2014A	2015A	2016E	2017E	2018E	2019E	2020E	2021E	'14-16E	'16-21E
<b>Revenue</b>	\$10,028	\$9,169	\$10,314	\$10,664	\$11,196	\$11,776	\$12,315	\$12,869	1.4%	4.5%
YoY Growth		(8.6%)	12.5%	3.4%	5.0%	5.2%	4.6%	4.5%		
<b>Gross Profit</b>	\$3,650	\$3,322	\$3,377	\$3,439	\$3,585	\$3,768	\$3,941	\$4,118	(3.8%)	4.0%
% Margin	36.4%	36.2%	32.7%	32.2%	32.0%	32.0%	32.0%	32.0%		
(Less): Operating Expenses	(\$1,711)	(\$1,435)	(\$1,457)	(\$1,425)	(\$1,438)	(\$1,435)	(\$1,509)	(\$1,544)		
% of Sales	17.1%	15.7%	14.1%	13.4%	12.8%	12.2%	12.3%	12.0%		
<b>Adjusted EBITDA<sup>(1)</sup></b>	\$1,939	\$1,887	\$1,920	\$2,014	\$2,146	\$2,333	\$2,432	\$2,574	(0.5%)	6.0%
% Margin	19.3%	20.6%	18.6%	18.9%	19.2%	19.8%	19.7%	20.0%		
(Less): Stock-Based Comp.	(83)	(60)	(67)	(69)	(73)	(77)	(80)	(84)		
(Less): D&A	(587)	(657)	(883)	(709)	(451)	(311)	(281)	(273)		
(Less): Other	(7)	-	-	-	-	-	-	-		
<b>Reported EBIT</b>	\$1,262	\$1,170	\$970	\$1,235	\$1,623	\$1,946	\$2,071	\$2,217	(12.3%)	18.0%
Plus: Equity Earnings / Other	(14)	91	36	43	52	58	64	71		
(Less): Net Interest Expense	(312)	(283)	(291)	(281)	(285)	(282)	(274)	(262)		
Pre-Tax Income	\$936	\$978	\$715	\$997	\$1,389	\$1,722	\$1,861	\$2,026		
(Less): Taxes	(306)	(304)	(250)	(349)	(486)	(603)	(651)	(709)		
Net Income	\$630	\$674	\$465	\$648	\$903	\$1,119	\$1,210	\$1,317		
(Less): NCI & Other	(54)	(34)	(26)	(37)	(51)	(64)	(69)	(75)		
<b>Net Income to Queen</b>	\$576	\$640	\$438	\$611	\$852	\$1,055	\$1,141	\$1,242		
Plus: Adjustments	219	238	350	254	115	64	39	29		
<b>Adjusted Net Income to Queen</b>	\$795	\$878	\$789	\$865	\$967	\$1,119	\$1,180	\$1,271	(0.4%)	10.0%
<b>Adjusted Diluted EPS</b>	\$1.68	\$1.80	\$1.67	\$1.97	\$2.37	\$2.94	\$3.30	\$3.75	(0.3%)	17.6%
YoY Growth		7.5%	(7.5%)	17.9%	20.8%	23.9%	12.0%	13.9%		

## Memo:

Comparable EBITDA <sup>(2)</sup>	\$1,856	\$1,827	\$1,853	\$1,944	\$2,073	\$2,257	\$2,352	\$2,490	(0.1%)	6.1%
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Source: Wall Street research.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.

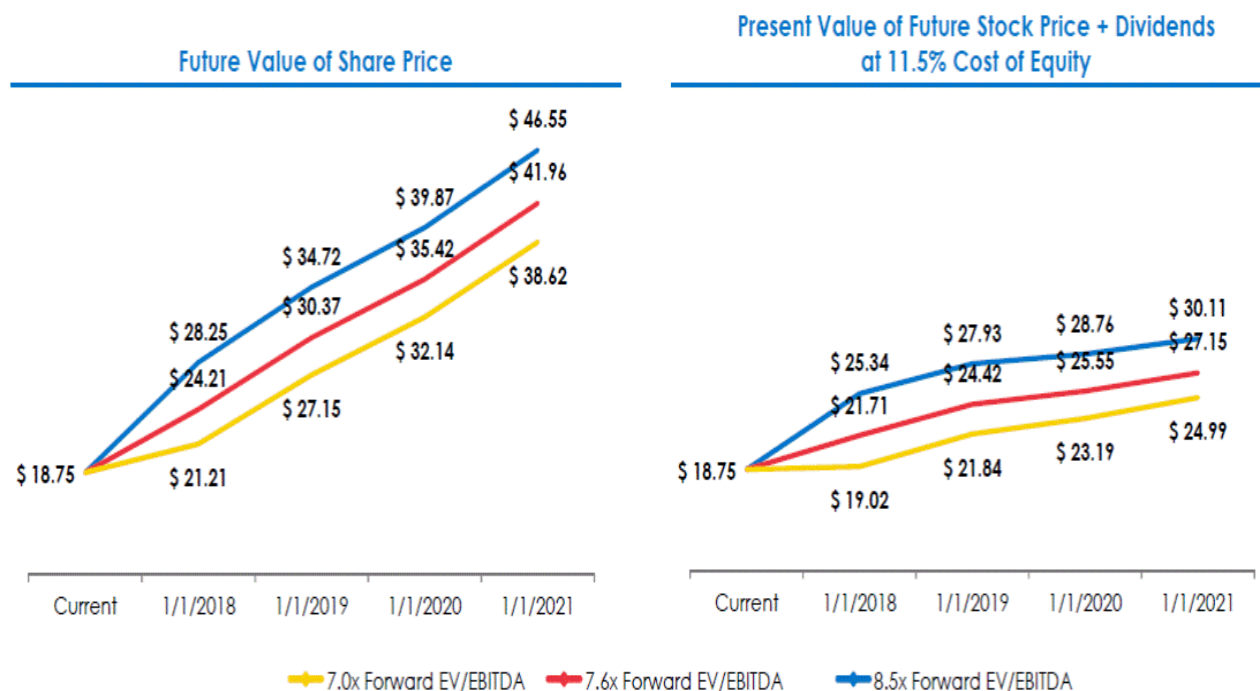
(2) Comparable EBITDA is after deduction of stock-based compensation expense.



CENTERVIEW PARTNERS

# Illustrative Public Market Present Value of Future Share Price Analysis Based on Queen Street Projections

Based on 1 Year Forward EV/EBITDA Multiples | Goldman Sachs Perspective



	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
1-Yr Forward EBITDA	\$ 2,073	\$ 2,257	\$ 2,352	\$ 2,490
Net Debt <sup>(1)</sup>	\$ 5,625	\$ 5,317	\$ 4,921	\$ 4,438
Diluted Shares Outstanding (mm)	421.7	392.4	368.1	347.4
Dividends Per Share	-	-	-	-

Source: Wall Street projections supplemented with extrapolated historical financial trends, Factset as of February 3, 2017

Note: Present Value of Future Stock Price includes dividends discounted based on mid-year convention. Future share prices and dividends discounted to 1/1/2017.

(1) Includes non-financial adjustments related to noncontrolling interest and equity investments.



CENTERVIEW PARTNERS

# Illustrative Queen Discounted Cash Flow Analysis Based on Street Expectations

## Centerview Perspective

### Queen Standalone Unlevered Free Cash Flows

	Fiscal Year Ending December 31,					
	2016A	2017E	2018E	2019E	2020E	2021E
<b>Adjusted EBITDA</b>	\$1,920	\$2,014	\$2,146	\$2,333	\$2,432	\$2,574
(Less): Stock-Based Compensation	(67)	(69)	(73)	(77)	(80)	(84)
<b>Comparable EBITDA<sup>(1)</sup></b>	<b>\$1,853</b>	<b>\$1,944</b>	<b>\$2,073</b>	<b>\$2,257</b>	<b>\$2,352</b>	<b>\$2,490</b>
(Less): D&A (Excluding Trans. Amort.)	(344)	(319)	(274)	(213)	(221)	(229)
<b>Adjusted EBIT</b>	<b>\$1,509</b>	<b>\$1,625</b>	<b>\$1,800</b>	<b>\$2,044</b>	<b>\$2,131</b>	<b>\$2,261</b>
(Less): Taxes		(569)	(630)	(715)	(746)	(791)
Plus: D&A (Excluding Trans. Amort.)		319	274	213	221	229
(Less): Δ in Net Working Capital		(68)	(94)	(102)	(88)	(103)
(Less): Capital Expenditures		(245)	(258)	(271)	(283)	(296)
<b>Unlevered Free Cash Flow</b>		<b>\$1,062</b>	<b>\$1,092</b>	<b>\$1,169</b>	<b>\$1,234</b>	<b>\$1,300</b>
YoY Growth			2.8%	7.0%	5.6%	5.3%

Discount Rate	Enterprise Value (\$bn)			Implied LTM Exit Multiple			Value per Share (\$)		
	Perpetuity Growth Rate			Perpetuity Growth Rate			Perpetuity Growth Rate		
	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%
9.0%	\$16.1	\$17.8	\$20.1	7.0x	8.1x	9.5x	\$21.54	\$25.05	\$29.73
9.5%	15.1	16.6	18.6	6.6x	7.6x	8.8x	19.59	22.69	26.66
10.0%	14.3	15.6	17.3	6.3x	7.1x	8.2x	17.80	20.62	24.03

Source: Wall Street research and Factset as of February 3, 2017.

Note: Dollars in millions, unless otherwise noted. Assumes mid-year discounting convention. Balance sheet information as of September 30, 2016.

(1) Comparable EBITDA is calculated after deduction of stock-based compensation expense.



CENTERVIEW PARTNERS

# Illustrative Discounted Cash Flow Analysis

## Projected Unlevered Free Cash Flow & Terminal Value Goldman Sachs Perspective

(\$ in millions, except for per share data)

	Historical			Management Projections					Terminal Year
	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	
Revenue	\$ 10,028	\$ 9,169	\$ 10,314	\$ 10,664	\$ 11,196	\$ 11,776	\$ 12,315	\$ 12,869	\$ 13,126
% Growth	-	(8.6)%	12.5 %	3.4 %	5.0 %	5.2 %	4.6 %	4.5 %	2.0 %
Adj. EBITDA (pre-SBC)	\$ 1,938	\$ 1,887	\$ 1,920	\$ 2,014	\$ 2,146	\$ 2,333	\$ 2,432	\$ 2,574	\$ 2,625
% Margin	19.3 %	20.6 %	18.6 %	18.9 %	19.2 %	19.8 %	19.7 %	20.0 %	20.0 %
Stock-Based Compensation	\$ 83	\$ 60	\$ 67	\$ 69	\$ 73	\$ 77	\$ 80	\$ 84	\$ 85
Adj. EBITDA (post-SBC)	\$ 1,855	\$ 1,827	\$ 1,853	\$ 1,944	\$ 2,073	\$ 2,257	\$ 2,352	\$ 2,490	\$ 2,540
% Margin	18.5 %	19.9 %	18.0 %	18.2 %	18.5 %	19.2 %	19.1 %	19.4 %	19.4 %
Depreciation	\$ 148	\$ 140	\$ 191	\$ 196	\$ 204	\$ 213	\$ 221	\$ 229	\$ 234
Amortization	\$ 129	\$ 138	\$ 153	\$ 123	\$ 70	-	-	-	-
EBIT	\$ 1,571	\$ 1,549	\$ 1,509	\$ 1,625	\$ 1,800	\$ 2,044	\$ 2,131	\$ 2,261	\$ 2,306
% Margin	15.7 %	16.9 %	14.6 %	15.2 %	16.1 %	17.4 %	17.3 %	17.6 %	17.6 %
Less: Adjusted Tax Expense (35%)				\$ 569	\$ 630	\$ 715	\$ 746	\$ 791	\$ 807
Plus: Depreciation				196	204	213	221	229	234
Plus: Amortization				123	70	-	-	-	-
Less: Capital Expenditures				245	258	271	283	296	262
Less: Increase in NWC				68	94	102	88	103	27
<b>Unlevered Free Cash Flow</b>				<b>\$ 1,062</b>	<b>\$ 1,092</b>	<b>\$ 1,169</b>	<b>\$ 1,234</b>	<b>\$ 1,300</b>	<b>\$ 1,443</b>
% of Adjusted EBITDA				52.8 %	50.9 %	50.1 %	50.8 %	50.5 %	55.0 %
<b>Illustrative Terminal Value</b>									
Assumed Perpetuity Growth Rate									2.0 %
Illustrative WACC									9.0 %
Terminal FCF									\$ 1,443
Terminal Value at Exit									\$ 20,618
Implied Terminal Value LTM EBITDA Multiple									8.1 x
Present Value of Terminal Value									\$ 13,990
<b>Total DCF Value</b>									<b>\$ 18,705</b>
Terminal Value % of Total Value									74.8 %
(-) Net Debt									\$ 6,062
(-) Noncontrolling Interest									\$ 836
(+) Queen Chinese Joint Venture									\$ 242
(+) Queen Stake in Hero									\$ 694
Equity Value									\$ 12,742
Shares Outstanding (mm)									465.36
<b>Illustrative Implied Equity Value per Share</b>									<b>\$ 27.38</b>

Source: Queen historical financials and Wall Street projections supplemented with extrapolated historical financial trends, Factset as of as of February 3, 2017. Implied EBITDA multiples based on adjusted EBITDA (post-SBC).

Note: Cash flows discounted to 01-Jan-2017 using mid-year convention for cash flows.

(1) Includes adjustments for equity associates and noncontrolling interest.



CENTERVIEW PARTNERS



# Illustrative Discounted Cash Flow Sensitivities

## Implied Value Per Share of Queen Goldman Sachs Perspective

(\$ in millions, except for per share data)

		Enterprise Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 20,598	\$ 21,835	\$ 23,297
	9.0 %	\$ 17,832	\$ 18,705	\$ 19,712
	10.0 %	\$ 15,720	\$ 16,360	\$ 17,086

		Value per Share		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 31.24	\$ 33.77	\$ 36.75
	9.0 %	\$ 25.59	\$ 27.38	\$ 29.44
	10.0 %	\$ 21.27	\$ 22.58	\$ 24.07

		% of EV from Terminal Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	76.6 %	77.9 %	79.3 %
	9.0 %	73.6 %	74.8 %	76.1 %
	10.0 %	70.7 %	71.8 %	73.0 %

		Implied Exit LTM EBITDA Multiple <sup>(1)</sup>		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	8.8 x	9.5 x	10.2 x
	9.0 %	7.6 x	8.1 x	8.7 x
	10.0 %	6.7 x	7.1 x	7.5 x

Source: Wall Street projections supplemented with extrapolated historical financial trends, Factset as of as of February 3, 2017.

Note: Free cash flow discounted to 01-Jan-2017 using mid-year convention for cash flows. Terminal value calculated as of 2021E.

(1) Calculated as terminal value at exit divided by terminal year adjusted EBITDA (post-SBC).



CENTERVIEW PARTNERS

# Pro Forma Combination Financials

Assumes 2x exchange ratio and \$125mm of run-rate synergies; excludes the impact of additional purchase accounting amortization created through a transaction

	Fiscal Year Ending December 31,						'16A-'21E
	2016A	2017E	2018E	2019E	2020E	2021E	CAGR
Queen Revenue	\$10,314	\$10,664	\$11,196	\$11,776	\$12,315	\$12,869	4.5%
Hero Revenue	3,567	3,637	3,786	3,946	4,100	4,257	3.6%
Revenue Synergies	-	-	-	-	-	-	
<b>Pro Forma Revenue</b>	<b>\$13,882</b>	<b>\$14,301</b>	<b>\$14,982</b>	<b>\$15,722</b>	<b>\$16,414</b>	<b>\$17,126</b>	<b>4.3%</b>
% YoY Growth		3.0%	4.8%	4.9%	4.4%	4.3%	
Memo: Hero S/A Growth		1.9%	4.1%	4.2%	3.9%	3.8%	
Queen Adjusted EBITDA	\$1,920	\$2,014	\$2,146	\$2,333	\$2,432	\$2,574	6.0%
Hero Adjusted EBITDA	299	307	346	377	408	441	8.1%
Net Synergies (Including Cost to Achieve)	-	(25)	25	125	125	125	
<b>Pro Forma Adjusted EBITDA<sup>(1)</sup></b>	<b>\$2,219</b>	<b>\$2,296</b>	<b>\$2,517</b>	<b>\$2,835</b>	<b>\$2,964</b>	<b>\$3,139</b>	<b>7.2%</b>
% Margin	16.0%	16.1%	16.8%	18.0%	18.1%	18.3%	
Memo: Hero Standalone Margin	8.4%	8.4%	9.1%	9.5%	9.9%	10.4%	
(Less): Stock Based Compensation		(90)	(94)	(99)	(103)	(107)	
(Less): D&A / Other		(756)	(500)	(363)	(336)	(332)	
(Less): Equity Losses in Affiliates		(9)	(9)	(9)	(9)	(9)	
(Less): Interest Expense		(299)	(310)	(311)	(305)	(292)	
<b>Pre-tax Income</b>		<b>\$1,141</b>	<b>\$1,604</b>	<b>\$2,053</b>	<b>\$2,211</b>	<b>\$2,399</b>	
(Less): Taxes		(404)	(567)	(725)	(782)	(848)	
(Less): NCI		(37)	(51)	(64)	(69)	(75)	
<b>Net Income To Queen Shareholders</b>		<b>\$700</b>	<b>\$985</b>	<b>\$1,264</b>	<b>\$1,361</b>	<b>\$1,476</b>	
Plus: Adjustments		270	139	64	39	29	
<b>Adjusted Net Income to Queen Shareholders</b>		<b>\$970</b>	<b>\$1,124</b>	<b>\$1,327</b>	<b>\$1,400</b>	<b>\$1,505</b>	
<b>Adjusted EPS</b>		<b>\$1.93</b>	<b>\$2.43</b>	<b>\$3.08</b>	<b>\$3.46</b>	<b>\$3.95</b>	
<b>Accretion / (Dilution) - \$</b>		<b>(0.04)</b>	<b>0.05</b>	<b>0.13</b>	<b>0.17</b>	<b>0.19</b>	
<b>Accretion / (Dilution) - %</b>		<b>(1.9%)</b>	<b>2.2%</b>	<b>4.6%</b>	<b>5.0%</b>	<b>5.2%</b>	

Source: Hero Management.

Note: For illustrative purposes, assumes \$125mm of run-rate synergies phased in 0% in 2017E, 50% in 2018E, and 100% thereafter. Cost to achieve synergies equal to 50% of run-rate synergies and incurred 40% in 2017E and 60% in 2018E.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.



CENTERVIEW PARTNERS

# Illustrative Pro Forma Discounted Cash Flow Valuation

Assumes an illustrative \$125mm of run-rate synergies  
Centerview Perspective

## Pro Forma Unlevered Free Cash Flows

	Fiscal Year Ending December 31,					
	2016A	2017E	2018E	2019E	2020E	2021E
<b>Adjusted EBITDA</b>	\$2,219	\$2,321	\$2,555	\$2,835	\$2,964	\$3,139
(Less): Stock Based Compensation	(86)	(90)	(94)	(99)	(103)	(107)
<b>Comparable EBITDA<sup>(1)</sup></b>	\$2,133	\$2,230	\$2,460	\$2,736	\$2,861	\$3,032
(Less): D&A (Excluding Trans. Amort.) <sup>(2)</sup>	(418)	(366)	(323)	(265)	(276)	(288)
(Less): Costs to Achieve Synergies	-	(25)	(38)	-	-	-
<b>Adjusted EBIT</b>	\$1,715	\$1,839	\$2,100	\$2,471	\$2,585	\$2,744
(Less): Taxes		(651)	(742)	(873)	(914)	(970)
Plus: D&A		366	323	265	276	288
(Less): Δ in Net Working Capital		(87)	(112)	(117)	(102)	(120)
(Less): Capital Expenditures		(305)	(339)	(355)	(363)	(369)
<b>Unlevered Free Cash Flow</b>		\$1,163	\$1,229	\$1,391	\$1,483	\$1,573
YoY Growth			6%	13%	7%	6%

Discount Rate	Enterprise Value (\$bn)			Implied LTM Exit Multiple			Equity Value (\$bn)		
	Perpetuity Growth Rate			Perpetuity Growth Rate			Perpetuity Growth Rate		
	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%
9.00%	\$19.2	\$21.3	\$24.1	7.0x	8.0x	9.5x	\$12.0	\$14.1	\$16.9
9.50%	18.1	19.9	22.3	6.6x	7.5x	8.8x	10.8	12.7	15.1
10.00%	17.1	18.7	20.7	6.2x	7.1x	8.2x	9.8	11.4	13.5

Source: Hero Management, Wall Street research, and Factset as of February 3, 2017.

Note: Assumes mid-year discounting convention. For illustrative purposes, assumes \$125mm of run-rate synergies phased in 0% in 2017E, 50% in 2018E, and 100% thereafter. Cost to achieve synergies equal to 50% of run-rate synergies and incurred 40% in 2017E and 60% in 2018E.

Adjusted EBITDA is before deduction of stock based compensation expense.

(1) Comparable EBITDA is calculated after deduction of stock-based compensation expense.

(2) Includes other.



CENTERVIEW PARTNERS

# Illustrative Discounted Cash Flow Analysis at 2.00x Exchange Ratio

## Projected Unlevered Free Cash Flow & Terminal Value

### Goldman Sachs Perspective

(\$ in millions, except for per share data)

	Pro Forma Historical		Pro Forma					Terminal Year
	2015A	2016A	2017E	2018E	2019E	2020E	2021E	
Revenue	\$ 12,860	\$ 13,882	\$ 14,301	\$ 14,982	\$ 15,722	\$ 16,414	\$ 17,126	\$ 17,469
% Growth	-	7.9 %	3.0 %	4.8 %	4.9 %	4.4 %	4.3 %	2.0 %
<b>Adj. EBITDA (pre-SBC)</b>	<b>\$ 2,244</b>	<b>\$ 2,219</b>	<b>\$ 2,321</b>	<b>\$ 2,492</b>	<b>\$ 2,710</b>	<b>\$ 2,839</b>	<b>\$ 3,014</b>	<b>\$ 3,075</b>
% Margin	17.5 %	16.0 %	16.2 %	16.6 %	17.2 %	17.3 %	17.6 %	17.6 %
Stock-Based Compensation	\$ 78	\$ 86	\$ 90	\$ 94	\$ 99	\$ 103	\$ 107	\$ 110
Synergies	0	0	0	63	125	125	125	125
Costs to Achieve Synergies	0	0	25	38	0	0	0	0
<b>Adj. EBITDA (post-SBC, incl. Synergies)</b>	<b>\$ 2,166</b>	<b>\$ 2,133</b>	<b>\$ 2,205</b>	<b>\$ 2,423</b>	<b>\$ 2,736</b>	<b>\$ 2,861</b>	<b>\$ 3,032</b>	<b>\$ 3,090</b>
% Margin	16.8 %	15.4 %	15.4 %	16.2 %	17.4 %	17.4 %	17.7 %	17.7 %
Depreciation	\$ 183	\$ 233	\$ 243	\$ 252	\$ 264	\$ 275	\$ 287	\$ 293
Amortization	138	153	123	70	0	0	0	0
Other Expenses	12	31	1	1	1	1	1	1
<b>EBIT</b>	<b>\$ 1,833</b>	<b>\$ 1,715</b>	<b>\$ 1,839</b>	<b>\$ 2,100</b>	<b>\$ 2,471</b>	<b>\$ 2,585</b>	<b>\$ 2,744</b>	<b>\$ 2,797</b>
% Margin	14.3 %	12.4 %	12.9 %	14.0 %	15.7 %	15.7 %	16.0 %	16.0 %
Less: Adjusted Tax Expense (Blended)			\$ 651	\$ 742	\$ 873	\$ 914	\$ 970	\$ 989
Plus: Depreciation			243	252	264	275	287	293
Plus: Amortization			123	70	-	-	-	-
Less: Capital Expenditures			305	339	355	363	369	328
Less: Increase in NWC			87	112	117	102	120	34
Plus: Other Non-Cash Items			1	1	1	1	1	-
<b>Unlevered Free Cash Flow</b>			<b>\$ 1,163</b>	<b>\$ 1,229</b>	<b>\$ 1,391</b>	<b>\$ 1,483</b>	<b>\$ 1,573</b>	<b>\$ 1,739</b>
% of EBITDA			50.1 %	49.3 %	51.3 %	52.2 %	52.2 %	56.6 %
<b>Illustrative Terminal Value</b>								
Assumed Perpetuity Growth Rate	2.0 %							
Illustrative WACC	9.0 %							
Terminal FCF	\$ 1,739							
Terminal Value at Exit	\$ 24,843							
Implied Terminal Value LTM EBITDA Multiple	8.0 x							
Present Value of Terminal Value	\$ 16,857							
<b>Total DCF Value</b>	<b>\$ 22,337</b>							
Terminal Value % of Total Value	75.5 %							
(-) Net Financial Debt	\$ 6,646							
(-) Noncontrolling Interest	\$ 836							
(+) Queen Chinese Joint Venture	\$ 242							
Equity Value	\$ 15,096							
Shares Outstanding (mm)	533.00							
<b>Illustrative Implied Equity Value per Share</b>	<b>\$ 28.32</b>							

Source: Hero historical financials and projections, Queen historical financials and Wall Street projections supplemented with extrapolated historical financial trends, Factset as of as of February 3, 2017.

Note: Cash flows discounted to 01-Jan-2017 using mid-year convention for cash flows. Includes \$125mm of run-rate synergies and \$63mm of one-off implementation costs per management guidance.

(1) Includes adjustments for equity associates and noncontrolling interests.



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# Illustrative DCF Sensitivities at 2.00 Exchange Ratio

## Implied Value Per Share of Pro Forma Combined Hero and Queen

### Goldman Sachs Perspective

(\$ in millions, except for per share data)

		Enterprise Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 24,626	\$ 26,107	\$ 27,857
	9.0 %	\$ 21,293	\$ 22,337	\$ 23,541
	10.0 %	\$ 18,748	\$ 19,513	\$ 20,380

		Value per Share		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 32.43	\$ 35.09	\$ 38.23
	9.0 %	\$ 26.45	\$ 28.32	\$ 30.49
	10.0 %	\$ 21.87	\$ 23.24	\$ 24.80

		% of EV from Terminal Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	77.2 %	78.5 %	79.9 %
	9.0 %	74.3 %	75.5 %	76.7 %
	10.0 %	71.4 %	72.5 %	73.7 %

		Implied Exit LTM EBITDA Multiple <sup>(1)</sup>		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	8.7 x	9.4 x	10.1 x
	9.0 %	7.6 x	8.0 x	8.6 x
	10.0 %	6.7 x	7.0 x	7.4 x

Source: Hero projections, Wall Street projections supplemented with extrapolated historical financial trends for Queen, Factset as of as of February 3, 2017.

Note: Free cash flow discounted to 01-Jan-2017 using mid-year convention for cash flows. Terminal value calculated as of 2021E. Includes \$125mm of run-rate synergies and \$63mm of one-off implementation costs per management guidance.

(1) Calculated as terminal value at exit divided by terminal year adjusted EBITDA (post-SBC).



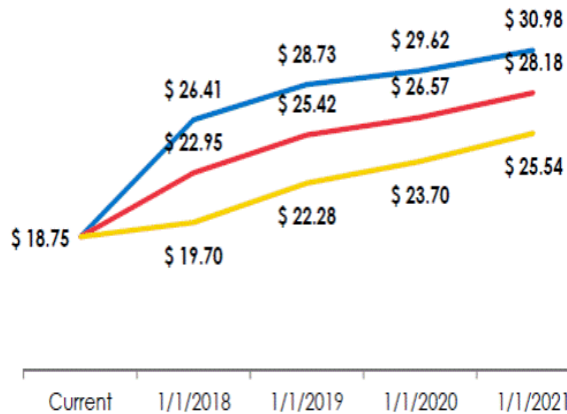
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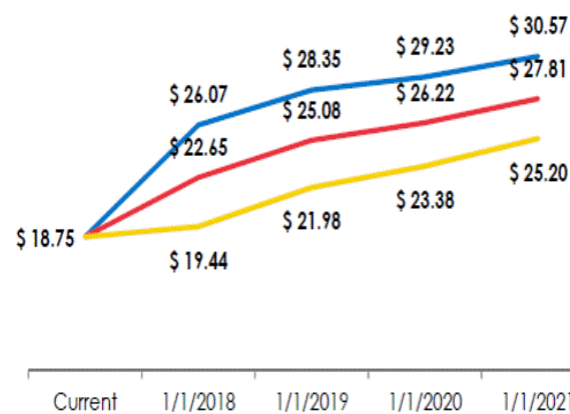
# Illustrative Pro Forma Public Market Present Value of Future Share Price Analysis Based on Hero Management and Queen Street

Based on 1 Year Forward EV/EBITDA Multiples | Goldman Sachs Perspective

Present Value of Future Stock Price at 11.5% Cost of Equity at 2.00x Exchange Ratio



Present Value of Future Stock Price at 11.5% Cost of Equity at 2.20x Exchange Ratio



◆ 7.0x Forward EV/EBITDA 
 ◆ 7.7x Forward EV/EBITDA (blended) 
 ◆ 8.5x Forward EV/EBITDA

Value to HSN	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
7.0x NTM EV/EBITDA	\$52.83	\$57.46	\$59.24	\$61.96
7.7x NTM EV/EBITDA	\$45.90	\$50.84	\$53.15	\$56.37
8.5x NTM EV/EBITDA	\$39.40	\$44.56	\$47.39	\$51.08

Value to HSN	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
7.0x NTM EV/EBITDA	\$57.35	\$62.38	\$64.31	\$67.25
7.7x NTM EV/EBITDA	\$49.82	\$55.18	\$57.69	\$61.18
8.5x NTM EV/EBITDA	\$42.76	\$48.36	\$51.44	\$55.44

Source: Hero projections, Wall Street projections supplemented with extrapolated historical financial trends, Factset as of as of February 3, 2017  
 Note: Blended multiples calculated based current Hero and Queen NTM EV / EBITDA multiple, weighted by EBITDA each year. Includes \$125mm of run-rate synergies and \$63mm of one-off implementation costs per management guidance.



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# Materials for Hero's Qualified Directors

## Project Venus

February 24, 2017

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## Overview of Conversation with Lion CEO

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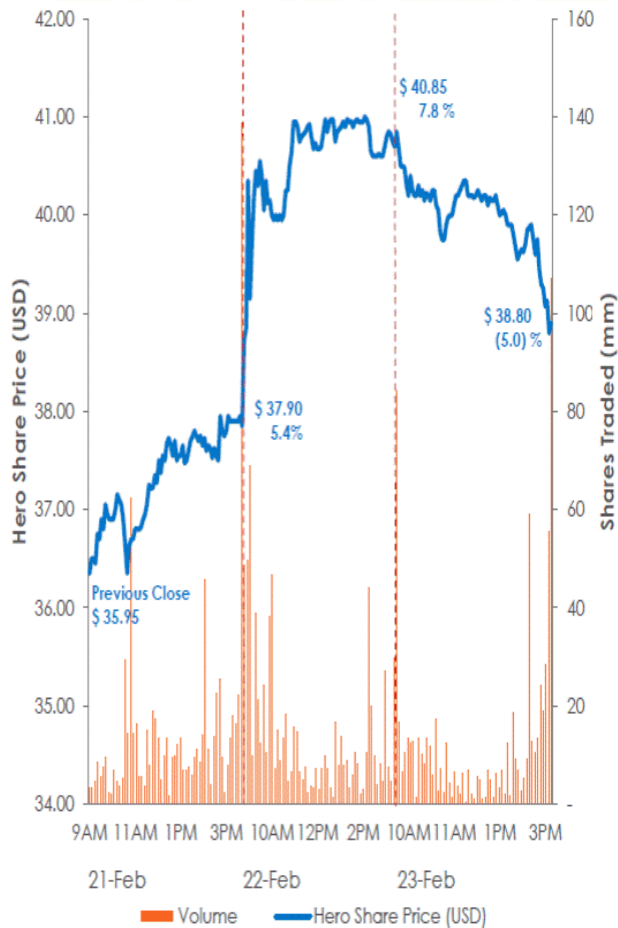
- On Tuesday, February 21, 2017, representatives of **Centerview and Goldman Sachs** (the "Advisors") **spoke with Lion Interactive's CEO, Greg Maffei**
  - Maffei requested to speak directly with the Advisors
  - Conversation was a follow up to a brief call between Arthur Martinez and Maffei during the prior week
- Maffei indicated that **Queen is not currently in a position to make a proposal** due to Lion internal corporate developments; **will reach back out over the coming weeks to re-engage**
  - Over the next three weeks, **Queen intends to announce a plan to create an asset-based stock** consisting of Queen, Zulily and Lion's stake in Hero (the current composition of the Queen tracking stock)
  - Maffei expressed the view that the stock will ultimately, although not immediately, trade better than the current tracking stock (will likely be included in the S&P 500)
- Maffei also expressed his desire for a two-way dialogue including **discussion of Hero's standalone plan and Hero's view of potential synergies in advance of any proposal**
  - Advisors conveyed that **Hero was approached by Lion, and before material engagement, a proposal should be made**
  - Maffei claimed that Lion and Queen are not as educated about Hero business as Advisors may believe
- Advisors reiterated that any transaction would constitute a change of control, and **Hero expects to be compensated accordingly, in addition to being compensated for its fair share of synergies upfront**
  - Advisors also reiterated Hero's confidence in its standalone plan
- Maffei noted that he **will revert back to us in the next two to three weeks** to provide additional **perspectives on Queen's new asset-based stock and analysis of potential synergies** in a combination with Hero
  - Does not believe Lion would need to make any amendments to its 13-D at this time or following certain discussions



## Summary Perspectives on Hero Earnings

Hero's earnings were well received by investors, however heightened volatility caused pressure on Hero's share price towards the end of Thursday's trading day

### Hero Three-Day Intraday Share Price and Volume



### Key Investor Themes

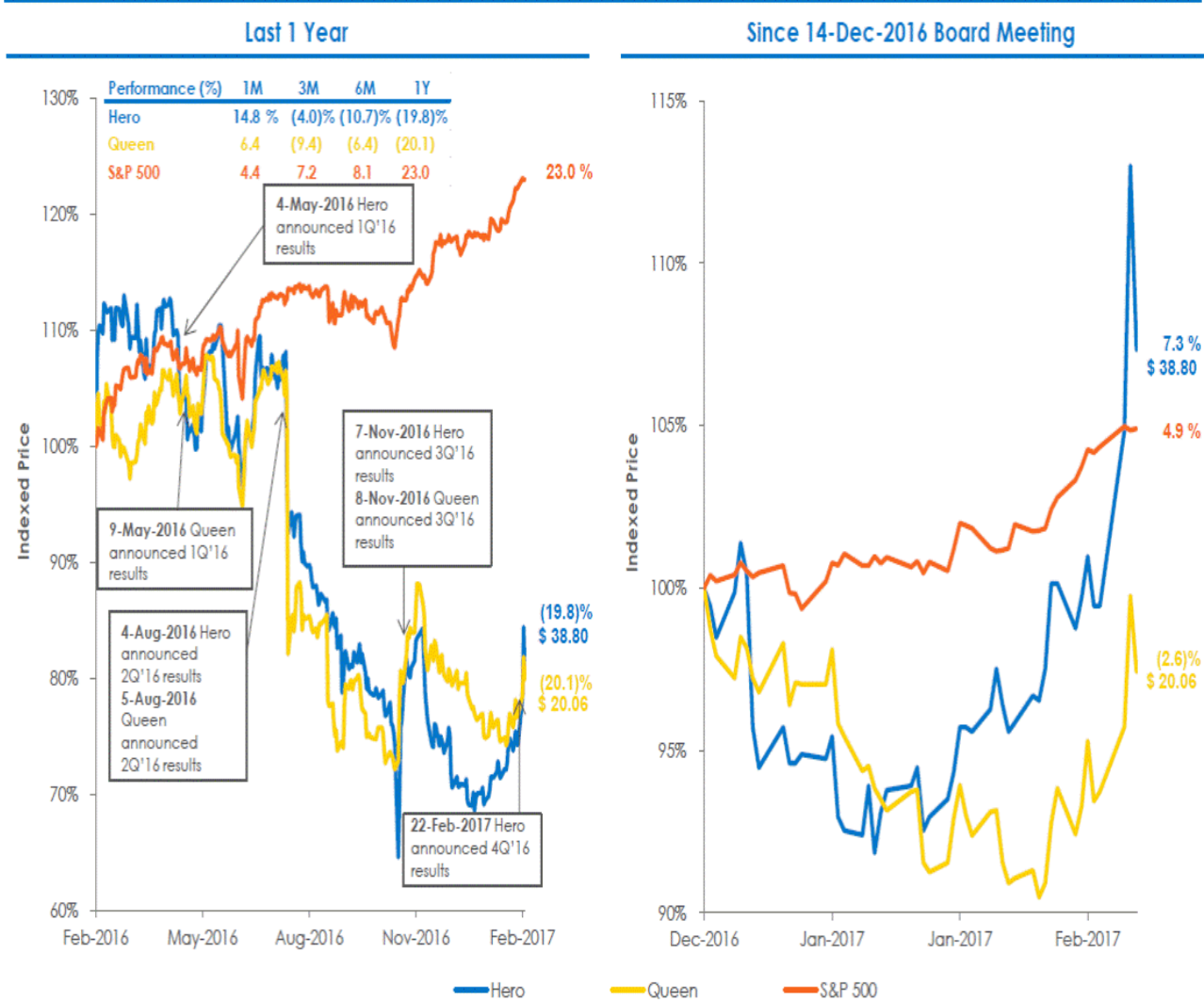
- Hero's **Q4'16 results were well received** by investors with much focus on better than expected earnings driving Wednesday's **+7.8% performance**
  - The stock rallied on Wednesday and a few smaller trades by hedge funds were observed early Thursday morning
- The market was encouraged by the **beat on revenue and adjusted EBITDA** combined with relatively in-line numbers on average price point and units shipped
- Investors were encouraged by the **4% increase in digital sales**, which now represents 55% of the business, even though sales fell 2%
- The **diversity of Hero's product offering** remains attractive with a good mix between Home, Beauty and Health, Fashion and Jewelry
- **Cash flow and broader financials remain strong and stable**
- More broadly across the market, many **investors continue to react to headline themes in the consumer retail market**, particularly around potential tax headwinds. This has led to **heightened volatility**
  - **Elevated volatility** may have caused pressure on Hero's share price towards the end of Thursday's trading day, potentially as technical traders exited positions
  - Overall, the **stock traded down (5.0)% on Thursday to \$38.80 (VWAP was \$39.73 for the day)**

Source: Bloomberg as of February 23, 2017.



# Hero and Queen Relative Stock Price Performance Over Time

Hero has outperformed Queen's stock price performance since the December 2016 Board Meeting



Source: Bloomberg as of February 23, 2017.



## Overview of Analyst Feedback

Analyst commentary reflects optimism around in-process initiatives and industry dynamics, but also caution in light of near term headwinds that could pressure 2017 financials

### Estimate Revisions

- Estimates generally reduced in light of one less selling day in the year, supply chain optimization costs and a higher tax rate
  - “In 1Q:17, HSNi will have **one less selling day** and the company will contend with **increased incentive compensation expenses** and a **higher tax rate in 2017**. On a more positive note, we continue to argue that a **new Chief Merchant, a new CFO, improved merchandising and favorable comparisons will result in improved EPS** in 2017 and 2018.”
    - Sidoti, February 22, 2017

### Hero/Queen Combination

- “We do not think [Queen will seek to acquire Hero] in the near term. At a recent investor day, Liberty Media’s CEO, Greg Maffei, said the company would not tender for HSN, seemingly taking a possible merger off the table for now, **despite the potential for meaningful synergies between QVC and HSN.**”
  - FBR & Co., February 22, 2017

### Potential Upsides

- Supply chain optimization almost complete
  - “HSN should further realize lower shipping costs related to Piney Flats upgrade starting in 2018.”
    - Craig Hallum, February 23, 2017
- Strong senior management
  - “As 2017 progresses, we still expect HSNi to **benefit from a new Chief Merchant, a new CFO, a more productive portfolio** of catalogs under the Cornerstone Brands.”
    - Sidoti, February 22, 2017
- Continued growth and focus on digital channel sales
  - “We see a long-term opportunity for TV shopping generally and HSN... to become **e-commerce driven secular growth stories**, fueled by video-rich websites that drive a third of sales and customers who may be uniquely responsive to new social marketing approaches.”
    - FBR & Co., February 22, 2017





### Potential Risks

- Leap year will have a significant impact
  - “Because Saturday’s typically generate more than double the revenue of a Monday, we expect the impact to Q1 from the lost leap year to be \$10 - \$15mm.”
    - Craig Hallum, February 23, 2017
- Supply chain optimization will weigh on Q1 results
  - “**Supply chain issues** that hurt 4Q FY’16 (by \$0.19) also **will hurt 1H’17 EPS** by about \$0.10 – \$0.12.”
    - Sidoti, February 22, 2017
- Margin pressure from shipping and handling in short term
  - “HSN competes with Amazon.com and others in a by-mail retail segment beset by discounting shipping offers, which **could drive incremental revenue and margin pressures.**”
    - FBR & Co., February 22, 2017



## Select Analyst Price Target and Estimate Revisions Post-4Q Earnings

Near-term Street estimates remain below Hero Management Projections as analysts have generally revised estimates downwards since Hero reported earnings

Broker		12-Month Price Target	Revenue		Adjusted EBITDA		EPS	
			2017E	2018E	2017E	2018E	2017E	2018E
	Pre-4Q	\$35.00	\$3,556	\$3,661	\$246	\$302	\$2.54	\$2.85
	Post-4Q	\$45.00	3,576	3,672	271	300	2.48	2.81
	% Change	28.6%	+0.6%	+0.3%	+10.3%	(0.8%)	(2.4%)	(1.4%)
	Pre-4Q	\$34.00	\$3,539	\$3,623	\$345	\$357	\$3.11	\$3.22
	Post-4Q	\$37.00	3,540	3,600	302	338	2.58	3.05
	% Change	8.8%	+0.0%	(0.7%)	(12.4%)	(5.4%)	(17.0%)	(5.3%)
	Pre-4Q	\$54.00	\$3,616	\$3,724	\$320	\$355	\$2.76	\$3.45
	Post-4Q	\$54.00	3,483	3,520	278	307	2.26	2.82
	% Change	0.0%	(3.7%)	(5.5%)	(13.0%)	(13.5%)	(18.1%)	(18.3%)
	Pre-4Q	\$50.00	\$3,595	\$3,687	\$314	\$340	\$3.00	\$3.35
	Post-4Q	\$48.00	3,608	3,709	294	325	2.77	3.20
	% Change	(4.0%)	+0.4%	+0.6%	(6.3%)	(4.3%)	(7.7%)	(4.5%)

Current Hero Share Price (as of 02/23/2017) **\$38.80**

Median	Pre-4Q	\$42.50	\$3,575	\$3,674	\$317	\$348	\$2.88	\$3.29
	Post-4Q	46.50	3,558	3,636	286	316	2.53	2.94
	% Change	+9.4%	(0.5%)	(1.0%)	(9.7%)	(9.0%)	(12.2%)	(10.7%)
Mean	Pre-4Q	\$43.25	\$3,576	\$3,674	\$306	\$339	\$2.85	\$3.22
	Post-4Q	46.00	3,552	3,625	287	318	2.52	2.97
	% Change	+6.4%	(0.7%)	(1.3%)	(6.4%)	(6.2%)	(11.6%)	(7.7%)
Hero Management Plan <sup>(1)</sup>			\$3,637	\$3,786	\$307	\$346	\$2.62	\$3.03
Management Plan vs. Consensus Average			2.4%	4.4%	7.1%	8.9%	3.8%	2.0%

Source: Wall Street research as of February 23, 2017.

Note: Select brokers included who have updated estimates since Hero's 4Q earnings release on February 22, 2017.

(1) Hero Management Plan shared with Board on January 30, 2017.



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# Spectrum of Potential Strategic Alternatives for Hero

## Illustrative "Menu of Options" for Hero

Status Quo	Status Quo With Plan Enhancements	Break-up of Hero	Make Hero an Independent Company	Sale of Hero
<ul style="list-style-type: none"><li>■ Maintain control of Hero, although Queen continues to own a 38% stake</li><li>■ Benefit from the value creation from Hero's standalone plan</li></ul>	<ul style="list-style-type: none"><li>■ Maintain control of Hero, although Queen continues to own a 38% stake</li><li>■ Benefit from the value creation from Hero's standalone plan supplemented with plan enhancements such as capital structure moves or acquisitions</li></ul>	<ul style="list-style-type: none"><li>■ Separate Cornerstone from Hero, likely through a sale of Cornerstone</li></ul>	<ul style="list-style-type: none"><li>■ Hero to become independent from Queen with broad shareholder base</li><li>■ Possibly achieved through:<ul style="list-style-type: none"><li>— Offer to buy Queen's 38% stake in Hero</li><li>— Queen spin-off of Hero stake</li><li>— Cash rich split-off</li></ul></li></ul>	<ul style="list-style-type: none"><li>■ Sale of Hero to Queen or interested third party</li><li>■ Process options include:<ul style="list-style-type: none"><li>— One-on-one negotiations with Queen</li><li>— Post-signing process through a go-shop provision after signing a deal with Queen</li><li>— Pre-signing process allowing interested third parties to participate</li></ul></li></ul>



## Key Next Steps

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### Hero Standalone

- Conduct business as usual: execute on Hero's standalone plan and strategic initiatives
  - Refine plan as necessary, including identification of potential plan enhancements
- Continue to evaluate strategic alternatives for Hero

### Interaction with Queen

- Prepare to respond to a potential proposal from Queen
- Refine the communication plan vis-à-vis Queen, as appropriate, as process develops
- Update thorough analysis of the potential synergy opportunity in a combination, including incorporating input from Queen management, if/when made available
- Review and update the strategic, financial and operational benefits of a potential combination with Queen as new information becomes available

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# Special Committee Materials

## Project Venus

March 9, 2017

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# Situation Overview

## Hero current situation

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### Operating and Financial Results

- **Operating performance for Hero (the “Company”) has been challenged** during 2015 and 2016 due to a **combination of operational execution** (e.g., merchandizing capabilities, Piney Flats) **and external macro/industry factors** (e.g., consumer behavior)
  - Hero’s revenue growth decelerated in 2016, declining 1.9% relative to the prior year, well below the Company’s historical levels of mid-single digits growth
  - Profitability has also declined, with Adjusted EBITDA<sup>(1)</sup> margins falling from 10.1% in 2015 to 8.6%<sup>(2)</sup> in 2016 amid fixed cost deleveraging and gross margin headwinds
- **New growth initiatives** (e.g., merchandising strategies, Cornerstone retail) and cost rationalization (e.g., supply chain optimization) **have been implemented to improve operating performance**
- Hero has **taken steps to streamline the Cornerstone portfolio, divesting Chasing Fireflies and TravelSmith** in the third quarter of 2016
- Debt increased in 2015 to fund a special dividend and net leverage is currently 1.6x; **interest payments and regular dividends consume a significant portion of cash flow**

### Equity Market Summary

- Amid a broader retail downturn, recent financial performance has led to a **decline in analysts’ expectations** for Hero’s future operating performance and a **contraction in the Company’s NTM comparable EBITDA<sup>(3)</sup> multiple** (currently 8.3x versus two-year average of 9.4x)
- This has led to a **significant decline in share price during 2016: down 32% (\$&P 500 was up 10%)** and the Company’s **share price is currently near its three year low**
- Wall Street analysts have **reduced price targets from an average in the high \$60s per share at the beginning of 2016 to a current average price per share target of ~\$43**

(1) Adjusted EBITDA is before deduction of stock based compensation expense.  
(2) Pro forma for divestitures of TravelSmith and Chasing Fireflies from Cornerstone.  
(3) Comparable EBITDA is after deduction of stock based compensation expense.





# Situation Overview

## Context for discussion of potential combination with Queen

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### Hero Financial Projections

- Hero management has presented to the Board its long-term operating forecast ("Projections"):
  - **Projections assume a return of organic revenue growth** (+3.2%) in 2017 and an overall CAGR over the projection period of +3.9%<sup>(1)</sup>
  - **Adjusted EBITDA margins** decline slightly (20bps) in 2017 and then are **forecast to expand ~200bps to 10.4% from 2017-2021**
  - The **Projections contemplate a '16-'21 EPS CAGR of ~9%**, with cash available to continue funding the dividend and buybacks to maintain a constant share count over time
- Projections are in excess of Wall Street consensus, which forecasts ~0.5% revenue growth in 2017 and 3.6% revenue growth in 2018

### Queen Situation

- In late 2016, **Queen's CEO conveyed verbally to Hero's Chairman that Queen would be interested in exploring a transaction to acquire Hero** with stock at a "modest premium"
- **Hero's Board formed a Special Committee** to evaluate its long-term business plan and consider various alternatives, and verbally informed Queen of the process
- **Queen has not submitted a formal indication of interest**

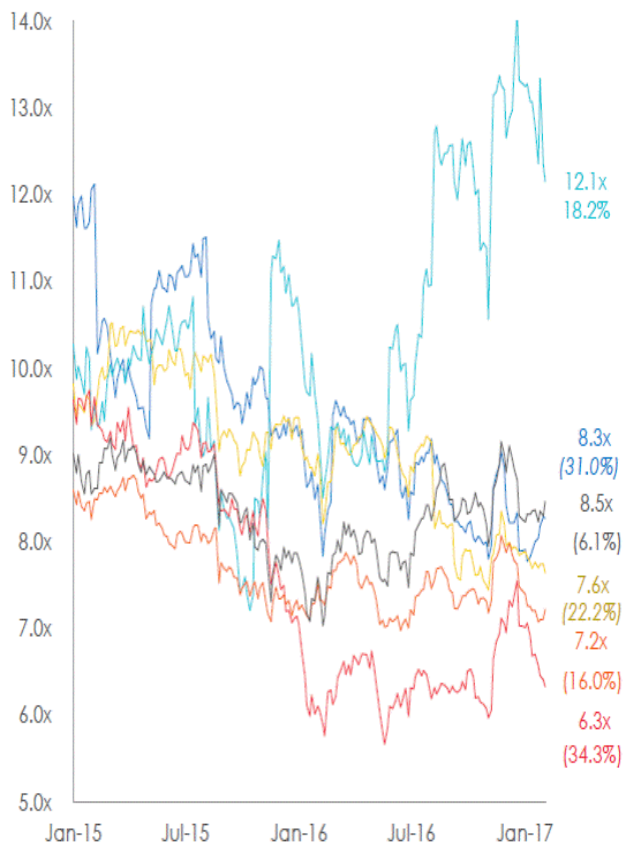
### Strategic Alternatives Introduction

- **A number of key assumptions will need to be considered** as the Board reviews the range of strategic alternatives potentially available to the Company:
  - **Business Plan Execution:** Ability for Hero to reaccelerate growth from its current decline to the growth rates assumed in the Projections, which are more consistent with historical performance
  - **Balance Sheet Recapitalization:** Comfort level with increasing the Company's target leverage level in order to execute enhanced capital return alternatives
  - **Acquisition Alternatives:** Ability to execute and finance potentially attractive acquisitions given the Company's current operating performance and balance sheet

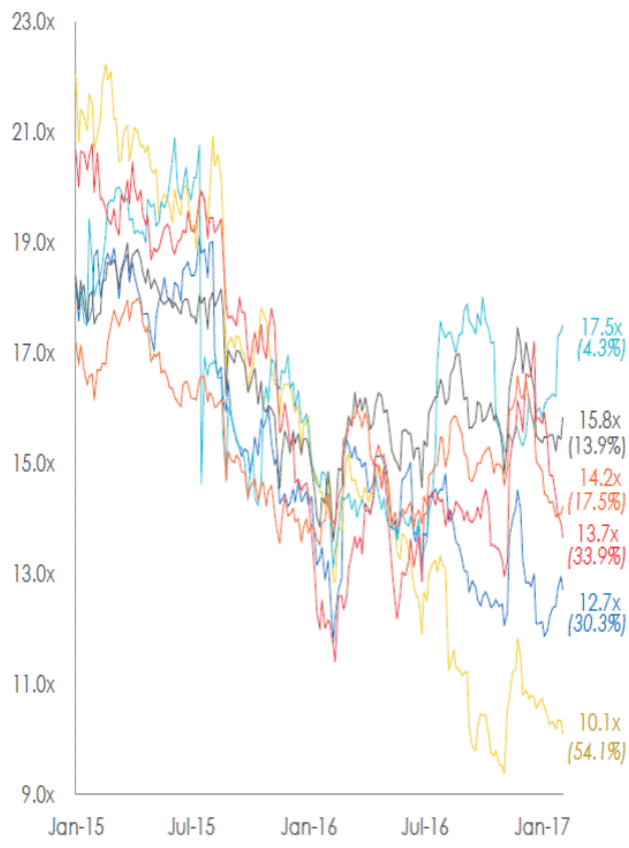
(1) Pro forma for divestitures of TravelSmith and Chasing Fireflies from Cornerstone.

# Trading Multiples Have Contracted Across Retail Universe

## Comparable EV/NTM EBITDA



## Comparable NTM P/E



■ Hero ■ Queen ■ Specialty Retail<sup>(1)</sup> ■ Home Stores<sup>(1)</sup> ■ Department/Mass<sup>(1)</sup> ■ eCommerce<sup>(1)</sup>

Source: Hero Management, company filings and Factset as of February 3, 2017.

Note: Comparable EBITDA calculated after deduction of stock-based compensation expense from Adjusted EBITDA. Comparable EPS is calculated after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization from EPS.

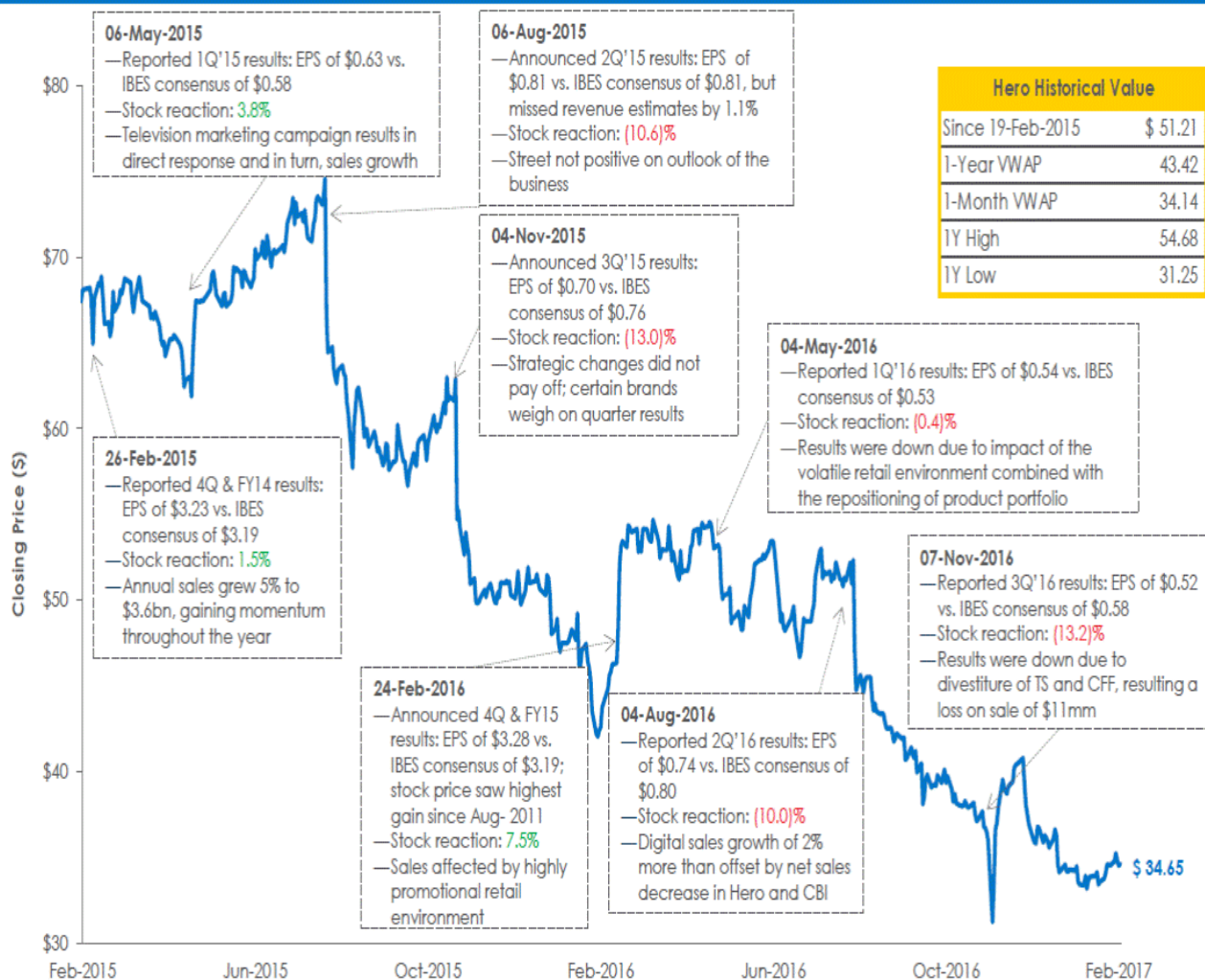
(1) Specialty Retail includes BBY, DKS, FL, FOSL, GNC, TIF; Home Stores includes BBBY, ETH, PIR, RH, WSM; Department/Mass includes DDS, KSS, M, JWN, ROST, TGT, TJX, WMT; eCommerce includes eBay and OSTK. OSTK excluded from P/E average.



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# Hero Stock Price Performance

Since Feb-2015 Hero Special Dividend



Source: Company filings, IBES, Bloomberg as of February 3, 2017.

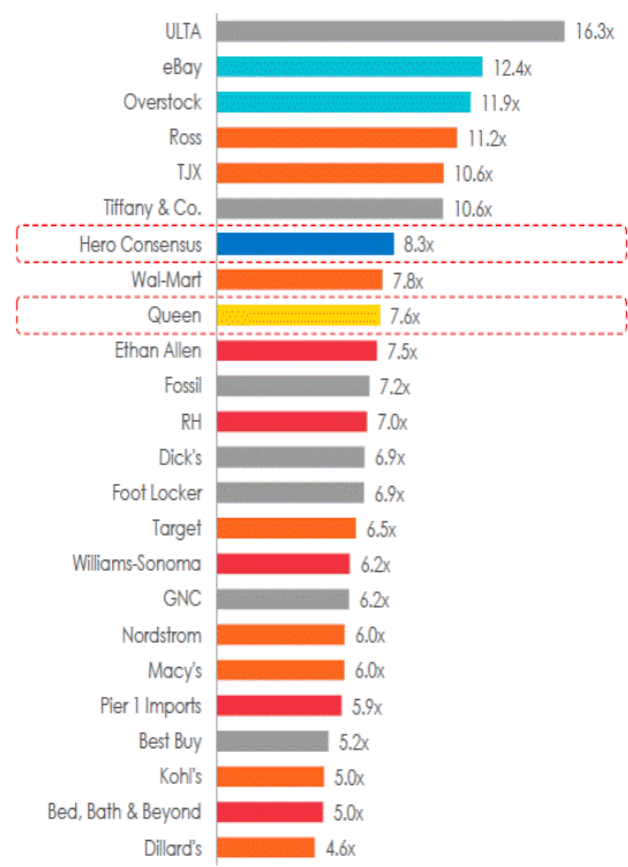


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# Public Trading Comparables



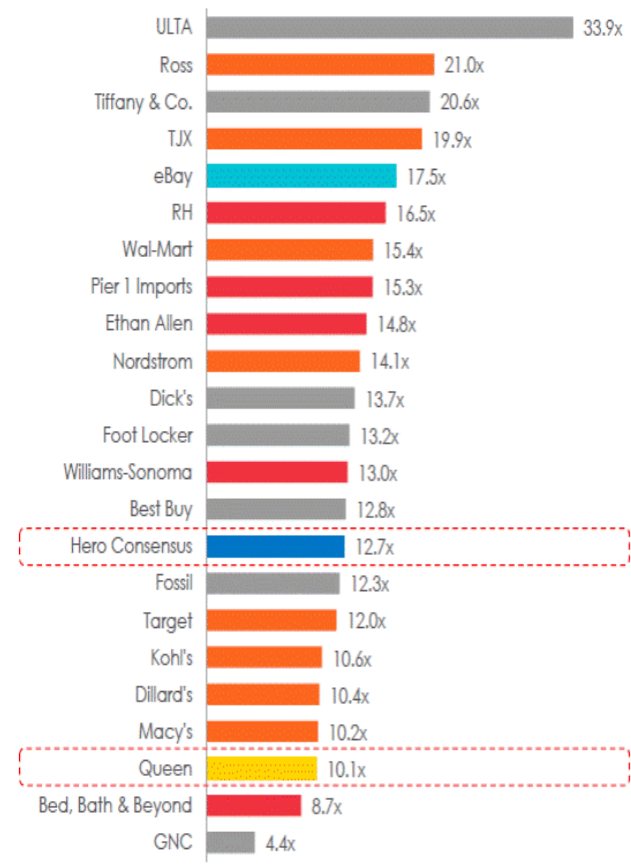
## NTM EV / Comparable EBITDA



**Stats**  
Ex - Hero

**25<sup>th</sup> Percentile:** 6.0x  
**Median:** 6.9x  
**75<sup>th</sup> Percentile:** 9.2x

## NTM Comparable P/E



**25<sup>th</sup> Percentile:** 10.5x  
**Median:** 13.2x  
**75<sup>th</sup> Percentile:** 16.0x

Source: Hero management, company filings and FactSet as of February 3, 2017.

Note: Comparable EBITDA calculated after deduction of stock-based compensation expense from Adjusted EBITDA. Comparable EPS is calculated after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization from EPS.

# Overview of Hero Standalone Plan

Projections reflect a return to historical levels of growth and margin improvements driven by in-process initiatives

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■ **Projections imply a return to historical levels of growth (prior to challenging 2016)**

—Top-line initiatives include improvements to TV distribution and viewer experience (e.g., one-click remote-buying), product pricing and expanding digital capabilities, etc.

■ **A number of in-process initiatives expected to drive margins above historical levels**

—Initiatives include supply chain efficiencies (tailwind from resolution of Piney Flats issues and automation), merchandising initiatives, etc.

■ **The Projections reflect a number of positive developments in December and January:**

—Resolution of Piney Flats issues; increased confidence in ability to drive margin improvement led by new Chief Merchandising Officer; clarified view of trends in business mix

—Broker estimates do not reflect these developments and as a result lag the Projections

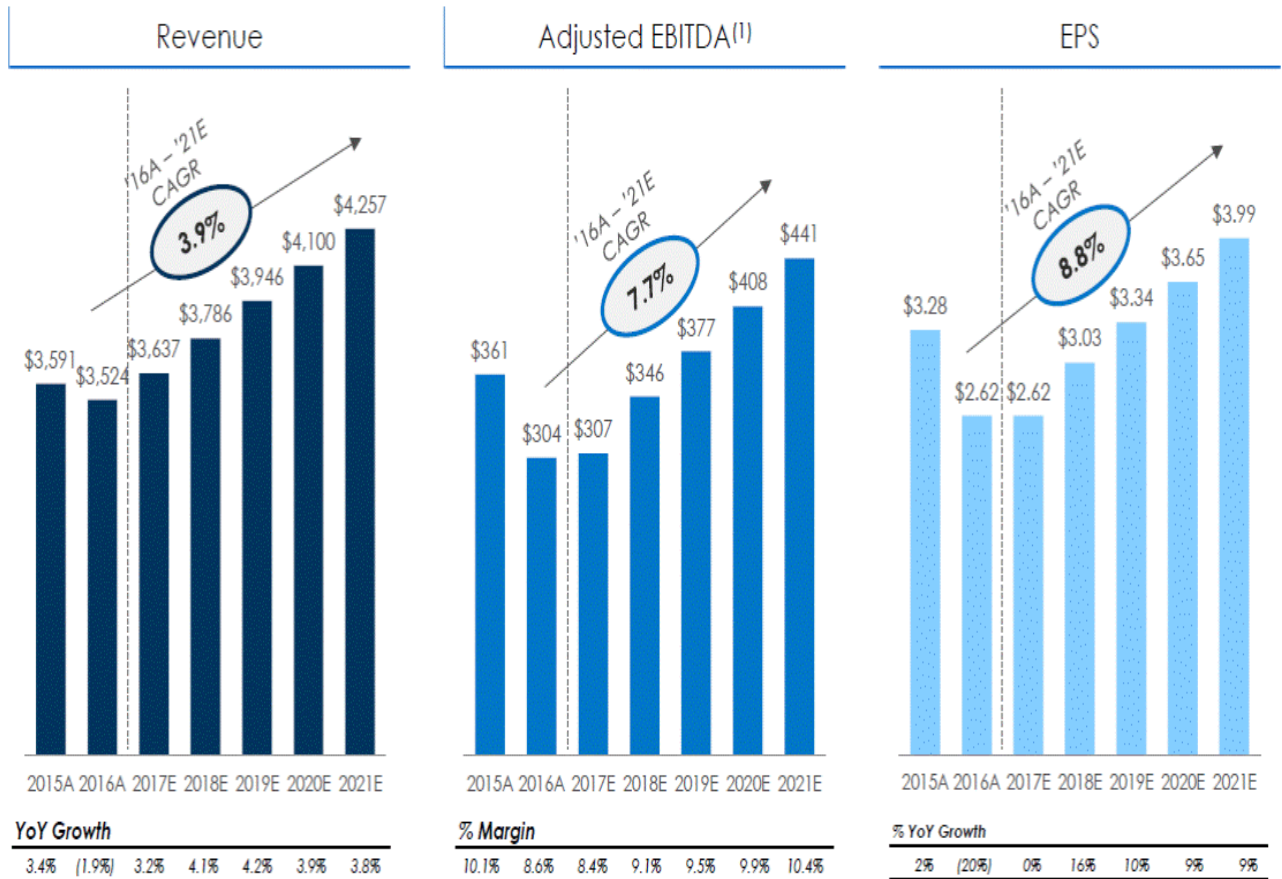
—Resulted in stronger outlook for 2017 relative to Plan shared with Board in December

■ **Relative to Queen, Hero top-line growth is in-line but EBITDA growth and margin expansion are higher due to a low 2016 EBITDA base and the initiatives discussed above**



# Hero Projections Summary

Projections imply 7.7% Adjusted EBITDA CAGR and 8.8% EPS CAGR from 2016A-2021E



Source: Hero Management.

Note: Revenue and EBITDA historical figures are pro forma for divestitures of TravelSmith and Chasing Fireflies from Cornerstone.

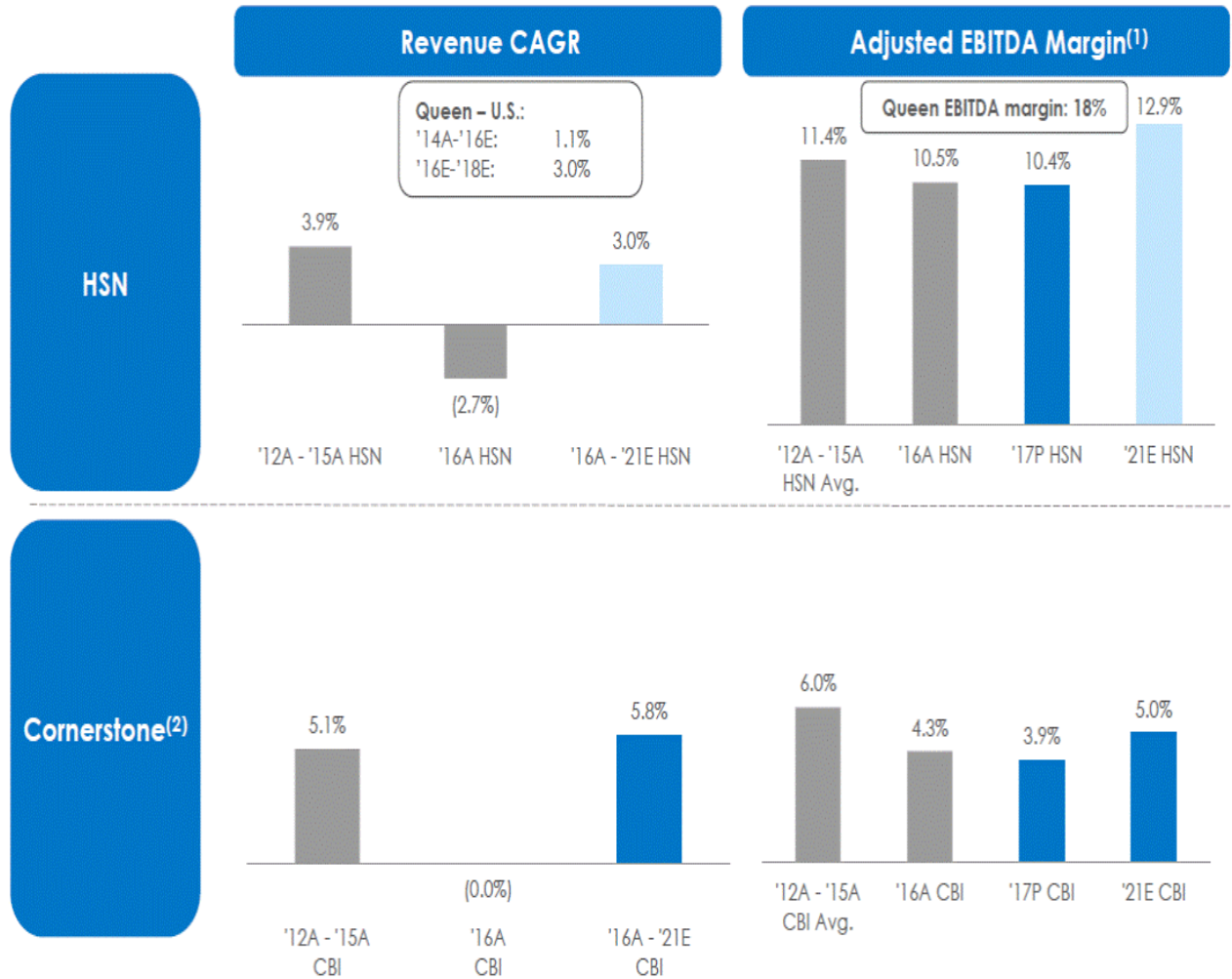
(1) Adjusted EBITDA is before deduction of stock based compensation expense.



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# Projection Assumptions: Historical Context

Projections reflect a return to historical growth rates and HSN segment margin expansion driven by in-process initiatives



Source: Hero Management.










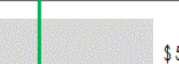
(1) Adjusted EBITDA is before deducting stock based compensation expense.

(2) Cornerstone historical financials pro forma for sale of Chasing Fireflies and TravelSmith.



# Summary of Illustrative Financial Analyses for Hero

## Per Management Projections

Analyses	Illustrative Price per Share	Comments
Present Value of Future Share Price <sup>(1)</sup> Goldman Sachs	\$ 36  \$ 51	<ul style="list-style-type: none"> <li>PV of 1-4 year future share price based on 7.5-9.5x one year forward EV/EBITDA on 2018E-2021E Comparable EBITDA<sup>(2)</sup></li> <li>Assuming cost of equity of 10.0%</li> </ul>
Discounted Cash Flow Goldman Sachs	\$ 33  \$ 53	<ul style="list-style-type: none"> <li>1.5% to 2.5% perpetuity growth rate</li> <li>8.0% to 10.0% weighted average cost of capital</li> </ul>
Discounted Cash Flow Centerview Partners	\$ 30  \$ 46	<ul style="list-style-type: none"> <li>1.0% to 3.0% perpetuity growth rate</li> <li>9.5% to 10.5% weighted average cost of capital</li> </ul>
Selected Transactions	\$ 34  \$ 44	<ul style="list-style-type: none"> <li>High: EV/LTM EBITDA 10.0x (2016 Comparable EBITDA of \$285mm<sup>(3)</sup>)</li> <li>Low: EV/LTM EBITDA 8.0x (2016 Comparable EBITDA of \$285mm<sup>(3)</sup>)</li> </ul>
Precedent Premia (All Stock Deals) Goldman Sachs	\$ 35  \$ 43	<ul style="list-style-type: none"> <li>Based on typical premiums over past 5 years of 0-25% for precedent stock deals with U.S. targets with \$1bn - \$5bn in EV</li> </ul>
Precedent Premia (All Cash Deals) Goldman Sachs	\$ 42  \$ 50	<ul style="list-style-type: none"> <li>Based on typical premiums over past 5 years of 20-45% for precedent cash deals with U.S. targets with \$1bn - \$5bn in EV</li> </ul>
Trading Range – P/E Centerview Partners	\$ 31  \$ 42	<ul style="list-style-type: none"> <li>High: 16x NTM EPS (2017 Comparable EPS of \$2.62)<sup>(2)</sup></li> <li>Low: 12x NTM EPS (2017 Comparable EPS of \$2.62)<sup>(2)</sup></li> </ul>
Trading Range – EV / EBITDA Centerview Partners	\$ 29  \$ 39	<ul style="list-style-type: none"> <li>High: 9x NTM EBITDA (2017 Comparable EBITDA of \$286mm)<sup>(2)</sup></li> <li>Low: 7x NTM EBITDA (2017 Comparable EBITDA of \$286mm)<sup>(2)</sup></li> </ul>
For Reference: 52-Week Trading Range	\$ 31  \$ 55	<ul style="list-style-type: none"> <li>High: \$54.68 (18-Mar-2016)</li> <li>Low: \$31.24 (07-Nov-2016)</li> </ul>
For Reference: Analyst Price Targets	\$ 27  \$ 54	<ul style="list-style-type: none"> <li>High: \$54.00 (Maxim 28-Nov-2016)</li> <li>Low: \$27.00 (BAML 07-Nov-2016)</li> </ul>
	<b>Current Price : \$34.65</b>	

Source: Public filings, Hero Projections, Bloomberg, Factset, Wall Street research as of as of February 3, 2017

(1) Including dividends.

(2) Comparable EBITDA and EPS are after deduction of stock based compensation expense.

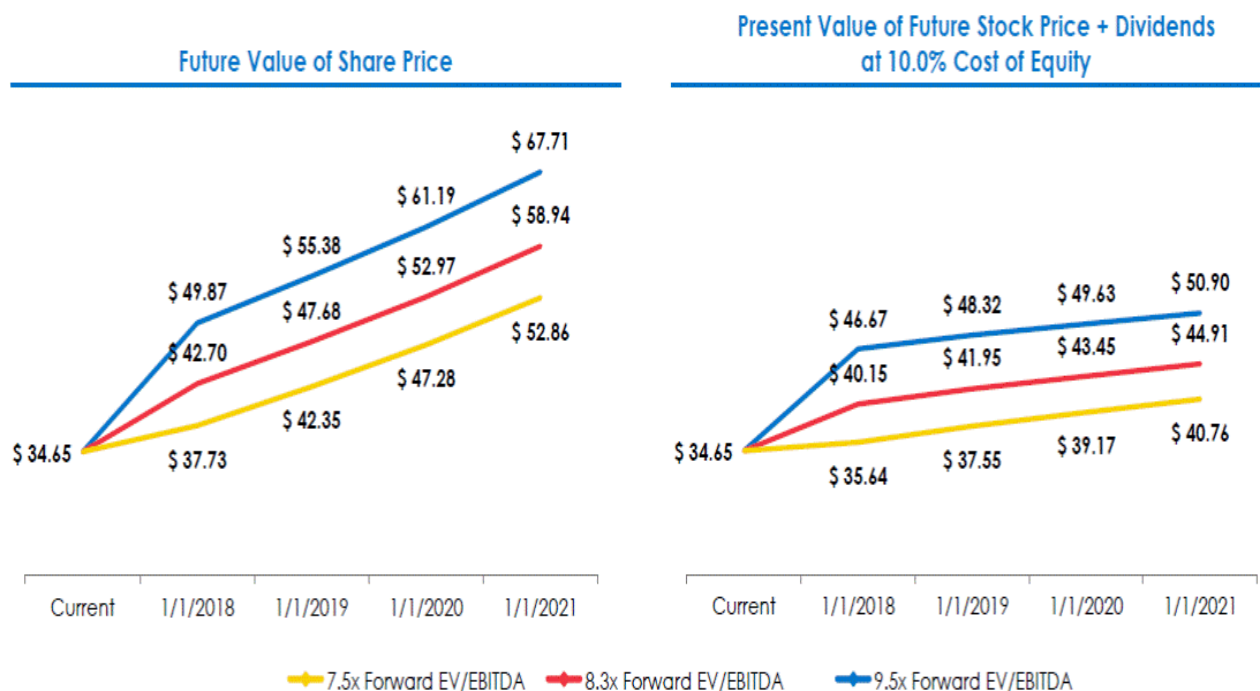
(3) Comparable EBITDA after deduction of stock based compensation expense. Pro forma for sale of Chasing Fireflies and TravelSmith.



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# Illustrative Public Market Present Value of Future Share Price Analysis Based on Hero Projections

Based on 1 Year Forward EV/EBITDA Multiples | Goldman Sachs Perspective



Balance Sheet at 8.3x EV / EBITDA	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
1-Yr Forward EBITDA	\$ 324	\$ 354	\$ 385	\$ 417
Net Debt	\$ 415	\$ 400	\$ 371	\$ 320
Diluted Shares Outstanding (mm)	53.4	53.4	53.4	53.4
Dividends Per Share	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40

Source: Hero Projections.

Note: Present Value of Future Stock Price includes dividends discounted based on mid-year convention. Future share prices and dividends discounted to January 1, 2017.



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# Illustrative 2021E EBITDA and 2020E Future Stock Price Under Different Operating Scenarios<sup>(1)</sup>

- Hero Management Projections imply \$58.94 illustrative future share price at year end 2020 based on current NTM multiple of 8.3x and 2021E comparable EBITDA of \$417mm
- Projections assume '16A-'21E revenue CAGR of 3.6%<sup>(2)</sup>
- Projections assume comparable EBITDA margin increases from 7.8% in 2017E to 9.8% by 2021E

2021E Comparable EBITDA						Illustrative 2020E Share Price <sup>(3)</sup>						
2021E Δ EBITDA Margin	Annual Δ Plan Revenue Growth					2021E Δ EBITDA Margin	Annual Δ Plan Revenue Growth					
	(200bps)	(100bps)	-	+100bps	+200bps		(200bps)	(100bps)	-	+100bps	+200bps	
(200bps)	(28.4%)	(24.5%)	(20.4%)	(16.2%)	(11.8%)	7.8%	(200bps)	(\$19.61)	(\$17.15)	(\$14.60)	(\$11.94)	(\$9.19)
(100bps)	(19.2%)	(14.8%)	(10.2%)	(5.5%)	(0.5%)		(100bps)	(\$12.96)	(\$10.18)	(\$7.30)	(\$4.30)	(\$1.19)
-	(9.9%)	(5.1%)	\$417	+5.3%	+10.7%	'21E Comp. Margin	-	(\$6.31)	(\$3.22)	\$58.94	+\$3.34	+\$6.77
+100bps	(0.6%)	+4.7%	+10.2%	+16.0%	+22.0%		+100bps	+\$0.34	+\$3.75	+\$7.26	+\$10.87	+\$14.62
+200bps	+8.6%	+14.4%	20.4%	+26.7%	+33.2%	11.8%	+200bps	+\$6.94	+\$10.60	+\$14.40	+\$18.32	+\$22.38

1.6% ← '16A-'21E Revenue CAGR → 5.6%

Source: Hero Management and Factset as of February 3, 2017.

- (1) Sensitivities assume incremental 2021E margin (expansion phased in linearly over projection period) and/or incremental annual revenue growth in each year of projection period.
- (2) Not pro forma for divestitures of Chasing Fireflies and TravelSmith. 2016-2021E revenue CAGR is 3.9% pro forma.
- (3) Future share price assumes constant comparable EV / NTM EBITDA multiple of 8.3x.



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# Summary of Illustrative Financial Analyses for Queen

## Per Street Projections

Analyses	Illustrative Price per Share	Comments
Present Value of Future Share Price Goldman Sachs	\$ 19 - \$ 30	<ul style="list-style-type: none"> <li>PV of 1-4 year future share price based on 7.0-8.5x one year forward EV/EBITDA on 2018E-2021E Comparable EBITDA<sup>(1)</sup></li> <li>Assuming cost of equity of 11.5%</li> </ul>
Discounted Cash Flow Goldman Sachs	\$ 21 - \$ 37	<ul style="list-style-type: none"> <li>1.5% to 2.5% perpetuity growth rate</li> <li>8.0% to 10.0% weighted average cost of capital</li> </ul>
Discounted Cash Flow Centerview	\$ 18 - \$ 30	<ul style="list-style-type: none"> <li>1.0% to 3.0% perpetuity growth rate</li> <li>9.0% to 10.0% weighted average cost of capital</li> </ul>
Trading Range – EV / EBITDA Centerview	\$ 16 - \$ 24	<ul style="list-style-type: none"> <li>High: 9x NTM EBITDA (2017 Comparable EBITDA of \$1,944mm)<sup>(1)</sup></li> <li>Low: 7x NTM EBITDA (2017 Comparable EBITDA of \$1,944mm)<sup>(1)</sup></li> </ul>
For Reference: 52-Week Trading Range	\$ 18 - \$ 27	<ul style="list-style-type: none"> <li>High: \$27.08 (27-May-2016)</li> <li>Low: \$18.12 (04-Nov-2016)</li> </ul>
For Reference: Analyst Price Targets	\$ 25 - \$ 36	<ul style="list-style-type: none"> <li>High: \$36.00 (Maxim 08-Dec-2016; Craig-Hallum 08-Nov-2016)</li> <li>Low: \$25.00 (FBR Capital 24-Jan-2017)</li> </ul>
	Current Price : \$18.75	

Source: Public filings, Wall Street projections supplemented with extrapolated historical financial trends, Bloomberg, Factset as of as of February 3, 2017.

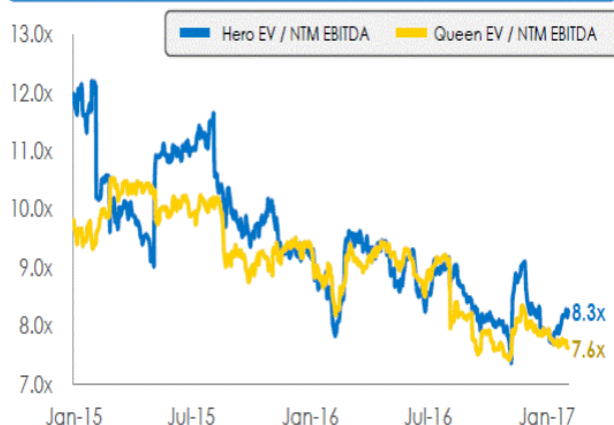
(1) Comparable EBITDA is after deduction of stock-based compensation expense.



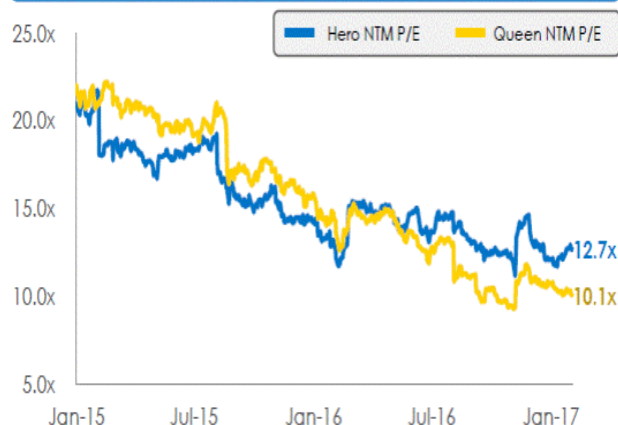
# Hero and Queen's Relative Trading Multiples

While magnitude of discount has varied, Queen has typically traded below Hero on an EV/EBITDA basis; current discount above 2-year average

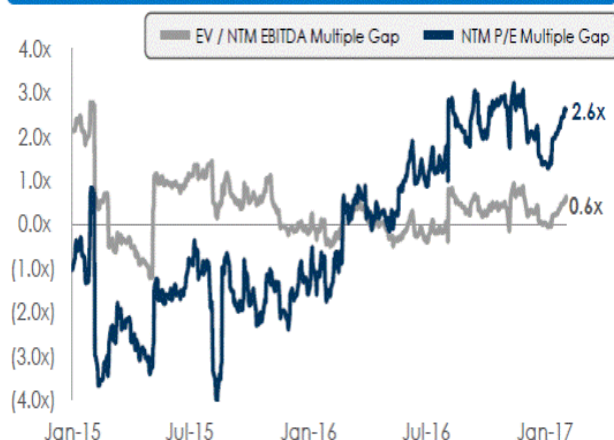
### Historical EV / NTM Comparable EBITDA Multiples



### Historical NTM Comparable P/E Multiples



### Hero's Multiples Relative to Queen<sup>(1)</sup>



### Summary Statistics

#### Summary Statistics - Hero & Queen

	EV / Comp. EBITDA			Comparable P/E		
	Hero	Queen	Delta	Hero	Queen	Delta
Current	8.3x	7.6x	0.6x	12.7x	10.1x	2.6x
Last 1-Month Avg.	8.1x	7.7x	0.4x	12.6x	10.3x	2.3x
Last 3-Months Avg.	8.2x	7.9x	0.3x	12.8x	10.7x	2.1x
Last 6-Months Avg.	8.2x	7.9x	0.4x	12.8x	10.5x	2.3x
Last 1-Year Avg.	8.7x	8.5x	0.2x	13.7x	12.1x	1.5x
Last 2-Years Avg.	9.4x	9.1x	0.3x	15.3x	15.5x	(0.2x)

Source: Hero Management, company filings and Factset estimates as of February 3, 2017.

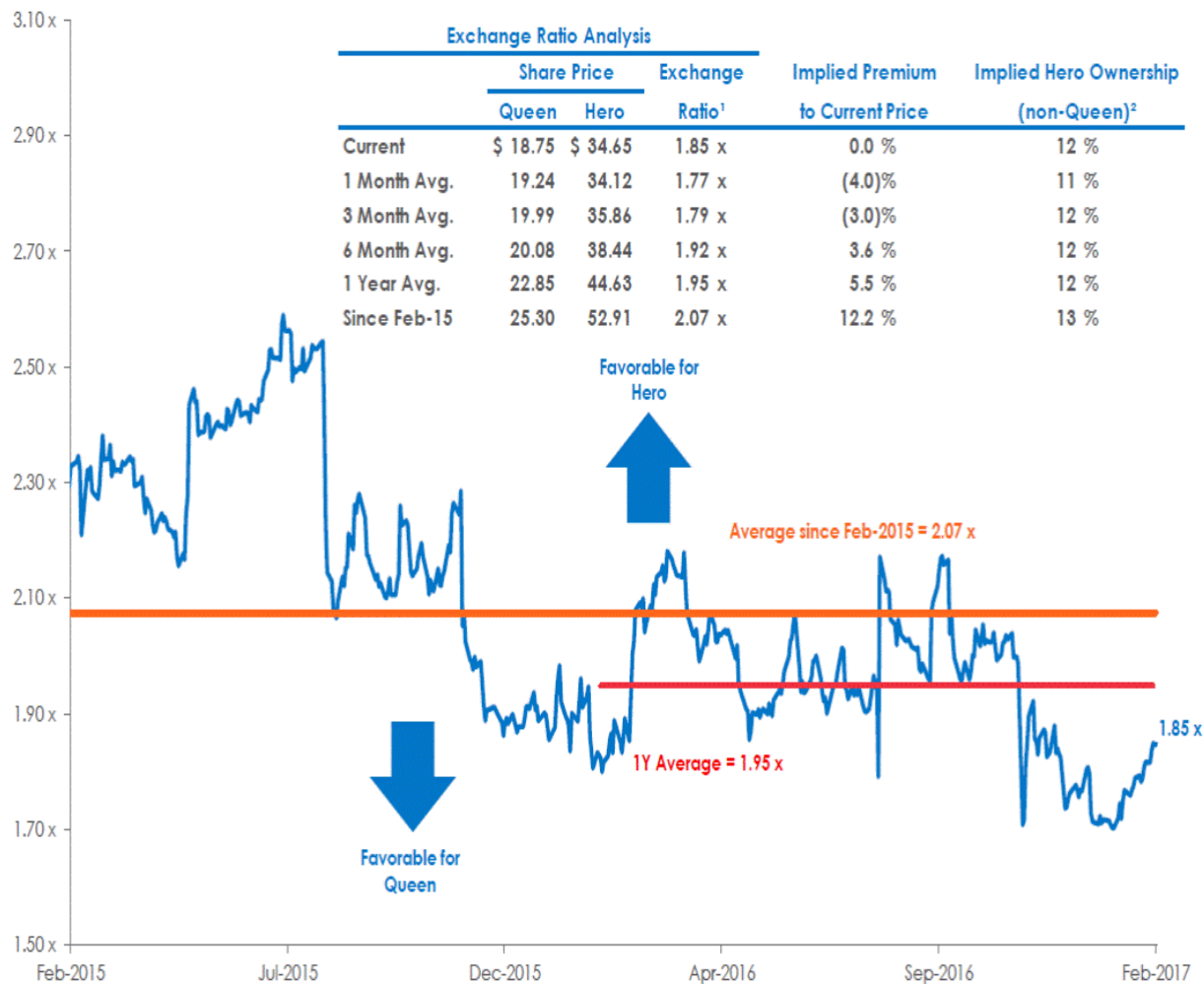
Note: Comparable EBITDA calculated after deduction of stock-based compensation expense. Comparable EPS is after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization.

(1) Delta represents Hero's multiple minus Queen's multiple.



# Exchange Ratio Over Time

Since Feb-2015 Hero Special Dividend



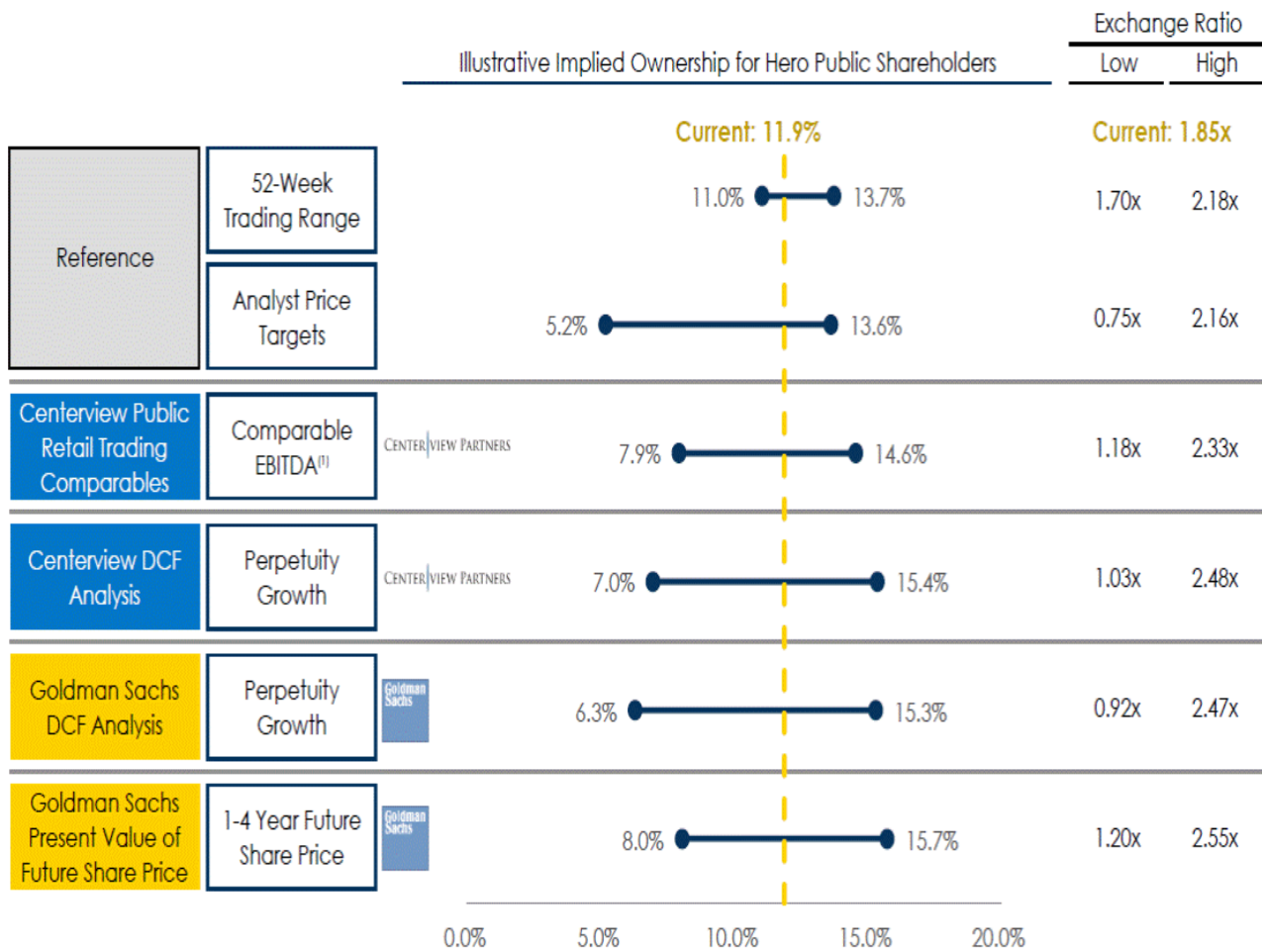
Source: Hero management, Bloomberg as of February 3, 2017.

(1) Exchange ratio defined as Queen series A shares per Hero shares.

(2) Based on Dec-2016 Queen estimated number of series A and B diluted shares outstanding.



# Preliminary Illustrative Relative Valuation Analysis



Source: Hero Management, Wall Street research, and Factset as of February 3, 2017.

Note: Balance sheet information as of December 31, 2016 (estimated for Queen). Analysis reflects maximum range of exchange ratios based on Queen and Hero respective standalone ranges. For Comparable EBITDA and Discounted Cash Flow Analysis, ratio is calculated after adjusting for the corresponding value of Queen's stake in Hero (e.g. in ratio of Queen High DCF value to Hero Low DCF value, Queen High DCF Value includes the value of its stake in Hero at the price per share implied by Hero Low DCF Value).

(1) Comparable EBITDA is calculated after deduction of stock-based compensation expense.



# Analysis at Various Prices – Hero

## Pro Forma Value per Share | Assumes \$125mm Run-Rate Synergies

Exchange Ratio		1.85 x	2.00 x	2.20 x	2.40 x		
Implied Hero Economic O/S - Non-Queen Shareholders		12 %	13 %	14 %	15 %		
Implied Headline Offer Price		\$ 34.65	\$ 37.50	\$ 41.25	\$ 45.00		
Premium to Current Share Price		0 %	8 %	19 %	30 %		
						Hero Standalone Value	
PVFSP - GS	Low	PF CombineCo Value	\$ 20	\$ 20	\$ 19	\$ 19	
		PF Value to Hero	\$ 37	\$ 39	\$ 43	\$ 46	\$ 36
		PF Premium to Hero Standalone	3 %	11 %	20 %	29 %	
	High	PF CombineCo Value	\$ 31	\$ 31	\$ 31	\$ 30	
		PF Value to Hero	\$ 58	\$ 62	\$ 67	\$ 72	\$ 51
		PF Premium to Hero Standalone	14 %	22 %	32 %	42 %	
DCF - GS	Low	PF CombineCo Value	\$ 22	\$ 22	\$ 22	\$ 21	
		PF Value to Hero	\$ 41	\$ 44	\$ 48	\$ 51	\$ 33
		PF Premium to Hero Standalone	23 %	32 %	43 %	54 %	
	High	PF CombineCo Value	\$ 39	\$ 38	\$ 38	\$ 37	
		PF Value to Hero	\$ 71	\$ 76	\$ 83	\$ 90	\$ 53
		PF Premium to Hero Standalone	33 %	43 %	55 %	68 %	
DCF - CVP	Low	PF CombineCo Value	\$ 19	\$ 19	\$ 18	\$ 18	
		PF Value to Hero	\$ 35	\$ 37	\$ 41	\$ 44	\$ 30
		PF Premium to Hero Standalone	15 %	23 %	34 %	44 %	
	High	PF CombineCo Value	\$ 32	\$ 32	\$ 31	\$ 31	
		PF Value to Hero	\$ 59	\$ 63	\$ 69	\$ 74	\$ 46
		PF Premium to Hero Standalone	28 %	38 %	50 %	61 %	

Source: Hero projections, Wall Street projections supplemented with extrapolated historical financial trends, Factset as of as of February 3, 2017.  
 Note: Goldman Sachs ("GS") Present Value of Future Stock Price Hero standalone range based on 7.5-9.5x 1-yr fwd EV/EBITDA and 10.0% cost of equity; Present Value of Future Stock Price CombineCo range based on 7.0-8.5x 1-yr fwd EV/EBITDA and 11.5% cost of equity. GS DCF Hero standalone and CombineCo range based on 1.5-2.5% PGR and 8.0-10.0% WACC. Centerview ("CVP") DCF Hero standalone range based on 1.0-3.0% PGR and 9.5-10.5% WACC. CVP CombineCo range based on 1.0-3.0% PGR and 9.0%-10.0% WACC. Combination analysis includes \$125mm of run-rate synergies and \$63mm of one-off implementation costs per management guidance.





# Spectrum of Potential Strategic Alternatives for Hero

## Illustrative "Menu of Options" for Hero



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# Special Committee Discussion Materials

## Project Venus

March 20, 2017

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# Key Takeaways

Premiums in precedent cash/stock control transactions have typically been in the range of ~20-40%; however, limited comparability of dataset

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- At the Special Committee's request, Advisors have reviewed public company transactions in which either the target shareholders retained a small stake in the pro forma company or in which the control acquiror was a minority shareholder in the target
- **Limited number of transactions with a truly comparable structure** to that of the potential transaction between Hero and Queen (i.e., 100% stock transaction where the acquiror owns a significant stake in target prior to the transaction and the target retains a ~10-20% stake in the pro forma company)
  - No identified comparable minority shareholder control, all-stock transactions identified in the U.S. over past ten years
- **>45% Stock Control Transactions:** >45% of the consideration was acquiror stock and pro forma for the transaction the target shareholders owned <30% of acquiror (26 transactions)<sup>(1)</sup>
  - **Premia have typically been in the range of ~20% - 45%** (25<sup>th</sup>-75<sup>th</sup> percentile) over the past ten years, with **median of 33%** (lower premia on the all-stock deals)
  - **Lower pro forma ownership associated with higher premium** (R-squared of ~39%), consistent with notion that a higher premium compensates the seller for lower synergy capture and control
- **Minority Shareholder Control Transactions:** the acquiror owned <50% of the target prior to the transaction and >65% of the target post-transaction (12 transactions)<sup>(2)</sup>
  - **Premia have typically been in the range of ~17% - 38%** (25<sup>th</sup>-75<sup>th</sup> percentile) over the past ten years, with a **median of 25%**
  - Most of dataset consists of cash deals; limited number of transactions in U.S. over past ten years

Source: Public filings and press reports, ThomsonOne and Factset.

Note: Dollars in billions.

- (1) Includes announced and completed transactions over \$500mm since 2007 with a U.S. target in which acquiror stock represented at least 45% of the consideration and the target shareholders owned <30% of the pro forma company. Excludes real estate, financial and energy transactions.
- (2) Includes announced and completed transactions over \$500mm since 2007 with targets and acquirors located in North America and Europe where the acquiror had a stake < 50% prior to the transaction and a stake >65% post transaction. Excludes real estate, financials, and energy deals.





# Premia in >45% Stock Control Transactions

Select transactions in U.S. over past 10 years in which consideration was >45% acquiror stock and pro forma for the transaction target shareholders owned <30% of acquiror<sup>(1)</sup>

	Date Announced	Target	Acquiror	TEV	1-Day Premium	% Equity Consideration	PF Target Ownership	
All Stock Transactions	7/5/16	Thompson Creek Metals Co Inc	Centerra Gold Inc	\$1.1	32%	100%	8%	
	6/4/15	Bio-Reference Laboratories Inc	OPKO Health Inc	1.3	60%	100%	14%	
	3/9/15	RTI International Metals	Alcoa	1.5	50%	100%	7%	
	2/20/14	Emeritus Corp	Brookdale Senior Living Inc	5.4	32%	100%	27%	
	5/20/13	Warner Chilcott PLC	Actavis Inc	8.5	34%	100%	23%	
	4/14/08	Northwest Airlines Corp	Delta Air Lines Inc	7.0	17%	100%	31%	
	12/13/07	AMIS Holdings Inc	ON Semiconductor Corp	1.1	38%	100%	26%	
	9/24/07	Metal Management Inc	Sims Group Ltd	1.6	18%	100%	30%	
	9/17/07	McLeodUSA Inc	PAETEC Holding Corp	1.3	11%	100%	25%	
	3/18/07	InfraSource Services Inc	Quanta Services Inc	1.3	17%	100%	25%	
	<b>25th Percentile</b>					<b>18%</b>		<b>16%</b>
	<b>Median</b>					<b>32%</b>		<b>25%</b>
	<b>75th Percentile</b>					<b>37%</b>		<b>27%</b>
Mixed Consideration Transactions	11/21/16	Applied Micro Circuits Corp	MACOM Technology Solutions Hol	\$0.8	15%	61%	16%	
	10/21/16	Reynolds American	British American Tobacco	97.4	20%	48%	19%	
	4/4/16	Ruckus Wireless Inc	Brocade Commun Sys Inc	1.5	44%	55%	15%	
	11/4/15	HomeAway Inc	Expedia Inc	3.9	20%	74%	14%	
	6/16/14	tw telecom inc	Level 3 Communications Inc	7.6	22%	75%	29%	
	5/18/14	DirectTV Inc	AT&T Inc	67.1	30%	70%	15%	
	10/16/12	Cymer Inc	ASML Holding NV	2.3	71%	76%	8%	
	4/27/11	Synthes Inc	Johnson & Johnson	19.3	22%	65%	8%	
	9/27/10	AirTran Holdings Inc	Southwest Airlines Co	1.5	69%	51%	6%	
	10/21/09	Switch & Data Facilities Co	Equinix Inc	0.9	34%	80%	12%	
	4/19/09	PepsiAmericas	PepsiCo	6.0	43%	50%	1%	
	4/19/09	The Pepsi Bottling Group	PepsiCo	14.4	45%	50%	3%	
	1/8/09	Thinkorswim Group Inc	TD Ameritrade Holding Corp	0.6	54%	62%	4%	
	3/31/08	Ansoft Corp	ANSYS Inc	0.8	39%	50%	12%	
	3/31/08	CSK Auto Inc	O'Reilly Automotive	1.2	29%	92%	14%	
	11/18/07	Pharmion Corp	Celgene Corp	3.0	46%	65%	6%	
	<b>25th Percentile</b>					<b>22%</b>	<b>51%</b>	<b>6%</b>
<b>Median</b>					<b>37%</b>	<b>63%</b>	<b>12%</b>	
<b>75th Percentile</b>					<b>45%</b>	<b>74%</b>	<b>15%</b>	
Total	<b>25th Percentile</b>					<b>20%</b>	<b>61%</b>	<b>8%</b>
	<b>Median</b>					<b>33%</b>	<b>75%</b>	<b>14%</b>
	<b>75th Percentile</b>					<b>45%</b>	<b>100%</b>	<b>25%</b>

Acquiror Significant Shareholder  
42%  
43%  
33%

Source: Public filings and press reports, ThomsonOne and Factset.

Note: Dollars in billions.

(1) Includes announced and completed transactions over \$500mm since 2007 with a U.S. target in which acquiror stock represented at least 45% of the consideration and the target shareholders owned <30% of the pro forma company. Excludes real estate, financial and energy transactions.

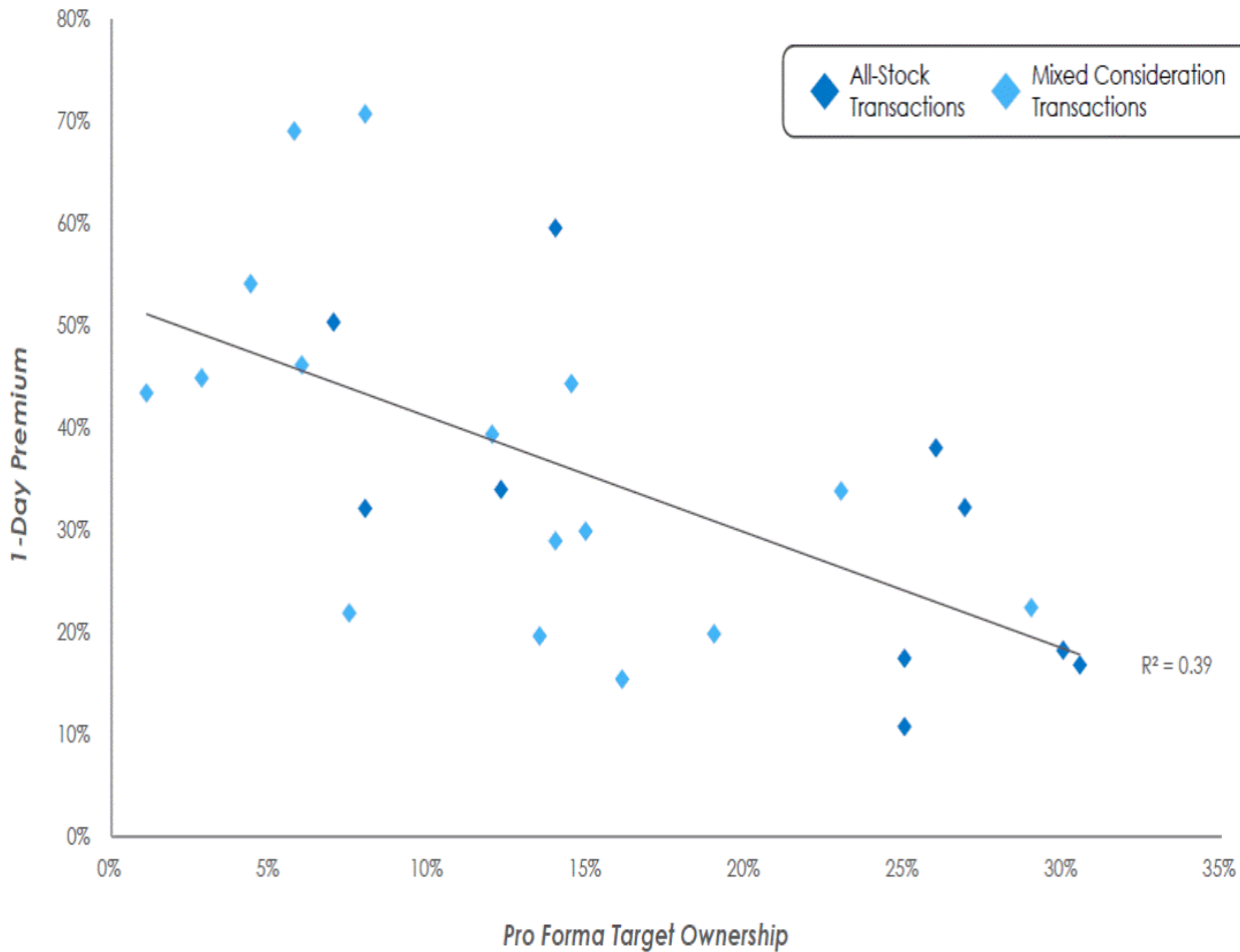


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# Premia in >45% Stock Control Transactions – Regression

Select transactions in U.S. over past 10 years in which consideration was >45% acquiror stock and pro forma for the transaction target shareholders owned <30% of acquiror<sup>(1)</sup>

**Lower Pro Forma Ownership of Target Correlated with Higher Premium**



Source: Public filings and press reports, ThomsonOne and Factset.

Note: Dollars in billions.

(1) Includes announced and completed transactions over \$500mm since 2007 with a U.S. target in which acquiror stock represented at least 45% of the consideration and the target shareholders owned <30% of the pro forma company. Excludes real estate, financial and energy transactions.



# Premia in Minority Shareholder Control Transactions

Select transactions in U.S., Canada and Europe over past 10 years in which acquiror owned <50% stake prior to transaction and >65% post transaction<sup>(1)</sup>

Date Ann.	Target	Acquiror	TEV	1-Day Premium	Acq. % Ownership		% Equity Consid.	PF Target Ownersh. <sup>(2)</sup>	
					Prior	PF			
1/24/2017	Pfeiffer Vacuum Technology	Pangea GmbH	\$0.9	4%	30%	100%	0%	0%	Non-US
12/9/2016	Sky plc	Twenty-First Century Fox	31.7	36%	39%	100%	0%	0%	Non-US
10/21/2016	Reynolds American	British American Tobacco	97.4	20%	42%	100%	48%	19%	
9/5/2016	Haldex AB	Knorr-Bremse Aktiengesellschaft	0.6	19%	15%	100%	0%	0%	Non-US
5/18/2016	KUKA Aktiengesellschaft	Mecca International	4.9	60%	10%	100%	0%	0%	Non-US
3/4/2016	Fomento de Construcciones y Contratas	Control Empresarial de Capitales	7.9	12%	37%	100%	0%	0%	Non-US
10/17/2014	Havas SA	Bollore	3.2	22%	36%	83%	100%	~10%	Non-US
7/23/2014	Bell Aliant	BCE	7.2	10%	44%	100%	75% <sup>(3)</sup>	7%	Non-US
6/3/2013	Dole Food Company	Investor Group	1.5	32%	38%	100%	0%	0%	
5/29/2012	Schuler AG	Andritz Beteiligungsgesellschaft IV	0.5	29%	15%	90%	0%	0%	Non-US
4/19/2009	PepsiAmericas	PepsiCo	6.0	43%	43%	100%	50% <sup>(3)</sup>	1%	
4/19/2009	The Pepsi Bottling Group	PepsiCo	14.4	45%	33%	100%	50% <sup>(3)</sup>	3%	
<b>25th Percentile</b>				<b>17%</b>	<b>24%</b>				
<b>Median</b>				<b>25%</b>	<b>34%</b>				
<b>75th Percentile</b>				<b>38%</b>	<b>40%</b>				

Source: Public filings and press reports, ThomsonOne and Factset.

Note: Dollars in billions.

- (1) Includes announced and completed transactions over \$500mm since 2007 with targets and acquirors located in North America and Europe where the acquiror had a stake < 50% prior to the transaction and a stake >65% post transaction. Excludes real estate, financials, and energy deals.
- (2) Only includes pro forma target ownership in acquiror equity, not target stake retained.
- (3) Investors had cash/stock election for proceeds, but consideration pro-rated such that total consideration was a fixed equity/cash percentage.



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# Special Committee Discussion Materials

## Project Venus

May 11, 2017



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## Situation Update

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- In late 2016, Queen's CEO conveyed verbally to Hero's Chairman that Queen would be interested in exploring a transaction to acquire Hero with stock at a "modest premium"
- Hero's Board formed a Special Committee to evaluate Hero's long-term business plan and strategic alternatives, including a potential combination with Queen
- On April 4, 2017, Lion Interactive announced an agreement for Lion Ventures Group to acquire GCI and split-off combined company ("GCI Lion") from Lion Interactive/Queen (would result in Queen becoming an asset-based stock)
  - Transaction included the announcement of several assets and liabilities being reattributed to Queen to allow full separation
- On April 26, 2017, Hero announced the resignation of CEO Mindy Grossman<sup>(1)</sup> and released preliminary financial results
- On May 10, 2017, after market close, Queen submitted a proposal to acquire Hero for \$40.50 per share in an all-stock transaction, representing a premium of ~10% to Hero's closing price on May 10
  - Queen offered Queen A shares (1 vote per share) as consideration as opposed to Queen B shares (10 votes per share)
  - Offer was for a fixed dollar value per share, rather than a fixed exchange ratio
- Proposal implies an exchange ratio of 1.69x based on Queen's closing stock price on May 10 and that Hero's non-Queen shareholders would own ~11% of the pro forma company
  - Illustrative Hero/Queen exchange ratio as of market close on May 10 was 1.54x
  - Offer values Hero at 9.8x Comparable NTM EBITDA (consensus), which is +1.1x above Queen's multiple as of May 10
- Proposal follows a disappointing Hero earnings report on May 3 and a positive Queen earnings report on May 9
  - Hero reported revenue below consensus and continued challenges in the retail environment; stock dropped (5)%
  - Queen reported strong EBITDA and EPS performance and improvement in U.S. business; stock rose 11%

Source: Public filings and Hero Management as of 5/10/17.

(1) Resignation effective May 24, 2017.



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## Analysis to Be Completed Over Near-term

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- Refresh analysis of Hero's standalone plan and standalone valuation
  - Assess progress against strategic initiatives
- Review updated Queen consensus outlook and refine standalone valuation
- Update on value creation potential in combination, including impact on combined multiple
- Relative Hero/Queen valuation analysis
  - Implications of fixed share price offer as opposed to fixed exchange ratio
  - Illustrative exchange ratio and multiples over time
  - Analysis of offer in context of relative DCF values
- Further review of synergies and synergy sharing implied by Queen proposal
- Additional evaluation of precedent transaction multiples and premia
- Update on other potential strategic alternatives

## Hero Analysis at Various Prices

		Premium to Current Share Price						
		0%	5%	~10%	15%	20%	25%	
<b>Enterprise Value</b>								
<b>Illustrative Offer Price</b>		\$37.00	\$38.85	\$40.50	\$42.55	\$44.40	\$46.25	
<i>Implied Exchange Ratio</i>		1.54x	1.62x	1.69x	1.77x	1.85x	1.92x	
Diluted Shares Outstanding		53.3	53.3	53.3	53.3	53.3	53.4	
<b>Equity Value</b>		\$1,971	\$2,070	\$2,159	\$2,269	\$2,369	\$2,469	
<b>Enterprise Value</b>		\$2,451	\$2,551	\$2,639	\$2,750	\$2,849	\$2,949	
<b>Pro Forma Ownership<sup>(1)</sup></b>								
Queen Shareholders		89.9%	89.4%	89.0%	88.5%	88.1%	87.6%	
Hero Shareholders		10.1%	10.6%	11.0%	11.5%	11.9%	12.4%	
<b>Premiums</b>								
52-Week Low		20.3%	26.3%	31.7%	38.4%	44.4%	50.4%	
52-Week High		(31.5%)	(28.1%)	(25.0%)	(21.2%)	(17.8%)	(14.4%)	
30-Day VWAP		1.3%	6.4%	10.9%	16.6%	21.6%	26.7%	
90-Day VWAP		(0.0%)	5.0%	9.4%	15.0%	20.0%	25.0%	
<b>Fiscal Year Multiples (Management Case)</b>								
<b>Revenue</b>	2017	\$3,637	0.67x	0.70x	0.73x	0.76x	0.78x	0.81x
	2018	3,786	0.65x	0.67x	0.70x	0.73x	0.75x	0.78x
<b>Adjusted EBITDA<sup>(2)</sup></b>	2017	\$307	8.0x	8.3x	8.6x	9.0x	9.3x	9.6x
	2018	346	7.1x	7.4x	7.6x	7.9x	8.2x	8.5x
<b>EPS</b>	2017	\$2.63	14.1x	14.8x	15.4x	16.2x	16.9x	17.6x
	2018	3.04	12.2x	12.8x	13.3x	14.0x	14.6x	15.2x

Queen offer to Hero  
as of 5/10/2017

Source: Public filings and Hero Management as of 5/10/17.

- (1) Ownership based on currently available public information. Figures subject to change as more information regarding Lion / GCI transaction becomes available. Hero ownership represents non-Queen shareholders ownership only.
- (2) Adjusted EBITDA is before deduction of stock based compensation expense.

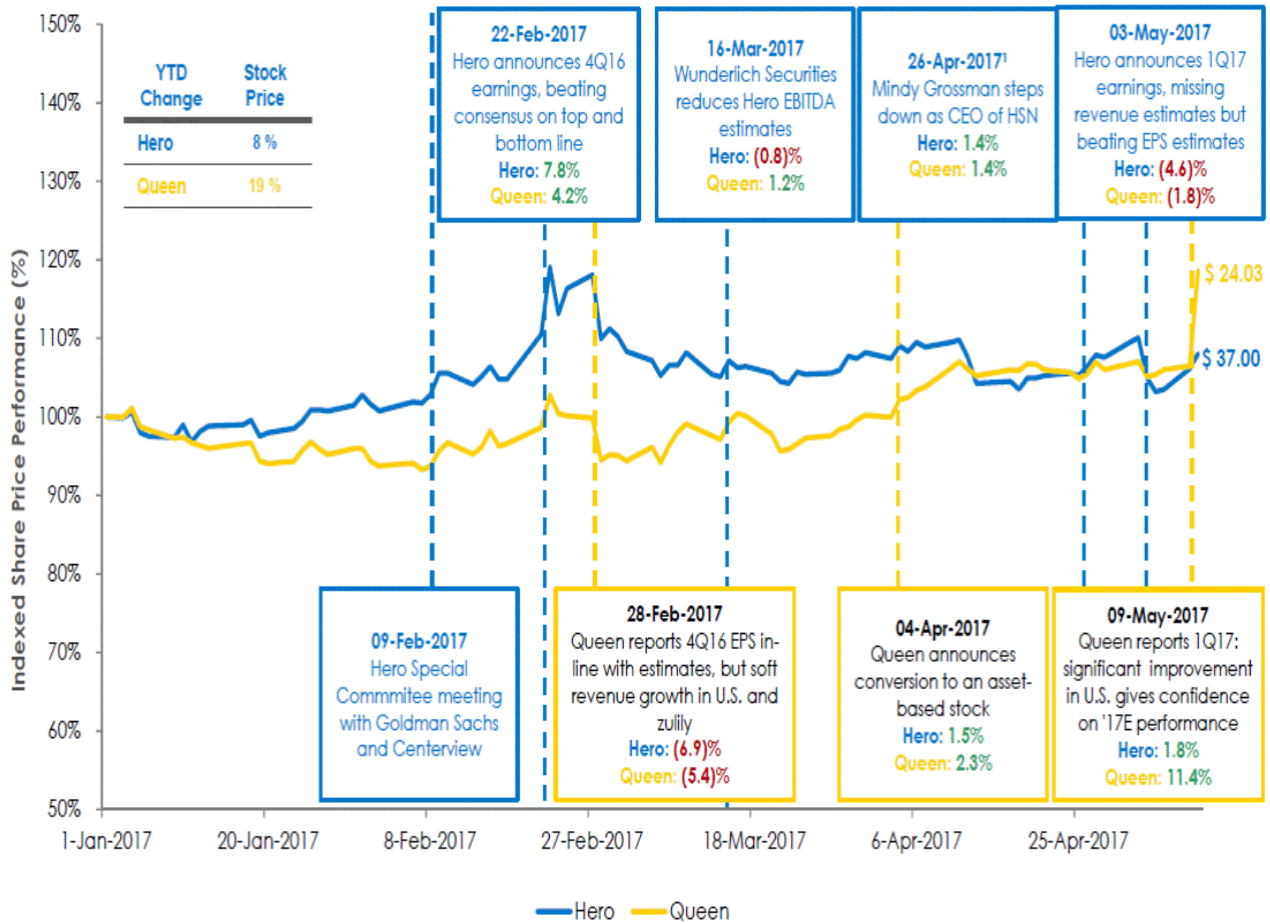


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# Year-to-Date Share Price Performance

## Hero and Queen



Source: Bloomberg and IBES as of May 10, 2017.

(1) Mindy Grossman's announcement occurred after close on 26-Apr-2017 and therefore the stock price reaction is shown for 27-Apr-2017.





## Share Price and Valuation Over Time

EBITDA multiple gap between Hero and Queen has narrowed significantly

		<i>Illustrative Initial LION Discussions</i>	<i>Advisors Presentation to Comm. <sup>(1)</sup></i>	<i>Pre-GCI/LION Deal Announcement</i>	<i>Pre-Hero Q1 Earnings <sup>(2)</sup></i>	<i>Current</i>
<i>Date</i>		<i>12/15/16</i>	<i>2/3/17</i>	<i>4/3/17</i>	<i>4/25/17</i>	<i>5/10/17</i>
<b>Share Price</b>	Queen	\$20.33	\$18.75	\$19.97	\$20.95	\$24.03
	Hero	35.95	34.65	36.85	36.10	37.00
	<b>Illustr. Ex. Ratio</b>	<b>1.77x</b>	<b>1.85x</b>	<b>1.85x</b>	<b>1.72x</b>	<b>1.54x</b>
<b>NTM Comparable <sup>(3)</sup> P/E</b>	Queen	10.8x	10.1x	11.5x	12.1x	13.2x
	Hero	12.8x	12.7x	14.2x	13.9x	14.3x
	<b>Hero Premium / Disc.</b>	<b>+2.0x</b>	<b>+2.6x</b>	<b>+2.7x</b>	<b>+1.8x</b>	<b>+1.1x</b>
	Peer Average <sup>(4)</sup>	16.3x	14.6x	15.5x	15.7x	21.5x
<b>NTM Comparable <sup>(3)</sup> EV / EBITDA</b>	Queen	7.9x	7.6x	8.1x	8.3x	8.7x
	Hero	8.3x	8.3x	9.1x	8.9x	9.1x
	<b>Hero Premium / Disc.</b>	<b>+0.4x</b>	<b>+0.7x</b>	<b>+0.9x</b>	<b>+0.6x</b>	<b>+0.3x</b>
	Peer Average <sup>(4)</sup>	8.2x	7.6x	7.6x	7.7x	7.9x

Source: Public filings and Factset as of May 10, 2017.

(1) Special Committee meeting occurred on February 9, 2017; however, pricing data was as of February 3.

(2) Pre-hero earnings is the day prior to Hero's press release disclosing Grossman's resignation and preliminary 1Q17 earnings.

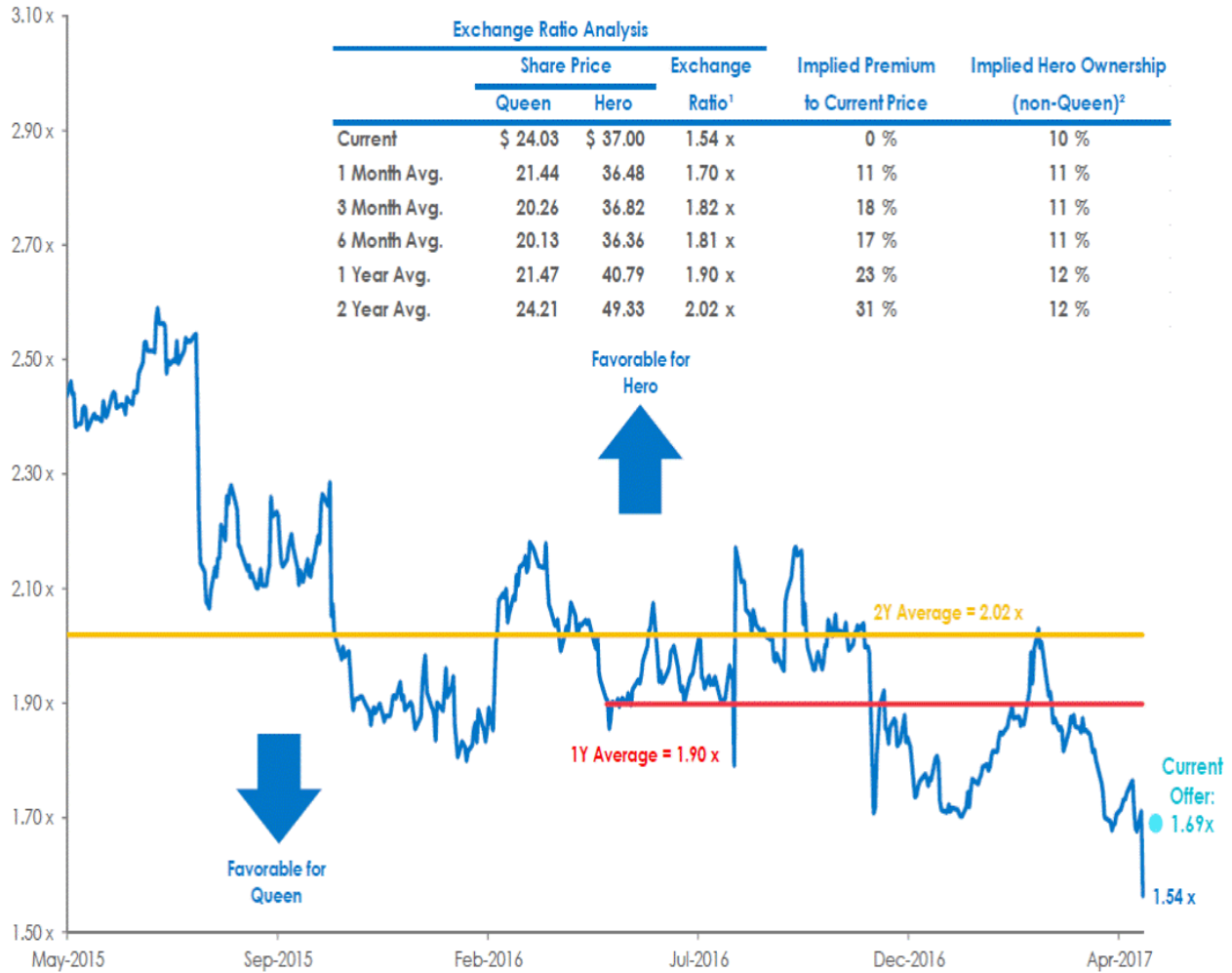
(3) Comparable EBITDA calculated after deduction of stock-based compensation expense from Adjusted EBITDA. Comparable EPS is calculated after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization from EPS.

(4) Peers include BBY, DKS, FL, FOSL, GNC, TIF, ULTA, BBBY, ETH, PIR, RH, WSM, DDS, KSS, M, JWN, ROST, TGT, TJX, WMT, NILE, EBAY, OSTK.



# Illustrative Exchange Ratio Over Time

Last 2 Years



Source: Company filings, Bloomberg as of May 10, 2017.

(1) Exchange ratio defined as Queen series A shares per Hero shares.

(2) Based on April 30, 2017 Queen number of series A and B shares outstanding.



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## Summary of Hero and Queen Earnings

### Hero (May 3, 2017)<sup>(1)</sup>

- Revenue of \$785mm, **(4)%** YoY, vs. \$796mm FactSet consensus as of April 26 when Hero reported preliminary Q1 results
  - HSN: \$560mm, **(3)%** YoY
  - Cornerstone: \$225mm, **1%** YoY excl. divestiture
  - eCommerce: **3%** YoY excl. divestiture
- Average price point \$62.99 vs \$59.99 in Q1'16, **5%**; units shipped 13.8mm vs 15.0mm in Q1'16, **(8)%**
- Adj. EBITDA \$54mm
- Diluted and adjusted EPS of \$0.40 vs \$0.35 FactSet consensus as of April 26 and \$0.54 in Q1'16
- Mindy Grossman resigned as CEO effective May 24, 2017
- Stock reaction: **(4.6)%** vs. Queen **(1.8)%** and S&P **0.1%**

#### Key takeaways:

- Continuing efforts in customer acquisition despite noise in the environment
- Continued strong performance among loyal customers
- Management is bullish on the outlook of the back half of the year

### Queen (May 9, 2017)

- Revenue of \$2.0bn, **(2)%** YoY
  - U.S.: \$1.4bn, **(3)%** YoY, great improvement from Q4, despite ~1.5% of headwind due to the absence of a leap year
  - International: \$595mm, **(2)%** YoY, or **2%** constant currency
  - Zulily: \$359mm, **1%** YoY
  - eCommerce: \$733mm vs. \$698mm in Q1'16, **5%** YoY
- Average selling price of \$57.14 vs. \$60.03 in Q1'16, **(5)%** YoY; units sold **1%** YoY
- Queen adj. OIBDA \$434mm vs. \$415mm in Q1'16
- Queen diluted and adjusted LTM EPS of \$1.78
- Stock reaction: **11.4%** vs. Hero **1.8%** and S&P **(0.1)%**

#### Key takeaways:

- Strong improvement in U.S. performance giving confidence to the market that the U.S. turnaround is on track
- Share repurchase stays a priority of capital allocation strategy

Source: Company filings

(1) Hero pre-leased their earnings on April 26 as part of the announcement of Mindy Grossman's departure from the Company.



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## Market Reaction to Hero and Queen Earnings

Hero				Queen			
	Pre-Hero Earnings <sup>(1)</sup>	Pre-Queen Earnings	Current		Pre-Hero Earnings <sup>(1)</sup>	Pre-Queen Earnings	Current
Date	4/25/2017	5/8/2017	5/10/2017	Date	4/25/2017	5/8/2017	5/10/2017
Stock Price	\$36.10	\$36.40	\$37.00	Stock Price	\$20.95	\$21.27	\$24.03
% Change		0.8%	1.6%	% Change		1.5%	13.0%
Avg. Price Target	\$42.13	\$40.89	\$40.89	Avg. Price Target	\$27.49	\$27.49	\$28.29
% Change		(2.9%)	0.0%	% Change		0.0%	2.9%
<b>2018 Estimates</b>				<b>2018 Estimates</b>			
Revenue	\$3,624	\$3,596	\$3,596	Revenue	\$10,656	\$10,643	\$10,666
% Change		(0.7%)	0.0%	% Change		(0.1%)	0.2%
Comparable EBITDA <sup>(2)</sup>	\$286	\$285	\$285	Comparable EBITDA <sup>(2)</sup>	\$1,935	\$1,934	\$1,960
% Change		(0.3%)	0.0%	% Change		(0.1%)	1.4%

"...Lowering our Q2 estimates given commentary that the overall retail environment remains challenging, as well as management's caution that upcoming plans to clear outdated inventory will likely put pressure on gross margin."

– Craig Hallum (May 3, 2017)

"Sales to HSN's top customers were up in 1Q and churn is improving, but new customer acquisition remains tough... We think it will take time for [their] marketing efforts to have a meaningful impact, and meanwhile, will partly offset any cost cuts. We are modelling -2%/-1%/-1% sales at HSN in 2Q/3Q/4Q."

– Bank of America (May 3, 2017)

"Results demonstrated that QVC's US turnaround is on track, with segment sales down (2.6%) ...vs. our (5%) estimate. Sales and margins were weaker than expected at zulily. We are raising our 2017 EPS by \$0.06 to \$1.77 on a higher QVC sales and margin outlook."

– BAML (May 9, 2017)

"...If current trends hold QVC could have significant growth in the US in 2H17 when comps get much easier. This is supportive of our thesis that QVC's sales approach can coexist with Amazon much better than traditional brick and mortar retail."

– FBR (May 9, 2017)

Source: Wall Street Research, Bloomberg, and Factset as of 5/10/17.

(1) Pre-hero earnings is the day prior to Hero's press release disclosing Grossman's resignation and preliminary 1Q17 earnings.

(2) Comparable EBITDA is after deduction of stock-based compensation expense.

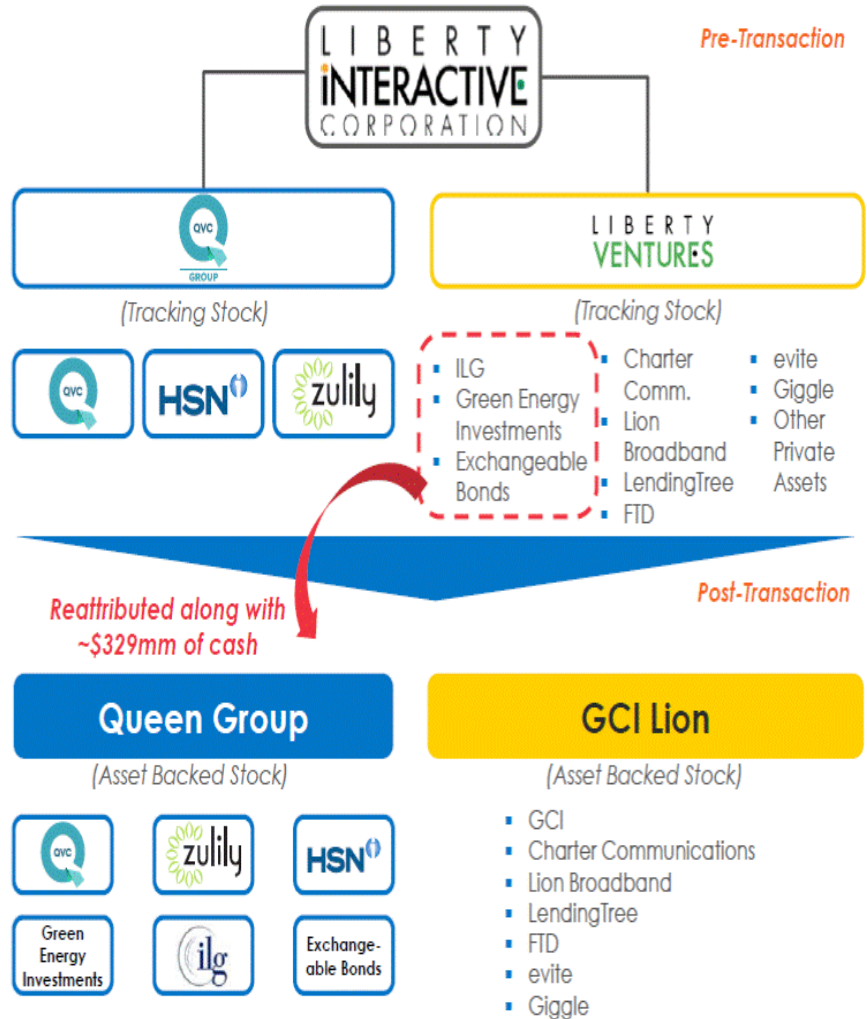


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# GCI-Lion Transaction Summary

On April 4, 2017 Lion Interactive announced an agreement for Lion Ventures Group to acquire GCI and split-off combined company ("GCI Lion") from Lion Interactive/Queen

- Lion Interactive acquires GCI in a \$2.68bn enterprise value transaction
- Transaction structured so that Lion Interactive contributes assets to a new entity, GCI Lion, in exchange for ~77% ownership (84% voting)
  - GCI shareholders receives \$32.50 / share (\$27.50 / share of common GCI Lion stock and \$5.00 / share of new voting preferred stock)
- Reattribute exchangeable bonds, ILG shares, portfolio of Green Energy Investments and cash to Queen Group pre-closing
- Lion Interactive will pursue tax-free separation of its stake in GCI Lion by redeeming Ventures Group tracking stock for GCI Lion shares
- Remaining Lion Interactive Entity will be renamed Queen
- GCI Lion (GLIB) and Queen Group will trade as separate asset based stocks



Source: Public filings and presentations.





## Queen Analyst Reactions to GCI-Lion Transaction

Analyst coverage of the deal has generally been positive, downplaying uncertainties around the exchangeable debentures and focusing on the benefits an asset-backed stock

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Wunderlich

"[Investors are] **looking carefully at the NPV of the deferred tax liability** being transferred to QVC from Ventures offset by effective reinvestment returns on the cash tax savings afforded by the Exchangeable debenture transfer(s)... [however], **QVC price target vastly more affected by operational execution** – current stock price has more than enough buffer for any Exchangeable issues"

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UBS

"We believe the **transaction will be largely beneficial for QVC Group's long-term prospects (& valuation)** and its shareholders, as it... **reduces the discount associated with the tracking stock structure...** [and] **creates greater flexibility for strategic M&A** & a more effective currency for mgmt compensation"

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Aegis

"**QVC will be converted from a tracking stock into a asset-based stock.** Liberty listed as positives for the QVC equity - reducing the tracking stock discount and potential inclusion into indices, both of which we agree with. The conversion should also increase the size of the potential investor base for the stock.... **This transaction is a positive for QVC's equity and is another reason to buy the stock**"

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FBN

"**We think the reaction at QVC was less than it should have been** and after revising our valuation model and running the numbers... **As far as the thought this deal could be bad for QVC** due to the transfer of the exchangeable debentures and related potential future tax liability, **after running the numbers we have to say this isn't the case**"

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## Appendix

Detail on GCI-LION Transaction

## Overview of Assets / Liabilities Reattributed to Queen

	Stated Value	Overview / Description	
<b>Assets</b>	Cash	\$329mm	<ul style="list-style-type: none"> <li>Final cash amount to be determined at close based on valuations and results of exchange offer for 1.75% Charter Exchangeable notes</li> </ul>
	Interval Leisure Group	\$260mm (After-Tax)	<ul style="list-style-type: none"> <li>~\$2.5bn publicly-traded, NASDAQ-listed provider of membership and leisure services to the vacation industry</li> <li>Former subsidiary of IAC founded in 1976</li> <li>Lion Interactive holding represents ~12.8% of shares</li> </ul>
	Green Energy Investments	\$138mm	<ul style="list-style-type: none"> <li>Certain alternative energy investments held by Ventures Group</li> <li>Generally operate at a loss but provide some favorable tax attributes</li> <li>Lion Interactive recorded a ~\$98mm impairment related to these investments in 2015</li> </ul>
	Tax Benefits (Stock Options)	\$23mm	<ul style="list-style-type: none"> <li>Relate to prior spin-offs, but further detail not provided</li> </ul>
<b>Total</b>	<b>\$750mm</b>		
<b>Liabilities</b>	Exchangeable Debentures and Related Net Tax Attributes	\$750mm	<ul style="list-style-type: none"> <li>Reflects Sprint/CTL 4% notes due 2029, Sprint/CTL 3.75% notes due 2030, and MSI 3.5% notes due 2031</li> <li>Debt securities with exchangeability into an underlying basket of securities (or cash equal to fair market value)</li> <li>Allow for tax deductions in excess of cash coupon under contingent payment debt instrument (CPDI) rules</li> </ul>

Source: Public filings and presentations.  
Note: Dollars in millions.



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## Key Observations on the Assets / Liabilities Reattribution to Queen

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- The assets being transferred to Queen group (other than cash) may not have strategic value to Queen and appear to have been selected to fill a value gap given need to transfer exchangeable debt
- The Queen investor presentation is somewhat unclear on how the total liabilities of \$750mm were calculated related to the exchangeable debentures that are being reattributed to Queen
  - The face value is over \$1.2bn and the deferred tax liability ("DTL") related to the exchangeable debentures that is also being reattributed to Queen is \$1.4bn (as of 12/31/2016)
- It appears that Lion is:
  - Looking at fair value of exchangeable debentures (stated to be \$859mm) rather than face value
  - Discounting the DTL from maturity dates (2029+) to today
  - Offsetting the DTL with present value of excess tax benefits generated by CPDI tax treatment
- The proxy, which could take several weeks (or potentially much longer) to be filed, will provide further detail on how Lion derived the \$750mm of assets and liabilities
- The exchangeable debt that is being reattributed to Queen were issued prior to the time when the IRS curtailed the ability to take advantage of CPDI tax treatment for exchangeables
- The IRS challenged the tax treatment of Lion's exchangeables, but Lion reached a settlement with the IRS in 2008
  - Lion can't move the exchangeables to GCI Lion as that would cause the DTL to be immediately recognized and to lose its grandfather protection. This is the most likely reason why the exchangeables are reattributed to Queen

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# Special Committee Materials

## Project Venus

May 15, 2017



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# Overview of Lion Interactive's Proposal

Based on proposal received after market close on 5/10/17

- Queen offered Queen A shares (1 vote per share) as consideration as opposed to Queen B shares (10 votes per share)
- Offer is for a fixed dollar value per share rather than a fixed exchange ratio; proposal is silent as to existence of a "collar"

## Premia

	Metric	Proposal	Exch. Ratio
Implied Exchange Ratio as of (5/12/2017)		<b>\$40.50</b>	1.71x
<b>Share Price Premium / (Discount) to:</b>			
Current (5/12/2017)	\$35.65	13.6%	1.51x
52-Week High (6/8/2016)	\$53.45	(24.2%)	2.26x
52-Week Low (11/7/2016)	\$31.25	29.6%	1.32x
30-Day VWAP (5/12/2017)	\$36.41	11.2%	1.54x
90-Day VWAP (5/12/2017)	\$37.01	9.4%	1.56x

## Multiples

	Metric	Proposal	
		<b>\$40.50</b>	
Diluted Shares Outstanding		53.6	
Equity Value		<b>\$2,171</b>	
Enterprise Value		<b>\$2,651</b>	
<b>Pro Forma Ownership<sup>(1)</sup></b>			
Queen Shareholders		88.8%	
Memo: John Malone <sup>(2)</sup>		5.4%	
Hero Shareholders (Non-Queen S/H)		11.2%	
Queen S/H Voting Rights		92.6%	
Memo: John Malone <sup>(2)</sup>		34.9%	
Hero S/H Voting Rights (Non-Queen S/H)		7.4%	
<b>Fiscal Year Multiples (Management Case)</b>			
<b>Revenue</b>	2017E	\$3,637	0.73x
	2018E	3,786	0.70x
<b>Adjusted EBITDA<sup>(3)</sup></b>	2017E	\$307	8.64x
	2018E	346	7.67x
<b>EPS</b>	2017E	\$2.61	15.52x
	2018E	3.01	13.44x

Source: Public filings and Hero Management as of May 12, 2017.

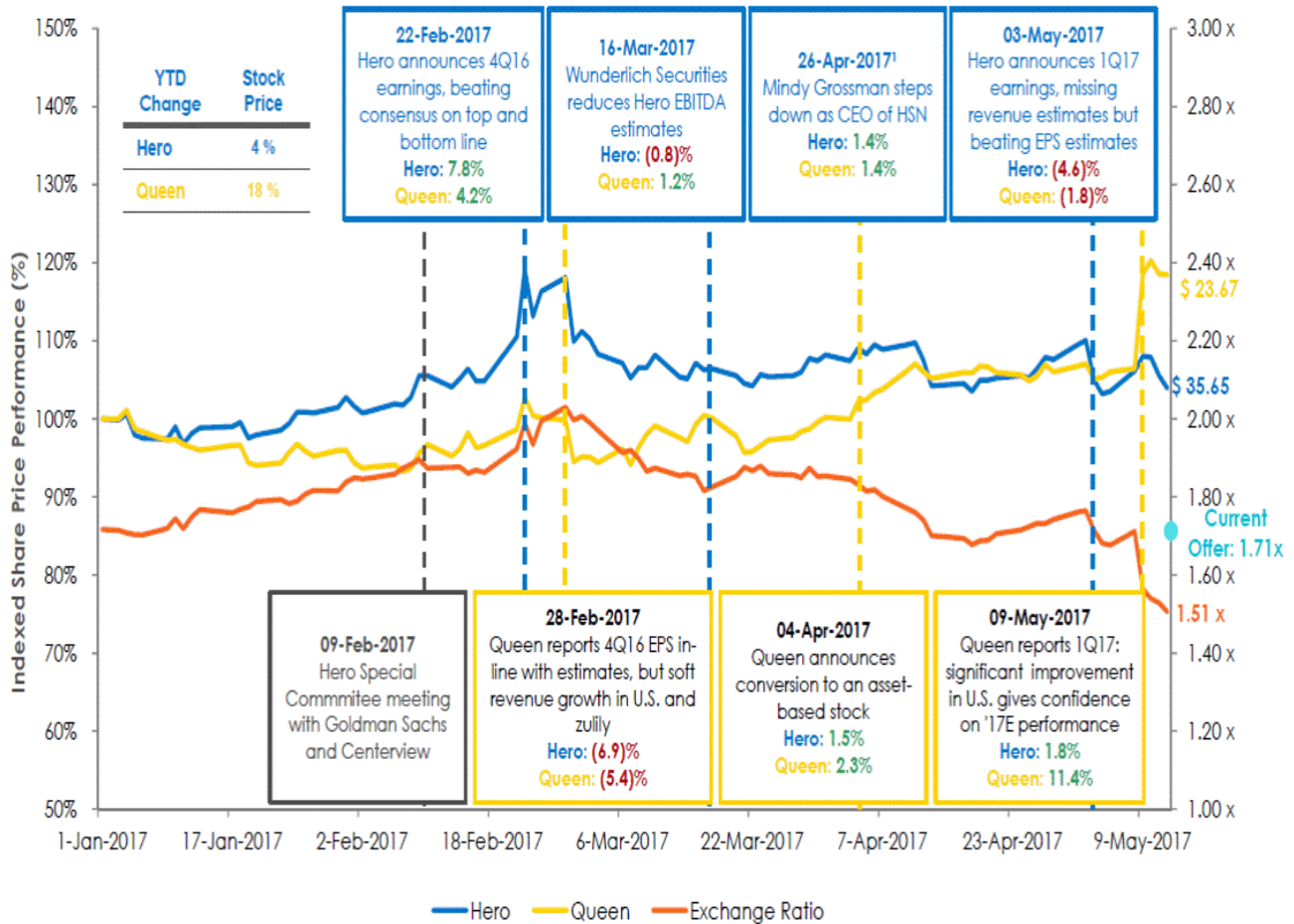
- (1) Ownership based on currently available public information. Figures subject to change as more information regarding Lion / GCI transaction becomes available. Hero ownership represents non-Queen shareholders ownership only.  
 (2) Malone currently owns 27.2mm Class B shares of Queen (10 votes per share) and 0.4mm Class A shares (1 vote).  
 (3) Adjusted EBITDA is before deduction of stock based compensation expense.





# Year-to-Date Share Price Performance and Exchange Ratio Development

## Hero and Queen



Source: Bloomberg and IBES as of May 12, 2017.

Note: Exchange ratio defined as Queen series A shares per Hero shares.

(1) Mindy Grossman's announcement occurred after close on 26-Apr-2017 and therefore the stock price reaction is shown for 27-Apr-2017.



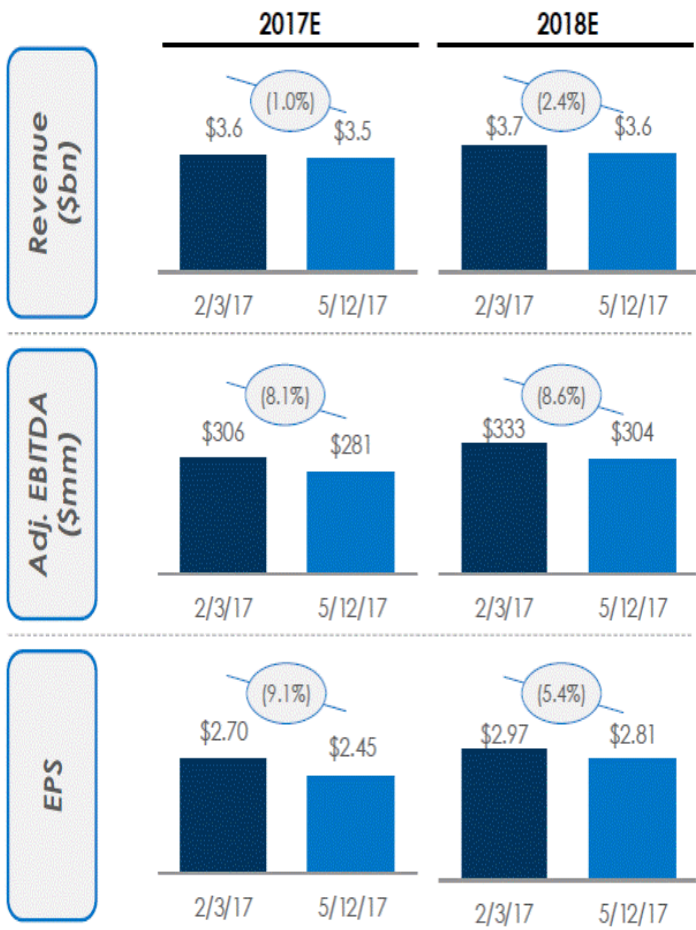
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# Hero Recent Business Performance Update

## Business Update

- On April 26, 2017, CEO Mindy Grossman, announced her resignation, effective May 24
  - Also announced preliminary 1Q17 results
  - Office of the Chief Executive, consisting of Rod R. Little, William C. Brand and Judy A. Schmeling, to run Company until full-time CEO replacement identified
- On May 3, 2017, Hero reported mixed 1Q results with net sales down YoY and below consensus estimates
  - Difficult retail environment
  - Customer acquisition challenges
  - Stock dropped 5% day of release
- Analysts reduced estimates for Hero, noting:
  - Retail environment a significant headwind for top line growth
  - Excess / aged inventory could hurt gross profit in near-term
  - \$10mm expenses related to supply chain disruption in 2017
  - Expected cost savings being reinvested into marketing and digital capabilities

## Evolution of Estimates Since Feb. Committee Meeting



Source: Wall Street Research and Factset as of May 12, 2017.

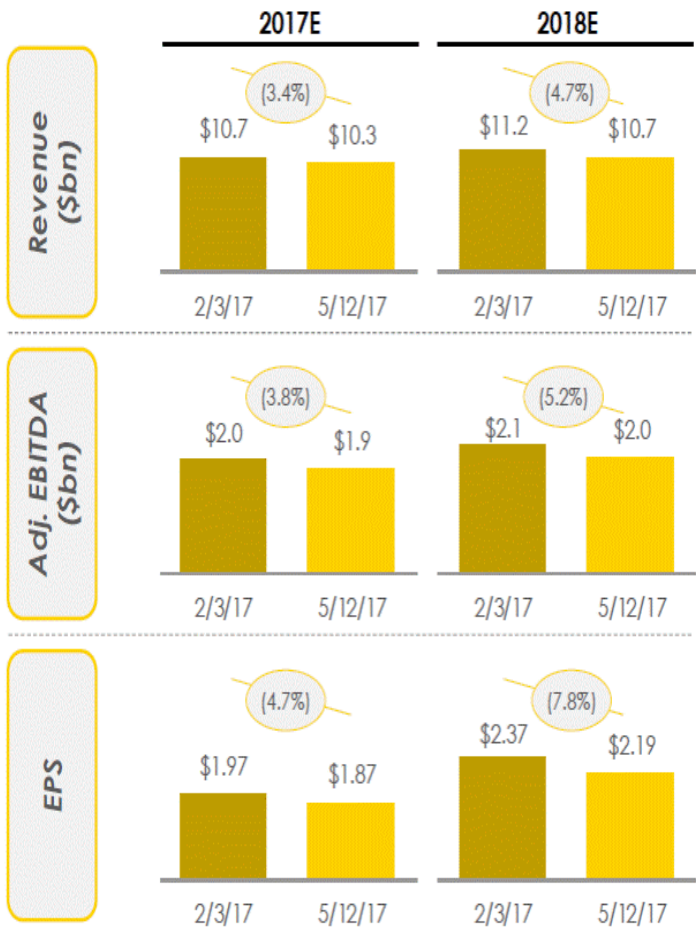


# Queen Recent Business Performance Update

## Business Update

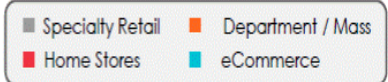
- On April 4, 2017, Lion Interactive announced agreement for Lion Ventures to acquire GCI and split-off combined company from Lion Interactive/Queen (would result in Queen becoming an asset-based stock)
  - Transaction included announcement of reattribution of \$750mm assets and liabilities to Queen to facilitate separation
- On May 9, 2017, Queen reported better than expected 1Q results
  - U.S. revenues declined (3%) vs. the (5%) suggested by management in early March
  - International revenues were generally in line with consensus; 10% YoY increase in EBITDA margin
  - zully sales grew ~1% YoY but were below Street forecasts
- Results well-received by market; increased confidence in outlook for U.S. business
  - Stock up 11% on day
  - Estimates increased (down since February)

## Evolution of Estimates Since Feb. Committee Meeting



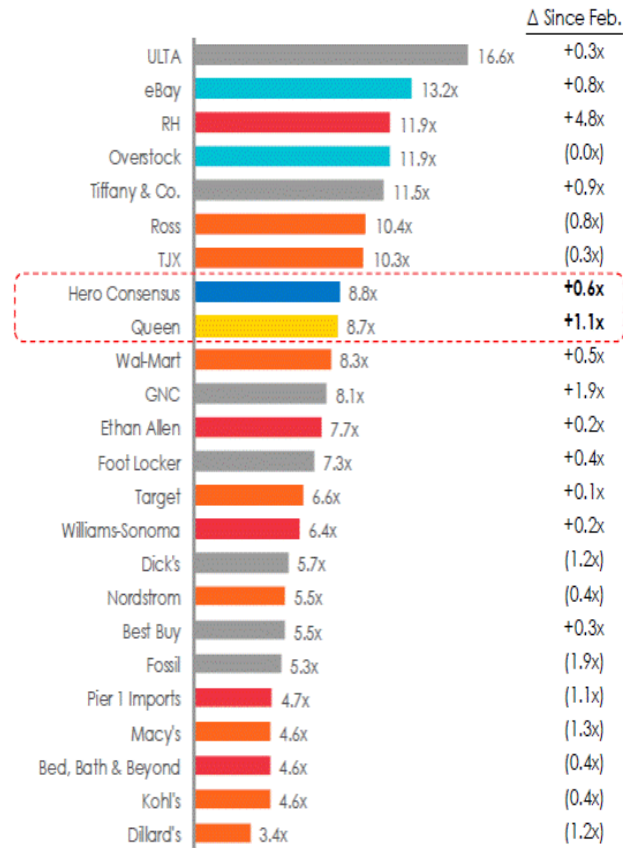
Source: Wall Street Research and Factset as of May 12, 2017.

# Public Trading Comparables



Amid continuing retail struggles, peer estimates have generally declined, resulting in median NTM EBITDA and P/E multiples increasing +0.4x and +0.6x, respectively, since February

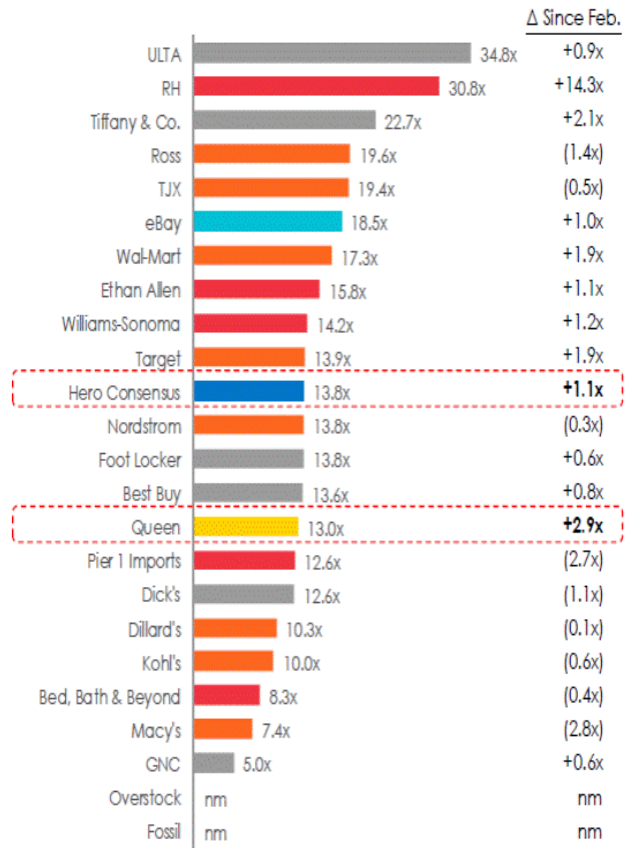
## NTM EV / Comparable EBITDA



Stats  
Ex - Hero

25<sup>th</sup> Percentile: 5.4x  
Median: 7.3x  
75<sup>th</sup> Percentile: 10.4x

## NTM Comparable P/E



25<sup>th</sup> Percentile: 12.6x  
Median: 13.8x  
75<sup>th</sup> Percentile: 18.5x

Source: Hero management, company filings and FactSet as of May 12, 2017.

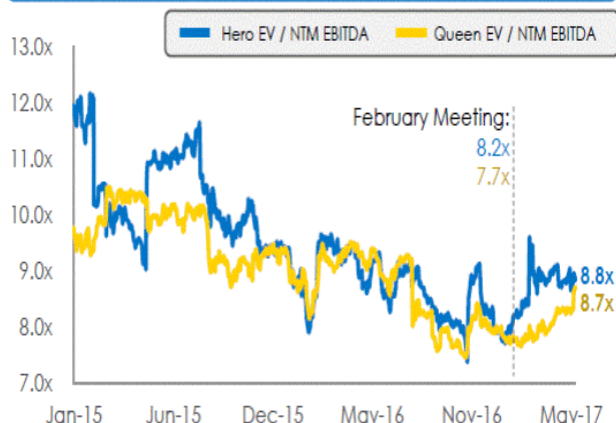
Note: Comparable EBITDA calculated after deduction of stock-based compensation expense from Adjusted EBITDA. Comparable EPS is calculated after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization from EPS.



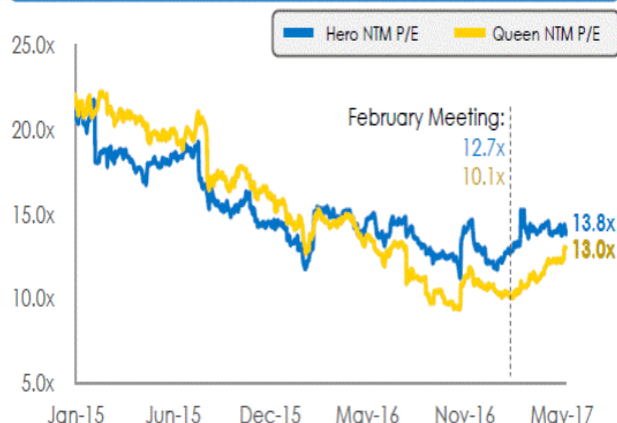
# Hero and Queen's Relative Trading Multiples

While magnitude of discount has varied, Queen has typically traded below Hero on an EV/EBITDA basis, but currently valued near parity

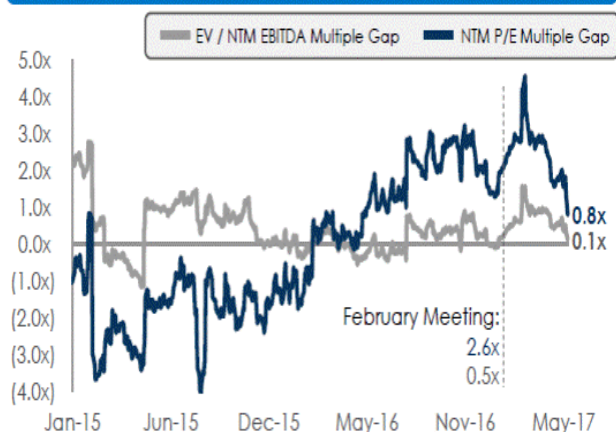
Historical EV / NTM Comparable EBITDA Multiples



Historical NTM Comparable P/E Multiples



Hero's Multiples Relative to Queen<sup>(1)</sup>



Summary Statistics

Summary Statistics - Hero & Queen

	EV / Comp. EBITDA			Comparable P/E		
	Hero	Queen	Delta	Hero	Queen	Delta
Current	8.8x	8.7x	0.1x	13.8x	13.0x	0.8x
Last 1-Month Avg.	8.8x	8.4x	0.5x	14.0x	12.4x	1.7x
Last 3-Months Avg.	8.9x	8.1x	0.8x	14.1x	11.7x	2.4x
Last 6-Months Avg.	8.5x	8.0x	0.5x	13.4x	11.1x	2.3x
Last 1-Year Avg.	8.6x	8.2x	0.4x	13.5x	11.3x	2.2x
Last 2-Years Avg.	9.4x	9.0x	0.4x	15.1x	15.0x	0.1x
February Meeting	8.2x	7.7x	0.5x	12.7x	10.1x	2.6x

Source: Hero Management, company filings and Factset estimates as of May 12, 2017.

Note: Comparable EBITDA calculated after deduction of stock-based compensation expense. Comparable EPS is after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization.

(1) Delta represents Hero's multiple minus Queen's multiple.



# Summary of Illustrative Financial Analyses for Hero

## Per Management Projections

Analyses	Illustrative Price per Share	Comments
Present Value of Future Share Price <sup>(1)</sup> Goldman Sachs	\$ 36 - \$ 52	<ul style="list-style-type: none"> <li>PV of 1-4 year future share price based on 7.5-9.5x one year forward EV/EBITDA on 2018E-2021E Comparable EBITDA<sup>(2)</sup></li> <li>Assuming cost of equity of 10.0%</li> </ul>
Discounted Cash Flow Goldman Sachs	\$ 34 - \$ 54	<ul style="list-style-type: none"> <li>1.5% to 2.5% perpetuity growth rate</li> <li>8.0% to 10.0% weighted average cost of capital</li> </ul>
Discounted Cash Flow Centerview Partners	\$ 30 - \$ 46	<ul style="list-style-type: none"> <li>1.0% to 3.0% perpetuity growth rate</li> <li>9.5% to 10.5% weighted average cost of capital</li> </ul>
Selected Transactions	\$ 31 - \$ 41	<ul style="list-style-type: none"> <li>High: EV/LTM EBITDA 10.0x (LTM Comparable EBITDA of \$269mm<sup>(3)</sup>)</li> <li>Low: EV/LTM EBITDA 8.0x (LTM Comparable EBITDA of \$269mm<sup>(3)</sup>)</li> </ul>
Precedent Premia (All Stock Deals) Goldman Sachs	\$ 36 - \$ 45	<ul style="list-style-type: none"> <li>Based on typical premiums over past 5 years of 0-25% for precedent stock deals with U.S. targets with \$1bn - \$5bn in EV</li> </ul>
Precedent Premia (All Cash Deals) Goldman Sachs	\$ 41 - \$ 52	<ul style="list-style-type: none"> <li>Based on typical premiums over past 5 years of 15-45% for precedent cash deals with U.S. targets with \$1bn - \$5bn in EV</li> </ul>
Trading Range - P/E Centerview Partners	\$ 33 - \$ 44	<ul style="list-style-type: none"> <li>High: 16x NTM EPS (NTM Comparable EPS of \$2.76)<sup>(2)</sup></li> <li>Low: 12x NTM EPS (NTM Comparable EPS of \$2.76)<sup>(2)</sup></li> </ul>
Trading Range - EV / EBITDA Centerview Partners	\$ 30 - \$ 41	<ul style="list-style-type: none"> <li>High: 9x NTM EBITDA (NTM Comparable EBITDA of \$300mm)<sup>(2)</sup></li> <li>Low: 7x NTM EBITDA (NTM Comparable EBITDA of \$300mm)<sup>(2)</sup></li> </ul>
For Reference: 52-Week Trading Range	\$ 31 - \$ 53	<ul style="list-style-type: none"> <li>High: \$53.45 (08-Jun-2016)</li> <li>Low: \$31.25 (07-Nov-2016)</li> </ul>
For Reference: Analyst Price Targets	\$ 32 - \$ 48	<ul style="list-style-type: none"> <li>High: \$48.00 (UBS 04-May-2017)</li> <li>Low: \$32.00 (BAML 03-May-2017)</li> </ul>
	<div style="border: 1px solid green; padding: 2px; display: inline-block;">Current Price : \$35.65</div> <div style="border: 1px solid blue; padding: 2px; display: inline-block; margin-left: 20px;">Offer Price : \$40.50</div>	

Source: Public filings, Hero Projections, Bloomberg, Factset, Wall Street research as of as of May 12, 2017.

(1) Including dividends.

(2) Comparable EBITDA and EPS are after deduction of stock based compensation expense.

(3) Comparable EBITDA after deduction of stock based compensation expense. Pro forma for sale of Chasing Fireflies and TravelSmith.





# Illustrative Hero Discounted Cash Flow Sensitivity

## Impact on Share Price

### Goldman Sachs Perspective

### Centerview Perspective

		Annual $\Delta$ to Management Plan Revenue Growth					'21E Adj. EBITDA Margin'
		(300 bps)	(200 bps)	(100 bps)	0 bps	100 bps	
Cumulative $\Delta$ to Management Plan Adj. EBITDA Margin	(100 bps)	\$(12)	\$(10)	\$(8)	\$(6)	\$(4)	9.4 %
	(50 bps)	\$(9)	\$(7)	\$(5)	\$(3)	\$(1)	9.9 %
	0 bps	\$(6)	\$(4)	\$(2)	\$ 0	\$ 2	10.4 %
	50 bps	\$(4)	\$(1)	\$ 1	\$ 3	\$ 5	10.9 %
	100 bps	\$(1)	\$ 1	\$ 4	\$ 6	\$ 8	11.4 %
'16-'21E Revenue CAGR		0.6 %	1.6 %	2.6 %	3.6 %	4.6 %	

		Annual $\Delta$ to Management Plan Revenue Growth					'21E Adj. EBITDA Margin'
		(300 bps)	(200 bps)	(100 bps)	0 bps	100 bps	
Cumulative $\Delta$ to Management Plan Adj. EBITDA Margin	(100 bps)	\$(11)	\$(9)	\$(7)	\$(5)	\$(3)	9.4 %
	(50 bps)	\$(9)	\$(7)	\$(5)	\$(3)	\$(0)	9.9 %
	0 bps	\$(6)	\$(4)	\$(2)	\$ 0	\$ 2	10.4 %
	50 bps	\$(4)	\$(2)	\$ 0	\$ 3	\$ 5	10.9 %
	100 bps	\$(2)	\$ 1	\$ 3	\$ 5	\$ 8	11.4 %
'16-'21E Revenue CAGR		0.6 %	1.6 %	2.6 %	3.6 %	4.6 %	

Source: Hero Management, Wall Street research, and Factset as of May 12, 2017.

Note: Balance sheet information as of March 31, 2017. Cash flows discounted to March 31, 2017 using mid-year convention; valuation based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Terminal value calculated as of 2021E.

Centerview perspective assumes 2.0% perpetuity growth rate and 10.0% discount rate. Goldman Sachs perspective assumes 2.0% perpetuity growth rate and 9.0% discount rate. Assumes change in EBITDA margin occurs in even increments across projection period.

(1) Adjusted EBITDA is calculated before deduction of stock-based compensation expense.





## Illustrative Has / Gets Analysis and Value Creation Split

### ■ Key Illustrative Assumptions:

- Based on \$40.50 per share offer price, implies 1.71x exchange ratio
- \$125mm Synergies = \$1,042mm value (capitalized at blended multiple, less \$50mm illustrative fees)

	Hero		Queen		Pro	
	Per Share	Aggregate	Per Share	Aggregate	Forma	
<b>Has</b>	<b>Enterprise Value</b>	\$2,390		\$16,544	\$18,934	
	(Less): Net Debt & NCI	(481)		(5,724)		
	<b>Observed Market Equity Value</b>	\$35.65	\$1,909	\$23.67	\$10,820	\$12,729
	(Less): Queen Stake in Hero		–		(714)	
	<b>Adjusted Equity Value</b>		\$1,909		\$10,106	\$12,015
	<i>Implied Ownership</i>		15.9%		84.1%	
<i>Implied Exchange Ratio</i>		1.51x		1.00x		
<b>Gets</b>	<b>Targeted Exchange Ratio</b>		1.71x		1.00x	
	<b>Implied Equity Value</b>		\$2,141	\$21.60	\$9,874	\$12,015
	<i>Implied Ownership</i>		17.8%		82.2%	
	<i>Implied Prem. / (Disc.) Before Synergies<sup>(1)</sup></i>		12.1%		(8.8%)	
	Plus: Share of Capitalized Synergies <sup>(2)</sup>	\$3.47	\$186	\$1.87	\$856	\$1,042
	<b>Value per Share w/ Synergies</b>	\$43.44	\$2,327	\$23.47	\$10,730	
	<i>Implied Prem. / (Disc.) After Synergies<sup>(1)</sup></i>		21.9%		6.2%	
	<b>Value Creation</b>		\$417		\$624	\$1,042
<i>Share of Value Creation</i>		40.1%		59.9%		

Source: Public filings, Hero Projections, Factset as of as of May 12, 2017.

Note: Dollars in millions, except per share data. Based on economic ownership.

(1) Represents share of pro forma equity value divided by standalone equity value minus 1.

(2) Capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.7x.



CENTERVIEW PARTNERS

## Illustrative Has / Gets Analysis and Value Creation Split Sensitivity

At various headline premiums and synergy values

Assumes Hero/Queen both trading at intrinsic value

### Hero Shareholders (Including Queen) Share of Value Creation

Run-rate Synergies	\$86	\$100	\$125	\$140	\$150
Blended Multiple <sup>(1)</sup>	8.7x	8.7x	8.7x	8.7x	8.7x
Net Capitalized Synergies <sup>(2)</sup>	\$700	\$823	\$1,042	\$1,173	\$1,260

Offer Price	Headline Premium	Implied Ownership	Exchange Ratio	Hero Pro Forma Share of Value Creation				
\$35.65	–	15.9%	1.51x	16%	16%	16%	16%	16%
40.50	13.6%	17.8%	1.71x	51%	46%	40%	38%	36%
41.00	15.0%	18.0%	1.73x	55%	49%	43%	40%	38%
41.89	17.5%	18.4%	1.77x	61%	55%	47%	44%	42%
42.78	20.0%	18.7%	1.81x	67%	60%	51%	48%	46%
43.67	22.5%	19.1%	1.85x	73%	65%	56%	52%	49%
44.56	25.0%	19.4%	1.88x	80%	71%	60%	55%	53%

Source: Public filings, Hero Projections, Factset as of as of May 12, 2017.

Note: Dollars in millions, except per share data.

(1) Capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.7x.

(2) Net of \$50mm of illustrative transaction fees.



CENTERVIEW PARTNERS

## Transaction Parameters at Various Synergy Levels Required for Hero Shareholders to Receive 50% of Synergies

Run-Rate Synergies	Net Capitalized Synergies <sup>1</sup>	Headline Price	Headline Premium	Per Share Value of Premium	Implied Exchange Ratio	PF Ownership to Hero	PF Ownership to Non-Queen Hero
\$ 86	\$ 700	\$ 40.37	13.2 %	\$ 4.72	1.71 x	17.8 %	11.1 %
\$ 100	\$ 823	\$ 41.33	15.9 %	\$ 5.68	1.75 x	18.1 %	11.4 %
\$ 125	\$ 1,042	\$ 42.52	19.3 %	\$ 6.87	1.80 x	18.6 %	11.7 %
\$ 140	\$ 1,173	\$ 43.49	22.0 %	\$ 7.84	1.84 x	19.0 %	11.9 %
\$ 150	\$ 1,260	\$ 43.85	23.0 %	\$ 8.20	1.85 x	19.1 %	12.0 %

Source: Hero Management, company filings and market Data as of May 12, 2017.

Note: Dollars in millions. Pro forma ownership to all hero shareholders incl. Queen based on Queen diluted share count as of March 31, 2017.

(1) Assumes synergies are capitalized at the blended NTM EV/EBITDA multiple of 8.7x, net of \$50mm fees. \$700mm of net capitalized synergies implies run rate synergies of \$94mm if capitalized at Queen's NTM EV/EBITDA of 8.0x.



## Illustrative Has / Gets Analysis and Value Creation Split Sensitivity

At various headline premiums and Hero/Queen intrinsic values

Assumes Hero base case synergies of \$125mm capitalized at blended multiple of 8.7x

### Current Proposal – \$40.50

Queen Val. Prem/(Disc.) to Current	Hero Val. Prem/(Disc.) to Current		
	(5%)	-	5%
(5%)	38%	30%	22%
-	48%	40%	32%
5%	59%	50%	42%

### 15% Premium – \$41.00

Queen Val. Prem/(Disc.) to Current	Hero Val. Prem/(Disc.) to Current		
	(5%)	-	5%
(5%)	40%	32%	24%
-	51%	43%	34%
5%	62%	53%	45%

### 17.5% Premium – \$41.89

Queen Val. Prem/(Disc.) to Current	Hero Val. Prem/(Disc.) to Current		
	(5%)	-	5%
(5%)	44%	36%	28%
-	55%	47%	39%
5%	66%	58%	49%

### 20.0% Premium – \$42.78

Queen Val. Prem/(Disc.) to Current	Hero Val. Prem/(Disc.) to Current		
	(5%)	-	5%
(5%)	48%	40%	32%
-	59%	51%	43%
5%	71%	62%	54%



## Structural Transaction Alternatives Given Queen's Announced Tracking Stock to Asset Stock Conversion

<b>Tracking Stock Deal With No Deal Protections</b>	<ul style="list-style-type: none"><li>■ Hero to enter into a transaction before the Queen split-off is complete with no guarantee regarding future legal separation of Queen and Ventures</li><li>■ Hero shareholders would receive Queen tracking stock in the merger; tracking stock would subsequently become an asset-based stock assuming successful completion of the Ventures split-off</li><li>■ Some risk that Hero shareholders would continue to own tracking stock indefinitely if the Ventures split-off is not completed; also implies that Hero would have no influence on details of the Ventures split-off and asset/liability reattribution between Queen and Ventures</li></ul>
<b>Closing Conditioned on Split-Off</b>	<ul style="list-style-type: none"><li>■ Alternatively, closing of merger between Hero and Queen could be conditioned on successful completion of the Ventures split-off such that Hero shareholders would never receive tracking stock</li><li>■ Provisions protecting Hero, such as a break-up fee and detailed terms of the Venture split-off, could be important components of the merger agreement</li><li>■ May significantly delay closing of Hero transaction</li><li>■ Given Hero's shareholders will only receive minority stake in pro forma Queen and long lead time to close Ventures split-off relative to Hero, it is unlikely that Queen would agree to this closing condition</li></ul>
<b>Contingent Incremental Consideration</b>	<ul style="list-style-type: none"><li>■ Hero to receive contingent incremental consideration per share, either in the form of cash or stock, under certain circumstances. Two potential situations where contingent consideration could be used:<ul style="list-style-type: none"><li>— If Ventures split-off transaction is terminated or does not close by a certain date</li><li>— If Queen stock (tracking or asset-based) trades below a certain price threshold at a future date (e.g., 12 months post-closing)</li></ul></li><li>■ Hero could propose a stock-settled CVR where Hero shareholders receive additional Queen shares (or cash) if Queen's stock price is below a certain price threshold at the measurement date<ul style="list-style-type: none"><li>— This would be used in response to Greg Maffei's assertion that Queen's stock price has further upside once it becomes asset-based stock</li></ul></li><li>■ Contingent securities such as CVRs are complex to negotiate and discounted by the market, and might represent more of a negotiating tactic rather than a final deal term</li></ul>



## Next Steps

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### Formulate a Response to Lion

- Advisors to call Lion CEO as soon as possible to convey Committee's response
- Message to include:
  - Proposal is inadequate and not a basis for discussion
  - Synergy opportunity is greater than \$750mm and Hero expects to be compensated accordingly
  - Hero shareholders require a fixed exchange ratio framework rather than fixed price
  - Hero shareholders must be compensated for uncertainty related to GCI-Lion transaction
  - Committee requires clarity on value implications of asset/liability reattribution associated with GCI-Lion transaction

### Additional Areas for Diligence

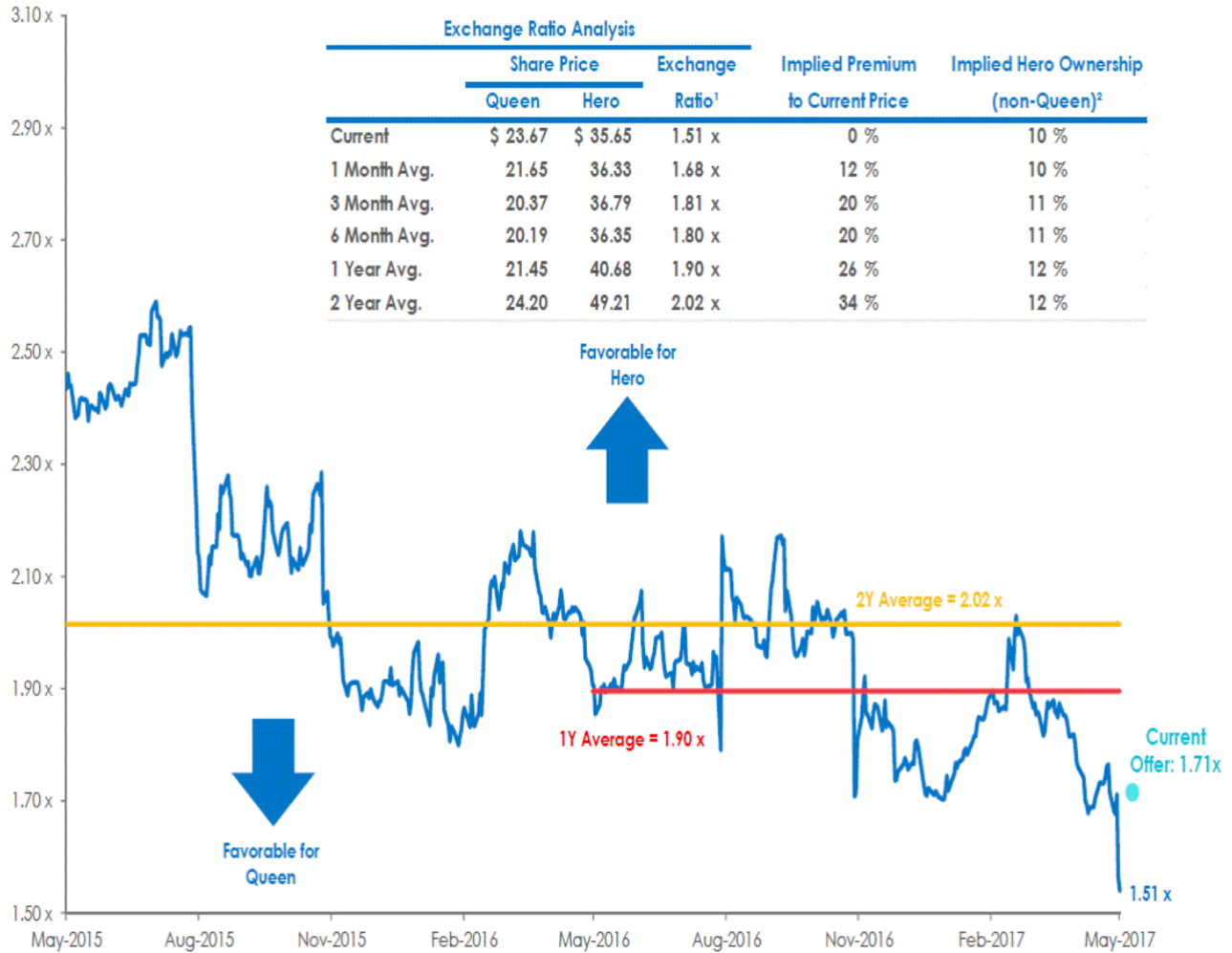
- Refinements/updates to management plan, if appropriate, in light of recent trends and performance against key strategic initiatives
- Updated thorough analysis of the potential synergy opportunity in a combination, including incorporating input from Queen management, if/when made available
  - Include revenue synergies and capex synergies
- Updated strategic, financial and operational benefits of a potential combination with Queen as new information becomes available
  - Update pro forma financial profile and future share price analysis
- Likelihood and timing of GCI-Lion transaction closing (based on current trading levels)
- Potential value differential from receiving tracking stock vs. asset-based stock
- Capital structure and cash flow implications of Lion Interactive exchangeable debentures

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Appendix

# Illustrative Exchange Ratio Over Time

Last 2 Years



Source: Company filings, Bloomberg as of May 12, 2017.

(1) Exchange ratio defined as Queen series A shares per Hero shares.

(2) Based on April 30, 2017 Queen number of series A and B shares outstanding.



## Overview of Hero Standalone Plan

Projections reflect a return to historical levels of growth and margin improvements driven by in-process initiatives

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■ **Projections imply a return to historical levels of growth (prior to challenging 2016)**

—Top-line initiatives include improvements to TV distribution and viewer experience (e.g., one-click remote-buying), product pricing and expanding digital capabilities, etc.

■ **A number of in-process initiatives expected to drive margins above historical levels**

—Initiatives include supply chain efficiencies (tailwind from resolution of Piney Flats issues and automation), merchandising initiatives, etc.

■ **The Projections reflect a number of positive developments in December and January:**

—Resolution of Piney Flats issues; increased confidence in ability to drive margin improvement led by new Chief Merchandising Officer; clarified view of trends in business mix

—Broker estimates do not reflect these developments and as a result lag the Projections

—Resulted in stronger outlook for 2017 relative to Plan shared with Board in December

■ **Relative to Queen, Hero top-line growth is in-line but EBITDA growth and margin expansion are higher due to a low 2016 EBITDA base and the initiatives discussed above**

# Hero Projections Summary

Projections imply 8.1% Adjusted EBITDA CAGR and 8.7% EPS CAGR from 2016A-2021E

	Historical			Projections					'14-'16A	'16A-'21E
	2014A	2015A	2016A	2017P	2018E	2019E	2020E	2021E	CAGR	CAGR
HSN Revenue	\$2,476	\$2,542	\$2,475	\$2,549	\$2,626	\$2,704	\$2,785	\$2,869	(0.0%)	3.0%
Cornerstone Revenue	1,114	1,151	1,095	1,089	1,162	1,243	1,316	1,390	(0.9%)	4.9%
(Less): Eliminations	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)		
<b>Total Revenue</b>	<b>\$3,588</b>	<b>\$3,691</b>	<b>\$3,567</b>	<b>\$3,637</b>	<b>\$3,786</b>	<b>\$3,946</b>	<b>\$4,100</b>	<b>\$4,257</b>	<b>(0.3%)</b>	<b>3.6%</b>
YoY Growth		2.9%	(3.3%)	1.9%	4.1%	4.2%	3.9%	3.8%		
<b>Gross Profit</b>	<b>\$1,273</b>	<b>\$1,315</b>	<b>\$1,217</b>	<b>\$1,251</b>	<b>\$1,316</b>	<b>\$1,383</b>	<b>\$1,447</b>	<b>\$1,513</b>	<b>(2.2%)</b>	<b>4.5%</b>
% Margin	35.5%	35.6%	34.1%	34.4%	34.8%	35.0%	35.3%	35.5%		
(Less): Operating Expenses	(\$931)	(\$957)	(\$918)	(\$944)	(\$970)	(\$1,006)	(\$1,039)	(\$1,072)		
% of Sales	25.9%	25.9%	25.7%	26.0%	25.6%	25.5%	25.3%	25.2%		
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$342</b>	<b>\$357</b>	<b>\$299</b>	<b>\$307</b>	<b>\$346</b>	<b>\$377</b>	<b>\$408</b>	<b>\$441</b>	<b>(6.5%)</b>	<b>8.1%</b>
% Margin	9.5%	9.7%	8.4%	8.4%	9.1%	9.5%	9.9%	10.4%		
(Less): D&A / FA Sale	(44)	(44)	(43)	(47)	(49)	(52)	(56)	(59)		
(Less): SBC	(16)	(18)	(19)	(21)	(22)	(22)	(23)	(24)		
(Less): Adjustments	2	(11)	(31)	-	-	-	-	-		
<b>Reported EBIT</b>	<b>\$285</b>	<b>\$284</b>	<b>\$206</b>	<b>\$238</b>	<b>\$275</b>	<b>\$302</b>	<b>\$329</b>	<b>\$358</b>	<b>(15.0%)</b>	<b>11.7%</b>
(Less): Net Interest	(7)	(15)	(16)	(15)	(17)	(17)	(18)	(18)		
Pre-Tax Income	\$278	\$269	\$190	\$224	\$258	\$285	\$312	\$340		
(Less): Taxes	(105)	(100)	(71)	(84)	(97)	(107)	(117)	(128)		
Net Income	\$173	\$169	\$119	\$140	\$161	\$178	\$195	\$213		
Plus: Adjustments	0	6	20	-	-	-	-	-		
<b>Adjusted Net Income</b>	<b>\$173</b>	<b>\$176</b>	<b>\$138</b>	<b>\$140</b>	<b>\$161</b>	<b>\$178</b>	<b>\$195</b>	<b>\$213</b>	<b>(10.6%)</b>	<b>9.0%</b>
<b>Adjusted EPS</b>	<b>\$3.23</b>	<b>\$3.28</b>	<b>\$2.62</b>	<b>\$2.61</b>	<b>\$3.01</b>	<b>\$3.33</b>	<b>\$3.64</b>	<b>\$3.97</b>	<b>(9.9%)</b>	<b>8.7%</b>
YoY Growth		1.7%	(20.3%)	(0.3%)	15.5%	10.3%	9.4%	9.1%		
<b>Memo:</b>										
Diluted Shares	53.6	53.5	52.9	53.6	53.6	53.6	53.6	53.6		
Tax Rate	37.7%	37.1%	37.4%	37.5%	37.5%	37.5%	37.5%	37.5%		
Comparable EBITDA <sup>(2)</sup>	\$327	\$339	\$280	\$286	\$324	\$354	\$385	\$417	(7.4%)	8.3%

Source: Hero Management.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.

(2) Comparable EBITDA is after deduction of stock-based compensation expense.

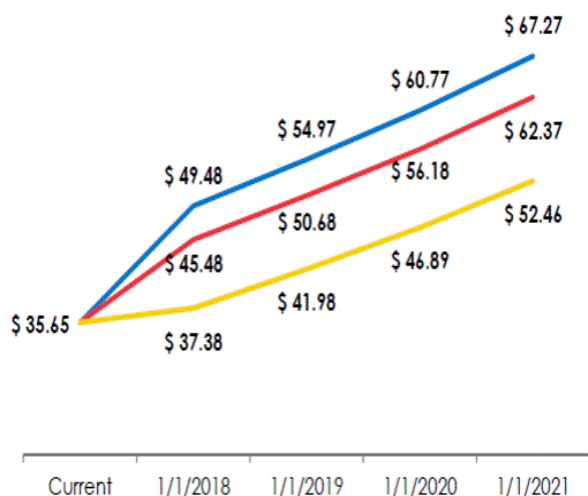




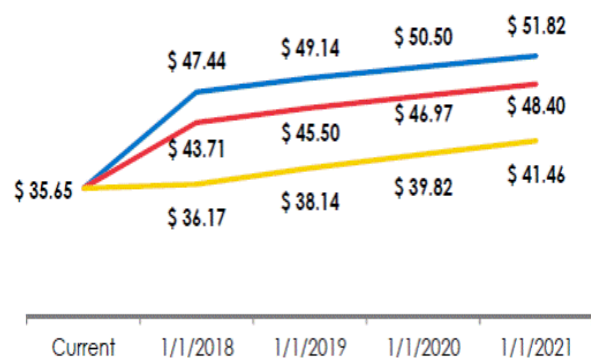
# Illustrative Public Market Present Value of Future Share Price Analysis Based on Hero Projections

Based on 1 Year Forward EV/EBITDA Multiples | Goldman Sachs Perspective

Future Value of Share Price



Present Value of Future Stock Price + Dividends at 10.0% Cost of Equity



7.5x Forward EV/EBITDA 8.8x Forward EV/EBITDA 9.5x Forward EV/EBITDA

Balance Sheet at 8.8x EV / EBITDA	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
1-Yr Forward EBITDA	\$ 324	\$ 354	\$ 385	\$ 417
Net Debt	\$ 429	\$ 418	\$ 392	\$ 344
Diluted Shares Outstanding (mm)	53.6	53.6	53.6	53.6
Dividends Per Share	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40

Source: Hero Projections.

Note: Present Value of Future Stock Price includes dividends discounted based on mid-year convention. Future share prices and dividends discounted to March 31, 2017.



CENTERVIEW PARTNERS

# Illustrative Hero Discounted Cash Flow Analysis

## Projected Unlevered Free Cash Flow & Terminal Value Goldman Sachs Perspective

(\$ in millions, except for per share data)

	Historical			Management Projections					Terminal Year
	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	
Revenue	\$ 3,588	\$ 3,691	\$ 3,567	\$ 3,637	\$ 3,786	\$ 3,946	\$ 4,100	\$ 4,257	\$ 4,343
% Growth	-	2.9 %	(3.3)%	1.9 %	4.1 %	4.2 %	3.9 %	3.8 %	2.0 %
Adj. EBITDA (pre-SBC)	\$ 347	\$ 357	\$ 299	\$ 307	\$ 346	\$ 377	\$ 408	\$ 441	\$ 449
% Margin	9.7 %	9.7 %	8.4 %	8.4 %	9.1 %	9.5 %	9.9 %	10.4 %	10.4 %
Less: Stock-Based Compensation	\$(16)	\$(18)	\$(19)	\$(21)	\$(22)	\$(22)	\$(23)	\$(24)	\$(24)
Adj. EBITDA (post-SBC)	\$ 332	\$ 339	\$ 280	\$ 286	\$ 324	\$ 354	\$ 385	\$ 417	\$ 425
% Margin	9.2 %	9.2 %	7.8 %	7.9 %	8.6 %	9.0 %	9.4 %	9.8 %	9.8 %
Less: Depreciation & Amortization	\$(44)	\$(43)	\$(43)	\$(47)	\$(48)	\$(51)	\$(55)	\$(58)	\$(59)
Less: Other Expenses <sup>1</sup>	2	(12)	(31)	(1)	(1)	(1)	(1)	(1)	-
EBIT <sup>2</sup>	\$ 290	\$ 284	\$ 206	\$ 238	\$ 275	\$ 302	\$ 329	\$ 358	\$ 366
% Margin	8.1 %	7.7 %	5.8 %	6.6 %	7.3 %	7.7 %	8.0 %	8.4 %	8.4 %
Less: Adjusted Tax Expense (37.5%)				\$(89)	\$(103)	\$(113)	\$(123)	\$(134)	\$(137)
Plus: Depreciation & Amortization				47	48	51	55	58	59
Less: Capital Expenditures				(59)	(82)	(84)	(80)	(73)	(66)
Less: Increase in NWC				(19)	(18)	(16)	(14)	(17)	(6)
Plus: Other Non-Cash Items				1	1	1	1	1	-
<b>Unlevered Free Cash Flow</b>				<b>\$ 118</b>	<b>\$ 122</b>	<b>\$ 141</b>	<b>\$ 168</b>	<b>\$ 193</b>	<b>\$ 216</b>
% of EBITDA					35.2 %	37.5 %	41.1 %	43.8 %	48.1 %
<b>Illustrative Terminal Value</b>									
Assumed Perpetuity Growth Rate									2.0 %
Illustrative WACC									9.0 %
Terminal FCF									\$ 216
Terminal Value at Exit									\$ 3,085
Implied Terminal Value LTM EBITDA Multiple									7.3 x
Present Value of Terminal Value									\$ 2,139
<b>Total DCF Value</b>									<b>\$ 2,719</b>
Terminal Value % of Total Value									78.7 %
(-) Net Financial Debt									\$ 481
Equity Value									\$ 2,239
Shares Outstanding (mm)									53.61
<b>Illustrative Implied Equity Value per Share</b>									<b>\$ 41.76</b>

Source: Hero Historical Financials and Projections.

Note: Cash flows discounted to March 31, 2017 using mid-year convention for cash flows; valuation based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Share price based on diluted shares outstanding. Implied EBITDA multiples based on adjusted EBITDA (post-SBC).

(1) Includes loss on sale of FA.

(2) Does burden EBIT with stock-based compensation expense.



# Illustrative Discounted Cash Flow Sensitivities

## Implied Value Per Share of Hero Goldman Sachs Perspective

(\$ in millions, except for per share data)

		Enterprise Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 3,013	\$ 3,189	\$ 3,397
	9.0 %	\$ 2,596	\$ 2,719	\$ 2,861
	10.0 %	\$ 2,279	\$ 2,368	\$ 2,469

		Value per Share		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 47.15	\$ 50.33	\$ 54.08
	9.0 %	\$ 39.48	\$ 41.76	\$ 44.38
	10.0 %	\$ 33.58	\$ 35.24	\$ 37.13

		% of EV from Terminal Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	80.3 %	81.4 %	82.5 %
	9.0 %	77.7 %	78.7 %	79.7 %
	10.0 %	75.1 %	76.0 %	77.0 %

		Implied Exit LTM EBITDA Multiple <sup>(1)</sup>		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	7.9 x	8.5 x	9.1 x
	9.0 %	6.9 x	7.3 x	7.7 x
	10.0 %	6.1 x	6.3 x	6.7 x

Source: Hero Projections.

Note: Cash flows discounted to March 31, 2017 using mid-year convention for cash flows; valuation based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Terminal value calculated as of 2021E.

(1) Calculated as terminal value at exit divided by terminal year adjusted EBITDA (post-SBC).



# Illustrative Hero Discounted Cash Flow Analysis

Reflects Hero Management Case  
Centerview Perspective

## Hero Standalone Unlevered Free Cash Flows

	Fiscal Year Ending December 31,					
	2016A	2017E	2018E	2019E	2020E	2021E
<b>Adjusted EBITDA</b>	\$299	\$307	\$346	\$377	\$408	\$441
(Less): Stock-Based Compensation	(19)	(21)	(22)	(22)	(23)	(24)
<b>Comparable EBITDA<sup>(1)</sup></b>	<b>\$280</b>	<b>\$286</b>	<b>\$324</b>	<b>\$354</b>	<b>\$385</b>	<b>\$417</b>
(Less): D&A	(43)	(47)	(48)	(51)	(55)	(58)
(Less): Loss on Sale of FA	(0)	(1)	(1)	(1)	(1)	(1)
<b>Adjusted EBIT</b>	<b>\$237</b>	<b>\$238</b>	<b>\$275</b>	<b>\$302</b>	<b>\$329</b>	<b>\$358</b>
(Less): Taxes		(89)	(103)	(113)	(123)	(134)
Plus: D&A		47	48	51	55	58
(Less): Δ in Net Working Capital		(19)	(18)	(16)	(14)	(17)
(Less): Capital Expenditures		(59)	(82)	(84)	(80)	(73)
Plus: Loss on Sale of FA		1	1	1	1	1
<b>Unlevered Free Cash Flow</b>		<b>\$118</b>	<b>\$122</b>	<b>\$141</b>	<b>\$168</b>	<b>\$193</b>
YoY Growth			3%	16%	19%	15%

Discount Rate	Enterprise Value (\$bn)			Implied LTM Exit Multiple			Value per Share (\$)		
	Perpetuity Growth Rate			Perpetuity Growth Rate			Perpetuity Growth Rate		
	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%
9.50%	\$2.4	\$2.6	\$3.0	6.7x	7.7x	9.0x	\$35.16	\$39.95	\$46.17
10.00%	2.2	2.5	2.7	6.4x	7.3x	8.4x	32.61	36.81	42.16
10.50%	2.1	2.3	2.6	6.1x	6.9x	7.8x	30.34	34.03	38.69

Source: Hero Management, Wall Street research, and Factset as of May 12, 2017.

Note: Dollars in millions, unless otherwise noted. Assumes mid-year discounting convention. Balance sheet information as of May 12, 2016.

(1) Comparable EBITDA is calculated after deduction of stock-based compensation expense.



CENTERVIEW PARTNERS

# Select Transaction Multiples



Date	Target	Acquiror	TEV	EV / LTM EBITDA
Feb-14	Zale Corporation	Signet Jewelers	\$1,174	15.6x
May-12	Cost Plus	Bed Bath & Beyond	682	12.7x
Feb-13	Office Max	Office Depot	1,789	12.2x
Feb-16	Rona	Lowe's	2,285	12.1x
Oct-16	Cabela's	Bass Pro Shop	5,649	11.8x
May-17	Kate Spade	Coach	2,408	10.4x
May-12	Charming Shoppes	Ascena Retail Group	830	9.9x
Jul-13	Saks	Hudson's Bay	2,614	9.8x
Sep-13	Neiman Marcus	CPP / Ares	6,000	9.4x
Nov-15	Petco	CVC, CPP	4,600	9.4x
Dec-14	PetSmart	BC Partners; GIC, Others	8,722	9.1x
Dec-13	Nine West	Sycamore Partners	2,131	8.6x
May-15	ANN Inc.	Ascena Retail Group	2,072	8.6x
Dec-10	Jo-Ann Stores	Leonard Green & Partners, L.P	1,529	7.3x
Nov-12	Oriental Trading Co	Berkshire Hathaway	500	7.1x
Nov-12	The Brick	Leon's Furniture	784	7.1x
Aug-15	Belk	Sycamore	2,867	6.9x
Sep-14	Bluestem Brands	Capmark Financial Group	565	6.3x

<b>25th Percentile</b>	<b>7.6x</b>
<b>Median</b>	<b>9.4x</b>
<b>75th Percentile</b>	<b>11.5x</b>

Source: Company filings, Wall Street research.

Note: Based on select retail transactions with TEV above \$0.5bn since 1/1/2010. Excludes transactions where public information to calculate EV / LTM EBITDA is unavailable: Perry Corp / Barney's New York, AEA Investors / At Home Group, Avon / Silpada Designs, Bain Capital / Bob's Discount Furniture, Berkshire Hathaway / Oriental Trading Co., Wal-Mart / Jet.com, Hudson's Bay / Gift Groupe, Investor Group / eBay Enterprise, Ahold / Bol.com, Naspers Limited / Markafoni, Amazon.com / Quidsj, Rakuten / Price Minister.





# Summary of Illustrative Financial Analyses for Queen

## Per Street Projections

Analyses	Illustrative Price per Share	Comments
Present Value of Future Share Price Goldman Sachs	\$ 17 - \$ 32	<ul style="list-style-type: none"> <li>PV of 1-4 year future share price based on 7.0-9.5x one year forward EV/EBITDA on 2018E-2021E Comparable EBITDA<sup>(1)</sup></li> <li>Assuming cost of equity of 11.5%</li> </ul>
Discounted Cash Flow Goldman Sachs	\$ 20 - \$ 34	<ul style="list-style-type: none"> <li>1.5% to 2.5% perpetuity growth rate</li> <li>8.0% to 10.0% weighted average cost of capital</li> </ul>
Discounted Cash Flow Centerview	\$ 18 - \$ 30	<ul style="list-style-type: none"> <li>1.0% to 3.0% perpetuity growth rate</li> <li>9.0% to 10.0% weighted average cost of capital</li> </ul>
Trading Range – EV / EBITDA Centerview	\$ 17 - \$ 25	<ul style="list-style-type: none"> <li>High: 9x NTM EBITDA (NTM Comparable EBITDA of \$1,905mm)<sup>(1)</sup></li> <li>Low: 7x NTM EBITDA (NTM Comparable EBITDA of \$1,905mm)<sup>(1)</sup></li> </ul>
For Reference: 52-Week Trading Range	\$ 18 - \$ 27	<ul style="list-style-type: none"> <li>High: \$27.08 (27-May-2016)</li> <li>Low: \$18.12 (04-Nov-2016)</li> </ul>
For Reference: Analyst Price Targets	\$ 25 - \$ 39	<ul style="list-style-type: none"> <li>High: \$39.00 (Maxim 10-May-2017)</li> <li>Low: \$25.00 (BAML 09-May-2017)</li> </ul>
<div style="border: 1px solid green; padding: 2px; display: inline-block;">Current Price : \$23.67</div>		

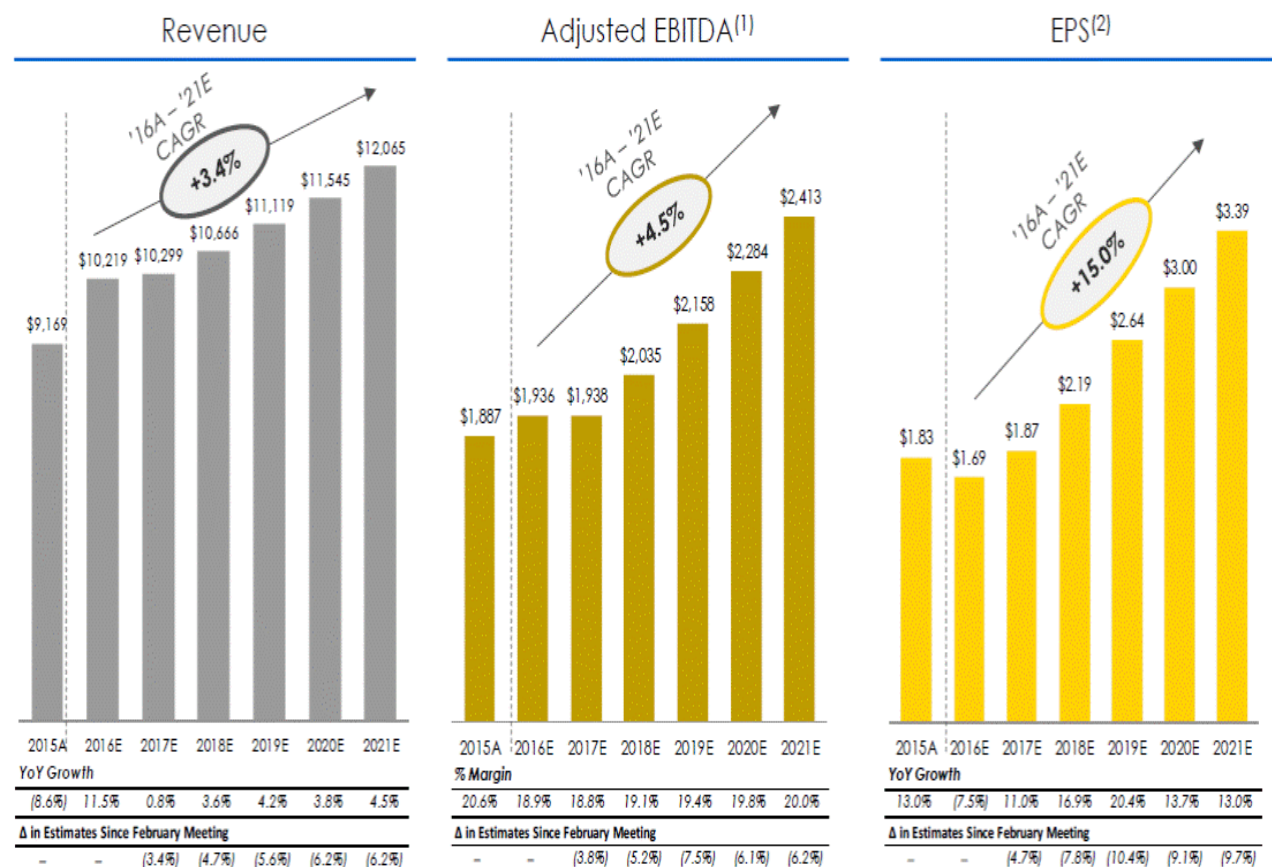
Source: Public filings, Wall Street projections supplemented with extrapolated historical financial trends, Bloomberg, Factset as of as of May 12, 2017.

(1) Comparable EBITDA is after deduction of stock-based compensation expense.



# Queen Street Expectations Summary

- Queen projections based on Wall Street research for revenue and EBITDA through 2020 and extrapolated thereafter
- EPS assumes \$800mm annual share repurchases through projection period, consistent with Queen's historical repurchase activity
- Estimates have decreased across all metrics since February Committee meeting



Source: FactSet as of May 12, 2017.

(1) Adjusted EBITDA is before the deduction of stock-based compensation expense.

(2) Does not account for potential effects of reattribution of exchangeable debentures associated with GCH-Lion transaction.



CENTERVIEW PARTNERS

## Queen Standalone Street Financials

	Historical			Street Projections					CAGR	
	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	'14-16A	'16-21E
<b>Revenue</b>	\$10,028	\$9,169	\$10,219	\$10,299	\$10,666	\$11,119	\$11,545	\$12,065	0.9%	3.4%
YoY Growth		(8.6%)	11.5%	0.8%	3.6%	4.2%	3.8%	4.5%		
<b>Gross Profit</b>	\$3,650	\$3,322	\$3,577	\$3,459	\$3,591	\$3,665	\$3,817	\$3,981	(1.0%)	2.2%
% Margin	36.4%	36.2%	35.0%	33.6%	33.7%	33.0%	33.1%	33.0%		
(Less): Operating Expenses	(\$1,711)	(\$1,435)	(\$1,641)	(\$1,521)	(\$1,555)	(\$1,507)	(\$1,532)	(\$1,568)		
% of Sales	17.1%	15.7%	16.1%	14.8%	14.6%	13.6%	13.3%	13.0%		
<b>Adjusted EBITDA<sup>(1)</sup></b>	\$1,939	\$1,887	\$1,936	\$1,938	\$2,035	\$2,158	\$2,284	\$2,413	(0.1%)	4.5%
% Margin	19.3%	20.6%	18.9%	18.8%	19.1%	19.4%	19.8%	20.0%		
(Less): Stock-Based Comp.	(83)	(60)	(75)	(67)	(69)	(72)	(75)	(78)		
(Less): D&A	(587)	(657)	(850)	(694)	(434)	(311)	(258)	(222)		
(Less): Other	(7)	-	-	-	-	-	-	-		
<b>Reported EBIT</b>	\$1,262	\$1,170	\$1,011	\$1,176	\$1,532	\$1,775	\$1,951	\$2,113	(10.5%)	15.9%
Plus: Equity Earnings / Other	(14)	91	86	49	57	64	70	77		
(Less): Net Interest Expense	(312)	(283)	(289)	(284)	(291)	(290)	(284)	(273)		
Pre-Tax Income	\$936	\$978	\$808	\$941	\$1,298	\$1,549	\$1,737	\$1,916		
(Less): Taxes	(306)	(304)	(297)	(329)	(454)	(542)	(608)	(671)		
Net Income	\$630	\$674	\$511	\$612	\$844	\$1,007	\$1,129	\$1,245		
(Less): NCI & Other	(54)	(34)	(38)	(35)	(48)	(57)	(64)	(71)		
<b>Net Income to Queen</b>	\$576	\$640	\$473	\$577	\$796	\$949	\$1,065	\$1,174		
Plus: Adjustments	219	238	339	254	114	79	41	12		
<b>Adjusted Net Income to Queen</b>	\$795	\$878	\$812	\$830	\$910	\$1,029	\$1,105	\$1,187	1.1%	7.9%
<b>Adjusted Diluted EPS</b>	\$1.62	\$1.83	\$1.69	\$1.87	\$2.19	\$2.64	\$3.00	\$3.39	2.2%	15.0%
YoY Growth		13.0%	(7.5%)	11.0%	16.9%	20.4%	13.7%	13.0%		
<b>Memo:</b>										
Comparable EBITDA <sup>(2)</sup>	\$1,856	\$1,827	\$1,861	\$1,871	\$1,966	\$2,086	\$2,209	\$2,335	0.1%	4.6%

Source: Wall Street research.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.

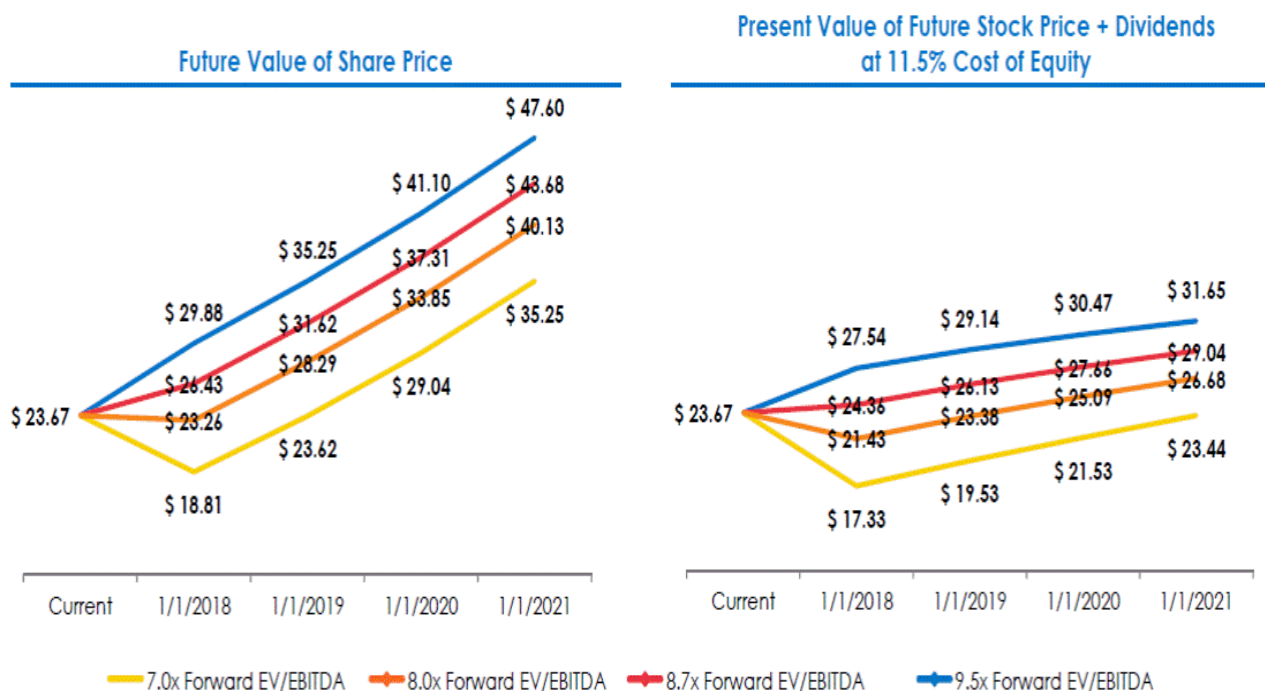
(2) Comparable EBITDA is after deduction of stock-based compensation expense.



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# Illustrative Public Market Present Value of Future Share Price Analysis Based on Queen Projections

Based on 1 Year Forward EV/EBITDA Multiples | Goldman Sachs Perspective



Balance Sheet at 8.7x EV / EBITDA	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
1-Yr Forward EBITDA	\$ 1,966	\$ 2,086	\$ 2,209	\$ 2,335
Net Debt	\$ 5,789	\$ 5,480	\$ 5,131	\$ 4,678
Diluted Shares Outstanding (mm)	423.8	386.1	355.7	330.9
Dividends Per Share	-	-	-	-

Source: Queen historical financials and Wall Street projections supplemented with extrapolated historical financial trends, Factset as of as of May 12, 2017.

Note: Present Value of Future Stock Price includes dividends discounted based on mid-year convention. Future share prices and dividends discounted to March 31, 2017.



CENTERVIEW PARTNERS

# Illustrative Queen Discounted Cash Flow Analysis

## Projected Unlevered Free Cash Flow & Terminal Value Goldman Sachs Perspective

(\$ in millions, except for per share data)

	Historical			Management Projections					Terminal Year
	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	
Revenue	\$ 10,028	\$ 9,169	\$ 10,219	\$ 10,299	\$ 10,666	\$ 11,119	\$ 11,545	\$ 12,065	\$ 12,306
% Growth	-	(8.6)%	11.5 %	0.8 %	3.6 %	4.2 %	3.8 %	4.5 %	2.0 %
Adj. EBITDA (pre-SBC)	\$ 1,939	\$ 1,887	\$ 1,936	\$ 1,938	\$ 2,035	\$ 2,158	\$ 2,284	\$ 2,413	\$ 2,461
% Margin	19.3 %	20.6 %	18.9 %	18.8 %	19.1 %	19.4 %	19.8 %	20.0 %	20.0 %
Less: Stock-Based Compensation	\$(83)	\$(60)	\$(75)	\$(67)	\$(69)	\$(72)	\$(75)	\$(78)	\$(80)
Adj. EBITDA (post-SBC)	\$ 2,022	\$ 1,947	\$ 2,011	\$ 2,005	\$ 2,104	\$ 2,230	\$ 2,359	\$ 2,491	\$ 2,541
% Margin	20.2 %	21.2 %	19.7 %	19.5 %	19.7 %	20.1 %	20.4 %	20.7 %	20.7 %
Less: Depreciation	\$(135)	\$(138)	\$(164)	\$(176)	\$(182)	\$(189)	\$(195)	\$(203)	\$(207)
Less: Amortization (excl. Trans. Amort.)	\$(129)	\$(138)	\$(148)	\$(128)	\$(76)	-	-	-	-
EBIT <sup>1</sup>	\$ 1,585	\$ 1,551	\$ 1,549	\$ 1,566	\$ 1,708	\$ 1,897	\$ 2,014	\$ 2,132	\$ 2,174
% Margin	15.8 %	16.9 %	15.2 %	15.2 %	16.0 %	17.1 %	17.4 %	17.7 %	17.7 %
Less: Adjusted Tax Expense (35%)				\$(548)	\$(598)	\$(664)	\$(705)	\$(746)	\$(761)
Plus: Depreciation				176	182	189	195	203	207
Plus: Amortization (excl. Trans. Amort.)				128	76	-	-	-	-
Less: Capital Expenditures				(206)	(213)	(222)	(231)	(241)	(232)
Less: Increase in NWC				(168)	(57)	(73)	(62)	(87)	(42)
<b>Unlevered Free Cash Flow</b>				<b>\$ 949</b>	<b>\$ 1,097</b>	<b>\$ 1,126</b>	<b>\$ 1,212</b>	<b>\$ 1,260</b>	<b>\$ 1,347</b>
% of Adjusted EBITDA					53.9 %	52.2 %	53.0 %	52.2 %	54.7 %
<b>Illustrative Terminal Value</b>									
Assumed Perpetuity Growth Rate				2.0 %					
Illustrative WACC				9.0 %					
Terminal FCF				\$ 1,347					
Terminal Value at Exit				\$ 19,237					
Implied Terminal Value LTM EBITDA Multiple				7.6 x					
Present Value of Terminal Value				\$ 13,337					
<b>Total DCF Value</b>				<b>\$ 17,479</b>					
Terminal Value % of Total Value				76.3 %					
(-) Net Debt				\$ 5,842					
(-) Noncontrolling Interest				\$ 836					
(+) Queen Chinese Joint Venture				\$ 240					
(+) Queen Stake in Hero				\$ 714					
Equity Value				\$ 11,755					
Shares Outstanding (mm)				459.11					
<b>Illustrative Implied Equity Value per Share<sup>1</sup></b>				<b>\$ 25.60</b>					

Source: Queen historical financials and Wall Street projections supplemented with extrapolated historical financial trends, Factset as of as of May 12, 2017. Implied EBITDA multiples based on adjusted EBITDA (post-SBC).

Note: Cash flows discounted to March 31, 2017 using mid-year convention for cash flows; valuation based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017.

(1) Includes adjustments for equity associates and noncontrolling interest. (2) Does burden EBIT with stock-based compensation expense.





# Illustrative Discounted Cash Flow Sensitivities

## Implied Value Per Share of Queen Goldman Sachs Perspective

(\$ in millions, except for per share data)

		Enterprise Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 19,282	\$ 20,419	\$ 21,762
	9.0 %	\$ 16,680	\$ 17,479	\$ 18,401
	10.0 %	\$ 14,692	\$ 15,276	\$ 15,938

		Value per Share		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 29.33	\$ 31.68	\$ 34.46
	9.0 %	\$ 23.95	\$ 25.60	\$ 27.51
	10.0 %	\$ 19.77	\$ 21.04	\$ 22.41

		% of EV from Terminal Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	78.0 %	79.2 %	80.5 %
	9.0 %	75.2 %	76.3 %	77.5 %
	10.0 %	72.4 %	73.5 %	74.6 %

		Implied Exit LTM EBITDA Multiple <sup>(1)</sup>		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	8.8 x	9.4 x	10.2 x
	9.0 %	7.6 x	8.1 x	8.6 x
	10.0 %	6.7 x	7.1 x	7.4 x

Source: Wall Street projections supplemented with extrapolated historical financial trends, Factset as of as of May 12, 2017.

Note: Cash flows discounted to March 31, 2017 using mid-year convention for cash flows; valuation based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Terminal value calculated as of 2021E.

(1) Calculated as terminal value at exit divided by terminal year adjusted EBITDA (post-SBC).



# Illustrative Queen Discounted Cash Flow Analysis Based on Street Expectations

## Centerview Perspective

### Queen Standalone Unlevered Free Cash Flows

	Fiscal Year Ending December 31,					
	2016A	2017E	2018E	2019E	2020E	2021E
<b>Adjusted EBITDA</b>	\$1,936	\$1,938	\$2,035	\$2,158	\$2,284	\$2,413
(Less): Stock-Based Compensation	(75)	(67)	(69)	(72)	(75)	(78)
<b>Comparable EBITDA<sup>(1)</sup></b>	<b>\$1,861</b>	<b>\$1,871</b>	<b>\$1,966</b>	<b>\$2,086</b>	<b>\$2,209</b>	<b>\$2,335</b>
(Less): D&A (Excluding Trans. Amort.)	(312)	(304)	(258)	(189)	(195)	(203)
<b>Adjusted EBIT</b>	<b>\$1,549</b>	<b>\$1,566</b>	<b>\$1,708</b>	<b>\$1,897</b>	<b>\$2,014</b>	<b>\$2,132</b>
(Less): Taxes		(548)	(598)	(664)	(705)	(746)
Plus: D&A (Excluding Trans. Amort.)		304	258	189	195	203
(Less): Δ in Net Working Capital		(168)	(57)	(73)	(62)	(87)
(Less): Capital Expenditures		(206)	(213)	(222)	(231)	(241)
<b>Unlevered Free Cash Flow</b>		<b>\$949</b>	<b>\$1,097</b>	<b>\$1,126</b>	<b>\$1,212</b>	<b>\$1,260</b>
YoY Growth			15.7%	2.6%	7.6%	4.0%

Discount Rate	Enterprise Value (\$bn)			Implied LTM Exit Multiple			Value per Share (\$)		
	Perpetuity Growth Rate			Perpetuity Growth Rate			Perpetuity Growth Rate		
	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%
9.0%	\$15.4	\$17.2	\$19.5	7.4x	8.6x	10.1x	\$21.45	\$25.05	\$29.84
9.5%	14.5	16.0	18.0	7.0x	8.0x	9.4x	19.49	22.69	26.76
10.0%	13.7	15.0	16.7	6.7x	7.6x	8.7x	17.72	20.61	24.12

Source: Wall Street research and Factset as of May 12, 2017.

Note: Dollars in millions, unless otherwise noted. Assumes mid-year discounting convention. Balance sheet information as of September 30, 2016.

(1) Comparable EBITDA is calculated after deduction of stock-based compensation expense.

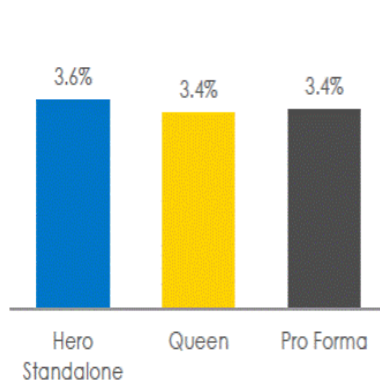


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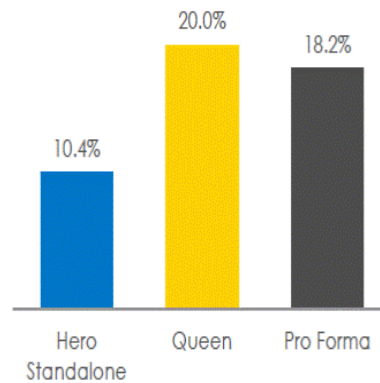
# Pro Forma Financial Profile

Assumes illustrative \$125mm of run-rate synergies

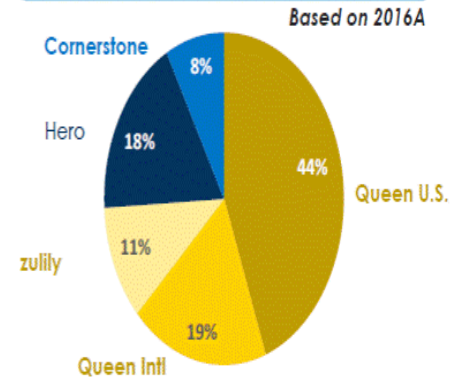
## '16A-'21E Revenue CAGR



## 2021E Adj. EBITDA Margin<sup>(1)</sup>



## Pro Forma Revenue Mix



	Fiscal Year Ending December 31,						'16A-'21E CAGR
	2016A	2017E	2018E	2019E	2020E	2021E	
Queen Revenue	\$10,219	\$10,299	\$10,666	\$11,119	\$11,545	\$12,065	3.4%
Hero Revenue	3,567	3,637	3,786	3,946	4,100	4,257	3.6%
Revenue Synergies	-	-	-	-	-	-	-
<b>Pro Forma Revenue</b>	<b>\$13,786</b>	<b>\$13,936</b>	<b>\$14,453</b>	<b>\$15,065</b>	<b>\$15,645</b>	<b>\$16,322</b>	<b>3.4%</b>
% YoY Growth		1.1%	3.7%	4.2%	3.9%	4.3%	
Memo: Hero S/A Growth		1.9%	4.1%	4.2%	3.9%	3.8%	
Queen Adjusted EBITDA	\$1,936	\$1,938	\$2,035	\$2,158	\$2,284	\$2,413	4.5%
Hero Adjusted EBITDA	299	307	346	377	408	441	8.1%
Net Synergies (Including Cost to Achieve)	-	-	16	109	125	125	
<b>Pro Forma Adjusted EBITDA<sup>(1)</sup></b>	<b>\$2,235</b>	<b>\$2,245</b>	<b>\$2,397</b>	<b>\$2,644</b>	<b>\$2,817</b>	<b>\$2,979</b>	<b>5.9%</b>
% Margin	16.2%	16.1%	16.6%	17.6%	18.0%	18.2%	
Memo: Hero Standalone Margin	8.4%	8.4%	9.1%	9.5%	9.9%	10.4%	

Source: Hero Management, Wall Street research, and Factset as of May 12, 2017.

Note: For illustrative purposes, assumes \$125mm of run-rate synergies phased in 50% in 2018E and 100% in 2019E. Cost to achieve synergies equal to 50% of run-rate synergies and incurred 75% in 2018E and 25% in 2019E.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.



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# Illustrative Offer Price Required for Hero Shareholders to Receive 50% of Capitalized Synergy Value

## Overview

- Hero shareholders will receive potential value from several sources in a combination with Queen:
  - A. Current market value implies 15.9% ownership of synergies
  - B. Premium provides increased ownership in pro forma company
  - C. Premium provides incremental ownership in synergies
- In order for Hero shareholders to achieve 50% of the \$700mm net synergy value cited by Queen<sup>(1)</sup>, total value creation to Hero shareholders would need to equal \$350mm
  - Implies that all Hero shareholders' pro forma stake must equal \$2,259mm (current \$1,909mm Hero market value plus \$350mm)
  - \$2,259mm is 17.8% of \$12,715mm pro forma company value at current market prices, including synergies
- In order for Hero to own 17.8% of the pro forma company, the headline offer price per share would need to be \$40.37<sup>(2)</sup> based on current trading levels, or a 13.2% headline premium
  - Implies headline equity value of \$2,164mm, which doesn't account for Hero's share of synergies

## Illustrative Math

Current Queen Market Cap	\$10,820
(Less): Hero Stake	(714)
Current Hero Market Cap	1,909
<b>Equity Value Before Synergies</b>	<b>\$12,015</b>
Synergies	750
Fees	(50)
<b>Synergized Equity Value</b>	<b>\$12,715</b>
Current Hero Market Cap	\$1,909
Half Net Synergies	350
<b>Total Value Required to Hero</b>	<b>\$2,259</b>
Implied Pro Forma Ownership Required	17.8%
Offer Price	<b>\$40.37</b>
Headline Premium	13.2%
Implied DSO	53.6
<b>Headline Equity Value</b>	<b>\$2,164</b>
Hero Share of Synergy Value	124
Reversion to Market Value <sup>(3)</sup>	(28)
<b>Total Value to Hero</b>	<b>\$2,259</b>
<b>Decomposition of Value</b>	
A. Share of Synergies @ Current Mkt. Value	\$111
B. Incremental Ownership of PF Queen	226
C. Incremental Ownership of Synergies	13
<b>Total Value Creation to Hero SH</b>	<b>\$350</b>

Source: Hero Management, company filings and Factset as of May 12, 2017.

Note: Analysis based on offer value and current Hero share price; if Hero intrinsic value is higher than market, implies Hero is receiving lower share of synergies than what's implied by share price

(1) Based on conversations with Lion Interactive CEO. Indicated synergy value of \$750mm based on ~8.0x multiple.

(2) Adjustment to reflect that value of pro forma Queen will not reflect value of premium to Hero (i.e., Hero valued at current market value).

(3) \$40.37 is calculated as (i) 17.8% \* current Queen market value ex-Hero stake; divided by (ii) (a) Hero diluted shares outstanding times (b) one minus 17.8%.





As Presented  
in March 2017

## Premiums in Precedent Cash/Stock Control Transactions

Premiums in precedent cash/stock control transactions have typically been in the range of ~20-40%; however, limited comparability of dataset

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■ **Limited number of transactions with a truly comparable structure** to that of the potential transaction between Hero and Queen (i.e., 100% stock transaction where the acquiror owns a significant stake in target prior to the transaction and the target retains a ~10-20% stake in the pro forma company)

— No identified comparable minority shareholder control, all-stock transactions identified in the U.S. over past ten years

■ **>45% Stock Control Transactions:** >45% of the consideration was acquiror stock and pro forma for the transaction the target shareholders owned <30% of acquiror (26 transactions)<sup>(1)</sup>

— **Premia have typically been in the range of ~20% - 45%** (25<sup>th</sup>-75<sup>th</sup> percentile) over the past ten years, with **median of 33%** (lower premia on the all-stock deals)

— **Lower pro forma ownership associated with higher premium** (R-squared of ~39%), consistent with notion that a higher premium compensates the seller for lower synergy capture and control

■ **Minority Shareholder Control Transactions:** the acquiror owned <50% of the target prior to the transaction and >65% of the target post-transaction (12 transactions)<sup>(2)</sup>

— **Premia have typically been in the range of ~17% - 38%** (25<sup>th</sup>-75<sup>th</sup> percentile) over the past ten years, with a **median of 25%**

— Most of dataset consists of cash deals; limited number of transactions in U.S. over past ten years

Source: Public filings and press reports, ThomsonOne and Factset.

Note: Dollars in billions.

(1) Includes announced and completed transactions over \$500mm since 2007 with a U.S. target in which acquiror stock represented at least 45% of the consideration and the target shareholders owned <30% of the pro forma company. Excludes real estate, financial and energy transactions.

(2) Includes announced and completed transactions over \$500mm since 2007 with targets and acquirors located in North America and Europe where the acquiror had a stake < 50% prior to the transaction and a stake >65% post transaction. Excludes real estate, financials, and energy deals.





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# Premia in >45% Stock Control Transactions

Select transactions in U.S. over past 10 years in which consideration was >45% acquiror stock and pro forma for the transaction target shareholders owned <30% of acquiror<sup>(1)</sup>

	Date Announced	Target	Acquiror	TEV	1-Day Premium	% Equity Consideration	PF Target Ownership	
<b>All Stock Transactions</b>	7/5/16	Thompson Creek Metals Co Inc	Centerra Gold Inc	\$1.1	32%	100%	8%	
	6/4/15	Bio-Reference Laboratories Inc	OPKO Health Inc	1.3	60%	100%	14%	
	3/9/15	RTI International Metals	Alcoa	1.5	50%	100%	7%	
	2/20/14	Emeritus Corp	Brookdale Senior Living Inc	5.4	32%	100%	27%	
	5/20/13	Warner Chilcott PLC	Actavis Inc	8.5	34%	100%	23%	
	4/14/08	Northwest Airlines Corp	Delta Air Lines Inc	7.0	17%	100%	31%	
	12/13/07	AMIS Holdings Inc	ON Semiconductor Corp	1.1	38%	100%	26%	
	9/24/07	Metal Management Inc	Sims Group Ltd	1.6	18%	100%	30%	
	9/17/07	McLeodUSA Inc	PAETEC Holding Corp	1.3	11%	100%	25%	
	3/18/07	InfraSource Services Inc	Quanta Services Inc	1.3	17%	100%	25%	
	<b>25th Percentile</b>					<b>18%</b>		<b>16%</b>
<b>Median</b>					<b>32%</b>		<b>25%</b>	
<b>75th Percentile</b>					<b>37%</b>		<b>27%</b>	
<b>Mixed Consideration Transactions</b>	11/21/16	Applied Micro Circuits Corp	MACOM Technology Solutions Hol	\$0.8	15%	61%	16%	
	10/21/16	Reynolds American	British American Tobacco	97.4	20%	48%	19%	
	4/4/16	Ruckus Wireless Inc	Brocade Commun Sys Inc	1.5	44%	55%	15%	
	11/4/15	HomeAway Inc	Expedia Inc	3.9	20%	74%	14%	
	6/16/14	tw telecom inc	Level 3 Communications Inc	7.6	22%	75%	29%	
	5/18/14	DirectTV Inc	AT&T Inc	67.1	30%	70%	15%	
	10/16/12	Cymer Inc	ASML Holding NV	2.3	71%	76%	8%	
	4/27/11	Synthes Inc	Johnson & Johnson	19.3	22%	65%	8%	
	9/27/10	AirTran Holdings Inc	Southwest Airlines Co	1.5	69%	51%	6%	
	10/21/09	Switch & Data Facilities Co	Equinix Inc	0.9	34%	80%	12%	
	4/19/09	PepsiAmericas	PepsiCo	6.0	43%	50%	1%	
	4/19/09	The Pepsi Bottling Group	PepsiCo	14.4	45%	50%	3%	
	1/8/09	Thinkorswim Group Inc	TD Ameritrade Holding Corp	0.6	54%	62%	4%	
	3/31/08	Ansoft Corp	ANSYS Inc	0.8	39%	50%	12%	
	3/31/08	CSK Auto Inc	O'Reilly Automotive	1.2	29%	92%	14%	
	11/18/07	Pharmion Corp	Celgene Corp	3.0	46%	65%	6%	
	<b>25th Percentile</b>					<b>22%</b>	<b>51%</b>	<b>6%</b>
<b>Median</b>					<b>37%</b>	<b>63%</b>	<b>12%</b>	
<b>75th Percentile</b>					<b>45%</b>	<b>74%</b>	<b>15%</b>	
<b>Total</b>	<b>25th Percentile</b>					<b>20%</b>	<b>61%</b>	<b>8%</b>
	<b>Median</b>					<b>33%</b>	<b>75%</b>	<b>14%</b>
	<b>75th Percentile</b>					<b>45%</b>	<b>100%</b>	<b>25%</b>

Acquiror Significant Shareholder  
42%  
43%  
33%

Source: Public filings and press reports, ThomsonOne and Factset.

Note: Dollars in billions.

(1) Includes announced and completed transactions over \$500mm since 2007 with a U.S. target in which acquiror stock represented at least 45% of the consideration and the target shareholders owned <30% of the pro forma company. Excludes real estate, financial and energy transactions.



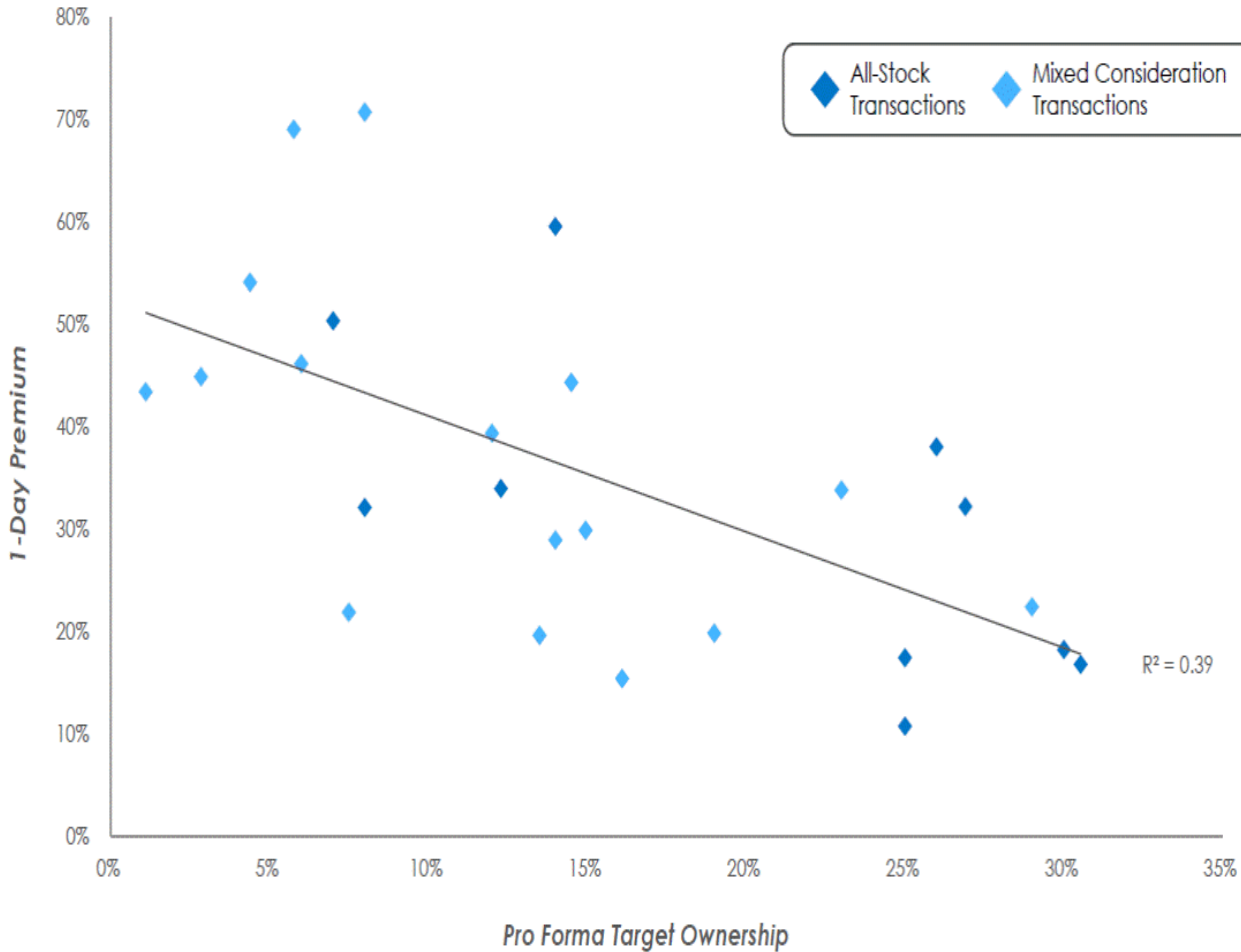
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# Premia in >45% Stock Control Transactions – Regression

Select transactions in U.S. over past 10 years in which consideration was >45% acquiror stock and pro forma for the transaction target shareholders owned <30% of acquiror<sup>(1)</sup>

**Lower Pro Forma Ownership of Target Correlated with Higher Premium**



Source: Public filings and press reports, ThomsonOne and Factset.

Note: Dollars in billions.

(1) Includes announced and completed transactions over \$500mm since 2007 with a U.S. target in which acquiror stock represented at least 45% of the consideration and the target shareholders owned <30% of the pro forma company. Excludes real estate, financial and energy transactions.



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## Premia in Minority Shareholder Control Transactions

Select transactions in U.S., Canada and Europe over past 10 years in which acquiror owned <50% stake prior to transaction and >65% post transaction<sup>(1)</sup>

Date Ann.	Target	Acquiror	TEV	1-Day Premium	Acq. % Ownership		% Equity Consid.	PF Target Ownersh. <sup>(2)</sup>	
					Prior	PF			
1/24/2017	Pfeiffer Vacuum Technology	Pangea GmbH	\$0.9	4%	30%	100%	0%	0%	Non-US
12/9/2016	Sky plc	Twenty-First Century Fox	31.7	36%	39%	100%	0%	0%	Non-US
10/21/2016	Reynolds American	British American Tobacco	97.4	20%	42%	100%	48%	19%	
9/5/2016	Haldex AB	Knorr-Bremse Aktiengesellschaft	0.6	19%	15%	100%	0%	0%	Non-US
5/18/2016	KUKA Aktiengesellschaft	Mecca International	4.9	60%	10%	100%	0%	0%	Non-US
3/4/2016	Fomento de Construcciones y Contratas	Control Empresarial de Capitales	7.9	12%	37%	100%	0%	0%	Non-US
10/17/2014	Havas SA	Bollore	3.2	22%	36%	83%	100%	~10%	Non-US
7/23/2014	Bell Aliant	BCE	7.2	10%	44%	100%	75% <sup>(3)</sup>	7%	Non-US
6/3/2013	Dole Food Company	Investor Group	1.5	32%	38%	100%	0%	0%	
5/29/2012	Schuler AG	Andritz Beteiligungsgesellschaft IV	0.5	29%	15%	90%	0%	0%	Non-US
4/19/2009	PepsiAmericas	PepsiCo	6.0	43%	43%	100%	50% <sup>(3)</sup>	1%	
4/19/2009	The Pepsi Bottling Group	PepsiCo	14.4	45%	33%	100%	50% <sup>(3)</sup>	3%	
<b>25th Percentile</b>				<b>17%</b>	<b>24%</b>				
<b>Median</b>				<b>25%</b>	<b>34%</b>				
<b>75th Percentile</b>				<b>38%</b>	<b>40%</b>				

Source: Public filings and press reports, ThomsonOne and Factset.

Note: Dollars in billions.

- (1) Includes announced and completed transactions over \$500mm since 2007 with targets and acquirors located in North America and Europe where the acquiror had a stake < 50% prior to the transaction and a stake >65% post transaction. Excludes real estate, financials, and energy deals.
- (2) Only includes pro forma target ownership in acquiror equity, not target stake retained.
- (3) Investors had cash/stock election for proceeds, but consideration pro-rated such that total consideration was a fixed equity/cash percentage.



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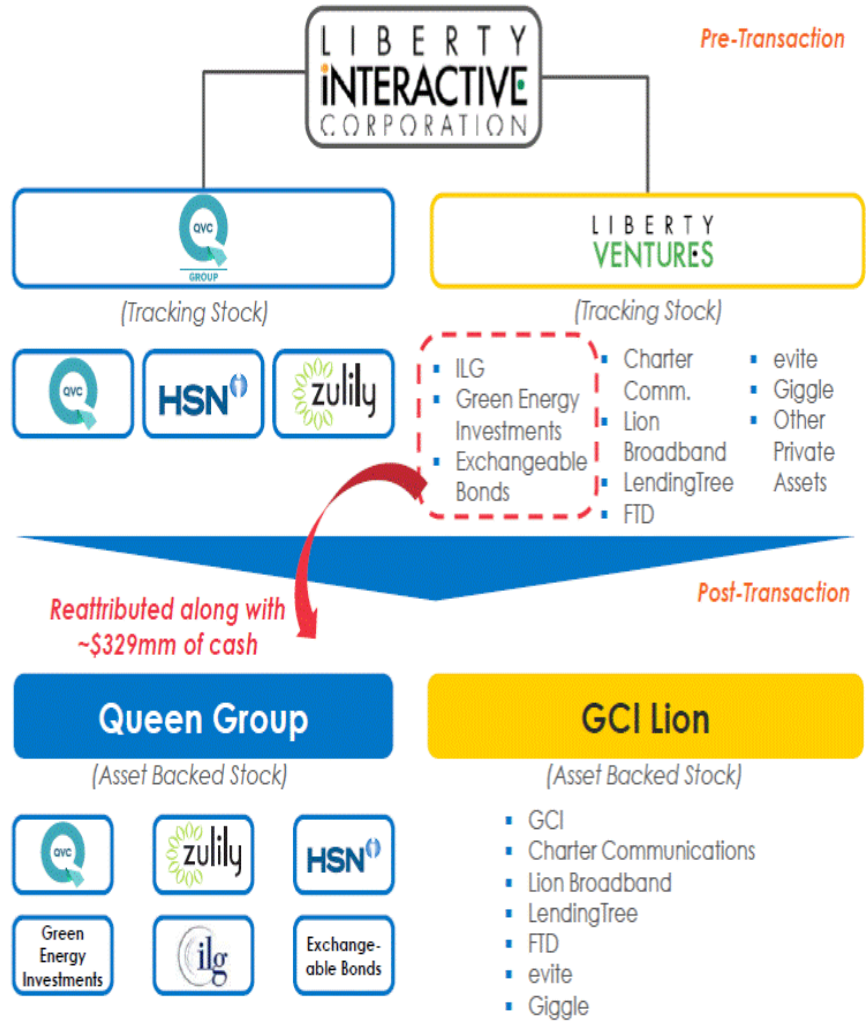


As Presented in April 2017

# GCI Lion Transaction Summary

On April 4, 2017 Lion Interactive announced an agreement for Lion Ventures Group to acquire GCI and split-off combined company ("GCI Lion") from Lion Interactive/Queen

- Lion Interactive acquires GCI in a \$2.68bn enterprise value transaction
- Transaction structured so that Lion Interactive contributes assets to a new entity, GCI Lion, in exchange for ~77% ownership (84% voting)
  - GIC shareholders receives \$32.50 / share (\$27.50 / share of common GCI Lion stock and \$5.00 / share of new voting preferred stock)
- Reattribute exchangeable bonds, ILG shares, portfolio of Green Energy Investments and cash to Queen Group pre-closing
- Lion Interactive will pursue tax-free separation of its stake in GCI Lion by redeeming Ventures Group tracking stock for GCI Lion shares
- Remaining Lion Interactive Entity will be renamed Queen
- GCI Lion (GLIB) and Queen Group will trade as separate asset based stocks



Source: Public filings and presentations.



As Presented  
in April 2017

# Overview of Assets / Liabilities Reattributed to Queen

	Stated Value	Overview / Description
<b>Assets</b>	Cash	\$329mm <ul style="list-style-type: none"> <li>Final cash amount to be determined at close based on valuations and results of exchange offer for 1.75% Charter Exchangeable notes</li> </ul>
	Interval Leisure Group	\$260mm (After-Tax) <ul style="list-style-type: none"> <li>~\$2.5bn publicly-traded, NASDAQ-listed provider of membership and leisure services to the vacation industry</li> <li>Former subsidiary of IAC founded in 1976</li> <li>Lion Interactive holding represents ~12.8% of shares</li> </ul>
	Green Energy Investments	\$138mm <ul style="list-style-type: none"> <li>Certain alternative energy investments held by Ventures Group</li> <li>Generally operate at a loss but provide some favorable tax attributes</li> <li>Lion Interactive recorded a ~\$98mm impairment related to these investments in 2015</li> </ul>
	Tax Benefits (Stock Options)	\$23mm <ul style="list-style-type: none"> <li>Relate to prior spin-offs, but further detail not provided</li> </ul>
<b>Total</b>	<b>\$750mm</b>	
<b>Liabilities</b>	Exchangeable Debentures and Related Net Tax Attributes	\$750mm <ul style="list-style-type: none"> <li>Reflects Sprint/CTL 4% notes due 2029, Sprint/CTL 3.75% notes due 2030, and MSI 3.5% notes due 2031</li> <li>Debt securities with exchangeability into an underlying basket of securities (or cash equal to fair market value)</li> <li>Allow for tax deductions in excess of cash coupon under contingent payment debt instrument (CPDI) rules</li> </ul>

Source: Public filings and presentations.  
Note: Dollars in millions.





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# Special Committee Materials

## Project Venus

May 19, 2017

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# Overview of Lion's Proposal

Pricing Date Event	First Offer (Rcv'd May 10)		Second Offer (Rcv'd May 18)		
	May 10 Offer Rcv'd	May 15 <sup>(1)</sup> Comm. Mtg.	May 18 Offer Rcv'd	May 19 Today	
	<b>Offer Price</b>	\$40.50	\$40.50	\$40.58	\$41.19
<b>Exchange Ratio</b>	1.685x	1.711x	1.735x	1.735x	
<i>Fixed / Floating</i>	Floating	Floating	Fixed	Fixed	
Diluted Shares Outstanding	<b>Metric</b>		53.6	53.6	
Equity Value	\$2,171	\$2,171	\$2,175	\$2,208	
Enterprise Value	\$2,651	\$2,651	\$2,656	\$2,689	
<b>Share Price Movement</b>	Hero Share Price	\$37.00	\$35.65	\$33.70	\$34.50
	Δ Since Initial Offer		(3.6%)	(8.9%)	(6.8%)
	Queen Share Price	\$24.03	\$23.67	\$23.39	\$23.74
	Δ Since Initial Offer		(1.5%)	(2.7%)	(1.2%)
	Exchange Ratio	1.54x	1.51x	1.44x	1.45x
	Δ Since Initial Offer		(0.03x)	(0.10x)	(0.09x)
<b>Premiums</b>	Current	9.5%	13.6%	20.4%	19.4%
	30-Day VWAP	10.9%	11.2%	12.0%	13.8%
	90-Day VWAP	9.2%	9.3%	9.8%	11.5%
<b>Ownership and Value Sharing</b>	Ownership of Non-Q Hero S/H <sup>(2)</sup>	11.0%	11.2%	11.3%	11.3%
	Share of Value Creation to All Hero <sup>(3)</sup>	33.4%	40.1%	50.0%	48.7%
<b>Implied Valuation (Consensus)</b>	2017E Revenue	\$3,520	0.8x	0.8x	0.8x
	2017E Comp. EBITDA <sup>(4)</sup>	\$262	10.1x	10.1x	10.1x
	2017E Adj. EPS	\$2.45	16.5x	16.5x	16.6x

■ Lion's second proposal contemplates a 100% stock deal with Hero shares exchanged for Queen A shares at a fixed exchange ratio of 1.735x rather than a fixed price in dollars

■ Initial proposal of \$40.50 implied an exchange ratio of 1.685x on the day it was received

— New proposal therefore implies an exchange ratio ~3% higher than previous proposal at the time it was delivered

■ Given movements in share prices, the new proposal represents \$41.19 per share

— Reflects a 19.4% premium to Hero's closing share price on May 19

■ Given the fixed exchange ratio, the dollar value of Queen's offer will change every day with market movements

Source: Public filings and Hero Management as of May 19, 2017.

(1) Market pricing in May 15<sup>th</sup> Special Committee presentation as of May 12<sup>th</sup>.

(2) Ownership based on currently available public information. Figures subject to change as more information regarding Lion / GCI transaction becomes available. Hero ownership represents non-Queen shareholders ownership only.

(3) Reflects share of \$125mm run-rate synergies capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.7x captured by all Hero shareholders, net of fees.

(4) Comparable EBITDA is after deduction of stock based compensation expense.





## Hero Forecast Vs. Wall Street Expectations for 2Q'17

- Hero results are expected to be mixed compared to street expectations for 2Q'17
- Importantly, forecasted results are trending significantly below management's plan for the fiscal year
  - '17F topline expected to miss plan by (\$107mm), or (2.9%)
  - '17F EBITDA expected to miss plan by (\$23mm), or (7.6%)

	Consensus <sup>(1)</sup>	Forecasted	\$ Favorable / (Unfavorable)	% Favorable / (Unfavorable)
HSN Net Sales	\$546.4	\$543.3	(\$3.0)	(0.5%)
Cornerstone Net Sales	285.4	289.9	4.5	1.6%
<b>HSNi Net Sales</b>	<b>\$831.8</b>	<b>\$832.9</b>	1.0	0.1%
% YoY Growth	(2.6%)	(2.5%)		12 bps
HSNi Gross Profit	\$298.3	\$294.7	(\$3.6)	(1.2%)
% Margin	35.9%	35.4%		(47 bps)
<b>HSNi Adj. EBITDA</b>	<b>\$69.7</b>	<b>\$64.9</b>	(\$4.8)	(6.9%)
% of Sales	8.4%	7.8%		(58 bps)
% YoY Growth	(15.4%)	(21.2%)		(579 bps)
HSNi Net Income	\$31.2	\$30.9	(\$0.3)	(1.0%)
% YoY Growth	(20.6%)	(21.3%)		(71 bps)
HSNi Adj. EPS	\$0.58	\$0.58	–	0.3%
% YoY Growth	(21.6%)	(21.4%)		24 bps

Source: Hero Management as of May 18, 2017.

(1) Hero Net Sales and EPS consensus estimate consistent with 1<sup>st</sup> Call as of 5/15/17. All other consensus figures calculated as the average of: AEGIS Capital, BofA, Citi, Craig Hallum, FBR, Maxim, Sidoti, UBS and Wunderlich.



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# Board of Directors Discussion Materials

## Project Venus

May 24, 2017

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## Situation Update

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- On April 4, 2017, Lion Interactive announced an agreement for **Lion Ventures Group to acquire GCI and split-off combined company ("GCI Lion") from Lion Interactive/Queen (would result in Queen becoming an asset-based stock)**
  - Transaction contemplates reattribution of several assets and liabilities to Queen to allow full separation
- On April 26, 2017, Hero announced the **resignation of CEO Mindy Grossman** and released preliminary financial results
- On May 3 and May 9, respectively, Hero released **a disappointing 1Q earnings report** and **Queen reported better-than-expected earnings**
  - Hero reported revenue below consensus and continued challenges in the retail environment; stock dropped (5)%
  - Queen reported strong EBITDA and EPS performance and improvement in U.S. business; stock rose 11%
- On May 10, 2017, after market close, Queen submitted a **proposal to acquire Hero for \$40.50 per share in an all-stock transaction, representing a premium of ~10% to Hero's closing price on that day**
  - Queen offered Queen A shares (1 vote per share) as consideration as opposed to Queen B shares (10 votes per share)
  - Offer was for a fixed dollar value per share, rather than a fixed exchange ratio
- Queen submitted a **revised proposal on May 18, 2017**, which offered a **fixed exchange ratio of 1.735x Queen A shares per Hero share**
  - Implied offer **price of \$41.57 and premium of ~20% as of May 22**; will fluctuate daily with market movements
  - Proposal implies that **Hero's non-Queen shareholders would own ~11% of the pro forma company**
  - Offer **conditioned on Hero meeting consensus estimates for revenue and EBITDA in 2Q (Hero expected to miss consensus EBITDA by ~7% based on latest Management estimates)**

Source: Public filings and Hero Management as of May 22, 2017.



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# Overview of Lion's Proposal

Queen submitted initial proposal on May 10 and subsequently revised proposal on May 18

Pricing Date Event	Metric	First Offer (Rcv'd May 10)	Second Offer (Rcv'd May 18)	
		May 10 Offer Rcv'd	May 18 Offer Rcv'd	May 22 Current
<b>Offer Price</b>		\$40.50	\$40.58	\$41.57
<b>Exchange Ratio</b>		1.685x	1.735x	1.735x
<i>Fixed / Floating</i>		Floating	Fixed	Fixed
Diluted Shares Outstanding		53.6	53.6	53.6
<b>Equity Value</b>		\$2,171	\$2,175	\$2,229
<b>Enterprise Value</b>		\$2,651	\$2,656	\$2,709
<b>Share Price Movement</b>	Hero Share Price	\$37.00	\$33.70	\$34.70
	Δ Since Initial Offer		(8.9%)	(6.2%)
	Queen Share Price	\$24.03	\$23.39	\$23.96
	Δ Since Initial Offer		(2.7%)	(0.3%)
	Exchange Ratio	1.54x	1.44x	1.45x
			(0.10x)	(0.09x)
<b>Premiums</b>	Current	9.5%	20.4%	19.8%
	30-Day VWAP	10.5%	11.9%	15.1%
	90-Day VWAP	11.0%	11.0%	13.8%
<b>Ownership and Value Sharing</b>	Ownership of Non-Q Hero S/H <sup>(1)</sup>	11.0%	11.3%	11.3%
	Share of Value Creation to All Hero S/H <sup>(2)</sup>	33.4%	50.0%	49.5%
<b>Implied Valuation (Consensus)</b>	2017E Revenue	\$3,520	0.8x	0.8x
	2017E Comp. EBITDA <sup>(3)</sup>	\$262	10.1x	10.3x
	2017E Adj. EPS	\$2.45	16.5x	16.6x

Source: Public filings and Hero Management as of May 22, 2017.

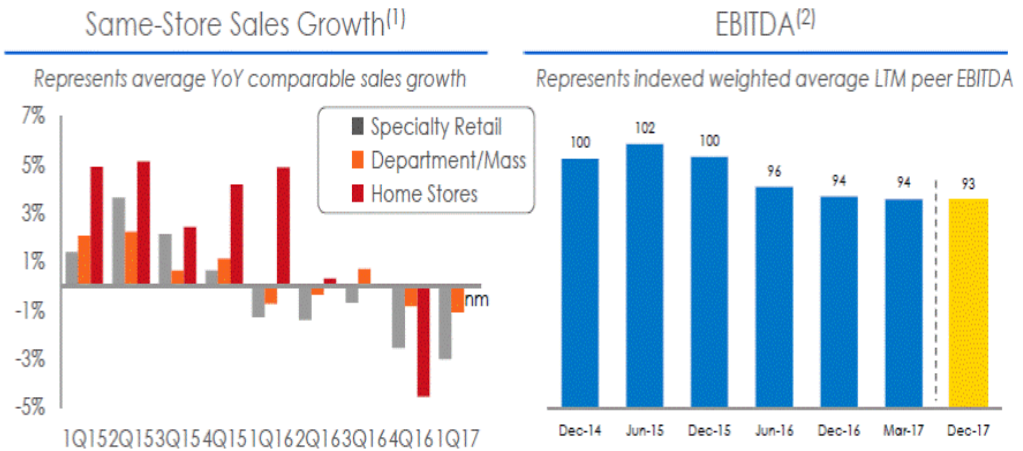
- (1) Hero ownership represents non-Queen shareholders ownership only. Ownership based on currently available public information. Figures subject to change as more information regarding GCI-Lion transaction becomes available.
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- (3) Comparable EBITDA is after deduction of stock based compensation expense.



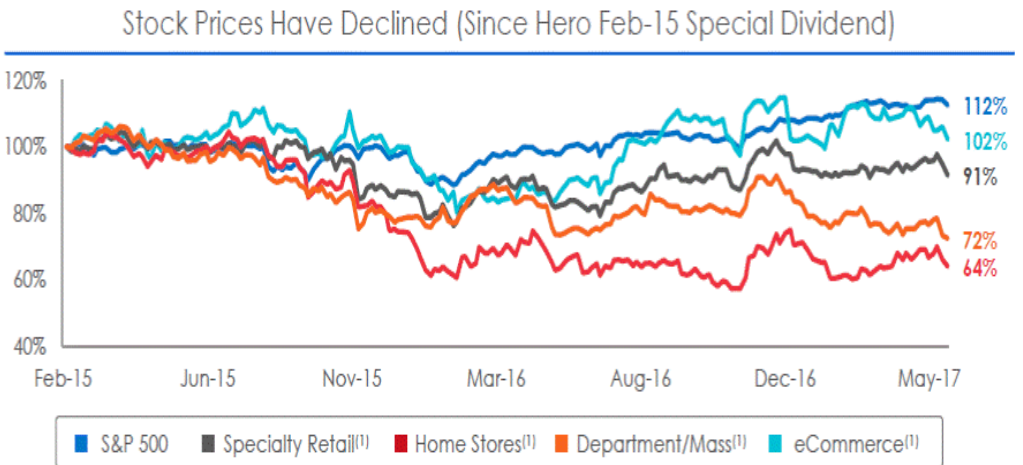


# Retail Sector Remains Under Pressure; Weakening Performance Reflected in Declining Stock Prices

## Financial Performance



## Share Price Performance



Source: Factset, Wall Street research and company filings as of May 22, 2017.

(1) Specialty Retail includes BBY, DKS, FL, FOSL, GNC, SIG, TIF; Home Stores includes BBBY, ETH, PIR, RH, WSM; Department/Mass includes DDS, KSS, M, JWN, ROST, TGT, TJX, WMT; eCommerce includes eBay and OSTK. Specialty retail includes DKS, FL, FOSL, GNC for 1Q17. Home stores excluded for 1Q17 given limited 1Q17 earnings releases.

(2) Includes BBY, DKS, FL, FOSL, GNC, SIG, TIF, ULTA, BBBY, ETH, PIR, RH, WSM, DDS, KSS, M, JWN, ROST, TGT, TJX, WMT, EBAY and OSTK.



## Retailers Across Segments Have Been Challenged

Δ Since Year-End 2014		Share Price <sup>(1)</sup>	Revenue CAGR <sup>(2)</sup>	EBITDA CAGR <sup>(2)</sup>	NTM EV / EBITDA <sup>(3)</sup>
Specialty Retail	Best Buy	+33%	(0%)	+5%	+0.2x
	Dick's Sporting Goods	(17%)	+9%	+7%	(2.8x)
	Foot Locker	+7%	+4%	+8%	(1.4x)
	Fossil	(89%)	(6%)	(36%)	(3.6x)
	GNC	(84%)	(2%)	(18%)	(1.9x)
	Signet	(55%)	+0%	+5%	(8.3x)
	Tiffany & Co.	(12%)	(1%)	(2%)	(0.4x)
	Ulta	+131%	+21%	+25%	+3.7x
Home Stores	Bed, Bath & Beyond	(54%)	+2%	(9%)	(3.4x)
	Ethan Allen	(12%)	+1%	(1%)	(1.0x)
	Pier 1 Imports	(65%)	(0%)	(10%)	(2.9x)
	RH	(40%)	+9%	+1%	(4.0x)
	Williams-Sonoma	(34%)	+3%	+1%	(3.8x)
Department/Mass	Dillard's	(59%)	(3%)	(14%)	(3.7x)
	Kohl's	(38%)	(1%)	(5%)	(1.7x)
	Macy's	(64%)	(4%)	(10%)	(2.8x)
	Nordstrom	(47%)	+4%	(3%)	(3.7x)
	Ross	+33%	+8%	+10%	(0.4x)
	Target	(27%)	(2%)	(1%)	(2.7x)
	TJX	+10%	+7%	+4%	(0.5x)
	Wal-Mart	(9%)	+1%	(3%)	(0.4x)
eCommerce	eBay	+43%	+2%	+3%	+0.8x
	Overstock	(39%)	+8%	(5%)	+3.1x

Source: Public filings and Factset as of May 22, 2017.

(1) Reflects change in share price from year-end 2014 to present.

(2) Reflects 2014A to 2017E CAGR. EBITDA represents Comparable EBITDA, which is after deduction of stock-based compensation expense.

(3) Reflects change in EV / Comparable NTM EBITDA multiple from year-end 2014 to present.

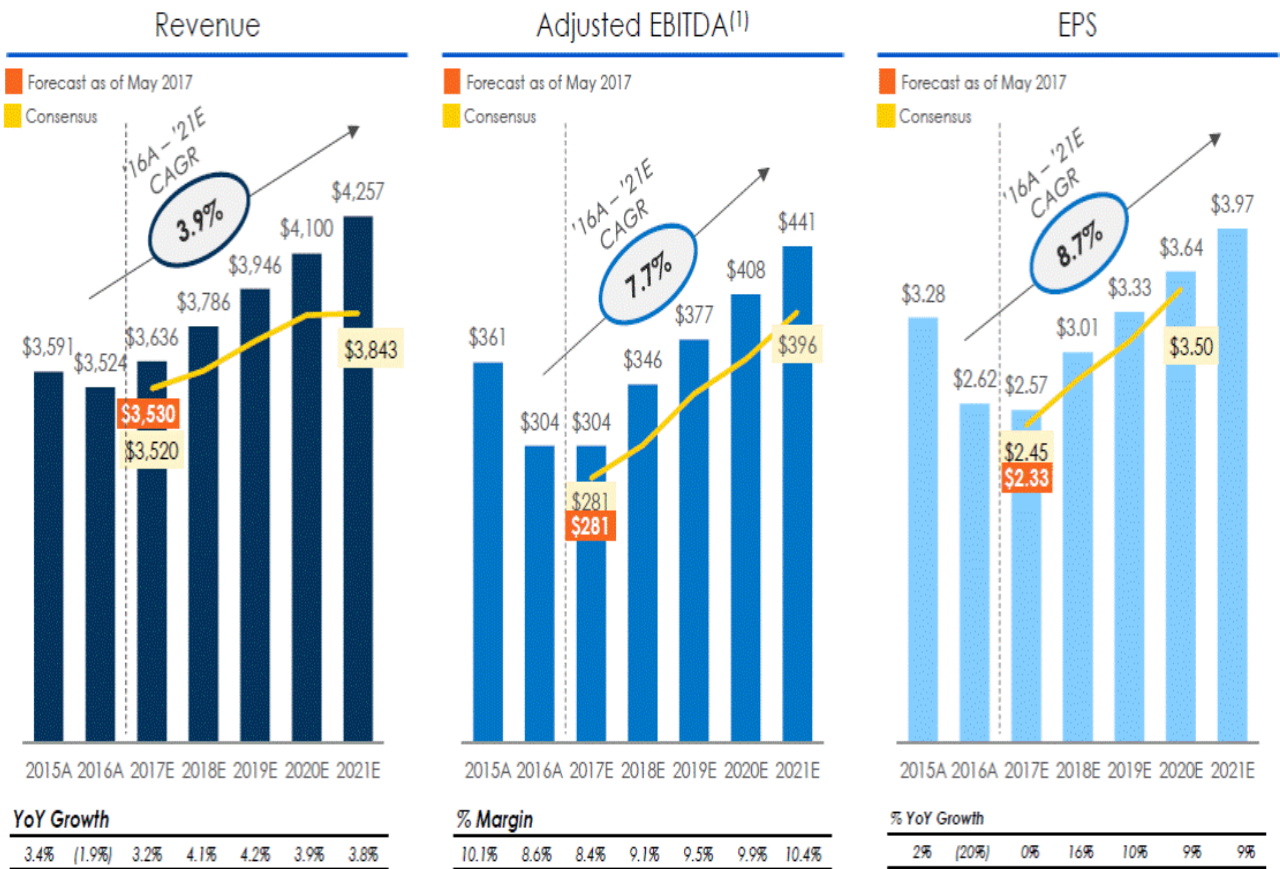


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# Management's Plan Envisions A Strong Return to Growth

Plan reflects a return to historical growth rates and HSN segment margin expansion driven by in-process initiatives

- Hero's Plan was developed in January 2017, prior to 1Q results and departure of the Company's CEO
- Since then, the retail environment has continued to deteriorate; management now estimates 2017 revenue will be ~\$100mm below the Plan of \$3,637mm and EBITDA will be ~\$25mm short



Source: Hero Management and Factset consensus as of May 22, 2017.

Note: Revenue and EBITDA historical figures are pro forma for divestitures of TravelSmith and Chasing Fireflies from Cornerstone.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.

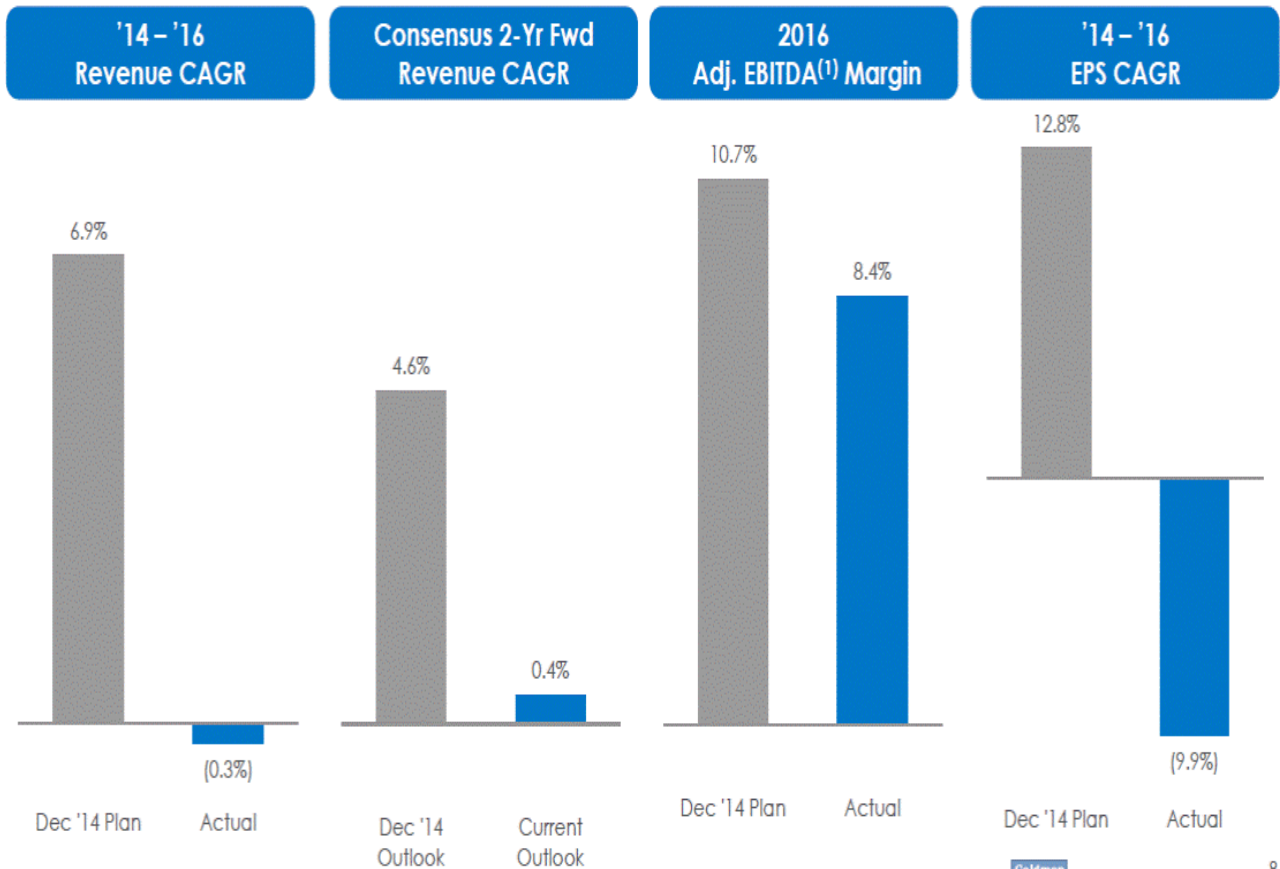


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# Hero's Performance vs. 2014 Plan Reflects Challenges of Long-Term Forecasting in Uncertain Environment

- Hero **underperformed its 2014 plan** as a result of retail industry headwinds and Hero-specific operating challenges
- Divergence from 2014 plan reflects **difficulty of forecasting in an uncertain operating environment**
- Many of the **macro factors that created headwinds for retailers in 2016 have not abated** (e.g., promotional environment, eCommerce share gains, digital cannibalization, inventory challenges)



Source: Hero Management and Factset.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.



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## Summary Perspectives on Standalone Plan

Key question for the Board and Special Committee is how a potential combination with Queen compares to Hero's risk-adjusted standalone prospects

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### Opportunities

- **Efficiencies from completion of supply chain optimization** and other operational initiatives
- **Merchandising transformation** led by new Chief Merchandising Officer
- Investments in **brand awareness, digital and distributed commerce**
- **Recent momentum of Cornerstone retail strategy**

### Risks

- **Continued deterioration of retail trends** (retail stocks down ~10% since February)
  - **eCommerce continuing to capture share** of overall retail market
- **Challenges for finding a new CEO** and maintaining position with top brands and vendors/acquiring new customers
- **Generally lower TV viewership** as a result of cord-cutting and abundant content alternatives
- **Aging customer demographics**
- **Smaller scale, lower margins vs. Queen** could pose additional risks in challenging environment



## Current Forecast for 2017 Below Plan

Updated forecast for full year 2017 reflects ongoing operating challenges and continued deterioration of retail trends

- For the full year, Hero is expected to be in-line with consensus estimates for revenue and EBITDA
- Hero is **expected to perform significantly below Plan for 2017**, missing revenue by 3% and EBITDA by 8%

	Plan	Consensus <sup>(1)</sup>	Forecasted	Forecast Vs. Plan		Forecast Vs. Consensus	
				\$ Fav. / (Unfav.)	% Fav. / (Unfav.)	\$ Fav. / (Unfav.)	% Fav. / (Unfav.)
HSN Revenue	\$2,549	\$2,454	\$2,450	(\$99)	(3.9%)	(\$4)	(0.2%)
Cornerstone Revenue	1,089	1,054	1,081	(8)	(0.7%)	27	2.5%
<b>Revenue</b>	<b>\$3,636</b>	<b>\$3,520</b>	<b>\$3,530</b>	<b>(\$107)</b>	<b>(2.9%)</b>	<b>\$9</b>	<b>0.3%</b>
% YoY Growth	1.9%	(1.3%)	(1.1%)		(299 bps)		26 bps
Gross Profit	\$1,249	\$1,193	\$1,202	(\$46)	(3.7%)	\$9	0.8%
% Margin	34.3%	33.9%	34.1%		(27 bps)		16 bps
<b>Adj. EBITDA</b>	<b>\$304</b>	<b>\$281</b>	<b>\$281</b>	<b>(\$23)</b>	<b>(7.6%)</b>	<b>(\$1)</b>	<b>(0.2%)</b>
% of Revenue	8.4%	8.0%	7.9%		(40 bps)		(14 bps)
% YoY Growth	1.5%	(6.1%)	(6.2%)		(776 bps)		(137 bps)
Net Income	\$138	\$128	\$123	(\$14)	(10.5%)	(\$5)	(3.7%)
% YoY Growth	(0.5%)	(7.5%)	(10.9%)		(1,048 bps)		(339 bps)
Adj. EPS	\$2.57	\$2.45	\$2.33	(\$0.24)	(9.4%)	(\$0.12)	(4.9%)
% YoY Growth	(1.7%)	(6.4%)	(11.0%)		(921 bps)		(337 bps)

Source: Hero Management and Factset as of May 22, 2017.

(1) Hero revenue EBITDA and EPS estimates based on Factset consensus. All other consensus figures calculated as the average of: AEGIS Capital, BofA, Citi, Craig Hallum, FBR, Maxim, Sidofi, UBS and Wunderlich.



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# Summary of Illustrative Financial Analyses for Hero

## Per Management Projections

Valuation does not reflect recent trends or the adjusted forecast for 2017

Analyses	Illustrative Price per Share	Comments
Present Value of Future Share Price <sup>(1)</sup> Goldman Sachs	\$ 36 - \$ 52	<ul style="list-style-type: none"> <li>PV of 1-4 year future share price based on 7.5-9.5x one year forward EV/EBITDA on 2018E-2021E Comparable EBITDA<sup>(2)</sup></li> <li>Assuming cost of equity of 10.0%</li> </ul>
Discounted Cash Flow Goldman Sachs	\$ 34 - \$ 54	<ul style="list-style-type: none"> <li>1.5% to 2.5% perpetuity growth rate</li> <li>8.0% to 10.0% weighted average cost of capital</li> </ul>
Discounted Cash Flow Centerview Partners	\$ 30 - \$ 46	<ul style="list-style-type: none"> <li>1.0% to 3.0% perpetuity growth rate</li> <li>9.5% to 10.5% weighted average cost of capital</li> </ul>
Selected Transactions	\$ 31 - \$ 41	<ul style="list-style-type: none"> <li>High: EV/LTM EBITDA 10.0x (LTM Comparable EBITDA of \$269mm<sup>(3)</sup>)</li> <li>Low: EV/LTM EBITDA 8.0x (LTM Comparable EBITDA of \$269mm<sup>(3)</sup>)</li> </ul>
Trading Range - P/E Centerview Partners	\$ 33 - \$ 44	<ul style="list-style-type: none"> <li>High: 16x NTM EPS (NTM Comparable EPS of \$2.74)<sup>(2)</sup></li> <li>Low: 12x NTM EPS (NTM Comparable EPS of \$2.74)<sup>(2)</sup></li> </ul>
Trading Range - EV / EBITDA Centerview Partners	\$ 30 - \$ 41	<ul style="list-style-type: none"> <li>High: 9x NTM EBITDA (NTM Comparable EBITDA of \$299mm)<sup>(2)</sup></li> <li>Low: 7x NTM EBITDA (NTM Comparable EBITDA of \$299mm)<sup>(2)</sup></li> </ul>
For Reference: 52-Week Trading Range	\$ 31 - \$ 53	<ul style="list-style-type: none"> <li>High: \$53.45 (08-Jun-2016)</li> <li>Low: \$31.25 (07-Nov-2016)</li> </ul>
For Reference: Analyst Price Targets	\$ 32 - \$ 48	<ul style="list-style-type: none"> <li>High: \$48.00 (UBS 04-May-2017)</li> <li>Low: \$32.00 (BAML 03-May-2017)</li> </ul>
	<div style="border: 1px solid green; padding: 2px; display: inline-block;">Current Price : \$34.70</div> <div style="border: 1px solid blue; padding: 2px; display: inline-block; margin-left: 20px;">Implied Offer Price<sup>(4)</sup>: \$41.57</div>	

Source: Public filings, Hero Management, Bloomberg, Factset, Wall Street research as of as of May 22, 2017.

(1) Including dividends.

(2) Comparable EBITDA and EPS are after deduction of stock based compensation expense.

(3) Comparable EBITDA after deduction of stock based compensation expense. Pro forma for sale of Chasing Fireflies and TravelSmith.

(4) Implied offer price based on Queen Class A closing price of \$23.96 as of May 22, 2017 and 1.735 exchange ratio from offer received May 18, 2017



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# Ongoing Underperformance Would Have Significant Implications for Intrinsic Value

## Implied value per share of Hero based on illustrative Hero DCF analysis

- Change in growth represents annual incremental revenue growth over Standalone Plan (in bps)
- Change in EBITDA margin represents cumulative incremental change to EBITDA margin over projection period; assumes even ramp throughout projection period (in bps)

### Goldman Sachs Perspective

Δ in bps	Annual Δ to Management Plan Revenue Growth					'21E Adj. EBITDA Margin <sup>(1)</sup>
	(300)	(200)	(100)	-	100	
(100)	(\$12)	(\$10)	(\$8)	(\$6)	(\$4)	9.4%
(50)	(9)	(7)	(5)	(3)	(1)	9.9%
-	(6)	(4)	(2)	\$42	2	10.4%
50	(4)	(1)	1	3	5	10.9%
100	(1)	1	4	6	8	11.4%

'16-'21E Rev. CAGR	0.6%	1.6%	2.6%	3.6%	4.6%
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### Centerview Perspective

Δ in bps	Annual Δ to Management Plan Revenue Growth					'21E Adj. EBITDA Margin <sup>(1)</sup>
	(300)	(200)	(100)	-	100	
(100)	(\$11)	(\$9)	(\$7)	(\$5)	(\$3)	9.4%
(50)	(9)	(7)	(5)	(3)	(0)	9.9%
-	(6)	(4)	(2)	\$37	2	10.4%
50	(4)	(2)	0	3	5	10.9%
100	(2)	1	3	5	8	11.4%

'16-'21E Rev. CAGR	0.6%	1.6%	2.6%	3.6%	4.6%
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Source: Hero Management, Wall Street research, and Factset as of May 22, 2017.

Note: Balance sheet information as of March 31, 2017. Cash flows discounted using mid-year convention; valuation based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Terminal value calculated as of 2021E. Goldman Sachs perspective assumes 2.0% perpetuity growth rate and 9.0% discount rate. Centerview perspective assumes 2.0% perpetuity growth rate and 10.0% discount rate. Assumes change in EBITDA margin occurs in even increments across projection period.

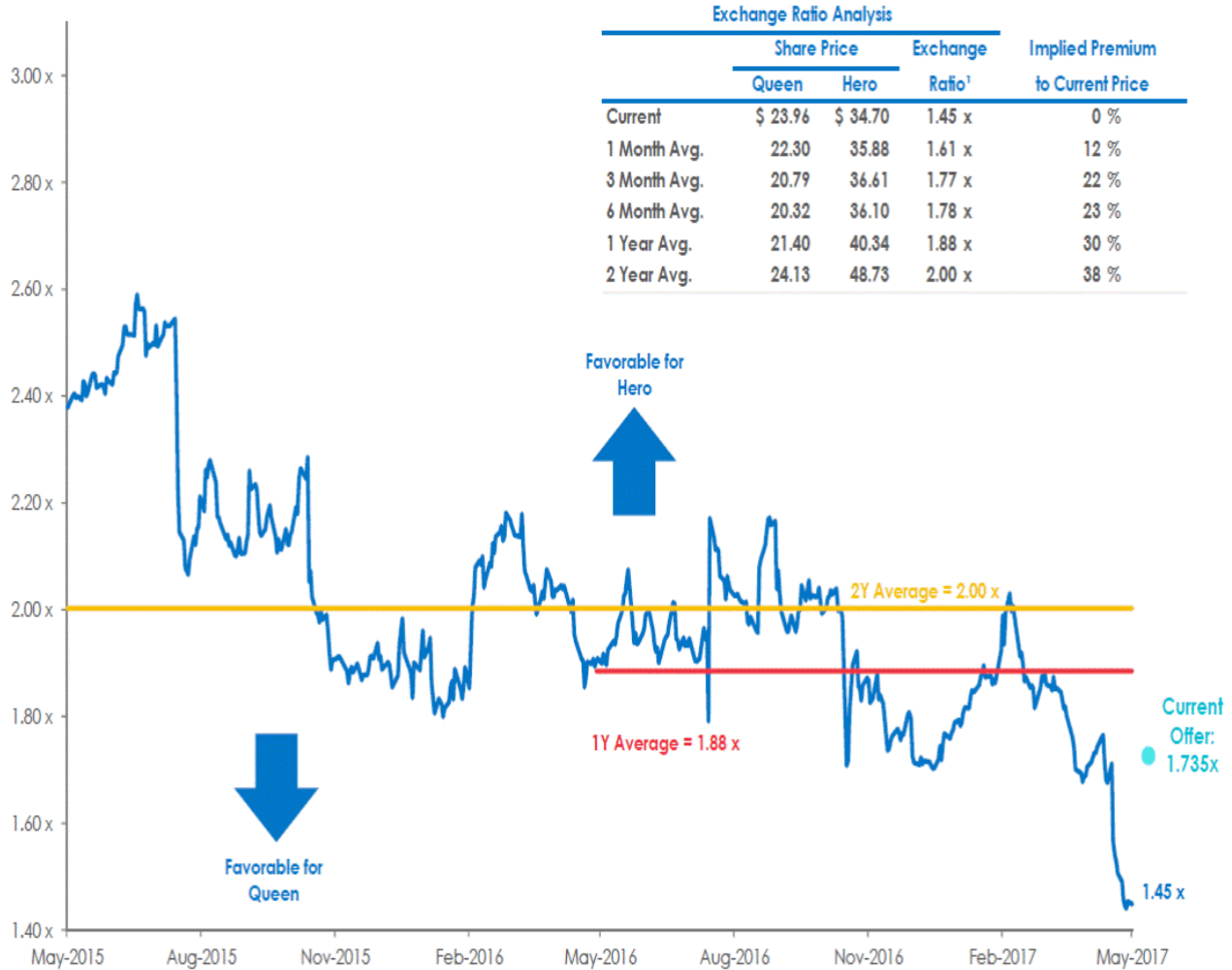
(1) Adjusted EBITDA is calculated before deduction of stock-based compensation expense.



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# Illustrative Exchange Ratio Over Time

Exchange ratio has become more favorable to Queen in wake of Hero's performance and resignation of CEO, and Queen's announcement of GCI-Lion transaction



Source: Company filings, Bloomberg as of May 22, 2017.

(1) Exchange ratio defined Hero share price divided by Queen Series A share price.



# Key Drivers of Recent Hero / Queen Share Price Movements

## Hero

### CEO Departure

- On April 26, 2017, CEO **Mindy Grossman**, announced her resignation, effective May 24

### Weak Earnings

- On May 3, 2017, Hero reported **mixed 1Q results**; net sales down YoY, below consensus estimates
  - Difficult retail environment
  - Customer acquisition challenges
  - **Stock dropped 5%** day of release and **analysts reduced estimates**

## Queen

### Transformative Transaction

- On April 4, 2017, Lion Interactive announced **agreement for Lion Ventures to acquire GCI** and split-off combined company from Lion Interactive/Queen (to become asset-stock)

### Positive Earnings

- On May 9, 2017, Queen reported **better-than-expected 1Q results**
  - Increased confidence in U.S. business
  - Results well-received by market; **stock rose 11%** on day of release and analysts **increased estimates**

"We believe Grossman was tremendously well respected by Hero's employees, amongst investors, and perhaps most importantly, by Hero's top brands and vendors. We believe **Grossman was an integral part of Hero's strategy to attract and retain top brands and personalities**, and her departure could make it significantly more difficult for Hero to maintain its favored position with major brands."

— Craig Hallum (May 3, 2017)

"...Lowering our Q2 estimates given commentary that the overall **retail environment remains challenging**...caution that upcoming plans to clear outdated inventory will likely put pressure on gross margin."

— Craig Hallum (May 3, 2017)

"We believe the [GCI] transaction will be largely beneficial for **Queen Group's long-term prospects (& valuation) and its shareholders**, as it: reduces the discount associated with the tracking stock structure (likely resulting in **Street more willing to assign a higher multiple on Queen's business**)."

— UBS (April 5, 2017)

"...If current trends hold **Queen could have significant growth in the US in 2H17** when comps get much easier. This is supportive of our thesis that Queen's sales approach can coexist with Amazon much better than traditional brick and mortar retail."

— FBR (May 9, 2017)



## Illustrative Has / Gets Analysis and Value Creation Split

### Key Assumptions:

—Based on **1.735x exchange ratio offer, implying an offer price of \$41.57** as of May 22

—**\$125mm Synergies = \$1,045mm value** (capitalized at blended multiple, less \$50mm illustrative fees)

	Hero		Queen		Pro Forma		
	Per Share	Aggregate	Per Share	Aggregate			
<b>Has</b>	<b>Enterprise Value</b>			<b>\$2,339</b>	<b>\$16,707</b>	<b>\$19,045</b>	
	(Less): Net Debt & NCI			(481)	(5,743)		
	<b>Observed Market Equity Value</b>		<b>\$34.70</b>	<b>\$1,858</b>	<b>\$23.96</b>	<b>\$10,963</b>	<b>\$12,821</b>
	(Less): Queen Stake in Hero			–	(695)		
	<b>Adjusted Equity Value</b>			<b>\$1,858</b>	<b>\$10,269</b>	<b>\$12,127</b>	
	Implied Ownership			15.3%	84.7%		
	Implied Exchange Ratio			1.45x	1.00x		
	<b>Targeted Exchange Ratio</b>			<b>1.735x</b>	<b>1.000x</b>		
	<b>Implied Equity Value</b>			<b>\$2,187</b>	<b>\$21.73</b>	<b>\$9,940</b>	<b>\$12,127</b>
	Implied Ownership			18.0%	82.0%		
Implied Prem. / (Disc.) Before Synergies <sup>(1)</sup>			17.7%	(9.3%)			
<b>Gets</b>	Plus: Share of Capitalized Synergies <sup>(2)</sup>	\$3.52	\$188	\$1.87	\$857	\$1,045	
	<b>Value per Share w/ Synergies</b>	<b>\$44.35</b>	<b>\$2,375</b>	<b>\$23.60</b>	<b>\$10,797</b>		
	Implied Prem. / (Disc.) After Synergies <sup>(1)</sup>		27.8%	5.1%			
	<b>Value Creation</b>		<b>\$517</b>	<b>\$528</b>	<b>\$1,045</b>		
	Share of Value Creation		49.5%	50.5%			

Source: Public filings, Hero Management, Factset as of as of May 22, 2017.

Note: Dollars in millions, except per share data. Based on economic ownership.

(1) Represents share of pro forma equity value divided by standalone equity value minus 1.

(2) Capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.8x.



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## Illustrative Has / Gets Analysis and Value Creation Split Sensitivity

At various headline premiums and synergy values; assumes Hero/Queen both trading at intrinsic value

### Hero Shareholders (Including Queen) Share of Value Creation

<b>Run-rate Synergies</b>	<b>\$86</b>	<b>\$125</b>	<b>\$150</b>
<i>Blended Multiple <sup>(1)</sup></i>	8.8x	8.8x	8.8x
<b>Net Capitalized Synergies<sup>(2)</sup></b>	<b>\$700</b>	<b>\$1,045</b>	<b>\$1,264</b>

	Offer Price	Headline Premium	Implied Ownership	Exchange Ratio	Hero Pro Forma Share of Value Creation		
	\$34.70	–	15.3%	1.448x	15%	15%	15%
Current Offer →	41.57	19.8%	18.0%	1.735x	65%	From prior page 49%	44%
	42.00	21.0%	18.2%	1.753x	68%	52%	46%
	42.50	22.5%	18.4%	1.774x	72%	54%	48%
	43.00	23.9%	18.6%	1.795x	75%	56%	50%

Source: Public filings, Hero Management, Factset as of as of May 22, 2017.

Note: Dollars in millions, except per share data.

(1) Capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.8x.

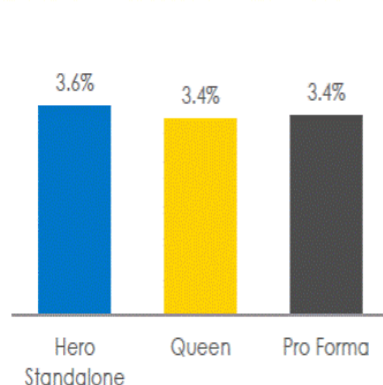
(2) Net of \$50mm of illustrative transaction fees.



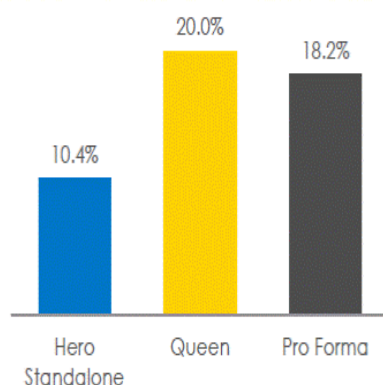
# Pro Forma Financial Profile

Assumes illustrative \$125mm of run-rate synergies

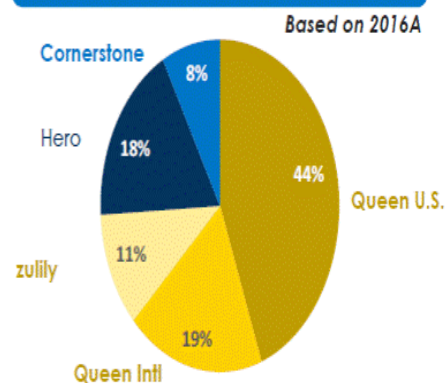
## '16A-'21E Revenue CAGR



## 2021E Adj. EBITDA Margin<sup>(1)</sup>



## Pro Forma Revenue Mix



	Fiscal Year Ending December 31,						'16A-'21E CAGR
	2016A	2017E	2018E	2019E	2020E	2021E	
Queen Revenue	\$10,219	\$10,299	\$10,666	\$11,119	\$11,545	\$12,065	3.4%
Hero Revenue	3,567	3,636	3,786	3,946	4,100	4,257	3.6%
Revenue Synergies	-	-	-	-	-	-	
<b>Pro Forma Revenue</b>	<b>\$13,786</b>	<b>\$13,935</b>	<b>\$14,453</b>	<b>\$15,065</b>	<b>\$15,645</b>	<b>\$16,322</b>	<b>3.4%</b>
% YoY Growth		1.1%	3.7%	4.2%	3.9%	4.3%	
Memo: Hero S/A Growth		1.9%	4.1%	4.2%	3.9%	3.8%	
Queen Adjusted EBITDA	\$1,936	\$1,938	\$2,035	\$2,158	\$2,284	\$2,413	4.5%
Hero Adjusted EBITDA	299	304	346	377	408	441	8.1%
Net Synergies (Including Cost to Achieve)	-	-	16	109	125	125	
<b>Pro Forma Adjusted EBITDA<sup>(1)</sup></b>	<b>\$2,235</b>	<b>\$2,241</b>	<b>\$2,397</b>	<b>\$2,644</b>	<b>\$2,817</b>	<b>\$2,979</b>	<b>5.9%</b>
% Margin	16.2%	16.1%	16.6%	17.6%	18.0%	18.2%	
Memo: Hero Standalone Margin	8.4%	8.4%	9.1%	9.5%	9.9%	10.4%	

Source: Hero Management, Wall Street research, and Factset as of May 22, 2017.

Note: For illustrative purposes, assumes \$125mm of run-rate synergies phased in 50% in 2018E and 100% in 2019E. Cost to achieve synergies equal to 50% of run-rate synergies and incurred 75% in 2018E and 25% in 2019E.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.



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## Lion's Proposal Is Contingent On 2Q Performance

Queen offer contingent on Hero meeting consensus revenue and EBITDA estimates for 2Q;  
Hero currently expecting to be below consensus EBITDA by ~7%

	Consensus <sup>(1)</sup>	Forecasted	\$ Favorable / (Unfavorable)	% Favorable / (Unfavorable)
HSN Revenue	\$546.4	\$543.3	(\$3.0)	(0.5%)
Cornerstone Revenue	285.4	289.9	4.5	1.6%
<b>Revenue</b>	<b>\$831.8</b>	<b>\$832.9</b>	1.0	0.1%
% YoY Growth	(2.6%)	(2.5%)		12 bps
Gross Profit	\$298.3	\$294.7	(\$3.6)	(1.2%)
% Margin	35.9%	35.4%		(47 bps)
<b>Adj. EBITDA</b>	<b>\$69.7</b>	<b>\$64.9</b>	(\$4.8)	(6.9%)
% of Revenue	8.4%	7.8%		(58 bps)
% YoY Growth	(15.4%)	(21.2%)		(579 bps)
Net Income	\$31.2	\$30.9	(\$0.3)	(1.0%)
% YoY Growth	(20.6%)	(21.3%)		(71 bps)
Adj. EPS	\$0.58	\$0.58	-	0.3%
% YoY Growth	(21.6%)	(21.4%)		24 bps

Source: Hero Management.

(1) Hero revenue and EPS consensus estimate consistent with 1st Call as of May 15, 2017. All other consensus figures calculated as the average of: AEGIS Capital, BofA, Citi, Craig Hallum, FBR, Maxim, Sidoti, UBS and Wunderlich.





## Selected Precedent Lion Situations

Lion has been known to complete stock transactions at low premiums and walk away from a deal when unable to negotiate desired terms



(May 2014)

- In May 2014, Liberty Global and Discovery Communications (both associated with John Malone) agreed to acquire All3Media for £550mm
  - All cash deal structured as a 50-50 joint venture between the two
- The sponsor-backed television producer had previously been put up for sale by its owner in 2011
  - Failed to get any bids near the reported target price of £750mm
- The Malone-backed entities **opportunistically approached a few years later**, buying the company for significantly less than the original asking price

**Lion is willing to be patient and opportunistic in order to maximize its shareholders' value creation**



(January 2014)

- In September 2014, Lion offered to purchase 48% of Sirius shares it did not already own
  - All-stock, tax-free offer
  - 3.1% headline premium
  - SiriusXM shareholders would own ~39% of Lion Media's then-outstanding common stock
- Lion ultimately **rescinded offer in March 2014**
- After withdrawal of offer, Malone said: "Depending on market conditions, we look forward to further discussions with the SiriusXM special committee"

**Lion is willing to walk away from a deal where the seller's price demands perceived as too high**



(January 2005)

- In January 2005, Lion Media announced ~\$3.5bn cash and stock offer for 46% of UnitedGlobalCom it did not already own
  - Liberty had 90% voting control in UGC
- UGC shareholders offered cash or stock election subject to cash not exceeding 20% of total
- Offer price was at a ~2% discount to market
- NYT commented on transaction: "Mr. Malone...seemed to indicate that **Liberty would not raise its bid**. One analyst noted that Mr. Malone sounded so convincing on that point that Liberty's stock, which had fallen before the conference call, recovered once it was over"

**Lion will not raise bid when it has high degree of leverage and believes price is fair**

Source: Public filings and press reports.



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# Merits and Considerations for Queen Proposal

Merits		Considerations	
Significant Synergies	Scale, Diversification	Premium/Exch. Ratio	Conditioned on 2Q
Risks of Status Quo	Asset-Stock Upside?	GCI-Lion Risk	Sale of Control to Malone / Lion
<ul style="list-style-type: none"> <li>■ <b>Potential for significant equity value creation (28%)</b> to Hero shareholders<sup>(1)</sup> <ul style="list-style-type: none"> <li>—\$1 bn+ of cost synergies<sup>(1)</sup></li> <li>—Upside potential from revenue/capex synergies</li> <li>—Proposal implies Hero shareholders<sup>(2)</sup> capture ~49% of value created in the transaction</li> </ul> </li> <li>■ Hero shareholders to own shares in <b>stronger, more diversified and larger scale</b> pro forma company</li> <li>■ <b>Mitigates substantial risks associated with execution of the standalone plan</b> <ul style="list-style-type: none"> <li>—Risk of underperformance vs. plan as underlying trends continue to deteriorate</li> <li>—Combination removes need to fill gap in management created by CEO departure</li> </ul> </li> <li>■ <b>Potential upside from conversion of Queen to asset-stock</b> from tracking stock</li> </ul>		<ul style="list-style-type: none"> <li>■ <b>Headline premium (~20%) toward low end of precedent</b> stock and cash/stock control transactions <ul style="list-style-type: none"> <li>—However, <b>no clear comparables</b> involving a large minority shareholder and deteriorating business trends</li> </ul> </li> <li>■ <b>Exchange ratio is in bottom 10% of observable ratios</b> over last two years <ul style="list-style-type: none"> <li>—Reflects diverging trends for Hero and Queen</li> </ul> </li> <li>■ Proposal <b>conditioned on Hero meeting 2Q consensus</b> revenue and EBITDA – currently forecast to miss</li> <li>■ <b>Governance considerations</b> (e.g., tracking stock, Lion control, etc.)</li> </ul>	

(1) Based on Hero's share of pro forma company including synergy value. Reflects share of \$125mm run-rate synergies capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.8x, net of fees.  
(2) Including all Hero shareholders, including Queen.



## Other Key Transaction Considerations

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### Due Diligence and Timetable

- Goal would be to maximize speed and certainty with focused, two-way diligence process
- Diligence and contract negotiation may take 3-4 weeks, subject to Queen focus
- Hero and its advisors are prepared to conduct (limited) diligence on Queen
- Diligence to include data rooms for both entities, in-person management meetings, functional area diligence calls, etc.
- Process could target transaction announcement in late-June

### Protection of Hero Business

- Speed is critical to minimize the risks of leaks that could potentially distract the organization and damage customer / supplier relationships
- Elimination of contingency on 2Q results – diligence / engagement will disrupt CEO search process and monopolize management bandwidth
- Merger agreement could provide that certain representations (e.g., absence of a material adverse effect) are made only at signing and not at closing – this is an atypical approach
- Seek a tight covenant governing Queen's obligations to obtain regulatory approval (e.g., "hell-or-high-water")
- Seek flexibility to provide appropriate employee retention arrangements

### Deal Mechanics / Enhancements to Consider

- Some options for consideration
  - "Majority of the minority" approval as a closing condition
  - Collar structures (unusual in fixed exchange ratio deals)
  - Contract protections related to GCI transaction
  - CVR / contingent payment related to GCI transaction

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# Board of Directors Supplemental Materials

## Project Venus

May 24, 2017

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# Hero Plan Summary

Plan implies 8.1% Adjusted EBITDA CAGR and 8.7% EPS CAGR from 2016A-2021E

	Historical			Projections					'14-'16A	'16A-'21E
	2014A	2015A	2016A	2017P	2018E	2019E	2020E	2021E	CAGR	CAGR
HSN Revenue	\$2,476	\$2,542	\$2,475	\$2,549	\$2,626	\$2,704	\$2,785	\$2,869	(0.0%)	3.0%
Cornerstone Revenue	1,114	1,151	1,095	1,089	1,162	1,243	1,316	1,390	(0.9%)	4.9%
(Less): Eliminations	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)		
<b>Total Revenue</b>	<b>\$3,588</b>	<b>\$3,691</b>	<b>\$3,567</b>	<b>\$3,636</b>	<b>\$3,786</b>	<b>\$3,946</b>	<b>\$4,100</b>	<b>\$4,257</b>	<b>(0.3%)</b>	<b>3.6%</b>
YoY Growth		2.9%	(3.3%)	1.9%	4.1%	4.2%	3.9%	3.8%		
<b>Gross Profit</b>	<b>\$1,273</b>	<b>\$1,315</b>	<b>\$1,217</b>	<b>\$1,249</b>	<b>\$1,316</b>	<b>\$1,383</b>	<b>\$1,447</b>	<b>\$1,513</b>	<b>(2.2%)</b>	<b>4.5%</b>
% Margin	35.5%	35.6%	34.1%	34.3%	34.8%	35.0%	35.3%	35.5%		
(Less): Operating Expenses	(\$931)	(\$957)	(\$918)	(\$945)	(\$970)	(\$1,006)	(\$1,039)	(\$1,072)		
% of Revenue	25.9%	25.9%	25.7%	26.0%	25.6%	25.5%	25.3%	25.2%		
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$342</b>	<b>\$357</b>	<b>\$299</b>	<b>\$304</b>	<b>\$346</b>	<b>\$377</b>	<b>\$408</b>	<b>\$441</b>	<b>(6.5%)</b>	<b>8.1%</b>
% Margin	9.5%	9.7%	8.4%	8.4%	9.1%	9.5%	9.9%	10.4%		
(Less): D&A / FA Sale	(44)	(44)	(43)	(47)	(49)	(52)	(56)	(59)		
(Less): SBC	(16)	(18)	(19)	(21)	(22)	(22)	(23)	(24)		
(Less): Adjustments	2	(11)	(31)	-	-	-	-	-		
<b>Reported EBIT</b>	<b>\$285</b>	<b>\$284</b>	<b>\$206</b>	<b>\$235</b>	<b>\$275</b>	<b>\$302</b>	<b>\$329</b>	<b>\$358</b>	<b>(15.0%)</b>	<b>11.7%</b>
(Less): Net Interest	(7)	(15)	(16)	(15)	(17)	(17)	(18)	(18)		
Pre-Tax Income	\$278	\$269	\$190	\$220	\$258	\$285	\$312	\$340		
(Less): Taxes	(105)	(100)	(71)	(83)	(97)	(107)	(117)	(128)		
Net Income	\$173	\$169	\$119	\$138	\$161	\$178	\$195	\$213		
Plus: Adjustments	0	6	20	-	-	-	-	-		
<b>Adjusted Net Income</b>	<b>\$173</b>	<b>\$176</b>	<b>\$138</b>	<b>\$138</b>	<b>\$161</b>	<b>\$178</b>	<b>\$195</b>	<b>\$213</b>	<b>(10.6%)</b>	<b>9.0%</b>
<b>Adjusted EPS</b>	<b>\$3.23</b>	<b>\$3.28</b>	<b>\$2.62</b>	<b>\$2.57</b>	<b>\$3.01</b>	<b>\$3.33</b>	<b>\$3.64</b>	<b>\$3.97</b>	<b>(9.9%)</b>	<b>8.7%</b>
YoY Growth		1.7%	(20.3%)	(1.7%)	17.2%	10.3%	9.4%	9.1%		
<b>Memo:</b>										
Diluted Shares	53.6	53.5	52.9	53.6	53.6	53.6	53.6	53.6		
Tax Rate	37.7%	37.1%	37.4%	37.5%	37.5%	37.5%	37.5%	37.5%		
Comparable EBITDA <sup>(2)</sup>	\$327	\$339	\$280	\$283	\$324	\$354	\$385	\$417	(7.4%)	8.3%

Source: Hero Management.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.

(2) Comparable EBITDA is after deduction of stock-based compensation expense.



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## Plan Assumptions: Revenue and Cost Initiatives

Management has outlined key near-term initiatives that are expected to drive revenue growth and margin expansion with minimal incremental investment

	Overview	2017 Risk-Adj. Revenue (\$mm)	Investment Required?
<b>TV Distribution</b>	<ul style="list-style-type: none"> <li>Deploying shop by remote feature on Comcast, Time Warner Cable, DirecTV</li> <li>Upgrading DirecTV to high definition</li> <li>Increasing Video on Demand presence</li> </ul>	\$35.9	Minimal investment; capabilities already in place
<b>Merchandising Effectiveness / Pricing</b>	<ul style="list-style-type: none"> <li>Drive up average price point by +\$1.00</li> <li>Improve inventory management and merchandising</li> <li>Engaged First Insight to help improve product selection</li> <li>Improving margins through better product sourcing</li> </ul>	\$38.9	Investment planned in improved inventory and product information systems; capital beyond 2017 not yet committed
<b>Digital Site Optimization</b>	<ul style="list-style-type: none"> <li>Enhanced search capabilities on digital site to improve number of searches that lead to a sale</li> <li>Improved digital site loading times</li> <li>Improved analytics to help tailor offerings</li> </ul>	\$34.2	Small amount of investment required to improve site search capabilities
<b>Other Revenue Initiatives</b>	<ul style="list-style-type: none"> <li>Improving distributed commerce capabilities</li> <li>Mobile enhancements including app only features, personalization / concierge, TV companion</li> <li>Enhancing mobile video capabilities</li> </ul>	\$12.3	Minimal investment required
<b>Cost Initiatives</b>	<ul style="list-style-type: none"> <li>Rate improvements from                             <ul style="list-style-type: none"> <li>Reductions in clearance sales</li> <li>Improved product selection and sourcing</li> </ul> </li> <li>Recognizing benefits of Piney Flats automation</li> </ul>	<b>35 bps gross margin improvement</b>	Minimal investment required

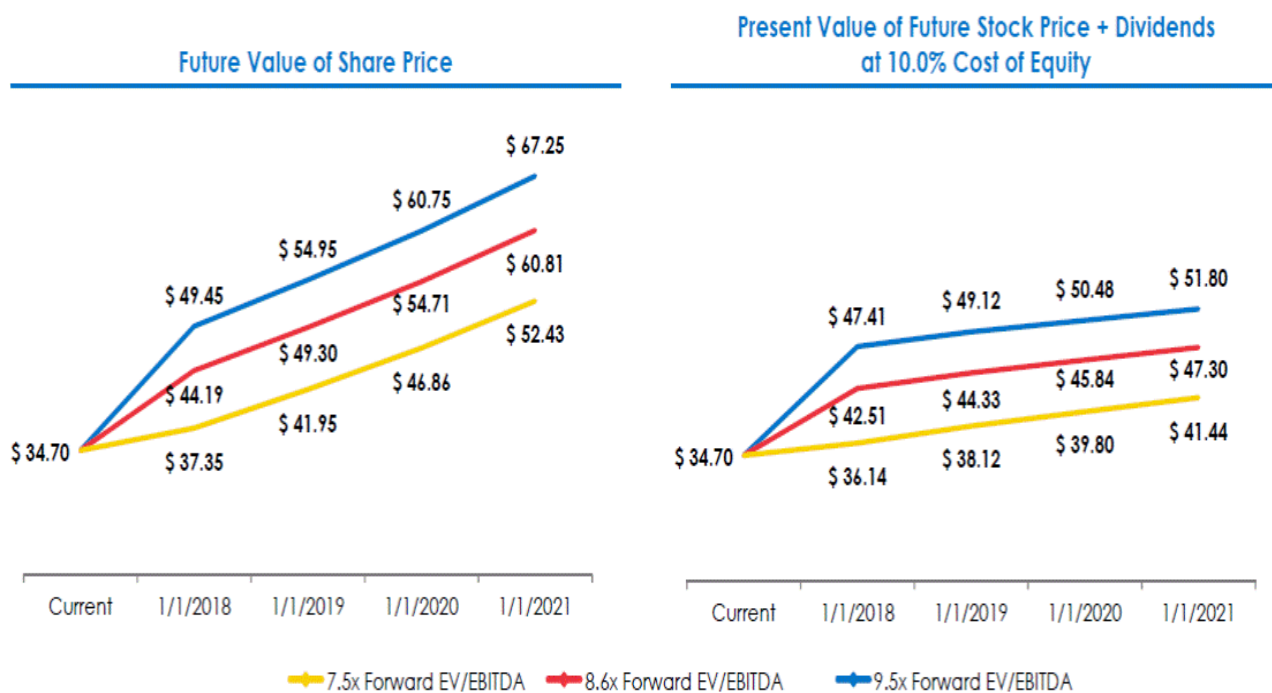
Source: Hero Management.



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# Illustrative Public Market Present Value of Future Share Price Analysis Based on Hero Plan

Based on 1 Year Forward EV/EBITDA Multiples | Goldman Sachs Perspective



Balance Sheet at Current EV/EBITDA	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
1-Yr Forward EBITDA	\$ 324	\$ 354	\$ 385	\$ 417
Net Debt	\$ 431	\$ 418	\$ 390	\$ 342
Diluted Shares Outstanding (mm)	53.6	53.6	53.6	53.6
Dividends Per Share	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40

Source: Hero Management.

Note: Present Value of Future Stock Price includes dividends discounted based on mid-year convention. Future share prices and dividends discounted to March 31, 2017.



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# Illustrative Hero Discounted Cash Flow Analysis

## Projected Unlevered Free Cash Flow & Terminal Value Goldman Sachs Perspective

(\$ in millions, except for per share data)

	Historical			Management Projections					Terminal Year
	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	
Revenue	\$ 3,588	\$ 3,691	\$ 3,567	\$ 3,636	\$ 3,786	\$ 3,946	\$ 4,100	\$ 4,257	\$ 4,343
% Growth	-	2.9 %	(3.3)%	1.9 %	4.1 %	4.2 %	3.9 %	3.8 %	2.0 %
Adj. EBITDA (pre-SBC)	\$ 347	\$ 357	\$ 299	\$ 304	\$ 346	\$ 377	\$ 408	\$ 441	\$ 449
% Margin	9.7 %	9.7 %	8.4 %	8.4 %	9.1 %	9.5 %	9.9 %	10.4 %	10.4 %
Less: Stock-Based Compensation	\$(16)	\$(18)	\$(19)	\$(21)	\$(22)	\$(22)	\$(23)	\$(24)	\$(24)
Adj. EBITDA (post-SBC)	\$ 332	\$ 339	\$ 280	\$ 283	\$ 324	\$ 354	\$ 385	\$ 417	\$ 425
% Margin	9.2 %	9.2 %	7.8 %	7.8 %	8.6 %	9.0 %	9.4 %	9.8 %	9.8 %
Less: Depreciation & Amortization	\$(44)	\$(43)	\$(43)	\$(47)	\$(48)	\$(51)	\$(55)	\$(58)	\$(59)
Less: Other Expenses <sup>1</sup>	2	(12)	(31)	(1)	(1)	(1)	(1)	(1)	-
EBIT <sup>2</sup>	\$ 290	\$ 284	\$ 206	\$ 235	\$ 275	\$ 302	\$ 329	\$ 358	\$ 366
% Margin	8.1 %	7.7 %	5.8 %	6.5 %	7.3 %	7.7 %	8.0 %	8.4 %	8.4 %
Less: Adjusted Tax Expense (37.5%)				\$(88)	\$(103)	\$(113)	\$(123)	\$(134)	\$(137)
Plus: Depreciation & Amortization				47	48	51	55	58	59
Less: Capital Expenditures				(59)	(82)	(84)	(80)	(73)	(66)
Less: Increase in NWC				(19)	(18)	(16)	(14)	(17)	(6)
Plus: Other Non-Cash Items				1	1	1	1	1	-
Unlevered Free Cash Flow				\$ 116	\$ 122	\$ 141	\$ 168	\$ 193	\$ 216
% of EBITDA					35.2 %	37.5 %	41.1 %	43.8 %	48.1 %
<b>Illustrative Terminal Value</b>									
Assumed Perpetuity Growth Rate				2.0 %					
Illustrative WACC				9.0 %					
Terminal FCF				\$ 216					
Terminal Value at Exit				\$ 3,085					
Implied Terminal Value LTM EBITDA Multiple				7.3 x					
Present Value of Terminal Value				\$ 2,139					
<b>Total DCF Value</b>				<b>\$ 2,718</b>					
Terminal Value % of Total Value				78.7 %					
(-) Net Financial Debt				\$ 481					
Equity Value				\$ 2,237					
Shares Outstanding (mm)				53.61					
<b>Illustrative Implied Equity Value per Share</b>				<b>\$ 41.73</b>					

Source: Hero Management.

Note: Cash flows discounted to March 31, 2017 using mid-year convention for cash flows; valuation based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Share price based on diluted shares outstanding. Implied EBITDA multiples based on adjusted EBITDA (post-SBC).

(1) Includes loss on sale of FA.

(2) Does burden EBIT with stock-based compensation expense.



# Illustrative Discounted Cash Flow Sensitivities

## Implied Value Per Share of Hero Goldman Sachs Perspective

(\$ in millions, except for per share data)

		Enterprise Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 3,011	\$ 3,187	\$ 3,395
	9.0 %	\$ 2,595	\$ 2,718	\$ 2,860
	10.0 %	\$ 2,277	\$ 2,366	\$ 2,468

		Value per Share		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 47.12	\$ 50.31	\$ 54.06
	9.0 %	\$ 39.46	\$ 41.73	\$ 44.35
	10.0 %	\$ 33.55	\$ 35.21	\$ 37.10

		% of EV from Terminal Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	80.3 %	81.4 %	82.6 %
	9.0 %	77.7 %	78.7 %	79.8 %
	10.0 %	75.1 %	76.1 %	77.1 %

		Implied Exit LTM EBITDA Multiple <sup>(1)</sup>		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	7.9 x	8.5 x	9.1 x
	9.0 %	6.9 x	7.3 x	7.7 x
	10.0 %	6.1 x	6.3 x	6.7 x

Source: Hero Management.

Note: Cash flows discounted to March 31, 2017 using mid-year convention for cash flows; valuation based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Terminal value calculated as of 2021E.

(1) Calculated as terminal value at exit divided by terminal year adjusted EBITDA (post-SBC).



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# Illustrative Hero Discounted Cash Flow Analysis

Reflects Hero Management Case  
Centerview Perspective

## Hero Standalone Unlevered Free Cash Flows

	Fiscal Year Ending December 31,					
	2016A	2017E	2018E	2019E	2020E	2021E
<b>Adjusted EBITDA</b>	\$299	\$304	\$346	\$377	\$408	\$441
(Less): Stock-Based Compensation	(19)	(21)	(22)	(22)	(23)	(24)
<b>Comparable EBITDA<sup>(1)</sup></b>	<b>\$280</b>	<b>\$283</b>	<b>\$324</b>	<b>\$354</b>	<b>\$385</b>	<b>\$417</b>
(Less): D&A	(43)	(47)	(48)	(51)	(55)	(58)
(Less): Loss on Sale of FA	(0)	(1)	(1)	(1)	(1)	(1)
<b>Adjusted EBIT</b>	<b>\$237</b>	<b>\$235</b>	<b>\$275</b>	<b>\$302</b>	<b>\$329</b>	<b>\$358</b>
(Less): Taxes		(88)	(103)	(113)	(123)	(134)
Plus: D&A		47	48	51	55	58
(Less): Δ in Net Working Capital		(19)	(18)	(16)	(14)	(17)
(Less): Capital Expenditures		(59)	(82)	(84)	(80)	(73)
Plus: Loss on Sale of FA		1	1	1	1	1
<b>Unlevered Free Cash Flow</b>		<b>\$116</b>	<b>\$122</b>	<b>\$141</b>	<b>\$168</b>	<b>\$193</b>
YoY Growth			5%	16%	19%	15%

Discount Rate	Enterprise Value (\$bn)			Implied LTM Exit Multiple			Value per Share (\$)		
	Perpetuity Growth Rate			Perpetuity Growth Rate			Perpetuity Growth Rate		
	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%
9.50%	\$2.4	\$2.6	\$3.0	6.8x	7.7x	9.0x	\$35.24	\$40.04	\$46.28
10.00%	2.2	2.5	2.7	6.4x	7.3x	8.4x	32.69	36.90	42.27
10.50%	2.1	2.3	2.6	6.1x	6.9x	7.9x	30.42	34.12	38.79

Source: Hero Management, Wall Street research, and Factset as of May 22, 2017.

Note: Dollars in millions, unless otherwise noted. Assumes mid-year discounting convention. Balance sheet information as of May 22, 2016.

(1) Comparable EBITDA is calculated after deduction of stock-based compensation expense.



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## Premia in All-Stock Control Transactions

Select all-stock transactions in U.S. over past 10 years in which, pro forma for the transaction, target shareholders owned <35% of acquiror<sup>(1)</sup>

Date Announced	Target	Acquiror	TEV	1-Day Premium	PF Target Ownership	Forward Growth <sup>(2)</sup>	
						Revenue	EBITDA
7/5/16	Thompson Creek Metals	Centerra Gold	\$1.1	32%	8%	14%	32%
3/9/15	RTI International Metals	Alcoa	1.5	50%	7%	5%	10%
2/20/14	Emeritus Corp	Brookdale Senior Living	5.4	32%	27%	3%	4%
1/28/14	Texas Industries	Martin Marietta Materials	2.7	15%	31%	19%	37%
5/20/13	Warner Chilcott	Actavis	8.5	34%	23%	(6%)	(4%)
4/14/08	Northwest Airlines	Delta Air Lines	7.0	17%	31%	5%	(5%)
12/13/07	AMIS Holdings	ON Semiconductor	1.1	38%	26%	8%	43%
9/24/07	Metal Management	Sims Group	1.6	18%	30%	(1%)	7%
9/17/07	McLeodUSA	PAETEC Holding	1.3	11%	25%	(14%) <sup>(3)</sup>	(38%) <sup>(3)</sup>
3/18/07	InfraSource Services	Quanta Services	1.3	17%	25%	10%	18%
<b>25th Percentile</b>				<b>17%</b>	<b>24%</b>	<b>(0%)</b>	<b>(2%)</b>
<b>Median</b>				<b>25%</b>	<b>26%</b>	<b>5%</b>	<b>9%</b>
<b>75th Percentile</b>				<b>33%</b>	<b>29%</b>	<b>10%</b>	<b>29%</b>

Source: Public filings and press reports, ThomsonOne and Factset.

Note: Dollars in billions.

- (1) Includes announced and completed all-stock transactions over \$500mm since 2007 with a U.S. target in which the target shareholders owned <35% of the pro forma company. Excludes real estate, financial and energy transactions.
- (2) Represents growth of two year forward revenue/EBITDA over one year forward revenue/EBITDA as of time of announcement, per consensus estimates, unless otherwise noted.
- (3) Represents LTM YoY growth, forward estimates not available.

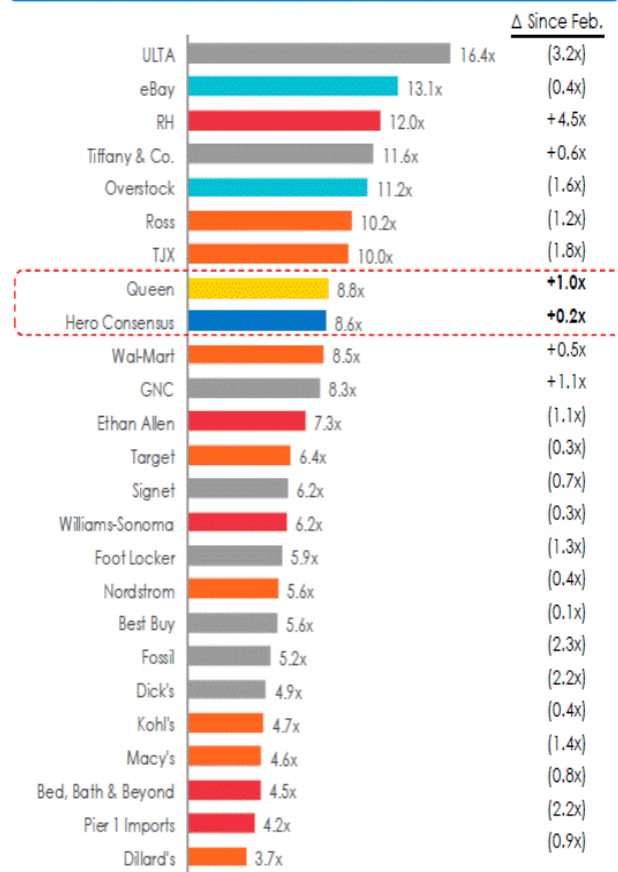


# Public Trading Comparables

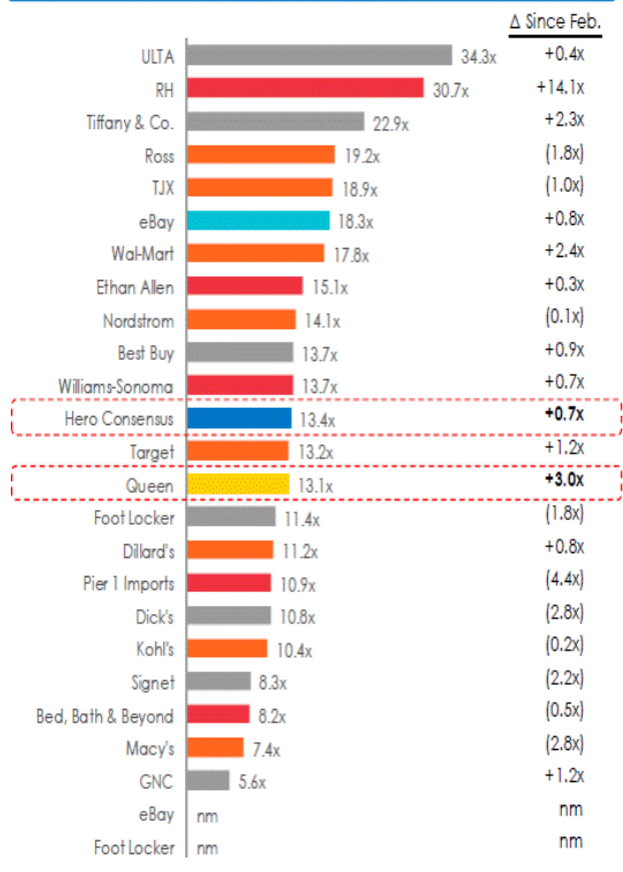


Amid continuing retail struggles, peer estimates have generally declined, resulting in median NTM EBITDA declining (0.6x) and P/E multiples increasing +0.5x, since February

## NTM EV / Comparable EBITDA



## NTM Comparable P/E



Source: Hero Management, company filings and FactSet as of May 22, 2017.

Note: Comparable EBITDA calculated after deduction of stock-based compensation expense from Adjusted EBITDA. Comparable EPS is calculated after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization from EPS.



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# Select Transaction Multiples



Date	Target	Acquiror	TEV	EV / LTM EBITDA
Feb-14	Zale Corporation	Signet Jewelers	\$1,174	15.6x
May-12	Cost Plus	Bed Bath & Beyond	682	12.7x
Feb-13	Office Max	Office Depot	1,789	12.2x
Feb-16	Rona	Lowe's	2,285	12.1x
Oct-16	Cabela's	Bass Pro Shop	5,649	11.8x
May-17	Kate Spade	Coach	2,408	10.4x
May-12	Charming Shoppes	Ascena Retail Group	830	9.9x
Jul-13	Saks	Hudson's Bay	2,614	9.8x
Sep-13	Neiman Marcus	CPP / Ares	6,000	9.4x
Nov-15	Petco	CVC, CPP	4,600	9.4x
Dec-14	PetSmart	BC Partners; GIC, Others	8,722	9.1x
Dec-13	Nine West	Sycamore Partners	2,131	8.6x
May-15	ANN Inc.	Ascena Retail Group	2,072	8.6x
Dec-10	Jo-Ann Stores	Leonard Green & Partners, L.P	1,529	7.3x
Nov-12	Oriental Trading Co	Berkshire Hathaway	500	7.1x
Nov-12	The Brick	Leon's Furniture	784	7.1x
Aug-15	Belk	Sycamore	2,867	6.9x
Sep-14	Bluestem Brands	Capmark Financial Group	565	6.3x

<b>25th Percentile</b>	<b>7.6x</b>
<b>Median</b>	<b>9.4x</b>
<b>75th Percentile</b>	<b>11.5x</b>

Source: Company filings, Wall Street research.

Note: Based on select retail transactions with TEV above \$0.5bn since 1/1/2010. Excludes transactions where public information to calculate EV / LTM EBITDA is unavailable: Perry Corp / Barney's New York, AEA Investors / At Home Group, Avon / Silpada Designs, Bain Capital / Bob's Discount Furniture, Berkshire Hathaway / Oriental Trading Co., Wal-Mart / Jet.com, Hudson's Bay / Gilt Groupe, Investor Group / eBay Enterprise, Ahold / Bol.com, Naspers Limited / Markafoni, Amazon.com / Quidsj, Rakuten / Price Minister.



## Queen Standalone Street Financials

	Historical			Street Projections					CAGR	
	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	'14-16A	'16-21E
<b>Revenue</b>	\$10,028	\$9,169	\$10,219	\$10,299	\$10,666	\$11,119	\$11,545	\$12,065	0.9%	3.4%
YoY Growth		(8.6%)	11.5%	0.8%	3.6%	4.2%	3.8%	4.5%		
<b>Gross Profit</b>	\$3,650	\$3,322	\$3,577	\$3,459	\$3,591	\$3,665	\$3,817	\$3,981	(1.0%)	2.2%
% Margin	36.4%	36.2%	35.0%	33.6%	33.7%	33.0%	33.1%	33.0%		
(Less): Operating Expenses	(\$1,711)	(\$1,435)	(\$1,641)	(\$1,521)	(\$1,555)	(\$1,507)	(\$1,532)	(\$1,568)		
% of Revenue	17.1%	15.7%	16.1%	14.8%	14.6%	13.6%	13.3%	13.0%		
<b>Adjusted EBITDA<sup>(1)</sup></b>	\$1,939	\$1,887	\$1,936	\$1,938	\$2,035	\$2,158	\$2,284	\$2,413	(0.1%)	4.5%
% Margin	19.3%	20.6%	18.9%	18.8%	19.1%	19.4%	19.8%	20.0%		
(Less): Stock-Based Comp.	(83)	(60)	(75)	(67)	(69)	(72)	(75)	(78)		
(Less): D&A	(587)	(657)	(850)	(694)	(434)	(311)	(258)	(222)		
(Less): Other	(7)	-	-	-	-	-	-	-		
<b>Reported EBIT</b>	\$1,262	\$1,170	\$1,011	\$1,176	\$1,532	\$1,775	\$1,951	\$2,113	(10.5%)	15.9%
Plus: Equity Earnings / Other	(14)	91	86	49	57	64	70	77		
(Less): Net Interest Expense	(312)	(283)	(289)	(284)	(291)	(290)	(284)	(273)		
Pre-Tax Income	\$936	\$978	\$808	\$940	\$1,298	\$1,549	\$1,737	\$1,916		
(Less): Taxes	(306)	(304)	(297)	(329)	(454)	(542)	(608)	(671)		
Net Income	\$630	\$674	\$511	\$611	\$844	\$1,007	\$1,129	\$1,245		
(Less): NCI & Other	(54)	(34)	(38)	(35)	(48)	(57)	(64)	(71)		
<b>Net Income to Queen</b>	\$576	\$640	\$473	\$576	\$796	\$949	\$1,065	\$1,174		
Plus: Adjustments	219	238	339	254	114	79	41	12		
<b>Adjusted Net Income to Queen</b>	\$795	\$878	\$812	\$830	\$910	\$1,029	\$1,105	\$1,187	1.1%	7.9%
<b>Adjusted Diluted EPS</b>	\$1.62	\$1.83	\$1.69	\$1.86	\$2.19	\$2.63	\$2.99	\$3.38	2.2%	14.9%
YoY Growth		13.0%	(7.5%)	10.4%	17.4%	20.3%	13.7%	13.0%		
<b>Memo:</b>										
Comparable EBITDA <sup>(2)</sup>	\$1,856	\$1,827	\$1,861	\$1,871	\$1,966	\$2,086	\$2,209	\$2,335	0.1%	4.6%

Source: Wall Street research and Factset as of May 22, 2017.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.

(2) Comparable EBITDA is after deduction of stock-based compensation expense.



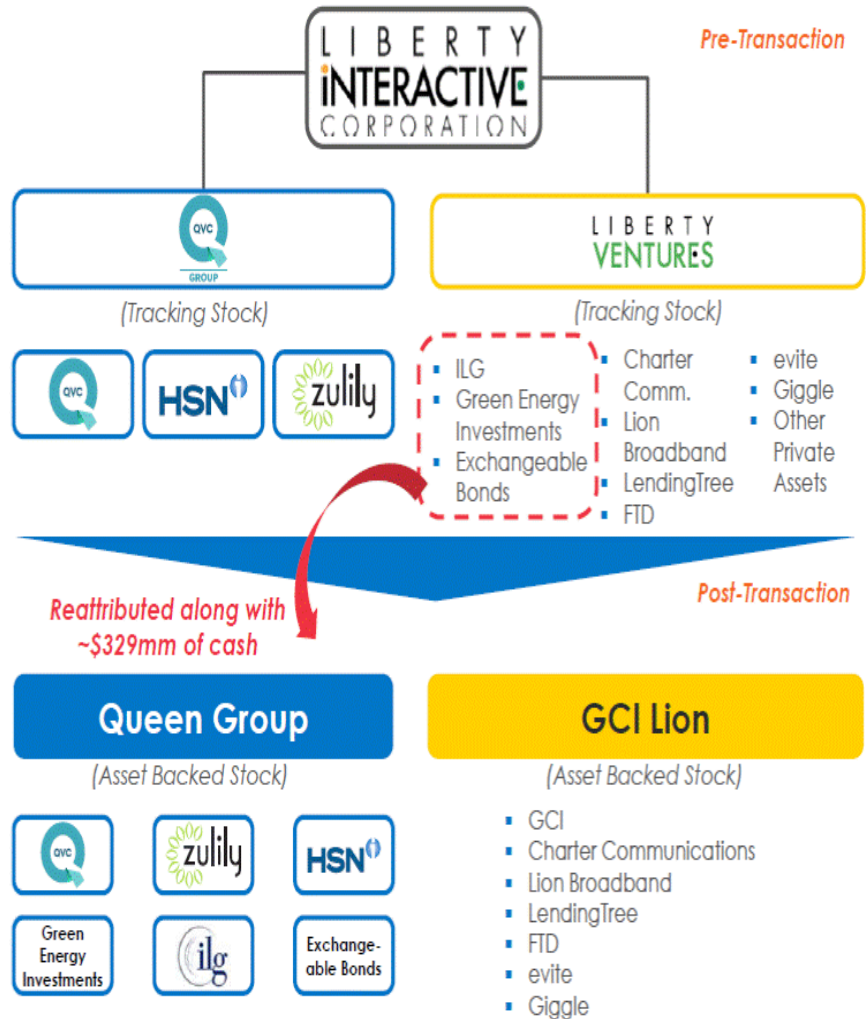
CENTERVIEW PARTNERS



# GCI Lion Transaction Summary

On April 4, 2017 Lion Interactive announced an agreement for Lion Ventures Group to acquire GCI and split-off combined company ("GCI Lion") from Lion Interactive/Queen

- Lion Interactive acquires GCI in a \$2.68bn enterprise value transaction
- Transaction structured so that Lion Interactive contributes assets to a new entity, GCI Lion, in exchange for ~77% ownership (84% voting)
  - GCI shareholders receives \$32.50 / share (\$27.50 / share of common GCI Lion stock and \$5.00 / share of new voting preferred stock)
- Reattribute exchangeable bonds, ILG shares, portfolio of Green Energy Investments and cash to Queen Group pre-closing
- Lion Interactive will pursue tax-free separation of its stake in GCI Lion by redeeming Ventures Group tracking stock for GCI Lion shares
- Remaining Lion Interactive Entity will be renamed Queen
- GCI Lion (GLIB) and Queen Group will trade as separate asset based stocks



Source: Public filings and presentations.



## Overview of Assets / Liabilities Reattributed to Queen

	Stated Value	Overview / Description
<b>Assets</b>	Cash	\$329mm <ul style="list-style-type: none"> <li>Final cash amount to be determined at close based on valuations and results of exchange offer for 1.75% Charter Exchangeable notes</li> </ul>
	Interval Leisure Group	\$260mm (After-Tax) <ul style="list-style-type: none"> <li>~\$2.5bn publicly-traded, NASDAQ-listed provider of membership and leisure services to the vacation industry</li> <li>Former subsidiary of IAC founded in 1976</li> <li>Lion Interactive holding represents ~12.8% of shares</li> </ul>
	Green Energy Investments	\$138mm <ul style="list-style-type: none"> <li>Certain alternative energy investments held by Ventures Group</li> <li>Generally operate at a loss but provide some favorable tax attributes</li> <li>Lion Interactive recorded a ~\$98mm impairment related to these investments in 2015</li> </ul>
	Tax Benefits (Stock Options)	\$23mm <ul style="list-style-type: none"> <li>Relate to prior spin-offs, but further detail not provided</li> </ul>
<b>Total</b>	<b>\$750mm</b>	
<b>Liabilities</b>	Exchangeable Debentures and Related Net Tax Attributes	\$750mm <ul style="list-style-type: none"> <li>Reflects Sprint/CTL 4% notes due 2029, Sprint/CTL 3.75% notes due 2030, and MSI 3.5% notes due 2031</li> <li>Debt securities with exchangeability into an underlying basket of securities (or cash equal to fair market value)</li> <li>Allow for tax deductions in excess of cash coupon under contingent payment debt instrument (CPDI) rules</li> </ul>

Source: Public filings and presentations.  
Note: Dollars in millions.



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# Special Committee Discussion Materials

## Project Venus

May 26, 2017

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# Preliminary Cost Synergy Estimates

Per Hero Management Guidance; base case analysis assumes \$125mm of run-rate annual cost synergies

- Significant margin differential between Hero and Queen (~1,000 bps), largely driven by Hero's higher marketing/distribution expenses
  - Hero Management estimates the greatest synergy opportunity in Program Distribution
- Combination potentially represents opportunity to reduce margin differential and also eliminate duplicative corporate functions

	Potential Synergy Opportunities	Illustrative Estimates (\$mm)
Operating Expenses	<b>COGS/Gross Profit</b> <ul style="list-style-type: none"><li>■ Rate benefits from small carrier shipping and handling contracts and procurement opportunities</li></ul>	~\$25 – \$41
	<b>Variable Costs</b> <ul style="list-style-type: none"><li>■ Maximize call center utilization</li><li>■ Improve affiliate commissions through rate/volume benefits</li><li>■ Consolidate liquidation activity</li></ul>	~\$2 – \$5
	<b>Program Distribution Costs</b> <ul style="list-style-type: none"><li>■ Consolidate distribution contracts</li><li>■ Eliminate/consolidate affiliate sales and marketing costs</li></ul>	~\$49 – \$65
	<b>Other OpEx</b> <ul style="list-style-type: none"><li>■ Eliminate redundancies across OpEx costs</li><li>■ Streamline the supply chain</li></ul>	~\$22 – \$41
	<b>Preliminary Run-Rate Cost Synergies</b>	<b>~\$97 – \$152</b>

Source: Hero Management.

# Preliminary Revenue Synergy Estimates

Per Hero Management Guidance; base case analysis assumes ~\$320mm of run-rate annual revenue synergies, which translates to ~\$110mm of gross profit

■ Note: does not include investments required to implement initiatives

Potential Synergy Opportunities		Illustrative Estimates (\$mm)
<b>Shop by Remote ("SbR")</b>	<ul style="list-style-type: none"> <li>Expand SbR and other IP across Queen</li> </ul>	~\$110 – \$170
<b>File Sharing / Targeting</b>	<ul style="list-style-type: none"> <li>Share customer file to market both brands</li> </ul>	~\$50 – \$100
<b>Loyalty Program</b>	<ul style="list-style-type: none"> <li>Develop cross-brand loyalty program</li> </ul>	~\$13 – \$19
<b>PLCC Consolidation</b>	<ul style="list-style-type: none"> <li>Consolidate private label credit card programs</li> </ul>	~\$8 – \$12
<b>zulily expansion into Hero</b>	<ul style="list-style-type: none"> <li>Sell Hero products on zulily and vice versa</li> </ul>	~\$15 – \$25
<b>Content Development &amp; Digital Capabilities</b>	<ul style="list-style-type: none"> <li>Improve/leverage content to expand digital sales</li> </ul>	~\$40 – \$75
<b>Other Unquantified Opportunities</b>	<ul style="list-style-type: none"> <li>Hero product assortment and brand expansion internationally</li> <li>IP usage cross networks/platforms</li> <li>Cross brand counter programming benefits</li> </ul>	TBD
<b>Preliminary Run-Rate Revenue Synergies</b>		<b>~\$236 – \$401</b>
<b>Estimated Gross Profit Benefit<sup>(1)</sup></b>		<b>~\$82 – \$140</b>

Source: Hero Management.  
 (1) Assumes 35% gross profit margin.

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# Special Committee Discussion Materials

## Project Venus

June 1, 2017

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## Overview of Lion's Proposal

Queen submitted initial proposal on May 10 and subsequently revised proposal on May 18 and again on June 1

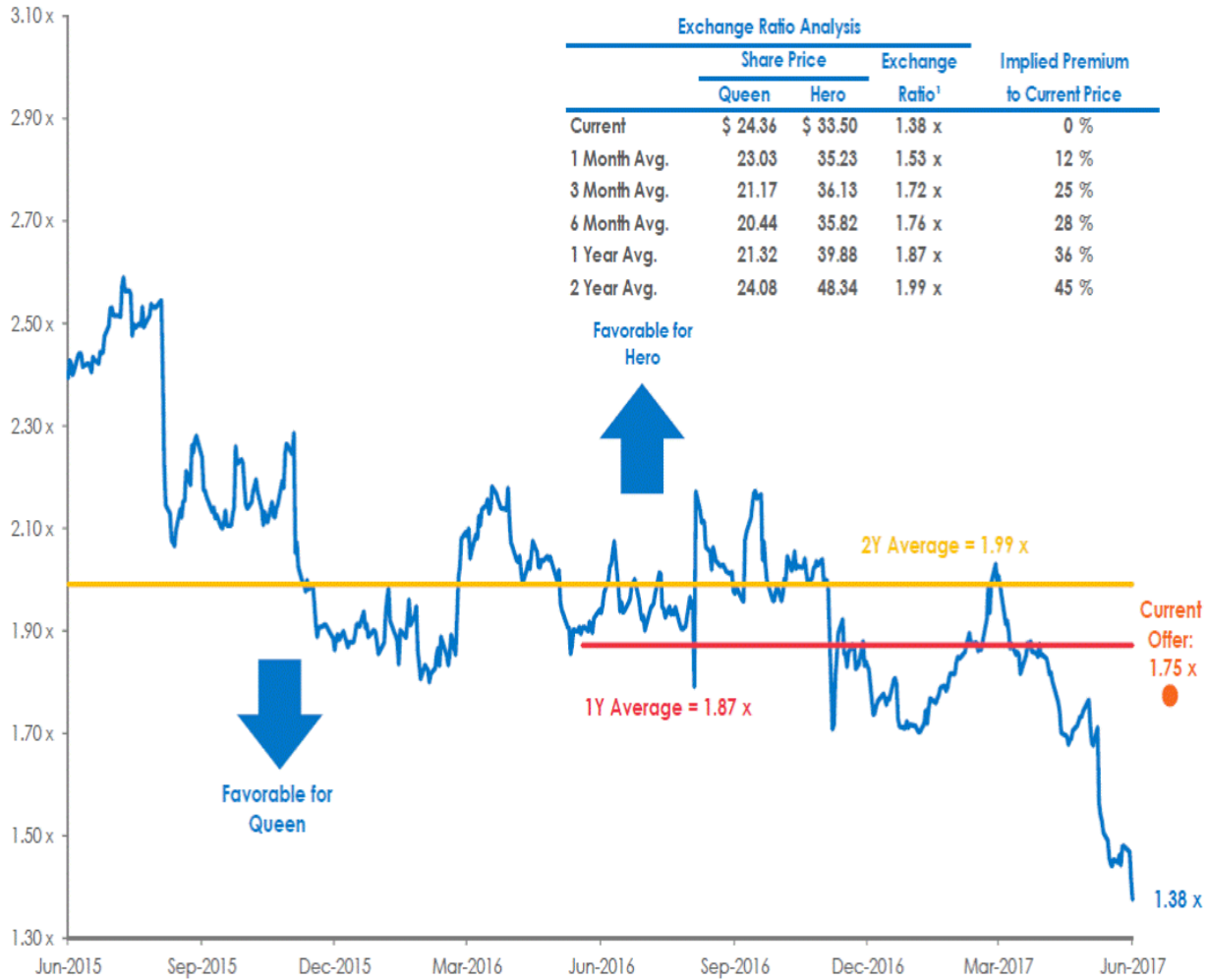
Pricing Date Event	Metric	First Offer (Rcv'd May 10)	Second Offer (Rcv'd May 18)	Third Offer (Verbal) (Rcv'd June 1)
		May 10 Offer Rcv'd	May 18 Offer Rcv'd	Jun 01 Current
<b>Offer Price</b>		\$40.50	\$40.58	\$42.63
<b>Exchange Ratio</b>		1.685x	1.735x	1.750x
<i>Fixed / Floating</i>		Floating	Fixed	Fixed
Diluted Shares Outstanding		53.6	53.6	53.6
<b>Equity Value</b>		\$2,171	\$2,175	\$2,286
<b>Enterprise Value</b>		\$2,651	\$2,656	\$2,767
<b>Share Price Movement</b>	Hero Share Price	\$37.00	\$33.70	\$33.50
	Δ Since Initial Offer		(8.9%)	(9.5%)
	Queen Share Price	\$24.03	\$23.39	\$24.36
	Δ Since Initial Offer		(2.7%)	1.4%
	Exchange Ratio	1.54x	1.44x	1.38x
			(0.10x)	(0.16x)
<b>Premiums</b>	Current	9.5%	20.4%	27.3%
	30-Day VWAP	10.5%	11.9%	19.8%
	90-Day VWAP	11.0%	11.0%	16.9%
<b>Ownership and Value Sharing</b>	Ownership of Non-Q Hero S/H <sup>(1)</sup>	11.0%	11.3%	11.4%
	Share of Value Creation to All Hero S/H <sup>(2)</sup>	33.4%	50.0%	59.5%
<b>Implied Valuation (Consensus)</b>	2017E Revenue	\$3,520	0.8x	0.8x
	2017E Comp. EBITDA <sup>(3)</sup>	\$262	10.1x	10.1x
	2017E Adj. EPS	\$2.45	16.5x	16.6x

Source: Public filings and Hero Management as of June 1, 2017.

- (1) Hero ownership represents non-Queen shareholders ownership only. Ownership based on currently available public information. Figures subject to change as more information regarding GCI-Lion transaction becomes available.
- (2) Reflects all Hero shareholders' share of \$125mm run-rate synergies capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.8x, net of fees.
- (3) Comparable EBITDA is after deduction of stock based compensation expense.



# Illustrative Exchange Ratio Over Time



Source: Company filings, Bloomberg as of June 1, 2017.

(1) Exchange ratio defined Hero share price divided by Queen Series A share price.



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# Special Committee Discussion Materials

## Project Venus

June 12, 2017

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## Overview of 2017 Outlook

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### "Current" Scenario

- Net Sales of \$3,515mm (down 1.5% vs. year ago and 3.3% vs. budget)
- EBITDA of \$283mm (down \$16mm vs. year ago and \$20mm vs. budget)
- Overall assumptions consistent with the 2017 business outlook presented to the Board on May 24th with a few updates
- Updated for the latest 2Q outlook shared with Queen and Lion last week
  - Cornerstone EBITDA up \$5mm for 2017, reflecting recent momentum
  - Includes \$5mm of in-process opex cost savings
- This scenario assumes Hero gets to positive sales (+0.5% vs. year ago) on the HSN segment in the second half
  - Represents a trend change of more than +500bps vs. the first half

### "Trend" Scenario

- Net Sales of \$3,450mm (down 3.3% vs. year ago and 5.1% vs. budget)
- EBITDA of \$254mm (down \$45mm vs. year ago and \$49mm vs. budget)
- First half of 2017 the same as the "Current" scenario – consistent with the outlook shared with Queen and Lion last week
- Cornerstone EBITDA up \$5mm for 2017 and \$5mm of opex cost savings delivered
  - Same assumptions as the "Current" scenario
- Second half net sales trend in HSN segment updated to reflect the same trend as in first half (down 4.4% vs. 2Q trend of down 5.7%)

## 2017 Outlook – Key Figures versus Plan and 2016A

### "Current" Scenario

	"Current"	vs. 17P	vs. 16A
HSN	\$2,432	(4.6%)	(1.7%)
Cornerstone	1,085	(0.3%)	(0.9%)
<b>Net Sales</b>	<b>\$3,515</b>	<b>(3.3%)</b>	<b>(1.5%)</b>
HSN	\$235	(9.7%)	(9.1%)
Cornerstone	48	11.7%	19.6%
<b>EBITDA</b>	<b>\$283</b>	<b>(6.7%)</b>	<b>(5.3%)</b>
% Margin	8.1%	(29 bps)	(32 bps)
<b>Adj. EPS</b>	<b>\$2.37</b>	<b>(7.5%)</b>	<b>(9.3%)</b>

### "Trend" Scenario

	"Trend"	vs. 17P	vs. 16A
HSN	\$2,366	(7.2%)	(4.4%)
Cornerstone	1,085	(0.3%)	(0.9%)
<b>Net Sales</b>	<b>\$3,450</b>	<b>(5.1%)</b>	<b>(3.3%)</b>
HSN	\$206	(20.9%)	(20.4%)
Cornerstone	48	11.7%	19.6%
<b>EBITDA</b>	<b>\$254</b>	<b>(16.3%)</b>	<b>(15.0%)</b>
% Margin	7.4%	(98 bps)	(101 bps)
<b>Adj. EPS</b>	<b>\$2.04</b>	<b>(20.6%)</b>	<b>(22.2%)</b>

Source: Hero Management.



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## FY'17E Current Forecast and Trend versus Consensus

- If Hero achieves **"Current"** scenario, it will perform approximately **in-line with consensus** for 2017
- If Hero achieves **"Trend"** scenario, it will be **below consensus** for 2017, missing net sales by ~2% and EBITDA by ~11%

	Consensus <sup>(1)</sup>	"Current"	"Current" vs. Consensus		"Trend"	"Trend" vs. Consensus	
			\$ Fav. / (Unfav.)	% Fav. / (Unfav.)		\$ Fav. / (Unfav.)	% Fav. / (Unfav.)
HSN	\$2,455	\$2,432	(\$23)	(0.9%)	\$2,366	(\$89)	(3.6%)
Cornerstone	1,064	1,085	20	1.9%	1,085	20	1.9%
<b>Net Sales</b>	<b>\$3,520</b>	<b>\$3,515</b>	<b>(\$4)</b>	<b>(0.1%)</b>	<b>\$3,450</b>	<b>(\$70)</b>	<b>(2.0%)</b>
% YoY Growth	(1.3%)	(1.5%)		(12 bps)	(3.3%)		(196 bps)
HSN	\$251	\$235	(\$16)	(6.3%)	\$206	(\$45)	(17.9%)
Cornerstone	35	48	13	37.7%	48	13	37.7%
<b>Adj. EBITDA</b>	<b>\$286</b>	<b>\$283</b>	<b>(\$3)</b>	<b>(0.9%)</b>	<b>\$254</b>	<b>(\$32)</b>	<b>(11.1%)</b>
% of Revenue	8.1%	8.1%		(6 bps)	7.4%		(75 bps)
% YoY Growth	(4.4%)	(5.3%)		(87 bps)	(15.0%)		(1,060 bps)

Source: Hero Management and Factset as of June 9, 2017.

Note: Dollars in millions. Adjusted EBITDA is before deduction of stock based compensation expense.

(1) Hero consensus revenue based on Factset consensus. Consensus consolidated Adj. EBITDA based on average estimates of BAML, Craig Hallum, FBR, Maxim, UBS and Wunderlich. Segment Adj. EBITDA figures based on percentage allocation of EBITDA based on average of select Wall Street research reports where segment estimates are provided.



## Illustrative Value Implications of Near-term EBITDA Performance

Represents illustrative share price if market took a different view of 2017E EBITDA

### Illustrative Share Price

Based on current EV/ '17E Adj. EBITDA multiple of 7.7x

2017E Adjusted EBITDA Scenarios	Multiple Expansion / Contraction		
	(1.0x)	-	1.0x
<b>\$304</b> <i>Plan</i>	<b>\$29.13</b> <i>(9.7%)</i>	<b>\$34.79</b> <i>+7.9%</i>	<b>\$40.43</b> <i>+25.4%</i>
<b>\$286</b> <i>Consensus</i>	<b>26.92</b> <i>(16.5%)</i>	<b>32.25</b> <i>0.0%</i>	<b>37.58</b> <i>+16.5%</i>
<b>\$283</b> <i>"Current" Forecast</i>	<b>26.59</b> <i>(17.6%)</i>	<b>31.87</b> <i>(1.2%)</i>	<b>37.16</b> <i>+15.2%</i>
<b>\$254</b> <i>"Trend" Forecast</i>	<b>22.94</b> <i>(28.9%)</i>	<b>27.69</b> <i>(14.2%)</i>	<b>32.43</b> <i>+0.6%</i>

Percentages  
reflect Δ versus  
current share  
price

Source: Hero Management and Factset as of June 9, 2017.

Note: Dollars in millions. Adjusted EBITDA is before deduction of stock based compensation expense. Consensus consolidated Adj. EBITDA based on average estimates of BAML, Craig Hallum, FBR, Maxim, UBS and Wunderlich.



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## Preliminary Perspectives on 2018

Office of the CEO currently in the process of developing cost-cutting initiatives to protect margin and reinvest in marketing and merchandising

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- Beginning work with 3<sup>rd</sup>-parties on identifying strategy and scope of more aggressive cost restructuring and business transformation
  - **Reviewing brand positioning and messaging to retool customer acquisition strategy**
  - **Investments in digital, social and distributed commerce**
  - **Merchandising transformation** led by new Chief Merchandising Officer
  - **Major cost takeout to fund transformation and reinvestment**
- Plan initiatives **not expected to have a material impact on sales performance until 2019**
  - **Revenue growth may be below Plan** estimate of 4.1% given current and expected trends
  - Cornerstone on track but HSN seeing pressure
- **EBITDA margin may be ~flat to down vs. 2017**
  - Potential for slight margin degradation due to current trends
  - \$25mm - \$30mm opex investment to support revenue initiatives
  - Cost-cutting initiatives likely to partially / meaningfully offset above



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# Special Committee Materials

## Project Venus

June 13, 2017

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# Overview of Lion's Proposals

Lion verbally delivered a revised proposal for a 1.600x exchange ratio on June 9<sup>th</sup>

Pricing Date	Metric	Previous Offer (Rcv'd June 1)	Current Offer (Rcv'd June 9)
		Jun 01	Jun 12
<b>Implied Offer Price</b>		\$42.63	\$38.77
<b>Exchange Ratio</b>		1.750x	1.600x
Diluted Shares Outstanding		53.6	53.6
<b>Equity Value</b>		\$2,286	\$2,077
<b>Enterprise Value</b>		\$2,767	\$2,558
<b>Share Price Movement</b>	Hero Share Price	\$33.50	\$32.30
	Δ Since June 1 Offer		(3.6%)
	Queen Share Price	\$24.36	\$24.23
	Δ Since June 1 Offer		(0.5%)
	Exchange Ratio	1.38x	1.33x
	Δ Since June 1 Offer		(0.04x)
<b>Premiums</b>	Current	27.3%	20.0%
	30-Day VWAP	19.8%	12.4%
	90-Day VWAP	16.9%	7.0%
<b>Ownership and Value Sharing</b>	Ownership of Non-Q Hero S/H <sup>(1)</sup>	11.4%	10.5%
	Share of Value Creation to All Heros/H <sup>(2)</sup>	59.5%	46.6%
<b>Implied Valuation (Consensus)<sup>(3)</sup></b>	2017E Revenue	\$3,520	0.8x
	2017E Comp. EBITDA	\$267	10.5x
	2017E Adj. EPS	\$2.45	17.4x

Source: Public filings and Hero Management as of June 12, 2017.

- (1) Hero ownership represents non-Queen shareholders ownership only. Ownership based on currently available public information. Figures subject to change as more information regarding GCI-Lion transaction becomes available.
- (2) Reflects all Hero shareholders' share of \$125mm run-rate synergies capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.7x, net of fees.
- (3) Consensus consolidated Comparable EBITDA based on average Adjusted EBITDA estimates of BAML, Craig Hallum, FBR, Maxim, UBS and Wunderlich less estimated stock-based compensation expense.





# Analysis at Various Exchange Ratios

Based on current share prices of \$32.30 for Hero and \$24.23 for Queen Series A

		Exchange Ratio					
		1.500x	1.550x	1.600x	1.650x	1.700x	1.750x
<b>Implied Offer Price</b>		\$36.35	\$37.56	\$38.77	\$39.98	\$41.19	\$42.40
<i>Diluted Shares Outstanding</i>		53.6	53.6	53.6	53.6	53.6	53.6
<b>Equity Value</b>		\$1,947	\$2,012	\$2,077	\$2,143	\$2,208	\$2,274
<b>Enterprise Value</b>		\$2,427	\$2,492	\$2,558	\$2,623	\$2,689	\$2,754
<b>Premiums</b>	Current	12.5%	16.3%	20.0%	23.8%	27.5%	31.3%
	30-Day VWAP	5.3%	8.9%	12.4%	15.9%	19.4%	22.9%
	90-Day VWAP	0.3%	3.6%	7.0%	10.3%	13.7%	17.0%
<b>Ownership and Value Sharing</b>	Ownership of Non-Q Hero S/H <sup>(1)</sup>	9.9%	10.2%	10.5%	10.8%	11.1%	11.4%
	Share of Value Creation to All Hero s/H <sup>(2)</sup>	34.6%	40.6%	46.6%	52.6%	58.5%	64.4%
<b>Implied Valuation (Consensus)<sup>(3)</sup></b>	2017E Revenue	0.7x	0.7x	0.7x	0.7x	0.8x	0.8x
	2017E Comp. EBITDA	9.1x	9.3x	9.6x	9.8x	10.1x	10.3x
	2017E Adj. EPS	14.8x	15.3x	15.8x	16.3x	16.8x	17.3x

Source: Public filings and Hero Management as of June 12, 2017.

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- (2) Reflects all Hero shareholders' share of \$125mm run-rate synergies capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.7x, net of fees.
- (3) Consensus consolidated Comparable EBITDA based on average Adjusted EBITDA estimates of BAML, Craig Hallum, FBR, Maxim, UBS and Wunderlich less estimated stock-based compensation expense.





## Illustrative Has / Gets Analysis and Value Creation Split

### Key Assumptions:

- Based on **1.600x exchange ratio offer, implying an offer price of \$38.77** as of June 12
- \$125mm Synergies = \$1,041 mm value** (capitalized at blended multiple, less \$50mm illustrative fees)

	Hero		Queen		Pro Forma	
	Per Share	Aggregate	Per Share	Aggregate		
<b>Has</b>	<b>Enterprise Value</b>	\$2,210		\$16,883	\$19,093	
	(Less): Net Debt & NCI		(481)	(5,791)		
	<b>Observed Market Equity Value</b>	\$32.30	\$1,730	\$24.23	\$11,091	\$12,821
	(Less): Queen Stake in Hero		–	(647)		
	<b>Adjusted Equity Value</b>		\$1,730		\$10,445	\$12,175
	<i>Implied Ownership</i>		14.2%		85.8%	
<i>Implied Exchange Ratio</i>		1.33x		1.00x		
<b>Gets</b>	<b>Targeted Exchange Ratio</b>		1.600x		1.000x	
	<b>Implied Equity Value</b>		\$2,040	\$22.14	\$10,134	\$12,175
	<i>Implied Ownership</i>		16.8%		83.2%	
	<i>Implied Prem. / (Disc.) Before Synergies<sup>(1)</sup></i>		18.0%		(8.6%)	
	Plus: Share of Capitalized Synergies <sup>(2)</sup>	\$3.26	\$175	\$1.89	\$867	\$1,041
	<b>Value per Share w/ Synergies</b>	\$41.36	\$2,215	\$24.03	\$11,001	
	<i>Implied Prem. / (Disc.) After Synergies<sup>(1)</sup></i>		28.1%		5.3%	
	<b>Value Creation</b>		\$485		\$556	\$1,041
<i>Share of Value Creation</i>		46.6%		53.4%		

Source: Public filings, Hero Management, Factset as of as of June 12, 2017.

Note: Dollars in millions, except per share data. Based on economic ownership.

(1) Represents share of pro forma equity value divided by standalone equity value minus 1.

(2) Capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.7x.



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# Illustrative Has / Gets Analysis and Value Creation Split Sensitivity

At various headline premiums and synergy values; assumes Hero/Queen both trading at intrinsic value

## Hero Shareholders (Including Queen) Share of Value Creation

<b>Run-rate Synergies</b>	<b>\$86</b>	<b>\$125</b>	<b>\$150</b>
<i>Blended Multiple<sup>(1)</sup></i>	8.7x	8.7x	8.7x
<b>Net Capitalized Synergies<sup>(2)</sup></b>	<b>\$700</b>	<b>\$1,041</b>	<b>\$1,259</b>

Exchange Ratio	Implied Offer Price	Headline Premium	Implied Ownership	Hero Pro Forma Share of Value Creation		
1.333x	\$32.30	–	14.2%	14%	14%	14%
1.500x	36.35	12.5%	15.8%	44%	35%	31%
1.550x	37.56	16.3%	16.3%	52%	41%	36%
<i>Current Offer</i> → 1.600x	38.77	20.0%	16.8%	61%	<i>From prior page</i> 47%	41%
1.650x	39.98	23.8%	17.2%	70%	53%	46%
1.700x	41.19	27.5%	17.7%	78%	59%	51%
1.750x	42.40	31.3%	18.2%	87%	64%	56%

Source: Public filings, Hero Management, Factset as of as of June 12, 2017.

Note: Dollars in millions, except per share data.

(1) Capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.7x.

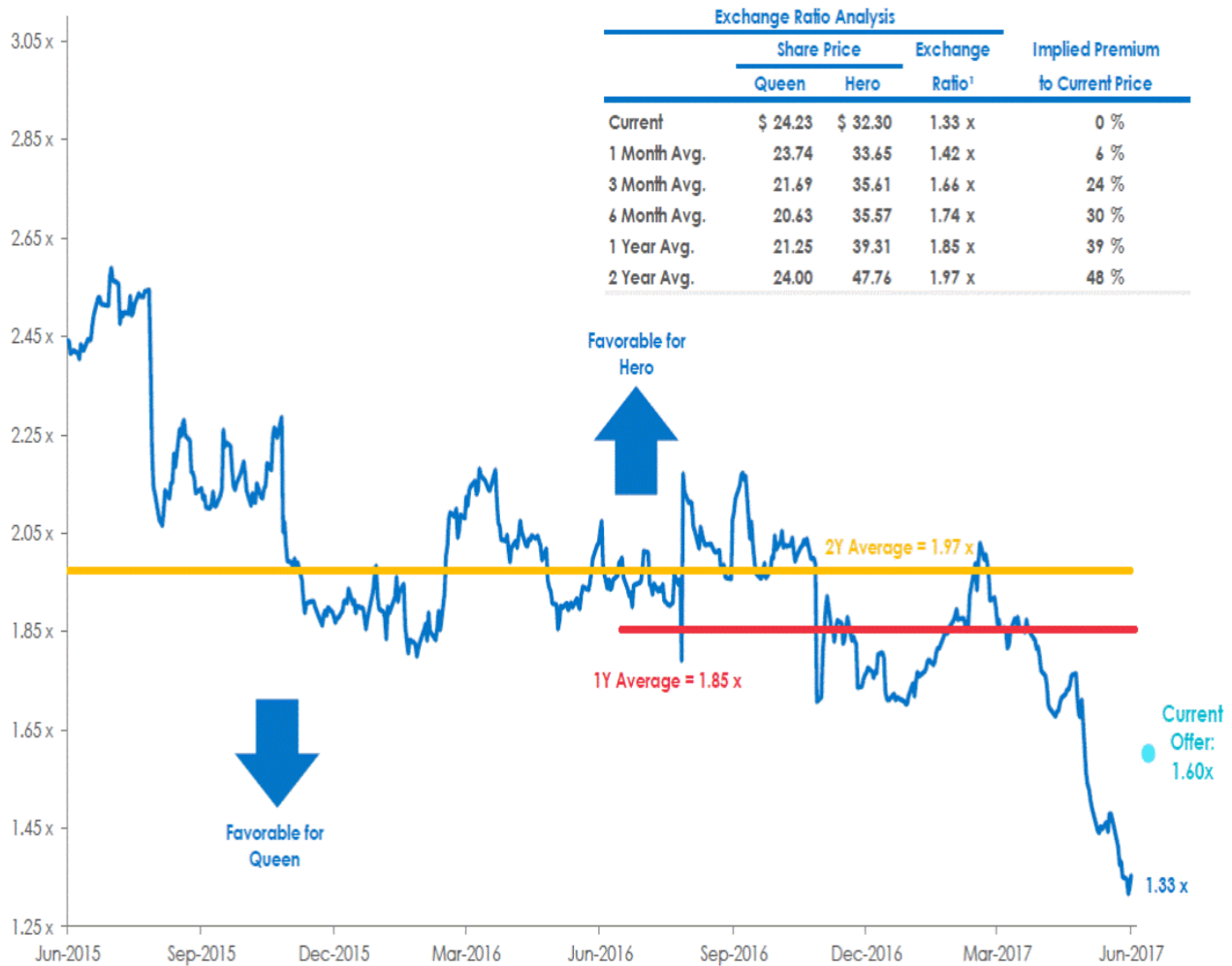
(2) Net of \$50mm of illustrative transaction fees.



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# Illustrative Exchange Ratio Over Time

Exchange ratio has become more favorable to Queen in wake of Hero's performance and resignation of CEO, and Queen's announcement of GCI-Lion transaction



Source: Company filings, Bloomberg as of Jun 12, 2017

(1) Exchange ratio defined Hero share price divided by Queen Series A share price.



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# Queen Consensus Expectations for Q2 and FY'17

(\$ in millions)

Q2 2017					FY 2017				
	Brokers	Consensus	2Q'16A	vs. 2Q'16A		Brokers	Consensus	vs. 16A	
QVC US	6	\$ 1,412	\$ 1,428	(1.2)%	QVC US	6	\$ 6,129	0.1 %	
QVC International	6	616	635	(3.0)%	QVC International	6	2,551	(0.4)%	
<b>QVC Total</b>	<b>6</b>	<b>\$ 2,028</b>	<b>\$ 2,063</b>	<b>(1.7)%</b>	<b>QVC Total</b>	<b>6</b>	<b>\$ 8,679</b>	<b>(0.0)%</b>	
zully	5	381	366	4.1 %	zully	5	1,611	4.1 %	
Eliminations	5	(9)	(5)		Eliminations	5	(6)		
<b>Total Net Sales</b>	<b>7</b>	<b>\$ 2,400</b>	<b>\$ 2,424</b>	<b>(1.0)%</b>	<b>Total Net Sales</b>	<b>7</b>	<b>\$ 10,284</b>	<b>0.6 %</b>	
QVC	2	\$ 448	\$ 463	(3.3)%	QVC	2	\$ 1,880	2.1 %	
zully	2	30	31	(2.1)%	zully	2	107	(4.2)%	
Corporate	2	(6)	(7)		Corporate	2	(21)		
<b>Adj. EBITDA (Pre-SBC)<sup>1</sup></b>	<b>5</b>	<b>\$ 472</b>	<b>\$ 487</b>	<b>(3.1)%</b>	<b>Adj. EBITDA (Pre-SBC)<sup>1</sup></b>	<b>5</b>	<b>\$ 1,966</b>	<b>1.5 %</b>	
% Margin		19.7 %	20.1 %	(42) bps	% Margin		19.1 %	17 bps	

Source: Public filings, Wall Street Research

Note: Brokers included in consensus are Maxim, Wunderlich, UBS, BAML, Aegis, FBR and Craig Hallum.

(1) Represents median of broker estimates for WholeCo Adj. EBITDA (Pre-SBC). Segment breakdowns represent median estimate for % EBITDA contribution applied to the median estimate for WholeCo Adj. EBITDA (Pre-SBC)



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# Lion Options In the Event of Unsuccessful Negotiation Between Hero and Queen

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- **Lion could publicly announce its offer in an effort to pressure Hero to reengage**
  
- **Lion could run for a full or partial slate of director nominees at the 2018 annual meeting next May**
  - The nomination window is January 25<sup>th</sup> to February 24<sup>th</sup>
  - Lion could not call a special meeting of shareholders ahead of that time
  - Even if Lion succeeded in a proxy contest, any transaction between Hero and Lion would ultimately require the approval of the Qualified Directors (i.e. generally excluding directors nominated by Lion)
  - Lion is prohibited by the Spinco Agreement from buying any additional Hero shares
  
- **Lion could withdraw for now, maintaining the right to make a new proposal (public or private) in the future**



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Appendix A: Hero "Current" and "Trend" Forecast vs. Consensus

## FY'17E Current Forecast and Trend versus Consensus

- If Hero achieves **"Current"** scenario, it will perform approximately **in-line with consensus** for 2017
- If Hero achieves **"Trend"** scenario, it will be **below consensus** for 2017, missing net sales by ~2% and EBITDA by ~11%

	Consensus <sup>(1)</sup>	"Current"	"Current" vs. Consensus		"Trend"	"Trend" vs. Consensus	
			\$ Fav. / (Unfav.)	% Fav. / (Unfav.)		\$ Fav. / (Unfav.)	% Fav. / (Unfav.)
HSN	\$2,455	\$2,432	(\$23)	(0.9%)	\$2,366	(\$89)	(3.6%)
Cornerstone	1,064	1,085	20	1.9%	1,085	20	1.9%
<b>Net Sales</b>	<b>\$3,520</b>	<b>\$3,515</b>	<b>(\$4)</b>	<b>(0.1%)</b>	<b>\$3,450</b>	<b>(\$70)</b>	<b>(2.0%)</b>
% YoY Growth	(1.3%)	(1.5%)		(12 bps)	(3.3%)		(196 bps)
HSN	\$251	\$235	(\$16)	(6.3%)	\$206	(\$45)	(17.9%)
Cornerstone	35	48	13	37.7%	48	13	37.7%
<b>Adj. EBITDA</b>	<b>\$286</b>	<b>\$283</b>	<b>(\$3)</b>	<b>(0.9%)</b>	<b>\$254</b>	<b>(\$32)</b>	<b>(11.1%)</b>
% of Revenue	8.1%	8.1%		(6 bps)	7.4%		(75 bps)
% YoY Growth	(4.4%)	(5.3%)		(87 bps)	(15.0%)		(1,060 bps)

Source: Hero Management and Factset as of June 9, 2017.

Note: Dollars in millions. Adjusted EBITDA is before deduction of stock based compensation expense.

(1) Hero consensus revenue based on Factset consensus. Consensus consolidated Adj. EBITDA based on average estimates of BAML, Craig Hallum, FBR, Maxim, UBS and Wunderlich. Segment Adj. EBITDA figures based on percentage allocation of EBITDA based on average of select Wall Street research reports where segment estimates are provided.



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# Board of Directors Update

## Project Venus

June 22, 2017

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## 1. Business Update

## Hero's 2Q Outlook

Hero currently expecting to be below consensus EBITDA by ~8%

	Consensus <sup>(1)</sup>	Forecasted	\$ Favorable / (Unfavorable)	% Favorable / (Unfavorable)
HSN Revenue	\$546.4	\$525.2	(\$21.2)	(3.9%)
Cornerstone Revenue	285.4	294.7	9.3	3.3%
<b>Revenue</b>	<b>\$831.8</b>	<b>\$819.5</b>	<b>(12.3)</b>	<b>(1.5%)</b>
% YoY Growth	(2.6%)	(4.1%)		(1.5 pp)
Gross Profit	\$298.3	\$292.8	(\$5.5)	(1.8%)
% Margin	35.9%	35.7%		(17 bps)
<b>Adj. EBITDA<sup>(2)</sup></b>	<b>\$69.7</b>	<b>\$64.1</b>	<b>(\$5.6)</b>	<b>(8.0%)</b>
% Margin	8.4%	7.8%		(58 bps)
% YoY Growth	(15.4%)	(22.2%)		(6.8 pp)
Adj. EPS	\$0.58	\$0.57	(\$0.01)	(1.7%)
% YoY Growth	(21.6%)	(23.0%)		(1.4 pp)

Source: Hero Management.

(1) Hero revenue and EPS consensus estimate consistent with 1st Call as of May 15, 2017. All other consensus figures calculated as the average of: AEGIS Capital, BofA, Citi, Craig Hallum, FBR, Maxim, Sidoti, UBS and Wunderlich.

(2) Adjusted EBITDA is before deduction of stock based compensation expense.



## Overview of Hero 2017 Outlook

Based on performance YTD, Hero Management has formulated two alternate views of FY'17E performance

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### "Current" Scenario

- Net Sales of \$3,515mm (down 1.5% vs. year ago and 3.3% vs. budget)
- EBITDA of \$283mm (down \$16mm vs. year ago and \$20mm vs. budget)
- Overall assumptions consistent with the 2017 business outlook presented to the Board on May 24th with a few updates
- Updated for the latest 2Q outlook shared with Queen and Lion last week
  - Cornerstone EBITDA up \$5mm for 2017, reflecting recent momentum
  - Includes \$5mm of in-process opex cost savings
- This scenario assumes Hero gets to positive sales (+0.5% vs. year ago) on the HSN segment in the second half
  - Represents a trend change of more than +500bps vs. the first half

### "Trend" Scenario

- Net Sales of \$3,450mm (down 3.3% vs. year ago and 5.1% vs. budget)
- EBITDA of \$254mm (down \$45mm vs. year ago and \$49mm vs. budget)
- First half of 2017 the same as the "Current" scenario – consistent with the outlook shared with Queen and Lion last week
- Cornerstone EBITDA up \$5mm for 2017 and \$5mm of opex cost savings delivered
  - Same assumptions as the "Current" scenario
- Second half net sales trend in HSN segment updated to reflect the same trend as in first half (down 4.4% vs. 2Q trend of down 5.7%)

Source: Hero Management.



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## 2017 Outlook – Key Figures versus Plan and 2016A

### “Current” Scenario

	<u>“Current”</u>	<u>vs. 17P</u>	<u>vs. 16A</u>
HSN	\$2,432	(4.6%)	(1.7%)
Cornerstone	1,085	(0.3%)	(0.9%)
<b>Net Sales</b>	<b>\$3,515</b>	<b>(3.3%)</b>	<b>(1.5%)</b>
HSN	\$235	(9.7%)	(9.1%)
Cornerstone	48	11.7%	19.6%
<b>EBITDA</b>	<b>\$283</b>	<b>(6.7%)</b>	<b>(5.3%)</b>
% Margin	8.1%	(29 bps)	(32 bps)
<b>Adj. EPS</b>	<b>\$2.37</b>	<b>(7.5%)</b>	<b>(9.3%)</b>

### “Trend” Scenario

	<u>“Trend”</u>	<u>vs. 17P</u>	<u>vs. 16A</u>
HSN	\$2,366	(7.2%)	(4.4%)
Cornerstone	1,085	(0.3%)	(0.9%)
<b>Net Sales</b>	<b>\$3,450</b>	<b>(5.1%)</b>	<b>(3.3%)</b>
HSN	\$206	(20.9%)	(20.4%)
Cornerstone	48	11.7%	19.6%
<b>EBITDA</b>	<b>\$254</b>	<b>(16.3%)</b>	<b>(15.0%)</b>
% Margin	7.4%	(98 bps)	(101 bps)
<b>Adj. EPS</b>	<b>\$2.04</b>	<b>(20.6%)</b>	<b>(22.2%)</b>

Source: Hero Management.



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## FY'17E Current Forecast and Trend versus Consensus

- If Hero achieves **"Current"** scenario, it will perform approximately **in-line with consensus** for 2017
- If Hero achieves **"Trend"** scenario, it will be **below consensus** for 2017, missing net sales by ~2% and EBITDA by ~11%
- Both scenarios are below management's long-range plan from early 2017, which forecasted revenue of \$3,636mm and EBITDA of \$304mm

	Consensus <sup>(1)</sup>	"Current"	"Current" vs. Consensus		"Trend"	"Trend" vs. Consensus	
			\$ Fav. / (Unfav.)	% Fav. / (Unfav.)		\$ Fav. / (Unfav.)	% Fav. / (Unfav.)
HSN	\$2,455	\$2,432	(\$23)	(0.9%)	\$2,366	(\$89)	(3.6%)
Cornerstone	1,064	1,085	20	1.9%	1,085	20	1.9%
<b>Net Sales</b>	<b>\$3,520</b>	<b>\$3,515</b>	<b>(\$4)</b>	<b>(0.1%)</b>	<b>\$3,450</b>	<b>(\$70)</b>	<b>(2.0%)</b>
% YoY Growth	(1.3%)	(1.5%)		(12 bps)	(3.3%)		(196 bps)
HSN	\$251	\$235	(\$16)	(6.3%)	\$206	(\$45)	(17.9%)
Cornerstone	35	48	13	37.7%	48	13	37.7%
<b>Adj. EBITDA</b>	<b>\$286</b>	<b>\$283</b>	<b>(\$3)</b>	<b>(0.9%)</b>	<b>\$254</b>	<b>(\$32)</b>	<b>(11.1%)</b>
% of Revenue	8.1%	8.1%		(6 bps)	7.4%		(75 bps)
% YoY Growth	(4.4%)	(5.3%)		(87 bps)	(15.0%)		(1,060 bps)

Source: Hero Management and Factset as of June 21, 2017.

Note: Dollars in millions. Adjusted EBITDA is before deduction of stock based compensation expense.

(1) Hero consensus revenue based on Factset consensus. Consensus consolidated Adj. EBITDA based on average estimates of BAML, Craig Hallum, FBR, Maxim, UBS and Wunderlich. Segment Adj. EBITDA figures based on percentage allocation of EBITDA based on average of select Wall Street research reports where segment estimates are provided.





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## 2. Situation Update

## Situation Update

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- On May 10, 2017, after market close, Queen submitted a **proposal to acquire Hero for a fixed \$40.50 per share in an all-stock transaction, representing a premium of ~10% to Hero's closing price on that day**
  - Queen offered Queen A shares (1 vote per share) as consideration as opposed to Queen B shares (10 votes per share)
- Queen submitted a **revised proposal on May 18, 2017**, which offered a **fixed exchange ratio of 1.735x** Queen A shares per Hero share, which implied an offer **price of \$40.58 and premium of ~20%** to Hero's closing price on that day
  - Offer was **conditioned on Hero meeting consensus estimates for revenue and EBITDA in 2Q**
- Lion's Chairman **verbally increased its proposal on June 1, 2017** to a fixed exchange ratio of **1.750x**, which implied an offer **price of \$42.63 and premium of ~27%** to Hero's closing price on that day
  - Hero management subsequently held a call with Lion / Queen to discuss its preliminary view on 2Q, including its expectation to miss consensus revenue and EBITDA
- On June 9, 2017 Lion's Chairman verbally **reduced the proposal** to a fixed exchange ratio of **1.600x**, which implied an offer **price of \$38.06 and a premium of ~18%** to Hero's closing price on that day
  - In addition, Lion provided a draft merger agreement to Hero
- After discussion with Hero's advisors, Lion **increased its offer on June 14, 2017** to a fixed exchange ratio of **1.650x**, which implies an offer **price of \$39.27 and a premium of ~27% as of June 21**
  - Proposal implies that **Hero's non-Queen shareholders would own ~11% of the pro forma company**
  - Hero's Special Committee determined that the offer was an appropriate basis to further engage with Lion
- On June 20 and 21, **Hero had in-person diligence sessions** with representatives of Lion and Queen; sessions primarily focused on Lion's diligence of Hero but also covered Hero's preliminary diligence of Queen
  - Follow-up diligence and contract negotiations are currently underway, with **both sides targeting an announcement before June 30th**

# Lion's Proposal Progression

	Previous Offers				Current Offer	
	First	Second	Third	Fourth	Fifth	
Offer Date <sup>(1)</sup>	May 10	May 18	June 01	June 09	June 14	
<b>Implied Offer Price</b>	\$40.50	\$40.58	\$42.63	\$38.06	\$39.27	
<b>Exchange Ratio</b>	1.685x	1.735x	1.750x	1.600x	1.650x	
<i>Fixed / Floating</i>	Floating	Fixed	Fixed	Fixed	Fixed	
<i>Diluted Shares Outstanding</i>	53.6	53.6	53.6	53.6	53.6	
<b>Equity Value</b>	\$2,171	\$2,175	\$2,286	\$2,039	\$2,104	
<b>Enterprise Value</b>	\$2,651	\$2,656	\$2,767	\$2,520	\$2,585	
Ownership of Non-Q Hero S/H <sup>(2)</sup>	11.0%	11.3%	11.4%	10.5%	10.8%	
<b>Premiums</b>	Current	9.5%	20.4%	27.3%	18.0%	26.9%
	30-Day VWAP	10.5%	11.9%	19.8%	9.7%	17.7%
	90-Day VWAP	11.0%	11.0%	16.9%	4.9%	9.1%

Source: Public filings and Hero Management as of June 21, 2017.

(1) Market data as of offer date, except for current offer for which data is as of June 21.

(2) Hero ownership represents non-Queen shareholders ownership only. Ownership based on currently available public information. Figures subject to change as more information regarding GCI-Lion transaction becomes available.



# Overview of Lion's Current Proposal

Lion verbally delivered a revised proposal for a 1.650x exchange ratio on June 14<sup>th</sup>

Pricing Date	Metric	Current Offer (Rcv'd June 14)	
		June 14	June 21
<b>Implied Offer Price</b>		<b>\$40.01</b>	<b>\$39.27</b>
<i>Diluted Shares Outstanding</i>		53.6	53.6
<b>Equity Value</b>		<b>\$2,144</b>	<b>\$2,104</b>
<b>Enterprise Value</b>		<b>\$2,625</b>	<b>\$2,585</b>
<b>Share Price Movement</b>	Hero Share Price	\$32.05	\$30.95
	Δ Since June 14 Offer		(3.4%)
	Queen Share Price	\$24.25	\$23.80
	Δ Since June 14 Offer		(1.9%)
	Exchange Ratio	1.32x	1.30x
	Δ Since June 14 Offer		(0.02x)
<b>Premiums <sup>(1)</sup></b>	Current	24.8%	26.9%
	30-Day VWAP	17.2%	17.7%
	90-Day VWAP	10.5%	9.1%
<b>Ownership and Value Sharing</b>	Ownership of Non-Q Hero S/H <sup>(2)</sup>	10.8%	10.8%
	Share of Value Creation to All Hero S/H <sup>(3)</sup>	54.1%	56.2%
<b>Implied Valuation (Consensus) <sup>(4)</sup></b>	2017E Revenue	\$3,520	0.7x
	2017E Comp. EBITDA	\$267	9.8x
	2017E Adj. EPS	\$2.45	16.3x

Source: Public filings and Hero Management as of June 21, 2017.

(1) Reflects premium as of pricing date.

(2) Hero ownership represents non-Queen shareholders ownership only. Ownership based on currently available public information. Figures subject to change as more information regarding GCI-Lion transaction becomes available.

(3) Reflects all Hero shareholders' share of \$125mm run-rate synergies capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.6x, net of fees.

(4) Consensus consolidated Comparable EBITDA based on average Adjusted EBITDA estimates of BAML, Craig Hallum, FBR, Maxim, UBS and Wunderlich less estimated stock-based compensation expense.





## Illustrative Has / Gets Analysis and Value Creation Split

### Key Assumptions:

—Based on **1.650x exchange ratio offer, implying an offer price of \$39.27** as of June 21

—**\$125mm Synergies = \$1,025mm value** (capitalized at blended multiple, less \$50mm illustrative fees)

	Hero		Queen		Pro Forma		
	Per Share	Aggregate	Per Share	Aggregate			
<b>Has</b>	<b>Enterprise Value</b>						
		\$2,138		\$16,700	\$18,838		
	(Less): Net Debt & NCI	(481)		(5,818)			
	<b>Observed Market Equity Value</b>	\$30.95	\$1,657	\$23.80	\$10,882	\$12,539	
	(Less): Queen Stake in Hero		–		(620)		
	<b>Adjusted Equity Value</b>		<b>\$1,657</b>		<b>\$10,262</b>	<b>\$11,920</b>	
	<i>Implied Ownership</i>			13.9%	86.1%		
	<i>Implied Exchange Ratio</i>			1.30x	1.00x		
<b>Gets</b>	<b>Targeted Exchange Ratio</b>			1.650x	1.000x		
	<b>Implied Equity Value</b>			\$2,057	\$21.57	\$9,863	\$11,920
		<i>Implied Ownership</i>			17.3%	82.7%	
		<i>Implied Prem. / (Disc.) Before Synergies<sup>(1)</sup></i>			24.1%	(9.4%)	
	Plus: Share of Capitalized Synergies <sup>(2)</sup>	\$3.30	\$177	\$1.85	\$848	\$1,025	
	<b>Value per Share w/ Synergies</b>	\$41.71	<b>\$2,233</b>	\$23.42	\$10,711		
		<i>Implied Prem. / (Disc.) After Synergies<sup>(1)</sup></i>			34.8%	4.4%	
	<b>Value Creation</b>		<b>\$576</b>		<b>\$449</b>	<b>\$1,025</b>	
	<i>Share of Value Creation</i>			56.2%	43.8%		

Source: Public filings, Hero Management, Factset as of as of June 21, 2017.

Note: Dollars in millions, except per share data. Based on economic ownership.

(1) Represents share of pro forma equity value divided by standalone equity value minus 1.

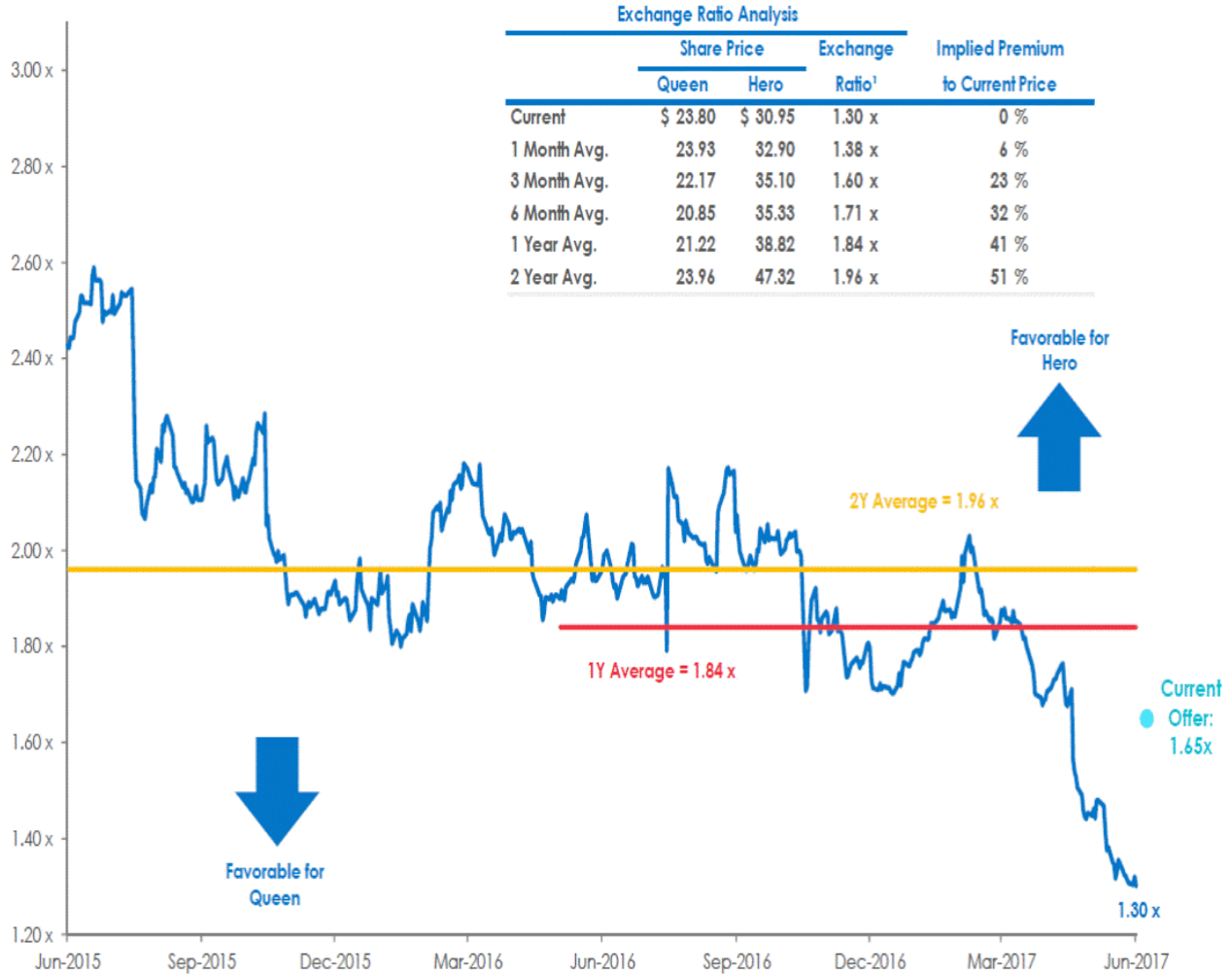
(2) Capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.6x.



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# Illustrative Exchange Ratio Over Time



Source: Company filings, Bloomberg as of June 21, 2017.

(1) Exchange ratio defined Hero share price divided by Queen Series A share price.



## Diligence Update

The diligence process began June 16, with in-person meetings taking place June 20 and 21

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- Queen submitted an initial business diligence list of 28 items; Hero has responded to substantially all of the requests
  - Queen also submitted a legal diligence list that currently includes ~130 questions
  - Queen was provided access to a virtual data room (“VDR”) on June 17
- “All-hands” diligence sessions in Tampa, Florida on June 20 and 21 were constructive for both sides
  - Queen followed up with 68 additional high priority diligence requests; diligence requests from Queen continue to be focused on refining synergy estimation
- Hero also submitted a “reverse” diligence list of 33 priority questions to Queen, which was discussed during the morning session in Florida on June 21
  - Queen discussed its financial outlook for 2Q and FY2017
  - Key items outstanding include Queen's financial plan and additional detail on the GCI-Lion transaction
  - Lion also expects to provide Hero access to a VDR
- Hero and Lion/Queen currently in process of scheduling follow-up calls and addressing outstanding questions

# Queen 2Q and FY17 Outlook: Challenges in U.S. Business & zulily

Based on notes from Queen management guidance during June 21 diligence session  
 Subject to change once data received from Queen

	2Q17 Outlook	FY17 Outlook	
<b>Consolidated Queen</b>	<ul style="list-style-type: none"> <li>Revenue down <b>(2.2%)</b>; <b>worse than consensus</b> expectations of +1.0%</li> <li>EBITDA down <b>(1.5%)</b>; <b>better than consensus</b> expectations of (3.1%)</li> </ul>	<ul style="list-style-type: none"> <li>Revenue up <b>+1.2%</b>; <b>better than consensus</b> of +0.5%                             <ul style="list-style-type: none"> <li>—Expected <b>+2.2%</b> constant currency</li> </ul> </li> <li>EBITDA up <b>+2.8%</b>; <b>better than consensus</b> of +0.5%                             <ul style="list-style-type: none"> <li>—Expected <b>+3.6%</b> constant currency</li> </ul> </li> </ul>	
<b>By Segment</b>	<b>Queen U.S.</b>	<ul style="list-style-type: none"> <li>Revenue down <b>(2.9%)</b> and EBITDA down <b>(2.7%)</b> YoY</li> <li>Challenged categories included electronics, kitchen, handbags, jewelry and beauty                             <ul style="list-style-type: none"> <li>—Partially offset by growth in apparel and shoes</li> </ul> </li> <li>EBITDA benefited from cost savings, including reduced bonuses</li> </ul>	<ul style="list-style-type: none"> <li>Revenue up <b>+0.6%</b> and EBITDA up <b>+1.5%</b> YoY</li> <li>Revenue forecasted to grow +3%+ in second half of 2017</li> <li>Supply chain initiatives expected to contribute to EBITDA growth</li> </ul>
	<b>Queen Int'l</b>	<ul style="list-style-type: none"> <li>Revenue down <b>(2%)</b> YoY; <b>+3.3%</b> in constant currency</li> <li>EBITDA up <b>+9.4</b> YoY; <b>+15.8%</b> constant currency</li> <li>UK topline impacted by Brexit effects; positive EBITDA as a result of the influence of Brexit with focus on cost control</li> <li>Improvements seen in Germany, Japan and Italy, but France business disappointing</li> </ul>	<ul style="list-style-type: none"> <li>Revenue flat and EBITDA up <b>+8.6%</b></li> <li>In constant currency, revenue up <b>+4%</b> and EBITDA up <b>~13%</b></li> <li>Assumes continuation of trends seen in first half of 2017</li> </ul>
	<b>zulily</b>	<ul style="list-style-type: none"> <li>Revenue up <b>+0.2%</b> and EBITDA down <b>(22%)</b> YoY</li> <li>Top line hurt by megabrands such as Under Armour and Toms, which were previously relatively exclusive to Queen and are now more widely available</li> </ul>	<ul style="list-style-type: none"> <li>Revenue up <b>+5.5%</b> and EBITDA down <b>(1.8%)</b></li> <li>Expecting more consistent growth from new brands and other initiatives</li> </ul>

Source: Queen management.



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## Key Next Steps

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- Key diligence workstreams:
  - Address outstanding Lion/Queen questions through follow-up calls and VDR
  - Validate Lion/Queen valuation assumptions with regard to GCI-Lion transaction
  - Receive and diligence Queen financial plan
- Management and advisors to continue to work through diligence, financial analysis, and contract negotiations
- Management and advisors to work with external PR advisors on communication strategy, including drafting potential press release and/or transaction presentation
- All parties working toward a decision point on or before June 30

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# Board of Directors Discussion Materials

## Project Venus

July 5, 2017



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# Agenda

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- 1 Overview of Transaction
- 2 Overview of Financial Projections
- 3 Summary of Financial Analysis
- 4 Pro Forma Considerations
- 5 GCI-Lion Transaction Considerations
- 6 Financial Analysis Detail

Supplementary Reference Materials

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# Overview of Transaction

## Section 1



# Overview of Lion's Proposal

Proposal Summary		Proposal Statistics				
<b>Exchange Ratio</b>	<b>1.650x</b>	<b>Current Share Prices</b>	Hero Share Price	\$31.30		
<b>Implied Headline Offer Price</b>	<b>\$40.36</b>		Queen Share Price	\$24.46		
<i>Diluted Shares Outstanding</i>	53.6		Implied Exchange Ratio	1.280x		
<b>Headline Equity Value</b>	<b>\$2,161</b>	<b>Premiums</b>	Current	28.9%		
(Less): Cash	(48)		30-Day VWAP	\$32.60 23.8%		
Plus: Debt	529		90-Day VWAP	\$35.19 14.7%		
<b>Headline Enterprise Value</b>	<b>\$2,642</b>		52-Week High (07/12/16)	\$52.99 (23.8%)		
			52-Week Low (06/21/17)	\$30.95 30.4%		
<b>Pro Forma Ownership<sup>(1)</sup></b>		<b>Multiples</b>				
<b>Economic</b>	Queen Shareholders	89%	<b>Revenue</b>	LTM Revenue	\$3,536	0.75x
	Memo: John Malone <sup>(2)</sup>	5%		2017E Revenue <sup>(4)</sup>	3,515	0.75x
	Hero Shareholders (Non-Queen S/H)	11%	<b>Comparable EBITDA<sup>(3)</sup></b>	LTM Comp. EBITDA	\$269	9.8x
<b>Voting</b>	Queen Shareholders	93%		2017E Comp. EBITDA <sup>(4)</sup>	262	10.1x
	Memo: John Malone <sup>(2)</sup>	35%	<b>Adj. EPS</b>	LTM Adj. EPS	\$2.48	16.3x
	Hero Shareholders (Non-Queen S/H)	7%		2017E Adj. EPS <sup>(4)</sup>	2.35	17.2x

Source: Public filings and Hero Management. Market data as of July 5, 2017.

Note: Dollars in millions. Balance sheet information as of March 31, 2017. LTM metrics as of March 31, 2017.

(1) Hero ownership represents non-Queen shareholders' ownership only. Hero share capitalization info per Hero Management as of June 29, 2017. Queen share capitalization info per Queen Management as of June 30, 2017.

(2) As of April 4, 2017, Mr. Malone had sole voting power over 27.2mm Class B shares of Queen (10 votes per share) and 0.4mm Class A shares (1 vote). Mr. Malone also had shared voting power over 0.5mm additional class B shares.

(3) Comparable EBITDA is after deduction of stock based compensation expense.

(4) Based on Hero Management's 2017 outlook.





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# Overview of Financial Projections

## Section 2

## Hero Management's 2Q Outlook

Hero Management currently expecting to miss consensus EBITDA by ~8%

	Consensus <sup>(1)</sup>	Forecasted	\$ Favorable / (Unfavorable)	% Favorable / (Unfavorable)
HSN Revenue	\$545.4	\$525.2	(\$20.2)	(3.7%)
Cornerstone Revenue	285.9	294.7	8.8	3.1%
<b>Total Revenue</b>	<b>\$831.6</b>	<b>\$819.5</b>	(12.1)	(1.5%)
% YoY Growth	(2.7%)	(4.1%)		(1.4 pp)
Gross Profit	\$298.3	\$292.8	(\$5.5)	(1.8%)
% Margin	35.9%	35.7%		(14 bps)
<b>Adj. EBITDA<sup>(2)</sup></b>	<b>\$69.7</b>	<b>\$64.1</b>	(\$5.6)	(8.0%)
% Margin	8.4%	7.8%		(56 bps)
% YoY Growth	(15.4%)	(22.2%)		(6.8 pp)
Adj. EPS	\$0.59	\$0.57	(\$0.02)	(3.4%)
% YoY Growth	(20.3%)	(23.0%)		(2.7 pp)

Source: Hero Management.

Note: Dollars in millions.

(1) Hero revenue and EPS represent Factset Consensus. All other consensus figures calculated as the average of: AEGIS Capital, BofA, Citi, Craig Hallum, FBR, Maxim, Sidoti, UBS and Wunderlich.

(2) Adjusted EBITDA is before deduction of stock based compensation expense.



## Queen Management's 2Q Outlook

- Below does not include impact of recent distribution center outage expected to reduce revenue and EBITDA by \$20-\$25mm and \$3-\$5mm, respectively, in 2Q
- Queen expects to recover half of the revenue loss in 3Q, with the other half estimated to be non-recoverable

	Current 2Q17 Outlook <sup>(1)</sup>	Outlook vs. Prior Year	Outlook vs. Budget <sup>(2)</sup>	Outlook vs. Consensus <sup>(3)</sup>
<b>Revenue</b>				
Queen U.S.	\$1,387	(2.9%)	(2.1%)	(1.5%)
Queen International	621	(2.1%)	(2.1%)	0.7%
Total Queen	\$2,008	(2.6%)	(2.1%)	(0.8%)
zulily	367	0.2%	(12.2%)	(1.8%)
<b>Total Queen Group</b>	<b>\$2,375</b>	<b>(2.2%)</b>	<b>(3.8%)</b>	<b>(1.2%)</b>
<b>Adjusted EBITDA</b>				
Queen U.S.	\$354	(2.6%)	(1.6%)	(0.2%)
Queen International	108	8.4%	2.7%	9.9%
Total Queen	\$462	(0.2%)	(0.6%)	2.0%
zulily	24	(23.2%)	(31.7%)	(16.0%)
<b>Total Queen Group</b>	<b>\$486</b>	<b>(1.6%)</b>	<b>(2.7%)</b>	<b>1.5%</b>

Source: Wall Street Research and Queen Management.

Note: Dollars in millions. Adjusted EBITDA is before the deduction of stock-based compensation expense.

(1) Current outlook based on USD figures as of June 20, 2017.

(2) Based on constant currency.

(3) Per Queen Management.



# Overview of Hero Management's 2017 Outlook

Based on performance YTD, Hero Management has formulated an updated view of FY'17E

## Management's Current Outlook for 2017

- Net Sales of \$3,515mm (down 1.5% vs. year ago and 3.3% vs. plan)
- EBITDA of \$283mm (down \$16mm vs. year ago and \$20mm vs. plan)
- Overall assumptions consistent with the 2017 business outlook presented to the Board on May 24 with minor updates
- Updated for the latest 2Q outlook
  - Cornerstone EBITDA up \$5mm for 2017, reflecting recent momentum
  - Includes \$5mm of in-process operating expense cost savings
- This scenario assumes Hero gets to positive sales (+0.5% vs. year ago) on the HSN segment in the second half
  - Represents a trend change of more than +500bps vs. the first half

## Current Outlook vs. Plan and Prior Year

	'17F	vs. '17P	vs. '16A
HSN	\$2,432	(4.6%)	(1.7%)
Cornerstone	1,085	(0.3%)	(0.9%)
<b>Net Sales</b>	<b>\$3,515</b>	<b>(3.3%)</b>	<b>(1.5%)</b>
HSN	\$235	(9.7%)	(9.1%)
Cornerstone	48	11.7%	19.6%
<b>Adj. EBITDA<sup>(1)</sup></b>	<b>\$283</b>	<b>(6.7%)</b>	<b>(5.3%)</b>
% Margin	8.1%	(29 bps)	(32 bps)

Source: Hero Management.

Note: Dollars in millions.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.



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# Overview of Hero Management Plan

2017 outlook updated to reflect trends in 1H17; plan beyond 2017 prepared by Hero Management in January 2017

	Historical			Projections					'14A -'16A	'16A-'21P
	2014A	2015A	2016A	2017F	2018P	2019P	2020P	2021P	CAGR	CAGR
HSN Revenue	\$2,476	\$2,542	\$2,475	\$2,432	\$2,626	\$2,704	\$2,785	\$2,869	(0.0%)	3.0%
Cornerstone Revenue	1,114	1,151	1,095	1,085	1,162	1,243	1,316	1,390	(0.9%)	4.9%
(Less): Eliminations	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)		
<b>Total Revenue</b>	<b>\$3,588</b>	<b>\$3,691</b>	<b>\$3,567</b>	<b>\$3,515</b>	<b>\$3,786</b>	<b>\$3,946</b>	<b>\$4,100</b>	<b>\$4,257</b>	<b>(0.3%)</b>	<b>3.6%</b>
YoY Growth		2.9%	(3.3%)	(1.5%)	7.7%	4.2%	3.9%	3.8%		
<b>Gross Profit</b>	<b>\$1,273</b>	<b>\$1,315</b>	<b>\$1,217</b>	<b>\$1,206</b>	<b>\$1,316</b>	<b>\$1,383</b>	<b>\$1,447</b>	<b>\$1,513</b>	<b>(2.2%)</b>	<b>4.5%</b>
% Margin	35.5%	35.6%	34.1%	34.3%	34.8%	35.0%	35.3%	35.5%		
(Less): Operating Expenses	(\$931)	(\$957)	(\$918)	(\$923)	(\$970)	(\$1,006)	(\$1,039)	(\$1,072)		
% of Revenue	25.9%	25.9%	25.7%	26.3%	25.6%	25.5%	25.3%	25.2%		
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$342</b>	<b>\$357</b>	<b>\$299</b>	<b>\$283</b>	<b>\$346</b>	<b>\$377</b>	<b>\$408</b>	<b>\$441</b>	<b>(6.5%)</b>	<b>8.1%</b>
% Margin	9.5%	9.7%	8.4%	8.1%	9.1%	9.5%	9.9%	10.4%		
(Less): SBC	(16)	(18)	(19)	(21)	(22)	(22)	(23)	(24)		
<b>Comparable EBITDA<sup>(2)</sup></b>	<b>\$327</b>	<b>\$339</b>	<b>\$280</b>	<b>\$262</b>	<b>\$324</b>	<b>\$354</b>	<b>\$385</b>	<b>\$417</b>	<b>(7.4%)</b>	<b>8.3%</b>
% Margin	9.1%	9.2%	7.8%	7.5%	8.6%	9.0%	9.4%	9.8%		
(Less): D&A / FA Sale	(44)	(44)	(43)	(47)	(49)	(52)	(56)	(59)		
(Less): Adjustments	2	(11)	(31)	-	-	-	-	-		
<b>Reported EBIT</b>	<b>\$285</b>	<b>\$284</b>	<b>\$206</b>	<b>\$215</b>	<b>\$275</b>	<b>\$302</b>	<b>\$329</b>	<b>\$358</b>	<b>(15.0%)</b>	<b>11.7%</b>
(Less): Net Interest	(7)	(15)	(16)	(14)	(16)	(16)	(16)	(17)		
Pre-Tax Income	\$278	\$269	\$190	\$200	\$259	\$286	\$313	\$341		
(Less): Taxes	(105)	(100)	(71)	(75)	(97)	(107)	(117)	(128)		
Net Income	\$173	\$169	\$119	\$125	\$162	\$179	\$196	\$213		
Plus: Adjustments	0	6	20	-	-	-	-	-		
<b>Adjusted Net Income</b>	<b>\$173</b>	<b>\$176</b>	<b>\$138</b>	<b>\$125</b>	<b>\$162</b>	<b>\$179</b>	<b>\$196</b>	<b>\$213</b>	<b>(10.6%)</b>	<b>9.1%</b>
<b>Adjusted EPS</b>	<b>\$3.23</b>	<b>\$3.28</b>	<b>\$2.62</b>	<b>\$2.35</b>	<b>\$3.03</b>	<b>\$3.34</b>	<b>\$3.66</b>	<b>\$3.99</b>	<b>(9.9%)</b>	<b>8.8%</b>
YoY Growth		1.7%	(20.3%)	(10.3%)	29.1%	10.3%	9.4%	9.1%		
<b>Memo: Pro forma for divestitures of TravelSmith and Chasing Fireflies</b>										
Revenue	\$3,475	\$3,591	\$3,524	\$3,515	\$3,786	\$3,946	\$4,100	\$4,257	0.7%	3.9%
Adjusted EBITDA	340	361	304	283	346	377	408	441	(5.5%)	7.7%

Source: Hero Management.

Note: Dollars in millions. Revenue and EBITDA historical figures are pro forma for divestitures of TravelSmith and Chasing Fireflies from Cornerstone.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.

(2) Comparable EBITDA is after deduction of stock based compensation expense.



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## Overview of Queen Financial Plan

Based on Hero Management view of Queen Management plan; projections not affected by GCI-Lion transaction

	Historical			Hero Management Projections					CAGR	
	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	'14A-'16A	'16A-'21E
<b>Revenue</b>	\$10,028	\$9,169	\$10,219	\$10,321	\$10,568	\$10,882	\$11,197	\$11,533	0.9%	2.4%
YoY Growth		(8.6%)	11.5%	1.0%	2.4%	3.0%	2.9%	3.0%		
<b>Gross Profit</b>	\$3,650	\$3,322	\$3,577	\$3,458	\$3,551	\$3,667	\$3,785	\$3,910	(1.0%)	1.8%
% Margin	36.4%	36.2%	35.0%	33.5%	33.6%	33.7%	33.8%	33.9%		
(Less): Operating Expenses	(\$1,711)	(\$1,435)	(\$1,641)	(\$1,451)	(\$1,509)	(\$1,510)	(\$1,516)	(\$1,516)		
% of Revenue	17.1%	15.7%	16.1%	14.1%	14.3%	13.9%	13.5%	13.1%		
<b>Adjusted EBITDA<sup>(1)</sup></b>	\$1,939	\$1,887	\$1,936	\$2,006	\$2,042	\$2,157	\$2,269	\$2,393	(0.1%)	4.3%
% Margin	19.3%	20.6%	18.9%	19.4%	19.3%	19.8%	20.3%	20.8%		
(Less): Stock-Based Comp.	(83)	(60)	(75)	(67)	(69)	(71)	(73)	(75)		
<b>Comparable EBITDA<sup>(2)</sup></b>	\$1,856	\$1,827	\$1,861	\$1,939	\$1,973	\$2,086	\$2,196	\$2,318	0.1%	4.5%
% Margin	18.5%	19.9%	18.2%	18.8%	18.7%	19.2%	19.6%	20.1%		
(Less): Depreciation				(179)	(185)	(191)	(198)	(205)		
(Less): Other Amortization <sup>(3)</sup>				(169)	(181)	(186)	(180)	(180)		
(Less): Other				-	-	-	-	-		
<b>Adjusted EBIT (Before Trans. Amort)</b>				\$1,591	\$1,608	\$1,709	\$1,819	\$1,933	(1.1%)	4.5%
(Less): Taxes				(581)	(587)	(624)	(664)	(706)		
Plus: Depreciation				179	185	191	198	205		
Plus: Other Amortization				169	181	186	180	180		
(Less): Δ in Net Working Capital				(63)	(36)	(46)	(41)	(53)		
(Less): Capital Expenditures <sup>(4)</sup>				(296)	(301)	(308)	(314)	(321)		
<b>Unlevered Free Cash Flow</b>				\$999	\$1,049	\$1,109	\$1,177	\$1,239		
YoY Growth					5.0%	5.7%	6.1%	5.3%		

Source: Hero Management.

Note: Dollars in millions.

(1) Adjusted EBITDA is before the deduction of stock-based compensation expense.

(2) Comparable EBITDA is after deduction of stock based compensation expense.

(3) Does not include transaction amortization. Assumes transaction amortization is not tax deductible for cash tax purposes, per Queen company filings.

(4) Includes capitalized TV distribution fees of ~\$90mm per year.



CENTERVIEW PARTNERS

## Comparison of Hero and Queen Plans vs. Consensus

(\$ in millions)

	Management				Consensus				Δ vs. Consensus			
	2016A	2017E	2018E	2019E	2016A	2017E	2018E	2019E	2017E	2018E	2019E	
<b>Hero</b>	Total Revenue	\$ 3,567	\$ 3,515	\$ 3,786	\$ 3,946	\$ 3,567	\$ 3,524	\$ 3,610	\$ 3,683	\$(9) / (0.2)%	\$176 / 4.9%	\$263 / 7.1%
	% Growth	(3.3)%	(1.5)%	7.7 %	4.2 %	(3.3)%	(1.2)%	2.4 %	2.0 %	(24 bps)	526 bps	221 bps
	# of Analysts					7	7	5				
	Adj. EBITDA (pre-SBC)	\$ 299	\$ 283	\$ 346	\$ 377	\$ 299	\$ 286	\$ 307	\$ 342	\$(3) / (0.9)%	\$39 / 12.7%	\$35 / 10.1%
	% Margin	8.4 %	8.1 %	9.1 %	9.5 %	8.4 %	8.1 %	8.5 %	9.3 %	(5 bps)	63 bps	26 bps
	# of Analysts					6	6	4				
<b>Queen</b>	Total Revenue	\$ 10,219	\$ 10,321	\$ 10,568	\$ 10,882	\$ 10,219	\$ 10,284	\$ 10,616	\$ 11,007	\$37 / 0.4%	\$(47) / (0.4)%	\$(125) / (1.1)%
	% Growth	11.5 %	1.0 %	2.4 %	3.0 %	11.5 %	0.6 %	3.2 %	3.7 %	36 bps	(83 bps)	(72 bps)
	# of Analysts					7	6	5				
	Adj. EBITDA (pre-SBC)	\$ 1,936	\$ 2,006	\$ 2,042	\$ 2,157	\$ 1,936	\$ 1,966	\$ 2,053	\$ 2,184	\$40 / 2.1%	\$(11) / (0.5)%	\$(27) / (1.2)%
	% Margin	18.9 %	19.4 %	19.3 %	19.8 %	18.9 %	19.1 %	19.3 %	19.8 %	32 bps	(2 bps)	(2 bps)
	# of Analysts					5	5	4				

Source: Hero Management, Wall Street Research as of July 5, 2017.

Note: Hero broker universe includes BofA, Craig Hallum, FBR, Maxim, Sidoti, UBS, and Wunderlich. Queen broker universe includes AEGIS Capital, BofA, Craig Hallum, FBR, Maxim, UBS and Wunderlich.



CENTERVIEW PARTNERS










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# Summary of Financial Analysis

## Section 3

# Summary of Illustrative Financial Analyses for Hero

## Per Hero Management Plan

Analyses	Illustrative Price per Share	Comments
Present Value of Future Share Price <sup>(1)</sup> Goldman Sachs	\$ 34  \$ 50	<ul style="list-style-type: none"> <li>PV of 1-4 year future share price based on 7.0-9.0x one year forward EV/EBITDA on 2018E-2021E Comparable EBITDA<sup>(2)</sup></li> <li>Assuming cost of equity of 9.5%</li> </ul>
Discounted Cash Flow Goldman Sachs	\$ 36  \$ 54	<ul style="list-style-type: none"> <li>1.5% to 2.5% perpetuity growth rate</li> <li>8.0% to 9.5% weighted average cost of capital</li> </ul>
Discounted Cash Flow Centerview Partners	\$ 33  \$ 51	<ul style="list-style-type: none"> <li>1.0% to 3.0% perpetuity growth rate</li> <li>9.0% to 10.0% weighted average cost of capital</li> </ul>
Precedent Premia (All Stock Deals) Goldman Sachs	\$ 36  \$ 42	<ul style="list-style-type: none"> <li>15% to 35% premia range based on one-day premia over past 10 years for precedent announced and completed all-stock transactions over \$500mm with a U.S. target in which the target shareholders owned &lt;35% of the pro forma company<sup>(2)</sup></li> </ul>
Selected Transactions	\$ 31  \$ 41	<ul style="list-style-type: none"> <li>High: EV/LTM EBITDA 10.0x (LTM Comparable EBITDA of \$269mm<sup>(4)</sup>)</li> <li>Low: EV/LTM EBITDA 8.0x (LTM Comparable EBITDA of \$269mm<sup>(4)</sup>)</li> </ul>
Trading Range - P/E Centerview Partners	\$ 32  \$ 43	<ul style="list-style-type: none"> <li>High: 16x NTM EPS (NTM Comparable EPS of \$2.70)<sup>(2)</sup></li> <li>Low: 12x NTM EPS (NTM Comparable EPS of \$2.70)<sup>(2)</sup></li> </ul>
Trading Range - EV / EBITDA Centerview Partners	\$ 29  \$ 40	<ul style="list-style-type: none"> <li>High: 9x NTM EBITDA (NTM Comparable EBITDA of \$294mm)<sup>(2)</sup></li> <li>Low: 7x NTM EBITDA (NTM Comparable EBITDA of \$294mm)<sup>(2)</sup></li> </ul>
For Reference: 52-Week Trading Range	\$ 31  \$ 53	<ul style="list-style-type: none"> <li>High: \$52.99 (12-Jul-2016)</li> <li>Low: \$30.95 (21-Jun-2017)</li> </ul>
For Reference: Analyst Price Targets	\$ 31  \$ 48	<ul style="list-style-type: none"> <li>High: \$48.00 (UBS 04-May-2017)</li> <li>Low: \$32.00 (BAML 03-May-2017)</li> </ul>
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid green; padding: 2px;">Current Price : \$31.30</div> <div style="border: 1px solid blue; padding: 2px;">Proposal: 1.650x Exchange Ratio Implies Price of \$40.36 based on Queen Series A Closing Price of \$24.46 on July 5, 2017</div> </div>		

Source: Public filings, Hero Management, Bloomberg, Factset, Market data as of as of July 5, 2017.  
 Note: Balance sheet information as of March 31, 2017. Share capitalization info per Hero Management as of June 29, 2017.  
 (1) Including dividends.  
 (2) Comparable EBITDA and EPS are after deduction of stock based compensation expense.  
 (3) Excludes real estate, financial and energy transactions.  
 (4) Pro forma for sale of Chasing Fireflies and TravelSmith.



# Summary of Illustrative Financial Analyses for Queen

## Per Hero Management Plan

Analyses	Illustrative Price per Share	Comments
Present Value of Future Share Price Goldman Sachs	\$ 17 - \$ 30	<ul style="list-style-type: none"> <li>PV of 1-4 year future share price based on 7.0-9.0x one year forward EV/EBITDA on 2018E-2021E Comparable EBITDA<sup>(1)</sup></li> <li>Assuming cost of equity of 11.0%</li> </ul>
Discounted Cash Flow Goldman Sachs	\$ 20 - \$ 32	<ul style="list-style-type: none"> <li>1.5% to 2.5% perpetuity growth rate</li> <li>8.0% to 9.5% weighted average cost of capital</li> </ul>
Discounted Cash Flow Centerview	\$ 18 - \$ 32	<ul style="list-style-type: none"> <li>1.0% to 3.0% perpetuity growth rate</li> <li>8.5% to 9.5% weighted average cost of capital</li> </ul>
Trading Range – EV / EBITDA Centerview	\$ 17 - \$ 25	<ul style="list-style-type: none"> <li>High: 9x NTM EBITDA (NTM Comparable EBITDA of \$1,957mm)<sup>(1)</sup></li> <li>Low: 7x NTM EBITDA (NTM Comparable EBITDA of \$1,957mm)<sup>(1)</sup></li> </ul>
For Reference: 52-Week Trading Range	\$ 18 - \$ 27	<ul style="list-style-type: none"> <li>High: \$26.93 (28-Jul-2016)</li> <li>Low: \$18.12 (04-Nov-2016)</li> </ul>
For Reference: Analyst Price Targets	\$ 25 - \$ 39	<ul style="list-style-type: none"> <li>High: \$39.00 (Maxim 10-May-2017)</li> <li>Low: \$25.00 (BAML 09-May-2017)</li> </ul>
<div style="border: 1px solid green; padding: 2px; display: inline-block;">Current Price : \$24.46</div>		

Source: Hero and Queen Management, Public filings, Bloomberg and Factset. Market data as of as of July 5, 2017.

Note: Balance sheet information as of March 31, 2017. Share capitalization info per Queen Management as of June 30, 2017.

(1) Comparable EBITDA is after deduction of stock-based compensation expense.





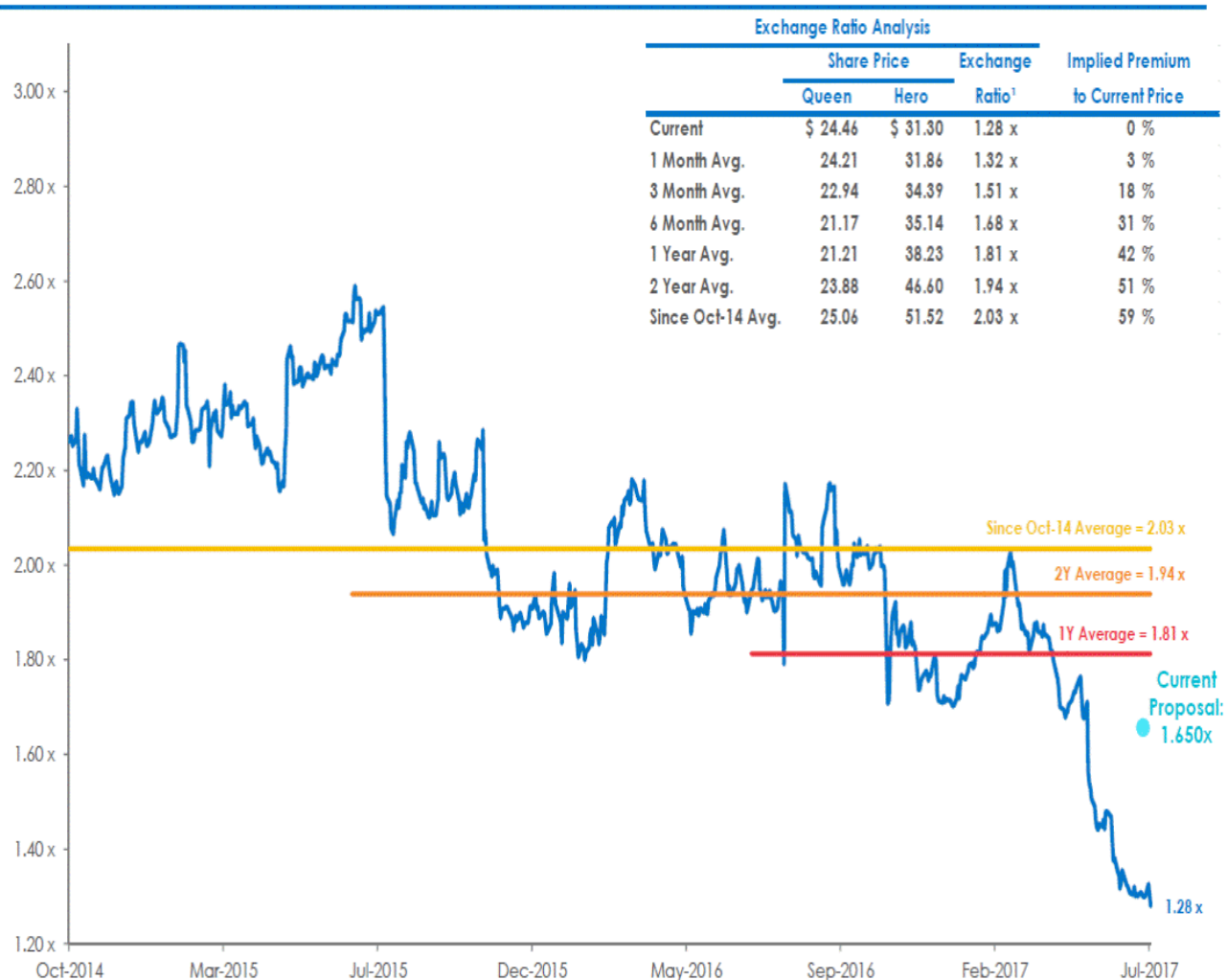
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# Pro Forma Considerations

## Section 4

# Exchange Ratio Over Time

Since the Creation of Series A Queen Group Tracking Stock in October 2014



Source: Bloomberg as of July 5, 2017

Note: Reflects exchange ratio since Series A Queen Group tracking stock began trading publicly in October, 2014. Hero prices adjusted for the special dividend completed in February, 2015.

(1) Exchange ratio defined Hero share price divided by Queen Series A share price.



CENTERVIEW PARTNERS

# Preliminary Cost Synergy Estimates

## Per Hero Management Guidance

- Significant margin differential between Hero and Queen (~1,000 bps), largely driven by Hero's higher marketing/distribution expenses
  - Hero Management estimates the greatest synergy opportunity in Program Distribution
- Combination potentially represents opportunity to reduce margin differential and also eliminate duplicative corporate functions

	Potential Synergy Opportunities	Illustrative Estimates (\$mm)
Operating Expenses	<b>COGS/Gross Profit</b> <ul style="list-style-type: none"> <li>■ Rate benefits from small carrier shipping and handling contracts and procurement opportunities</li> </ul>	~\$25 – \$41
	<b>Variable Costs</b> <ul style="list-style-type: none"> <li>■ Maximize call center utilization</li> <li>■ Improve affiliate commissions through rate/volume benefits</li> <li>■ Consolidate liquidation activity</li> </ul>	~\$2 – \$5
	<b>Program Distribution Costs</b> <ul style="list-style-type: none"> <li>■ Consolidate distribution contracts</li> <li>■ Eliminate/consolidate affiliate sales and marketing costs</li> </ul>	~\$49 – \$65
	<b>Other OpEx</b> <ul style="list-style-type: none"> <li>■ Eliminate redundancies across OpEx costs</li> <li>■ Streamline the supply chain</li> </ul>	~\$22 – \$41
<b>Preliminary Run-Rate Cost Synergies</b>		~\$97 – \$152
<b>Base Case Assumption</b>		<b>\$125</b>

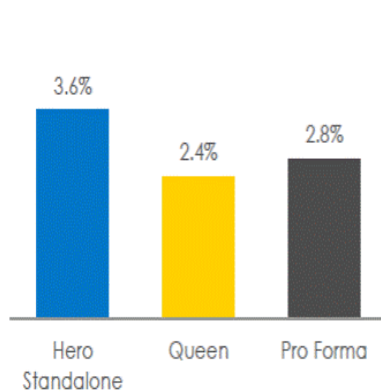
Source: Hero Management.



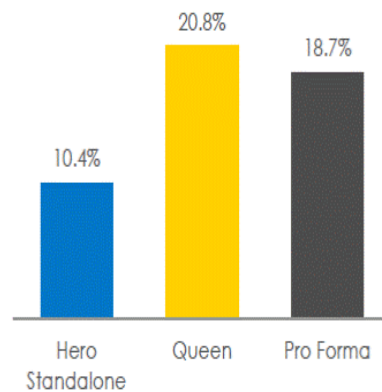
# Pro Forma Financial Profile

Assumes illustrative \$125mm of run-rate synergies

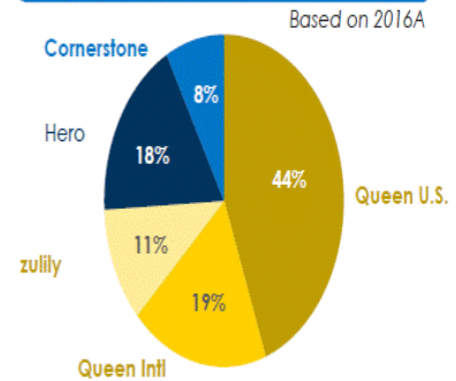
## '16A-'21E Revenue CAGR



## 2021E Adj. EBITDA Margin<sup>(1)</sup>



## Pro Forma Revenue Mix



	Fiscal Year Ending December 31,						'16A-'21E CAGR
	2016A	2017E	2018E	2019E	2020E	2021E	
Queen Revenue	\$10,219	\$10,321	\$10,568	\$10,882	\$11,197	\$11,533	2.4%
Hero Revenue	3,567	3,515	3,786	3,946	4,100	4,257	3.6%
Revenue Synergies	-	-	-	-	-	-	-
<b>Pro Forma Revenue</b>	<b>\$13,786</b>	<b>\$13,837</b>	<b>\$14,354</b>	<b>\$14,828</b>	<b>\$15,297</b>	<b>\$15,791</b>	<b>2.8%</b>
% YoY Growth		0.4%	3.7%	3.3%	3.2%	3.2%	
Memo: Hero Standalone Growth		(1.5%)	7.7%	4.2%	3.9%	3.8%	
Queen Adjusted EBITDA	\$1,936	\$2,006	\$2,042	\$2,157	\$2,269	\$2,393	4.3%
Hero Adjusted EBITDA	299	283	346	377	408	441	8.1%
Illustrative Net Synergies <sup>(1)</sup>	-	-	16	109	125	125	
<b>Pro Forma Adjusted EBITDA<sup>(2)</sup></b>	<b>\$2,235</b>	<b>\$2,290</b>	<b>\$2,403</b>	<b>\$2,643</b>	<b>\$2,801</b>	<b>\$2,959</b>	<b>5.8%</b>
% Margin	16.2%	16.5%	16.7%	17.8%	18.3%	18.7%	
Memo: Hero Standalone Margin	8.4%	8.1%	9.1%	9.5%	9.9%	10.4%	

Source: Hero Management.

Note: Dollars in millions.

- (1) For illustrative purposes, assumes \$125mm of run-rate synergies phased in 50% in 2018E and 100% in 2019E. Cost to achieve synergies equal to 50% of run-rate synergies and incurred 75% in 2018E and 25% in 2019E.
- (2) Adjusted EBITDA is before deduction of stock based compensation expense.
- (3) Based on illustrative pro forma balance sheet as of March 31, 2017 and 2017E Adjusted EBITDA.



CENTERVIEW PARTNERS

## Illustrative Has / Gets Analysis and Value Creation Split

### Key Assumptions:

- Based on **1.650x exchange ratio offer, implying an offer price of \$40.36** as of July 5
- \$125mm Synergies = \$1,020mm value** (capitalized at blended EV/EBITDA multiple of 8.8x, less \$75mm illustrative fees)

	Hero		Queen		Pro Forma	
	Per Share	Aggregate	Per Share	Aggregate		
<b>Has</b>	<b>Enterprise Value</b>	<b>\$2,154</b>		<b>\$17,136</b>	<b>\$19,291</b>	
	(Less): Net Debt & NCI		(481)	(5,875)		
	<b>Observed Market Equity Value</b>	<b>\$31.30</b>	<b>\$1,674</b>	<b>\$24.46</b>	<b>\$11,261</b>	<b>\$12,935</b>
	(Less): Queen Stake in Hero		—	(627)		
	<b>Adjusted Equity Value</b>	<b>\$31.30</b>	<b>\$1,674</b>	<b>\$23.12</b>	<b>\$10,634</b>	<b>\$12,308</b>
	<i>Implied Ownership</i>		13.6%		86.4%	
		1.28x		1.00x		
<b>Gets</b>	<b>Targeted Exchange Ratio</b>		<b>1.650x</b>	<b>1.000x</b>		
	<b>Implied Equity Value</b>		<b>\$2,111</b>	<b>\$22.17</b>	<b>\$10,198</b>	<b>\$12,308</b>
	<i>Implied Ownership</i>		17.1%		82.9%	
	<i>Implied Prem. / (Disc.) Before Synergies<sup>(1)</sup></i>		26.1%		(9.4%)	
	Plus: Share of Capitalized Synergies <sup>(2)</sup>	\$3.27	\$175	\$1.84	\$845	\$1,020
	<b>Value per Share w/ Synergies</b>	<b>\$42.74</b>	<b>\$2,285</b>	<b>\$24.01<sup>(3)</sup></b>	<b>\$11,043<sup>(3)</sup></b>	
	<i>Implied Prem. / (Disc.) After Synergies<sup>(1)</sup></i>		36.6%		3.8%	
	<b>Value Creation</b>		<b>\$612</b>		<b>\$408</b>	<b>\$1,020</b>
	<i>Share of Value Creation</i>		60.0%		40.0%	

Source: Public filings, Hero Management, Queen Management and Factset as of July 5, 2017.

Note: Dollars in millions, except per share data. Based on economic ownership. Balance sheet data as of March 31, 2017. Hero share capitalization per Hero Management as of June 29, 2017. Queen share capitalization per Queen Management as of June 30, 2017.

(1) Represents share of pro forma equity value divided by standalone equity value minus 1.

(2) Capitalized at blended 2017E Comparable EV/EBITDA multiple of 8.8x.

(3) Reflects value of Queen before accounting for 38% stake in Hero. Including Hero stake, illustrative value per share is \$25.86.





## Illustrative Pro Forma Share Price

Based on 1.650x exchange ratio; current Queen Series A share price is \$24.46

- Analysis shows Queen's illustrative pro forma share price at various EV / Comparable EBITDA multiples and levels of synergy credit assumed by investors
- Based on consensus estimates for Hero and Queen

### Illustrative Queen Share Price Impact from Transaction

Credit for \$125mm Synergies	Pro Forma NTM EV / Comparable EBITDA Multiple				
	8.0x	8.5x	8.8x	9.0x	9.5x
0%	(15%)	(7%)	(3%)	1%	10%
25%	(13%)	(5%)	(1%)	4%	12%
50%	(11%)	(3%)	2%	6%	14%
75%	(10%)	(1%)	4%	8%	16%
100%	(8%)	1%	6%	10%	19%

**Blended Multiple  
Based on Consensus**

Source: Hero Management, Wall Street research and Factset as of July 5, 2017.

Note: Balance sheet information as of March 31, 2017. Comparable EBITDA is after deduction of stock-based compensation expense. Assumes \$75mm of transaction fees.



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# Pro Forma Queen Analysis at Various Prices

## Based on Hero Management projections for Hero and Queen

(\$ in millions)

	Current Queen Share Price							
Pro Forma Queen Share Price	\$ 23.00	\$ 24.00	\$ 24.46	\$ 25.00	\$ 26.00	\$ 27.00	\$ 28.00	\$ 29.00
Pro Forma Diluted Shares Outstanding	514.4	515.0	515.3	515.6	516.3	517.0	517.7	518.5
<b>Implied Pro Forma Equity Value</b>	<b>\$ 11,832</b>	<b>\$ 12,360</b>	<b>\$ 12,604</b>	<b>\$ 12,891</b>	<b>\$ 13,423</b>	<b>\$ 13,959</b>	<b>\$ 14,497</b>	<b>\$ 15,036</b>
Plus: Hero Debt	\$ 529	\$ 529	\$ 529	\$ 529	\$ 529	\$ 529	\$ 529	\$ 529
Plus: Queen Debt	6,221	6,221	6,221	6,221	6,221	6,221	6,221	6,221
(Less): Hero Cash	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)
(Less): Queen Cash	(379)	(379)	(379)	(379)	(379)	(379)	(379)	(379)
Plus: Queen NCI	755	755	755	755	755	755	755	755
Plus: Queen Joint Venture (QVC China)	(95)	(95)	(95)	(95)	(95)	(95)	(95)	(95)
Plus: Transaction Fees	75	75	75	75	75	75	75	75
<b>Implied Pro Forma Enterprise Value</b>	<b>\$ 18,890</b>	<b>\$ 19,418</b>	<b>\$ 19,662</b>	<b>\$ 19,949</b>	<b>\$ 20,480</b>	<b>\$ 21,016</b>	<b>\$ 21,554</b>	<b>\$ 22,094</b>

Pro Forma Enterprise Value / Comp. EBITDA <sup>2</sup>		Current Multiples <sup>1</sup>									
										Hero	Queen
2017E Comp. EBITDA	\$ 2,202	8.6 x	8.8 x	8.9 x	9.1 x	9.3 x	9.5 x	9.8 x	10.0 x	8.1 x	9.2 x
NTM Comp. EBITDA	\$ 2,251	8.4 x	8.6 x	8.7 x	8.9 x	9.1 x	9.3 x	9.6 x	9.8 x	7.7 x	8.9 x
2018E Comp. EBITDA	\$ 2,297	8.2 x	8.5 x	8.6 x	8.7 x	8.9 x	9.1 x	9.4 x	9.6 x	7.4 x	8.7 x
Pro Forma Enterprise Value / Comp. EBITDA (incl. run-rate synergies <sup>3</sup> )											
2017E Comp. EBITDA	\$ 2,327	8.1 x	8.3 x	8.5 x	8.6 x	8.8 x	9.0 x	9.3 x	9.5 x		
NTM Comp. EBITDA	\$ 2,376	8.0 x	8.2 x	8.3 x	8.4 x	8.6 x	8.8 x	9.1 x	9.3 x		
2018E Comp. EBITDA	\$ 2,422	7.8 x	8.0 x	8.1 x	8.2 x	8.5 x	8.7 x	8.9 x	9.1 x		

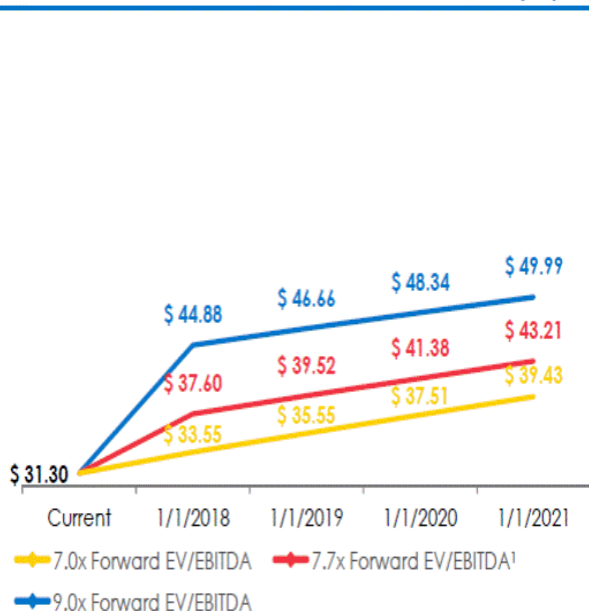
Source: Public filings, Hero Management. Market data as of July 5, 2017.

- (1) Current Hero and Queens standalone multiples based on standalone comparable EBITDA based on Wall Street consensus forecasts.  
 (2) Comparable EBITDA is after deduction of stock-based compensation expense from Adjusted EBITDA.  
 (3) Includes run rate synergies of \$125 million and excludes costs to achieve synergies.



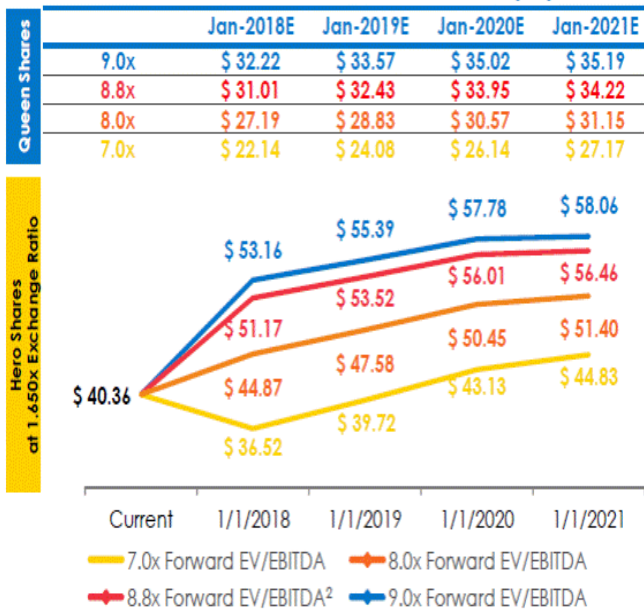
# Illustrative Public Market Present Value of Future Share Price Analysis Based on Hero Management Standalone & Pro Forma Plan Based on 1 Year Forward EV/EBITDA Multiples | Goldman Sachs Perspective

Hero Standalone Present Value of Future Stock Price + Dividends at 9.5% Cost of Equity



Balance Sheet at	Current EV/EBITDA	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
1-Yr Forward Comparable EBITDA <sup>3</sup>		\$ 324	\$ 354	\$ 385	\$ 417
Net Debt		\$ 427	\$ 421	\$ 386	\$ 330
Diluted Shares Outstanding (mm)		53	53	53	53
Dividends Per Share		\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40

Pro Forma Present Value of Future Stock Price at 11.0% Cost of Equity



Balance Sheet at	Blended EV/EBITDA	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
1-Yr Forward Comparable EBITDA <sup>3</sup>		\$ 2,422	\$ 2,566	\$ 2,706	\$ 2,860
Net Debt and EV Adjustments <sup>4</sup>		\$ 7,149	\$ 7,124	\$ 6,948	\$ 6,664
Diluted Shares Outstanding <sup>4</sup> (mm)		488	456	428	404
Dividends Per Share		-	-	-	-

Source: Hero Management. Market data as of July 5, 2017.

Note: In \$ millions, except for per share data. Present Value of Future Stock Price includes dividends discounted based on mid-year convention. Future share prices and dividends discounted to March 31, 2017.

- (1) Current Hero standalone trading multiple based on broker consensus.
- (2) Blended multiple based on EBITDA contribution.
- (3) Standalone and pro forma adjusted EBITDA is before deduction of stock based compensation expense. Pro forma comparable EBITDA includes run-rate synergies and excludes costs to achieve synergies.
- (4) Net debt and diluted shares outstanding calculated based on run-rate synergies phased in 50% in 2018E and 100% in 2019E, and cost to achieve synergies equal to 50% of run-rate synergies and incurred 75% in 2018E and 25% in 2019E. EV adjustments include adjustments for noncontrolling interests and investments in affiliates.



# Illustrative Pro Forma Discounted Cash Flow Analysis

## Projected Unlevered Free Cash Flow & Terminal Value Goldman Sachs Perspective

(\$ in millions)

	Pro Forma Historical		Pro Forma					Terminal Year
	2015A	2016A	2017E	2018E	2019E	2020E	2021E	
Revenue	\$ 12,860	\$ 13,786	\$ 13,837	\$ 14,354	\$ 14,828	\$ 15,297	\$ 15,791	\$ 16,106
% Growth	-	7.2 %	0.4 %	3.7 %	3.3 %	3.2 %	3.2 %	2.0 %
<b>Adj. EBITDA (pre-SBC, excl. synergies)</b>	<b>\$ 2,244</b>	<b>\$ 2,235</b>	<b>\$ 2,290</b>	<b>\$ 2,388</b>	<b>\$ 2,534</b>	<b>\$ 2,676</b>	<b>\$ 2,834</b>	<b>\$ 2,891</b>
% Margin	17.5 %	16.2 %	16.5 %	16.6 %	17.1 %	17.5 %	17.9 %	17.9 %
Plus: Synergies	0	0	0	63	125	125	125	125
<b>Adj. EBITDA (pre-SBC, incl. synergies)</b>	<b>\$ 2,244</b>	<b>\$ 2,235</b>	<b>\$ 2,290</b>	<b>\$ 2,450</b>	<b>\$ 2,659</b>	<b>\$ 2,801</b>	<b>\$ 2,959</b>	<b>\$ 3,016</b>
(Less): Stock-Based Compensation	\$(78)	\$(94)	\$(88)	\$(90)	\$(93)	\$(96)	\$(99)	\$(101)
<b>Adj. EBITDA (post-SBC, incl. Synergies)</b>	<b>\$ 2,166</b>	<b>\$ 2,141</b>	<b>\$ 2,202</b>	<b>\$ 2,360</b>	<b>\$ 2,566</b>	<b>\$ 2,706</b>	<b>\$ 2,860</b>	<b>\$ 2,915</b>
% Margin	16.8 %	15.5 %	15.9 %	16.4 %	17.3 %	17.7 %	18.1 %	18.1 %
(Less): Costs to Achieve Synergies	0	0	0	(47)	(16)	0	0	0
(Less): Depreciation & Amortization (excl. Trans. Amort)	\$(319)	\$(355)	\$(395)	\$(414)	\$(429)	\$(432)	\$(443)	\$(377)
(Less): Other Expenses	(12)	(31)	(1)	(1)	(1)	(1)	(1)	(1)
<b>EBIT</b>	<b>\$ 1,835</b>	<b>\$ 1,755</b>	<b>\$ 1,806</b>	<b>\$ 1,898</b>	<b>\$ 2,120</b>	<b>\$ 2,273</b>	<b>\$ 2,417</b>	<b>\$ 2,537</b>
% Margin	14.3 %	12.7 %	13.1 %	13.2 %	14.3 %	14.9 %	15.3 %	15.8 %
(Less): Adjusted Tax Expense (Blended)			\$(662)	\$(696)	\$(777)	\$(833)	\$(886)	\$(930)
Plus: Depreciation & Amortization (excl. Trans. Amort)			395	414	429	432	443	377
(Less): Capital Expenditures <sup>(1)</sup>			(355)	(383)	(392)	(394)	(393)	(401)
(Less): Increase in NWC			(69)	(67)	(62)	(55)	(71)	(25)
Plus: Other Non-Cash Items			1	1	1	1	1	-
<b>Unlevered Free Cash Flow</b>			<b>\$ 1,115</b>	<b>\$ 1,167</b>	<b>\$ 1,320</b>	<b>\$ 1,423</b>	<b>\$ 1,511</b>	<b>\$ 1,558</b>
% of EBITDA				48.9 %	52.1 %	53.2 %	53.3 %	53.9 %

Source: Hero Management.

Note: Cash flows discounted to March 31, 2017 using mid-year convention; financial analysis based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Terminal value calculated as of 2021E. Share price based on diluted shares outstanding. Implied EBITDA multiples based on adjusted EBITDA (post-SBC). Assumes \$125 million of run-rate synergies, phased in 50% in 2018 and 100% thereafter. Shown net of cost to achieve synergies, which are assumed to be 50% of run-rate synergies, with 75% incurred in 2018 and 25% incurred in 2019.

(1) Includes \$90mm of capital expenditures related to TV distribution rights.



# Illustrative Discounted Cash Flow Sensitivities

## Comparison of Implied Value Per Share to Hero Goldman Sachs Perspective

Hero Standalone Value per Share				Pro Forma Value per Share to Hero at 1.650x Exchange Ratio					
		Perpetuity Growth Rate					Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %			1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 47.11	\$ 50.26	\$ 53.98	WACC	8.0 %	\$ 50.95	\$ 55.54	\$ 60.97
	8.5 %	\$ 43.07	\$ 45.73	\$ 48.80		8.5 %	\$ 45.78	\$ 49.65	\$ 54.15
	9.0 %	\$ 39.55	\$ 41.79	\$ 44.38		9.0 %	\$ 41.26	\$ 44.58	\$ 48.39
	9.5 %	\$ 36.42	\$ 38.36	\$ 40.55		9.5 %	\$ 37.26	\$ 40.14	\$ 43.41

Source: Hero Management.

Note: Balance sheet information as of March 31, 2017. Share capitalization info per Hero Management as of June 29, 2017. Queen share capitalization info per Queen Management as of June 30, 2017. Cash flows discounted using mid-year convention; financial analysis based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Terminal value calculated as of 2021E. Share price based on diluted shares outstanding. Implied EBITDA multiples based on adjusted EBITDA (post-SBC). EV adjustments include noncontrolling interests and investments in affiliates. Pro forma analysis assumes \$125 million of run-rate synergies, phased in 50% in 2018 and 100% thereafter. Shown net of cost to achieve synergies, which are assumed to be 50% of run-rate synergies, with 75% incurred in 2018 and 25% incurred in 2019.

(1) Calculated as terminal value at exit divided by terminal year adjusted EBITDA (post-SBC).





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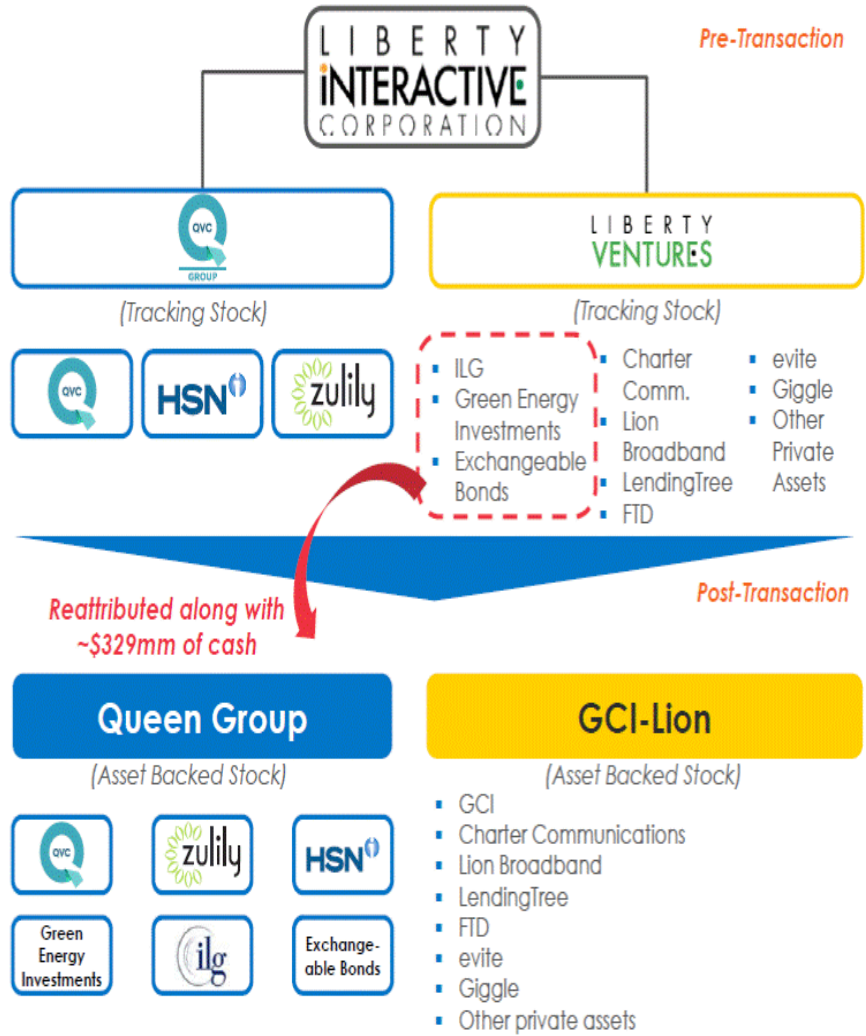
# GCI-Lion Transaction Considerations

## Section 5

# GCI-Lion Transaction Summary

On April 4, 2017 Lion announced an agreement for the Ventures Group to acquire GCI and split-off the combined company ("GCI-Lion") from Lion/Queen

- Lion acquires GCI in a \$2.68bn enterprise value transaction
- Transaction structured so that Lion contributes assets to a new entity, GCI-Lion, in exchange for ~77% ownership (84% voting)
  - GCI shareholders receive \$32.50 / share (\$27.50 / share of common GCI-Lion stock and \$5.00 / share of new voting preferred stock)
- Reattribute exchangeable bonds, ILG shares, portfolio of Green Energy Investments and cash to Queen Group pre-closing in a value neutral exchange
- Lion will pursue tax-free separation of its stake in GCI-Lion by redeeming Ventures Group tracking stock for GCI-Lion shares
- Remaining Lion entity will be renamed Queen
- GCI-Lion and Queen Group will trade as separate asset based stocks



Source: Public filings and presentations.



## GCI-Lion Transaction Considerations

### Asset Stock vs. Tracking Stock

- GCI-Lion transaction will result in Queen becoming an asset-based stock, which has several **potential benefits to Queen shareholders**
  - Eligibility for inclusion in stock indices may **increase liquidity, direct claim on Queen assets, greater flexibility** for future strategic actions
- While markets are **estimating high likelihood of GCI-Lion transaction closing**, **failure to close would likely reverse any benefits to Queen shares from the announcement**
- As part of Lion complex, **regardless of whether they are asset-based or tracking stock**, Queen Series A shares, which Hero would receive in the merger, are **entitled to only one vote per share vs. 10 votes per share for Series B shares**

### Reattribution

- The **interests of Hero shareholders'** with respect to the reattribution **are likely aligned with those of Lion's controlling shareholders**, who have a higher percentage interest in Queen than in GCI-Lion
  - Lion's board has fiduciary duties to both Queen and Lion shareholders, providing strong incentive for reattribution to be "value neutral"
- However, there is some **uncertainty surrounding the reattribution:**
  - The exact assets and liabilities reattributed will not be determined until closing of the GCI transaction; **Lion has flexibility to change the asset/liability mix**
  - The exchangeable debentures are **potentially a larger liability than what Lion has disclosed publicly** and communicated in diligence and they are particularly sensitive to cost of capital assumptions
  - Additional risks associated with the debentures include potential **changes in corporate tax policy** and **acceleration of tax liabilities due to cash acquisition of the companies whose securities underlie the debentures (e.g., Sprint, Centurylink, Motorola Solutions)**

# Overview of Assets / Liabilities to be Reattributed to Queen Group Pre-Closing

	Stated Value	Overview / Description
<b>Assets</b>	Cash	\$329mm <ul style="list-style-type: none"> <li>Final cash amount to be determined at close based on valuations and results of exchange offer for 1.75% Charter Exchangeable notes</li> </ul>
	Interval Leisure Group	\$260mm (After-Tax) <ul style="list-style-type: none"> <li>~\$3.4bn market cap publicly-traded, NASDAQ-listed provider of membership and leisure services to the vacation industry</li> <li>Former subsidiary of IAC founded in 1976</li> <li>Lion holding represents ~12.8% of shares</li> </ul>
	Green Energy Investments	\$138mm <ul style="list-style-type: none"> <li>Certain alternative energy investments held by Ventures Group</li> <li>Generally operate at a loss but provide some favorable tax attributes</li> <li>Lion recorded a ~\$98mm impairment related to these investments in 2015</li> </ul>
	Tax Benefits (Stock Options)	\$23mm <ul style="list-style-type: none"> <li>Relates to options on non-Queen equity where Queen will realize tax benefits but does not incur economic cost of dilution</li> </ul>
<b>Total</b>	<b>\$750mm</b>	
<b>Liabilities</b>	Exchangeable Debentures and Related Net Tax Attributes	\$750mm <ul style="list-style-type: none"> <li>Reflects Sprint/CTL 4% notes due 2029, Sprint/CTL 3.75% notes due 2030 and MSI 3.5% notes due 2031</li> <li>Debt securities with exchangeability into an underlying basket of securities (or cash equal to fair market value)</li> <li>Allow for tax deductions in excess of cash coupon under contingent payment debt instrument (CPDI) rules</li> </ul>

Source: Lion public filings and presentations and Factset as of July 5.





# Overview of Exchangeable Bonds

\$750mm stated liability (to be adjusted at closing)

## Exchangeable Bonds Overview






- Allows for ongoing tax deductions far in excess of cash coupon (imputed interest due to exchangeability)
- Debt securities with exchangeability into an underlying basket of securities (or cash equal to fair market value)
- Creates current period cash benefit from tax deductions in excess of stated interest
- Creates corresponding deferred tax liability ("DTL"), the accrued balance of which is expected to come due at maturity of underlying bond (effectively a non-interest bearing loan from the U.S. Government)
- Adjusted issue price (for tax) accretes annually to produce escalating tax benefit

### Simplified Example

- \$1bn 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:  
 $(9\% - 4\%) \times \$1\text{bn} = \$50\text{mm}$
- In Year 2, adjusted issue price has accreted by \$50m of incremental interest deduction to \$1.05b
  - Cash coupon remains \$40mm (4% x \$1bn), however, tax deductible interest is \$9mm x 1.05b, creating incremental interest tax deduction of \$54mm
- This compounding continues through to maturity

Source: Lion public materials.  
 Note: Dollars in millions.

## Securities Detail

	Bond Maturing,		
	2029	2030	2031
Underlying Securities	 	 	 
Exchange Ratios	3.2265 S 0.786 CTL	2.3857 S 0.5746 CTL	5.2598 MSI
Cash Interest	4.00%	3.75%	3.50%
Face Value	\$435	\$436	\$337
Fair Value	276	267	316
Interest Rate for Tax Purposes	9.069%	9.430%	9.500%
Accreted Basis	\$1,302	\$1,381	\$1,645
<b>2016 Interest Detail</b>			
Cash Coupon	\$19	\$17	\$21
Contingent Interest Tax	101	116	148
<b>Total Interest Tax</b>	<b>\$120</b>	<b>\$133</b>	<b>\$169</b>





# Illustrative Value Implications to Queen of the Reattribution of Exchangeable Bonds and Certain Assets

## Valuation Summary

- Valuation of exchangeables dependent on assumed discount rate for net cash tax benefits (annual tax savings and associated DTL at maturity) and existing DTLs (~\$1.3bn currently)
- Lion Management discounting assets and liabilities at 8.5%, reflecting rate 150bps above illustrative cost of subordinated debentures
- Analysis assumes a 38% tax rate

	Disc. Rate	NPV Mkt. Val.
PV of Net Tax Benefits	8.5%	\$802
PV of Existing DTL	8.5%	(425)
(Less): Market Value of Bonds @ 12/31/16 <sup>(1)</sup>		(890)
(Less): Deferred Cancellation of Debt <sup>(2)</sup>		(124)
(Less): Adjustment for PV of Lost OID		(100)
(Less): Liability for Call Options / Other		(13)
<b>Net Liability</b>		<b>(\$750)</b>
Plus: Cash and Assets Transferred		750
<b>Net Value of Reattribution</b>		<b>-</b>

## Illustrative Cash Flows Associated with Tax Asset/Liability

	Fiscal Year Ending													
	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2026E	2027E	2028E	2029E	2030E	2031E
Existing DTL <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	(\$359)	(\$392)	(\$540)
Incremental DTL	-	-	-	-	-	-	-	-	-	-	-	(979)	(1,179)	(1,764)
Cash Tax Benefit	152	167	183	200	219	240	263	289	346	380	416	440	225	9
<b>Cash Flows</b>	<b>\$152</b>	<b>\$167</b>	<b>\$183</b>	<b>\$200</b>	<b>\$219</b>	<b>\$240</b>	<b>\$263</b>	<b>\$289</b>	<b>\$346</b>	<b>\$380</b>	<b>\$416</b>	<b>(\$897)</b>	<b>(\$1,347)</b>	<b>(\$2,295)</b>

Source: Lion Management, approved by Hero.

Note: Assumes 38% tax rate per Lion Management guidance, approved by Hero. NPV analysis assumes mid-year discounting convention, discounted to December 31, 2016.

(1) Face value of debt as of December 31, 2016 was ~\$300mm higher than market value.

(2) Assumes 4.5% discount rate.

(3) Net of DTL for mark-to-market adjustments.



CENTERVIEW PARTNERS

## Sensitivity of Illustrative Value Implications to Queen of the Reattribution of Exchangeable Bonds and Certain Assets

- Assumes bonds remain outstanding to maturity with no extraordinary distributions for the underlying equity securities
- Assumes no change in corporate tax rate

### Discount Rate Sensitivity

Existing DTL	Incr. DTL and Tax Benefits			
	5.5%	7.0%	8.5%	10.0%
5.5%	(\$338)	(\$253)	(\$197)	(\$163)
7.0%	(229)	(144)	(89)	(54)
8.5%	(141)	(56)	-	34
10.0%	(68)	16	72	106

### Per Share Impact to Queen

Existing DTL	Incr. DTL and Tax Benefits			
	5.5%	7.0%	8.5%	10.0%
5.5%	(\$0.73)	(\$0.55)	(\$0.43)	(\$0.35)
7.0%	(0.50)	(0.31)	(0.19)	(0.12)
8.5%	(0.31)	(0.12)	-	0.07
10.0%	(0.15)	0.04	0.16	0.23

Source: Lion Management, approved by Hero.

Note: Assumes 38% tax rate per Lion Management guidance, approved by Hero. NPV analysis assumes mid-year discounting convention, discounted to December 31, 2016.



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# Financial Analysis Detail

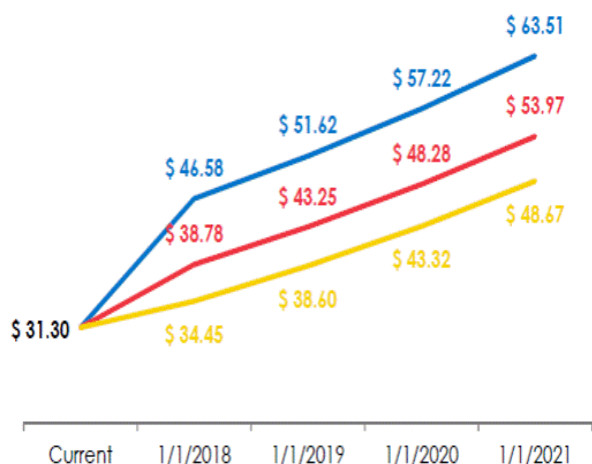
## Section 6

# Illustrative Public Market Present Value of Future Share Price Analysis Based on Hero Management Plan

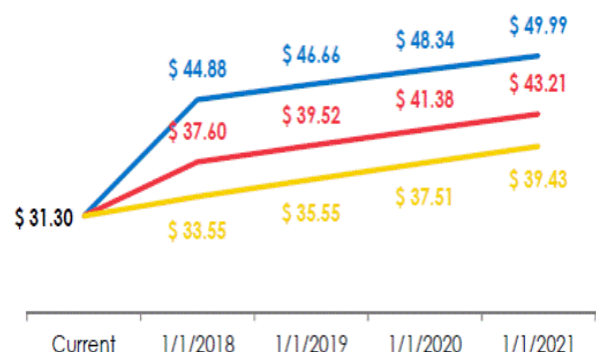
Based on 1 Year Forward EV/EBITDA Multiples | Goldman Sachs Perspective

(\$ in millions, except for per share data)

Future Value of Share Price



Present Value of Future Stock Price + Dividends at 9.5% Cost of Equity



◆ 7.0x Forward EV/EBITDA   
 ◆ 7.7x Forward EV/EBITDA   
 ◆ 9.0x Forward EV/EBITDA  
 (Current Consensus Trading Multiple)

**Balance Sheet at Current**

EV/EBITDA	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
1-Yr Forward Comparable EBITDA <sup>(1)</sup>	\$ 324	\$ 354	\$ 385	\$ 417
Net Debt	\$ 427	\$ 421	\$ 386	\$ 330
Diluted Shares Outstanding (mm)	53	53	53	53
Dividends Per Share	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40

Source: Hero Management. Market data as of July 5, 2017.

Note: Present Value of Future Stock Price includes dividends discounted based on mid-year convention. Future share prices and dividends discounted to March 31, 2017.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.



# Illustrative Hero Discounted Cash Flow Analysis

## Projected Unlevered Free Cash Flow & Terminal Value Goldman Sachs Perspective

(\$ in millions)

	Historical			Management Projections					Terminal Year
	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	
Revenue	\$ 3,588	\$ 3,691	\$ 3,567	\$ 3,515	\$ 3,786	\$ 3,946	\$ 4,100	\$ 4,257	\$ 4,343
% Growth	-	2.9 %	(3.3)%	(1.5)%	7.7 %	4.2 %	3.9 %	3.8 %	2.0 %
<b>Adj. EBITDA (pre-SBC)</b>	<b>\$ 347</b>	<b>\$ 357</b>	<b>\$ 299</b>	<b>\$ 283</b>	<b>\$ 346</b>	<b>\$ 377</b>	<b>\$ 408</b>	<b>\$ 441</b>	<b>\$ 449</b>
% Margin	9.7 %	9.7 %	8.4 %	8.1 %	9.1 %	9.5 %	9.9 %	10.4 %	10.4 %
(Less): Stock-Based Compensation	\$(16)	\$(18)	\$(19)	\$(21)	\$(22)	\$(22)	\$(23)	\$(24)	\$(24)
<b>Adj. EBITDA (post-SBC)</b>	<b>\$ 332</b>	<b>\$ 339</b>	<b>\$ 280</b>	<b>\$ 262</b>	<b>\$ 324</b>	<b>\$ 354</b>	<b>\$ 385</b>	<b>\$ 417</b>	<b>\$ 425</b>
% Margin	9.2 %	9.2 %	7.8 %	7.5 %	8.6 %	9.0 %	9.4 %	9.8 %	9.8 %
(Less): Depreciation & Amortization	\$(44)	\$(43)	\$(43)	\$(47)	\$(48)	\$(51)	\$(55)	\$(58)	\$(59)
(Less): Other Expenses	2	(12)	(31)	(1)	(1)	(1)	(1)	(1)	-
<b>EBIT</b>	<b>\$ 290</b>	<b>\$ 284</b>	<b>\$ 206</b>	<b>\$ 215</b>	<b>\$ 275</b>	<b>\$ 302</b>	<b>\$ 329</b>	<b>\$ 358</b>	<b>\$ 366</b>
% Margin	8.1 %	7.7 %	5.8 %	6.1 %	7.3 %	7.7 %	8.0 %	8.4 %	8.4 %
(Less): Adjusted Tax Expense (37.5%)				\$(81)	\$(103)	\$(113)	\$(123)	\$(134)	\$(137)
Plus: Depreciation & Amortization				47	48	51	55	58	59
(Less): Capital Expenditures				(59)	(82)	(84)	(80)	(73)	(66)
(Less): Increase in NWC				(6)	(31)	(16)	(14)	(17)	(6)
Plus: Other Non-Cash Items				1	1	1	1	1	-
<b>Unlevered Free Cash Flow</b>				<b>\$ 117</b>	<b>\$ 109</b>	<b>\$ 141</b>	<b>\$ 168</b>	<b>\$ 193</b>	<b>\$ 216</b>
% of EBITDA					31.4 %	37.5 %	41.1 %	43.8 %	48.1 %

Source: Hero Management.

Note: Cash flows discounted to March 31, 2017 using mid-year convention; financial analysis based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Terminal value calculated as of 2021E. Share price based on diluted shares outstanding. Implied EBITDA multiples based on adjusted EBITDA (post-SBC).





# Illustrative Discounted Cash Flow Sensitivities

## Implied Value Per Share of Hero Goldman Sachs Perspectives

(\$ in millions, except for per share data)

		Enterprise Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 3,014	\$ 3,190	\$ 3,398
	8.5 %	\$ 2,791	\$ 2,937	\$ 3,108
	9.0 %	\$ 2,597	\$ 2,720	\$ 2,863
	9.5 %	\$ 2,429	\$ 2,533	\$ 2,652

		Value per Share		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 47.11	\$ 50.26	\$ 53.98
	8.5 %	\$ 43.07	\$ 45.73	\$ 48.80
	9.0 %	\$ 39.55	\$ 41.79	\$ 44.38
	9.5 %	\$ 36.42	\$ 38.36	\$ 40.55

		% of EV from Terminal Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	80.3 %	81.4 %	82.5 %
	8.5 %	78.9 %	80.0 %	81.1 %
	9.0 %	77.6 %	78.6 %	79.7 %
	9.5 %	76.3 %	77.3 %	78.3 %

		Implied Exit LTM EBITDA Multiple <sup>(1)</sup>		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	7.9 x	8.5 x	9.1 x
	8.5 %	7.4 x	7.8 x	8.3 x
	9.0 %	6.9 x	7.3 x	7.7 x
	9.5 %	6.4 x	6.8 x	7.2 x

Source: Hero Management.

Note: Balance sheet information as of March 31, 2017. Share capitalization info per Hero Management as of June 29, 2017. Cash flows discounted using mid-year convention; financial analysis based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Terminal value calculated as of 2021E. Share price based on diluted shares outstanding. Implied EBITDA multiples based on adjusted EBITDA (post-SBC).

(1) Calculated as terminal value at exit divided by terminal year adjusted EBITDA (post-SBC).



# Illustrative Hero Discounted Cash Flow Analysis

Reflects Hero Management Case  
Centerview Perspective

## Hero Standalone Unlevered Free Cash Flows

	Fiscal Year Ending December 31,					
	2016A	2017E	2018E	2019E	2020E	2021E
<b>Adjusted EBITDA</b>	\$299	\$283	\$346	\$377	\$408	\$441
(Less): Stock-Based Compensation	(19)	(21)	(22)	(22)	(23)	(24)
<b>Comparable EBITDA</b>	\$280	\$262	\$324	\$354	\$385	\$417
(Less): D&A	(43)	(47)	(48)	(51)	(55)	(58)
(Less): Loss on Sale of FA	(0)	(1)	(1)	(1)	(1)	(1)
<b>Adjusted EBIT</b>	\$237	\$215	\$275	\$302	\$329	\$358
(Less): Taxes		(81)	(103)	(113)	(123)	(134)
Plus: D&A		47	48	51	55	58
(Less): Δ in Net Working Capital		(6)	(31)	(16)	(14)	(17)
(Less): Capital Expenditures		(59)	(82)	(84)	(80)	(73)
Plus: Loss on Sale of FA		1	1	1	1	1
<b>Unlevered Free Cash Flow</b>		\$117	\$109	\$141	\$168	\$193
YoY Growth			(7%)	30%	19%	15%

Discount Rate	Enterprise Value (\$bn)			Implied LTM Exit Multiple			Value per Share (\$)		
	Perpetuity Growth Rate			Perpetuity Growth Rate			Perpetuity Growth Rate		
	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%
9.00%	\$2.6	\$2.9	\$3.3	6.9x	8.0x	9.4x	\$38.69	\$44.19	\$51.41
9.50%	2.4	2.7	3.0	6.5x	7.5x	8.7x	35.81	40.64	46.85
10.00%	2.3	2.5	2.8	6.2x	7.0x	8.1x	33.26	37.52	42.90

Source: Hero Management and Factset as of July 5, 2017.

Note: Dollars in millions, unless otherwise noted. Assumes mid-year discounting convention. Balance sheet information as of March 31, 2017.

Share capitalization info per Hero Management as of June 29, 2017. Financial analysis based on unlevered free cash flow from March 31, 2017 until December 31, 2021. Terminal value calculated as of 2021E.

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# Illustrative Discounted Cash Flow Sensitivities

## Implied value per share of Hero based on illustrative Hero DCF analysis

- Change in growth represents annual incremental revenue growth vs. Standalone Plan (in bps)
- Change in EBITDA margin represents cumulative incremental change to EBITDA margin over projection period; assumes even ramp throughout projection period (in bps)

### Goldman Sachs Perspective

Cumulative $\Delta$ to Management Plan Adj. EBITDA Margin	$\Delta$ in bps	Annual $\Delta$ to Management Plan Revenue Growth					'21E Adj. EBITDA Margin <sup>(1)</sup>
		(300)	(200)	(100)	-	100	
(100)		(\$11)	(\$9)	(\$8)	(\$6)	(\$4)	9.4%
(50)		(8)	(7)	(5)	(3)	(1)	9.9%
-		(6)	(4)	(2)	\$42	2	10.4%
50		(3)	(1)	1	3	5	10.9%
100		(0)	2	4	6	8	11.4%

'16-'21E Rev. CAGR	0.6%	1.6%	2.6%	3.6%	4.6%
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### Centerview Perspective

Cumulative $\Delta$ to Management Plan Adj. EBITDA Margin	$\Delta$ in bps	Annual $\Delta$ to Management Plan Revenue Growth					'21E Adj. EBITDA Margin <sup>(1)</sup>
		(300)	(200)	(100)	-	100	
(100)		(\$12)	(\$10)	(\$8)	(\$6)	(\$3)	9.4%
(50)		(10)	(7)	(5)	(3)	(0)	9.9%
-		(7)	(5)	(2)	\$41	2	10.4%
50		(5)	(2)	0	3	5	10.9%
100		(2)	0	3	6	8	11.4%

'16-'21E Rev. CAGR	0.6%	1.6%	2.6%	3.6%	4.6%
--------------------	------	------	------	------	------

Source: Hero Management.

Note: Balance sheet information as of March 31, 2017. Share capitalization info per Hero Management as of June 29, 2017. Cash flows discounted using mid-year convention. Financial analysis based on unlevered free cash flow from March 31, 2017 until December 31, 2021. Terminal value calculated as of 2021E. Goldman Sachs perspective assumes 2.0% perpetuity growth rate and 9.0% discount rate. Centerview perspective assumes 2.0% perpetuity growth rate and 9.5% discount rate. Assumes change in EBITDA margin occurs in even increments across projection period.

(1) Adjusted EBITDA is before deduction of stock-based compensation expense.



# Hero Illustrative Weighted Average Cost of Capital Analysis

## Goldman Sachs Perspective

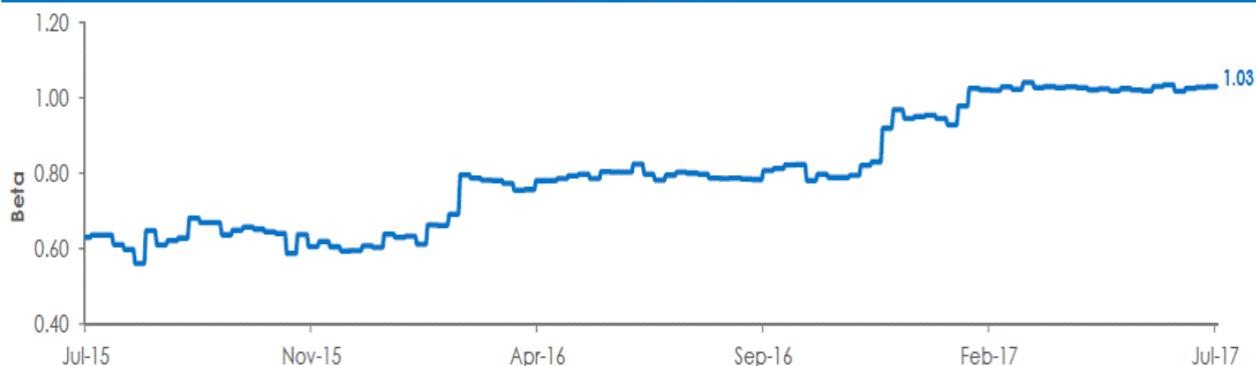
### WACC Calculation

Metric	Value
<b>Target Capital Structure</b>	
Target Debt / Total Capitalization	15.0 %
<b>Cost of Equity</b>	
Risk Free Rate <sup>1</sup>	2.6 %
Equity Beta <sup>2</sup>	1.03
Equity Risk Premium <sup>3</sup>	6.9 %
<b>Cost of Equity</b>	<b>9.7 %</b>
<b>Cost of Debt</b>	
Pre-Tax Cost of Debt <sup>4</sup>	6.5 %
Marginal Tax Rate <sup>5</sup>	37.5 %
After-Tax Cost of Debt	4.1 %
<b>WACC</b>	<b>8.8 %</b>

### WACC Sensitivity Analysis

		Debt / Total Capitalization		
		10.0 %	15.0 %	20.0 %
Pre-Tax Cost of Debt	5.5 %	9.0 %	8.7 %	8.4 %
	6.5 %	9.1 %	8.8 %	8.5 %
	7.5 %	9.2 %	8.9 %	8.7 %
		Debt / Total Capitalization		
		10.0 %	15.0 %	20.0 %
Equity Beta	0.93	8.5 %	8.2 %	8.0 %
	1.03	9.1 %	8.8 %	8.5 %
	1.13	9.7 %	9.4 %	9.1 %

### Historical Equity Beta



Source: Hero Management, Axioma as of July 5, 2017.

- (1) U.S. Government bond yield, 4 ½% due June 2036.
- (2) Axioma historical beta – 2 year weekly beta.
- (3) Duff & Phelps' 2015 U.S. Risk Premia Over Time (1926-2015).
- (4) Estimated pre-tax cost of new long-term unsecured debt.
- (5) Based on Hero management guidance.



# Hero Cost of Capital Analysis

## Centerview Perspective

WACC Peer Analysis				Hero Peer-Based WACC			
Selected Companies	Beta		Debt / Equity				
	Levered <sup>(1)</sup>	Unlevered <sup>(2)</sup>					
Queen	1.15	0.86	55.7%	Risk Free Rate <sup>(3)</sup>	2.63%		
Bed, Bath & Beyond	0.96	0.79	32.9%	Unlevered Beta <sup>(2)</sup>	0.85		
Best Buy	1.07	1.03	7.5%	Debt / Equity	23.0%		
Dick's	0.88	0.87	2.2%	Levered Beta <sup>(4)</sup>	0.97		
Dillard's	1.06	0.82	47.3%	Equity Risk Premium	6.9%		
eBay	0.97	0.85	23.1%	Size Premium <sup>(6)</sup>	1.66%		
Ethan Allen	1.24	1.21	3.4%	<b>Cost of Equity</b>	<b>11.1%</b>		
Foot Locker	0.96	0.95	2.0%	Pre-Tax Cost of Debt <sup>(7)</sup>	5.5%		
GNC	1.05	0.39	271.3%	Tax Rate	38.0%		
Kohl's	1.01	0.70	69.8%	<b>WACC<sup>(8)</sup></b>	<b>9.6%</b>		
Macy's	0.97	0.61	95.7%	<b>WACC at Various Unlevered Betas and Debt / Equity Ratios<sup>(8)</sup></b>			
Overstock	0.93	0.85	14.4%	Debt / Equity Value	Unlevered Beta		
Pier 1 Imports	1.41	1.09	47.2%		0.75	0.85	0.95
RH	0.77	0.65	28.6%	10.0%	9.2%	9.9%	10.6%
Ross	0.99	0.98	1.8%	23.0%	8.9%	9.6%	10.3%
Sally Beauty	0.70	0.50	64.7%	31.2%	8.8%	9.5%	10.1%
Signet	0.90	0.70	46.9%				
Target	0.82	0.65	44.0%				
Tiffany & Co.	1.08	1.03	9.2%				
TJX	0.91	0.89	4.8%				
ULTA	0.88	0.88	0.0%				
Wal-Mart	0.73	0.65	20.3%				
Williams-Sonoma	0.89	0.88	1.0%				
<b>75th Percentile</b>	<b>1.06</b>	<b>0.92</b>	<b>47.2%</b>				
<b>Peer Median</b>	<b>0.96</b>	<b>0.85</b>	<b>23.1%</b>				
<b>25th Percentile</b>	<b>0.89</b>	<b>0.68</b>	<b>4.1%</b>				
<b>Hero</b>	<b>0.89</b>	<b>0.75</b>	<b>31.2%</b>				

Source: Company filings, treasury.gov, Bloomberg and FactSet as of July 5, 2017.

- (1) Represents five year adjusted weekly average Beta relative to S&P 500.
- (2) Unlevered Beta equals (levered Beta / (1 + ((1 - tax rate) \* debt / equity))).
- (3) Represents United States 20-year constant maturity treasury rate as of July 5, 2017.
- (4) Represents levering of the unlevered Beta of the peers at target debt / equity ratio. Levered Beta = (unlevered Beta) \* (1 + (1 - tax rate) \* (debt / equity)). Assumes 38% tax rate.
- (5) Historical spread between the U.S. government long bond and the S&P500. Source: Duff & Phelps 2017 Valuation Handbook.
- (6) Size premium based on Duff & Phelps 2017 Valuation Handbook.
- (7) Based on retail company bond yields.
- (8) WACC equals ((debt / capitalization \* (cost of debt \* (1 - tax rate))) + (equity / capitalization \* levered cost of equity)). Tax rate based on statutory tax rate.



## Premia in All-Stock Control Transactions

Select all-stock transactions in U.S. over past 10 years in which, pro forma for the transaction, target shareholders owned <35% of acquiror<sup>(1)</sup>

Date Announced	Target	Acquiror	TEV	1-Day Premium	PF Target Ownership	Forward Growth <sup>(2)</sup>	
						Revenue	EBITDA
4/4/17	General Communication	Liberty Interactive	\$2.7	58%	23%	3%	2%
7/5/16	Thompson Creek Metals	Centerra Gold	1.1	32%	8%	14%	32%
9/29/15	Rentrak Corp	comScore	0.7	13%	34%	32%	58%
6/4/15	Bio-Reference Laboratories	OPKO Health	1.3	60%	14%	9%	4%
3/9/15	RTI International Metals	Alcoa	1.5	50%	7%	5%	10%
7/30/14	Journal Communications Inc	EW Scripps Co	0.7	22%	31%	4%	9%
7/28/14	Trulia Inc	Zillow Inc	2.8	25%	33%	27%	75%
2/20/14	Emeritus Corp	Brookdale Senior Living	5.4	32%	27%	3%	4%
1/28/14	Texas Industries	Martin Marietta Materials	2.7	15%	31%	19%	37%
5/20/13	Warner Chilcott	Actavis	8.5	34%	23%	(6%)	(4%)
4/14/08	Northwest Airlines	Delta Air Lines	7.0	17%	31%	5%	(5%)
12/13/07	AMIS Holdings	ON Semiconductor	1.1	38%	26%	8%	43%
9/24/07	Metal Management	Sims Group	1.6	18%	30%	(1%)	7%
3/18/07	InfraSource Services	Quanta Services	1.3	17%	25%	10% <sup>(3)</sup>	18% <sup>(3)</sup>
9/17/07	McLeodUSA	PAETEC Holding	0.6	11%	25%	(14%)	(38%)
<b>25th Percentile</b>				<b>17%</b>	<b>23%</b>	<b>3%</b>	<b>3%</b>
<b>Median</b>				<b>25%</b>	<b>26%</b>	<b>5%</b>	<b>9%</b>
<b>75th Percentile</b>				<b>36%</b>	<b>31%</b>	<b>12%</b>	<b>35%</b>

Source: Public filings and press reports, ThomsonOne and Factset.

Note: Dollars in billions.

- (1) Includes announced and completed all-stock transactions over \$500mm since 2007 with a U.S. target in which the target shareholders owned <35% of the pro forma company. Excludes real estate, financial and energy transactions.
- (2) Represents growth of two year forward revenue/EBITDA over one year forward revenue/EBITDA as of time of announcement, per consensus estimates, unless otherwise noted.
- (3) Represents LTM YoY growth, forward estimates not available.



## Selected Transaction Multiples

Date	Target	Acquiror	TEV	EV / LTM Comparable EBITDA <sup>(1)</sup>
Feb-14	Zale Corporation	Signet Jewelers	\$1.2	15.6x
May-12	Cost Plus	Bed Bath & Beyond	0.7	12.7x
Feb-13	Office Max	Office Depot	1.8	12.2x
Feb-16	Rona	Lowe's	2.3	12.1x
Oct-16	Cabela's	Bass Pro Shop	5.6	11.8x
Jul-13	Saks	Hudson's Bay	2.9	10.8x
May-17	Kate Spade	Coach	2.4	10.4x
May-12	Charming Shoppes	Ascena Retail Group	0.8	9.9x
Sep-13	Neiman Marcus	CPP / Ares	6.0	9.4x
Nov-15	Petco	CVC, CPP	4.6	9.4x
Dec-14	PetSmart	BC Partners; GIC, Others	8.7	9.1x
Dec-13	Nine West	Sycamore Partners	2.1	8.6x
May-15	ANN Inc.	Ascena Retail Group	2.1	8.6x
Dec-10	Jo-Ann Stores	Leonard Green & Partners, LP	1.5	7.3x
Nov-12	Oriental Trading Co	Berkshire Hathaway	0.5	7.1x
Nov-12	The Brick	Leon's Furniture	0.8	7.1x
Sep-14	Bluestem Brands	Capmark Financial Group	0.6	6.3x
Aug-15	Belk	Sycamore Partners	2.9	6.2x
Jun-17	Staples	Sycamore Partners	6.7	5.1x
<b>25th Percentile</b>				<b>7.2x</b>
<b>Median</b>				<b>9.4x</b>
<b>75th Percentile</b>				<b>11.3x</b>

Source: Company filings, Wall Street research.

Note: Dollars in billions. Based on select retail transactions with TEV above \$0.5bn since January 1, 2010. Excludes transactions where public information to calculate EV / LTM EBITDA is unavailable: Perry Corp / Barney's New York, AEA Investors / At Home Group, Avon / Silpada Designs, Bain Capital / Bob's Discount Furniture, Berkshire Hathaway / Oriental Trading Co., Wal-Mart / Jet.com, Hudson's Bay / Gift Groupe, Investor Group / eBay Enterprise, Ahold / Bol.com, Naspers Limited / Markafoni, Amazon.com / Quidsj, Rakuten / Price Minister.

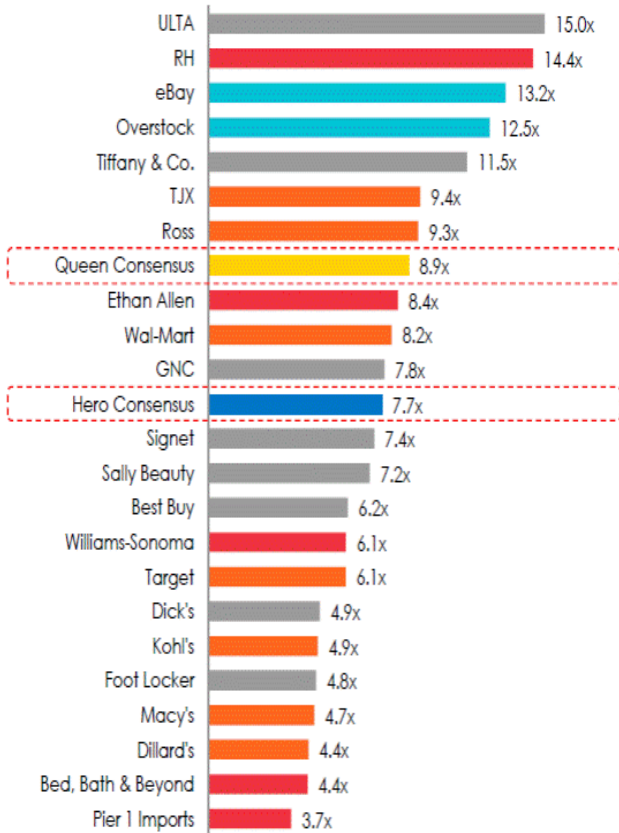
(1) Represents LTM Comparable EBITDA, which is after deduction of stock-based compensation expense, when sufficient information was disclosed to determine Comparable EBITDA; otherwise represents EBITDA figure disclosed publicly.



# Selected Trading Multiples



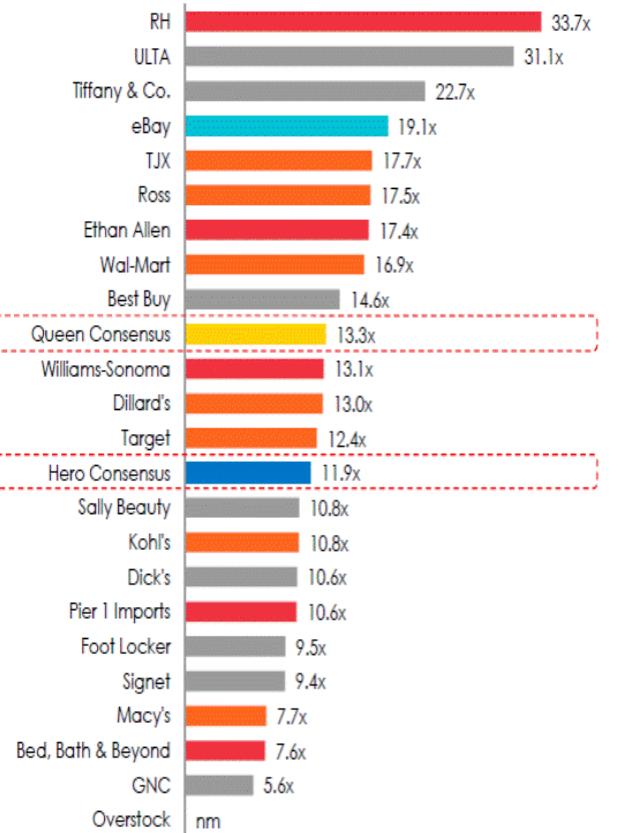
## NTM EV / Comparable EBITDA



Stats  
Ex - Hero

25<sup>th</sup> Percentile: 4.9x  
Median: 7.4x  
75<sup>th</sup> Percentile: 9.4x

## Price / Comparable EPS



25<sup>th</sup> Percentile: 10.6x  
Median: 13.1x  
75<sup>th</sup> Percentile: 17.5x

Source: Hero Management, company filings and FactSet as of July 5, 2017.









Note: Comparable EBITDA is after deduction of stock-based compensation expense from Adjusted EBITDA. Comparable EPS is after deduction of stock-based compensation expense and before deduction of after-tax intangible amortization from EPS.



CENTERVIEW PARTNERS



## Selected Analyst Perspectives on Hero

Broker <sup>(1)</sup>	Price Target	Δ to Current Share Price	Rating	Valuation Methodology
	\$48.00	53.4%	Buy	P/E Multiple
	\$48.00	53.4%	Buy	Weighted Average Multiple
	\$46.00	47.0%	Buy	DCF
	\$42.00	34.2%	Buy	DCF
	\$40.00	27.8%	Hold	EV/EBITDA Multiple
	\$39.00	24.6%	Buy	N/A
	\$38.00	21.4%	Buy	P/E Multiple
	\$35.00	11.8%	Hold	P/E Multiple
	\$32.00	2.2%	Hold	EV / EBITDA Multiple
<i>Current Price: \$31.30</i>				
<b>Selected Analysts (n=9)</b>	<b>\$40.89</b>	<b>30.6%</b>	<b>67% Buy</b> <b>33% Hold</b> <b>0% Sell</b>	

Source: Wall Street research as of July 5, 2017.

(1) Includes brokers with accessible price targets.

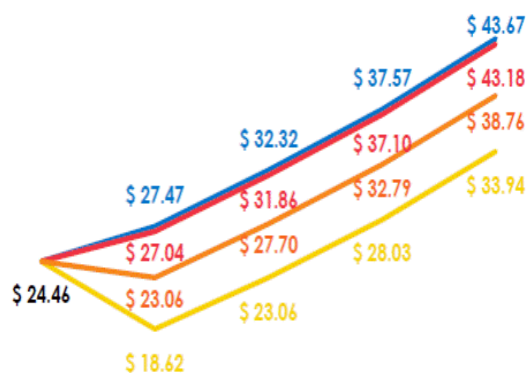


# Illustrative Public Market Present Value of Future Share Price Analysis Based on Hero Management Standalone Plan for Queen

## Based on 1 Year Forward EV/EBITDA Multiples | Goldman Sachs Perspective

(\$ in millions, except for per share data)

Future Value of Share Price



Present Value of Future Stock Price at 11.0% Cost of Equity



Current 1/1/2018 1/1/2019 1/1/2020 1/1/2021

Current 1/1/2018 1/1/2019 1/1/2020 1/1/2021

7.0x Forward EV/EBITDA 8.0x Forward EV/EBITDA 8.9x Forward EV/EBITDA 9.0x Forward EV/EBITDA

(Current Consensus Trading Multiple)

### Balance Sheet at Current

EV/EBITDA	Jan-2018E	Jan-2019E	Jan-2020E	Jan-2021E
1-Yr Forward Comparable EBITDA <sup>(1)</sup>	\$ 1,973	\$ 2,086	\$ 2,196	\$ 2,318
Net Debt and EV Adjustments <sup>(2)</sup>	\$ 5,871	\$ 5,657	\$ 5,371	\$ 4,999
Diluted Shares Outstanding (mm)	432	405	382	362

### Dividends Per Share

Source: Hero Management. Market data as of July 5, 2017.

Note: Present Value of Future Stock Price includes dividends discounted based on mid-year convention. Future share prices discounted to March 31, 2017.

(1) Adjusted EBITDA is before deduction of stock based compensation expense.

(2) EV adjustments include noncontrolling interests and investments in affiliates; stake in Hero valued at Hero future share price based on Hero's current consensus forward EV/EBITDA.





# Illustrative Queen Discounted Cash Flow Analysis

## Projected Unlevered Free Cash Flow & Terminal Value Goldman Sachs Perspective

(\$ in millions)

	Historical			Management Projections					Terminal Year
	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	
Revenue	\$ 10,028	\$ 9,169	\$ 10,219	\$ 10,321	\$ 10,568	\$ 10,882	\$ 11,197	\$ 11,533	\$ 11,764
% Growth	-	(8.6)%	11.5%	1.0%	2.4%	3.0%	2.9%	3.0%	2.0%
Adj. EBITDA (pre-SBC)	\$ 1,939	\$ 1,887	\$ 1,936	\$ 2,006	\$ 2,042	\$ 2,157	\$ 2,269	\$ 2,393	\$ 2,441
% Margin	19.3%	20.6%	18.9%	19.4%	19.3%	19.8%	20.3%	20.8%	20.8%
(Less): Stock-Based Compensation	\$(83)	\$(60)	\$(75)	\$(67)	\$(69)	\$(71)	\$(73)	\$(75)	\$(76)
Adj. EBITDA (post-SBC)	\$ 1,856	\$ 1,827	\$ 1,861	\$ 1,939	\$ 1,973	\$ 2,086	\$ 2,196	\$ 2,318	\$ 2,365
% Margin	18.5%	19.9%	18.2%	18.8%	18.7%	19.2%	19.6%	20.1%	20.1%
(Less): Depreciation & Amortization (excl. Trans. Amort.)	\$(264)	\$(276)	\$(312)	\$(348)	\$(365)	\$(378)	\$(377)	\$(385)	\$(310)
EBIT	\$ 1,585	\$ 1,551	\$ 1,549	\$ 1,591	\$ 1,608	\$ 1,709	\$ 1,819	\$ 1,933	\$ 2,055
% Margin	15.8%	16.9%	15.2%	15.4%	15.2%	15.7%	16.2%	16.8%	17.5%
(Less): Adjusted Tax Expense (36.5%)				\$(581)	\$(587)	\$(624)	\$(664)	\$(706)	\$(750)
Plus: Depreciation & Amortization (excl. Trans. Amort.)				348	365	378	377	385	310
(Less): Capital Expenditures <sup>1</sup>				(296)	(301)	(308)	(314)	(321)	(325)
(Less): Increase in NWC				(63)	(36)	(46)	(41)	(53)	(20)
Unlevered Free Cash Flow				\$ 999	\$ 1,049	\$ 1,109	\$ 1,177	\$ 1,239	\$ 1,269
% of Adjusted EBITDA					51.4%	51.4%	51.9%	51.8%	52.0%

Source: Hero Management.

Note: Cash flows discounted to March 31, 2017 using mid-year convention; financial analysis based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Terminal value calculated as of 2021E. Share price based on diluted shares outstanding. Implied EBITDA multiples based on adjusted EBITDA (post-SBC).

(1) Includes \$90mm of capital expenditures related to TV distribution rights.



# Illustrative Discounted Cash Flow Sensitivities

## Implied Value Per Share of Queen Goldman Sachs Perspective

(\$ in millions, except for per share data)

		Enterprise Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 18,351	\$ 19,527	\$ 20,917
	8.5 %	\$ 17,044	\$ 18,033	\$ 19,186
	9.0 %	\$ 15,912	\$ 16,752	\$ 17,722
	9.5 %	\$ 14,921	\$ 15,642	\$ 16,467

		Value per Share		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	\$ 27.03	\$ 29.46	\$ 32.31
	8.5 %	\$ 24.29	\$ 26.36	\$ 28.75
	9.0 %	\$ 21.89	\$ 23.67	\$ 25.71
	9.5 %	\$ 19.79	\$ 21.32	\$ 23.07

		% of EV from Terminal Value		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	76.7 %	78.1 %	79.6 %
	8.5 %	75.2 %	76.6 %	78.0 %
	9.0 %	73.7 %	75.1 %	76.4 %
	9.5 %	72.3 %	73.6 %	74.9 %

		Implied Exit LTM EBITDA Multiple <sup>(1)</sup>		
		Perpetuity Growth Rate		
		1.5 %	2.0 %	2.5 %
WACC	8.0 %	8.3 x	8.9 x	9.7 x
	8.5 %	7.7 x	8.3 x	8.9 x
	9.0 %	7.2 x	7.7 x	8.2 x
	9.5 %	6.7 x	7.2 x	7.6 x

Source: Hero and Queen Management.

Note: Balance sheet information as of March 31, 2017. Share capitalization info per Queen Management as of June 30, 2017. Cash flows discounted using mid-year convention; financial analysis based on 2017E unlevered free cash flow remaining from March 31, 2017 until December 31, 2017. Terminal value calculated as of 2021E. Share price based on diluted shares outstanding. Implied EBITDA multiples based on adjusted EBITDA (post-SBC). EV adjustments include noncontrolling interests and investments in affiliates.

(1) Calculated as terminal value at exit divided by terminal year adjusted EBITDA (post-SBC).



# Illustrative Queen Discounted Cash Flow Analysis

## Centerview Perspective

### Queen Standalone Unlevered Free Cash Flows

	Fiscal Year Ending December 31,					
	2016A	2017E	2018E	2019E	2020E	2021E
<b>Adjusted EBITDA</b>	\$1,936	\$2,006	\$2,042	\$2,157	\$2,269	\$2,393
(Less): Stock-Based Compensation	(75)	(67)	(69)	(71)	(73)	(75)
<b>Comparable EBITDA</b>	\$1,861	\$1,939	\$1,973	\$2,086	\$2,196	\$2,318
(Less): D&A (Excluding Trans. Amort.) <sup>(1)</sup>	(312)	(348)	(365)	(378)	(377)	(385)
<b>Adjusted EBIT (Excluding Trans. Amort.)<sup>(1)</sup></b>	\$1,549	\$1,591	\$1,608	\$1,709	\$1,819	\$1,933
(Less): Taxes		(581)	(587)	(624)	(664)	(706)
Plus: D&A (Excluding Trans. Amort.) <sup>(1)</sup>		348	365	378	377	385
(Less): Δ in Net Working Capital		(63)	(36)	(46)	(41)	(53)
(Less): Capital Expenditures <sup>(2)</sup>		(296)	(301)	(308)	(314)	(321)
<b>Unlevered Free Cash Flow</b>		\$999	\$1,049	\$1,109	\$1,177	\$1,239
YoY Growth			5.0%	5.7%	6.1%	5.3%

Discount Rate	Enterprise Value (\$bn)			Implied LTM Exit Multiple			Value per Share (\$)		
	Perpetuity Growth Rate			Perpetuity Growth Rate			Perpetuity Growth Rate		
	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%	1.0%	2.0%	3.0%
8.5%	\$16.1	\$18.1	\$20.8	7.4x	8.6x	10.2x	\$22.37	\$26.49	\$31.98
9.0%	15.2	16.8	19.1	6.9x	8.0x	9.4x	20.29	23.85	28.51
9.5%	14.3	15.7	17.6	6.5x	7.5x	8.7x	18.45	21.53	0.01

Source: Hero Management.

Note: Dollars in millions, unless otherwise noted. Assumes mid-year discounting convention. Balance sheet information as of March 31, 2017.

Share capitalization info per Queen Management as of June 30, 2017. Financial analysis based on unlevered free cash flow from March 31, 2017 until December 31, 2021. Terminal value calculated as of 2021E.

(1) Does not include transaction amortization. Assumes transaction amortization is not tax deductible for cash tax purposes, per Queen company filings.

(2) Includes capitalized TV distribution fees of ~\$90mm per year.

# Queen Illustrative Weighted Average Cost of Capital Analysis

## Goldman Sachs Perspective

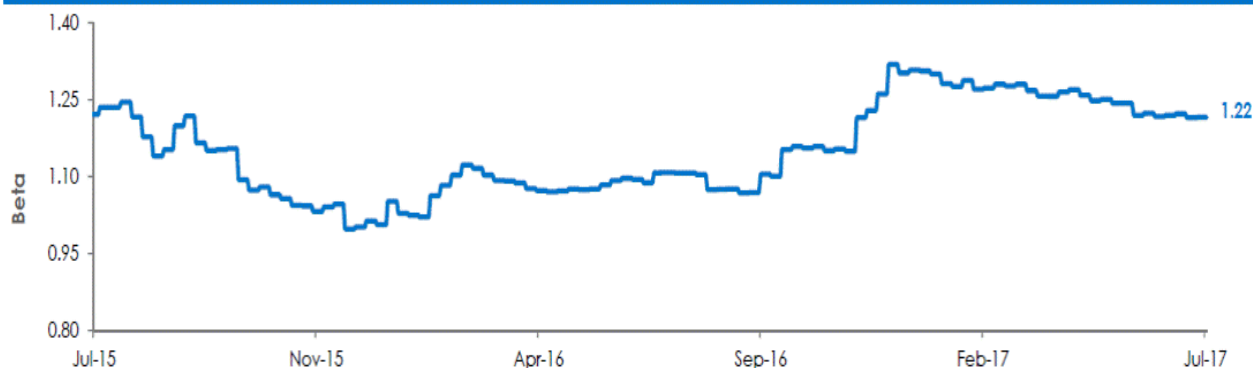
### WACC Calculation

Metric	Value
<b>Target Capital Structure</b>	
Target Debt / Total Capitalization	35.0 %
<b>Cost of Equity</b>	
Risk Free Rate <sup>1</sup>	2.6 %
Equity Beta <sup>2</sup>	1.22
Equity Risk Premium <sup>3</sup>	6.9 %
<b>Cost of Equity</b>	<b>10.9 %</b>
<b>Cost of Debt</b>	
Pre-Tax Cost of Debt <sup>4</sup>	6.5 %
Marginal Tax Rate <sup>5</sup>	36.5 %
After-Tax Cost of Debt	4.1 %
<b>WACC</b>	<b>8.6 %</b>

### WACC Sensitivity Analysis

		Debt / Total Capitalization		
		30.0 %	35.0 %	40.0 %
<b>Pre-Tax Cost of Debt</b>	5.5 %	8.7 %	8.3 %	8.0 %
	6.5 %	8.9 %	8.6 %	8.2 %
	7.5 %	9.1 %	8.8 %	8.5 %
		Debt / Total Capitalization		
		30.0 %	35.0 %	40.0 %
<b>Equity Beta</b>	1.12	8.4 %	8.1 %	7.8 %
	1.22	8.9 %	8.6 %	8.2 %
	1.32	9.4 %	9.0 %	8.7 %

### Historical Equity Beta



Source: Hero Management, Axioma as of July 5, 2017.

- (1) U.S. Government bond yield, 4 ½% due June 2036.
- (2) Axioma historical beta – 2 year weekly beta.
- (3) Duff & Phelps' 2015 U.S. Risk Premia Over Time (1926-2015).
- (4) Estimated pre-tax cost of new long-term unsecured debt.
- (5) Based on Hero management guidance.



# Queen Cost of Capital Analysis

## Centerview Perspective

WACC Peer Analysis				Queen Peer-Based WACC				
Selected Companies	Beta		Debt / Equity					
	Levered <sup>(1)</sup>	Unlevered <sup>(2)</sup>						
Hero	0.89	0.75	31.2%	Risk Free Rate <sup>(3)</sup>				2.63%
Bed, Bath & Beyond	0.96	0.79	33.7%	Unlevered Beta <sup>(2)</sup>				0.85
Best Buy	1.07	1.03	7.5%	Debt / Equity				23.0%
Dick's	0.88	0.87	2.2%	Levered Beta <sup>(4)</sup>				0.97
Dillard's	1.06	0.82	47.3%	Equity Risk Premium				6.9%
eBay	0.97	0.85	23.1%	Size Premium <sup>(6)</sup>				0.61%
Ethan Allen	1.24	1.21	3.4%	<b>Cost of Equity</b>				<b>9.9%</b>
Foot Locker	0.96	0.95	2.0%	Pre-Tax Cost of Debt <sup>(7)</sup>				5.5%
GNC	1.05	0.36	307.3%	Tax Rate				38.0%
Kohl's	1.01	0.70	69.8%	<b>WACC<sup>(8)</sup></b>				<b>8.7%</b>
Macy's	0.97	0.61	95.7%	<b>WACC at Various Unlevered Betas and Debt / Equity Ratios<sup>(8)</sup></b>				
Overstock	0.93	0.85	14.4%					
Pier 1 Imports	1.41	1.09	48.1%					
RH	0.77	0.65	28.6%					
Ross	0.99	0.98	1.8%					
Sally Beauty	0.70	0.50	64.9%					
Signet	0.90	0.70	46.9%					
Target	0.82	0.65	44.0%					
Tiffany & Co.	1.08	1.03	9.2%					
TJX	0.91	0.89	4.8%					
ULTA	0.88	0.88	0.0%					
Wal-Mart	0.73	0.65	20.3%					
Williams-Sonoma	0.89	0.88	1.0%					
<b>75th Percentile</b>	<b>1.03</b>	<b>0.92</b>	<b>47.1%</b>					
<b>Peer Median</b>	<b>0.96</b>	<b>0.85</b>	<b>23.1%</b>					
<b>25th Percentile</b>	<b>0.89</b>	<b>0.68</b>	<b>4.1%</b>					
<b>Queen</b>	<b>1.15</b>	<b>0.86</b>	<b>55.7%</b>					


Debt / Equity Value	Unlevered Beta		
	0.75	0.85	0.95
10.0%	8.3%	8.9%	9.6%
23.0%	8.1%	8.7%	9.4%
55.7%	7.8%	8.4%	9.0%

Source: Company filings, treasury.gov, Bloomberg and FactSet as of July 5, 2017.

- (1) Represents five year adjusted weekly average Beta relative to S&P 500.
- (2) Unlevered Beta equals (levered Beta / (1 + ((1 - tax rate) \* debt / equity))).
- (3) Represents United States 20-year constant maturity treasury rate as of July 5, 2017.
- (4) Represents levering of the unlevered Beta of the peers at target debt / equity ratio. Levered Beta = (unlevered Beta) \* (1 + (1 - tax rate) \* (debt / equity)). Assumes 38% tax rate.
- (5) Historical spread between the U.S. government long bond and the S&P500. Source: Duff & Phelps 2017 Valuation Handbook.
- (6) Size premium based on Duff & Phelps 2017 Valuation Handbook.
- (7) Based on retail company bond yields.
- (8) WACC equals ((debt / capitalization \* (cost of debt \* (1 - tax rate))) + (equity / capitalization \* levered cost of equity)). Tax rate based on statutory tax rate.



## Selected Analyst Perspectives on Queen

Broker <sup>(1)</sup>	Price Target	Δ to Current Share Price	Rating	Valuation Methodology
	\$39.00	59.4%	Buy	DCF
	\$33.00	34.9%	Buy	DCF
	\$31.00	26.7%	Buy	EV/EBITDA Multiple
	\$28.00	14.5%	Buy	EV/EBITDA Multiple
	\$28.00	14.5%	Buy	Weighted Average Multiple
	\$27.50	12.4%	Buy	N/A
	\$27.00	10.4%	Buy	N/A
	\$26.00	6.3%	Buy	P/E Multiple
	\$25.00	2.2%	Buy	EV / EBITDA Multiple
<i>Current Price: \$24.46</i>				
<b>Selected Analysts (n=9)</b>	<b>\$29.39</b>	<b>20.2%</b>	<b>100% Buy</b> <b>0% Hold</b> <b>0% Sell</b>	

Source: Wall Street research as of July 5, 2017.

(1) Includes brokers with accessible price targets.

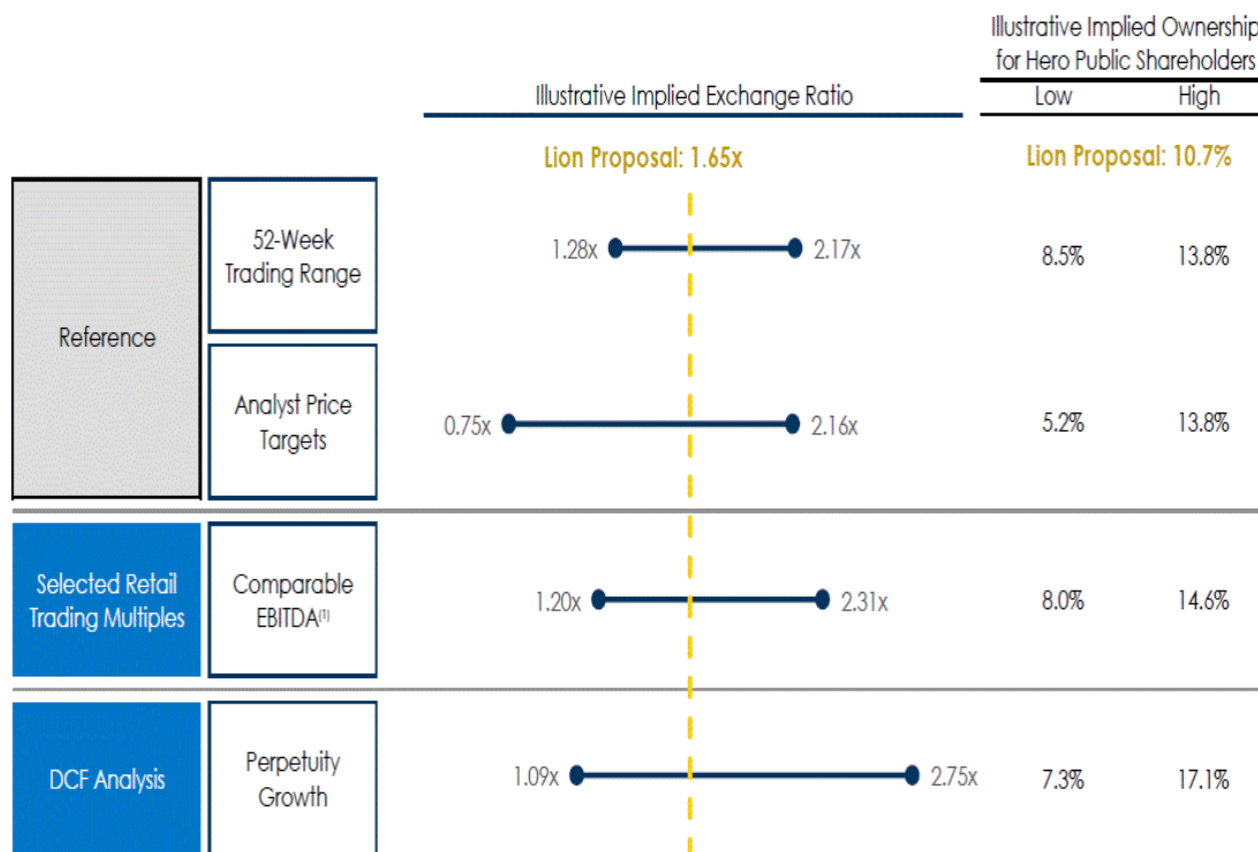


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Supplementary Reference Materials

# Relative Valuation Analysis

## Centerview Perspective



Source: Hero Management, Wall Street research and Factset as of July 5, 2017.

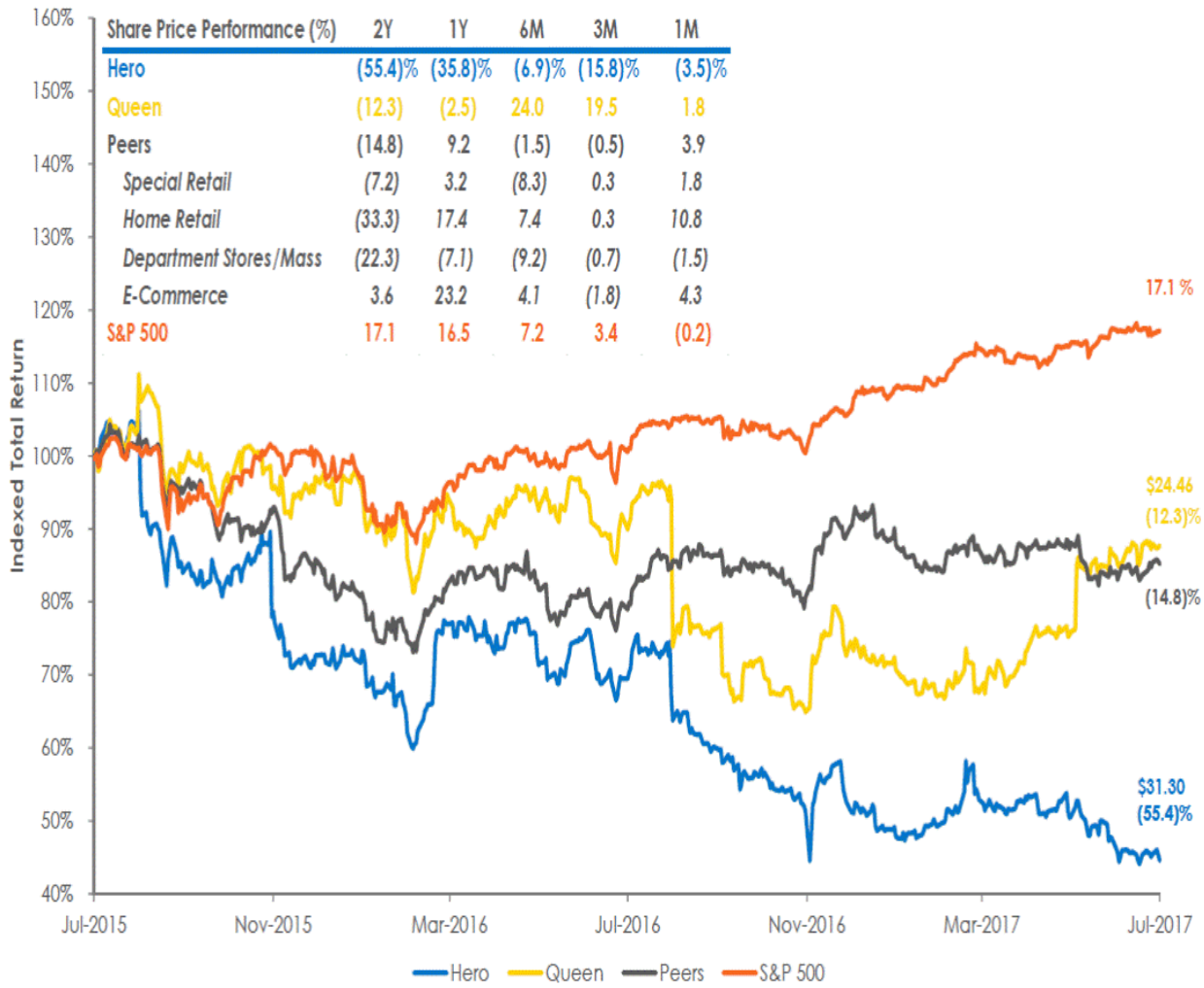
Note: Balance sheet information as of March 31, 2017. Hero share capitalization info per Hero Management as of June 29, 2017. Queen share capitalization info per Queen Management as of June 30, 2017. Analysis reflects maximum range of exchange ratios based on Queen and Hero respective standalone ranges. For Comparable EBITDA and Discounted Cash Flow Analysis, ratio is calculated after adjusting for the corresponding value of Queen's stake in Hero (e.g. in ratio of Queen High DCF value to Hero Low DCF value, Queen High DCF Value includes the value of its stake in Hero at the price per share implied by Hero Low DCF Value).

(1) Comparable EBITDA is calculated after deduction of stock-based compensation expense.

# Relative Stock Price Performance Over Time

## Hero and Queen versus Selected Comparable Companies and S&P 500

### Last Two Years



Source: Company filings, Bloomberg as of July 5, 2017.

Note: Peers include ULTA, Best Buy, Tiffany, Foot Locker, Dick's, Signet, GNC, Sally Beauty for Specialty Retail; Bed Bath & Beyond, Williams-Sonoma, Restoration Hardware, Ethan Allen, Pier 1 for Home Retail; Wal-Mart, TJ Maxx, Target, Ross, Kohl's, Macy's, Dillard's for Department Stores / Mass and eBay and Overstock for e-Commerce.



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