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AOL Doc 3 2015.05.26 EXCERPTS FROM (1) 14D-9, AND (2) RELATED MATERIAL

[NOTE: NOT A GOING PRIVATE TRANSACTION; THEREFORE, NO INVESTMENT BANKER BOARD PRESENTATIONS]

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I. 14D-9 TENDER OFFER STATEMENT, FILED MAY 26, 2015

A. ITEM 1. SUBJECT COMPANY INFORMATION

Name and Address.

The name of the subject company is AOL Inc., a Delaware corporation (“AOL” or the “Company”). The address of the Company’s principal executive office is 770 Broadway New York, New York 10003. The telephone number of the Company’s principal executive office is (212) 652 6400.

Securities.

The title of the class of equity securities to which this Solicitation/Recommendation Statement on Schedule 14D-9 (this “*Schedule 14D-9*”) relates is the Company’s common stock,

par value of \$0.01 per share (the “*Shares*”). As of May 19, 2015, there were (i) 78,573,804 Shares issued and outstanding.

B. ITEM 2 IDENTITY AND BACKGROUND OF FILING PERSON

Item 2. Identity and Background of Filing Person.

Name and Address.

The name, business address and business telephone number of the Company, which is both the person filing this Schedule 14D-9 and the subject company, are set forth above under the heading “*Name and Address*” in Item 1.

Tender Offer.

This Schedule 14D-9 relates to the tender offer (the “*Offer*”) by Hanks Acquisition Sub, Inc. (“*Acquisition Sub*”), a Delaware corporation and direct wholly owned subsidiary of Verizon Communications Inc. (“*Verizon*”), a Delaware corporation, to purchase all of the outstanding Shares at a price per Share equal to \$50.00 (the “*Offer Price*”), net to the holder in cash, without interest and less any applicable taxes required to be withheld, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated May 26, 2015 (as amended or supplemented from time to time, the “*Offer to Purchase*”), and in the related Letter of Transmittal (as amended or supplemented from time to time, the “*Letter of Transmittal*”). The Offer is described in a Tender Offer Statement on Schedule TO (as amended or supplemented from time to time, the “*Schedule TO*”), filed by Acquisition Sub and Verizon with the Securities and Exchange Commission (the “*SEC*”) on May 26, 2015. The Offer to Purchase and form of Letter of Transmittal are filed as Exhibits (a)(1)(A) and (a)(1)(B) to this Schedule 14D-9, respectively, and are incorporated herein by reference.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of May 12, 2015 (as it may be amended from time to time, the “*Merger Agreement*”), by and among the Company, Verizon and Acquisition Sub. Following consummation of the Offer, the Merger Agreement provides that, among other things, upon its terms and subject to the satisfaction or (to the extent permitted by applicable law) waiver of each of the applicable conditions set forth therein, Acquisition Sub will be merged with and into the Company (the “*Merger*” and, together with the Offer and the other transactions contemplated by the Merger Agreement, the “*Transactions*”), with the Company surviving as a wholly owned subsidiary of Verizon (the “*Surviving Corporation*”). Because the Merger will be governed by Section 251(h) of the General Corporation Law of the State of Delaware (“*DGCL*”), no stockholder vote will be required to consummate the Merger. The Company does not expect there to be a significant period of time between the consummation of the Offer and the consummation of the Merger. At the effective time of the Merger (the “*Effective Time*”), all remaining outstanding Shares not tendered in the Offer (other than Shares held (i) in the treasury of the Company or by Verizon or Acquisition Sub, which Shares shall be canceled and shall cease to exist, (ii) by a wholly owned subsidiary of the Company or Verizon (other than Acquisition Sub) or a wholly owned subsidiary of Acquisition Sub, which Shares shall be converted into shares of the Surviving Corporation representing the same percentage ownership of the Surviving Corporation that such

holder owned in the Company prior to the effective time of the Merger, and (iii) by stockholders who validly exercise appraisal rights under Delaware law with respect to such Shares) will be canceled and converted into the right to receive an amount equal to the Offer Price in cash, without interest and less any applicable taxes required to be withheld.

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Acquisition Sub commenced (within the meaning of Rule 14d-2 promulgated under the Securities Exchange Act of 1934 (the “*Exchange Act*”)) the Offer on May 26, 2015. Subject to the terms and conditions of the Merger Agreement and the Offer, the Offer shall initially be scheduled to expire at 11:59 p.m., New York City time, at the end of the day on June 22, 2015, the date that is 20 business days (for this purpose calculated in accordance with Rules 14d-1(g)(3) and 14d-2 promulgated under the Exchange Act) following commencement of the Offer.

The foregoing summary of the Offer, the Merger and the Merger Agreement is qualified in its entirety by the description contained in the Offer to Purchase and the Letter of Transmittal and the Merger Agreement. A copy of the Merger Agreement is filed as Exhibit (e)(1) to this Schedule 14D-9 and is incorporated herein by reference.

As set forth in the Schedule TO, the principal executive offices of Verizon and Acquisition Sub are located at 1095 Avenue of the Americas, New York, New York 10036.

The information relating to the Offer, including the Offer to Purchase, the Letter of Transmittal and related documents and this Schedule 14D-9, can be obtained without charge from the SEC’s website at www.sec.gov.

C. Background of the Offer; Reasons for the Recommendation of the Board.

Background of the Offer

The Board and the Company’s management team regularly review and assess the Company’s business strategies and objectives, and the Board regularly reviews and discusses the Company’s performance, risks and opportunities, all with the goal of enhancing stockholder value. The Board and the Company’s management team regularly review and evaluate pursuing various strategic alternatives as part of these ongoing efforts, taking into account expected economic, competitive and other market conditions. These strategic alternatives include the continued operation of the Company as an independent, standalone company, acquiring new businesses to complement or expand existing Company businesses, separating one or more of the Company’s businesses, and entering strategic partnerships or other investments with respect to one or more of the Company’s businesses. In addition, the Company and its representatives are routinely approached by other companies and their representatives regarding possible transactions. The Board and the Company’s management team utilize both internal resources and

external advisors, including Allen & Company LLC (“*Allen & Company*”) as the Company’s financial advisor and Wachtell, Lipton, Rosen & Katz (“*Wachtell Lipton*”) as the Company’s legal advisor, in connection with these reviews and evaluations and other matters. * * *

D. DISCUSSION OF ALLEN OPINION

Opinion of the Company’s Financial Advisor.

1. INTRODUCTION

The Company has engaged Allen & Company as its financial advisor in connection with the transaction. In connection with this engagement, the Company requested that Allen & Company evaluate and render an opinion to the Board regarding the fairness, from a financial point of view, of the per Share consideration to be received in the transaction by holders of Shares (other than Verizon, Acquisition Sub and their respective affiliates) pursuant to the Merger Agreement. On May 11, 2015, at a meeting of the Board held to evaluate the transaction, Allen & Company rendered to the Board an oral opinion, which was confirmed by delivery of a written opinion dated May 11, 2015, to the effect that, as of that date and based on and subject to the matters described in its opinion, the \$50.00 per Share cash consideration to be received in the Offer and the Merger, taken together as a single integrated transaction, by holders of Shares (other than Verizon, Acquisition Sub and their respective affiliates) pursuant to the Merger Agreement was fair, from a financial point of view, to such holders.

The full text of Allen & Company’s written opinion, dated May 11, 2015, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this document as Annex A. Allen & Company’s opinion was intended for the benefit and use of the Board (in its capacity as such) in connection with its evaluation of the \$50.00 per Share cash consideration from a financial point of view and does not address any other aspect of the Offer, the Merger or any related transaction. Allen & Company’s opinion does not constitute a recommendation as to the course of action that the Board should pursue in connection with the transaction, or otherwise address the merits of the underlying decision by the Company to engage in the transaction, including in comparison to other strategies or transactions that might be available to the Company or in which the Company might engage. The opinion does not constitute advice or a recommendation to any stockholder as to whether any stockholder should tender Shares in the Offer or how any stockholder should act on any other matter.

Allen & Company was not requested to, and it did not, recommend the specific consideration payable in the transaction or that any given consideration constituted the only appropriate consideration in the transaction. The type and amount of consideration payable in the transaction were determined through negotiations between the Company and Verizon, and the decision to enter into the transaction was solely that of the Board. Allen & Company’s opinion and financial analyses were one of many factors considered by the Board in its evaluation of the transaction and should not be viewed as determinative of the views of the Board or management with respect to the transaction or the consideration payable in the transaction. Allen &

Company's opinion as expressed in its opinion letter reflected and gave effect to Allen & Company's general familiarity with the Company as well as information which it received during the course of its engagement, including information provided by the Company's management in the course of discussions relating to the transaction as more fully described below. In arriving at its opinion, Allen & Company neither conducted a physical inspection of the properties or facilities of the Company nor made or obtained any evaluations or appraisals of the assets or liabilities (contingent, off-balance sheet or otherwise) of the Company, or conducted any analysis concerning the solvency or fair value of the Company.

In arriving at its opinion, Allen & Company, among other things:

- reviewed the financial terms and conditions of the Merger Agreement as reflected in a draft, dated May 10, 2015, of the Merger Agreement;

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- reviewed certain publicly available historical business and financial information related to the Company, including the Company's public filings and historical market prices and trading volumes for the Shares;
- reviewed certain internal financial statements, projections and other financial and operating data of the Company provided by the management of the Company;
- held discussions with the management of the Company relating to the past and current operations and financial condition and prospects of the Company;
- reviewed and analyzed certain publicly available information, including certain stock market data and financial information, relating to selected companies with businesses which Allen & Company deemed generally relevant in evaluating the Company;
- reviewed and analyzed certain publicly available financial information relating to selected transactions which Allen & Company deemed generally relevant in evaluating the transaction; and
- conducted such other financial analyses and investigations as Allen & Company deemed necessary or appropriate for the purposes of its opinion.

In rendering its opinion, Allen & Company relied on and assumed, with the Company's consent and without independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information available to Allen & Company from public sources, provided to Allen & Company by the Company or its representatives or otherwise reviewed by Allen & Company. With respect to financial projections and other financial and operating data relating to the Company (including, without limitation, estimates as to the net operating losses and other tax attributes of the Company) that Allen & Company utilized in its analyses, Allen & Company assumed, with the Company's consent, that they were

reasonably prepared in good faith reflecting the best currently available estimates and judgments of the Company's management as to the future operating and financial performance of the Company and the other matters covered thereby. Allen & Company assumed no responsibility for and expressed no view or opinion as to such financial projections or estimates or the assumptions on which they were based. Allen & Company relied, with the Company's consent, upon the assessments of the management of the Company as to, among other things, (i) the potential impact on the Company of market and other trends in and prospects for, and governmental and regulatory matters relating to or affecting, the media and technology industries and the business segments in which the Company operates and (ii) the products, technology and intellectual property of the Company (including the validity and associated risks thereof). Allen & Company also assumed, with the Company's consent, that there would be no developments with respect to any such matters that would be meaningful in any respect to its analyses or opinion.

Further, Allen & Company's opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Allen & Company as of, the date of its opinion. It should be understood that subsequent developments may affect the conclusion expressed in Allen & Company's opinion and that Allen & Company assumed no responsibility for advising any person of any change in any matter affecting its opinion or for updating or revising its opinion based on circumstances or events occurring after the date of its opinion.

In connection with its engagement, Allen & Company was not requested to, and it did not, undertake a formal third-party solicitation process on behalf of the Company with respect to the acquisition of all or a part of the Company; however, at the Company's request, Allen & Company held preliminary discussions with selected third parties from time to time regarding a possible acquisition of, or other strategic transaction involving, all or a part of the Company. Allen & Company did not express any opinion as to the fairness, financial or otherwise, of the amount, nature or any other aspect of any compensation payable to any officers, directors or employees of any party to the transaction, or any class of such persons or any other party, relative to the consideration to be received in the transaction or otherwise. Allen & Company also did not express any opinion as to the prices at which the Shares or any other securities of the Company might trade or otherwise be transferable at any time.

In addition, Allen & Company did not express any opinion as to any tax or other consequences that might result from the transaction, nor did Allen & Company's opinion address any legal, regulatory, tax or accounting

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matters, as to which Allen & Company understood that the Company obtained such advice as it deemed necessary from qualified professionals. Allen & Company assumed, with the Company's consent, that the transaction would be consummated in accordance with the terms and conditions set forth in the Merger Agreement and related documents and in compliance with all applicable laws, documents and other requirements, without amendment or waiver of any material term or

condition, and that all governmental, regulatory or third party approvals, consents or other actions necessary for the consummation of the transaction as contemplated by the Merger Agreement and related documents, including with respect to any divestitures, would be obtained without adverse effect on the Company or the transaction. Allen & Company also assumed, with the Company's consent, that the final executed Merger Agreement would not differ in any material respect from the draft reviewed by Allen & Company.

Allen & Company's opinion was limited to the fairness, from a financial point of view and as of the date of its opinion, of the \$50.00 per Share cash consideration to be received in the Offer and the Merger, taken together as a single integrated transaction, by holders of Shares (other than Verizon, Acquisition Sub and their respective affiliates) pursuant to the Merger Agreement. Allen & Company's opinion did not address any other term, aspect or implication of the transaction, including, without limitation, the form or structure of the transaction or any terms, aspects or implications of any convertible notes, warrants or related hedge or other transactions or any other agreement, arrangement or understanding entered into in connection with the transaction or otherwise.

This summary is not a complete description of Allen & Company's opinion or the financial analyses performed and factors considered by Allen & Company in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. Allen & Company arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and it did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion. Accordingly, Allen & Company believes that its financial analyses and this summary must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of such analyses or factors, could create a misleading or incomplete view of the processes underlying Allen & Company's analyses and opinion.

In performing its financial analyses, Allen & Company considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond the Company's control. No company, business or transaction used in the financial analyses is identical to the Company, its business or the transaction, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the financial analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or other values of the companies or business segments analyzed.

The assumptions and estimates contained in Allen & Company's financial analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by its analyses. In addition, financial analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the assumptions and estimates used in, and the results derived from, Allen & Company's financial analyses are inherently subject to substantial uncertainty.

The following is a summary of the material financial analyses reviewed with the Board in connection with Allen & Company's opinion dated May 11, 2015. **The financial analyses summarized below include information presented in tabular format. In order to fully understand Allen & Company's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies**

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and assumptions underlying the analyses, could create a misleading or incomplete view of Allen & Company's analyses. For purposes of the financial analyses described below, references to estimated earnings before interest, taxes, depreciation and amortization, or EBITDA, means EBITDA as adjusted for one-time, non-recurring items and before stock-based compensation expense.

2. Selected Public Companies Analysis.

In performing a selected public companies analysis of the Company, Allen & Company reviewed publicly available financial and stock market information of the following 10 selected companies that Allen & Company in its professional judgment considered generally relevant for comparative purposes as publicly traded companies with operations in the Internet, digital media and technology industries, collectively referred to as the selected companies:

- Bankrate, Inc.
- Demand Media, Inc.
- DHI Group, Inc.
- EarthLink Holdings Corp.
- Google Inc.
- IAC/InterActiveCorp
- United Online, Inc.
- WebMD Health Corp.
- XO Group Inc.
- Yahoo! Inc.

Allen & Company reviewed, among other things, firm values, calculated as equity values based on closing stock prices and diluted shares outstanding on May 8, 2015 plus debt (including convertible debt) and minority interests (as applicable) less cash and cash equivalents and unconsolidated assets (as applicable), as a multiple of calendar year 2015 and calendar year 2016 estimated EBITDA. Estimated financial data of the selected companies were based on public filings, publicly available research analysts' estimates and other publicly available information. Estimated financial data of the Company were based on internal forecasts and other estimates of the Company's management.

The overall low to high calendar year 2015 and calendar year 2016 estimated EBITDA multiples observed for the selected companies were 0.5x to 14.2x (with a mean of 7.8x and a median of 7.8x) and 0.4x to 10.6x (with a mean of 6.7x and a median of 7.1x), respectively. Allen & Company then applied a selected range of calendar year 2015 and calendar year 2016 estimated EBITDA multiples derived from the selected companies of 7.0x to 8.0x and 6.5x to 7.5x, respectively, to corresponding data of the Company. This analysis indicated the following approximate implied equity value per Share reference ranges for the Company, as compared to the per Share consideration payable in the Offer and the Merger:

Implied Equity Value Per Share Reference Range		Per Share Consideration in Offer and Merger
Based on 2015E EBITDA	Based on 2016E EBITDA	\$
\$43.02 - \$49.01	\$44.71 - \$51.42	50.00

Allen & Company also performed a sum-of-the-parts selected public companies analysis of the Company based on its separate Brand Group, Membership Group and AOL Platforms segments. In evaluating the Company's Brand Group segment, Allen & Company reviewed financial and stock market information for the following seven selected companies that Allen & Company in its professional judgment considered generally relevant for comparative purposes as publicly traded companies with operations in the on-line content sector of the Internet, digital media and technology industries, referred to as the selected brand companies. In evaluating the Company's Membership Group segment, Allen & Company reviewed financial and stock market information

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for the following two selected companies that Allen & Company in its professional judgment considered generally relevant for comparative purposes as publicly traded companies with operations in the Internet service provider sector of the Internet, digital media and technology industries, referred to as the selected membership companies. In evaluating the AOL Platforms segment, Allen & Company reviewed stock market and financial information for the following eight selected companies that Allen & Company in its professional judgment considered generally relevant for comparative purposes as publicly traded companies with operations in the advertising networks and technology sector of the Internet, digital media and technology industries, referred to as the selected platforms companies:

Selected Brand Companies	Selected Platforms Companies
<ul style="list-style-type: none"> • Bankrate, Inc. • Google Inc. • IAC/InterActiveCorp • TripAdvisor, Inc. • WebMD Health Corp. • XO Group Inc. • Yelp Inc. 	<ul style="list-style-type: none"> • Criteo S.A. • Marin Software Incorporated • Millennial Media, Inc. • Rocket Fuel Inc. • The Rubicon Project, Inc. • Tremor Video, Inc. • TubeMogul, Inc. • YuMe, Inc.
Selected Membership Companies	
<ul style="list-style-type: none"> • EarthLink Holdings Corp. • United Online, Inc. 	

Allen & Company reviewed, among other things, firm values, calculated as equity values based on closing stock prices and diluted shares outstanding on May 8, 2015 (except, in the case of Yelp Inc. and Rocket Fuel Inc., which were based on unaffected closing stock prices as of May 6, 2015 prior to takeover rumors) plus debt (including convertible debt) and minority interests (as applicable) less cash and cash equivalents and unconsolidated assets (as applicable), as multiples of calendar year 2015 and calendar year 2016 estimated EBITDA (in the case of the selected brand companies and selected membership companies) and calendar year 2015 and calendar year 2016 estimated gross revenue (in the case of the selected platforms companies). Estimated financial data of the selected brand companies, selected membership companies and selected platforms companies were based on public filings, publicly available research analysts' estimates and other publicly available information. Estimated financial data of the Company were based on internal forecasts and other estimates of the Company's management.

The low to high calendar year 2015 and calendar year 2016 estimated EBITDA multiples observed for the selected brand companies were 8.9x to 26.4x (with a mean of 15.3x and a median of 13.0x) and 7.6x to 17.4x (with a mean of 11.7x and a median of 10.1x), respectively. The low to high calendar year 2015 and calendar year 2016 estimated EBITDA multiples observed for the selected membership companies were 4.5x to 5.0x (with a mean of 4.7x) and 4.4x to 5.6x (with a mean of 5.0x), respectively. Given the declines in the Company's Membership Group segment anticipated by the Company, Allen & Company also calculated implied EBITDA multiples from the estimated net present value of the Company's Membership Group segment based on internal forecasts and other estimates of the Company's management and assuming that the unlevered free cash flow from such segment runs-off at a 10% annual rate after calendar year 2018, which indicated implied ranges of calendar year 2015 and calendar year 2016 estimated EBITDA multiples of 2.5x to 2.7x and 2.8x to 3.0x, respectively. The low to high calendar year 2015 and calendar year 2016 estimated gross revenue multiples observed for the selected platforms companies were 0.3x to 2.2x (with a mean of 1.0x and a median of 0.7x) and 0.3x to 1.7x (with a mean of 0.8x and a median of 0.5x), respectively. Allen & Company then

applied selected EBITDA multiples of 14.0x to 16.0x and 11.0x to 13.0x, respectively, derived from the selected brand companies to corresponding data of the Company’s Brand Group segment, selected ranges of calendar year 2015 and

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calendar year 2016 estimated EBITDA multiples of 2.5x to 3.0x and 2.5x to 3.0x, respectively, derived from the selected membership companies to corresponding data of the Company’s Membership Group segment, and selected ranges of calendar year 2015 and calendar year 2016 estimated gross revenue multiples of 1.5x to 2.0x and 1.25x to 1.50x, respectively, derived from the selected platforms companies to corresponding data of the AOL Platforms segment. In the case of the Company’s estimated general corporate overhead cost and other items unallocated to specific business segments, Allen & Company applied a selected range of calendar year 2015 and calendar year 2016 estimated EBITDA multiples of 7.0x to 8.0x and 6.5x to 7.5x, respectively, utilized in its selected public companies analysis of the Company as a whole as described above to such overhead costs and other items. This analysis indicated the following overall approximate implied equity value per Share reference ranges for the Company, as compared to the per Share cash consideration payable in the Offer and the Merger.

Implied Equity Value Per Share Reference Range		Per Share Cash Consideration in Offer and Merger
Based on <u>2015E Metrics</u> \$42.92 - \$54.08	Based on <u>2016E Metrics</u> \$43.98 - \$52.71	\$ 50.00

3. Sum-of-the-Parts Selected Precedent Transactions Analysis.

In performing a selected precedent transactions analysis of the Company, Allen & Company reviewed, to the extent publicly available, financial information relating to 15 selected transactions that Allen & Company in its professional judgment considered generally relevant for comparative purposes as transactions involving target companies with operations in the brand and platforms segments of the Internet, digital media and technology industries, collectively referred to as the selected transactions. In evaluating the Company’s Brand Group segment, Allen & Company reviewed financial information for the following seven transactions involving target companies in the on-line content sector of the Internet, digital media and technology industries, referred to as the selected brand transactions. In evaluating the Company’s AOL Platforms segment, Allen & Company reviewed financial information for the following eight selected transactions involving target companies with operations in the advertising networks and technology sector of the Internet, digital media and technology industries, referred to as the selected platforms transactions:

Announcement Date	Acquiror	Target
<u>Selected Brand Transactions</u>		

September 30, 2014	• News Corporation	• Move Inc.
December 9, 2013	• IAC/InterActive Corp	• ValueClick, Inc. (selected assets)
October 22, 2012	• Permira Holdings Ltd.	• Ancestry.com Inc.
August 26, 2012	• IAC/InterActiveCorp	• About, Inc.
February 3, 2011	• AFCV Holdings, LLC	• Answers Corporation
September 20, 2010	• Hellman & Friedman LLC	• Internet Brands, Inc.
July 22, 2009	• Apax Partners	• Bankrate, Inc.

Selected Platforms Transactions

April 1, 2015	• The Rubicon Project, Inc.	• Chango Inc.
September 23, 2014	• Millennial Media, Inc.	• Nexage Inc.
September 11, 2014	• Alliance Data Systems Corporation	• Conversant, Inc.
August 5, 2014	• Rocket Fuel Inc.	• X Plus One Solutions Inc.
July 2, 2014	• Facebook, Inc.	• LiveRail Inc.
June 24, 2014	• Opera Software ASA	• AdColony Inc.
August 7, 2013	• AOL Inc.	• Adapt.tv, Inc.
November 1, 2011	• Yahoo! Inc.	• Interclick Inc.

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Allen & Company reviewed firm values, calculated as the purchase prices paid for the target companies in the selected transactions plus debt (including convertible debt) and minority interests (as applicable) less cash and cash equivalents and unconsolidated assets (as applicable), as multiples of such target companies' forward estimated EBITDA (in the case of the selected brand transactions) and forward estimated gross revenue (in the case of the selected platforms transactions). Estimated financial data of the selected transactions were based on publicly available research analysts' estimates, public filings and other publicly available information. Estimated financial data of the Company were based on internal forecasts and other estimates of the Company's management.

The low to high forward estimated EBITDA multiples observed for the selected brand transactions were 2.2x to 23.7x (with a mean of 10.4x and a median of 9.6x) and the low to high forward estimated gross revenue multiples observed for the selected platforms transactions were 1.4x to 3.5x (with a mean of 2.1x and a median of 2.0x). Allen & Company then applied a selected range of forward estimated EBITDA multiples of 15.0x to 17.0x derived from the selected brand transactions to the calendar year 2015 estimated EBITDA of the Company's Brand Group segment and applied a selected range of forward estimated gross revenue multiples of 1.75x to 2.25x derived from the selected platforms transactions to the calendar year 2015 estimated revenue of the AOL Platforms segment. In the case of the Company's Membership Group segment, Allen & Company applied a selected range of calendar year 2015 estimated

EBITDA multiples of 2.5x to 3.0x utilized in its sum-of-the-parts selected public companies analysis of the Company as described above to the calendar year 2015 estimated EBITDA of the Company's Membership Group segment. In the case of the Company's estimated general corporate overhead costs and other items unallocated to specific business segments, Allen & Company applied a selected range of calendar year 2015 estimated EBITDA multiples of 7.0x to 8.0x utilized in its selected public companies analysis of the Company as a whole as described above to such overhead costs and other items. This analysis indicated the following overall approximate implied equity value per Share reference range for the Company, as compared to the per Share consideration payable in the Offer and the Merger:

Implied Equity Value Per Share Reference Range	Per Share Consideration in Offer and Merger
\$47.67 - \$58.82	\$50.00

4. Discounted Cash Flow Analysis.

Allen & Company performed a discounted cash flow analysis of the Company to calculate the estimated present value of the standalone unlevered, after-tax free cash flows that the Company was forecasted to generate during the second half of the calendar year ending December 31, 2015 through the full calendar year ending December 31, 2018 based on internal forecasts and other estimates of the Company's management. Terminal values for the Company were calculated by applying to the Company's calendar year 2018 estimated EBITDA a selected range of terminal value EBITDA multiples of 6.5x to 7.5x. The cash flows and terminal values were then discounted to present value (as of June 30, 2015) using discount rates ranging from 10.0% to 12.0%. In calculating an implied equity value reference range, the estimated present value of net operating loss carryforwards and other tax attributes of the Company expected by the Company's management to be utilized by the Company was included. This analysis indicated the following approximate implied equity value per Share reference range for the Company, as compared to the per Share cash consideration payable in the Offer and the Merger:

Implied Equity Value Per Share Reference Range	Per Share Consideration in Offer and Merger
\$46.88 - \$55.61	\$50.00

5. Additional Factors.

Allen & Company observed certain additional factors that were not considered part of Allen & Company's financial analyses with respect to its opinion but were referenced for informational purposes, including, among other things, the following:

- the historical trading performance of the Shares during the 52-week period ended May 8, 2015 (the last trading day prior to announcement of the Company's proposed transaction with Verizon), which reflected low to high intraday prices for the Shares during such period of approximately \$33.20 to \$49.86 per Share; and

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- publicly available one-year forward research analysts' stock price targets for the Shares, which reflected low to high stock price targets of \$38.00 to \$67.00 per Share (with a median of \$46.50 per Share), as compared to the cash consideration payable in the transaction of \$50.00 per Share.

6. Miscellaneous

The Company selected Allen & Company to act as its financial advisor in connection with the transaction based on Allen & Company's reputation, experience and familiarity with the Company and its businesses. Allen & Company, as part of its investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, private placements and related financings, bankruptcy reorganizations and similar recapitalizations, negotiated underwritings, secondary distributions of listed and unlisted securities, and valuations for corporate and other purposes. In the ordinary course of business, Allen & Company as a broker-dealer and market maker and certain of its affiliates may invest or have long or short positions, either on a discretionary or non-discretionary basis, for their own account or for those of Allen & Company's clients, in the debt and equity securities (or related derivative securities) of the Company, Verizon or their respective affiliates. The issuance of Allen & Company's opinion was approved by Allen & Company's fairness opinion committee.

For a description of the terms of Allen & Company's engagement, see the discussion under "Item 5. Persons/Assets Retained, Employed, Compensated or Used—Allen & Company" below.

E. ACTUAL OPINION OF ALLEN & COMPANY

ANNEX A

OPINION OF ALLEN & COMPANY LLC

[LETTERHEAD OF ALLEN & COMPANY LLC]

May 11, 2015

The Board of Directors
AOL Inc.
770 Broadway
New York, NY 10003

Members of the Board of Directors:

We understand that AOL Inc., a Delaware corporation ("AOL"), Verizon Communications Inc., a Delaware corporation ("Verizon"), and Hanks Acquisition Sub, Inc., a Delaware corporation and wholly owned subsidiary of Verizon ("Acquisition Sub"), propose to enter into an Agreement and Plan of Merger (the "Agreement") pursuant to which, among other things, (i) Acquisition Sub will commence a tender offer (the "Offer") to purchase all outstanding shares

of the common stock, par value \$0.01 per share, of AOL (“AOL Common Stock”) at a purchase price of \$50.00 per share in cash (the “Consideration”) and (ii) subsequent to consummation of the Offer, Acquisition Sub will be merged with and into AOL (the “Merger”) and, together with the Offer as a single integrated transaction, the “Transaction”) and each outstanding share of AOL Common Stock not previously tendered in the Offer will be converted in the Merger into the right to receive the Consideration. The terms and conditions of the Transaction are more fully set forth in the Agreement.

As you know, Allen & Company LLC (“Allen”) has acted as financial advisor to AOL in connection with the proposed Transaction. In connection with our engagement, Allen has been asked to render an opinion to the Board of Directors of AOL (the “Board”) as to the fairness, from a financial point of view, of the Consideration to be received in the Transaction by holders of AOL Common Stock (other than Verizon, Acquisition Sub and their respective affiliates). For such services, AOL has agreed to pay to Allen a cash fee contingent upon consummation of the Offer (the “Transaction Fee”) and AOL also has agreed to pay to Allen a cash fee upon delivery of this opinion (the “Opinion Fee”), which Opinion Fee will be creditable against the Transaction Fee. No portion of the Opinion Fee is contingent upon either the conclusion expressed in this opinion or successful consummation of the Transaction. AOL also has agreed to reimburse Allen’s reasonable expenses and to indemnify Allen against certain liabilities arising out of our engagement.

Allen, as part of our investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, private placements and related financings, bankruptcy reorganizations and similar recapitalizations, negotiated underwritings, secondary distributions of listed and unlisted securities, and valuations for corporate and other purposes. Allen in the past has provided, currently is providing and in the future may provide investment banking services to AOL and certain of its affiliates unrelated to the proposed Transaction, for which services Allen has received and expects to receive compensation including, during the past two years, having acted or acting as a financial advisor to AOL in May 2013 and July 2014 in connection with general corporate matters and in August 2013 in connection with an acquisition transaction. Although Allen during the past two years has not provided, and is not currently providing, investment banking services to Verizon for which it has received compensation, Allen may provide such services to Verizon and/or its affiliates in the future, for which services Allen would expect to receive compensation. In the ordinary course, Allen

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as a broker-dealer and market maker and certain of its affiliates may invest or have long or short positions, either on a discretionary or non-discretionary basis, for their own account or for those of Allen's clients, in the debt or equity securities (or related derivative securities) of AOL, Verizon or their respective affiliates. The issuance of this opinion has been approved by Allen's fairness opinion committee.

Our opinion as expressed herein reflects and gives effect to our general familiarity with AOL as well as information which we received during the course of our engagement, including information provided by the management of AOL in the course of discussions relating to the Transaction as more fully described below. In arriving at our opinion, we neither conducted a physical inspection of the properties or facilities of AOL or any other entity nor made or obtained any evaluations or appraisals of the assets or liabilities (contingent, off-balance sheet or otherwise) of AOL or any other entity, or conducted any analysis concerning the solvency or fair value of AOL or any other entity.

In arriving at our opinion, we have, among other things:

- (i) reviewed the financial terms and conditions of the Agreement as reflected in a draft, dated May 10, 2015, of the Agreement;
- (ii) reviewed certain publicly available historical business and financial information related to AOL, including AOL's public filings and historical market prices and trading volumes for AOL Common Stock;
- (iii) reviewed certain internal financial statements, projections and other financial and operating data of AOL provided by the management of AOL;
- (iv) held discussions with the management of AOL relating to the past and current operations and financial condition and prospects of AOL;
- (v) reviewed and analyzed certain publicly available information, including certain stock market data and financial information, relating to selected companies with businesses we deemed generally relevant in evaluating AOL;
- (vi) reviewed and analyzed certain publicly available financial information relating to selected transactions we deemed generally relevant in evaluating the Transaction; and
- (vii) conducted such other financial analyses and investigations as we deemed necessary or appropriate for the purposes of the opinion expressed herein.

In rendering our opinion, we have relied upon and assumed, with your consent and without independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information available to us from public sources, provided to us by AOL or its representatives or otherwise reviewed by us. With respect to the financial projections and other financial and operating data relating to AOL (including, without limitation, estimates as to net operating losses and other tax attributes of AOL) that we have been directed to utilize in our analyses, we have assumed, with your consent, that they have been reasonably prepared in

good faith reflecting the best currently available estimates and judgments of the management of AOL as to the future operating and financial performance of AOL and the other matters covered thereby. We assume no responsibility for and express no view or

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opinion as to such financial projections or estimates or the assumptions on which they are based. We have relied, with your consent, upon the assessments of the management of AOL as to, among other things, (i) the potential impact on AOL of market and other trends in and prospects for, and governmental and regulatory matters relating to or affecting, the media and technology industries and the business segments in which AOL operates and (ii) the products, technology and intellectual property of AOL (including the validity and associated risks thereof). We have assumed, with your consent, that there will be no developments with respect to any such matters that would be meaningful in any respect to our analyses or opinion.

Further, our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect the conclusion expressed in this opinion and that we assume no responsibility for advising any person of any change in any matter affecting this opinion or for updating or revising our opinion based on circumstances or events occurring after the date hereof.

It is understood that this opinion is intended for the benefit and use of the Board (in its capacity as such) in connection with its evaluation of the Transaction. This opinion does not constitute a recommendation as to the course of action that the Board or AOL should pursue in connection with the Transaction, or otherwise address the merits of the underlying decision by AOL to engage in the Transaction, including in comparison to other strategies or transactions that might be available to AOL or in which AOL might engage. In connection with our engagement, we were not requested to, and we did not, undertake a formal third-party solicitation process on AOL's behalf with respect to the acquisition of all or a part of AOL; however, at AOL's request, we held preliminary discussions with selected third parties from time to time regarding a possible acquisition of, or other strategic transaction involving, all or a part of AOL. This opinion does not constitute advice or a recommendation to any stockholder as to whether any stockholder should tender shares of AOL Common Stock in the Offer or how any stockholder should act on any matter relating to the Transaction. We do not express any opinion as to the fairness, financial or otherwise, of the amount, nature or any other aspect of any compensation payable to any officers, directors or employees of any party to the Transaction, or any class of such persons or any other party, relative to the Consideration or otherwise. We also

are not expressing any opinion as to the prices at which AOL Common Stock or any other securities of AOL may trade or otherwise be transferable at any time.

In addition, we do not express any opinion as to any tax or other consequences that might result from the Transaction, nor does our opinion address any legal, regulatory, tax or accounting matters, as to which we understand that AOL obtained such advice as it deemed necessary from qualified professionals. We have assumed, with your consent, that the Transaction will be consummated in accordance with the terms and conditions set forth in the Agreement and related documents and in compliance with all applicable laws, documents and other requirements, without amendment or waiver of any material term or condition, and that all governmental, regulatory or third party approvals, consents or other actions necessary for the consummation of the Transaction as contemplated by the Agreement and related documents, including with respect to any divestiture requirements, will be obtained without adverse effect on AOL or the Transaction. We also have assumed, with your consent, that the final executed Agreement will not differ in any material respect from the draft reviewed by us.

Our opinion is limited to the fairness, from a financial point of view and as of the date hereof, of the Consideration to be received in the Transaction by holders of AOL Common Stock (other than Verizon, Acquisition Sub and their respective affiliates). Our opinion does not address any other term,

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aspect or implication of the Transaction, including, without limitation, the form or structure of the Transaction or any terms, aspects or implications of any convertible notes, warrants or related hedge or other transactions or any other agreement, arrangement or understanding entered into in connection with the Transaction or otherwise.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Consideration to be received in the Transaction by holders of AOL Common Stock (other than Verizon, Acquisition Sub and their respective affiliates) is fair, from a financial point of view, to such holders.

Very truly yours,

ALLEN & COMPANY LLC

V. COURT DISCUSSION OF VALUATION EXPERTS: CORNELL AND FISCHER

In re AOL Inc., 2018 Del. Ch. LEXIS 63 (Del. Feb. 23, 2018).

The Petitioners hired a well-qualified academic, **Dr. Bradford Cornell**, a visiting professor at the California Institute of Technology, as their expert witness. [JX2277 (Cornell Report)] Cornell performed a financial analysis, and concluded that the fair value of AOL stock was \$68.98 per share.¹³⁰ For reasons not necessary to detail, however, the Respondent questioned Dr. Cornell's impartiality in this matter, and the Petitioners seem content to use the DCF model presented by the Respondent's expert as a starting point for my analysis. Accordingly, I start with the DCF valuation provided by that expert, **Professor Daniel Fischel**, and consider the Petitioners' [*28] limited arguments that certain assumption or inputs in that valuation must be changed. [JX2255 (Fischel Report) ¶ 41]

Fischel opined that the fair value of AOL stock was \$44.85 per share.¹³¹ The Petitioners' disagreements with the Fischel analysis are limited, although the effects of that disagreement on the calculation of fair value are vast. The parties dispute only four items: (1) the proper cash flow projections for the DCF; (2) the operative reality assumed in the DCF with regard to two deals with Microsoft and one deal with Millennial Media Inc.; (3) the proper projection period and terminal growth rate; and (4) how much of AOL's cash balance must be added back after the DCF. I discuss each in turn.