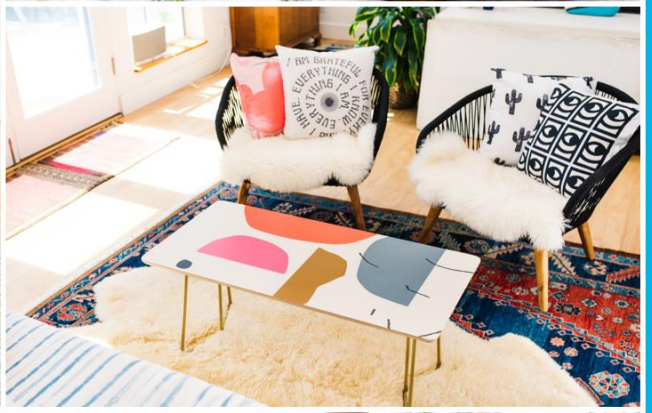


leaf GROUP

DIGITAL BRANDS THAT MATTER

MAY 2019

SAATCHI ART | THE OTHER ART FAIR PRESENTED BY SAATCHI ART | society6 | hunker | LIVESTRONG.COM | WELL+GOOD

Disclaimers

This presentation contains, and our officers and representatives during this presentation may from time to time make, certain forward-looking statements, which statements involve substantial risks and uncertainties. All statements other than statements of historical fact contained in this presentation, including statements regarding Leaf Group's future results of operations and financial condition, business strategy, plans and objectives for future operations, are forward-looking statements. Such statements are subject to change and to a number of risks, uncertainties, and assumptions, and investors are cautioned not to place undue reliance on these statements. Actual results could differ materially from those expressed or implied, and reported results should not be considered as an indication of future performance.

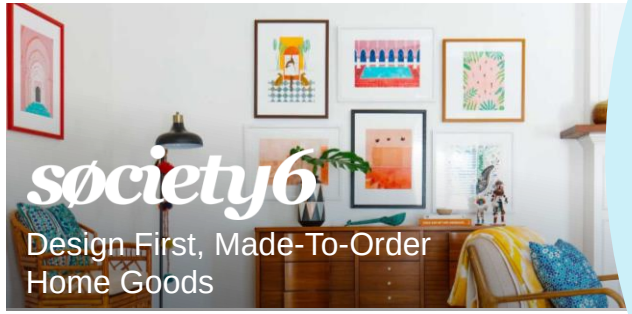
Risks that contribute to the uncertain nature of the forward-looking statements include, among others, risks associated with Leaf Group's ability to successfully drive and increase traffic to its marketplaces and media properties; changes in the methodologies of internet search engines, including ongoing algorithmic changes made by Google, Bing and Yahoo!; Leaf Group's ability to attract new and repeat customers and artists to its marketplaces and successfully grow its marketplace businesses; the potential impact on advertising-based revenue from lower ad unit rates, a reduction in online advertising spending, a loss of advertisers, lower advertising yields, increased availability of ad blocking software, particularly on mobile devices and/or ongoing changes in ad unit formats; the effects of shifting consumption of media content and online shopping from desktop to mobile devices and/or social media platforms; Leaf Group's ability to effectively integrate, manage, operate and grow acquired businesses; Leaf Group's ability to prevent any actual or perceived security breaches; the Company's ability to expand its business internationally; the review of strategic alternatives as well as other risks listed or described from time to time in Leaf Group's filings with the Securities and Exchange Commission, which are incorporated herein by reference. Except as required by law, Leaf Group undertakes no obligation to update or revise any forward-looking statements for any reason after the date of this presentation to conform these statements to actual results or to changes in Leaf Group's expectations.

Non-GAAP Disclosure:
This presentation includes reference to Adjusted EBITDA and Segment Operating Contribution, each of which is a non-GAAP measure. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. The non-GAAP measures used by Leaf Group may differ from the non-GAAP measures used by other companies. Leaf Group considers these non-GAAP financial measures to be important because they provide a useful measure of the operating performance of Leaf Group and are used by Leaf Group's management for that purpose, as discussed in greater detail in our earnings releases, which can be found on the Investor Relations section of Leaf Group's corporate website at http://ir.leafgroup.com. In addition, a reconciliation of non-GAAP measures to the most directly comparable GAAP measures is available in the Appendix to this presentation.

As large markets continue to move online …

brands increasingly matter

Building Digital First Brands in Rapidly Growing Lifestyle Categories



ART & DESIGN

63% Female

71% Ages 18-54

64% Highly Educated

FITNESS & WELLNESS

Established Platform Reaching One-fourth of US Internet Population

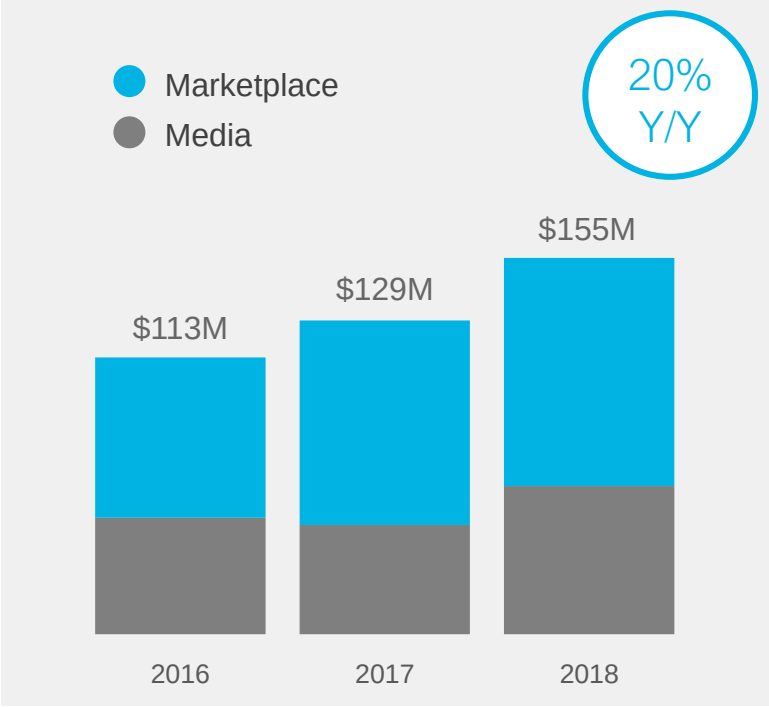
AUDIENCE[1]

Leaf Group Unique Monthly US Visitors

64
Million

Total US Internet 261M

REVENUE



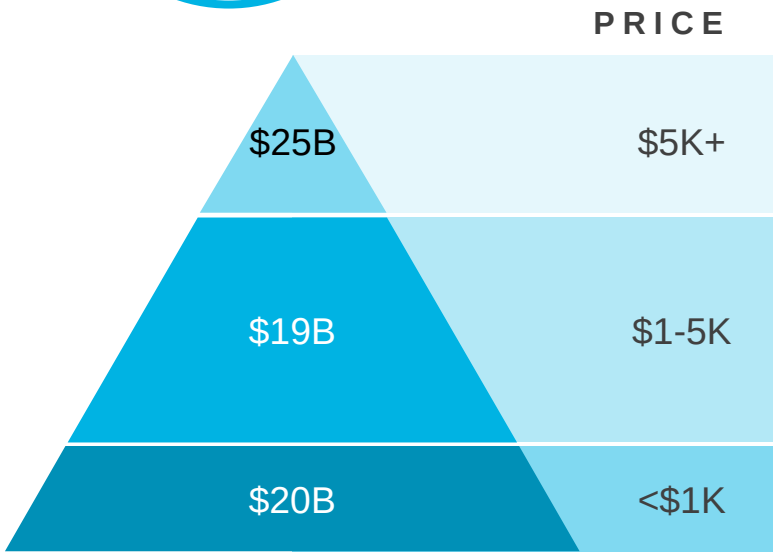
Consistent performance with significant room for long-term growth

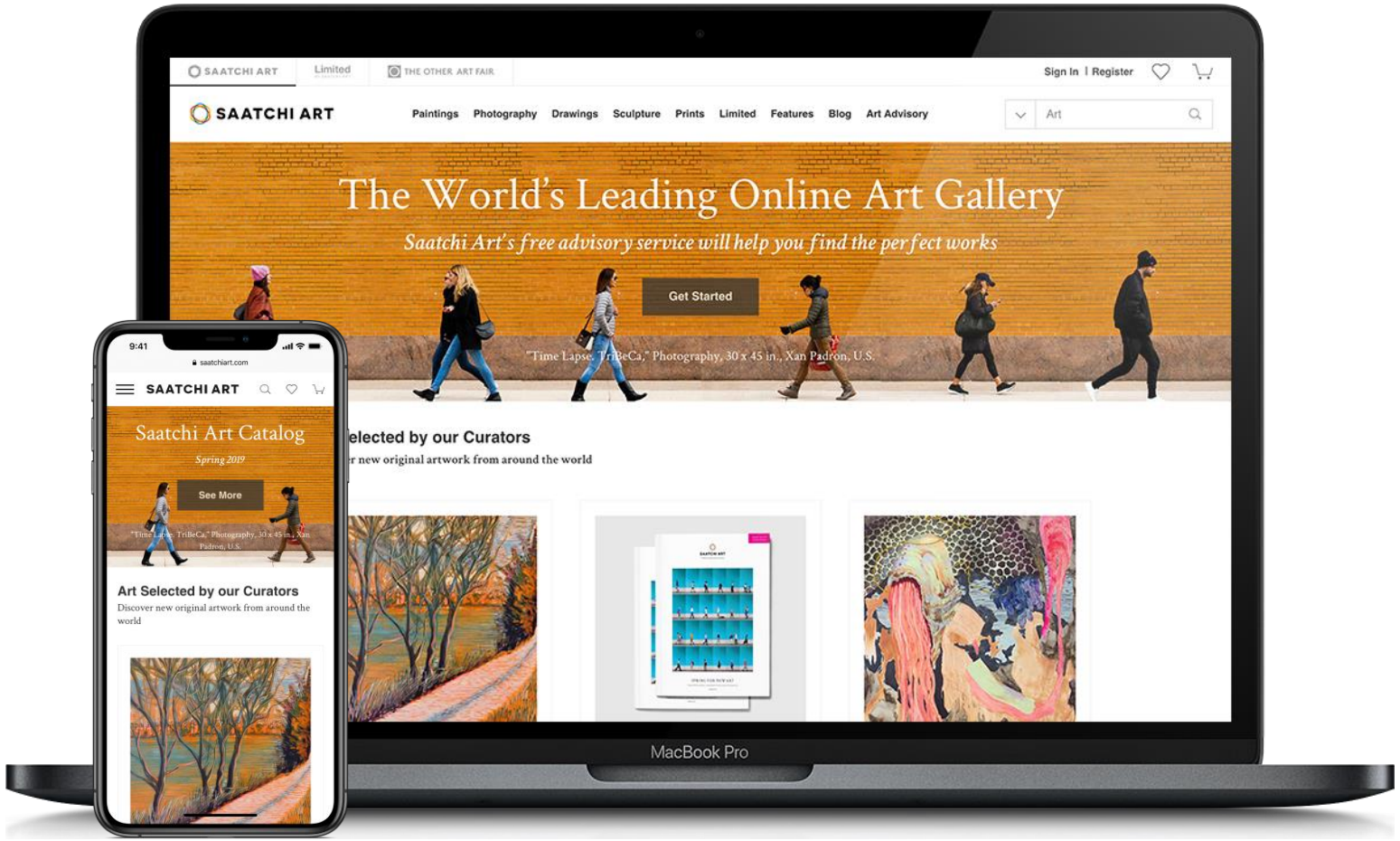
1) ComScore March 2019

SAATCHI ART

$67B
GLOBAL
ART MARKET

$6B
ONLINE





"For me as an artist working together with Saatchi Art and their curatorial team is one of the highlights of my artistic career. I am very glad that I could sell quite a lot of work with Saatchi."

– MANUELA KARIN KNAUT, ARTIST

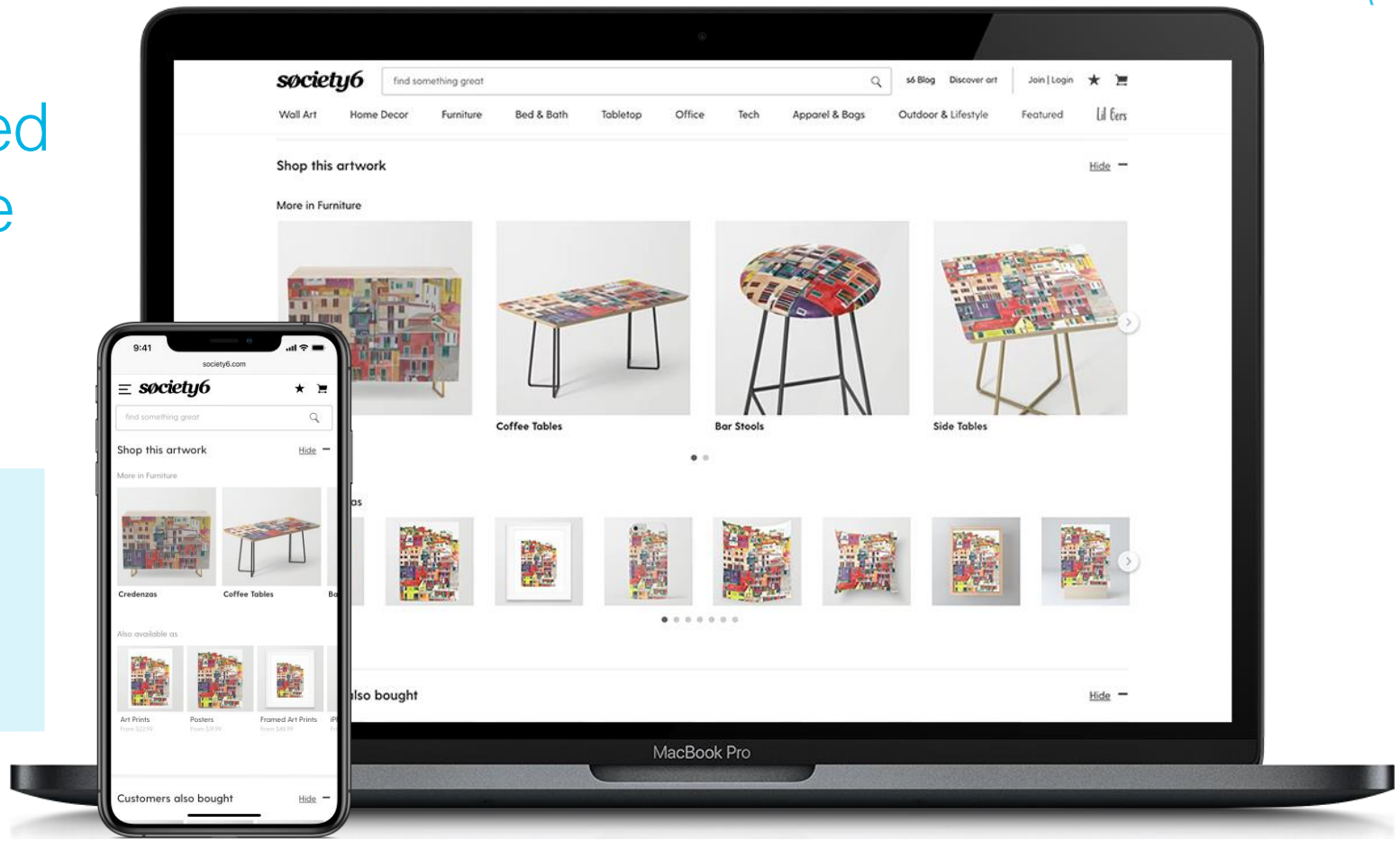
Source: The Art Market 2018 | Art Basel & UBS Report

Creative and Personalized Experience for the Home

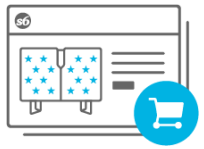
1. Design First Shopping
2. Made to Order
3. Every Purchase Pays an Artist

"I love that you have such a great selection of items to customize. I love that the artist receives a payment when I use their work. I love the quality of your products and all the talented artists."

- RENEE LENON, CUSTOMER



ARTIST UPLOAD & SELLS ARTWORK
Artist uploads their artwork to Society6 and makes it available for sale as a variety of lifestyle products.



DISCOVER & BUY GREAT ARTWORK
Society6 has hundreds of thousands of independent artists from around the globe, selling their original works as 60+ lifestyle products.

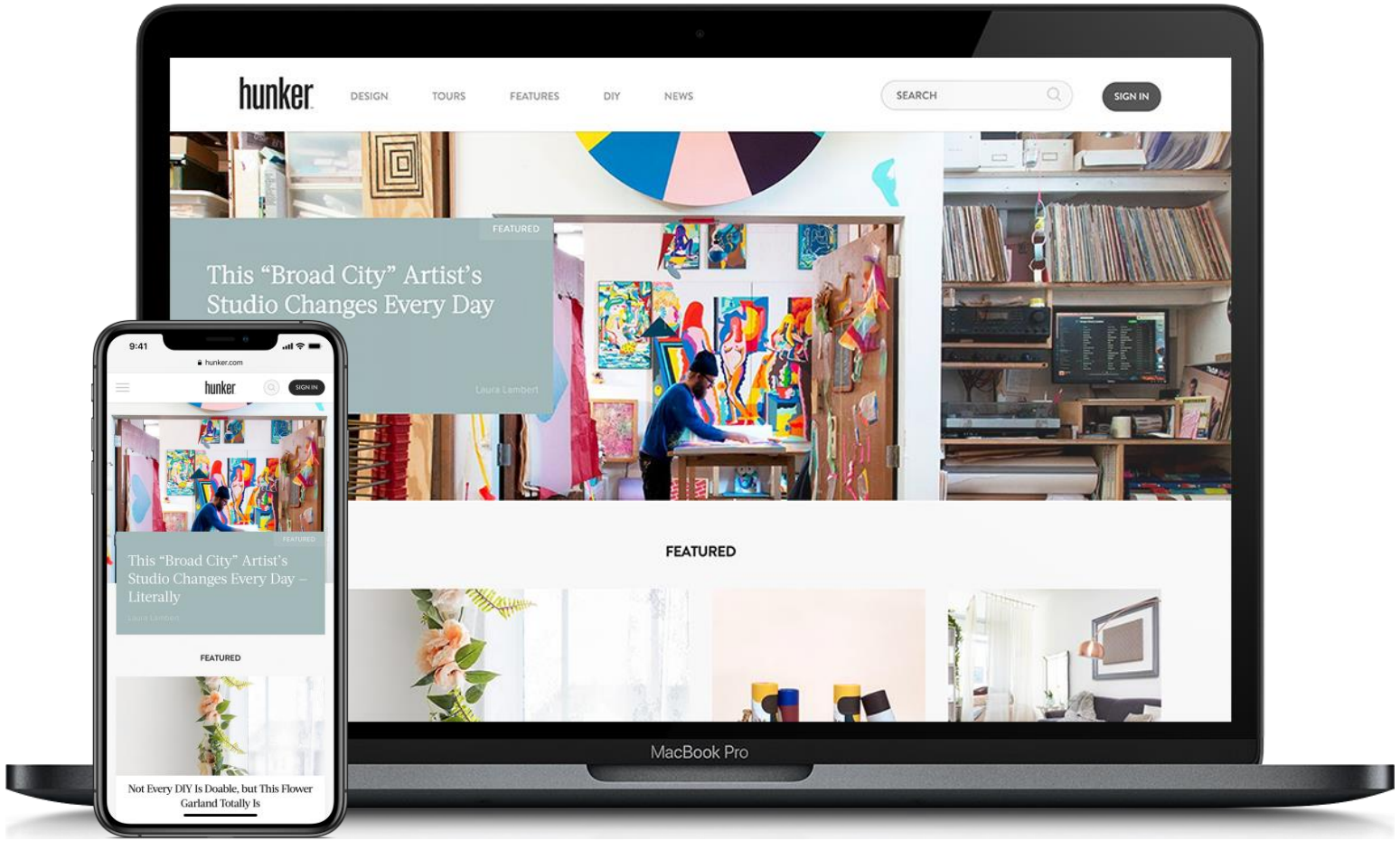
EVERY PURCHASE IS MADE-TO-ORDER
When a customer buys a product, it is made-to-order, using only the highest quality materials. Society6 will then package it and ship it for the artist.

BRINGING ART INTO EVERYDAY LIFE
Society6 delivers dynamic, quality products to design-minded people looking to express their individuality.

hunker™

Home Design Digital Publisher

- Launched in-house March 2017
- 11.5M monthly unique visitors [1]
- #1 in Digital Brand Home [1]
- Highly engaged audience



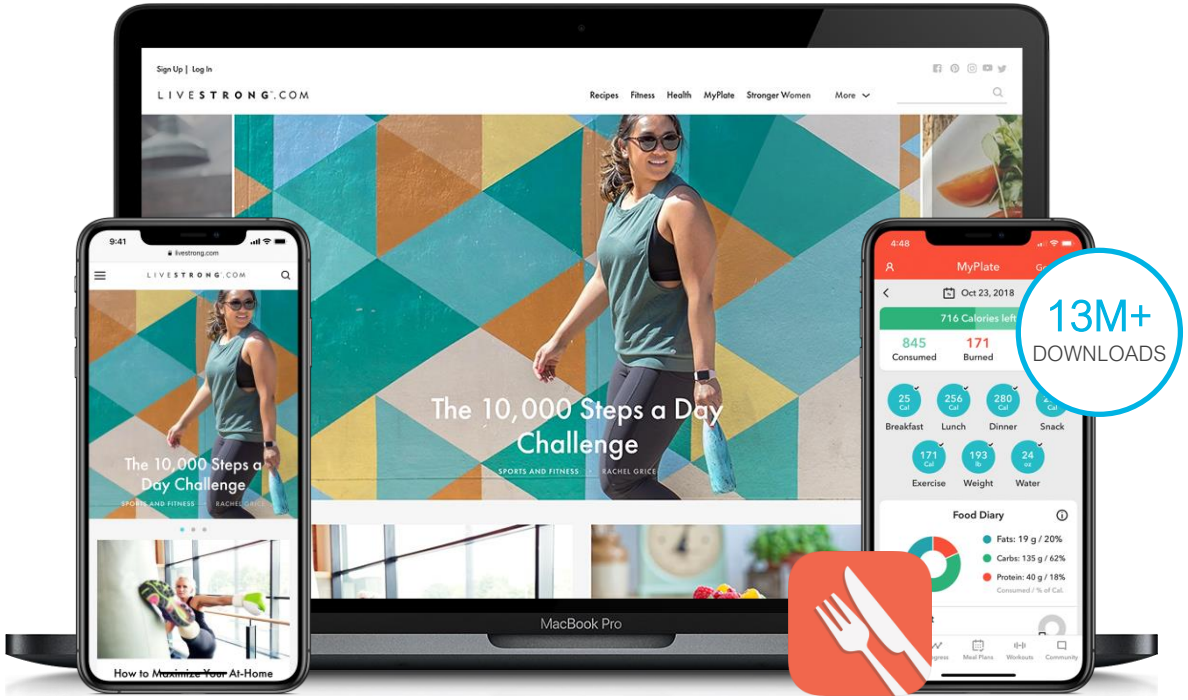
Hunker helps first-timers improve their homes with inspiring home tours, practical solutions, and design advice for real people.

1) ComScore March 2019

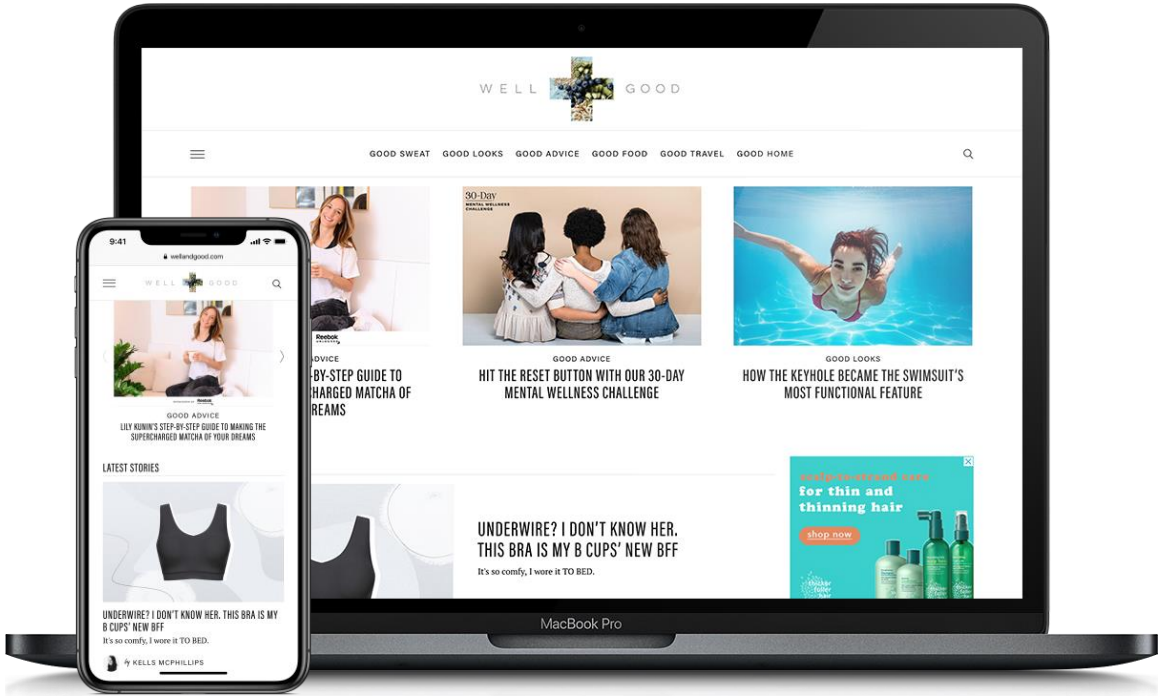
Leading Fitness and Wellness Brands

LIVESTRONG℠.COM

WELL+GOOD



13M+
DOWNLOADS



With over 22M unique monthly visitors[1], our fitness and wellness brands are category leaders and a must-buy for advertisers

1) ComScore March 2019, unduplicated

Growth Strategy

20%
per year growth objective

- Diverse portfolio of Digital First Brands
- Category leadership built on product and service quality
- Platform for strong organic growth and strategic M&A

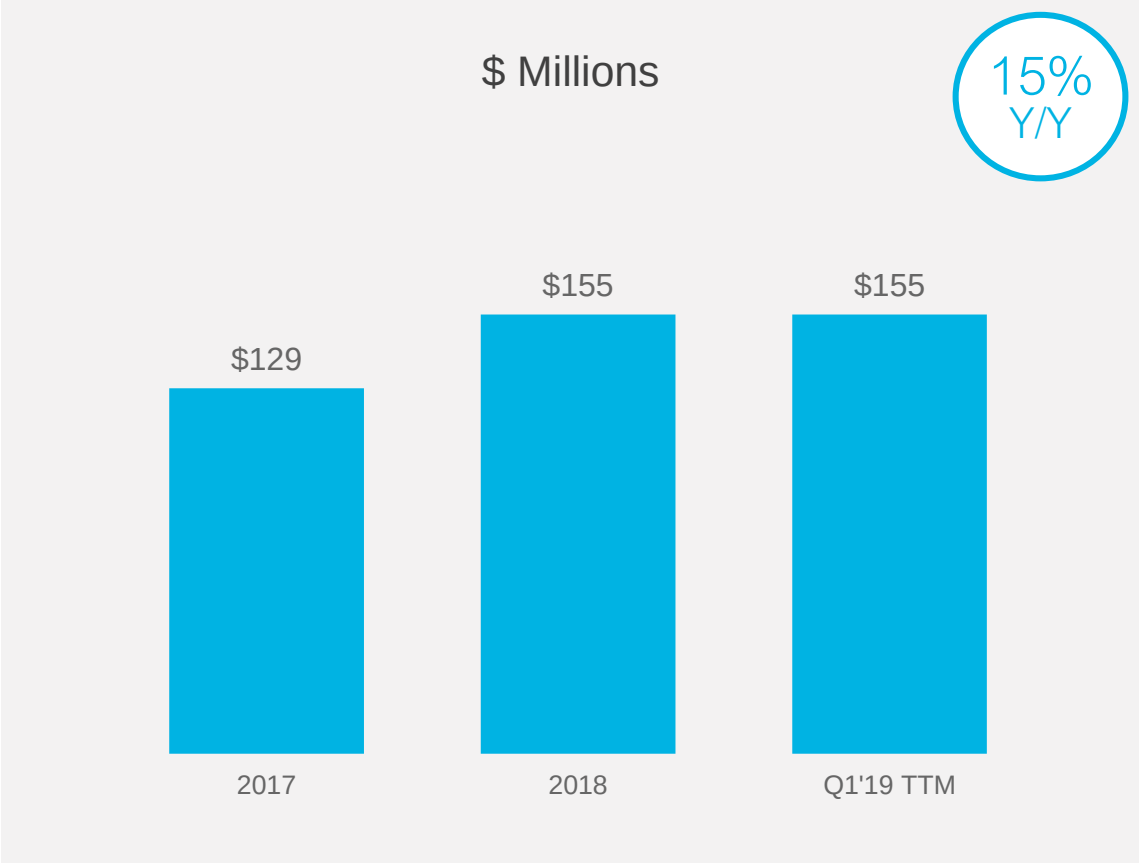
Proven, Multi-Brand Growth Model

	LVMH	IAC	leaf GROUP
EXAMPLE BRANDS	fresh, HUBLOT, Veuve Clicquot, SEPHORA, MARC JACOBS	Ask, Angie's list, HomeAdvisor, match.com, tinder, THE DAILY BEAST, vimeo	SAATCHI ART, society6, THE OTHER ART FAIR, hunker, well+GOOD, LIVESTRONG.COM
LIFESTYLE CATEGORIES	Fashion and Goods, Wine and Spirits, Cosmetics and Perfume	Dating, Publishing, Home Services, Information Services	Art and Design, Fitness and Wellness

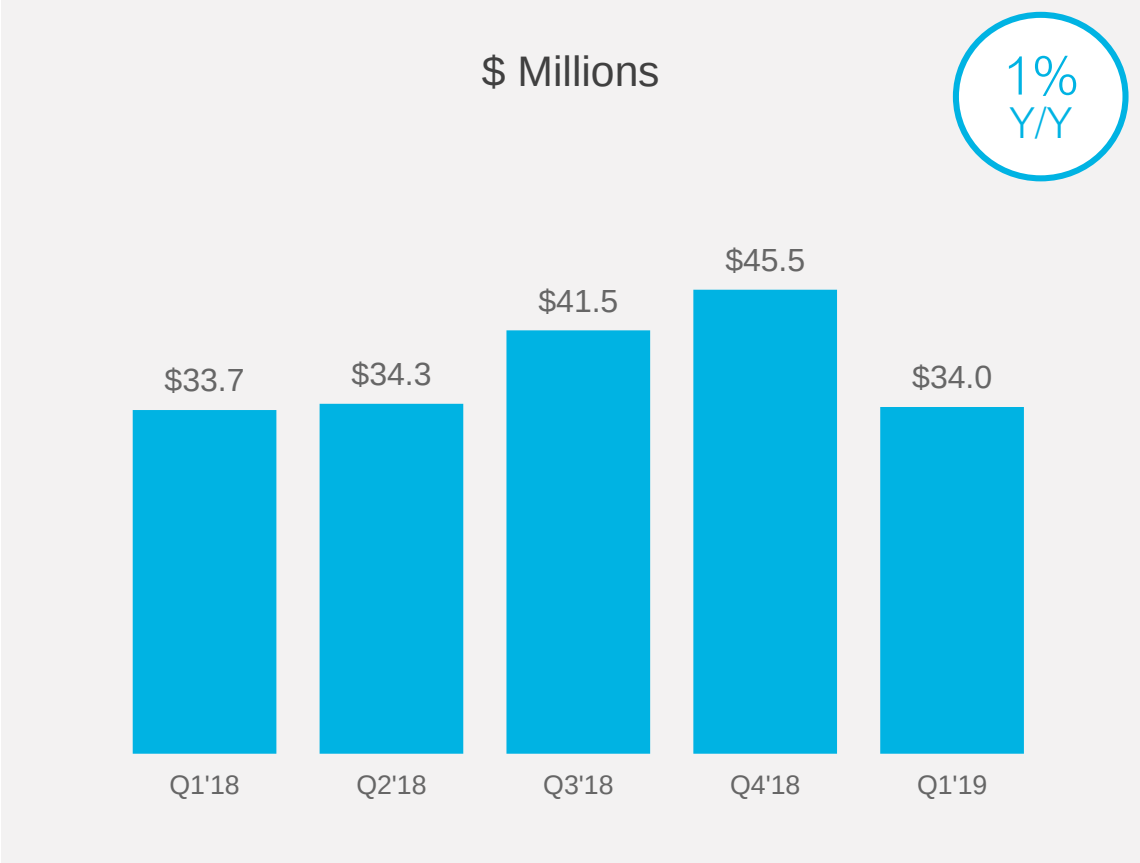
Customer understanding and scale can drive a diversified group of brands

Annual and Quarterly Growth

ANNUAL

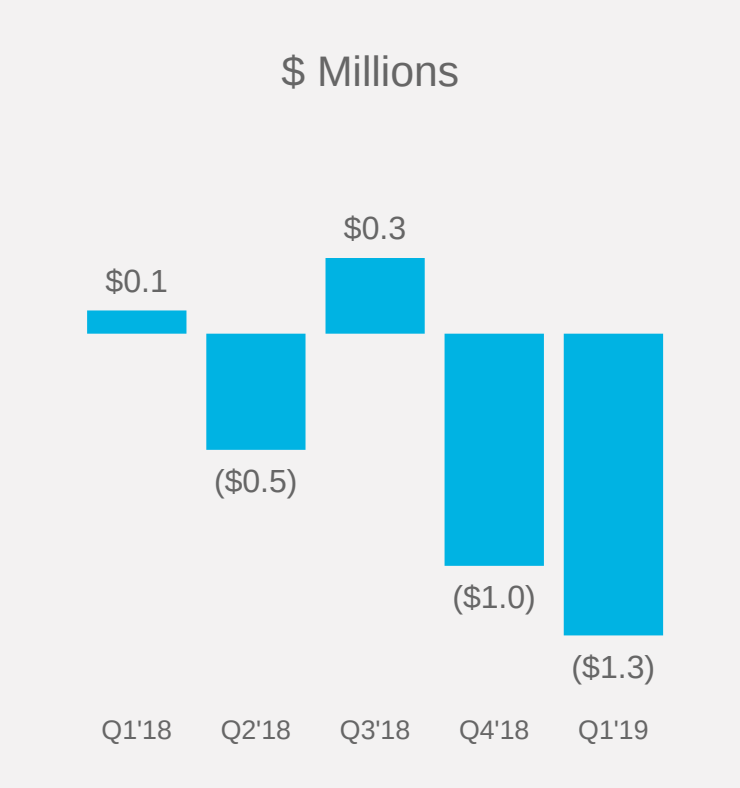


QUARTERLY

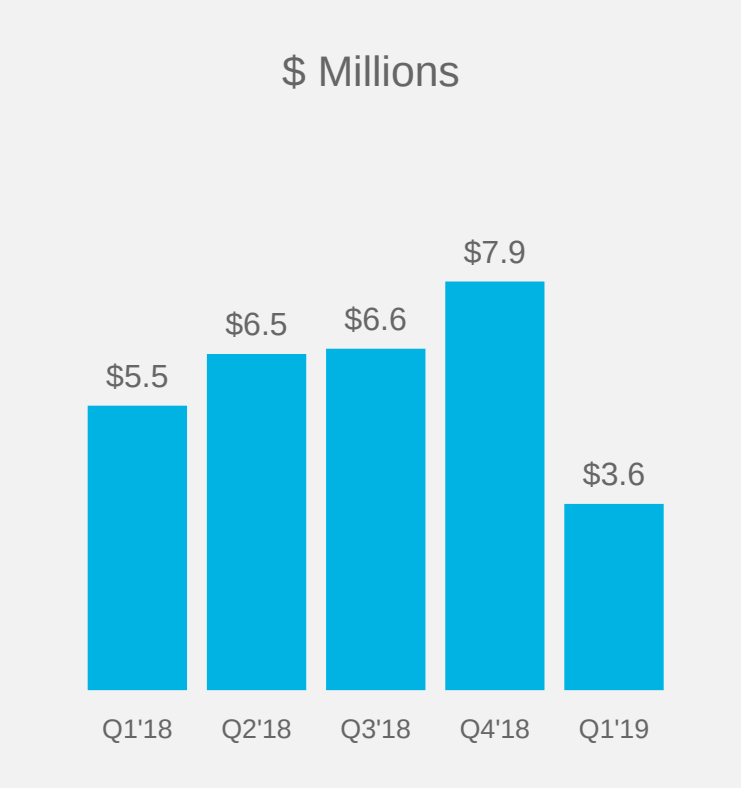


Operating Leverage Offset by Near Term Investments

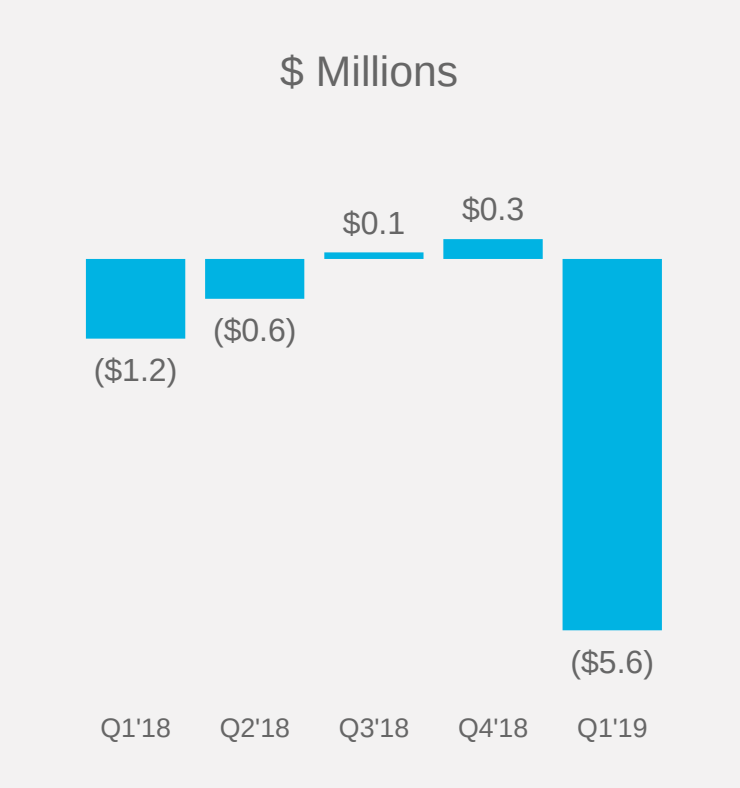
MARKETPLACES CONTRIBUTION[1]



MEDIA CONTRIBUTION[1]



ADJUSTED EBITDA[2]



Strong leverage of corporate overhead as % of revenue

(1) Segment operating contribution reflects earnings before corporate and unallocated expenses and also excludes: (a) depreciation expense; (b) amortization of intangible assets; (c) share-based compensation expense; (d) interest and other income (expense); (e) income taxes; and (f) contingent payments to certain key employees/equity holders of acquired businesses. See Appendix for a reconciliation of Segment Operating Contribution, a non-GAAP financial measure, to net loss, the most directly comparable GAAP financial measure.

(2) Adjusted EBITDA reflects net income (loss) excluding interest (income) expense, income tax expense (benefit), and certain other non-cash or non-recurring items impacting net income (loss) from time to time, principally comprised of depreciation and amortization, stock-based compensation, contingent payments to certain key employees/equity holders of acquired businesses and other payments attributable to acquisition, disposition or corporate realignment activities. See Appendix for a reconciliation of Adjusted EBITDA, a non-GAAP financial measure, to net loss, the most directly comparable GAAP financial measure.

Leaf Group: three notable acquisitions since 2016

2016

- $1.5M acquisition
- 2.1x revenue multiple LTM
- Bootstrapped & Founder led

2017

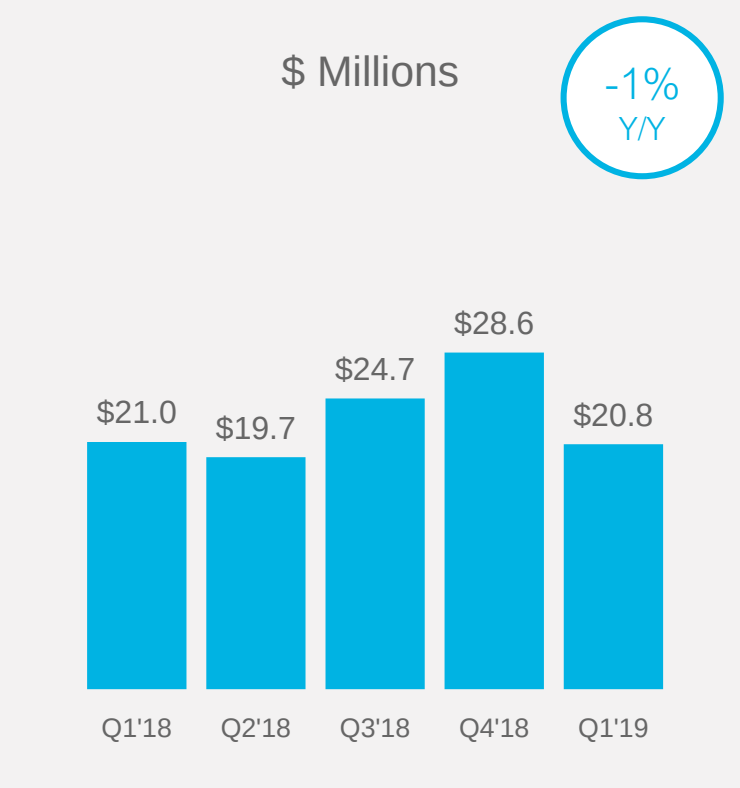
- $12M acquisition
- 1.4x revenue multiple LTM
- Bootstrapped & Founder led

2018

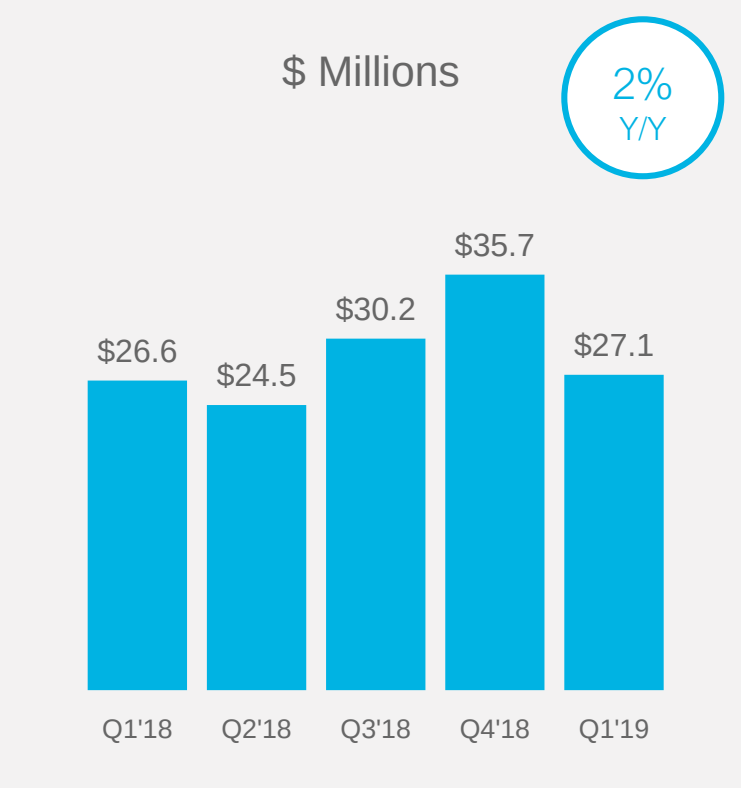
- $19M acquisition
- 1.8x revenue multiple LTM
- Bootstrapped & Founder led

Marketplaces Operating Metrics

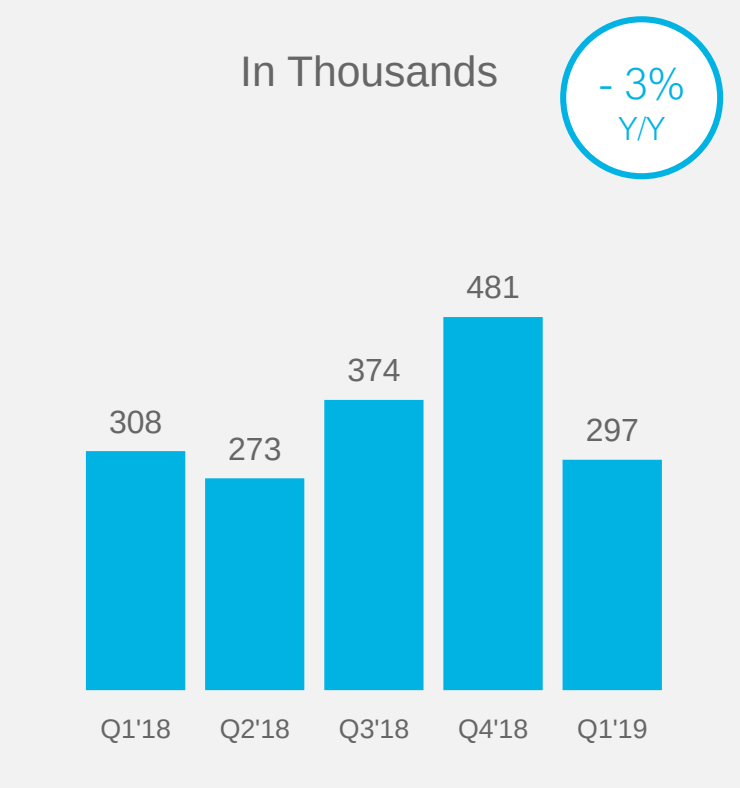
REVENUE



GROSS TRANSACTION VALUE



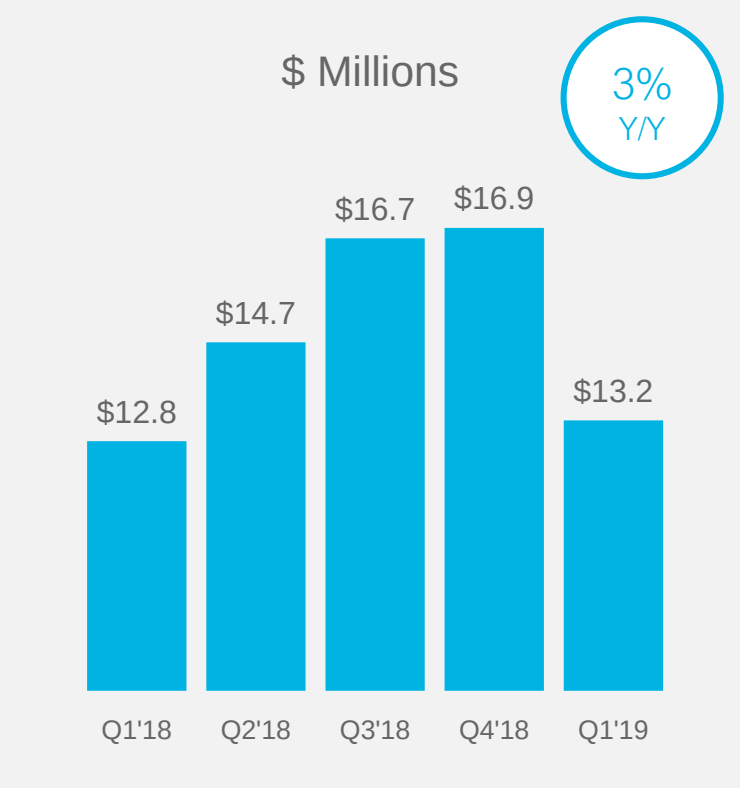
TRANSACTIONS



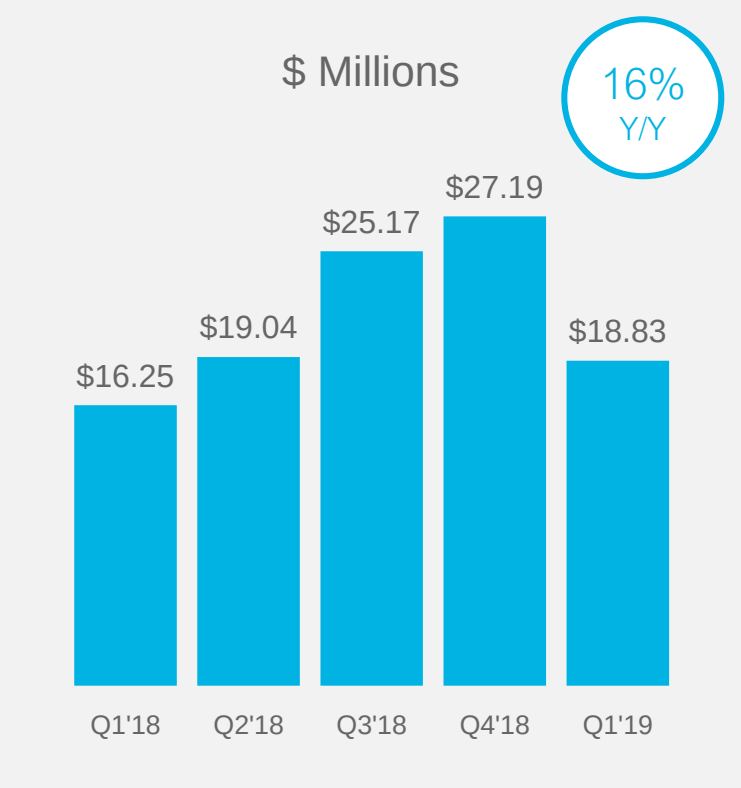
Asset-light business model with minimal inventory, limited capex and negative working capital

Media Operating Metrics

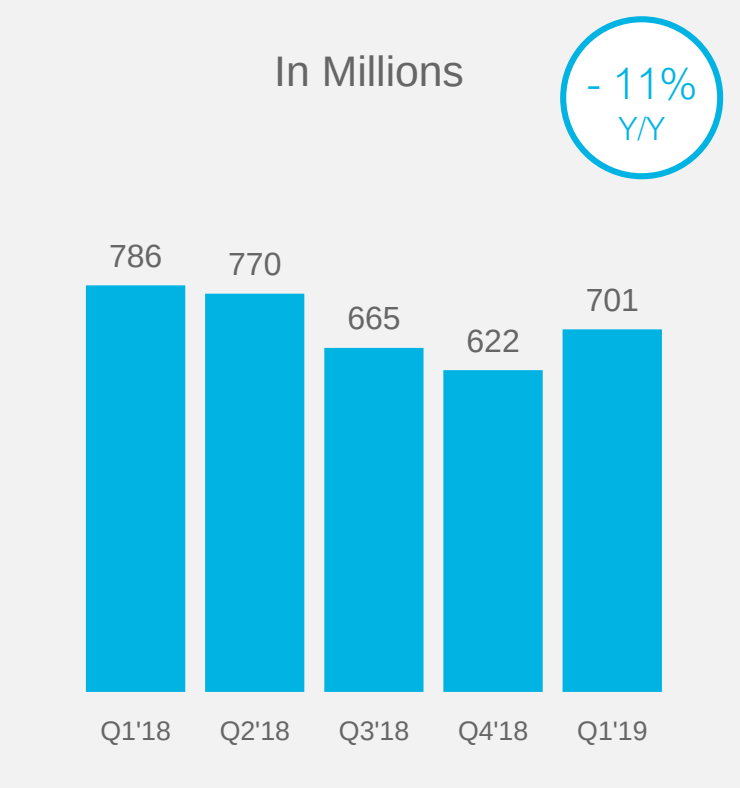
REVENUE



REVENUE PER VISIT[1]



VISITS



Highly intent driven audience with significant room for further ad stack monetization

1) Revenue per one thousand visits

Significant Media Operating Leverage

DIRECT > $10 CPMs	Deals entail custom sponsored content, video, high impact ad units, social media, email, and events = highest CPMs and cost-of-sale	Whirlpool Corporation, ATHLETA, new balance, CHASE
PROGRAMMATIC $5 CPMs	Leaf Private Marketplace with ad agencies and brands that bid directly on ad inventory enabling access to our targeting capabilities, and ensuring brand safety	Microsoft, NISSAN, TARGET, verizon, fitbit
OPEN AUCTION $3 CPMs	Intermediaries buy ad inventory at the most efficient prices on behalf of brands and agencies	KARGO, amazon, OpenX, DoubleClick Ad Exchange, Oath:
GOOGLE ADSENSE ≤ $1 CPMs	Our CPMs are higher than most sites because of the intent-driven nature of our traffic	Google AdSense

NOTE: CPM are based on relative scale – internal data

Leaf Group Healthy Balance Sheet

Approximately $220M in Federal and $78M in State NOLs [1]

As of March 31, 2019 ($ in millions)

ASSETS

Cash & Cash Equivalents	19.7
Other Current Assets	14.7
Property and Equipment, Net	13.1
Other Long Term Assets [2]	43.9
Total Assets	**$ 91.4**

LIABILITIES and STOCKHOLDERS' EQUITY

Accounts Payable, Accrued Expenses, and Other Current Liabilities	21.1
Deferred Revenue	3.5
Non-current Liabilities	9.4
Stockholders' Equity	57.4
Total Liabilities and Stockholders' Equity	**$ 91.4**

(1) Leaf Group had federal net operating loss ("NOL") carryforwards of approximately $220.1 million as of December 31, 2018, which expire between 2021 and 2037. NOLs generated since January 1, 2018 can be carried forward indefinitely. In addition, Leaf Group had state NOL carryforwards of approximately $77.8 million, which expire between 2019 and 2038. As of December 31, 2018, Leaf Group has a full valuation allowance against our net operating loss carryforwards.

(2) Includes intangible assets, net, goodwill and other assets.

Investment Highlights

- Diverse portfolio of digital first brands in large, growing lifestyle categories shifting rapidly online
- Large intent driven audience with >64M monthly unique visitors[1]; one-fourth of U.S. internet population
- Significant room for monetization, revenue diversification and international expansion
- Unique platform for strategic M&A
- Sustainable opportunity to deliver against 20% annual revenue growth target
- Strong Balance Sheet with $19.7M in cash and $220M Federal NOL's + $78M State NOL's
- Management team with deep consumer internet/brand building and M&A experience

1) ComScore March 2019

Diversified Revenue Model – below as of Q1 2019

	Art & Design	Fitness and Wellness	Reference Publishing
BY CATEGORY	64%	14%	22%
	SAATCHI ART; THE OTHER ART FAIR PRESENTED BY SAATCHI ART; society6; hunker	LIVESTRONG.COM; well+GOOD	Variety of sites

REVENUE STREAMS	• Revenue as a service
	  • Saatchi: 35% commission
	• Stand sales
	  • TOAF: 15% commission
		• Ticket sales
		• Event sponsorships
		• Product sales
		• Ad sales
			• Ad sales
			• App subscriptions
				• Ad sales

BY FINANCIAL SEGMENT	61%	39%	
	Marketplaces	Media	

Experienced Leadership and Management Team

SEAN MORIARTY
CEO

- CEO at Saatchi Art
- President, CEO at Ticketmaster
- EVP, Technology at Citysearch

JANTOON REIGERSMAN
CFO

- CFO at Ogin
- Investor at Goldman Sachs
- Investment banking at Morgan Stanley

BRIAN PIKE
COO & CTO

- CTO at Rubicon Project
- CTO at Ticketmaster

ADAM WERGELES
EVP & General Counsel

- EVP, Business and Legal Affairs, and General Counsel at Serviz, Inc.
- Chief Legal Officer at ReachLocal

JILL ANGEL
EVP, People

- VP Operations at Saatchi Art
- Team leader at Cocodot, Swirl by DailyCandy, and GSI Commerce

ALEXIA BRUE
SVP & GM, Fitness & Wellness

- CEO and Co-Founder of Well+Good
- Journalist for Vogue, New York Times and Luxury SpaFinder

JEANNE ANDERSON
SVP & GM, Saatchi Art

- SVP Product Marketing and Optimization at ZipRecruiter
- Leadership roles at DogVacay and NetQuote

SCOTT MESSER
VP & GM, Media

- BD for IMG Media, National Lampoon and private equity firms

Reconciliation of Segment Disclosure and Adjusted EBITDA

($ in thousands)	Q1' 17	Q2' 17	Q3' 17	Q4' 17	Q1' 18	Q2' 18	Q3' 18	Q4' 18	Q1' 19
Segment Revenue:									
Marketplaces	$ 15,876	$ 17,691	$ 22,493	$ 28,065	$ 20,967	$ 19,655	$ 24,712	$ 28,603	$ 20,838
Media	11,362	10,874	10,967	11,662	12,780	14,666	16,744	16,916	13,200
Total revenue	$ 27,238	$ 28,565	$ 33,460	$ 39,727	$ 33,747	$ 34,321	$ 41,456	$ 45,519	$ 34,038
Segment Operating Contribution:									
Marketplaces[1]	$ (1,405)	$ (1,743)	$ (376)	$ 993	$ 61	$ (548)	$ 326	$ (967)	$ (1,311)
Media[1]	3,615	4,398	4,779	5,456	5,457	6,534	6,559	7,866	3,609
Add (deduct):									
Corporate expenses[2]	(6,915)	(6,607)	(6,290)	(6,879)	(6,765)	(6,824)	(6,774)	(6,726)	(7,927)
Acquisition, disposition and realignment costs[3]	280	19	—	—	—	224	17	79	—
Adjusted EBITDA[4]	$ (4,425)	$ (3,933)	$ (1,887)	$ (430)	$ (1,247)	$ (614)	$ 128	$ 252	$ (5,629)
Reconciliation to consolidated pre-tax income (loss):									
Adjusted EBITDA	$ (4,425)	$ (3,933)	$ (1,887)	$ (430)	$ (1,247)	$ (614)	$ 128	$ 252	$ (5,629)
Add (deduct):									
Income tax benefit (expense)	(12)	(80)	(57)	187	(24)	(22)	(13)	(37)	(41)
Interest income (expense), net	41	38	64	46	17	29	114	146	118
Other income (expense), net[5]	3	(6)	(6)	(9)	(8)	(25)	(59)	13	(7)
Depreciation and amortization[6]	(3,267)	(2,799)	(2,749)	(2,988)	(2,455)	(2,446)	(2,687)	(2,682)	(2,716)
Stock-based compensation[7]	(2,078)	(2,166)	(2,182)	(2,139)	(2,208)	(2,676)	(2,502)	(2,045)	(1,921)
Acquisition, disposition, realignment and contingent payment costs[8]	(280)	(19)	—	—	—	(539)	(1,016)	(584)	(90)
Net Loss	$ (10,018)	$ (8,965)	$ (6,817)	$ (5,333)	$ (5,925)	$ (6,293)	$ (6,035)	$ (4,937)	$ (10,286)

(1) Segment operating contribution reflects earnings before corporate and unallocated expenses and also excludes: (a) depreciation expense; (b) amortization of intangible assets; (c) share-based compensation expense; (d) interest and other income (expense); (e) income taxes; and (f) contingent payments to certain key employees/equity holders of acquired businesses.

(2) Corporate expenses include corporate and unallocated operating expenses that are not directly attributable to the operating segments, including: corporate information technology, marketing and general and administrative support functions and also excludes the following: (a) depreciation expense; (b) amortization of intangible assets; (c) share-based compensation expense; (d) interest and other income (expense); and (e) income taxes.

(3) Represents such items, when applicable, as (a) legal, accounting and other professional service fees directly attributable to acquisition, disposition or corporate realignment activities, (b) employee severance, and (c) other payments attributable to acquisition, disposition or corporate realignment activities, excluding contingent payments to certain key employees/equity holders of acquired businesses.

(4) Primarily consists of income from the disposition of certain businesses, including Cracked, and non-core media properties.

(5) Represents depreciation expense of the Company's long-lived tangible assets and amortization expense of its finite-lived intangible assets, including amortization expense related to its investment in media content assets, included in the Company's GAAP results of operations.

(6) Represents the expense related to stock-based awards granted to employees as included in the Company's GAAP results of operations.

(7) Represents such items, when applicable, as (a) legal, accounting and other professional service fees directly attributable to acquisition, disposition or corporate realignment activities, (b) employee severance, (c) contingent payments to certain key employees/equity holders of acquired businesses, and (d) other payments attributable to acquisition, disposition or corporate realignment activities.

Reconciliation of Segment Disclosure and Adjusted EBITDA

($ in thousands)	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2018
Segment Revenue:			
Marketplaces	$ 66,139	$ 84,126	$ 93,937
Media	47,313	44,864	61,105
Total revenue	$ 113,452	$ 128,990	$ 155,042
Segment Operating Contribution:			
Marketplaces[1]	$ 626	$ (2,530)	$ (1,131)
Media[1]	10,803	18,248	26,419
Add (deduct):			
Corporate expenses[2]	(27,845)	(26,691)	(27,089)
Acquisition, disposition and realignment costs[3]	1,396	299	320
Adjusted EBITDA[4]	$ (15,020)	$ (10,674)	$ (1,481)
Reconciliation to consolidated pre-tax income (loss):			
Adjusted EBITDA	$ (15,020)	$ (10,674)	$ (1,481)
Add (deduct):			
Income tax benefit (expense)	10	37	(95)
Interest income (expense), net	92	190	305
Other income (expense), net[5]	40,172	(19)	(78)
Depreciation and amortization[6]	(18,090)	(11,803)	(10,270)
Stock-based compensation[7]	(7,779)	(8,565)	(9,431)
Acquisition, disposition, realignment and contingent payment costs[8]	(1,396)	(299)	(2,140)
Net Loss	$ (2,011)	$ (31,133)	$ (23,190)

(1) Segment operating contribution reflects earnings before corporate and unallocated expenses and also excludes: (a) depreciation expense; (b) amortization of intangible assets; (c) share-based compensation expense; (d) interest and other income (expense); (e) income taxes; and (f) contingent payments to certain key employees/equity holders of acquired businesses.

(2) Corporate expenses include corporate and unallocated operating expenses that are not directly attributable to the operating segments, including: corporate information technology, marketing and general and administrative support functions and also excludes the following: (a) depreciation expense; (b) amortization of intangible assets; (c) share-based compensation expense; (d) interest and other income (expense); and (e) income taxes.

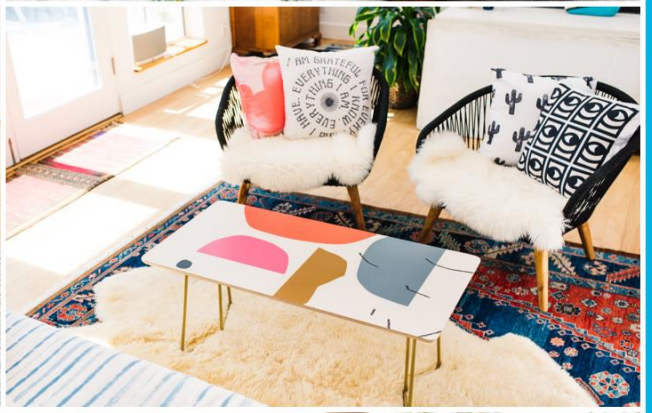
(3) Represents such items, when applicable, as (a) legal, accounting and other professional service fees directly attributable to acquisition, disposition or corporate realignment activities, (b) employee severance, and (c) other payments attributable to acquisition, disposition or corporate realignment activities, excluding contingent payments to certain key employees/equity holders of acquired businesses.

(4) Primarily consists of income from the disposition of certain businesses, including Cracked, and non-core media properties.

(5) Represents depreciation expense of the Company's long-lived tangible assets and amortization expense of its finite-lived intangible assets, including amortization expense related to its investment in media content assets, included in the Company's GAAP results of operations.

(6) Represents the expense related to stock-based awards granted to employees as included in the Company's GAAP results of operations.

(7) Represents such items, when applicable, as (a) legal, accounting and other professional service fees directly attributable to acquisition, disposition or corporate realignment activities, (b) employee severance, (c) contingent payments to certain key employees/equity holders of acquired businesses, and (d) other payments attributable to acquisition, disposition or corporate realignment activities.



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