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

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended September 30, 2019

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 001-33982

QURATE RETAIL, INC.

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PART I – FINANCIAL INFORMA

QURATE RETAIL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Continued)
(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Basic net earnings (losses) from continuing operations attributable to Qurate Retail, Inc. shareholders per common share (note 4):				
Series A and Series B Qurate Retail common stock	\$ (1.85)	0.16	(1.40)	0.86
Series A and Series B Liberty Ventures common stock	\$ NA	NA	NA	1.17
Diluted net earnings (losses) from continuing operations attributable to Qurate Retail, Inc. shareholders per common share (note 4):				
Series A and Series B Qurate Retail common stock	\$ (1.85)	0.16	(1.40)	0.85
Series A and Series B Liberty Ventures common stock	\$ NA	NA	NA	1.16
Basic net earnings (losses) attributable to Qurate Retail, Inc. shareholders per common share (note 4):				
Series A and Series B Qurate Retail common stock	\$ (1.85)	0.16	(1.40)	0.86
Series A and Series B Liberty Ventures common stock	\$ NA	NA	NA	2.81
Diluted net earnings (losses) attributable to Qurate Retail, Inc. shareholders per common share (note 4):				
Series A and Series B Qurate Retail common stock	\$ (1.85)	0.16	(1.40)	0.85
Series A and Series B Liberty Ventures common stock	\$ NA	NA	NA	2.78

See accompanying notes to condensed consolidated financial statements.

QURATE RETAIL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Nine months ended	
	September 30,	
	2019	2018
	amounts in millions	
Cash provided by operating activities	\$ (529)	677
Net change in cash and cash equivalents	(529)	677
Adjustments to reconcile net earnings to net cash provided by operating activities:		
(Earnings) loss from discontinued operations	—	(144)
Depreciation and amortization	457	489
Impairment of intangible assets (note 6)	1,020	—
Stock-based compensation	54	67
Share of (earnings) losses of affiliates, net	104	89
Realized and unrealized (gains) losses on financial instruments, net	239	(92)
Deferred income tax expense (benefit)	(65)	(34)
Other, net	11	29
Changes in operating assets and liabilities		
Accounts receivable		
Inventory		
Prepaid expenses and other assets		
Accounts payable		
Accrued liabilities		
Income taxes payable		
Other liabilities		
Net change in operating assets and liabilities		
Effect of exchange rate changes		
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of period		
Cash and cash equivalents at end of period		

QURATE RETAIL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(1) Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Qurate Retail, Inc. (formerly named Liberty Interactive Corporation, prior to the Transactions defined and described below, or "Liberty") and its controlled subsidiaries (collectively, "Qurate Retail," the "Company," "Consolidated Qurate Retail," "us," "we," or "our" unless the context otherwise requires). All significant intercompany accounts and transactions have been eliminated in consolidation. Qurate Retail is made up of wholly-owned subsidiaries QVC, Inc. ("QVC"), which includes HSN, Inc. ("HSN") following the transfer of ownership of HSN to QVC (described below), Cornerstone Brands, Inc. (former subsidiary of HSN prior to the transfer of ownership of HSN to QVC, "Cornerstone"), Zulily, LLC ("Zulily"), and other cost and equity method investments.

Qurate Retail is primarily engaged in the video and online commerce industries in North America, Europe and Asia. The businesses of the Company's wholly-owned subsidiaries, QVC, Cornerstone and Zulily, are seasonal due to a higher volume of sales in the fourth calendar quarter related to year-end holiday shopping.

The accompanying (a) condensed consolidated balance sheet as of December 31, 2018, which has been derived from audited financial statements, and (b) the interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. Additionally, certain prior period amounts have been reclassified for comparability with current period presentation. In the current year, the Company corrected a prior year error that resulted in a net increase of \$28 million in the condensed consolidated statement of cash flows which did not change net working capital. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the interim financial





QURATE RETAIL, INC. AND SUBSIDIARIES

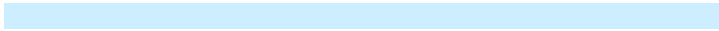
Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

The following table presents the number and weighted average GDFV of options granted by the Company during the nine months ended September 30, 2019:

	<u>Nine months ended</u> <u>September 30, 2019</u>	
	<u>Options Granted</u> <u>(000's)</u>	<u>Weighted Average</u> <u>GDFV</u>
Series A Qurate Retail common stock, QVC employees (1)	2,503	\$ 4.07
Series A Qurate Retail common stock, Zulily employees (1)	3	a(r)

QURATE RETAIL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)





QURATE RETAIL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)
(7) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal at September 30, 2019	Carrying value	
		September 30, 2019	December 31, 2018
amounts in millions			
Corporate level debentures			
8.5% Senior Debentures due 2029	\$ 287	285	286
8.25% Senior Debentures due 2030	504	502	502
4% Exchangeable Senior Debentures due 2029	432	342	304
3.75% Exchangeable Senior Debentures due 2030	433	322	307
3.5% Exchangeable Senior Debentures due 2031	302	536	377
0.75% Exchangeable Senior Debentures due 2043	—	2	2
1.75% Exchangeable Senior Debentures due 2046	332	425	344
Subsidiary level notes and facilities			
QVC 3.125% Senior Secured Notes due 2019	—	—	399
QVC 5.125% Senior Secured Notes due 2022	500	500	500
QVC 4.375% Senior Secured Notes due 2023	750	750	750
QVC 4.85% Senior Secured Notes due 2024	600	600	600
QVC 4.45% Senior Secured Notes due 2025	600	599	599
QVC 5.45% Senior Secured Notes due 2034	400	399	399
QVC 5.95% Senior Secured Notes due 2043	300	300	300
QVC 6.375% Senior Secured Notes due 2067	225	225	225
QVC Bank Credit Facilities	1,777	1,777	1,320
Other subsidiary debt	—	—	188
Deferred loan costs	—	(24)	(29)
Total consolidated Qurate Retail debt	\$ 7,442	7,540	7,373
Less current classification		(1,202)	(1,410)
Total long-term debt		\$ 6,338	5,963

QVC Bank Credit Facilities

On December 31, 2018, QVC entered into the Fourth Amended and Restated Credit Agreement with Zulily as co-borrower (collectively, the “Borrowers”) which is a multi-currency facility that provides for a \$3.65 billion revolving credit facility, with a \$450 million sub-limit for standby letters of credit and up to \$1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans. The Fourth Amended and Restated Credit Agreement includes a \$400 million tranche that may be borrowed by QVC or , , 88

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

The remaining weighted-average lease term and the weighted-average discount rate were as follows:

	<u>September 30, 2019</u>
Weighted-average remaining lease term (years):	
Finance leases	9.6
Operating leases	9.5
Weighted-average discount rate:	
Finance leases	5.0%
Operating leases	5.0%

Supplemental balance sheet information related to leases was as follows:

	<u>September 30,</u> <u>2019</u>
	<u>in millions</u>
Operating leases:	
Operating lease ROU assets (1)	\$ 403
Current operating lease liabilities (2)	\$ 71
Operating lease liabilities (3)	354
Total operating lease liabilities	<u>\$ 425</u>
Finance Leases:	
Finance lease ROU assets (4)	\$ 271
Finance lease ROU asset accumulated depreciation (4)	(130)
Finance lease ROU assets, net	\$ 141
Current finance lease liabilities (2)	\$ 18
Finance lease liabilities (3)	151
Total finance lease liabilities	<u>\$ 169</u>

- (1) Included within the Other assets, at cost, net of accumulated amortization line item on the condensed consolidated balance sheets.
- (2) Included within the Other current liabilities line item on the condensed consolidated balance sheets.
- (3) Included within the Other liabilities line item on the condensed consolidated balance sheets.
- (4) Included within the Property and equipment, net line item on the condensed consolidated balance sheets.

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

Supplemental cash flow information related to leases was as follows:

	<u>Nine months ended September 30, 2019</u>	
	<u>in millions</u>	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	48
Operating cash flows from finance leases	\$	6
Financing cash flows from finance leases	\$	17
ROU assets obtained in exchange for lease obligations		
Operating leases	\$	166
Finance leases	\$	—

Future lease payments under finance leases and operating leases with initial terms of one year or more at September 30, 2019 consisted of the following:

	<u>Finance Leases</u>	<u>Operating Leases</u>
	<u>in millions</u>	
Remainder of 2019	\$ 7	37
2020	25	79
2021	24	68
2022	23	57
2023	22	57
Thereafter	116	275
Total lease payments	<u>\$ 217</u>	<u>573</u>
Less: imputed interest	48	148
Total lease liabilities	<u>\$ 169</u>	<u>425</u>

On October 5, 2018, QVC entered into a lease (“ECDC Lease”) for an East Coast distribution center. The 1.7 million square foot rental building is located in Bethlehem, Pennsylvania and will be leased to QVC for an initial term of 15 years. QVC obtained initial access to a portion of the ECDC Lease during March 2019 and obtained access to the remaining portion during September 2019. In total, QVC recorded a ROU asset of \$141 million and an operating lease liability of \$131 million relating to the ECDC Lease, with the difference attributable to prepaid rent. QVC is required to pay an initial base rent of approximately \$10 million per year, with payments that began in the third quarter of 2019, and increasing to approximately \$14 million per year, as well as all real estate taxes and other building operating costs. QVC also has the option to extend the term of the ECDC Lease for up to two consecutive terms of 5 years each and one final term of 4 years.

(9) Commitments and Contingencies***Litigation***

The Company has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible Qurate Retail may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the amount of

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

	Nine months ended September 30, 2019				Total
	QxH	QVC Int'l	Zulily in millions	Corp and other	
Home	\$ 2,002	714	298	530	3,544
Apparel	1,004	327	422	117	1,870
Beauty	912	462	37	—	1,411
Accessories	666	190	295	—	1,151
Electronics	561	68	10	—	639
Jewelry	302	161	37	—	500
Other revenue	138	12	20	—	170
Total Revenue	<u>\$ 5,58</u>	<u>c</u>			

QURATE RETAIL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)

adjustments, separately reported litigation settlements, transaction related costs (including restructuring, integration, and advisory fees), and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flows provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Qurate Retail generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

Adjusted OIBDA is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	amounts in millions			
QxH	\$ 346	371	1,093	1,141
QVC International	106	93	313	300
Zulily	8	18	32	74
Corporate and other	(4)	(14)	(9)	(13)
Consolidated Qurate Retail	\$ 456	468	1,429	1,502

Other Information

	September 30, 2019		
	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions		
QxH	\$ 12,587	38	202
QVC International	2,160	—	23
Zulily	1,157	—	18
Corporate and other	1,075	117	6
Consolidated Qurate Retail	\$ 16,979	155	249

The following table provides a reconciliation of Adjusted OIBDA to Operating income (loss) and Earnings (loss) from continuing operations before income taxes:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	amounts in millions			
Adjusted OIBDA	\$ 456	468	1,429	1,502
Stock-based compensation	(17)	(21)	(54)	(67)
Depreciation and amortization	(146)	(167)	(457)	(489)
Impairment of intangible assets	(1,020)	—	(1,020)	—
Transaction related costs	—	(43)	(1)	(57)
Operating income (loss)	(727)	237	(103)	889
Interest expense	(93)	(94)	(282)	(288)
Share of earnings (loss) of affiliates, net	(36)	(29)	(104)	(89)
Realized and unrealized gains (losses) on financial instruments, net	(45)	(27)	(239)	92
Other, net	(4)	(2)	(19)	17
Earnings (loss) before income taxes	\$ (905)	85	(747)	621

The following discussion and analysis provides information concerning our resuleon a

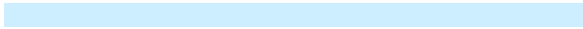


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ILG by Marriott Vacations Worldwide during the third quarter of 2018 and subsequent sale of this investment, partially offset by an increase in unrealized gains on the indemnity in the third quarter.

During the months ended September 30, 2019 and 2018, changes in revenue at the Company were affected by changes in the exchange rates of the U.S. Dollar to the Euro, the U.S. Dollar to the Japanese Yen, and the U.S. Dollar to the British Pound. The Company's revenue is primarily derived from the sale of its products in the United States and Europe.

adversely impacted, including a sharp decline in the value of the U.K. Pound Sterling as compared to the U.S. Dollar. Volatility in exchange rates is expected to continue in the short term as the U.K. negotiates its exit from the E.U. In the longer term, any impact from Brexit on us will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations. Although it is unknown what the result of those negotiations will be, or whether the U.K. will leave the E.U. with any agreement as to the terms of its withdrawal, it is possible that new terms may be established that could affect our operations and financial results in a number of ways, not all of which are currently readily apparent. The U.K. is a major market for our products and services, and we expect that Brexit will have a material impact on our business. We are currently evaluating the potential impact of Brexit on our business and are taking steps to mitigate any adverse effects. We will continue to monitor the situation and will provide updates as more information becomes available.





Item 6. Exhibits

(a) Exhibits

Listed below are the exhibits which are filed as a part of this Quarterly Report (according to the number assigned to them in Item 601 of Regulation S-K):

31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
32	Section 1350 Certification**
99.1	Reconciliation of Qurate Retail, Inc. Net Assets and Net Earnings to Liberty Interactive LLC Net Assets and Net Earnings**
101.INS	Inline XBRL Instance Document* - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Definition Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*

* Filed
herewith

** Furnished
herewith



CERTIFICATION

I, Michael A. George, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Qurate Retail, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2019

/s/ MICHAEL A. GEORGE

Michael A. George
President and Chief Executive Officer

Qurate Retail, Inc.
Reconciliation of Qurate Retail, Inc. ("Qurate Retail") Net Assets and
Net Earnings to Liberty Interactive LLC ("Liberty LLC") Net Assets and Net Earnings

September 30, 2019

(unaudited)

amounts in millions

Qurate Retail Net Assets	\$	4,769
Reconciling items:		
Zulily, llc ("Zulily") net assets		(598)
Cornerstone Brands, Inc. ("Cornerstone") net assets (1)		(236)
Equity investment in Cornerstone held by Liberty LLC (1)		29
Tax sharing agreement with GCI Liberty, Inc.		85
Liberty LLC Net Assets	\$	<u>4,049</u>
Qurate Retail Net Earnings	\$	(559)
Reconciling items:		
Zulily net (earnings) loss		930
Cornerstone net (earnings) loss (1)		5
Cornerstone equity method investment share of earnings (loss)		(3)
GCI Liberty, Inc. tax sharing expense		19
Liberty LLC Net Earnings	\$	<u>392</u>

- (1) On December 29, 2017, Qurate Retail acquired the approximate remaining 62% of HSN, Inc. (which includes its televised shopping business "HSN" and its catalog retail business "Cornerstone") it did not already own. On December 31, 2018, Qurate Retail transferred their 100% ownership interest in HSN to QVC, Inc. through a transaction amongst entities under common control and based on the guidance for accounting for transactions amongst entities under common control HSN's results have been excluded for the entire period. Liberty LLC continues to hold 38% of Cornerstone and accounts for its ownership in Cornerstone as an equity method investment.
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