



# Match Group Stock Pitch

Analyst: James Campion

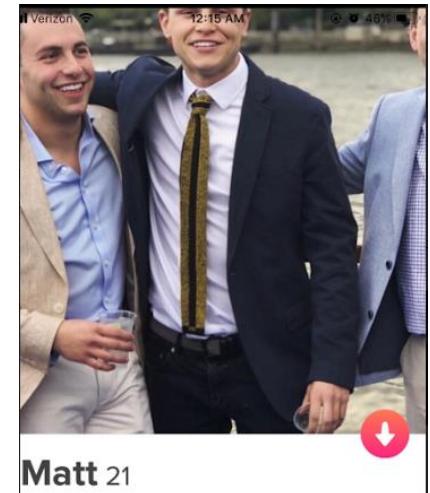


|                           |                          |                         |                                 |                  |
|---------------------------|--------------------------|-------------------------|---------------------------------|------------------|
| match                     | Stepout                  | spraydate               | SingleParentMeet                | SeniorPeopleMeet |
| SeniorBlackPeopleMeet.com | RepublicanPeopleMeet.com | PetPeopleMeet.com       | Secrets<br>LEBE DEINE PHANTASIE | PlentyOfFish     |
| FRIEND<br>SCOUT24         | tinder.                  | The Princeton<br>Review | amoureux                        | LoveAndSeek      |
| ParPerfeito               | OurTime.com              | mestic                  | TWOO™                           | DateHookup.com   |
| SpeedDate                 | okcupid                  | chemistry.com           | BlackChristianPeopleMeet.com    | partner.de       |
| LittlePeopleMeet.com      | BlackPeopleMeet          | IndiaMatch.com          | LatinoPeopleMeet.com            | pairs            |



## First Things First

Who in this room has used  
Tinder, Hinge, or another  
dating app?





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# Disclaimer

I made these slides in 48 hours and took a lot of screenshots. You are allowed to take screenshots and make non-aesthetically pleasing slides for Investment Club (content matters more), but for SIBC and your full-time job do not do this!



## Thesis:

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1. The Match Group currently holds a **monopoly on the online-dating market**, which is **benefitting from changing social standards and increased connectivity**
  2. The Match Group has developed a **diverse portfolio of brands**, both through organic and inorganic methods, which enables them to **serve customers of different ages and demographics**
  3. The Company's combination of operating leverage and scale have led to **expanding margins**, driving a cash flow machine that should return cash to shareholders after the IAC spin-off
  4. Valuation has gotten “frothy” but **I still there is value as a long-term shareholder**
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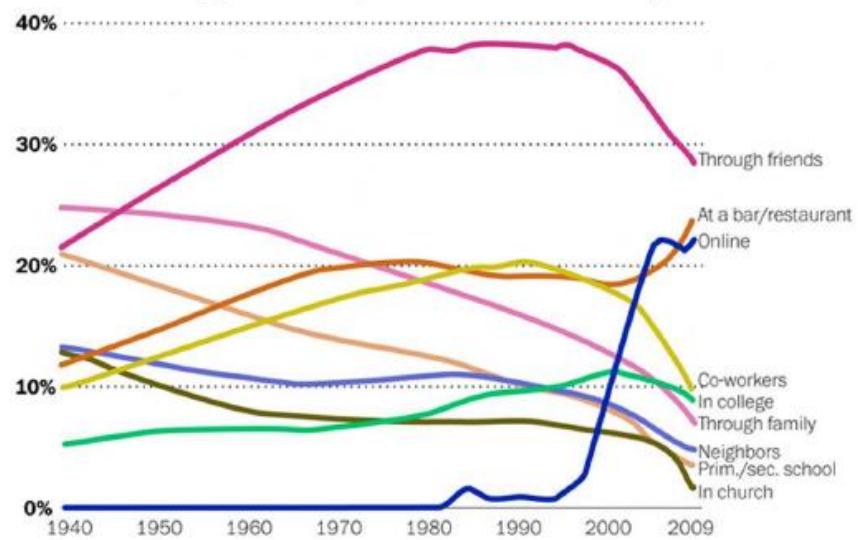
# Industry Focus

Why online dating?



# More Couples Are Swiping Right

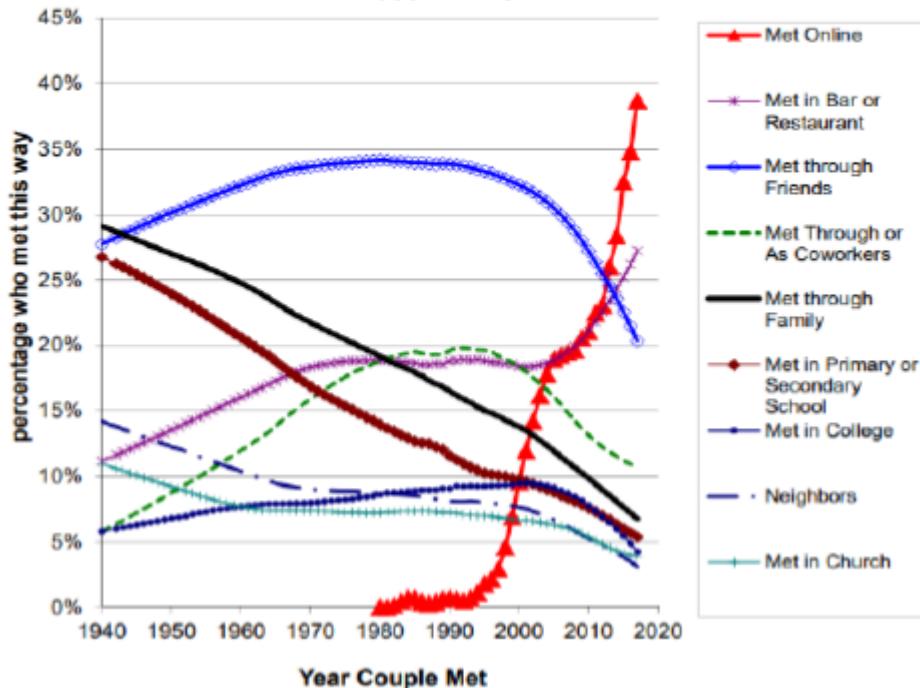
## How straight couples met their partners



WAPO.ST/WONKBLOG

Source: Searching for a Mate: The Rise of the Internet as a Social Intermediary

How heterosexual couples have met,  
data from 2009 and 2017



- ▶ In 2018, seven of the 53 couples profiled in the *Vows* column met on dating apps.
- ▶ And in the *Times'* more populous Wedding Announcements section, 93 out of some 1,000 couples profiled this year met on dating apps
- ▶ The year before, 71 couples whose weddings were announced by the *Times* met on dating apps.

Thanks to former NDIC President & VP, Dan McMurtie & Alex Draime for their report on the dating market!



# Why Would Anyone Date Online?!

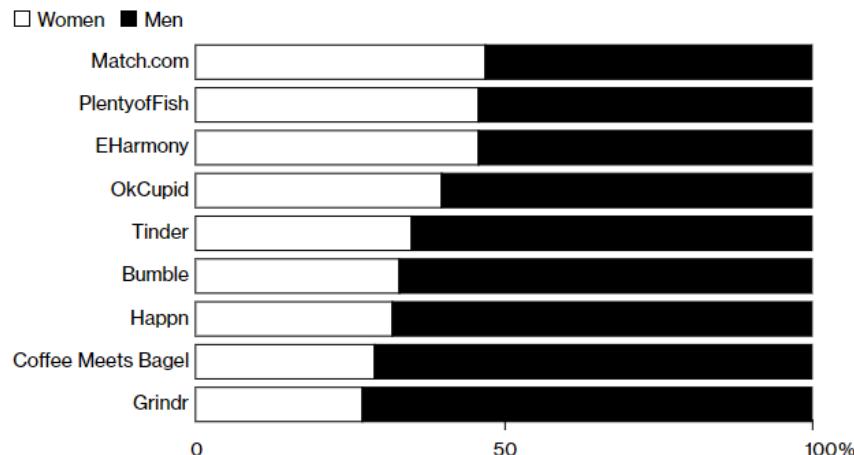
- ▶ Just a crazy thought, but what if in 10 years we think it is crazy that anyone met in person
- ▶ There are almost 8 billion people in the world, and we each get to meet about ~10,000
  - And you're telling me that you found your *soulmate*!?
- ▶ In the future, it might make more sense for machine learning trained algorithms to pair couples based on a number of different factors
  - There are just so many things it takes so long to tell someone about yourself (i.e. music taste, family background, location preference) that could be easily processed and shared seamlessly
- ▶ **Not a scientific thesis in any way – just a thought**
  - Also people are getting less social, so I guess that helps



# The More Girls the Better

- “With the advent of online dating, women in prime reproductive age are in the dominant position in the dating market for the first time in human history.” – **Tyro Partners**
- After doing some primary discovery and talking to Notre Dame’s single males, it is evident that a higher ratio of females on a dating app is a big positive
- The empowerment of women in dating apps is what made Bumble so popular, but as you can see below Tinder, Match.com, OkCupid, and PlentyofFish (All Match Group brands) have higher female ratios

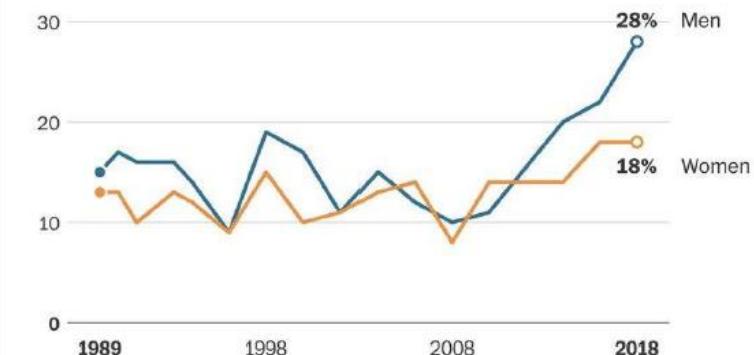
Gender Split on Dating Platforms



Data: Morning Consult  
Survey of 2,204 U.S. adults conducted in January 2018

**Young men driving the decline in sex**

Share of men and women between ages 18 and 30 reporting no sex in the past year



Source: General Social Survey

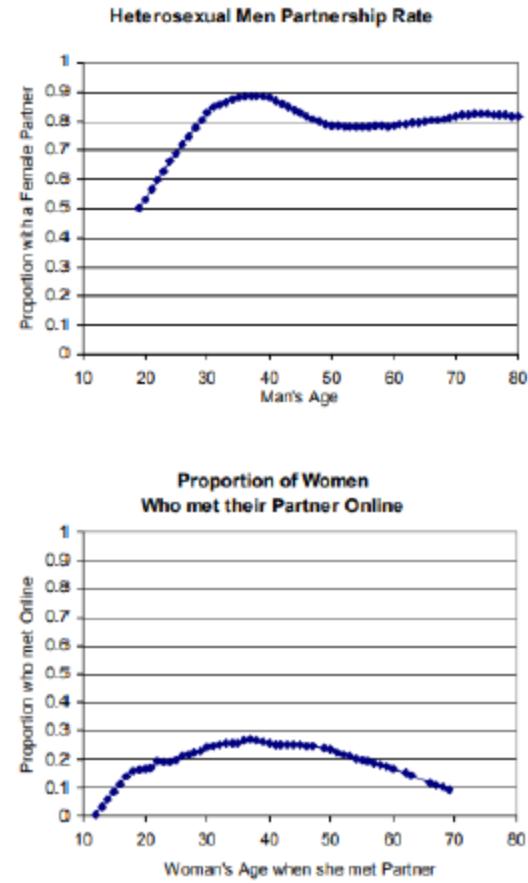
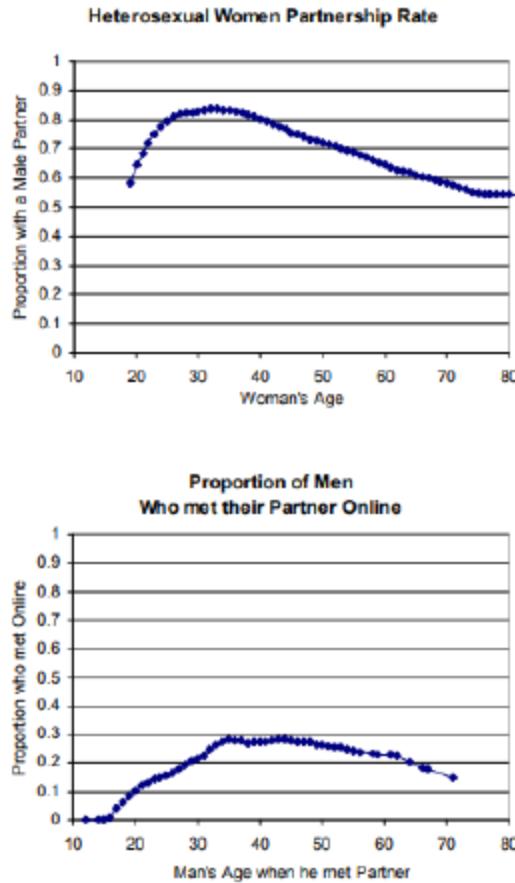
THE WASHINGTON POST



# Dating is Getting Older

- ▶ People are dating at a wider range of ages than ever before!
  - In 2017, 45% of people above 18 were unmarried
  - This was 38% in 1960
- ▶ They are partially able to do this because online dating apps make dating easier and more efficient
- ▶ The Match Group can benefit from this as they have a range of apps that can serve both young and old individuals

Figure 2: The relationship between Partner Availability and Meeting Online



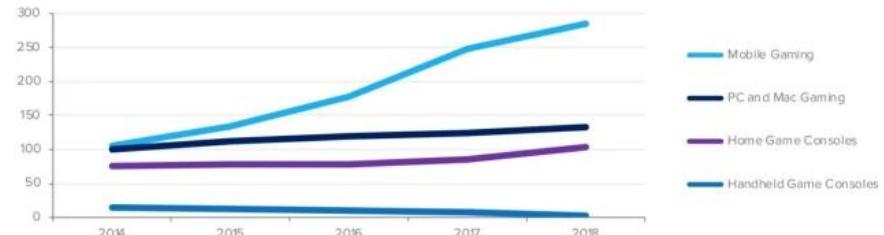


# The Kids of the Future Love Spending Money

- ▶ **“The Tinder users of tomorrow are the Fortnite players of today” – Myself**
- ▶ We are seeing a proliferation of spending money online and through in-app purchases
  - What is the best example of this? Fortnite of course!
- ▶ A new study showed that the average Fortnite player who buys something spends almost \$85, with nearly 70% of players buying digital items
  - For all players, spending and not spending, the average becomes \$58.25
- ▶ How many of us were spending money like this on games as kids?
  - I still remember refusing to buy Bloons Tower Defense for \$1
- ▶ The increase in connectivity and mobile spending may just help propel the Match Group’s subscription models in the future



Worldwide Consumer Spending on Games,  
by Device, 2014–2018





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# Company Focus

Why the Match Group?



# Match Group's Brand Portfolio

## Developed In-House

match<sup>♥</sup>

tinder

okcupid

Chispa

BLK

## Acquired

POF  
PlentyOfFish

Hinge

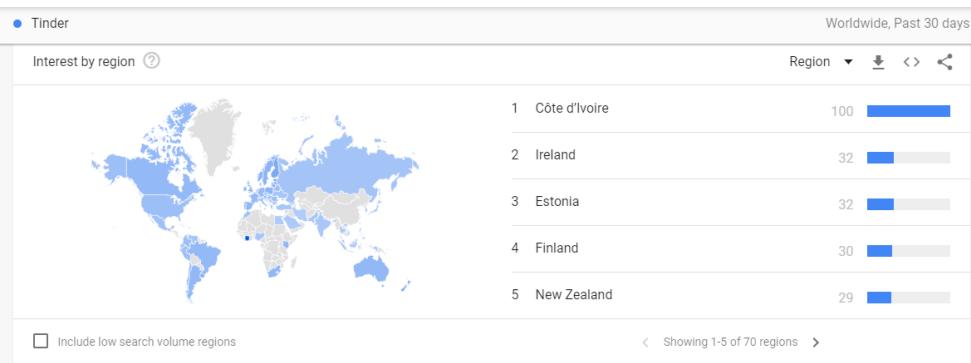
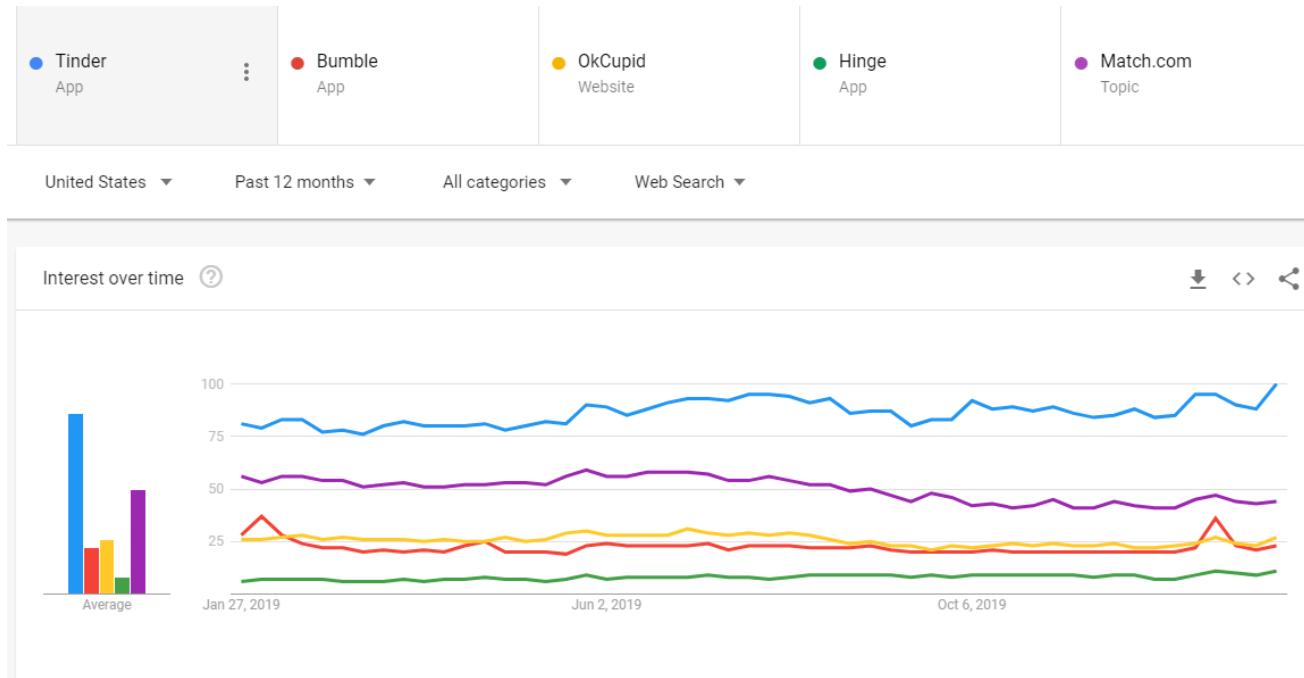
pairs

TWOO

meetic



# Tinder is Unstoppable



Top Non-Game Mobile Apps for Q1 2019 - App Store and Google Play

The table lists the top 10 non-game mobile apps for Q1 2019, categorized by Revenue and Downloads. Tinder is the top app in both categories.

| Revenue |               |               | Downloads |            |           |
|---------|---------------|---------------|-----------|------------|-----------|
| #       | App           | Publisher     | #         | Publisher  | Publisher |
| 1       | Tinder        | IAC           | 1         | WhatsApp   | Facebook  |
| 2       | Netflix       | Netflix       | 2         | Messenger  | Facebook  |
| 3       | Tencent Video | Tencent       | 3         | TikTok     | ByteDance |
| 4       | iQIYI         | QIYI          | 4         | Facebook   | Facebook  |
| 5       | YouTube       | Google        | 5         | Instagram  | Facebook  |
| 6       | Pandora       | Pandora       | 6         | SHAREit    | SHAREit   |
| 7       | Kwai          | Kwai          | 7         | YouTube    | Google    |
| 8       | Line          | Naver         | 8         | LIKE Video | BIGO      |
| 9       | Line Manga    | Naver         | 9         | Netflix    | Netflix   |
| 10      | Youku         | Alibaba Group | 10        | Snapchat   | Snap      |

Does not include downloads or revenue from third-party Android stores in China.

Sensor Tower Data That Drives App Growth

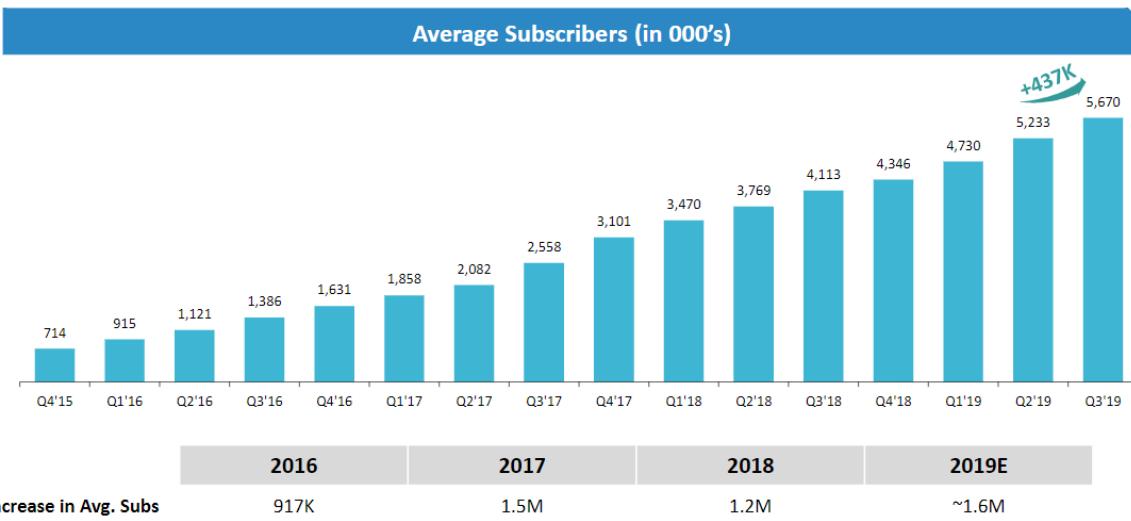
sensortower.com

# Tinder is Unstoppable (Cont'd)

## Tinder: Accelerated Revenue Growth

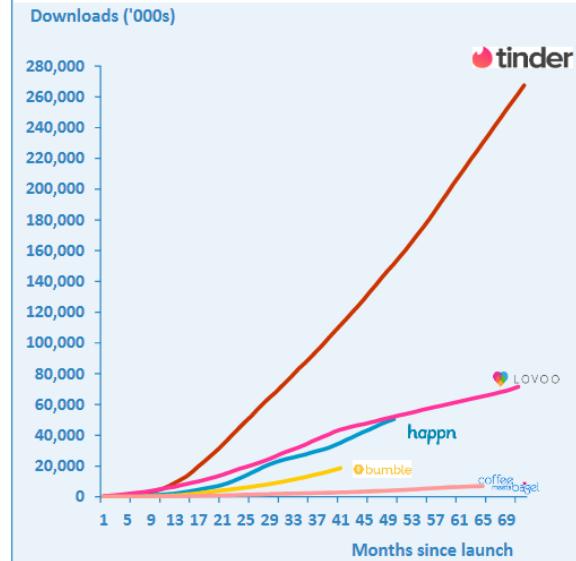
**Direct Revenue increased 49% YoY in Q3**

- 38% YoY Average Subscriber growth
- 9% YoY ARPU growth (higher on an F/X neutral basis)



## Tinder: Unparalleled viral growth

Global cumulative downloads (benchmarked to launch date)

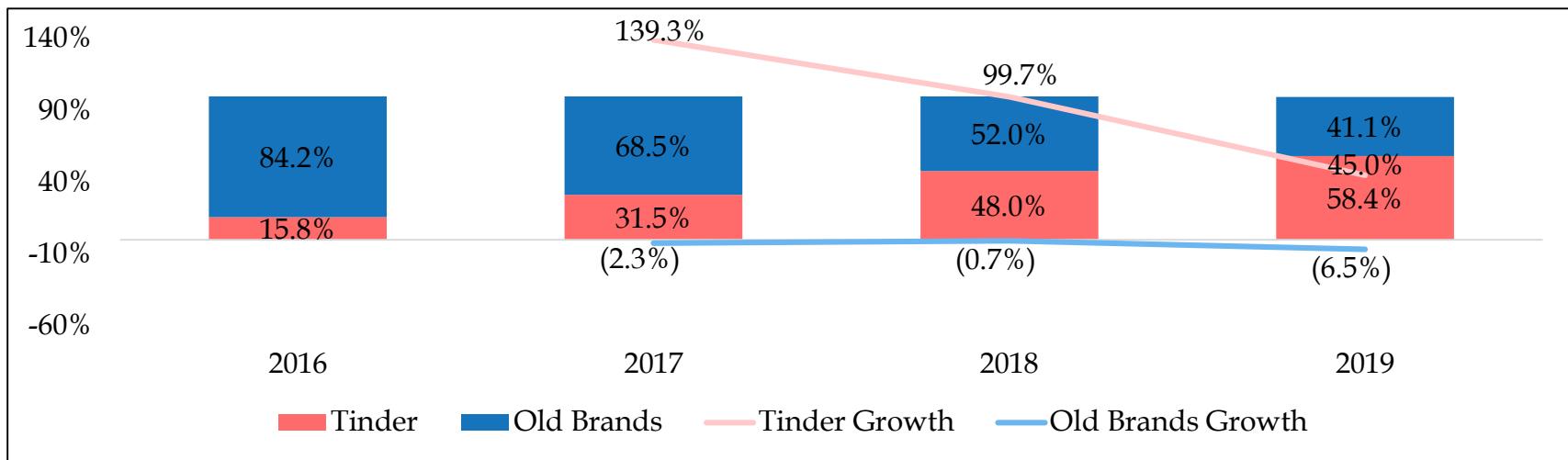


“Tinder has an ambitious product roadmap again in 2020. They are still in the process of determining the mix between user growth and engagement, subscription and a la carte oriented features.” – **Mandy Ginsberg, Match Group CEO**



# Tinder is Match Group's AWS or Google Search

- As discussed last week, Google's search engine allows it to pour money into its Other Bets segment like Amazon has historically done by using AWS profits to fund its retail expansion
- Tinder is half of Match Group's Revenue now and has higher margins
- Tinder has developed a network effect that is also self-perpetuating and should stop it from losing popularity in the near future (a *flywheel* as they say)



- "We're investing in exciting and innovative products to further fuel long-term growth for the business." – **Mandy Ginsberg, Match Group CEO**



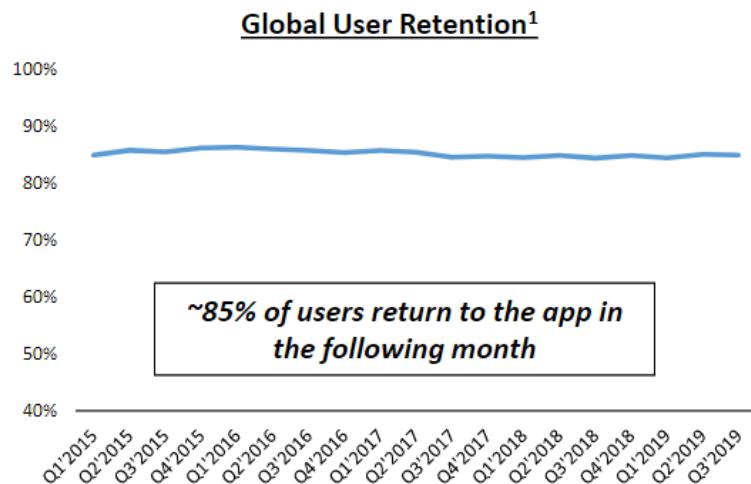
## More Reinvesting Quotes

- ▶ First, we **reinvested** a portion of our outperformance this year back into our businesses, primarily at Tinder globally, OkCupid in select international markets, Harmonica to address the Muslim demo globally and Pairs Engage to capture some of the Japanese matrimonial market. We believe these **investments** will improve the company's **long-term growth** and enable us to further capture the **large global market opportunity** in front of us, especially in Asia.
- ▶ In addition to Hinge, where we expect a relatively small **investment** in 2020, we expect to continue to invest to grow OkCupid in a number of markets globally. We also plan to continue to **invest** in BLK, Chispa, Ship, Ablo and Harmonica.
- ▶ “what we're doing is we're **shifting marketing spend from some of the brands that are more mature and showing less growth trajectory into the newer bets and brands that are showing more potential for growth.**”
  - ▶ “And so, when you look at that, it's the brands you would expect. It's OkCupid in these international markets, in India and other new markets where we think we have a chance to expand OkCupid. It's related to the BLK and Chispa by brands. It's related to Hinge. It's related to Pairs which has shown great traction in Japan, both in its core business as well now we're expanding into the new Pairs Engage product. So, that's where the marketing spend is going.”



# The Dilemma in the Business Model

- ▶ “Made to be deleted” – Hinge’s slogan
  - Inherently, if Match is doing a good job at pairing individuals then there should be very little repeat demand for their product
  - This trade-off between quality of good and monetization has adverse implications and may hinder the Company in the long-term
  - While the Company may celebrate 85%, true subscription services shoot for retention levels over 100% (higher than 100% through upselling)
- ▶ Concern with the Subscription Model
  - The consumer is almost paying for an addiction or level of dopamine that truly benefits some but others may exploit this





# The Facebook Scare

- At its F8 event in 2018, Facebook announced it was entering the dating market
  - “This is going to be for building real, long-term relationships – not just hook-ups” – Zuck



- Match shares dropped 22% on the news, but as you can see above I think it has done okay since then
  - Why has it recovered? Facebook is not a relevant threat



# Facebook is for Old People!

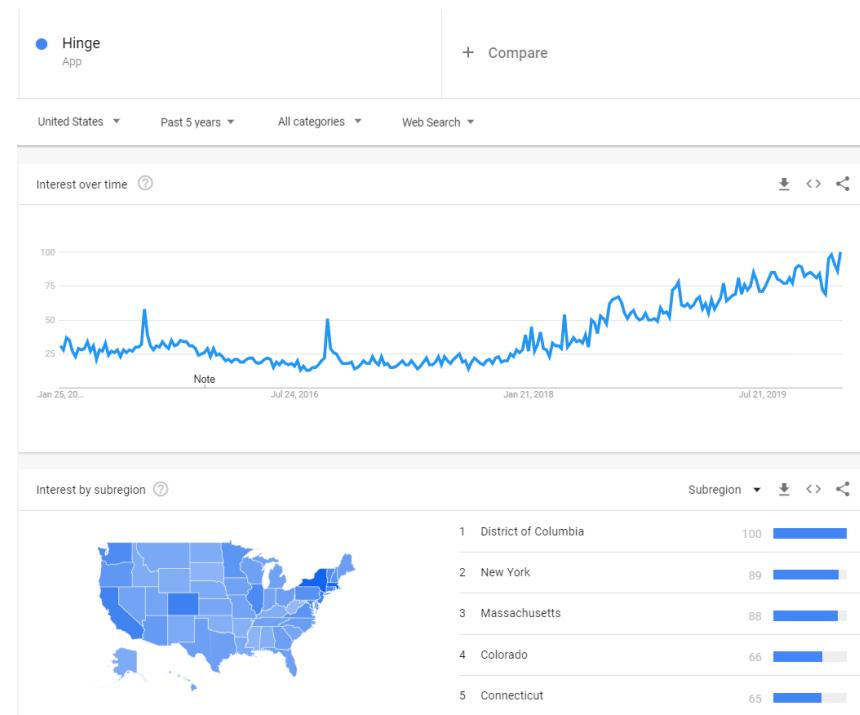
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- ▶ “This has led to the rise of “ghosting,” where one side of a relationship simply stops responding rather than suffer an uncomfortable break up conversation. Rude? Sure. But given no actual viable retribution mechanism, it has become the norm. **It’s important to note that Facebook integration into dating with their proposed dating product reintroduces potential retribution threats and social downside. This is a primary reason why we think Facebook’s dating efforts will stall.**” – Tyro Partners
- ▶ “when Facebook launched in Canada about a year ago, we thought this was a great way to get a proxy for the US. So, we've seen that now, those trends for the last year, and we've seen no impact in the Canadian market. So, we're feeling good from a competitive aspect at this point, but we'll continue to watch. **Keep in mind, during this past year, when Facebook launched in all these markets, this is also when Tinder's growth has been accelerating globally.**” – Mandy Ginsberg, Match Group CEO
- ▶ **Do you really want all your personal information on Facebook to be disclosed to randos?**
  - I will counter my own point though by saying that if we actually do reach a future of being paired with the perfect person via ML then Facebook may be the ideal platform
  - But I still think you would want some disclosure and separation between social media and dating



# New Apps Hold Massive Potential – Hinge

- ▶ Hinge is currently the fastest growing dating app in the US, UK, Canada, and Australia, according to Marketingweek.com (which seems trustworthy)
- ▶ This app is a nice alternative to Tinder in that it focuses more on personality traits and setting up dates
  - I personally believe the two could be great complements and Hinge could become Match Group's next hit



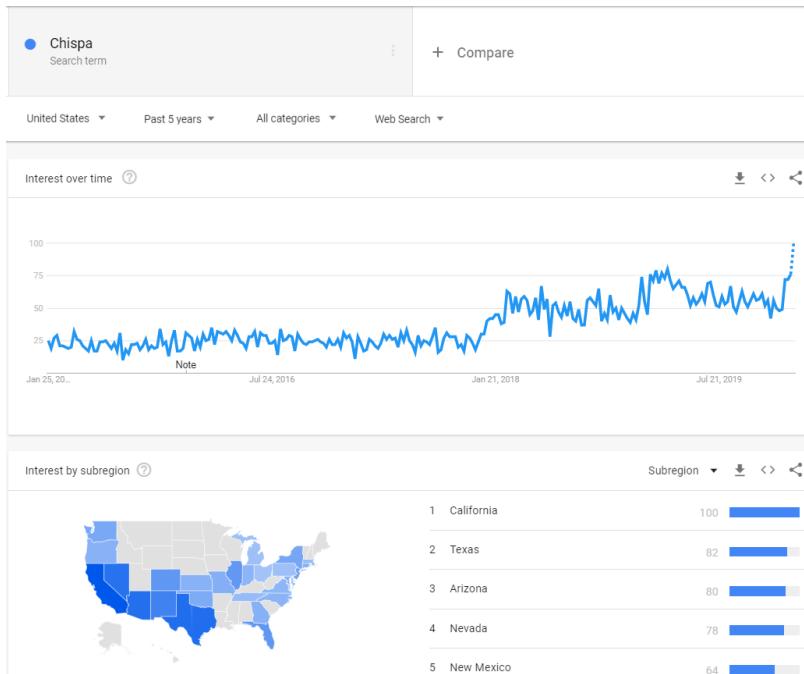
“We expect to continue to **invest** in 2020 in several of our new bets that are showing strong traction in their markets. Foremost is Hinge which has tremendous product momentum and increasing brand awareness in the US and other English-speaking markets. Hinge's user growth is very strong and we're about to turn our focus to subscriber and revenue growth.” – **Mandy Ginsberg, Match Group**

**CEO**



# New Apps Hold Massive Potential – Chispa, BLK, & Harmonica

- Match Group is now targeting different demographics to try and branch out from Tinder while using the successful swipe feature
  - The latest apps are BLK, which focuses on Black men and women; Chispa, which focuses on Latino and Latina singles; and Harmonica, which is a startup focused on Muslim users
- Realistically, these apps have a long way to go but have potential



- Apps using the Swipe® feature targeting specific U.S. demos
- Initial monetization has begun

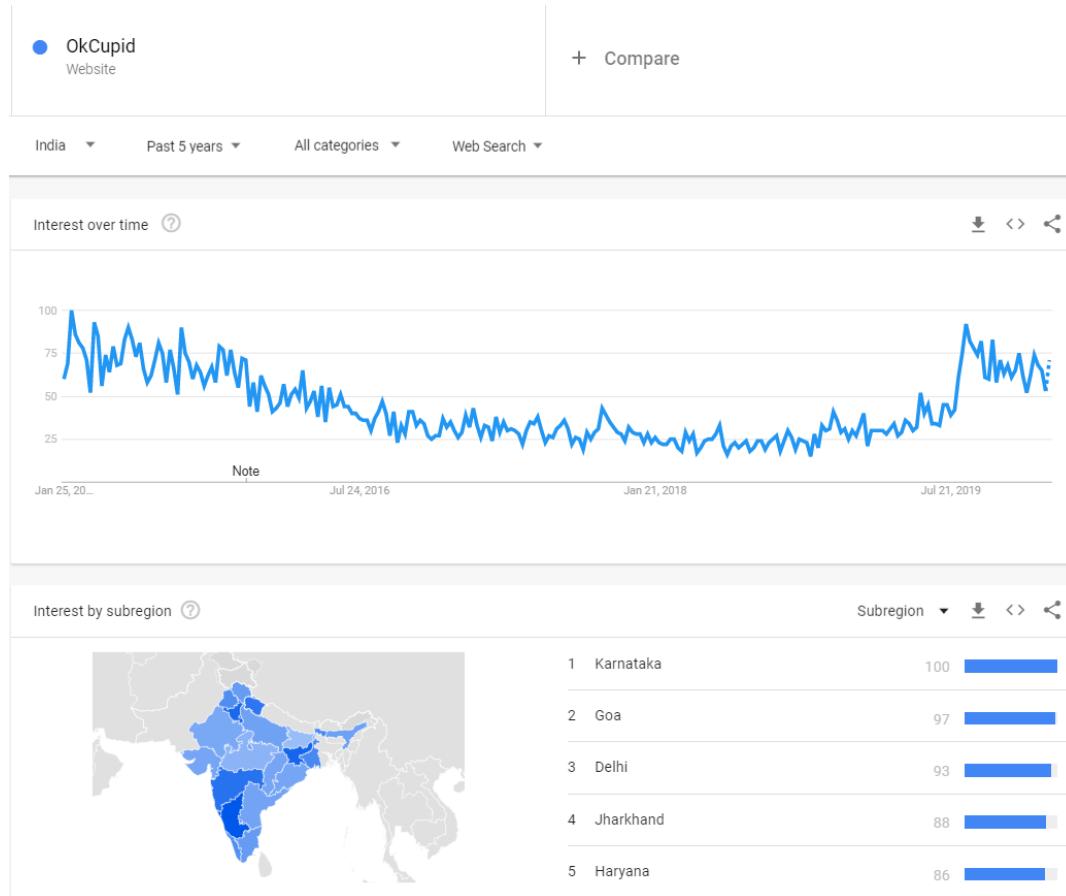
Global YTD Q3 Downloads<sup>1</sup>





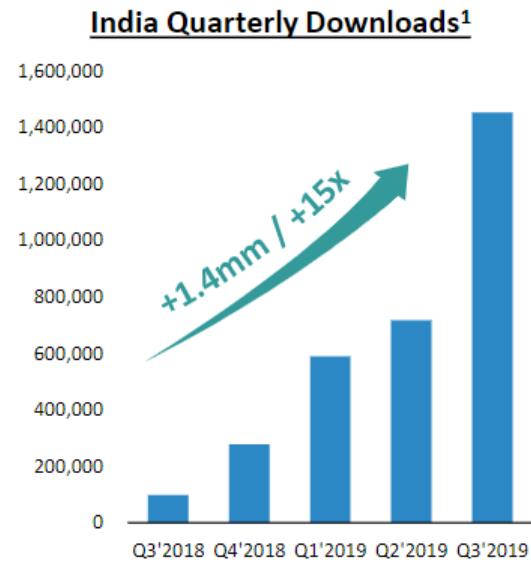
# New Apps Hold Massive Potential – OkCupid in India

- OkCupid has seen a recent surge of downloads in India
  - Match Group is beginning to target India and other Middle East / Asian countries to keep fueling growth



**okcupid**

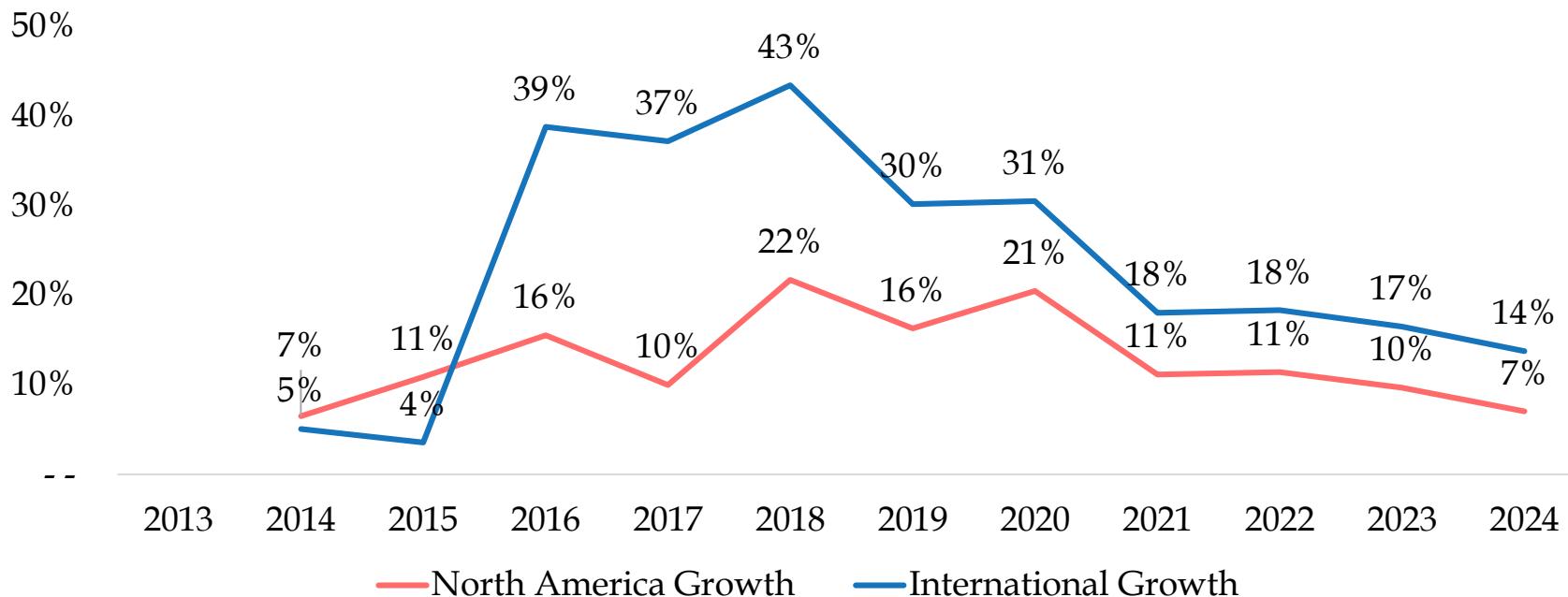
- Massive growth in India downloads
- Starting marketing investment in select Middle Eastern countries; planning for additional countries





# International Growth

- Even if Hinge becomes a huge success in the U.S., **Match Group is going to need to find success abroad to keep growing and maintain its valuation**
- International growth has been fueling the revenue expansion in the last 4 years and should continue as **social stigmas shift to accept online dating**
- This is an area of concern for me, personally, but I trust the pieces put in place to achieve this





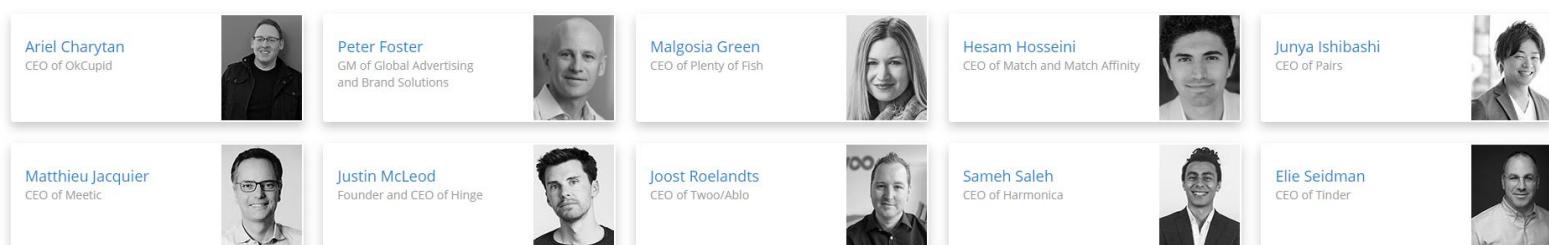
# Management & Org. Chart

- Ginsberg became CEO in 2017 and was formerly CEO of Match Group Americas
  - New Chairman of the Board took over in 2017 too after being CEO of IAC
- Management is incentivized on YoY Revenue growth, Adj. EBITDA, and strategic moves
- Restructured leadership in April 2019 to accelerate international growth, appointing three new execs targeting Japan, Taiwan, India, and Southeast Asia
- I think the independence of each of these brands with a unique leadership team is beneficial, as it will help encourage them to operate independently and avoid overlap of target audiences

## Match Group Executives



## Match Group Brand CEOs





# The Dating App Culture Problem

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- ▶ Ideally, you want to invest in a business that has a strong culture centered on customers or some other unifying aspect
- ▶ Truthfully, I do not know if Match Group has this and if I had more time I would talk to employees to find out
- ▶ I bring up this point because I have concerns regarding dating app cultures:
  - Tinder's founder, Greg Blatt, was accused of sexual harassment and assault in a lawsuit from 2019
  - Bumble's parent company, Badoo, had a report released detailing a toxic work culture, including drug-fueled parties and prostitution
- ▶ I hope this culture has been fixed under Ginsberg, but I cannot say definitively that it has



# Litigation Concerns

- Match Group is currently involved in 3 lawsuits, all of which are adding \$55 million of legal fees, with an expected \$70 million in 2020

## 1. Lawsuit Against Bumble

- Match Group issued a patent infringement lawsuit against Bumble in March 2018
- Bumble issued a countersuit for \$400 million, which it has been backing off of
- Management seems confident they can win this suit given continued investment in lawyer fees and earnings call rhetoric

## 2. Lawsuit by FTC & DOJ

- The FTC sued Match Group in September 2019 claiming deceptive and unfair practices which tricked consumers into buying subscriptions
- The FTC claims Match.com didn't turn a blind eye to its bot problem and profited from it
- This is only against Match.com, which is a small part of Match Group and any fines would likely be relatively small

## 3. Lawsuit by Former Tinder Employees

- This suit has been ongoing since August 2018 and is over \$2 billion of damages
- The lawsuit alleges IAC created false financial information, lied about Tinder's continued rapid growth, and delayed the launch of important features that drive the platform's revenue, like Tinder Gold, in order to lower the company's valuation
- This lawsuit is still ongoing and was not dismissed by NY Court as requested in October 2019
- I think this lawsuit is the most serious and there is potential Match Group loses but the fee would not be \$2 billion



# IAC & Match Relationship

- ▶ IAC is a media-focused holding company founded by Barry Diller, who is now Chairman
  - Diller is a media mogul who served as CEO of Paramount before creating the Fox Broadcasting Company and USA Broadcasting
- ▶ IAC currently owns ~80% of Match Group with 97.5% of all votes due to a dual class structure
- ▶ 10 public companies have emerged from IAC
  - These include ANGI HomeServices, Match Group, Expedia, TripAdvisor, HSN, Tree, Live Nation, and Interval → together created equity value in excess of \$50 billion
- ▶ Currently owns Vimeo, Care.com, and Turo
  - Just cut funding to CollegeHumor



|              |                  |              |             |                    |                  |              |                  |              |                    |
|--------------|------------------|--------------|-------------|--------------------|------------------|--------------|------------------|--------------|--------------------|
| okcupid      | pairs            | DROPOUT      | HomeAdvisor | DAILY BURN         | vimeo            | tinder       | (i) INVESTOPEDIA | Werkspot     | bluecrew           |
| dash         | CollegeHumor     | OurTime.com  | Werkspot    | PlentyOfFish       | Angie's list     | matchgroup   | HomeStars        | HomeAdvisor  | dash               |
| PlentyOfFish | handy            | Trouvaux.com | meeticgroup | match              | handy            | OurTime.com  | DAILY BEAST      | DROPOUT      | vimeo              |
| Angie's list | matchgroup       | tinder       | DAILY BURN  | ANGI HOME SERVICES | HomeAdvisor      | Trouvaux.com | CollegeHumor     | meeticgroup  | match              |
| vimeo        | (i) INVESTOPEDIA | HomeStars    | dash        | DROPOUT            | (i) INVESTOPEDIA | okcupid      | tinder           | PlentyOfFish | Angie's list       |
| DAILY BEAST  | match            | HomeAdvisor  | bluecrew    | DAILY BEAST        | vimeo            | RoboKiller   | pairs            | OurTime.com  | ANGI HOME SERVICES |



# IAC Historical Spin-Offs

## ▶ Expedia

- TSR: 392%
- IRR: 11.6%



## ▶ Live Nation

- TSR: 468%
- IRR: 13.1%



## ▶ Tree (Now LendingTree)

- TSR: 3,233%
- IRR: 41.7%

## ▶ Other Brands Now Consolidated:

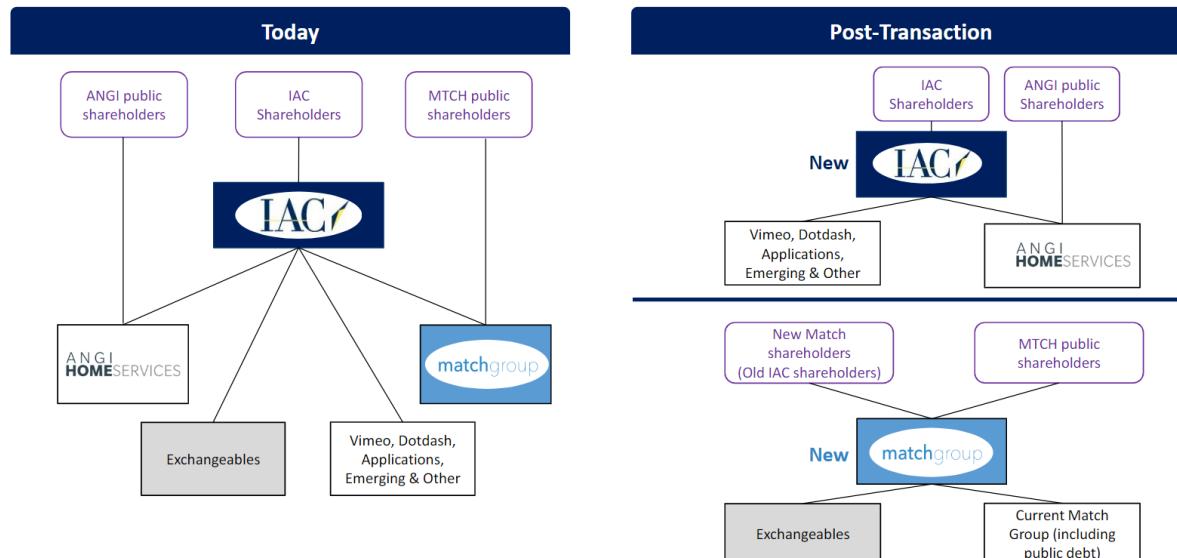
- HSN (Home Shopping Network)
- Leisure Group
- Hotels.com





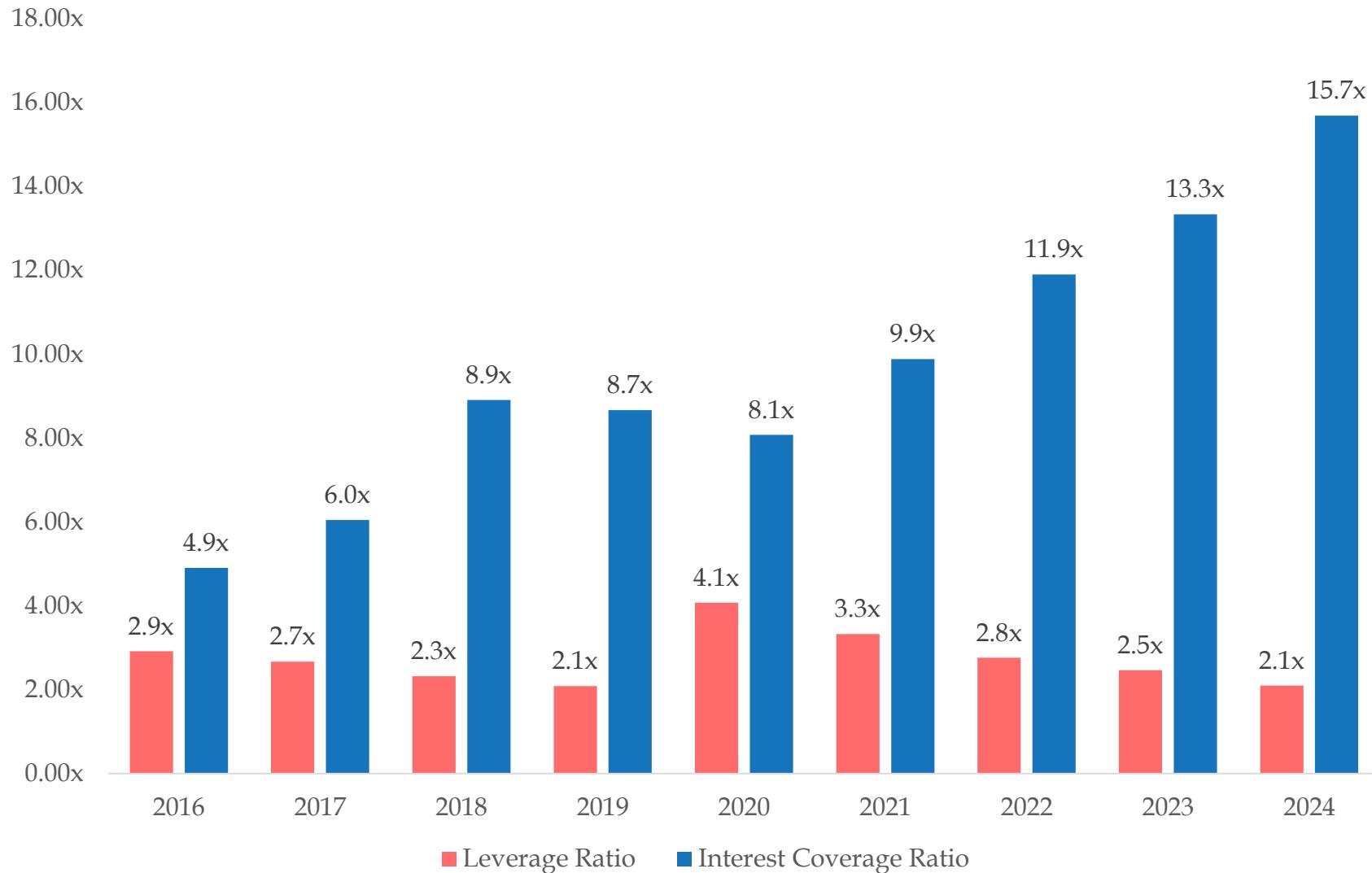
# Spin-Off Implications for Match Group

- PROS**
- ▶ More investable
    - Elimination of dual class structure & enhanced liquidity → ability to list on S&P
  - ▶ Strategic flexibility
    - Acquire companies with greater ease or return capital to shareholders through buybacks/ dividends
- CONS**
- ▶ Additional debt
    - Retains \$1.7 billion of IAC debt → \$3.8 billion pro-forma (4.2x net leverage)
  - ▶ Additional dilution
    - Assumes \$11 million options with \$550 million value
  - ▶ Cash payment
    - Fund through \$840 million cash payment
    - This will be partially to acquire two Tinder properties owned by IAC



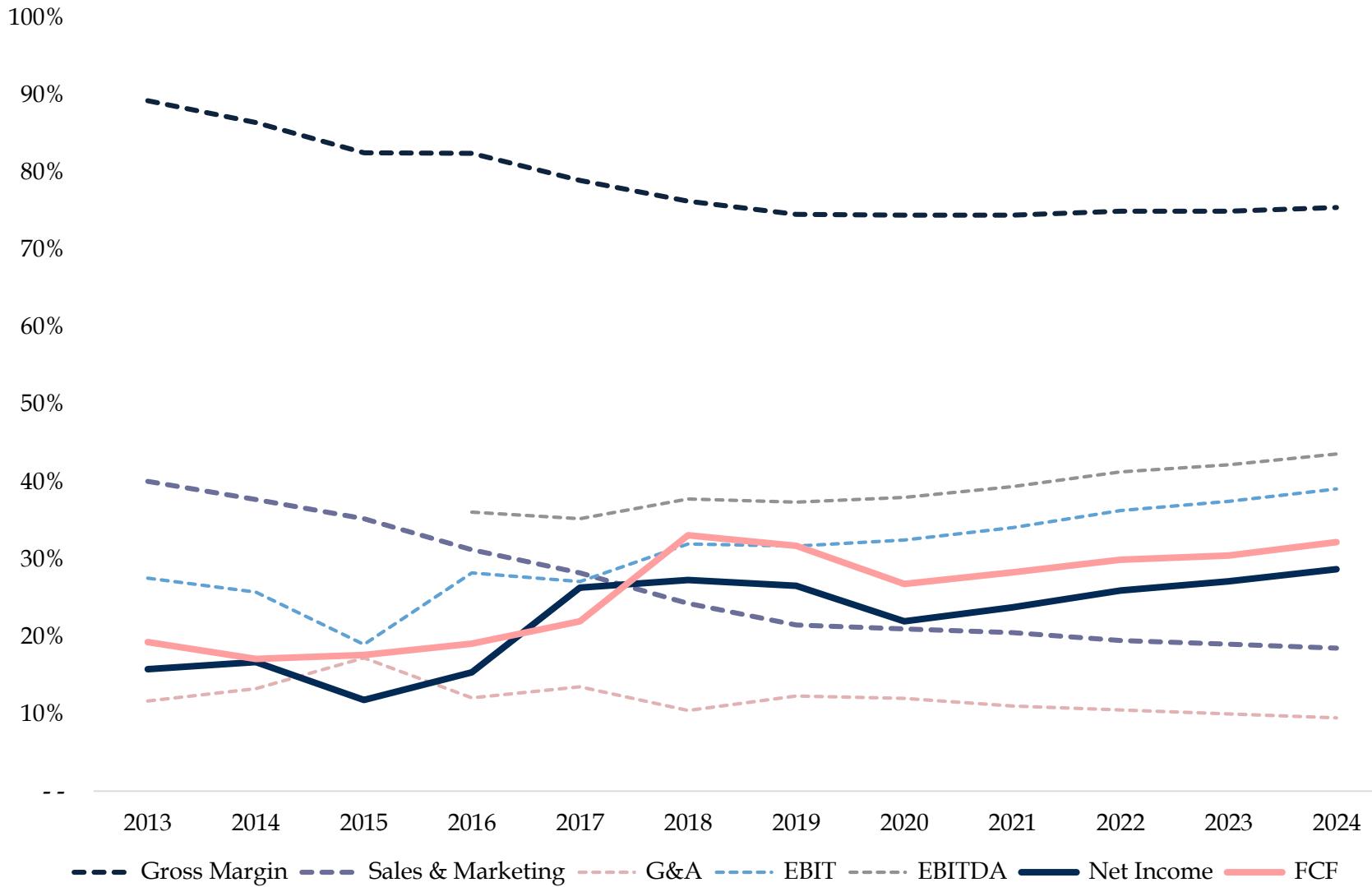


# Debt is Not a Problem



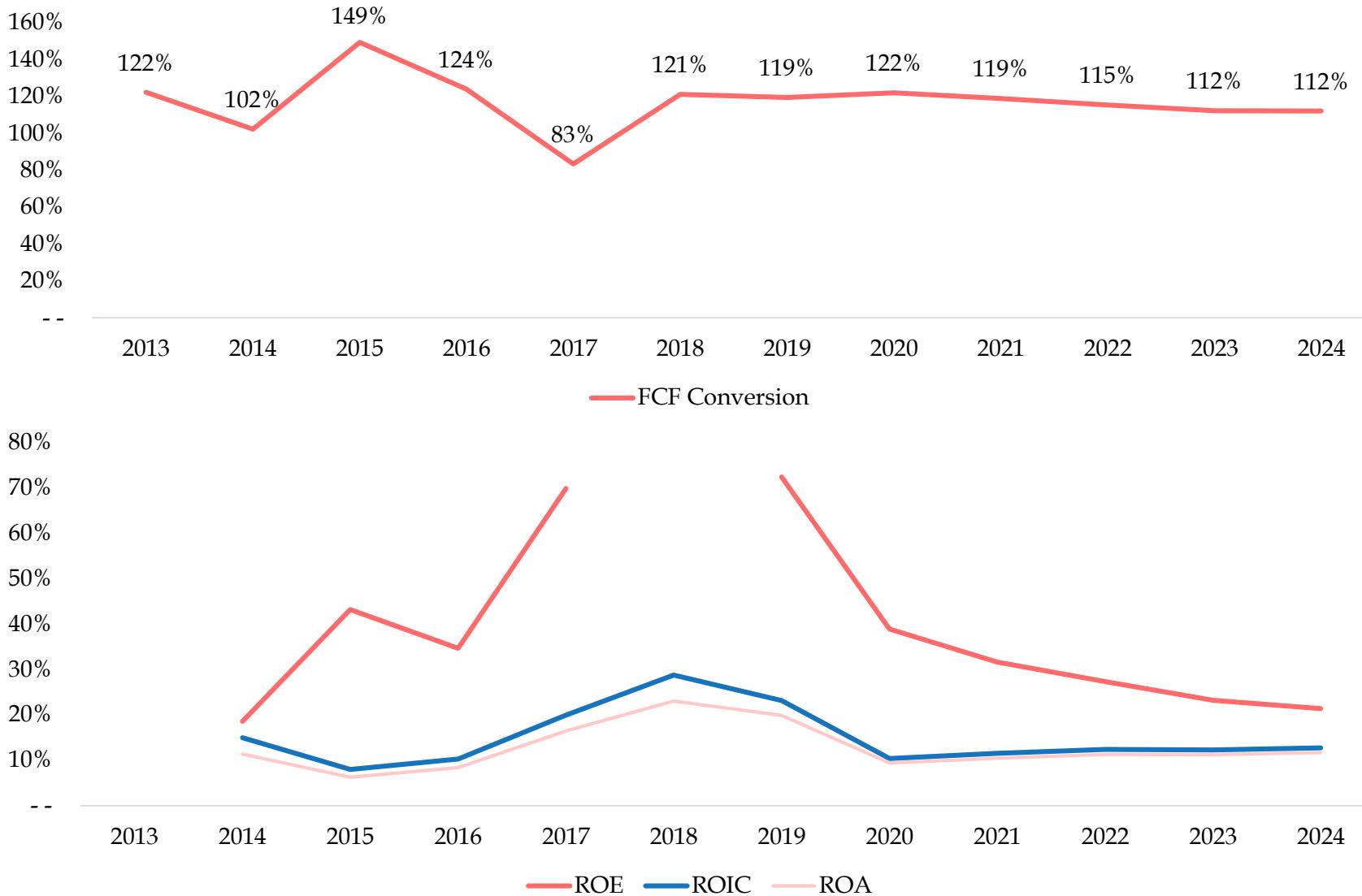


# Strong Margins Getting Stronger





# Operational Efficiency



Excluded 2018, as it was 300% and skewed the graph due to a large dividend



# Analyst Short-Term Sentiment

- ▶ “Match and IAC/InterActiveCorp IAC reached an agreement in late December to fully separate and form two independent companies and this in part contributed to the stock's momentum, Sheridan wrote in the **downgrade note**. Meanwhile, other **long-term fundamental drivers remain supportive of Match, including a widening moat around Tinder, efficiency in managing marketing dollars across multiple brands, and successful product launches.**”
- ▶ “Looking forward, the research firm wrote it is "likely" Tinder can continue outperforming expectations in terms of subscriber and revenue growth. Also, the research firm is estimating that Match Group's portfolio of dating sites and apps can grow subscribers at an 11% compounded annual growth rate through 2024.”
- ▶ **We are LONG TERM INVESTORS and can ride out the ups and downs in the coming years to capitalize on these long-term drivers and value**





# Recession Resistant?

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- ▶ **Match was not public in 2008 so hard to say definitely**
- ▶ “Online and offline matchmakers are reporting that dating interest is up, way up. **Match.com, for instance, had its strongest fourth quarter in the last seven years**” – NYT, Feb. 2009
- ▶ “During the last economic downturn, in 2001, Duane Dahl, the chief executive of Perfectmatch.com, noted that there was a spike in interest similar to what the industry is seeing now.” – NYT, Feb. 2009
- ▶ I believe that the users may go up in a recession as people seek emotional support and dopamine from apps like Tinder
  - However, I would also expect the Company to still get hurt by less subscriptions



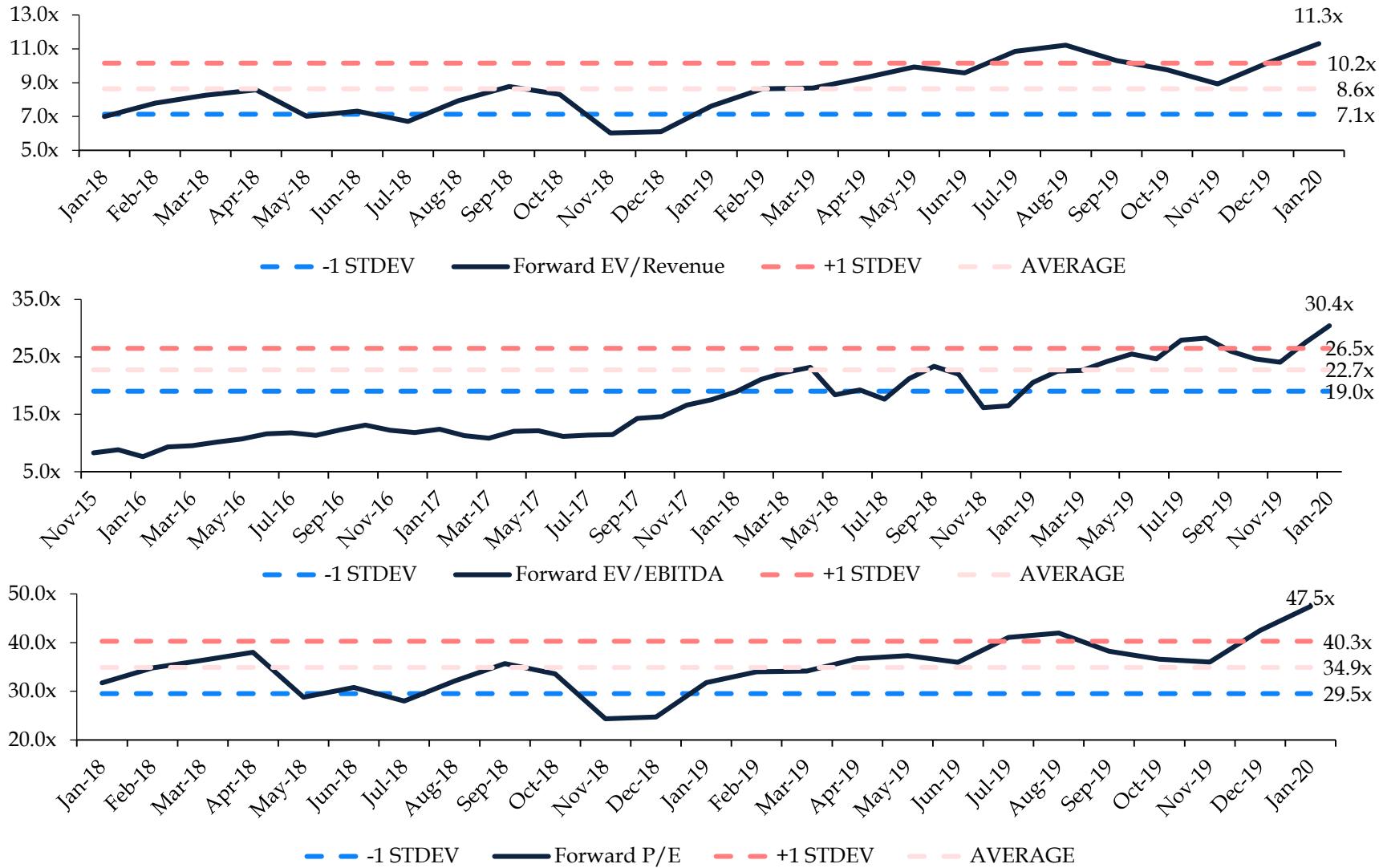
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# Valuation

Does the current price already factor in all this upside?



# Valuation – Historical Multiples





# Valuation – Comps

| Company Name                          | Market Cap<br>(USDmm) | Enterprise Value<br>(USDmm) | Projected 1-Year Growth |          |             | Margins  |          |            |            |
|---------------------------------------|-----------------------|-----------------------------|-------------------------|----------|-------------|----------|----------|------------|------------|
|                                       |                       |                             | Revenue                 | EBITDA   | EPS         | Gross    | EBITDA   | Net Income | Unlev. FCF |
| Spotify Technology S.A.               | \$27,213              | \$26,933                    | 33.7%                   | NM       | NM          | 25.7%    | 2.1%     | 4.7%       | 0.3%       |
| Twitter, Inc.                         | \$26,361              | \$27,036                    | 17.6%                   | 80.0%    | 170.3%      | 67.5%    | 23.0%    | 8.1%       | 20.1%      |
| Snap Inc.                             | \$26,739              | \$27,226                    | 53.0%                   | NM       | NM          | 44.6%    | NM       | NM         | (3.1%)     |
| Facebook, Inc.                        | 631,149               | 624,302                     | 29.0%                   | 53.7%    | 79.1%       | 81.9%    | 42.8%    | 22.2%      | 21.5%      |
| Adobe Inc.                            | 168,775               | 170,263                     | 17.9%                   | 59.9%    | 141.9%      | 85.0%    | 34.3%    | 17.6%      | 28.8%      |
| Autodesk, Inc.                        | 42,847                | 43,934                      | NM                      | 129.0%   | 326.4%      | 90.8%    | 12.3%    | 4.6%       | 24.1%      |
| Workday, Inc.                         | 41,954                | 42,594                      | 5.1%                    | NM       | NM          | 70.5%    | NM       | (8.3%)     | 23.8%      |
| Dropbox, Inc.                         | 7,281                 | 7,739                       | 19.5%                   | 401.7%   | NM          | 74.8%    | 5.8%     | (2.4%)     | 20.7%      |
| Match Group, Inc.                     | \$25,074              | \$26,361                    | 23.4%                   | 40.3%    | 73.6%       | 74.8%    | 33.3%    | 17.3%      | 25.4%      |
| 75th Percentile                       | \$74,329              | \$75,517                    | 31.3%                   | 129.0%   | 209.3%      | 82.6%    | 31.5%    | 12.9%      | 23.9%      |
| Mean                                  | 121,540               | 121,253                     | 25.1%                   | 144.9%   | 179.4%      | 67.6%    | 20.0%    | 6.7%       | 17.0%      |
| Median                                | 34,584                | 34,910                      | 19.5%                   | 80.0%    | 156.1%      | 72.7%    | 17.6%    | 4.7%       | 21.1%      |
| 25th Percentile                       | 26,645                | 27,010                      | 17.7%                   | 59.9%    | 126.2%      | 61.8%    | 7.4%     | 1.1%       | 15.1%      |
| Profitability Ratios                  |                       |                             | EV / Revenue            |          | EV / EBITDA |          | P/E      |            |            |
| Company Name                          | ROA                   | ROE                         | ROC                     | LTM      | FY'20       | LTM      | FY'20    | LTM        | FY'20      |
| Spotify Technology S.A.               | 1.4%                  | 26.3%                       | 22.4%                   | 3.9x     | 2.9x        | NM       | NM       | 74.2x      | NM         |
| Twitter, Inc.                         | 2.5%                  | 21.6%                       | 15.9%                   | 8.0x     | 6.8x        | 35.0x    | 19.4x    | 95.6x      | 35.4x      |
| Snap Inc.                             | NM                    | NM                          | NM                      | 17.6x    | 11.5x       | NM       | NM       | NM         | NM         |
| Facebook, Inc.                        | 13.2%                 | 20.7%                       | 19.6%                   | 9.4x     | 7.3x        | 21.9x    | 14.3x    | 42.7x      | 23.8x      |
| Adobe Inc.                            | 10.3%                 | 29.7%                       | 21.0%                   | 15.2x    | 12.9x       | 44.4x    | 27.8x    | 86.5x      | 35.8x      |
| Autodesk, Inc.                        | 4.1%                  | NM                          | 9.4%                    | 14.1x    | NM          | NM       | 50.1x    | NM         | 70.4x      |
| Workday, Inc.                         | NM                    | NM                          | NM                      | 12.4x    | 11.8x       | NM       | 56.8x    | NM         | NM         |
| Dropbox, Inc.                         | NM                    | NM                          | NM                      | 4.9x     | 4.1x        | 83.4x    | 16.6x    | NM         | 29.8x      |
| Match Group, Inc.                     | 16.5%                 | 117.7%                      | 27.4%                   | 13.4x    | 10.9x       | 40.4x    | 28.8x    | 73.9x      | 42.6x      |
| 75th Percentile                       | 10.3%                 | 27.1%                       | 21.0%                   | 14.4x    | 11.7x       | 54.2x    | 44.5x    | 88.8x      | 35.8x      |
| Mean                                  | 6.3%                  | 24.5%                       | 17.7%                   | 10.7x    | 8.2x        | 46.2x    | 30.8x    | 74.8x      | 39.0x      |
| Median                                | 4.1%                  | 23.9%                       | 19.6%                   | 10.9x    | 7.3x        | 39.7x    | 23.6x    | 80.4x      | 35.4x      |
| 25th Percentile                       | 2.5%                  | 21.3%                       | 15.9%                   | 7.2x     | 5.5x        | 31.7x    | 17.3x    | 66.3x      | 29.8x      |
| Implied EV (75th Percentile)          |                       |                             |                         | \$28,240 | \$28,210    | \$35,340 | \$40,761 |            |            |
| Implied EV (Mean)                     |                       |                             |                         | 20,967   | 19,820      | 30,138   | 28,228   |            |            |
| Implied EV (Median)                   |                       |                             |                         | 21,348   | 17,615      | 25,907   | 21,608   |            |            |
| Implied EV (25th Percentile)          |                       |                             |                         | 14,219   | 13,210      | 20,705   | 15,859   |            |            |
| Implied Share Price (75th Percentile) |                       |                             |                         | \$88.26  | \$88.16     | \$111.50 | \$129.25 | \$107.73   | \$75.34    |
| Implied Share Price (Mean)            |                       |                             |                         | \$64.44  | \$60.69     | \$94.47  | \$88.22  | \$90.70    | \$82.23    |
| Implied Share Price (Median)          |                       |                             |                         | \$65.69  | \$53.47     | \$80.62  | \$66.54  | \$97.51    | \$74.52    |
| Implied Share Price (25th Percentile) |                       |                             |                         | \$42.35  | \$39.04     | \$63.58  | \$47.71  | \$80.49    | \$62.81    |



# Valuation – Multiples

| Year Metric Used<br>Date        | 2021<br>12/31/2020 | 2022<br>12/31/2021 | 2023<br>12/31/2022 | 2024<br>12/31/2023 |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Revenue</b>                  | \$2,901,615        | \$3,333,313        | \$3,655,966        | \$4,161,509        |
| <i>Forward Multiple Applied</i> | 10.0x              | 10.0x              | 10.0x              | 10.0x              |
| Implied EV                      | \$29,016,147       | \$33,333,127       | \$36,559,661       | \$41,615,085       |
| Implied Share Price             | \$96.59            | \$113.21           | \$125.81           | \$144.75           |
| <i>Upside / (Downside)</i>      | 7.9%               | 26.4%              | 40.5%              | 61.6%              |
| IRR                             | 8.4%               | 12.8%              | 12.3%              | 13.0%              |
| <b>EBITDA</b>                   | \$1,143,236        | \$1,376,658        | \$1,542,818        | \$1,814,418        |
| <i>Forward Multiple Applied</i> | 26.0x              | 26.0x              | 26.0x              | 26.0x              |
| Implied EV                      | \$29,724,141       | \$35,793,112       | \$40,113,260       | \$47,174,861       |
| Implied Share Price             | \$99.11            | \$121.77           | \$137.94           | \$163.36           |
| <i>Upside / (Downside)</i>      | 10.7%              | 36.0%              | 54.0%              | 82.4%              |
| IRR                             | 11.4%              | 17.2%              | 15.8%              | 16.5%              |
| <b>EPS</b>                      | \$2.45             | \$3.01             | \$3.39             | \$4.00             |
| <i>Multiple Applied</i>         | 40.0x              | 40.0x              | 40.0x              | 40.0x              |
| Implied Share Price             | \$98.08            | \$120.43           | \$135.44           | \$159.88           |
| <i>Upside / (Downside)</i>      | 9.5%               | 34.5%              | 51.2%              | 78.5%              |
| IRR                             | 10.2%              | 16.5%              | 15.1%              | 15.8%              |



# Valuation – DCF

## Perpetuity Approach

|  |                      |
|--|----------------------|
| FCF in Terminal Year                           | \$1,712,136          |
| FCFT+1   | \$1,746,378          |
| Perpetual Growth Rate (g)                      | 2.0%                 |
| Terminal Value                                 | \$34,298,152         |
| Present Value of Terminal Value                | \$24,349,527         |
| <b>Enterprise Value (PV of FCF + PV of TV)</b> | <b>\$31,437,314</b>  |
| <i>Less: Net Debt</i>                          | <i>(\$1,236,181)</i> |
| <b>Equity Value</b>                            | <b>\$30,201,133</b>  |
| Implied Share Price                            | \$102.13             |
| Implied Upside / (Downside)                    | 14.0%                |

| Share Price - Perpetuity Approach (Growth Rate vs. WACC) |          |          |          |          |         |
|--|----------|----------|----------|----------|---------|
|  | 6.1%     | 6.6%     | 7.1%     | 7.6%     | 8.1%    |
| 1.0%   | \$110.07 | \$97.95  | \$87.94  | \$79.55  | \$72.43 |
| 1.5%   | \$120.32 | \$106.01 | \$94.40  | \$84.80  | \$76.76 |
| 2.0%   | \$133.06 | \$115.83 | \$102.13 | \$91.00  | \$81.80 |
| 2.5%   | \$149.36 | \$128.05 | \$111.54 | \$98.41  | \$87.74 |
| 3.0%   | \$170.92 | \$143.67 | \$123.25 | \$107.44 | \$94.85 |

| Share Price - Perpetuity Approach (Growth Rate vs. WACC) |       |       |        |         |         |
|--|-------|-------|--------|---------|---------|
|  | 6.1%  | 6.6%  | 7.1%   | 7.6%    | 8.1%    |
| 1.0%   | 22.9% | 9.4%  | (1.8%) | (11.2%) | (19.1%) |
| 1.5%   | 34.3% | 18.4% | 5.4%   | (5.3%)  | (14.3%) |
| 2.0%   | 48.6% | 29.3% | 14.0%  | 1.6%    | (8.7%)  |
| 2.5%   | 66.8% | 43.0% | 24.5%  | 9.9%    | (2.0%)  |
| 3.0%   | 90.8% | 60.4% | 37.6%  | 20.0%   | 5.9%    |

## EBITDA Multiple Approach

|  |                      |
|--|----------------------|
| Terminal Year EBITDA                         | \$1,689,572          |
| Terminal Value EBITDA Multiple               | 22.0x                |
| Terminal Value                               | \$37,170,594         |
| Present Value of Terminal Value              | \$26,388,780         |
| <b>Enterprise Value</b>                      | <b>\$33,476,567</b>  |
| <i>Less: Net Debt &amp; Preferred Equity</i> | <i>(\$1,236,181)</i> |
| <b>Equity Value</b>                          | <b>\$32,240,386</b>  |
| Implied Share Price                          | \$109.02             |
| Implied Upside / (Downside)                  | 21.7%                |

| Share Price - EBITDA Multiple Approach (Exit Multiple vs. Terminal Yr. EBITDA) |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
|  | \$1,368,554 | \$1,520,615 | \$1,689,572 | \$1,858,530 | \$2,044,383 |
| 18.0x  | \$78.93     | \$85.50     | \$92.80     | \$100.10    | \$108.13    |
| 20.0x  | \$85.50     | \$92.80     | \$100.91    | \$109.02    | \$117.95    |
| 22.0x  | \$92.07     | \$100.10    | \$109.02    | \$117.95    | \$127.76    |
| 24.0x  | \$98.64     | \$107.40    | \$117.14    | \$126.87    | \$137.58    |
| 26.0x  | \$105.21    | \$114.70    | \$125.25    | \$135.79    | \$147.39    |

| Share Price - EBITDA Multiple Approach (Exit Multiple vs. Terminal Yr. EBITDA) |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
|  | \$1,368,554 | \$1,520,615 | \$1,689,572 | \$1,858,530 | \$2,044,383 |
| 8.0x   | (11.9%)     | (4.5%)      | 3.6%        | 11.8%       | 20.7%       |
| 10.0x  | (4.5%)      | 3.6%        | 12.7%       | 21.7%       | 31.7%       |
| 12.0x  | 2.8%        | 11.8%       | 21.7%       | 31.7%       | 42.7%       |
| 14.0x  | 10.1%       | 19.9%       | 30.8%       | 41.7%       | 53.6%       |
| 16.0x  | 17.5%       | 28.1%       | 39.8%       | 51.6%       | 64.6%       |



# Tying It All Together

## Pros

- ▶ Monopoly on the growing online dating market
- ▶ Increased connectivity and spending trends
- ▶ Reinvesting Tinder profits into new apps and marketing
- ▶ New apps possess massive potential in new markets
- ▶ International growth tailwinds through changing social stigmas
- ▶ Facebook appears to offer little threat
- ▶ IAC Spin-off should greater flexibility in regards to capital allocation and trading
- ▶ High margins and operational efficiency
- ▶ Relatively recession resistant

## Cons

- ▶ Business model offers conflict between success and monetization
- ▶ Tinder's growth likely to slow over time
- ▶ Cannibalization of brands
- ▶ Culture concerns in dating apps
- ▶ The Tinder litigation could continue for a long time and have an impact if found guilty
- ▶ IAC Spin off burdens the company with dilution and additional debt
- ▶ Valuation is the “frothiest” it has ever been



# Thanks for Coming!

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# Appendix



# WACC

## After-Tax Cost of Debt (Kd)

$$Kd = \text{pre-tax } Kd^* (1-t)$$

|              |        |
|--------------|--------|
| Cost of Debt | 5.32%  |
| Tax Rate     | 21.00% |

|                        |       |
|------------------------|-------|
| After Tax Cost of Debt | 4.21% |
|------------------------|-------|

## Cost of Equity

$$Ke = Krf + B(\text{relevered}) * RP$$

|                     |       |
|---------------------|-------|
| Risk-Free Rate      | 3.00% |
| Relevered Beta      | 0.88  |
| Equity Risk Premium | 5.00% |

|                |       |
|----------------|-------|
| Cost of Equity | 7.41% |
|----------------|-------|

## WACC

$$WACC = Kd^* (D/D+E) + Ke^* (E/D+E)$$

|                        |        |
|------------------------|--------|
| After-Tax Cost of Debt | 4.21%  |
| Cost of Equity         | 7.41%  |
| Adj. Debt / Total Cap  | 10.00% |

|      |       |
|------|-------|
| WACC | 7.09% |
|------|-------|



# TAM

| Year                                     | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | 2021    | 2022    | 2023    | 2024    |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| U.S. Population                          | 316,000 | 318,000 | 321,000 | 323,000 | 325,000 | 327,000 | 328,000 | 329,968 | 331,948 | 333,939 | 335,943 | 337,959 |
| U.S. Singles Over Age of 18              |         |         |         |         |         | 110,600 | 110,600 | 109,954 | 109,784 | 109,608 | 109,426 | 109,237 |
| % Single                                 |         |         |         |         |         | 33.8%   | 33.6%   | 33.3%   | 33.1%   | 32.8%   | 32.6%   | 32.3%   |
| % Living in Urban Areas                  |         |         |         |         |         | 80.0%   | 80.2%   | 80.4%   | 80.6%   | 80.8%   | 81.0%   | 81.2%   |
| U.S. Singles in Targetable Area          |         |         |         |         |         | 88,480  | 88,701  | 88,403  | 88,486  | 88,563  | 88,635  | 88,701  |
| North American Match Subscribers         | 2,169   | 2,404   | 2,712   | 3,268   | 3,569   | 4,161   | 4,552   | 6,209   | 6,941   | 7,504   | 7,873   | 7,961   |
| Assumed % from United States             |         |         |         |         |         | 95.5%   | 95.0%   | 95.0%   | 95.0%   | 95.0%   | 95.0%   | 95.0%   |
| United States Subscribers                |         |         |         |         |         | 3,973   | 4,325   | 5,899   | 6,594   | 7,129   | 7,480   | 7,563   |
| <b>United States Dating Market Share</b> |         |         |         |         |         | 4.5%    | 4.9%    | 6.7%    | 7.5%    | 8.0%    | 8.4%    | 8.5%    |
| % of Couples Meeting Online              | 26.0%   | 28.0%   | 32.0%   | 34.0%   | 38.0%   | 40.0%   | 42.0%   | 44.0%   | 46.0%   | 48.0%   | 50.0%   | 52.0%   |
| United States Online Dating Market Share |         |         |         |         |         | 11.2%   | 11.6%   | 15.2%   | 16.2%   | 16.8%   | 16.9%   | 16.4%   |