

# matchgroup

**Q3 2017**

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*Investor Presentation – November 7, 2017*

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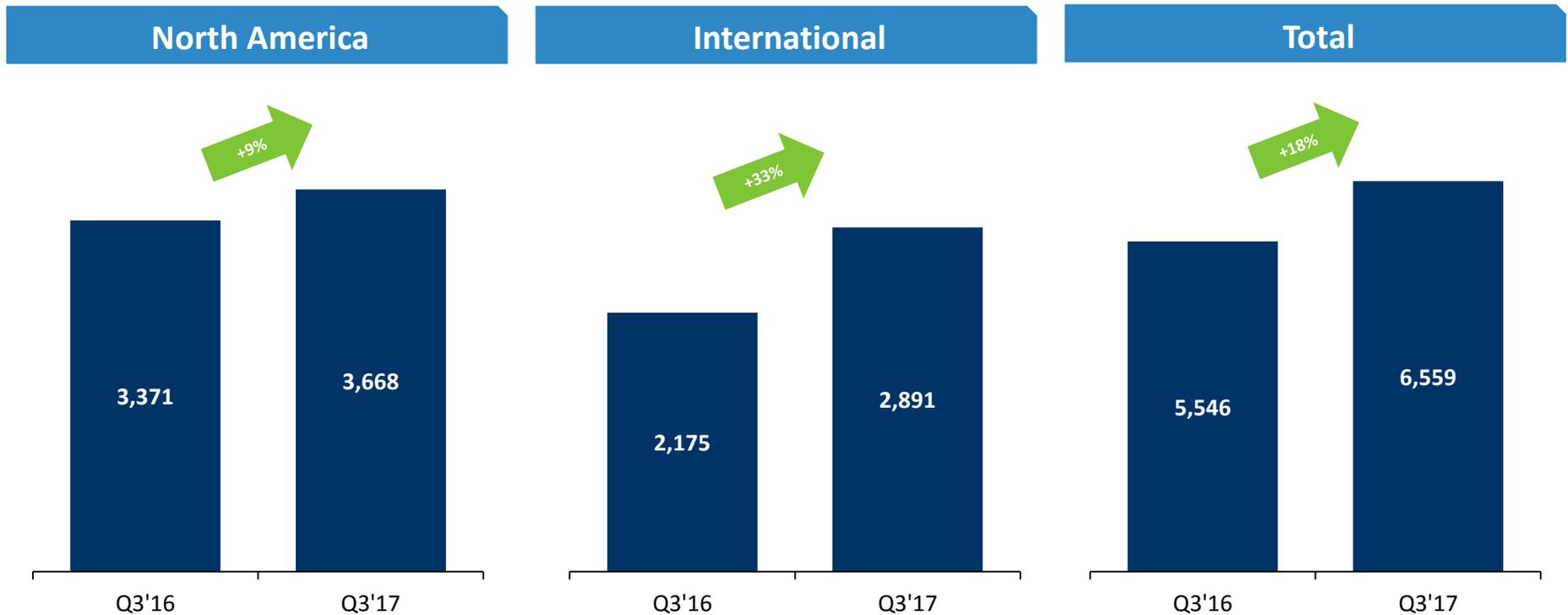
This presentation includes certain non-GAAP financial measures in addition to financials presented in accordance with U.S. GAAP. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. See the Appendix for a reconciliation of the non-GAAP financial measures to their most comparable GAAP measure.

This presentation contains statistical data that we obtained from third party publications, surveys and reports. Although we have not independently verified the accuracy or completeness of the data contained in these industry publications, surveys and reports, we believe the publications, surveys and reports are generally reliable, although such information is inherently subject to uncertainties and imprecise.

"Average PMC" is calculated by summing the number of paid members, or paid member count ("PMC"), at the end of each day in the relevant measurement period and dividing it by the number of calendar days in that period. PMC as of any given time represents the number of users with a paid membership at that time. Users who purchase only a la carte features from us do not qualify as paid members for purposes of PMC. Unless otherwise noted, PMC refers to Average PMC in this presentation. "Ending PMC" is calculated by taking the number of paid members, or paid member count, at the end of the relevant measurement period. "ARPPU" or Average Revenue per Paying User, is Direct Revenue from paid members in the relevant measurement period divided by the Average PMC in such period divided by the number of calendar days in such period. Direct Revenue is revenue that is directly received from an end user of our products. "North America" or "NA" as used in this presentation refers to the United States and Canada.

# Key Business Trends

# Q3 2017 Average PMC Trends

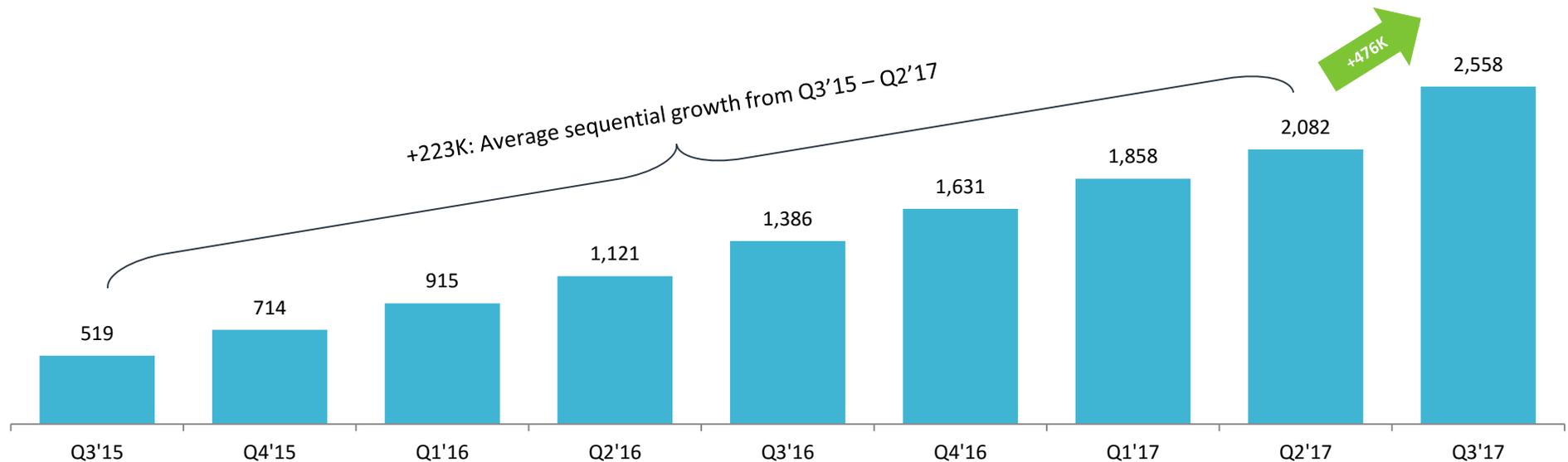


- 18% Average PMC growth – acceleration driven by record PMC increase at Tinder
- Increased PMC stability at Match and OkCupid contributed to North America improvement
- As expected, declines in Match Affinity and non-strategic brands<sup>1</sup> reduced North American Average PMC by ~137K vs. Q3'16

# Average PMC Trends at Tinder

- Record 476K Average PMC added in Q3, contributing to an 85% YoY increase in Average PMC
- Tinder PMC momentum driven by:
  - Expanded access through “growth product” development
  - Marketing
  - Increased conversion through optimizations and new ‘Likes You’ feature
  - “Under the hood” performance improvements

Average PMC (in 000's)



# Monetization at Tinder Today

## Subscription

### Tinder Plus

- First subscription product launched in March 2015
- Unlimited right swipes, rewind, incognito mode, passport to any location, no ads and additional Boosts / Super Likes

### Tinder Gold

- Global rollout on iOS on 8/31 and on Android on 9/20
- Includes all Tinder Plus functions in addition to new 'Likes You' feature
- Priced at premium to Tinder Plus
- Net effect is higher ARPPU, higher conversion – more than offsetting lower duration

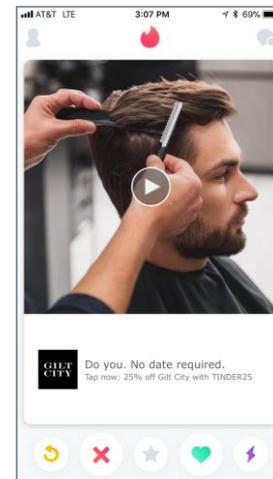
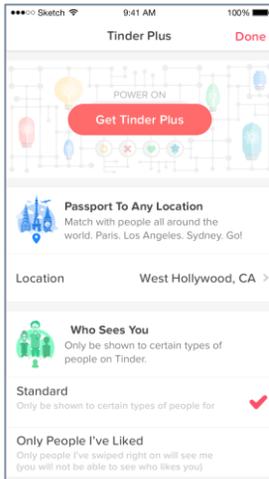
Focus remains on overall revenue maximization

## A la carte

- Super Likes and Boost
- Available for purchase to all users (PMC and non-PMC)
- Non-PMC a relatively small portion of a la carte purchasers

## Advertising

- Direct premium sales
- Facebook ad network



# Leveraging Tinder's Core Advantages

## Scale + Intent + Resources

### Post-Match

- Scale and dating intent provide unique opportunity for deep post-match engagement
- New features coming soon to:
  - Increase and improve communication
  - Provide more substantive experience



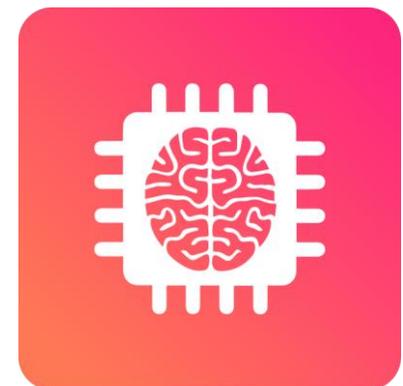
### Location

- Emerging location technology, scale and dating intent combine to:
  - Blur lines between physical and digital world for dating
  - Expand into broader social endeavors



### Artificial Intelligence

- Largest tech resources in the category devoted to machine learning precision in order to improve discovery
- New AI-driven data products that personalize experience coming soon
- Enhanced analytics



# North America Update – Match and OkCupid Stabilizing

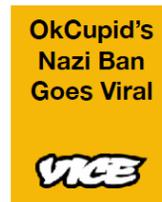
## Match NA

- Ending PMC higher YoY in October, the first time since August 2014
  - Expect YoY Average PMC up slightly in Q4
- Continued progress on product and brand differentiation
  - Further conversion wins
  - Nationwide launch of Match Stories in August
- Top of funnel growth a key focus going forward



## OkCupid

- Significant product wins in 2017 have led to improved conversion and retention
- Ending PMC increased YoY in Q3
  - Expect YoY Average PMC up slightly in Q4
- Recent increases in positive press mentions



- Top of funnel growth a key focus going forward

## Affinity

- 29 demographically focused brands, with vast majority of PMC in two:



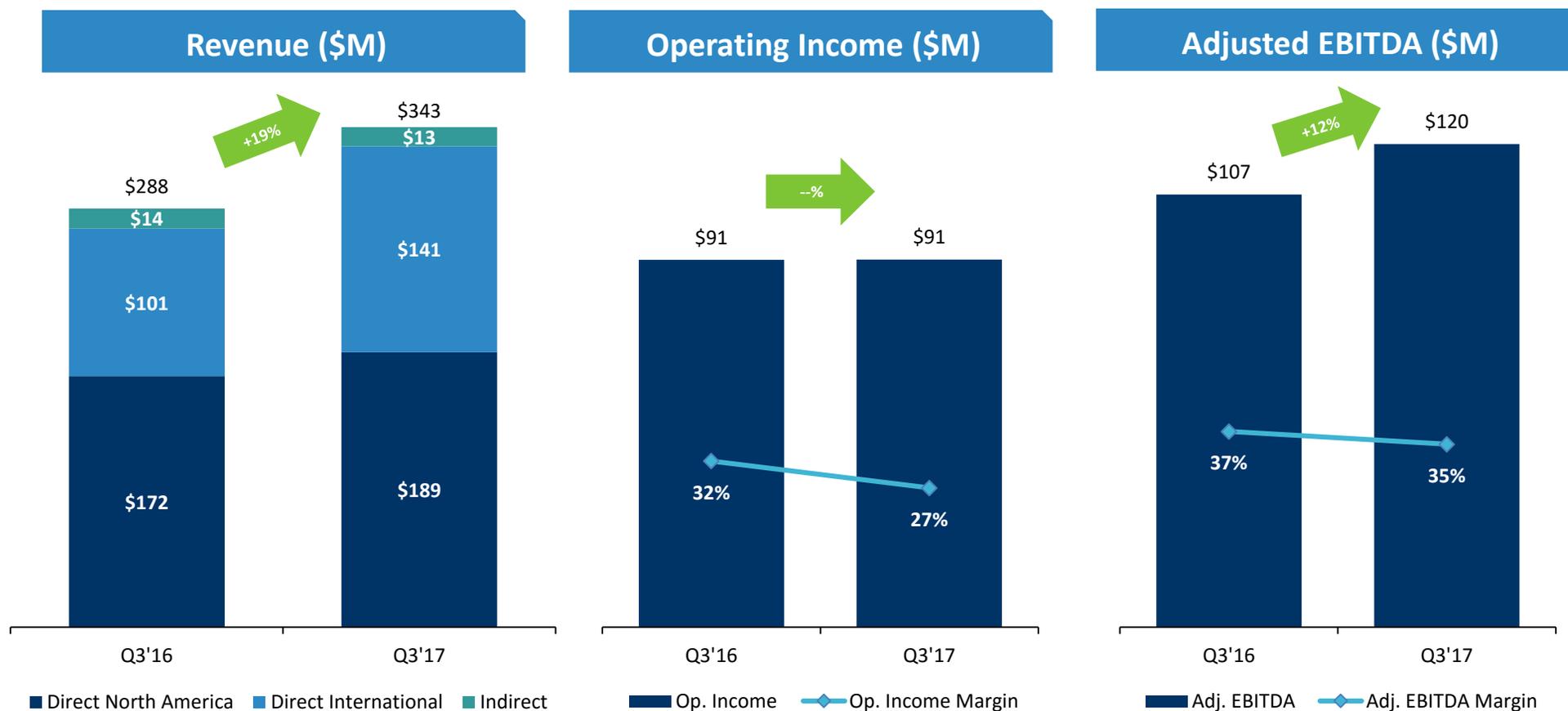
- Examples of other niche demos



- PMC and revenue have been declining as we have cut low ROI marketing spend
- Expect PMC decline will continue, but pace will moderate
- Maintaining disciplined marketing spend

# Financial Overview and Outlook

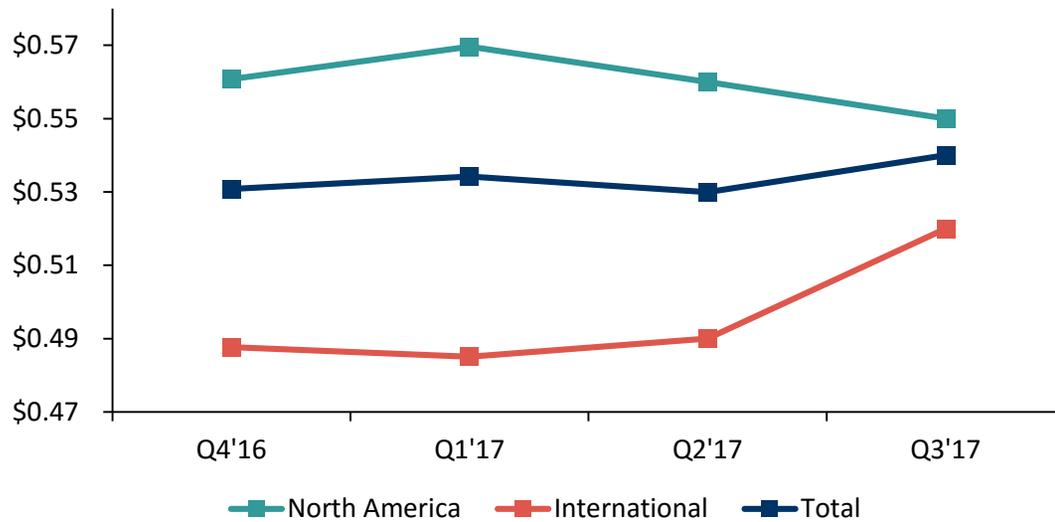
# Q3 2017 Results



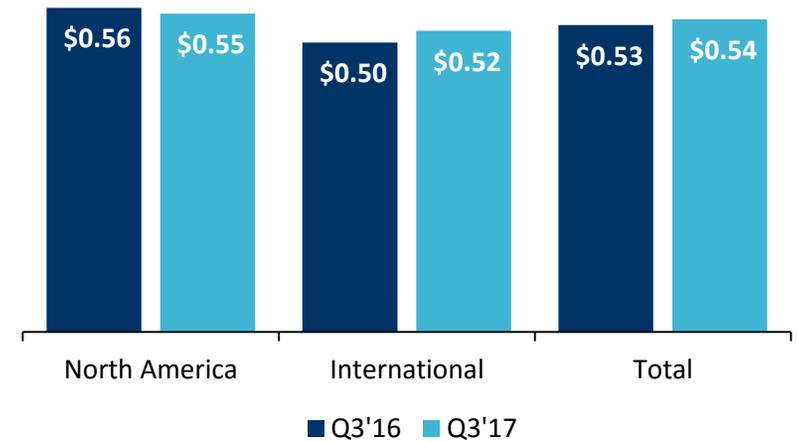
- Revenue growth accelerated to 19% in the quarter, with Direct Revenue up 21%
- Margins impacted by \$11M of Tinder payroll taxes on option exercises and some professional fees
- Operating Income also impacted by a \$9M increase in non-cash compensation primarily related to Tinder and a \$5M reduction in contingent consideration income

# ARPPU Trends

## LTM Sequential ARPPU<sup>1</sup>



## Year-over-Year ARPPU<sup>1</sup>



- North America ARPPU declined by one fifth of a penny due to shift to longer term packages at non-Tinder brands and Tinder continuing to account for a larger portion of PMC, largely offset by Tinder rate increases from Tinder Gold and a la carte
- International ARPPU up a penny on a constant currency basis, driven by strength at Meetic and Pairs (Japan)
- Overall, Tinder ARPPU increased ~25% YoY, with meaningful increases in North America and International, driven by increased a la carte and initial effect of Tinder Gold

# Effective Capital Management

## Tinder Related Option Exercises

- Spent ~\$500M to purchase certain vested Tinder equity awards and pay employee withholding taxes on all exercised awards
  - Avoided the issuance of 26.7M MTCH shares
  - Effective purchase price averaged \$18.86 per MTCH share
  - Used cash on hand and additional \$75M of term loan
- Issued ~10.6M shares to settle remaining option exercises

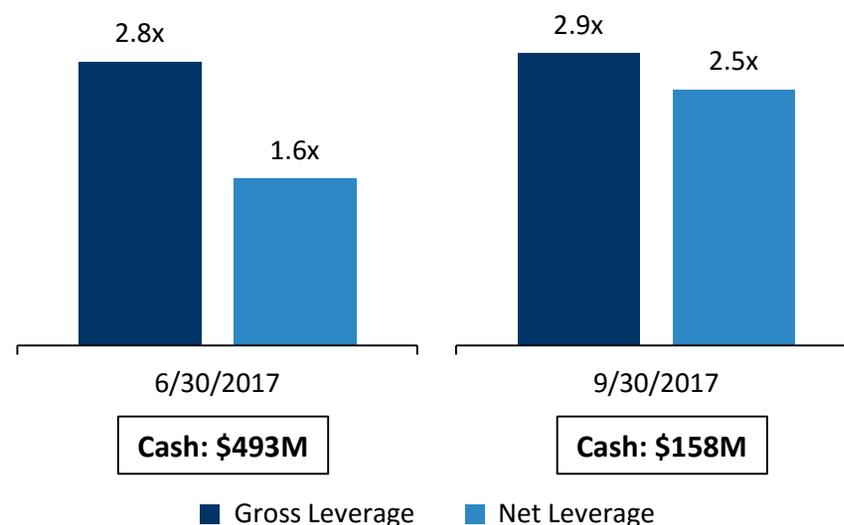
## Investments

- Sold minority stake in Chinese dating company Zhenai in October, yielding \$60M of cash

## Debt Levels and Interest Costs

- Leverage increased modestly as a result of cash deployed and higher term loan
- Reduced coupon on term loan by 75bps, resulting in annual interest savings of ~\$3M<sup>1</sup>

## Debt-to-LTM Adj. EBITDA<sup>2</sup>



# Tax Impact of Q3 Option Exercises

## Q3'17 Net Earnings

*\$ in millions, except per share amounts*

Operating Income	\$91
Pre-Tax Income	\$62
Income Tax Benefit (Provision)	\$226
Net Earnings	\$288
Diluted Shares	293.1
Diluted EPS	\$0.98

- \$246M deferred tax asset on the balance sheet
- Do not expect to be a significant U.S. cash tax payer until 2020

# Financial Outlook

## Q4 Commentary

- Expect continued PMC momentum at Tinder, with sequential increase in Average PMC similar to Q3 levels
  - Q3 and Q4 spike due to adoption of Gold by existing Tinder users
- Full quarter impact of higher Tinder Gold rate on ARPPU
- YoY marketing spend levels up meaningfully as we see broad product momentum
- Expect PMC to continue to stabilize at OkCupid and Match

Metric	Q4 2017
Total Revenue	\$355 to \$365 million
Adjusted EBITDA	\$147 to \$152 million

## FY 2017 Commentary

- Revenue: \$1.307 to \$1.317 billion (17% to 18% growth over 2016)
- Adjusted EBITDA: \$463 to \$468 million (15% to 16% growth over 2016)
  - Burdened by \$15M of payroll taxes related to Tinder option exercises and some professional fees

# Appendix

# Q3 2017 and Q3 2016 Operating Income to Adjusted EBITDA Walk

## Three Months Ended September 30, 2017

<u>Operating Income</u>	<u>Stock-based compensation</u>	<u>Depreciation</u>	<u>Amortization of Intangibles</u>	<u>Acquisition-related Contingent Consideration Fair Value Adjustment</u>	<u>Adjusted EBITDA</u>
(In millions, rounding differences may occur)					
\$ 91.0	\$ 19.9	\$ 8.1	\$ 0.4	\$ 0.1	\$ 119.6

## Three Months Ended September 30, 2016

<u>Operating Income</u>	<u>Stock-based compensation</u>	<u>Depreciation</u>	<u>Amortization of Intangibles</u>	<u>Acquisition-related Contingent Consideration Fair Value Adjustment</u>	<u>Adjusted EBITDA</u>
(In millions, rounding differences may occur)					
\$ 90.9	\$ 10.7	\$ 7.2	\$ 3.4	\$ (5.1)	\$ 107.1

# Q3 2017 and Q3 2016 GAAP to Non-GAAP Revenue Reconciliation

(Dollars in thousands, except ARPPU)

	<b>Three Months Ended September 30,</b>			
	<b>2017</b>	<b>Change</b>	<b>% Change</b>	<b>2016</b>
Revenue, as reported	\$ 343,418	\$ 55,888	19%	\$ 287,530
Foreign exchange effects	(1,969)			
Revenue Excluding Foreign Exchange Effects	<u>\$ 341,449</u>	\$ 53,919	19%	<u>\$ 287,530</u>
<i>(Change calculated using non-rounded numbers)</i>				
International ARPPU, as reported	\$ 0.52		3%	\$ 0.50
Foreign exchange effects	(0.01)			
International ARPPU, excluding foreign exchange effects	<u>\$ 0.51</u>		2%	<u>\$ 0.50</u>

# Q4 2017 and FY 2017 GAAP to Non-GAAP Reconciliation

## Q4 2017 Reconciliation

\$M	Operating income	Stock-based compensation expense	Depreciation & Amortization of intangibles	Acquisition-related fair value adjustments	Adjusted EBITDA
Match Group	\$124 to \$129	\$14	\$9	\$0	\$147 to \$152

## FY 2017 Reconciliation

\$M	Operating income	Stock-based compensation expense	Depreciation & Amortization of intangibles	Acquisition-related fair value adjustments	Adjusted EBITDA
Match Group	\$357 to \$362	\$68	\$34	\$4	\$463 to \$468