

Match Group Inc. (NASDAQ: MTCH)

Target Price: \$181.64 (~18% Upside)

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In 2021, how can Match Group still maintain its position as the industry leader?



1 Match Group can capitalize on a hidden monetization opportunity since free users only account for 2% of revenues

- MTCH ARPU lags other internet communication companies and has a low monetization of free users through advertisements
- Increasing data personalization and ad frequency will drive top line growth since dating platforms collect tailored data (for example: address, name, date of birth, etc.)
- MTCH has launched new monetized features for Tinder Platinum (a la carte and prepaid) which has significant room for paid subscriber penetration

2 Rollout to underpenetrated international markets will fuel growth and strategic acquisitions

- The global online dating market is expected to grow by a CAGR of 8.26% and 66% of global singles have never used an online dating product
- Shifting global attitudes about dating and increased digital infrastructure will increase international demand for MTCH's products
- Management is planning on rolling out Hinge to international markets with greater investment in marketing and further monetization of international customers

3 Match Group has dominant market share in the online dating industry and will continue to benefit from network effects

- MTCH's current market share is ~60% and uses strategic acquisitions to inorganically grow its position in the industry
- MTCH plans to grow their portfolio in Asia from 17% to 25% due to the successes of the acquisitions of a Japanese home-grown app named "Pairs" and "Hyperconnect" in South Korea
- There is a barrier to entry due to high churn rates ~8% (compared to other internet communications companies ~3%) which solidifies MTCH's monopolistic position

Company Overview

Company Overview

Global leader in online dating

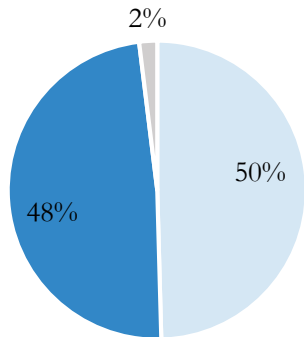
- Match Group is an online dating company that derives its revenue from subscription options, indirect revenue and a la carte option. Match was spun off from their parent IAC after IAC incubated the company

Product Portfolio



Revenue Drivers

Global leader in online dating

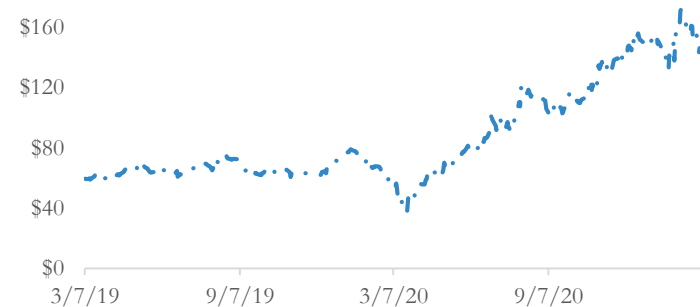


- Subscription Revenue:** ARPU for North America is 65 cents and 56 cents for international users and there are different tiers of membership (ex. Tinder Plus, Tinder Gold, Tinder Platinum)
- Indirect Revenue:** Includes ad revenue and is a key lever for future growth – 10.3 million average number of users who can be further monetized through advertisements
- A la carte:** Features such as pay per use basis, Super Likes and Boosts

- Direct Revenue - America
- Direct revenue - International
- Indirect Revenue

Financial Summary

Match Group's 2-year stock performance



Financial Statement Summary

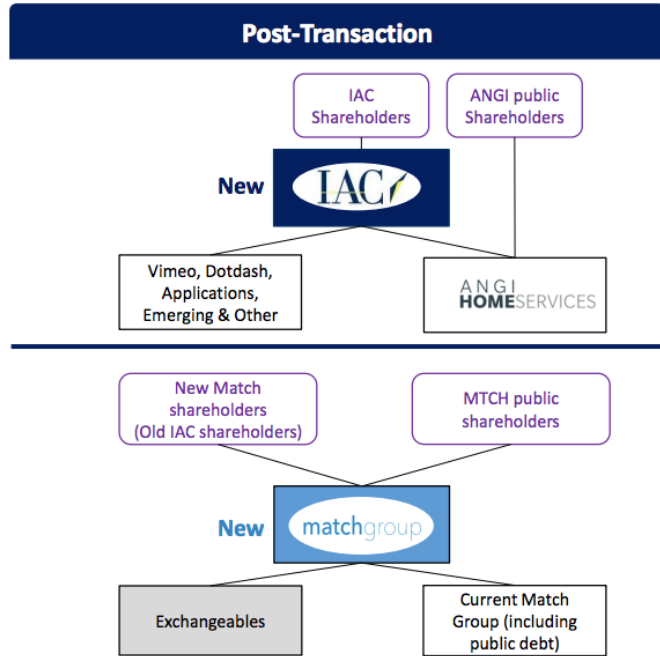
	FY2018A	FY2019A	FY2020A
Revenue	\$1,729.9	\$2,051.3	\$2,391.3
<i>% growth</i>		18.6%	16.6%
Gross Profit	\$1,322.2	\$1,524.1	\$1,755.4
<i>GP Margin</i>	76.4%	74.3%	73.4%
EBIT	\$619.8	\$691.4	\$810.0
<i>EBIT Margin</i>	35.8%	33.7%	33.9%
Net Income	\$627.0	\$528.8	\$562.3
<i>Net Income Margin</i>	36.2%	25.8%	23.5%

Match Public Market Overview

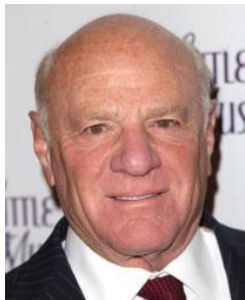
Current Share Price	\$146.29
52 Week High Low	\$35.58 - \$174.68
Number of Shares Outstanding (m)	268.97
Equity Value	\$39,347.62
Net Debt	(3,218.00)
Enterprise Value	\$36,129.62

IAC Spin-Off

In July 2020, IAC and Match spun-off



Barry Diller



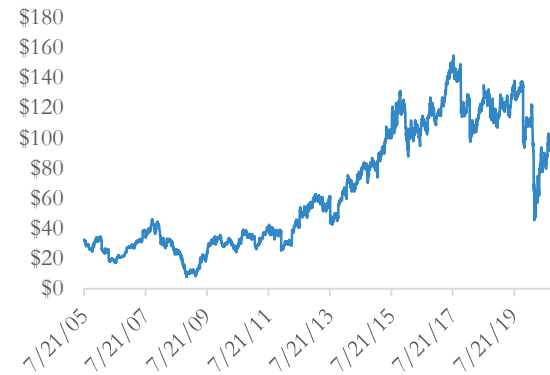
- Diller started as a UCLA dropout working in the ABC Mailroom, moving to Fox, QVC and revitalizing businesses
- Started IAC in December of 1992 and began acquiring businesses
- Backed Hatch Labs in 2011 which incubates startups, and if projects gain traction, then startups spin-in to IAC

Significance of IAC's involvement

IAC's management has

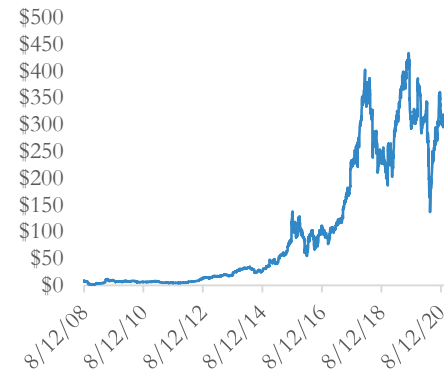
- IAC's management has had success stories with other companies they have incubated – Expedia, TripAdvisor, LendingTree and LiveNation
- IAC Chairman, Barry Diller, created MTCH in 2009, and is known for separating nine long-term value creating entities

EXPE return since spin-off



LTD, EXPE's return is 431%

TREE return since spin-off



LTD, TREE's return is 3154%

Historical Performance

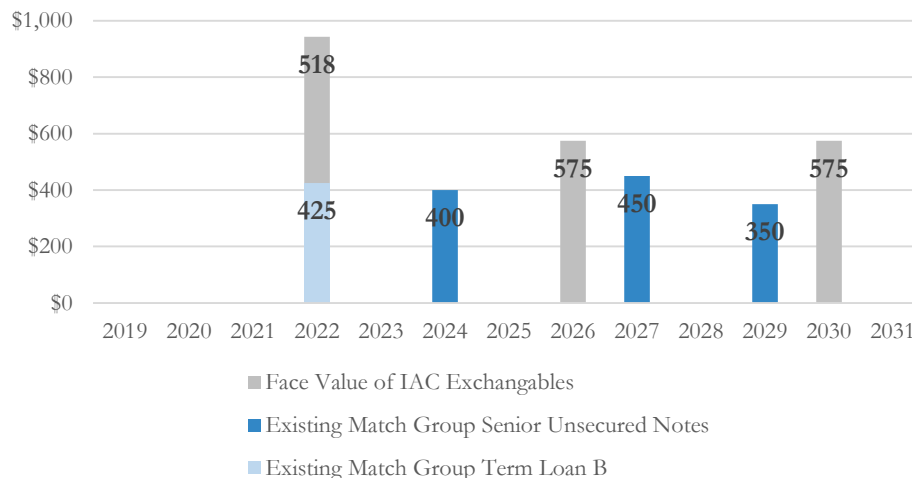
MTCH is well-positioned to accelerate its revenues in the future

- MTCH underperformed YTD in 2020 due to effects of the pandemic on the local and international market
 - Q4 earnings led to an 8% share decline
 - In Q4, non-Tinder brands grew by 28% due to Hinge and ethnicity focused brands like Hawaya and Chispa increased MTCH's penetration across the globe

Balance Sheet

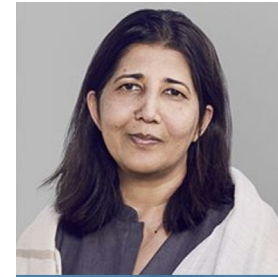
IAC gave Match 3.5 billion in debt to increase company's leverage to 4.2x
 However, the company's FCF/sales is 25.8% for 2020

Debt Maturity Profile (in \$millions)



Management

Management is well-equipped to continue company's growth



Shar Dubey

CEO of MTCH Group; served as COO of Tinder, where she led the team that launched Tinder Gold, establishing Tinder as the highest-grossing non-gaming app globally

Tinder's Management



Jim Lanzone

CEO of Tinder, former president of CBS Interactive and a previous CEO of Ask.com (a division of IAC) showing his long-standing relationship with IAC incubated companies

Management Restructuring

In 2019, MTCH restructured its management to capitalize on the market opportunity for dating apps in Asia

- Restructuring targeted Japan, Taiwan, India, Korea and Southeast Asia
- Managers were responsible for growing the business internationally which has been successful so far due to acquisitions (ex. Hyperconnect in Korea)

Industry Overview

Insulation from Winner-Takes-All

Two-sided marketplace with strong competition

- Dating platforms' emotional and intimate nature drive the following:

- Low multi-homing costs:** Online dating users download and use multiple competing apps because of the **minimal time and monetary costs associated with downloads**. Offers companies the ability to quickly build a user base
- Network effects promote niche specialization:** Industry has **low cross-side and same-side network effects**, meaning that the priority is optimizing matches with the existing base rather than expanding onboarded users
- Value from differentiation:** Different offerings provide users with the **opportunity to meet people in new ways**, distinct from one platform to another. Opens opportunity for complementary product offerings as well

Competitive Landscape

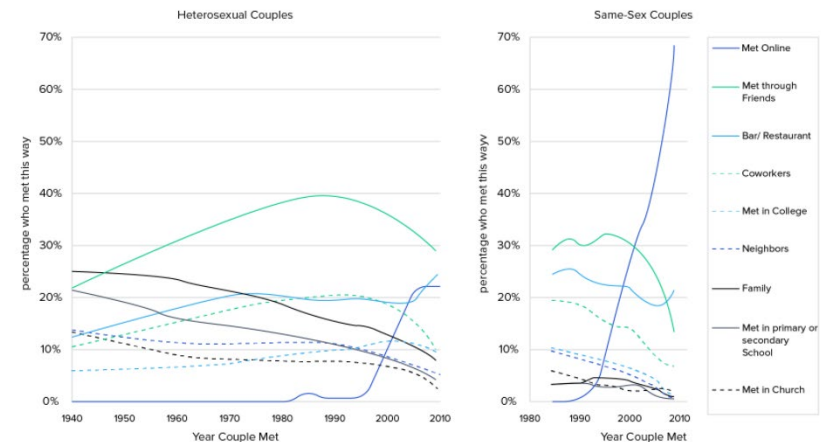
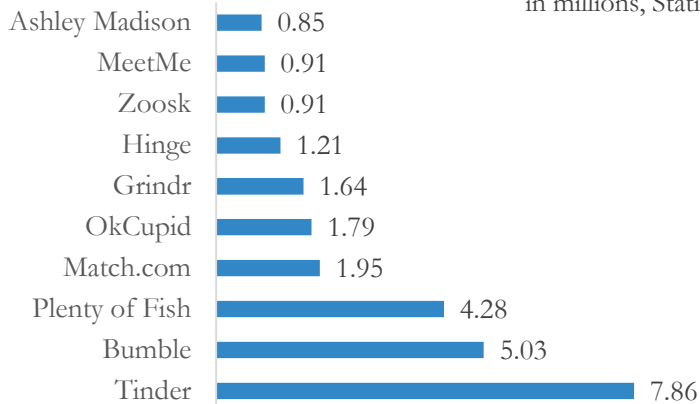
Match's leadership in consolidating the industry is a strength



...as online dating sees unprecedented growth

Most popular online dating apps by audience size

in millions, Statista 2019

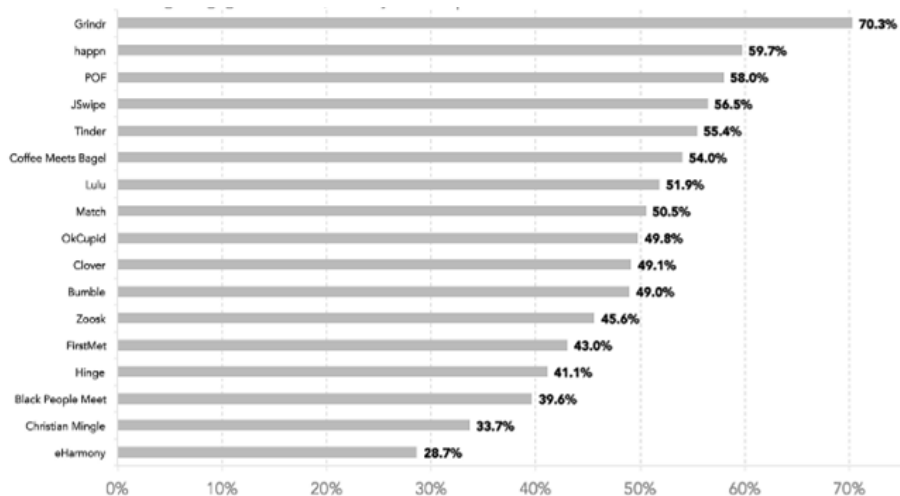


Industry Gamification

Game-like features grant access to untapped market segment

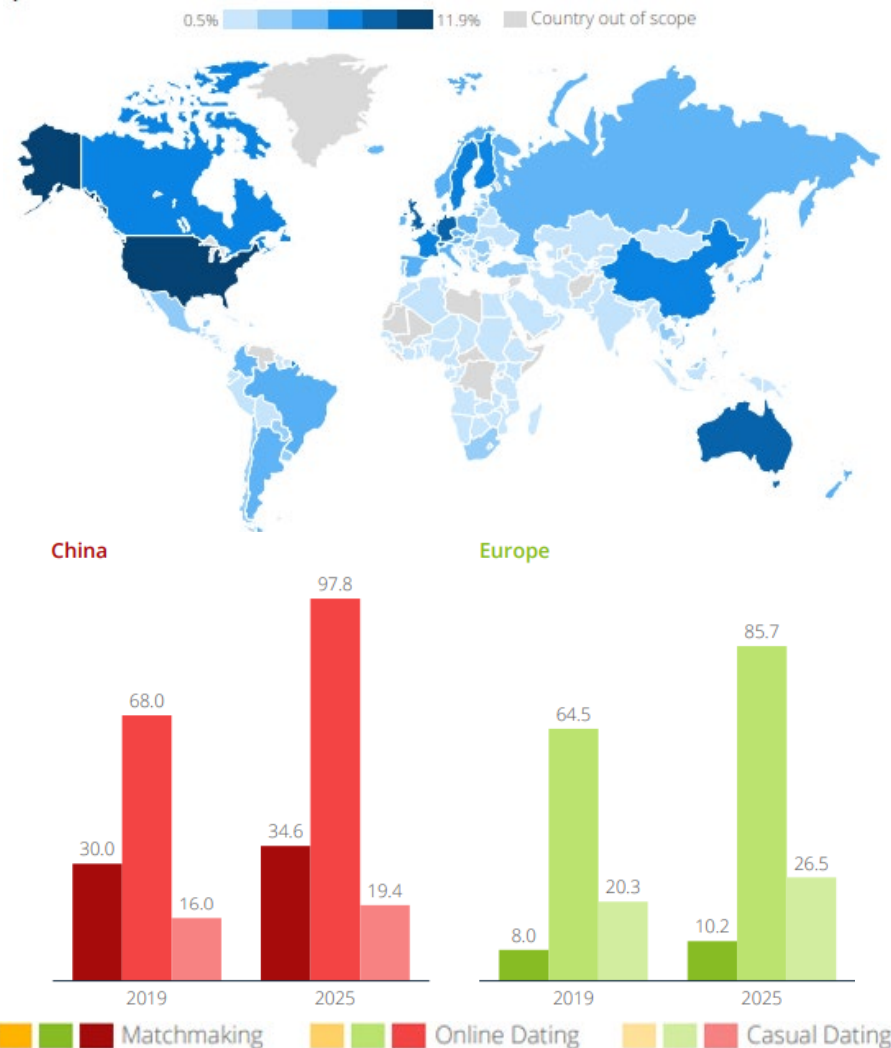
- Tinder transformed the dating app industry by creating game-like features including **swiping**, **variable rewards**, **personalization**
- These features allow the company to **focus on the undersaturated 18–24-year-old market**, creating a more familiar experience for these users
- Strong emphasis on **targeting untapped market segments** to drive growth such as age, orientation, ethnicity, and other factors

Percentage of Users Who Engage Daily



International Penetration

Dating services penetration rate in 2019



Match Group

Global leader in online dating

- Match Group dating apps take the world lead in most popular dating apps by monthly download and monthly in-app purchases metrics

Product Portfolio



Bumble

Major US competitor

- Bumble trails close behind Tinder as the most popular online dating app in the US, capturing an audience size of 5mn in 2019
- In terms of monthly downloads worldwide, Bumble falls in third at 1.8mn behind Tinder and Badoo at 6.4mn and 3.3mn, respectively
- Monthly in-app purchase revenue worldwide as of January 2021 shows that Tinder and Bumble are leaders in monetizing the dating app features



Momo

Leader in China online dating app market

- As of December 2020, Momo is the most popular mobile app for online dating in China with over 52mn monthly users active on the platform
- The second most popular online dating is Tantan, garnering 32mn active users in the China market segment for casual dating
- Momo acquired Tantan in 2018, capturing the second largest market share in China and solidifying their dominance in the dating app space



Badoo

Global leader in online dating

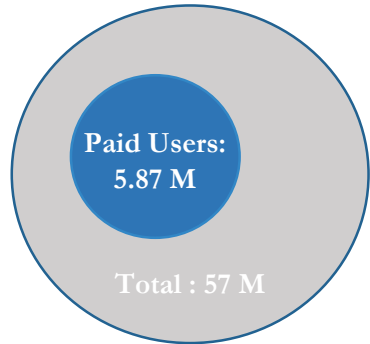
- Using monthly downloads worldwide as a metric, Badoo is just behind Tinder with most downloads coming from NALA and EMEA regions
- Monthly in-app purchase revenue totals to 5.1mn behind Tinder, Bumble, and Hinge, with most revenue coming from the EMEA region
- As of March 2020, Badoo was by far the most visited dating website worldwide with their average monthly visits at 182.5mn



Investment Thesis

Tinder User Monetization

Proven Track Record of Monetization



- Tinder, the most monetized app, has only 10.3% of paid subscribers
- Rollout of Roses with Hinge which is priced at \$4.00 per rose
- Pay penetration globally is meant to increase from 1.6% to 3.0%
- This combined with lower acquisition cost per customer will **drive gross margin growth** till 2030

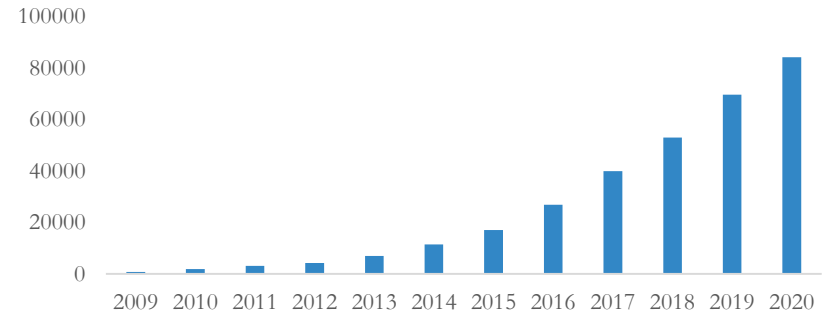
Advertisement Revenue

Lever for Potential Growth

- Less than 2% of the total revenue comes advertisement revenue – with occasional advertisement of companies like Domino’s, Suits, Amnesty
- The Tinder app has strong data permission, including contacts, location, identifiers and usage data; streams can be leverage to hone advertising, click-through rates and segment revenue
- Hinge has explicitly stated it will not be introducing advertisements
- According to Facebook, **Ads served on Tinder are 7 times more effective** than banner ads
- Another mode of revenue increase could come from **partnerships with OpenTable, Concert Venues, and Frat Parties**

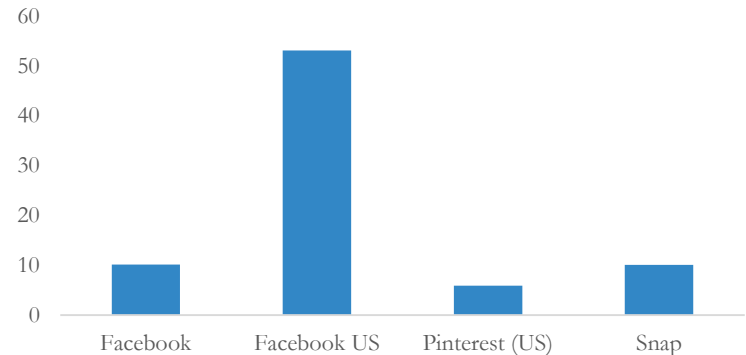
Case Study of Social Media Companies

Facebook Ad Revenue



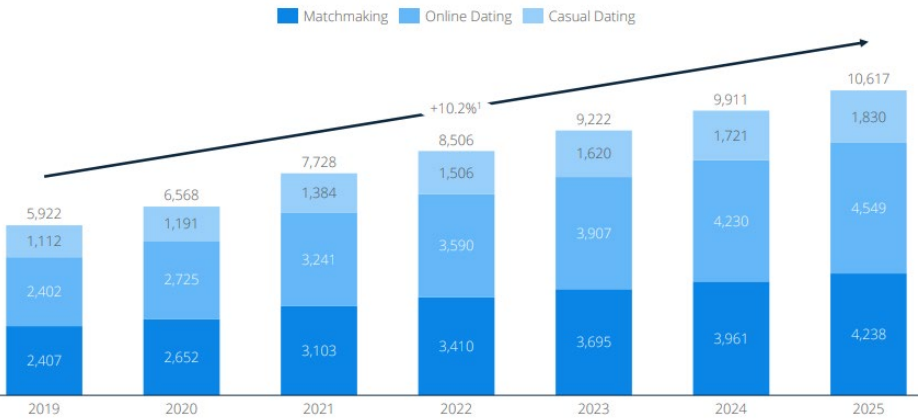
- Advertisement Revenue is the backbone of companies like Instagram, Facebook, Google
- MTCH is in the early stages of monetization with a runway of multiple apps and regions left to monetize
- Rollout of Tinder Gold meant to generate an additional 400 million of revenue in 2021

ARPU



Global Revenue Growth

Global revenues expected to grow well into the future



Digital Infrastructure

Necessary to support development of digital markets

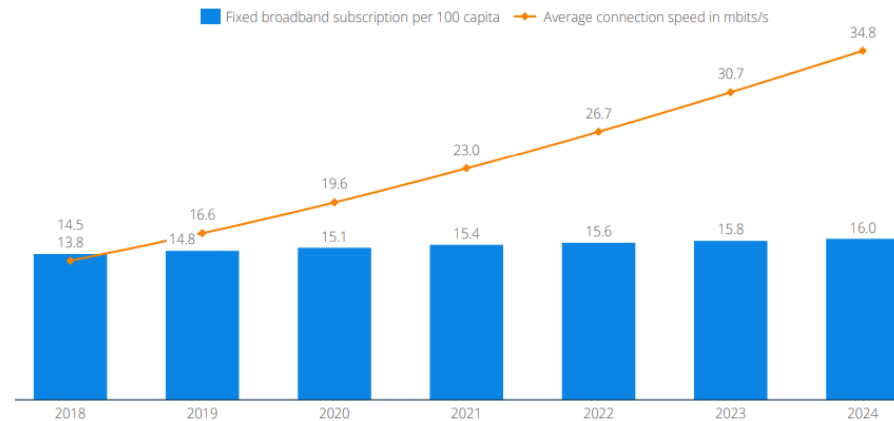
- Increasing internet penetration in countries around the globe contributes to the growing popularity of online services, including dating platforms
- As of 2019, 57.6% of total population uses Internet on a monthly basis
- Average Internet connection speed is 16.55 kbit/s globally, and is it continues to rise, more sophisticated services like video chat are available
- Smartphone penetration is on the rise as 54.3% of global population uses smartphones on a monthly basis
- As more of the population uses smartphones and other devices that allow for orders and payments, eService revenues will increase in line

Shifting Attitudes Towards Dating

Stigma around online dating still exists, but less so

- Most revenue is generated in the US and Europe with 1.3bn and 1.4bn US\$ in 2019, while China revenues of 0.9 bn are small in comparison
- These revenues are in line with the general attitude towards online dating, with the US and Europe prescribing to a more modern outlook
- However, while the stigma around online dating is still present as is the practice of match-making, it is declining especially among young people
- Therefore, it makes sense that China is the fastest growing region with a CAGR of 4.6% and projected market volume of 1.3bn \$US in 2025

Global fixed broadband subscriptions and connection speed



Key Legacy & Growing Brands



Niche Domestic Brands



International Based Brands



Aggressive acquisition strategy

Pushing towards industry consolidation

- Lucrative dating platform acquisitions helped Match's portfolio become both demographically and geographically diverse, allowing them to take advantage of users' niche preferences and multi-homing habits
- Despite controlling a large portion of the market, Match remains relatively insulated from FTC regulation because it onboards users on its "freemium" model and a company in a zero-priced market has minimal power to harm consumers
- Benefits of large portfolio include shared learnings across brands as well as cross-promotions generating new registrations across apps and therefore reduced customer acquisition costs as well
 - In 2015, cross-promotion led to an 11% increase in new registrations in North America across Match and affinity brands

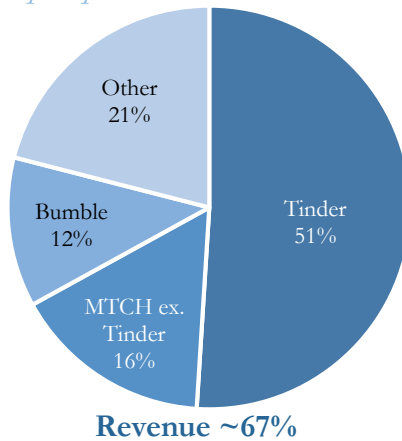
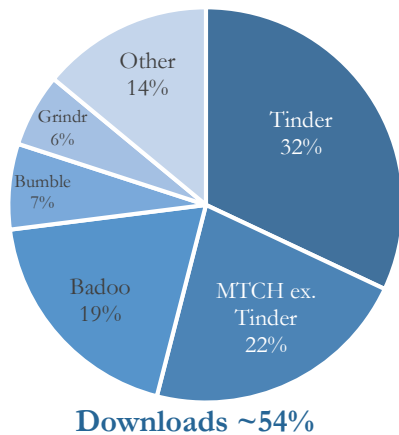
Hyperconnect Deal

Movement into high-growth Asian markets

- Hyperconnect serves as Match Group's largest acquisition to date at ~\$1.73 billion
- Will be instrumental in Match achieving its 25% revenue target from Asia, as 75-80% of Hyperconnect users are from Japan and Korea
- Hyperconnect offers two apps:
 - **Azar**: allows users to connect with others globally, translating voice and text messages; 540 million+ downloads; 90% of revenue is derived from app's strategic monetization strategy of "a la carte purchases" such as filters and badges
 - **Hakuna Live**: live streaming app, allowing groups of people to connect through video and audio broadcasts; 23 million + downloads; early monetization through virtual gifting
- Movement from dating services into broader scope of social discovery

Leader in online dating industry

From both a downloads and revenue perspective



Valuation

Revenue Build									
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26
<i>Fiscal Year</i>	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Match North America Penetration	4.2%	4.6%	4.9%	5.1%	5.4%	5.6%	5.7%	5.9%	6.0%
NA Online Singles Population	100.28	101.37	103.4	103.4	105.45	105.45	107.52	107.52	107.52
Average NA Subscribers	4.25	4.63	5.01	5.27	5.69	5.91	6.13	6.29	6.45
Match International Penetration	1.0%	1.2%	1.4%	1.6%	1.9%	2.1%	2.3%	2.4%	2.6%
Match International Single Population	395.89	415.04	429.45	443.63	456.17	469.69	482.92	497.5	510.41
Average International Subscribers	3.76	4.77	5.80	7.10	8.44	9.63	10.87	12.06	13.14
ARPU NA Daily	\$ 0.59	\$ 0.61	\$ 0.62	\$ 0.66	\$ 0.67	\$ 0.68	\$ 0.71	\$ 0.73	\$ 0.77
ARPU International Daily	\$ 0.56	\$ 0.56	\$ 0.58	\$ 0.61	\$ 0.63	\$ 0.65	\$ 0.66	\$ 0.67	\$ 0.67
Revenue	\$ 1,684.38	\$ 2,007.04	\$ 2,362.22	\$ 2,850.75	\$ 3,333.12	\$ 3,750.07	\$ 4,205.78	\$ 4,626.29	\$ 5,027.24
Total Revenue	\$ 1,727.57	\$ 2,058.51	\$ 2,422.79	\$ 2,923.85	\$ 3,418.59	\$ 3,846.22	\$ 4,313.62	\$ 4,744.91	\$ 5,156.15

Income Statement									
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26
<i>Fiscal Year</i>	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Revenue	1,729.9	2,051.3	2,391.3	2,923.85	3,418.59	3,846.22	4,313.62	4,744.91	5,156.15
Cost of Revenue	407.7	527.2	635.8	730.96	854.65	961.56	1078.41	1186.23	1289.04
<i>% of growth</i>	-37.4%	29.3%	20.6%	15.0%	16.9%	12.5%	12.2%	10.0%	8.7%
<i>% of revenue</i>	23.6%	25.7%	26.6%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Gross Profit	1,322.2	1,524.1	1,755.4	2,192.88	2,563.94	2,884.67	3,235.22	3,558.69	3,867.11
% of Gross Profit	76.4%	74.3%	73.4%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Selling General & Admin E	564.3	636.6	726.4	877.15	957.20	1,038.48	1,121.54	1,138.78	1,237.48
<i>% growth</i>	-71.8%	12.8%	14.1%	20.8%	9.1%	8.5%	8.0%	1.5%	8.7%
<i>% of revenue</i>	32.6%	31.0%	30.4%	30.0%	28.0%	27.0%	26.0%	24.0%	24.0%
R & D Exp.	104.2	153.0	169.8	175.43	205.12	230.77	258.82	284.69	309.37
<i>% growth</i>	-58.5%	46.8%	11.0%	3.3%	16.9%	12.5%	12.2%	10.0%	8.7%
<i>% of revenue</i>	6.0%	7.5%	7.1%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
EBITDA	654.1	734.1	858.8	1,140.30	1,401.62	1,615.41	1,854.86	2,135.21	2,320.27
	37.81%	35.79%	35.91%	39.00%	41.00%	42.00%	43.00%	45.00%	45.00%
D&A	34.30	42.65	48.80	47.66	55.72	62.69	70.31	77.34	84.05
EBIT	619.79	691.43	809.98	1,092.64	1,345.90	1,552.72	1,784.55	2,057.87	2,236.22

DCF									
Fiscal Year	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
EBIT	619.79	691.43	809.98	1,092.64	1,345.90	1,552.72	1,784.55	2,057.87	2,236.22
(-) Taxes	(92.97)	(103.71)	(121.50)	(163.90)	(201.88)	(232.91)	(267.68)	(308.68)	(335.43)
(+) D&A	34.3	42.646	48.80	47.66	55.72	62.69	70.31	77.34	81.00
(-) Capex	(31.00)	(38.80)	(42.40)	(80.00)	(55.00)	(63.50)	(72.60)	(82.00)	(92.00)
(-) Change in N ^v	49.00	(8.00)	7.10	(3.90)	(27.80)	(16.40)	(15.60)	(16.00)	(17.00)
FCF	579.12	583.56	701.98	892.50	1,116.94	1,302.61	1,498.98	1,728.53	1,872.79
Discount Factor				0.94	0.88	0.83	0.78	0.73	0.69
PV of FCF				838.10	984.92	1,078.63	1,165.58	1,262.15	1,284.13

WACC	
Cost of Equity	6.71%
Risk Free Rate	0.42%
Beta	1.33
Risk Premium	4.73%
Cost of Debt	4.73%
Total Debt	3,621
Total Equity	45,322
Total Capital	48,943
% Equity	92.60%
% Debt	7.40%
Tax Rate	21.00%
WACC	6.49%

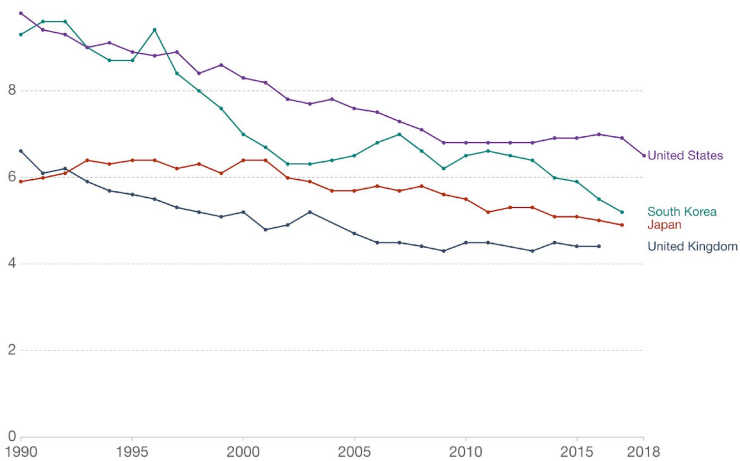
Exit Multiple	
Exit EV/EBITDA	26x
EBITDA	2,317.22
Terminal Value	60,247.76
PV of Terminal Value	41,310.70
Enterprise Value	47,924.22
Less Debt	(3,621.00)
Add Cash	739.20
Equity Value	45,042.42
Equity Value Per Share	181.84
Implied ROI	18%

Catalysts & Risks

Economic Turmoil = Low Marriage Rates

Marriages per 1,000 people

Number of marriages in each year per 1,000 people in the population



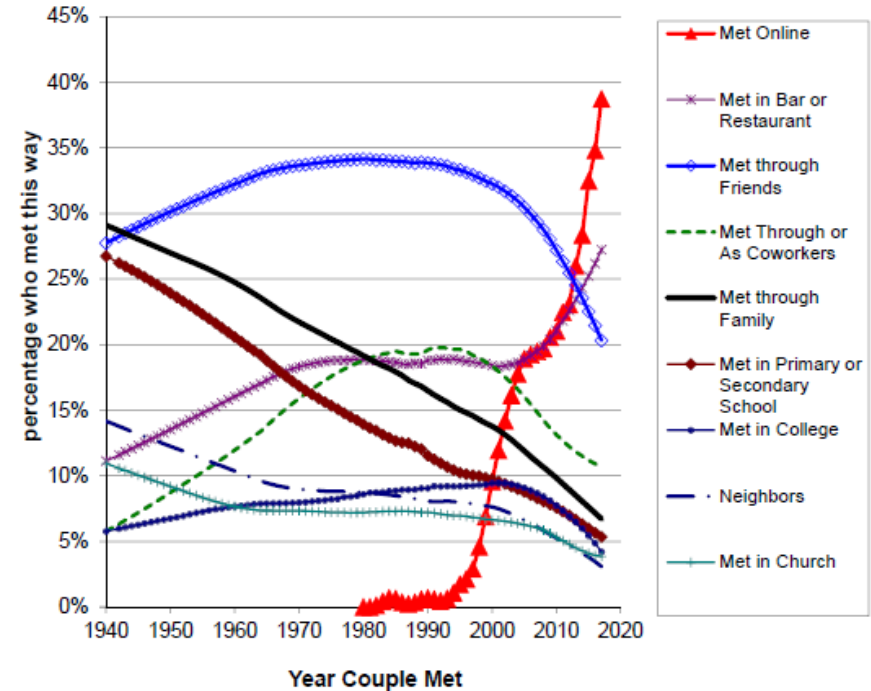
Source: OWID based on UN, OECD, Eurostat and others
OurWorldInData.org/marriages-and-divorces · CC BY

Growth Momentum in Online Dating

MTCH can seize post-pandemic socialization craze

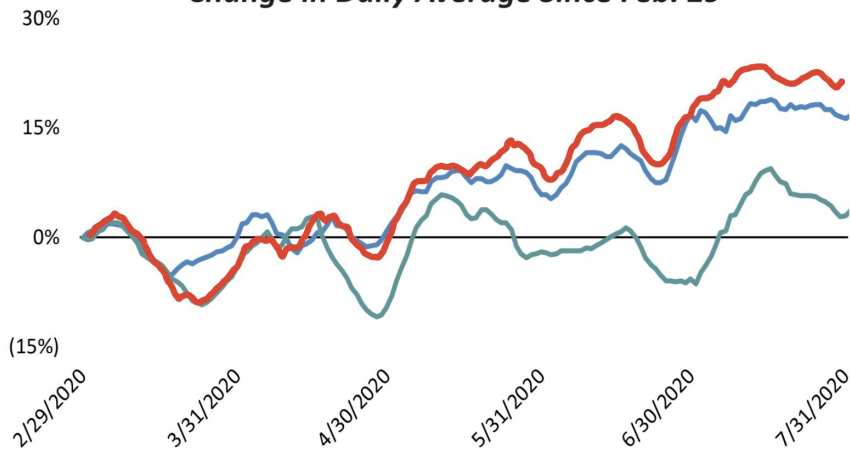
- Currently, people are missing opportunities to meet people through typical avenues in public like at work or restaurants
- Dating apps are positioned to serve as a replacement to meet people quickly online

How heterosexual couples have met, data from 2009 and 2017



First-time Subscribers

Change in Daily Average Since Feb. 29



Dynamics with App Store

- App Store and Google Play charge 30% fee for in-store downloads
- Cost of Revenue accounts for 27% of total revenue
- Match and Epic Games push for decrease costs from Google Play and App Store



Changing Regulation with Apps

- Increased regulation around privacy and using user data especially in the European Union
- MTCH is not liable for anything that happens on the date

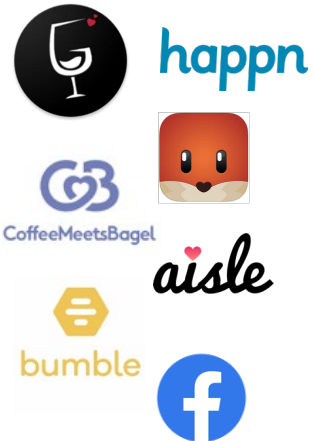
Dating Apps Can Be Dangerous. Congress Is Investigating.

TECHTANK
This cuffing season, it's time to consider the privacy of dating apps
Caitlin Chin and Mishaela Robison · Friday, November 20, 2020

Grindr is fined \$11.7 million under European privacy law.

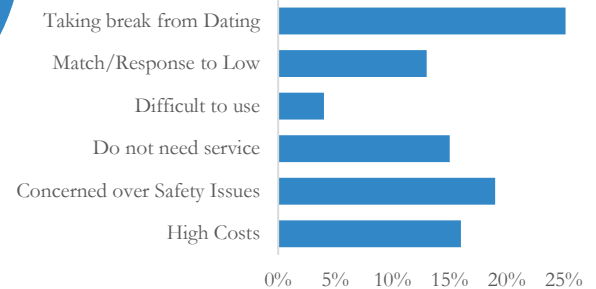


Evolving Marketplace Trends



- Low barrier to entry to create dating app: \$50,000- \$80,000 to create the app
- Threat of localized market players stealing share due to increased awareness of customer preferences
- MTCH saw 15% increase in subscribers over the pandemic – growth is difficult to predict post-pandemic

ARPU Growth



- Struggle to keep loyal consumer base given natural churn at 8% - once people find their significant other, they leave
- Recent Technology players have struggled to monetize existing user base after creating freemium models
- International customers may be more resistant to pay for apps
- Huge drop of users post-COVID could lead to less ARPU

Appendix

Date	Details
2009	People Media: acquired online dating network powered by AOL Personals, operates niche dating sites such as OurTime and BlackPeopleMeet
2011	OkCupid: acquired first non-subscription based dating site in portfolio Zhenai Inc: 20% interest investment, popular Chinese dating site
2012	Tinder: founded by Match Group, globally popularized app-based matchmaking and gamified online dating Sitr: break into offline dating realm, with singles event services
2018	Hinge: acquired relationship-focused app, diversifying from casual platform like Tinder Ship: launched in partnership with Betches Media to create friend-based dating recommendation experience Harmonica: acquired Egyptian based online dating startup
2015	PlentyOfFish: acquired Canadian online dating platform with global presence
2021	Hyperconnect: largest acquisition to date, broadening Asian presence and expansion into social discovery



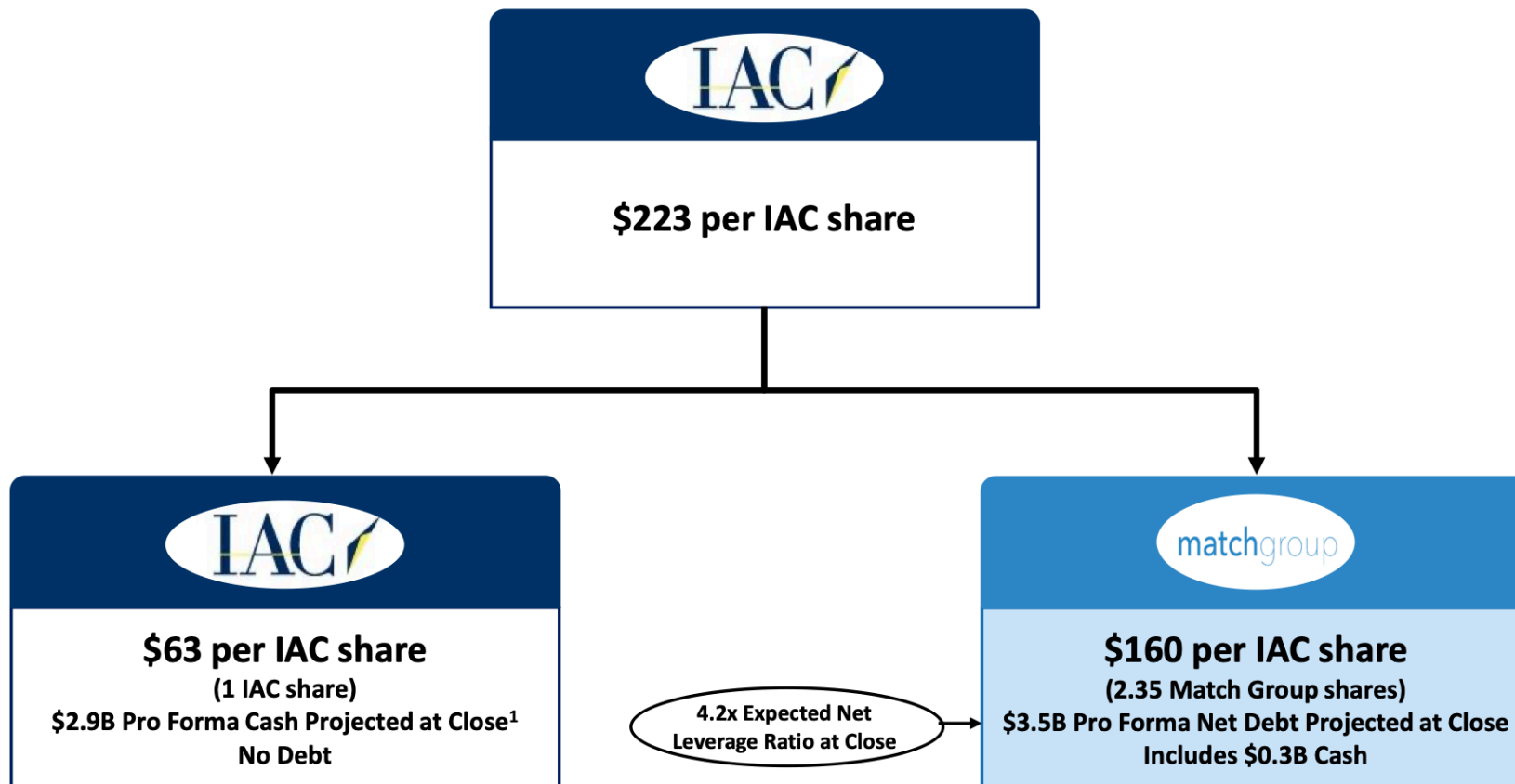
IAC

- IAC shareholders have direct ownership of Match Group
- Prepares IAC for the next stage of growth
- Greater management focus on IAC's remaining businesses to successfully incubate them
- Highlights undervalued assets in IAC's portfolio

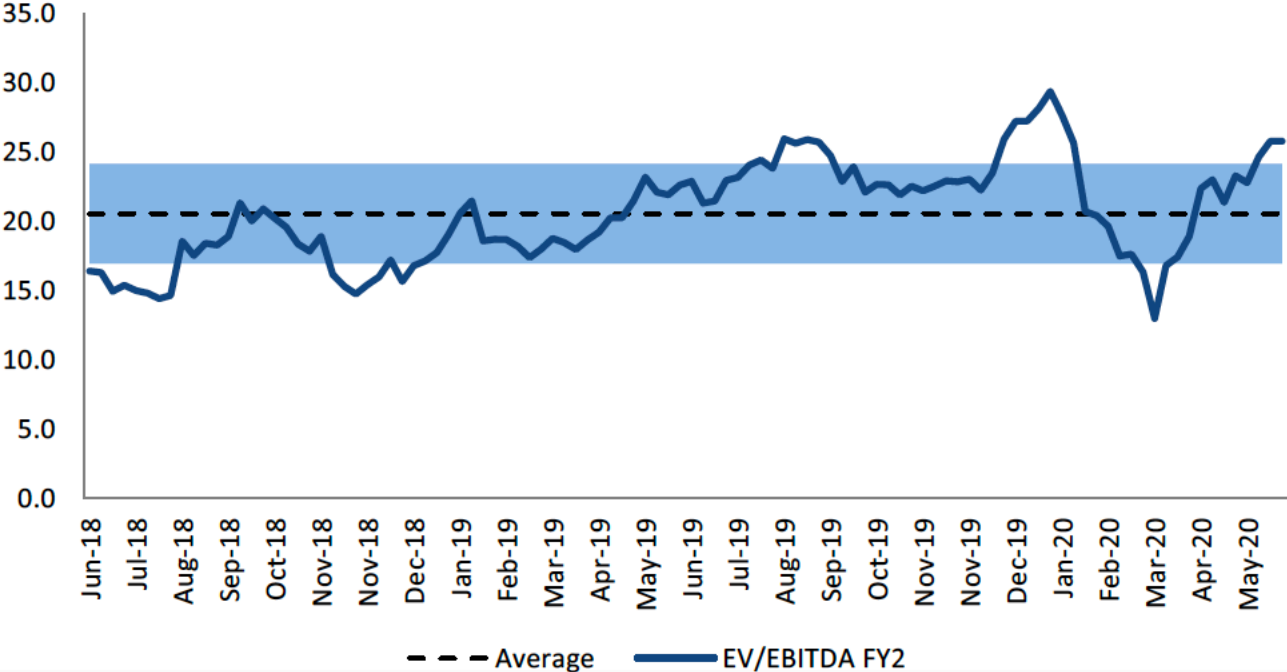


match

- Eliminates dual class structure for shares
- Trading liquidity is enhanced
- Greater flexibility for Match Group's operations
- Effective debt-financed share repurchase
- Index eligibility



MTCH EV/EBITDA



REVENUE BUILD DETAILS

Revenue Build									
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26
<i>Fiscal Year</i>	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
US & Canada Adult Population	284	287	289	292	294	296	299	301	304
<i>% y/y growth</i>	1.1%	1.1%	0.7%	1.0%	0.7%	0.7%	1.0%	0.7%	1.0%
Total Single People	109	109	110	110	111	111	112	112	112
<i>% of Total</i>	38.4%	38.0%	38.1%	37.7%	37.8%	37.5%	37.5%	37.2%	36.8%
<i>% y/y growth</i>	0.9%	0.0%	0.9%	0.0%	0.9%	0.0%	0.9%	0.0%	0.0%
Percentage of People Online	92.0%	93.0%	94.0%	94.0%	95.0%	95.0%	96.0%	96.0%	96.0%
Total Online Single People	100.28	101.37	103.4	103.4	105.45	105.45	107.52	107.52	107.52
<i>% of Total Population</i>	35.3%	35.3%	35.8%	35.4%	35.9%	35.6%	36.0%	35.7%	35.4%
<i>% y/y growth</i>	2.0%	1.1%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	0.0%
EU & UK Adult Population	512	513	515	516	517	518	519	520	521
<i>% y/y growth</i>	0.2%	0.2%	0.4%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Total Single People	148	147	147	146	146	146	146	146	146
<i>% of Total</i>	28.9%	28.7%	28.5%	28.3%	28.2%	28.2%	28.1%	28.1%	28.0%
<i>% y/y growth</i>	0.7%	-0.7%	0.0%	-0.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of People Online	87.0%	88.0%	89.0%	90.0%	91.0%	92.0%	93.0%	93.0%	94.0%
Total Online Single People	128.76	129.36	130.83	131.4	132.86	134.32	135.78	135.78	137.24
<i>% of Total Population</i>	25.1%	25.2%	25.4%	25.5%	25.7%	25.9%	26.2%	26.1%	26.3%
<i>% y/y growth</i>	3.0%	0.5%	1.1%	0.4%	1.1%	1.1%	1.1%	0.0%	1.1%
Latin America & The Caribbeans	641	647	653	660	666	672	678	685	691
<i>% y/y growth</i>	0.9%	0.9%	0.9%	1.1%	0.9%	0.9%	0.9%	1.0%	0.9%
Total Single People	207	208	210	212	214	216	218	220	221
<i>% of Total</i>	32.3%	32.1%	32.2%	32.1%	32.1%	32.1%	32.2%	32.1%	32.0%
<i>% y/y growth</i>	2.0%	0.5%	1.0%	1.0%	0.9%	0.9%	0.9%	0.9%	0.5%
Percentage of People Online	69.0%	71.0%	72.0%	74.0%	75.0%	77.0%	78.0%	79.0%	80.0%
Total Online Single People	142.83	147.68	151.2	156.88	160.5	166.32	170.04	173.8	176.8
<i>% of Total Population</i>	22.3%	22.8%	23.2%	23.8%	24.1%	24.8%	25.1%	25.4%	25.6%
<i>% y/y growth</i>	5.0%	3.4%	2.4%	3.8%	2.3%	3.6%	2.2%	2.2%	1.7%

Cost of Debt Calculations	
Interest Rate	Amount (M)
4.40%	425
5.00%	500
5.63%	350
4.13%	500
4.73%	1775

		WACC				
		7.0%	7.5%	8.0%	8.5%	9.0%
Terminal Mu	26x	14.72%	11.52%	8.43%	5.43%	2.52%
	27x	18.77%	15.46%	12.26%	9.15%	6.15%
	28x	22.82%	19.40%	16.08%	12.88%	9.77%
	29x	26.86%	23.33%	19.91%	16.60%	13.39%
	30x	30.91%	27.27%	23.74%	20.32%	17.01%

Income Statement									
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26
<i>Fiscal Year</i>	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Revenue	1,729.9	2,051.3	2,391.3	2,923.85	3,418.59	3,846.22	4,313.62	4,744.91	5,156.15
Cost of Revenue	407.7	527.2	635.8	730.96	854.65	961.56	1078.41	1186.23	1289.04
<i>% of growth</i>	-37.4%	29.3%	20.6%	15.0%	16.9%	12.5%	12.2%	10.0%	8.7%
<i>% of revenue</i>	23.6%	25.7%	26.6%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Gross Profit	1,322.2	1,524.1	1,755.4	2,192.88	2,563.94	2,884.67	3,235.22	3,558.69	3,867.11
<i>% of Gross Profit</i>	76.4%	74.3%	73.4%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Selling General & Admin E	564.3	636.6	726.4	935.63	1,059.76	1,153.87	1,250.95	1,328.58	1,392.16
<i>% growth</i>	-71.8%	12.8%	14.1%	28.8%	13.3%	8.9%	8.4%	6.2%	4.8%
<i>% of revenue</i>	32.6%	31.0%	30.4%	32.0%	31.0%	30.0%	29.0%	28.0%	27.0%
R & D Exp.	104.2	153.0	169.8	204.67	239.30	269.24	301.95	332.14	360.93
<i>% growth</i>	-58.5%	46.8%	11.0%	20.5%	16.9%	12.5%	12.2%	10.0%	8.7%
<i>% of revenue</i>	6.0%	7.5%	7.1%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
EBITDA	654.1	734.1	858.8	1,052.58	1,264.88	1,461.56	1,682.31	1,897.97	2,114.02
	37.81%	35.79%	35.91%	36.00%	37.00%	38.00%	39.00%	40.00%	41.00%
D&A	34.30	42.65	48.80	58.48	68.37	76.92	86.27	94.90	103.12
EBIT	619.79	691.43	809.98	994.11	1,196.51	1,384.64	1,596.04	1,803.07	2,010.90

DCF									
<i>Fiscal Year</i>	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
EBIT	619.79	691.43	809.98	994.11	1,196.51	1,384.64	1,596.04	1,803.07	2,010.90
(-) Taxes	(92.97)	(103.71)	(121.50)	(149.12)	(179.48)	(207.70)	(239.41)	(270.46)	(301.63)
(+) D&A	34.3	42.646	48.80	58.48	68.37	76.92	86.27	94.90	81.00
(-) Capex	(31.00)	(38.80)	(42.40)	(80.00)	(55.00)	(63.50)	(72.60)	(82.00)	(92.00)
(-) Change in	49.00	(8.00)	7.10	(3.90)	(27.80)	(16.40)	(15.60)	(16.00)	(17.00)
FCF	579.12	583.56	701.98	819.57	1,002.60	1,173.97	1,354.71	1,529.51	1,681.26
Discount Factor				0.94	0.88	0.83	0.78	0.73	0.69
PV of FCF				769.61	884.10	972.11	1,053.40	1,116.83	1,152.81

Exit Multiple	
Exit EV/EBITDA	26x
EBITDA	2,091.90
Terminal Value	54,389.34
PV of Terminal Value	37,293.70
Enterprise Value	43,242.56
Less Debt	(3,621.00)
Add Cash	739.20
Equity Value	40,360.76
Equity Value Per Share	162.94
Implied ROI	6%

Income Statement									
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26
<i>Fiscal Year</i>	<i>2018A</i>	<i>2019A</i>	<i>2020A</i>	<i>2021E</i>	<i>2022E</i>	<i>2023E</i>	<i>2024E</i>	<i>2025E</i>	<i>2026E</i>
Revenue	1,729.9	2,051.3	2,391.3	2,923.85	3,418.59	3,846.22	4,313.62	4,744.91	5,156.15
Cost of Revenue	407.7	527.2	635.8	730.96	854.65	961.56	1078.41	1186.23	1289.04
<i>% of growth</i>	-37.4%	29.3%	20.6%	15.0%	16.9%	12.5%	12.2%	10.0%	8.7%
<i>% of revenue</i>	23.6%	25.7%	26.6%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Gross Profit	1,322.2	1,524.1	1,755.4	2,192.88	2,563.94	2,884.67	3,235.22	3,558.69	3,867.11
<i>% of Gross Profit</i>	76.4%	74.3%	73.4%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Selling General & Admin E	564.3	636.6	726.4	818.68	931.56	1,019.25	1,110.76	1,138.78	1,134.35
<i>% growth</i>	-71.8%	12.8%	14.1%	12.7%	13.8%	9.4%	9.0%	2.5%	0.4%
<i>% of revenue</i>	32.6%	31.0%	30.4%	28.0%	27.3%	26.5%	25.8%	24.0%	22.0%
R & D Exp.	104.2	153.0	169.8	160.81	188.02	211.54	237.25	260.97	283.59
<i>% growth</i>	-58.5%	46.8%	11.0%	-5.3%	16.9%	12.5%	12.2%	10.0%	8.7%
<i>% of revenue</i>	6.0%	7.5%	7.1%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
EBITDA	654.1	734.1	858.8	1,213.40	1,444.35	1,653.88	1,887.21	2,158.94	2,449.17
	37.81%	35.79%	35.91%	41.50%	42.25%	43.00%	43.75%	45.50%	47.50%
D&A	34.30	42.65	48.80	47.66	55.72	62.69	70.31	77.34	84.05
EBIT	619.79	691.43	809.98	1,165.74	1,388.63	1,591.18	1,816.90	2,081.59	2,365.13

DCF									
<i>Fiscal Year</i>	<i>2018A</i>	<i>2019A</i>	<i>2020A</i>	<i>2021E</i>	<i>2022E</i>	<i>2023E</i>	<i>2024E</i>	<i>2025E</i>	<i>2026E</i>
EBIT	619.79	691.43	809.98	1,165.74	1,388.63	1,591.18	1,816.90	2,081.59	2,365.13
(-) Taxes	(92.97)	(103.71)	(121.50)	(174.86)	(208.29)	(238.68)	(272.53)	(312.24)	(354.77)
(+) D&A	34.3	42.646	48.80	47.66	55.72	62.69	70.31	77.34	81.00
(-) Capex	(31.00)	(38.80)	(42.40)	(80.00)	(55.00)	(63.50)	(72.60)	(82.00)	(92.00)
(-) Change in	49.00	(8.00)	7.10	(3.90)	(27.80)	(16.40)	(15.60)	(16.00)	(17.00)
FCF	579.12	583.56	701.98	954.64	1,153.26	1,335.30	1,526.48	1,748.70	1,982.36
Discount Factor				0.94	0.88	0.83	0.78	0.73	0.69
PV of FCF				896.45	1,016.95	1,105.70	1,186.96	1,276.88	1,359.26

Exit Multiple	
Exit EV/EBITDA	27x
EBITDA	2,446.13
Terminal Value	66,045.38
PV of Terminal Value	45,286.01
Enterprise Value	52,128.22
Less Debt	(3,621.00)
Add Cash	739.20
Equity Value	49,246.42
Equity Value Per Share	198.81
Implied ROI	29%

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- <https://productcoalition.com/how-startups-can-compete-in-the-online-dating-market-1ee782d98ef9>
- <https://www.statista.com/statistics/826778/most-popular-dating-apps-by-audience-size-usa/>
- <https://www.axios.com/online-dating-swiping-tinder-bumble-hinge-gaming-28f87a88-7227-4ed2-b2b4-04eaa2086d09.html>
- https://medium.com/@sm_app_intel/conquer-love-with-these-crucial-dating-app-statistics-2870ec5493cd
- Statista, “Dating Services Report 2020.”
- Statista, “Online Dating Worldwide.”

Match Group Inc. (NASDAQ: MTCH)

Dominant Market Position in Industry with Low Penetration and High Structural Growth

Simran Korpall

Stuti Tiwari

Nisha Honnaya

Michelle Rozelman

Price Target: \$181.84

March 16th 2021

Business Description:

Match Group is an online dating company that owns a portfolio of different brands including Tinder, Hinge, OkCupid, Pairs, PlentyOfFish, Meetic, and OurTime that mainly operates in the United States, United Kingdom, India and Japan. The company derives roughly half their revenue from Tinder through subscription options, indirect revenue, and a la carte options. As of now, indirect revenue makes up only 2% of total revenue while subscription and a la carte options are the remaining. On July 1st 2020, Match was spun off from their parent IAC after IAC essentially incubated the company. Upon the spinoff, Match took on \$1.7 billion of debt and had a net leverage of 4.2x.

Investment Thesis:

- Hidden Monetization Opportunities in free users and advertising for MTCH Tinder** the most monetized customer base only has 10.3% of their customers as paid users. This presents a huge potential runway for Tinder and other apps that are less monetized. In addition, advertising only makes up 2% of total revenue while advertising is the backbone of other social media companies like Snapchat, Instagram, and Facebook. Also advertising on dating apps is over 7 times more efficient than typical banner ads.
- Rollout to International Markets with underpenetrated markets and reduced stigma will fuel growth** The Global Online Dating Market is expected to grow from \$2,230.84 Million in 2019 to \$3,592.15 Million by the end of 2025 at CAGR of 8.26%. Internationally, roughly 66% of global singles have never tried a dating product as compared to the United States at 50%. As Internet and smartphone penetration increases rapidly around the globe, more of the international population will have the infrastructure necessary to use eServices, like dating apps. Match is using a multi-product strategy with the Asian Market deploying Pairs, Tinder, OkCupid, and Pairs Engage. The company has seen success with Japan where the home-grown app Pairs adapted well to the Japanese culture and is now the market leader in a country with roughly 2 million users on the app. The company plans to have Asia grow from 17% of their portfolio to 25% by 2023. The company's portfolio of brands also allows them to leverage data and strategies to enter new international markets. In 2020, international average subscribers grew 14% and the company plans to roll out Hinge, their upcoming Tinder which grew 82% year to date, in 2022 to international markets and increase subscription models. Match has also recently announced its largest acquisition to date of HyperConnect which will increase their presence in South Korea.
- MTCH has a dominant market position in the online dating industry and benefits from network effects.** Match has roughly 60% of the total market share in the Online Dating Industry in revenue. The company has used an inorganic acquisition strategy including Tinder, Hinge and now HyperConnect to maintain control of the market. Given that the majority of users have three plus dating apps downloaded onto their phone, the company is in a unique position where it does not cannibalize its own user growth. Additionally, monthly churn for dating apps is around 8% while churn for Netflix and Hulu is 3% and Social Media is in between. This is a concern for VC funds and provides a barrier of entry for the company to maintain its monopoly. The benefits of the monopoly include better localized network effects and for legacy brands word of mouth marketing. Lastly, because Match employs freemium models the company is less likely to be under scrutiny by the Federal Trade Commission for monopolization.

Key Ratios and Statistics:

Price Target	\$181.84
Upside	17.93%
Share Price (3/16/21)	\$154.19
Market Cap (\$B)	\$41.34
EV/EBITDA	40.42x
P/E	58.62x
Average Daily Volume (mm)	2.6
52-Week Low	\$35.58
52-Week High	\$174.68

Key Performance Metrics (2020):

Total Subscribers (Tinder)	6,372
Total Subscribers (International)	5,571
ARPU	\$0.62

FY (\$mm)	2020A	2021E	2022E	2023E
Revenues	\$2,391	\$2,855	\$3,558	\$4,280
EBIT	809	1,081	1,401	1,749

Figure 1 - Net Add Subscriber Growth

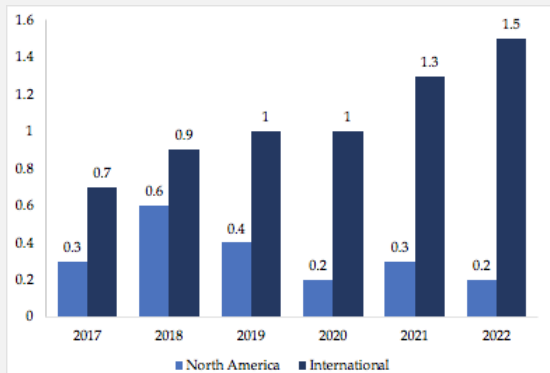
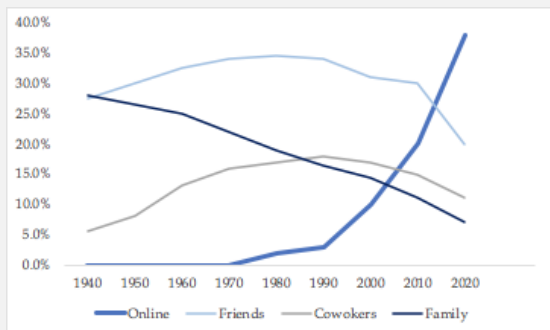


Figure 2 - How Heterosexual Couples Meet



Catalysts

- **Pent-Up Demand created by COVID will continue to push the Online Dating Industry** Looking at some of the statistics on where people meet dates - through friends (60%), in public areas (37%), at work (27%), through dating websites (3%). Many people are actively missing opportunities to meet people through the usual avenues and when restrictions are lifted dating apps could become a replacement or a way to meet people quicker. In addition, periods of economic depression and emotional turmoil are often characterized with low marriage rates which then increase afterwards and the same may be applicable to COVID-19.

Risks

- **Increasing Costs Across App Stores** threaten to carve away at Match Revenue. Currently, the Apple App Store and Google Play charge a 30% fee for in-store downloads, a significant and unavoidable cost for MTCH. Match and Epic Games are joined by others in a coalition advocating for state legislation against these anticompetitive fee practices. Stagnant change in this scope will continue to chip away at Match's revenue.
- **Changing Regulations For Dating Apps** could pose a risk to portfolio companies' business operations. Although Match isn't liable to anything that happens on the date itself, there is now increased regulation surrounding the potential dangers posed by dating apps through privacy and data usage infringements.
- **Evolving Marketplace Trends** make post-pandemic growth challenging to predict and offer room for smaller localized players to steal market share.
- **Potential Monetization Challenges** could arise as a result of difficulties in onboarding users past the freemium model, resistance from international consumers to pay, and of course the natural base churn rate of 8%.

Valuation

Revenue Build									
Fiscal Year	12/31/18 2018A	12/31/19 2019A	12/31/20 2020A	12/31/21 2021E	12/31/22 2022E	12/31/23 2023E	12/31/24 2024E	12/31/25 2025E	12/31/26 2026E
Match North America Penetration	4.2%	4.6%	4.9%	5.1%	5.4%	5.6%	5.7%	5.9%	6.0%
NA Online Singles Population	100.28	101.37	103.4	103.4	105.45	105.45	107.52	107.52	107.52
Average NA Subscribers	4.25	4.63	5.01	5.27	5.69	5.91	6.13	6.29	6.45
Match International Penetration	1.0%	1.2%	1.4%	1.6%	1.9%	2.1%	2.3%	2.4%	2.6%
Match International Single Population	395.89	415.04	429.45	443.63	456.17	469.69	482.92	497.5	510.41
Average International Subscribers	3.76	4.77	5.80	7.10	8.44	9.63	10.87	12.06	13.14
ARPU NA Daily	\$ 0.59	\$ 0.61	\$ 0.62	\$ 0.66	\$ 0.67	\$ 0.68	\$ 0.71	\$ 0.73	\$ 0.77
ARPU International Daily	\$ 0.56	\$ 0.56	\$ 0.58	\$ 0.61	\$ 0.63	\$ 0.65	\$ 0.66	\$ 0.67	\$ 0.67
Revenue	\$ 1,684.38	\$ 2,007.04	\$ 2,362.22	\$ 2,850.75	\$ 3,333.12	\$ 3,750.07	\$ 4,205.78	\$ 4,626.29	\$ 5,027.24
Total Revenue	\$ 1,727.57	\$ 2,058.51	\$ 2,422.79	\$ 2,923.85	\$ 3,418.59	\$ 3,846.22	\$ 4,313.62	\$ 4,744.91	\$ 5,156.15

DCF									
Fiscal Year	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
EBIT	619.79	691.43	809.98	1,092.64	1,345.90	1,552.72	1,784.55	2,057.87	2,236.22
(-) Taxes	(92.97)	(103.71)	(121.50)	(163.90)	(201.88)	(232.91)	(267.68)	(308.68)	(335.43)
(+) D&A	34.3	42.646	48.80	47.66	55.72	62.69	70.31	77.34	81.00
(-) Capex	(31.00)	(38.80)	(42.40)	(80.00)	(55.00)	(63.50)	(72.60)	(82.00)	(92.00)
(-) Change in N ¹	49.00	(8.00)	7.10	(3.90)	(27.80)	(16.40)	(15.60)	(16.00)	(17.00)
FCF	579.12	583.56	701.98	892.50	1,116.94	1,302.61	1,498.98	1,728.53	1,872.79
Discount Factor				0.94	0.88	0.83	0.78	0.73	0.69
PV of FCF				838.10	984.92	1,078.63	1,165.58	1,262.15	1,284.13

Exit Multiple	
Exit EV/EBITDA	26x
EBITDA	2,317.22
Terminal Value	60,247.76
PV of Terminal Value	41,310.70
Enterprise Value	47,924.22
Less Debt	(3,621.00)
Add Cash	739.20
Equity Value	45,042.42
Equity Value Per Share	181.84
Implied ROI	18%

WACC	
Cost of Equity	6.71%
Risk Free Rate	0.42%
Beta	1.33
Risk Premium	4.73%
Cost of Debt	4.73%
Total Debt	3,621
Total Equity	45,322
Total Capital	48,943
% Equity	92.60%
% Debt	7.40%
Tax Rate	21.00%
WACC	6.49%