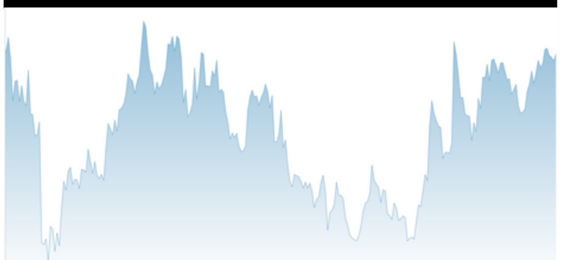
Match Group Research Report

Ticker	NAS: MTCH
Price Target	$51.00
Upside/(Downside)	35.7%
Price (10/04/2024)	$37.60
52W Range	$27.66 - $42.42
Shares Oustanding	257,895
Market Cap	9,751,010
Volume	3,738
P/E (TTM)	16.44
EPS (TTM)	2.30
Beta	1.48
Debt	3,846

*Figures in USD thousands except shares prices

Equity Performance 52W



By: Shervin Eshfagh, Special Thanks To Owen Han & Ishan Nagra

Executive Summary

Company Overview:

Match Group is a leading American online dating company, operating a diverse portfolio of 45 platforms across 192 countries. Its most popular brands include Tinder, Hinge, and Plenty of Fish. Match Group drives revenue through a freemium business model, offering users a limited free version to optimize customer acquisition while monetizing through premium features. The company has solidified its market dominance, holding over 50% market share in North America and Europe, by strategically acquiring emerging platforms and continuously expanding its global presence.

Industry Outlook:

The online dating industry is projected to grow at a compound annual growth rate (CAGR) of 4.2% through 2032, reaching a market value of $10.8 billion. This growth is driven by online dating becoming the primary way people meet, particularly in the U.S., as well as societal shifts like men and women marrying later in life and strong user adoption among Gen Z. However, the industry faces challenges, such as the rise of fake profiles, which are damaging the credibility of online dating platforms. Match Group remains the dominant market leader, with Bumble Inc. in second place. Together, these two companies control over 85% of market share in key regions.

Investment Rationale:

The Asia-Pacific region is poised for the fastest growth in online dating services, driven by declining birth rates and efforts to boost marriage rates in countries like Japan and Korea. Match Group’s strong market presence in these key countries positions it well to capitalize on this trend. Additionally, we see significant growth potential from Gen Z's increasing adoption of Hinge, especially as this demographic's disposable income rises, leading to higher conversion rates in the paid user segment. Match Group's ongoing investment in enhancing its user experience through artificial intelligence is another key driver, expected to deliver long-term benefits by boosting user engagement and subscription growth, as seen with its other platforms.

Recommendation:

Our analysis of Match Group has led to a BUY recommendation with a target price of $51, indicating a potential upside of 35.7%. This recommendation is based on a comprehensive evaluation of the company's financial health, industry position, and growth prospects, highlighting its diversified portfolio, near-monopolistic market share, and increasing free cash flow. We are optimistic about Match Group's long-term growth, fueled by Hinge's rise, AI integration, and opportunities in the expanding Asian market.

Sources: Pitchbook, Statista, Yahoo Finance, Pew Research, Match Group, Motley Fool

Company Overview

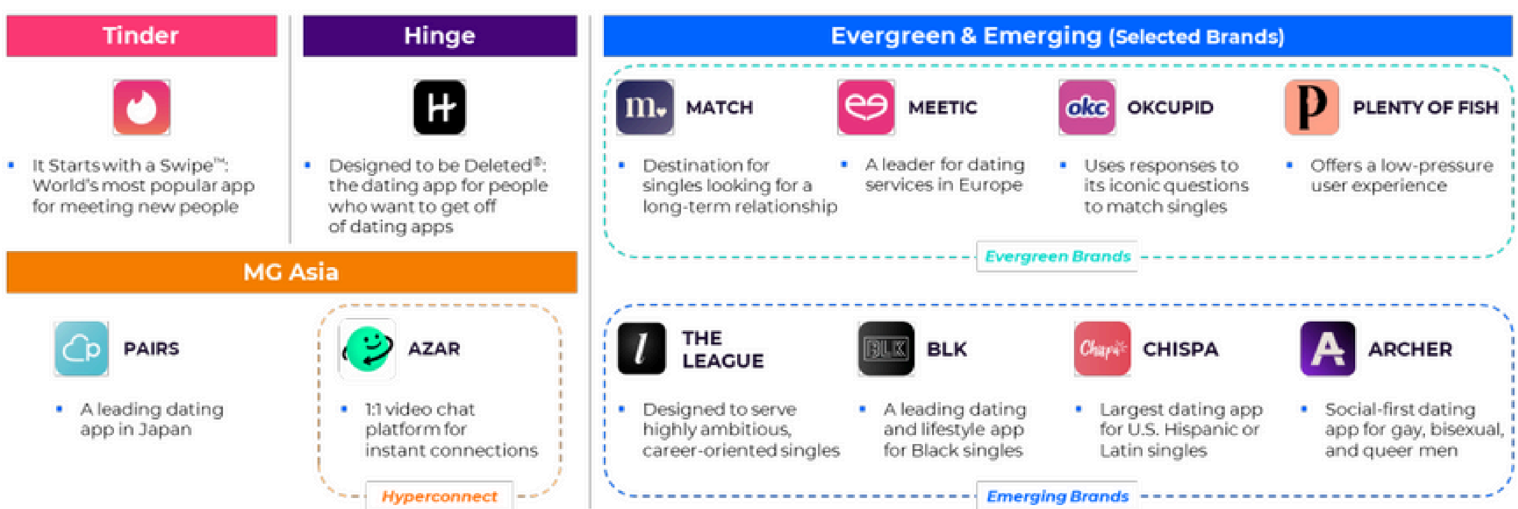
History:

Match Group, a Texas-based internet and technology company, is a leading player in the online dating services industry. Originally part of IAC, Match Group was founded in 2009 when IAC created its online dating segment, which included Match.com and several other platforms. Over the next decade, Match Group expanded its portfolio through strategic acquisitions, adding popular brands like OkCupid, SinglesMeet, and Hinge. Its most successful app, Tinder, was founded in a company-backed innovation lab in 2015 and has since become a global phenomenon. In 2020, Match Group fully separated from IAC, gaining independence. Today, the company operates over 45 dating platforms in 42 languages across 192 countries, connecting millions of singles worldwide.

Revenue Segmentation

Tinder:

Tinder is Match Group's flagship platform and its most successful to date, renowned for its iconic "swipe right" feature to match with other users. As of Q2 2024, Tinder boasts over 55 million active users, including 9.6 million paying subscribers. This platform alone accounts for approximately 56% of Match Group's total revenue, and is the market leader in the online dating app industry.



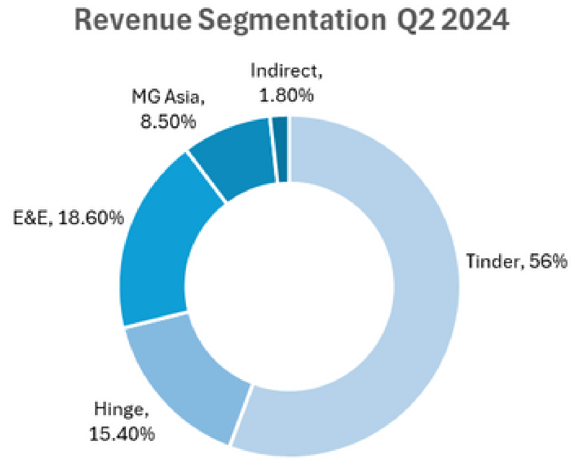
Hinge:

Hinge is Match Group's fastest-growing platform, recognized for its personality-driven user experience, which features interactive prompts, as well as voice and video notes. With its tagline, "Designed to be deleted," Hinge positions itself as a more relationship-oriented app compared to its peers. As of Q2 2024, Hinge contributes 15.4% of Match Group's total revenue with over 23 million monthly active users.

Evergreen & Emerging:

The Evergreen & Emerging segment of Match Group spans a diverse portfolio of dating platforms, combining long-standing brands like Match.com, Plenty of Fish, and OkCupid with newer, niche-focused apps such as BLK and Chispa, which cater to Black and Latino communities. This blend of established and emerging platforms allows Match Group to reach a wide array of audiences while adapting to evolving market trends. In Q2 2024, this segment accounted for 18.6% of the company's total revenue, underscoring its importance in both retaining legacy users and tapping into new, underserved demographics.

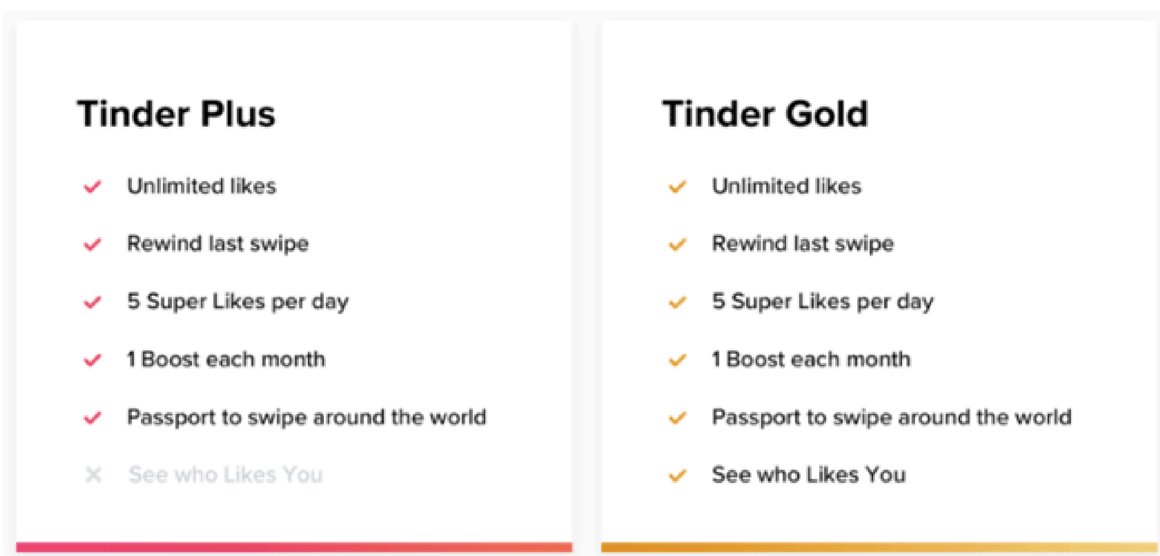
Match Group Asia:
MG Asia contributed 8.5% of Match Group's total revenue in Q2 2024, focusing on the Middle Eastern and Asian markets through a variety of tailored apps. The segment's standout platforms include Pairs, the leading dating app in Japan, and Azar, an innovative platform that emphasizes one-on-one video chat with real-time language translation, enabling users to connect across language barriers.



Indirect Revenue:
The remaining 1.8% of Match Group's revenue is generated through advertising. This B2B segment allows companies to advertise on the companies dating platforms for a specified charge.

Business Model:

Freemium Strategy:
Match Group primarily employs a freemium model across its online dating platforms, a cost-effective strategy for customer acquisition. This approach allows users to download and use the basic version of the app for free, while premium features are available for a fee. For example, Tinder's free tier limits users to a set number of daily swipes and restricts visibility on who has liked their profile. In contrast, Tinder's premium offering provides unlimited swipes, the ability to see who has liked you, and a range of additional features, enhancing the user experience for paying customers.



Roll-up:
Match Group holds a dominant position in the online dating industry, a status largely driven by its acquisition-focused business model. By strategically acquiring smaller and emerging dating apps, the company has expanded its portfolio and strengthened its market share. To date, Match Group has acquired 25 online dating platforms, with plans to continue its acquisition strategy. This approach allows Match Group to not only eliminate potential competition but also cater to a diverse array of niche audiences, offering a broad selection of apps that meet the varying preferences of users worldwide.

Management Overview:

Bernard Kim - Chief Executive Officer:

Bernard Kim serves as the Chief Executive Officer (CEO) of Match Group, overseeing the company’s global operations. Appointed in 2022, Kim previously held a key leadership role at Zynga, where he drove significant growth during challenging times in the entertainment and gaming industry. Prior to that, he spent a decade at Electronic Arts as Senior Vice President, further honing his expertise in driving digital growth and innovation. Kim holds dual degrees in Economics and Communications from Boston College.

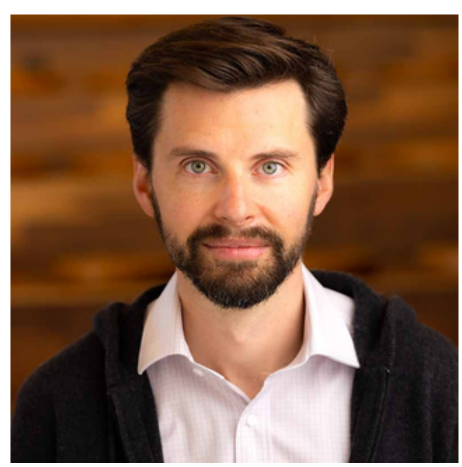
Gary Swidler - Chief Financial Officer:

Gary Swidler is the Chief Financial Officer (CFO) of Match Group, a position he has held since joining the company in 2015. In his role, Swidler oversees all aspects of the company's financial operations, including accounting, tax, corporate strategy, and user privacy. Before his tenure at Match Group, he spent 18 years at Bank of America Merrill Lynch, where he served in the investment banking division, gaining deep expertise in financial management and strategic planning. Swidler holds a bachelor's degree in economics from the University of Pennsylvania and a J.D. from NYU School of Law.

Faye Losotaluno - Chief Executive Officer Tinder:

Faye Losotaluno is the CEO of Tinder, having rejoined the company as Chief Operating Officer (COO) in 2022 after previously serving in various roles. She brings a wealth of experience in digital consumer services, having worked with notable companies such as SoundCloud, TrueCar, Warner Bros, and Viacom Media Networks. Before her time in the tech and media industries, Losotaluno began her career in investment banking at Credit Suisse and Merrill Lynch, focusing on consumer group coverage. She holds a degree in economics from the University of Pennsylvania and an MBA from Harvard Business School.

Justin McLeod - Chief Executive Officer Hinge:

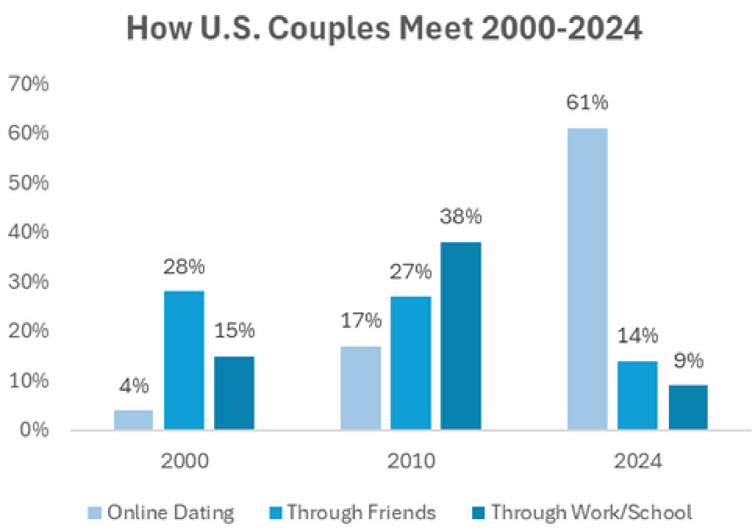


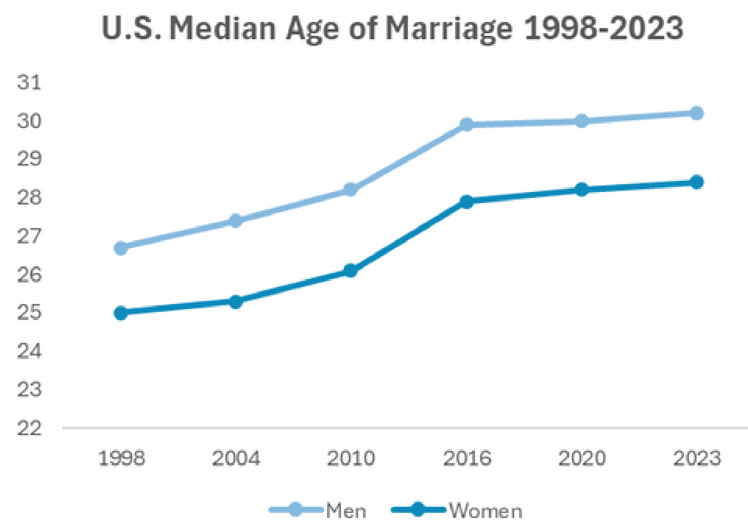
Justin McLeod is the founder and current CEO of Hinge, an innovative dating app he launched in 2011. After successfully growing the platform, McLeod sold Hinge to Match Group in 2019 but continues to lead the company and shape its vision. He holds an undergraduate degree from Colgate University and an MBA from Harvard Business School.

Industry Outlook

Growth:

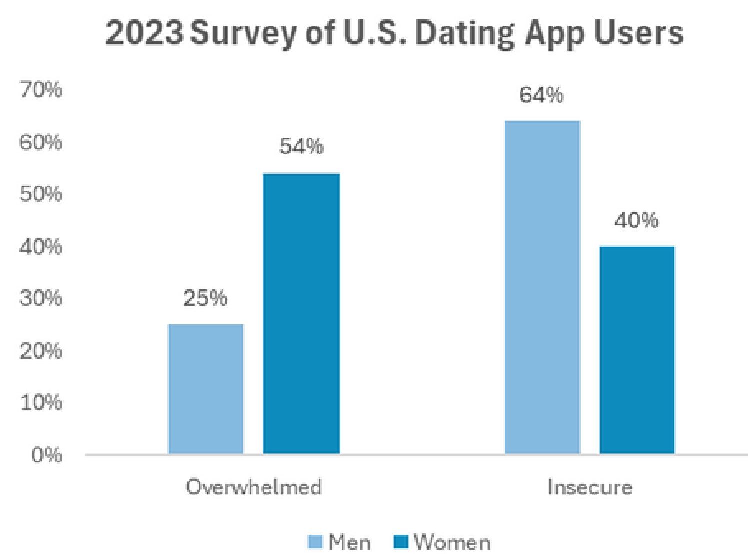
The online dating industry is projected to reach a valuation of $10.8 billion by 2032, growing at a steady CAGR of 4.2% over the forecaste period. This growth is fueled by several key factors, notably the increasing adoption and destigmatization of online dating. In the U.S., online dating has become the most popular way for people to meet. Additionally, shifts in societal trends such as singles delaying marriage are contributing to the prolonged use of dating apps. Globally, the Asia-Pacific region is expected to see the fastest growth, driven in part by certain governments encouraging dating apps to boost marriage and birth rates. Demographically, the LGBTQ+ community has the highest engagement on dating platforms, significantly contributing to industry expansion. Meanwhile, Generation Z (born 1997-2012) boasts the highest user penetration rate across all age groups. Technological advancements are further propelling the industry, with innovations like enhanced matchmaking algorithms and facial verification tools reducing fake profiles and improving user trust.





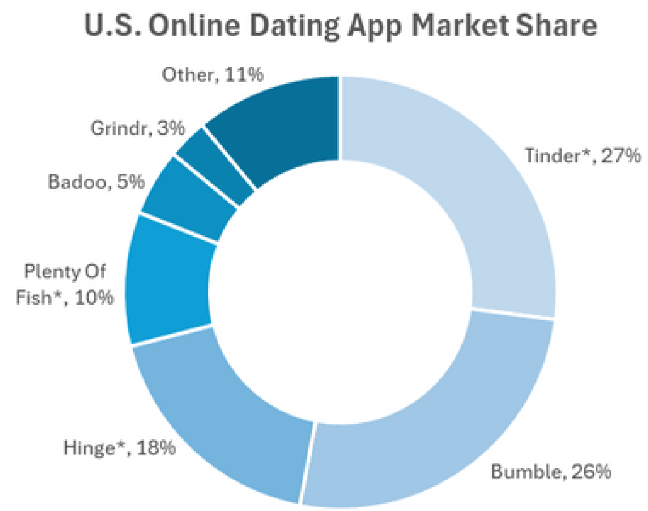
Challenges:

The online dating industry is facing several significant challenges, with the rise of AI-generated fake profiles being one of the most pressing issues. These fraudulent accounts are damaging the credibility of dating apps, undermining user trust. Additionally, the industry is burdened by the 30% cut that platforms like Apple and Google take from in-app purchases, squeezing profit margins across the sector. The low barriers to entry have also led to a flood of smaller, competing dating apps, creating a fragmented and increasingly saturated market. Moreover, user frustration is on the rise. Many male users express disappointment over the lack of matches, while female users often feel overwhelmed by an excessive number of likes, leading to a mismatch in user experiences.



*Overwhelmed by number of messages they have received
*Insecure because of the lack of messages they have received

Market Share:

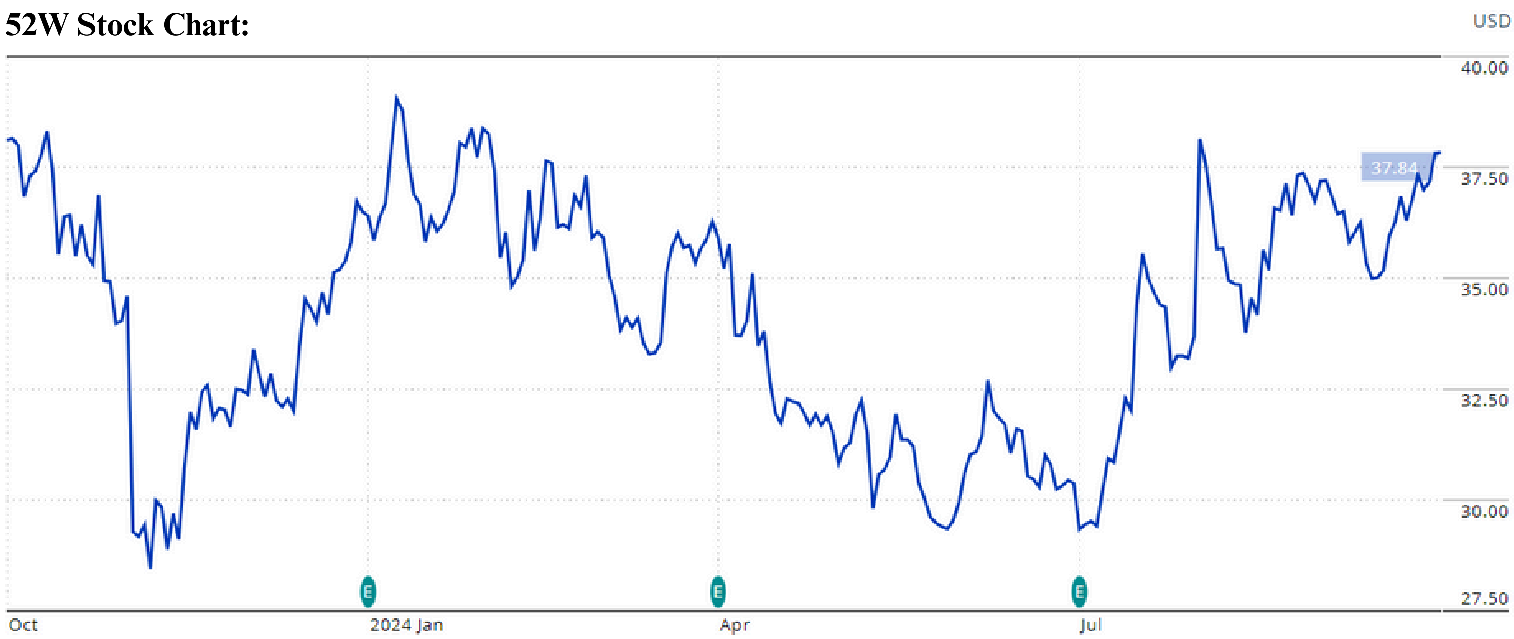


*Owned by Match Group

North America boasts the highest user penetration and generates the most revenue in the online dating industry. The market is dominated by a strong duopoly, with Match Group and Bumble collectively controlling over 85% of the global dating app market share. Tinder, owned by Match Group, is the most popular app worldwide, while Bumble's Badoo holds a slight edge in popularity across parts of Europe. Match Group alone commands more than 50% of the market share in several regions, thanks to its diverse portfolio, which includes leading platforms like Hinge, Tinder, and Plenty of Fish. Additionally, Grindr is the third largest player, and it dominates the online dating sector for the LGBTQ+ community.

Financials

52W Stock Chart:



Additional Information:

- Match Group's stock price sits at $37-38, with a market cap of 9.75 billion.
- Match Group's all-time stock price was approximately $172 in 2021; the stock is down 61.79% since its initial public offering less than 5 years ago.
- Short shares account for 6.54% of total shares.

ESG Analysis:

- Match Group has an ESG risk rating of 16.74 (low-risk)
- Social is the highest portion of Match Group's ESG risk with a rating of 8.84
- In the internet services and software industry, Match Group's ESG rating is the 13th lowest out of 236 potential groups.
- Match Group's strong historical performance in ESG compliance demonstrates its commitment to ethical practices, positioning the company favorably for potential inclusion in socially responsible investment funds.

Cashflow Statement:

- Research and development expenses have risen by a CAGR of 22.64% in the last 4 years, as the company increases its headcount to improve and add artificial intelligence tools to its products. As a technology services company, increased R&D can indicate product innovation and lead to potentially improved user experiences.
- In 2023 and 2022, the company bought over 1 billion in treasury stock. The company's decision to buy treasury stocks could be the result of high interest rates, and lack of M&A opportunities.
- Company's price to free cash flow (P/FCF) has dropped from its all-time high of 69.71 in 2021, to an all-time low of 9.42 in 2024. This P/FCF trend could signal a prime buying opportunity for investors.

Balance Sheet:

- The largest asset as of 2023 is Goodwill, valued at 2.3 billion. Technology companies do not require heavy investments in PP&E, and thus their largest assets will be the brands that they have in their product portfolio.
- 1.45 billion of its highest yield debt is set to expire by 2027, 37.41 % of total long-term debt. Decreasing financial risk will help to reduce the concerns of shareholders.
- 862 million in cash at the end of 2023. An increasing cash balance for Match Group signals an improving financial health and, room for flexibility.

Income Statement:

- Operating income increased by 78% from 2022-2023.
- Income tax provision rose by 733% from 2022-2023; note that 2022 tax provisions were very low.
- The company plans to buyback over 1 billion dollars worth of shares between 2022-2024 as it believes that company is undervalued. Shareholders will benefit as EPS is expected to rise.

Holder	% Total Shares Held	% of Portfolio	Share Count	Value
Vanguard Group Inc	12.38%	0.02%	31,931,526	$970.08M
BlackRock Inc	7.74%	0.01%	19,971,048	$606.72M
State Street Corp	6.70%	0.02%	17,280,634	$524.99M
UBS Group AG	5.28%	0.10%	13,612,156	$413.54M
Elliott Investment Management L.P.	4.54%	2.05%	11,705,013	$355.60M
T. Rowe Price Investment Management,Inc.	4.26%	0.21%	10,994,558	$334.02M
Nuveen Asset Management, LLC	2.60%	0.06%	6,713,502	$203.96M
Geode Capital Management, LLC	2.54%	0.02%	6,553,374	$198.59M
Nomura Holdings Inc	2.52%	0.38%	6,491,616	$197.22M
Pacer Advisors, INC.	2.43%	0.43%	6,263,311	$190.28M

Valuation Summary

Discounted Cash Flow Model:

We have conducted an intrinsic evaluation for Match Group by utilizing a 10-year discounted cash flow (DCF) model. Our model encompasses three scenarios: a base case, a conservative case, and an optimistic case. A key assumption in our model is assuming that cash flows are received mid-year. This simplification accounts for the distribution of cash flows throughout the year. Notably our DCF uses an 50-50 approach of the terminal growth rate method and exit multiple approach.

DCF Assumptions:

Revenue:

We forecasted revenue to grow at 6% in 2025, and steadily decrease to a growth rate of 3% in the final year of our projection. Our assumptions were based on the tailwinds in the online dating industry, and Match Group's focus towards product innovation leading to higher paid user growth. In our conservative case, we assumed that growth would be annually lower by a factor of 0.92x, and in our optimistic case, we assumed growth would be higher by a factor of 1.08x.

EBIT Margin:

We project Match Group's EBIT margin to reach 35% by 2033. This forecast is grounded in the company's historically normalized margins, as well as the anticipated synergies from recent acquisitions and the integration of AI into its product development process. In our conservative scenario, we assume annual growth will decelerate by a factor of 0.95x. Conversely, in our optimistic scenario, we anticipate growth will increase by a factor of 1.05x.

Taxes:

We assumed a tax rate of 21% in our DCF. Our assumptions are based on the U.S. statutory tax rate, however, Match Group has historically paid a lower effective rate which we believe will grow closer to the statutory rate as it matures.

Depreciation:

We assumed depreciation to remain at 2% of total revenue throughout the forecast period. This assumption is based on the company's historical relationship between depreciation and revenue.

Capital Expenditure:

We assumed Capital Expenditures to be 2% of total revenue throughout the forecast period. This assumption is based on the company's historical relationship between depreciation and revenue, and the belief that the technology company does not need to invest in PP&E in the near future.

Change in Net Working Capital:

We assumed that change in net working capital to remain at 1% of total revenue until the final year of our projection. We understood that change in net working capital had high volatility in the past for Match Group, however, we expect this to stabilize as the company enters a more mature stage.

Exit Multiple:

We have opted to use the median normalized EV/Revenue multiple from our comparable companies set. We believe that our 3.9x multiple is an accurate reflection of the current and future state of the industry.

Terminal Growth Rate:
We assumed a Terminal Growth Rate (TGR) of 2.5% in our DCF. We have opted to choose a conservative TGR because of the volatile growth of the online dating services industry, and our belief that Match Group will become a more stable and mature company by the final year of our projection.

Comparable Companies:

For our relative valuation, we selected three companies that we believe are comparable to Match Group. Rather than focusing solely on dating app companies, we broadened our criteria to include online technology services that utilize a freemium model. This approach allowed us to build a peer group that reflects the wider industry, incorporating companies of varying sizes and valuations. We have decided to use P/E and EV/Revenue as the two multiples for our relative evaluation.

Bumble Inc. (NAS: BMBL):
Bumble Inc. is a global online dating company with a portfolio of five distinct platforms, available in over 150 countries. The company's flagship app, Bumble, gained widespread attention for its unique feature that empowers women to make the first move in heterosexual matches. Founded in 2014 by a former Tinder executive, Bumble quickly positioned itself as a major player in the online dating space. As Match Group's most significant competitor, Bumble Inc. has seen fluctuating stock performance, with its share price experiencing a notable decline since its 2021 IPO. Due to its market position and direct competition with Match Group, Bumble was included in the comparable companies set for our analysis.

Pinterest Inc. (NYS: PINS):
Pinterest Inc. is a social media company best known for its image-sharing platform, the Pinterest app, which serves as a discovery tool for users to explore and share visual content. Founded in 2009 and headquartered in California, Pinterest went public in 2019 with an initial valuation of $12 billion. With over 500 million Monthly Active Users (MAU), Pinterest generates revenue primarily through a freemium model, offering both free and paid features. Given its emphasis on user growth and monetization through a freemium strategy, Pinterest was included in our comparable companies set for analysis.

Snap Inc. (NYS: SNAP):
Founded in 2011, Snap Inc. is the parent company behind the popular Snapchat app. Snapchat enables users to send instant messages through various media formats and is particularly popular among younger audiences, with its largest user base being under the age of 16. The platform boasts over 250 million Daily Active Users (DAU), with an average of four billion snaps shared each day. Snap Inc. went public in 2017 at a valuation of $24 billion but has faced significant share price volatility as it continues to refine its monetization strategy through a freemium model. Given its similarities to Match Group in terms of stock price fluctuations and ongoing monetization challenges, Snap Inc. was included in our comparable companies set for analysis.

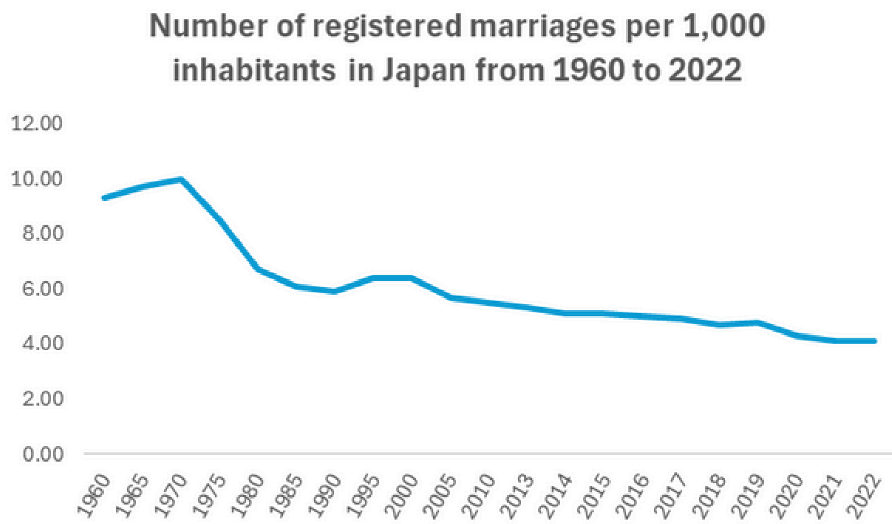
	EV/Revenue	P/E	Terminal Growth	Exit Multiple
Comparable Share Price	$51.02	$65.54	--	--
DCF Share Price	--	--	$53.23	$49.91

Analysis

Investment Theses:

Asia Pacific Growth:

In Asia, particularly in Japan and South Korea, birth and marriage rates have significantly declined over the past decade. Representing a combined population of nearly 175 million, this downward trend has raised alarms for both global leaders. In response, these governments have launched initiatives to collaborate with dating app companies to boost user engagement. Notably, Match Group's Pairs app is the leading dating platform in Japan, while Azar was the most used in South Korea as of 2024. With Match Group's well-established presence in these affluent markets—characterized by strong GDP per capita—and the government partnerships aimed at promoting dating platforms, there is a strong potential for increased Monthly Active Users (MAU) and paid user growth for Match Group in Asia. We are confident that the growth potential in Asia presents a compelling opportunity for the company's future success.



A.I. Matchmaking Algorithms:

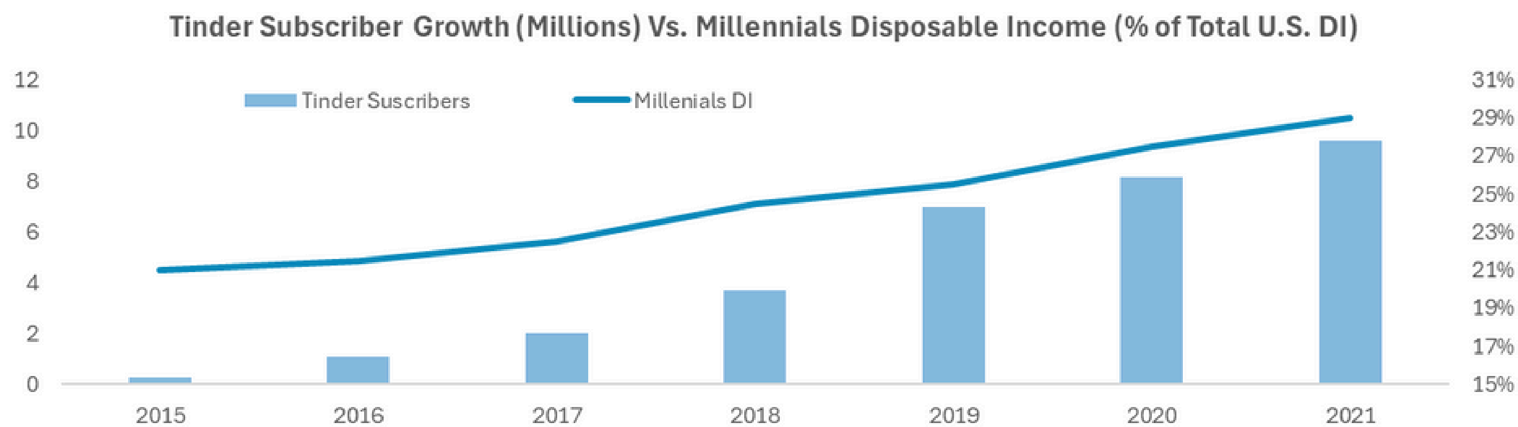
Match Group is partnering with OpenAI to enhance the matchmaking algorithms across its 45 platforms. By leveraging advanced AI, the company aims to address a persistent challenge in the online dating industry: males experiencing frustration due to too few matches, while females are overwhelmed by an excessive number of likes. To address this, Match Group has been steadily increasing its R&D investment, which accounted for over 11% of total sales revenue in 2023, up from 8% in 2021.

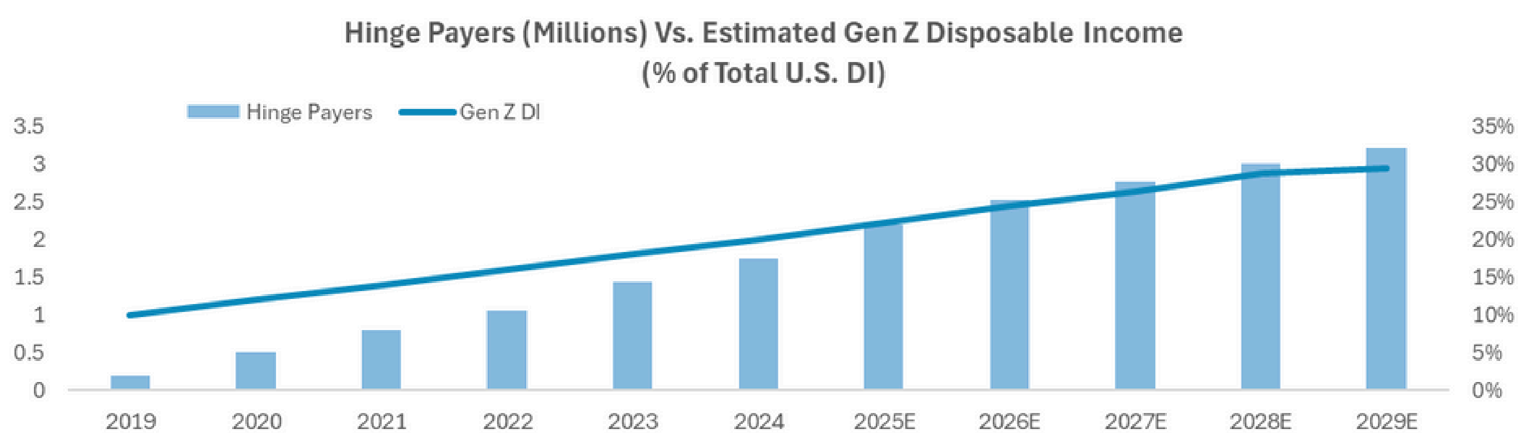
Investing in AI to improve freemium app algorithms has already proven successful in other online services companies. A notable example is Pinterest, which made significant investments in AI between 2017 and 2021. As a result, the company saw a 14% Compound Annual Growth Rate (CAGR) in Average Revenue Per User (ARPU), and its stock price surged by 126% during the same period. We are encouraged by Match Group's increased focus on R&D spending to enhance user experience and believe this investment in AI will deliver substantial long-term benefits for the company.

Hinge's Breakout:
Match Group's valuation is heavily influenced by its Monthly Active Users (MAU), with a particular emphasis on paid user growth. Between 2015 and 2021, the company experienced rapid expansion, driven primarily by Tinder's success in consistently reaching new milestones in paid subscribers. Early in its lifecycle, Tinder's growth was fueled by widespread adoption among Millennials. However, during this time, many Millennials had limited disposable income, as a significant portion were either pursuing post-secondary education or working in entry-level jobs with lower pay.

As this generation aged and their disposable income increased, they became more willing to spend on services like Tinder, significantly contributing to the app's surge in paid subscribers. Since 2022, Tinder's paid user growth has decelerated, partly due to the fact that 45% of Millennials in the U.S. are now married. In contrast, Match Group's fastest-growing app, Hinge, has shown impressive user growth, particularly among Gen Z. However, Hinge currently sees a lower proportion of paid users. Gen Z, which has the highest user penetration rate on Hinge, accounts for less than 10% of the total disposable income in the U.S., primarily due to their lower workforce participation, as the median age is just 21.

By looking at Tinder's growth trajectory, we can reasonably anticipate that as Gen Z's disposable income rises with age, they too will be more inclined to spend on their preferred dating apps. Consequently, we expect Hinge's paid user base to expand significantly, mirroring Tinder's past growth and positively impacting Match Group's valuation. We remain optimistic that Hinge's current growth is just the beginning and will drive the company's performance well into the future.

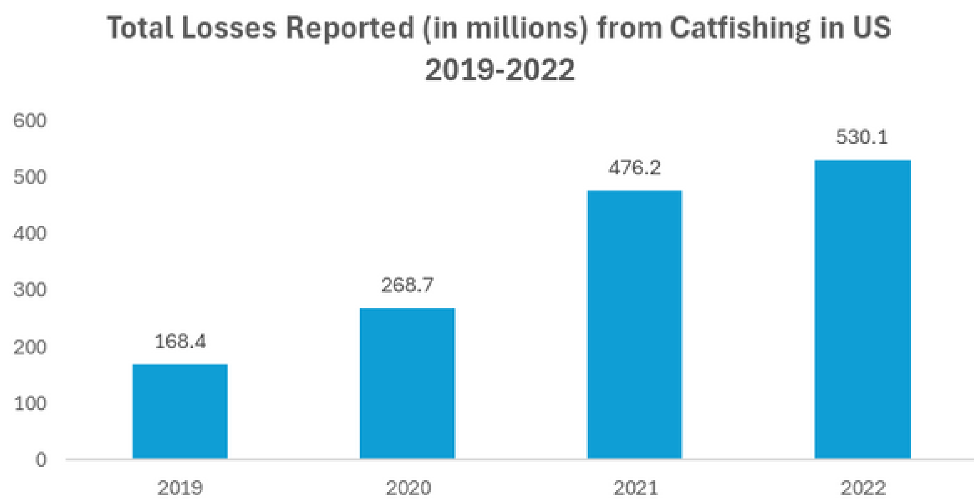




Risks

Government Regulations:

The online dating industry is grappling with a growing issue of fake profiles, commonly known as "catfishing." Catfishing involves creating a false identity to deceive users, often with the intent to scam or harass them. Studies estimate that fake profiles are prevalent across all dating platforms, with some reports suggesting they account for up to 10% of users on certain apps. As this troubling trend escalates, there is an increasing risk that governments worldwide may introduce stricter regulations or initiate legal actions against dating app companies. Given Match Group's position as the largest player in the industry, it could face significant headline risk if regulatory intervention occurs. This presents a material threat to Match Group's stock, and we believe investors should carefully consider this potential risk, as it could lead to lasting negative impacts on the company's share price.



Recommendation

BUY:

Our analysis of Match Group has resulted in a BUY recommendation for the stock, with a target price of $51, implying a potential 35.7% upside. This recommendation is grounded in a thorough quantitative assessment of the company's financial health, complemented by a qualitative evaluation of its industry position and growth prospects. Match Group stands out due to its diversified portfolio, near-monopolistic market share, and consistently growing free cash flow. Additionally, we are optimistic about its future, driven by the rapid rise of Hinge, the integration of AI into its matchmaking algorithms, and its potential to capture growth in the expanding Asian market. While we acknowledge the risks posed by potential government regulations and the current negative sentiment surrounding the online dating industry, we believe these are short-to-medium term challenges. In the long run, as online dating continues to grow and Match Group further strengthens its portfolio, we are confident these risks will be mitigated. Ultimately, we see significant growth potential for Match Group, and therefore expect its share price to increase over the long term.

M&A Analysis - Match Group Acquires Bumble Inc.

Target Company:
Bumble Inc. is a global online dating company with a portfolio of five distinct platforms, available in over 150 countries. The company's flagship app, Bumble, gained widespread attention for its unique feature that empowers women to make the first move in heterosexual matches. Founded in 2014 by a former Tinder executive, Bumble quickly positioned itself as a major player in the online dating space. Since its 2021 IPO, Bumble's stock price has declined by 91%, reflecting market disappointment in its Monthly Active User (MAU) growth and platform adjustments. However, unlike Tinder, Bumble has demonstrated a consistent increase in Average Revenue Per User (ARPU), signalling the success of its monetization efforts and the potential for future revenue growth. Notably, Bumble rejected a $450 million acquisition offer from Match Group in 2017, but given the company's current market position and financial challenges, we believe Bumble would be far more open to reconsidering a new acquisition proposal from Match Group.

Strategic Rationale:
We believe Match Group is well-positioned to acquire its largest competitor, Bumble Inc. The strategic rationale for this acquisition is clear: it would allow Match Group to consolidate its dominance in the online dating market, effectively becoming the unrivalled leader. Bumble is currently the second most popular dating app in North America, while Badoo, also owned by Bumble, ranks among the top dating apps in Europe. By acquiring Bumble Inc., Match Group would further execute its successful roll-up strategy, solidifying its market share and creating significant synergies across its portfolio of platforms.

Synergies: We estimate total synergies of $80 million, driven by both revenue enhancements and cost savings. These savings are projected to come from a reduction in Bumble's workforce by up to 300 employees, streamlining operations post-acquisition. On the revenue side, Bumble's products are expected to benefit from integration with Match Group's superior features, leading to enhanced user experience and monetization.

Deal Structure: We assume a 50-50 stock and cash deal, consistent with the financial structure of Match Group's recent acquisitions.

Offer Premium: We anticipate an offer premium of 20%, which we consider fair and reasonable for both parties based on typical industry transaction multiples and Match Group's historical acquisition behaviour.

Borrowing Terms: We have assumed an interest rate of 5.5% over a 10-year borrowing term. This reflects the current SOFR environment, to which we have added a risk premium to account for the deal's complexities.

Results:
Using a simplified M&A model based on our stated assumptions, we project a Pro Forma EPS of $2.57, representing a 6.3% accretion. This accretion indicates potential value creation for shareholders post-acquisition. We believe this presents an opportune moment for Match Group to acquire Bumble Inc., positioning it as the dominant player in the online dating industry with long-term competitive advantages and sustained market leadership.

Appendix - DCF (1/2)

MATCH GROUP DCF

Ticker	NYSE: MTCH	Scenario	2
Date	2024-09-27	Implied Price	$51.57
End of Year	2024-12-31	Upside/(Downside)	38%
Share Price	XUP, INC. (X $ 37.45		

Assumptions

Switches			Conservative			Base			Optimistic		
Assumptions			**Assumptions**	**Year**	**Metric**	**Assumptions**	**Year**	**Metric**	**Assumptions**	**Year**	**Metric**
Revenue	2		Revenue	24-25	92.0%				Revenue	24-25	108.0%
EBIT	2		Revenue	2033	2.8%	Revenue	2033	3.0%	Revenue	2033	4.0%
WACC	2		EBIT	24-25	95.0%				EBIT	24-25	105.0%
TGR	2		EBIT	2033	33.0%	EBIT	2033	35.0%	EBIT	2033	36.0%
Valuation											
WACC	8.9%		WACC		9.5%	WACC		8.9%	WACC		8.3%
TGR	2.5%		TGR		2.0%	TGR		2.5%	TGR		3.0%

Income Statement	2021A	2022A	2023A	2024E	2025E	2026E
Revenue	2983277	3188843	3364504	3,531,500	3,764,026	4,013,500
% growth		7%	6%	5%	7%	7%
EBIT	386,641	518,638	909,868	1,271,750	1,370,885	1,454,500
% of sales	13.0%	16.3%	27.0%	36.0%	36.4%	36.2%
Taxes	#REF!					
Tax Rate	#REF!	0.0%	0.0%			

Cashflow Items	2021A	2022A	2023A	2024E	2025E	2026E
D&A	41,402	43,594	61,807			
% of sales	1%	1%	2%			
CapEx (Outflow)	(79,971)	(49,125)	(67,412)			
% of sales	3%	2%	2%			
Change in NWC	(546,439)	519,063	123,467			
% of sales	(18%)	16%	4%			
% of change in sales		253%	70%			

DCF	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenue	2,983,277	3,188,843	3,364,504	3,583,197	3,798,189	4,011,837	4,222,458	4,428,303	4,627,577	4,818,464	4,999,156	5,167,878	5,322,914
% growth		7%	6%	6.5%	6.0%	5.6%	5.3%	4.9%	4.5%	4.1%	3.8%	3.4%	3.0%
Conservative Case				6.0%	5.5%	5.2%	4.8%	4.5%	4.2%	3.8%	3.5%	3.1%	2.8%
Base (Street) Case				6.5%	6.0%	5.6%	5.3%	4.9%	4.5%	4.1%	3.8%	3.4%	3.0%
Optimistic Case				7.0%	6.5%	6.2%	5.9%	5.6%	5.2%	4.9%	4.6%	4.3%	4.0%
EBIT	386,641	518,638	909,868	1,074,959	1,177,438	1,263,729	1,351,187	1,439,198	1,527,100	1,614,185	1,699,713	1,782,918	1,863,020
% of sales	13%	16%	27%	30%	31%	32%	32%	33%	33%	34%	34%	35%	35%
Conservative Case				28.5%	29.5%	29.9%	30.3%	30.8%	31.2%	31.7%	32.1%	32.6%	33.0%
Base (Street) Case				30.0%	31.0%	31.5%	32.0%	32.5%	33.0%	33.5%	34.0%	34.5%	35.0%
Optimistic Case				31.5%	32.6%	33.0%	33.4%	33.8%	34.3%	34.7%	35.1%	35.6%	36.0%
Beginning Net Operating Losses													
Usage of NOLs													
Ending NOLs													
EBIT Applicable to Taxes				1,074,959	1,177,438	1,263,729	1,351,187	1,439,198	1,527,100	1,614,185	1,699,713	1,782,918	1,863,020
Taxes				225,741	247,262	265,383	283,749	302,232	320,691	338,979	356,940	374,413	391,234
Tax Rate				21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
EBIAT				849,218	930,176	998,346	1,067,437	1,136,967	1,206,409	1,275,207	1,342,773	1,408,505	1,471,786
D&A	41,402	43,594	61,807	71,664	75,964	80,237	84,449	88,566	92,552	96,369	99,983	103,358	106,458
% of sales	1%	1%	2%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
CapEx (Outflow)	79,971	49,125	67,412	71,664	75,964	80,237	84,449	88,566	92,552	96,369	99,983	103,358	106,458
% of sales	3%	2%	2%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Change in NWC	-546,439	519,063	123,467	35,832	37,982	40,118	42,225	44,283	46,276	48,185	49,992	51,679	53,229
% of sales	-18%	16%	4%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Unlevered FCF				813,386	892,194	958,227	1,025,213	1,092,684	1,160,133	1,227,022	1,292,782	1,356,826	1,418,557
PV of FCF				210,033	836,137	824,628	810,170	792,918	773,062	750,811	726,400	700,079	672,111
Discount Period				0.130555556	0.761111111	1.76111111	2.761111111	3.761111111	4.761111111	5.761111111	6.761111111	7.761111111	8.761111111
Period				0.261111111									

PV of FCF	7,096,348
PV of Terminal Value	10,300,032
Enterprise Value	17,396,380
(+) Cash	868,640
(-) Debt	3,842,242
Equity Value	14,422,778
FDSO	279,697
Implied Price	$51.57

Appendix - DCF (2/2)

WACC

WACC = % of equity x cost of equity + % of debt x cost of debt x (1 - Tax Rate)

Cost of equity = Risk free rate + Beta x Market Risk Premium

🏛 MATCH GROUP, INC. (XNAS:MTCH)

WACC	
Market Cap	9,658,168
% of Equity	71.54%
Cost of Equity	11.32%
Risk Free Rate	3.78%
Beta	1.31
Market Risk Premium	5.74%
Debt	3,842,242
% of Debt	28.46%
Cost of Debt	3.46%
Tax Rate	18.00%
Total	13,500,410
WACC	8.91%

Appendix - Comparable Companies Analysis

Match Group

Ticker	NAS: MTCH	
Share Price	GROUP, INC. (XNA!	$ 37.45

Comparables	P/E	EV/EBITDA	EV/Revenue	EBITDA	Revenue	Cash	Shares	EPS
Median	28.5	24.0	3.9	1,263	3,472	844	279	2.3
Mean	39.4	31.4	3.9	1,263	3,472	844	279	2.3
Min	18.6	6.1	1.7	1,263	3,472	844	279	2.3
Max	71.3	64.1	6.1	1,263	3,472	844	279	2.3

Implied Price	P/E	EV/EBITDA	EV/Revenue
Median	$65.54	$111.64	$51.02
Mean	$90.72	$145.11	$51.05
Min	$42.69	$30.55	$23.79
Max	$163.95	$293.14	$78.34

Ticker	Company	Market Cap	TTM Revenue	% of 52W High	Gross Margin	EBITDA Margin
NAS: MATCH	Match Group	$9,658	$3,472	88%	72%	37%
NAS:BMBL	Bumble	$821	$1,086	40%	70%	26%
NYS: SNAP	Snap	$18,055	$4,981	58%	53%	4%
NYS:PINS	Pinterest	$22,789	$3,338	73%	79%	22%

Appendix - M&A Model

Merger Model	
($ in millions except per share figures)	

Acquirer Financial Profile	
Fully Diluted Shares Outstanding	279
Current Share Price	$37.00
Equity Value	**$10,323**
Forecasted Earnings Per Share (EPS) $_{t+1}$	$2.42
P/E Multiple	**15.3x**

Target Financial Profile	
Fully Diluted Shares Outstanding	130
Current Share Price	$6.39
Equity Value	**$831**
Forecasted Earnings Per Share (EPS) $_{t+1}$	$0.73
P/E Multiple	**8.8x**

Transaction Assumptions	
Offer Price Per Share	$7.67
% Offer Premium	20.0%
Offer Value	**$997**

Form of Consideration	
% Stock	50.0%
% Cash	50.0%

Cash Consideration (All-Debt Funded)	
Offer Value	$997
% Cash	50.0%
Total Debt Financing	**$498**
Financing Fee	$10
Financing Fee % Total Debt	2.0%
Borrowing Term	10 Years
Financing Fee Amortization	**$1**
% Interest Rate	5.5%
Annual Interest Expense	**$27**

Stock Consideration	
Offer Value	$997
% Stock	50.0%
Stock Consideration	**$498**
Number of Acquirer Shares Issued	13

Deal Assumptions	
Synergies, net	$80
Transaction Fees	$25
Transaction Fees % Offer Value	2.5%

Purchase Price Accounting	
Offer Value	$997
Less: Net Tangible Book Value	(782)
Purchase Premium	**$215**
Less: PP&E Write-Up	(2)
Less: Intangibles Write-Up	(185)
Plus: Deferred Tax Liability (DTL)	37
Goodwill Created	**$65**

Asset Write-Ups	
% Allocation to PP&E	1.0%
Useful Life Assumption	4 Years
Incremental Depreciation	**$0.5**
% Allocation to Intangibles	86.0%
Useful Life Assumption	10 Years
Incremental Amortization	**$18**

Accretion/Dilution Analysis			
Acquirer Standalone Net Income	$651	Target Standalone Net Income	$95
% Tax Rate	20.0%	% Tax Rate	20.0%
Earnings Before Taxes (EBT)	**$814**	**Earnings Before Taxes (EBT)**	**$119**

Pro Forma Financials	
Consolidated EBT	$932
Less: Interest Expense and Financing Fees	(28)
Less: Transaction Fees	(25)
Plus: Synergies, net	80
Less: Incremental Depreciation	(19)
Pro Forma Adjusted EBT	**$940**
Less: Taxes	(188)
Pro Forma Net Income	**$752**

Pro Forma EPS	
Pro Forma Net Income	$752
Pre-Deal Acquirer Shares Outstanding	279
Plus: New Shares Issuances	13
Pro Forma Diluted Shares	**292**
Pro Forma EPS	**$2.57**
% Accretion / (Dilution)	**6.3%**