

# matchgroup

**Q2 2016**

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*Investor Presentation*

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This presentation contains forward-looking statements. The use of words such as "anticipates," "estimates," "expects," "plans" and "believes," among others, generally identify forward-looking statements. These statements may include, among others, statements relating to: Match Group's future financial performance, Match Group's business prospects and strategy, anticipated trends and other similar matters. These forward-looking statements are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, among others: competition, our ability to maintain user rates on our higher monetizing dating products, our ability to attract users to our dating products through cost-effective marketing and related efforts, foreign currency exchange rate fluctuations, our ability to distribute our dating products through third parties and offset related fees, the integrity and scalability of our systems and infrastructure (and those of third parties) and our ability to adapt ours to changes in a timely and cost-effective manner, our ability to protect our systems from cyberattacks and to protect personal and confidential user information, risks relating to certain of our international operations and acquisitions and certain risks relating to our relationship with IAC/InterActiveCorp, among other risks. Certain of these and other risks and uncertainties are discussed in Match Group's filings with the Securities and Exchange Commission. Other unknown or unpredictable factors that could also adversely affect our business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, these forward-looking statements may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of Match Group management as of the date of this presentation. Match Group does not undertake to update these forward-looking statements.

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.

"MAU" or "monthly active users," means users who logged in through our mobile or web applications in the last 28 days as of the date of measurement (reported MAU is the sum total of MAUs of each of our individual brands, and users active on multiple brands are counted in the MAU of each brand). "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. Unless otherwise noted, PMC refers to Average PMC in this presentation. "ARPPU" or Average Revenue per Paying User, is Direct Revenue 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

# Q2 2016 Average PMC Trends

## North America

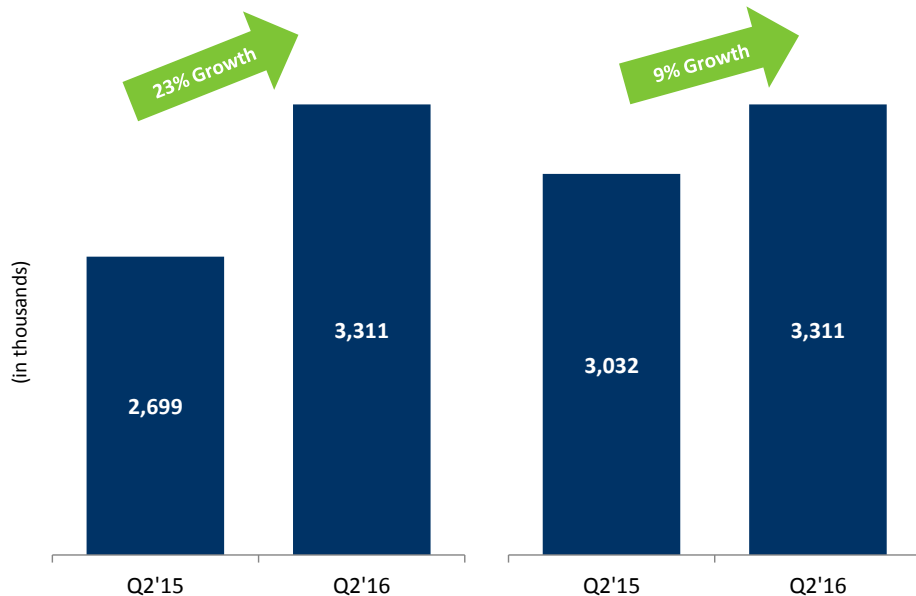
- Tinder and POF continue to drive growth
- Match US & Canada Average PMC steady sequentially – first time no seasonal decline Q2 over Q1 since 2013
- OkCupid and Match Affinity still weaker than expected
- NA Average PMC (ex Tinder and POF) expected to return to growth in 1H'17, as previously stated

## International

- Exceptional PMC growth at Tinder, POF
- Strong PMC growth at Meetic
  - Meetic in position to pass all-time high in Average PMC later this year
- Strength across our brands in Japan

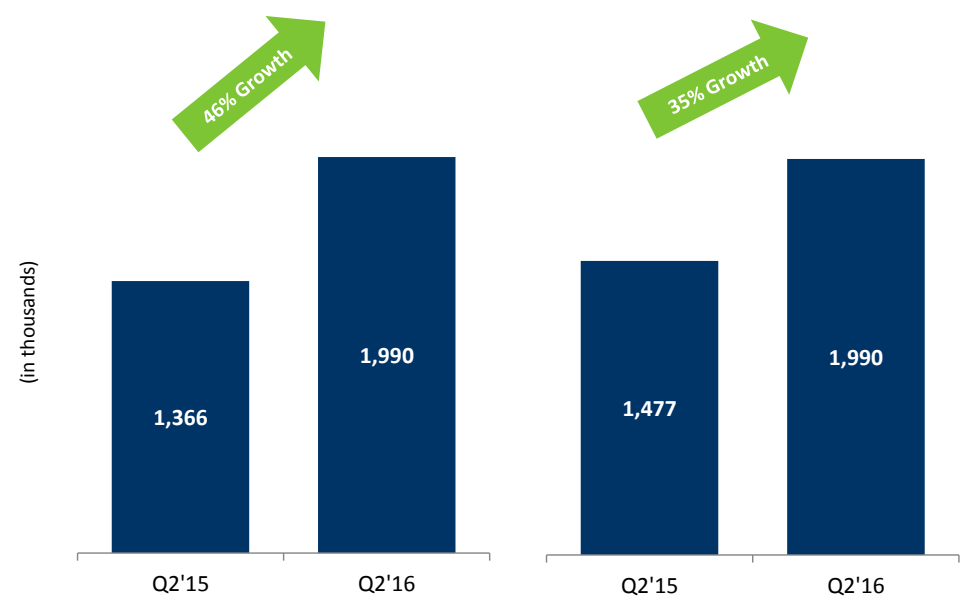
### As Reported

### Pro Forma for POF



### As Reported

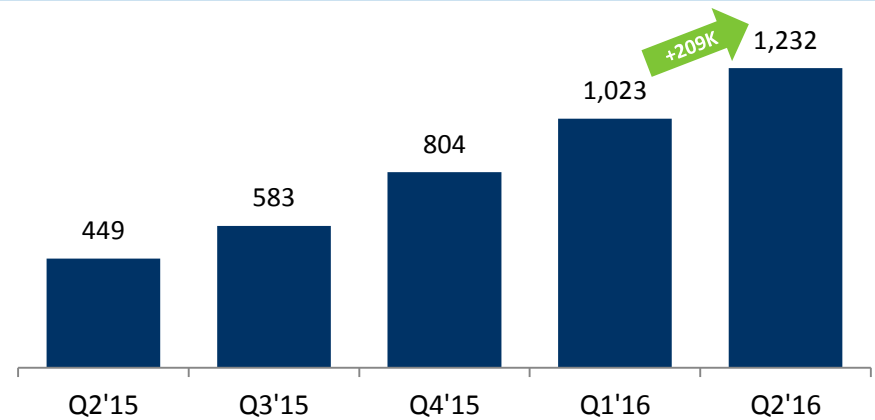
### Pro Forma for POF



# Tinder Continues To Roll

- On track to double PMC by year-end 2016 to ~1.6M, as previously stated
- Tinder Plus release in June continues to show monetization upside with:
  - Improvements to conversion
  - Increased ARPPU
- First-time renewal rates for 1-month Tinder Plus subscribers in NA higher than our other NA brands<sup>1</sup>
- Headcount (excluding ad business) more than doubled in last 12 months, predominantly in product and technology
- Rapid expansion expected to continue, particularly in product, technology and international headcount

## Ending PMC (in thousands)



## Rising Ranking Among Apps

Top Apps  
iOS & Google Play Combined - Applications - Worldwide - Jun 2016

#	By Revenue	Move
1	Spotify	--
2	LINE	--
3	HBO NOW	+1
4	Netflix	-1
5	Tinder	+2
6	Inke	--
7	Pandora Radio	-2
8	IGIYI	+4
9	Hulu	+1
10	LINE Manga	-2

In June 2016, Tinder ranked #5 among apps outside of games by worldwide iOS and Google Play revenue<sup>2</sup>

1) Comparing Tinder North America versus North American segments of Match Group NA brands (Match, Match Affinity, OkC and POF).  
2) Source: AppAnnie. Combined iOS and Google Play worldwide revenue for all applications (ex-games), for the month of June 2016.

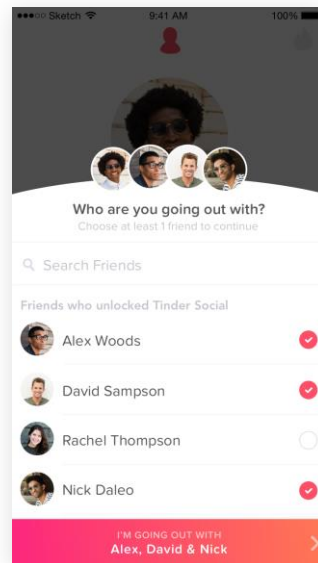
# Tinder Social Launch

Launched in other English-speaking countries on July 21, following test in Australia

## Significance

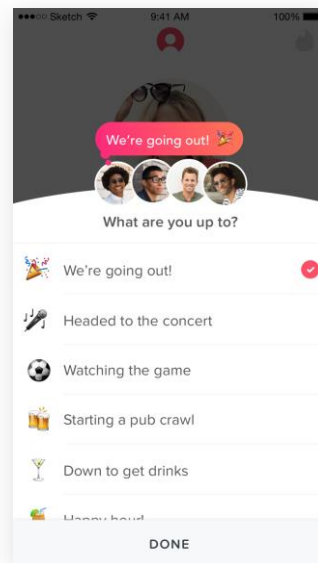
- Natural adjacency
- Expands audience and reduces stigma
- Creates social platform while retaining focus on meeting new people in the real world
- Enables multiple new product / growth vectors

# tinder social



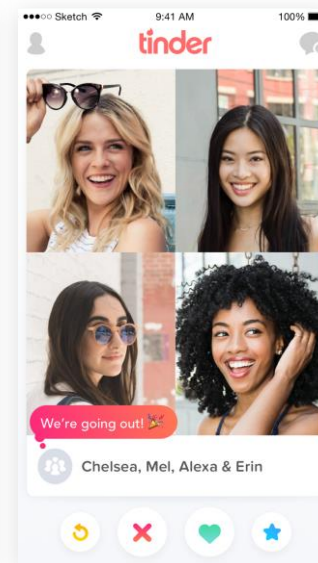
1

Form a group of friends



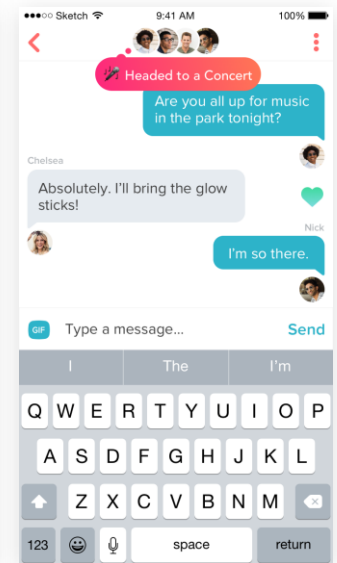
2

Tell others what you're doing that night



3

Swipe other groups of friends that are also going out



4

Make plans to meet that day or night

# Scale of Product and Tech Resources Unparalleled in the Category

Match Group benefits from 500+ FTEs in product / tech areas who coordinate to develop new products and ideas

## Accelerate Sharing of Wins Across Brands



### Android Native App

Developed at Meetic, leveraging elsewhere



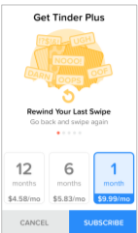
### Premium Privacy Offering

Developed at Match now rolled out at Meetic, OkCupid and Tinder



### Mobile Web Interface

Developed at Meetic, leveraging elsewhere



### Rate Card Pricing Optimization System

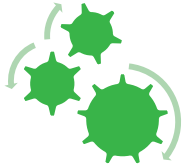
Developed at Match, rolling out at Meetic and Tinder

## Distribute Projects Across Brand Teams



### Messenger Bots

Meetic team



### AI Algorithms

Match team



### 3<sup>rd</sup> Party Integrations (e.g., gaming apps)

Meetic team



### Location Features

Match team



### New Communications

Tinder team

## Incubate New Businesses



Testing new app in certain markets



New product scheduled to be tested in H2 2016

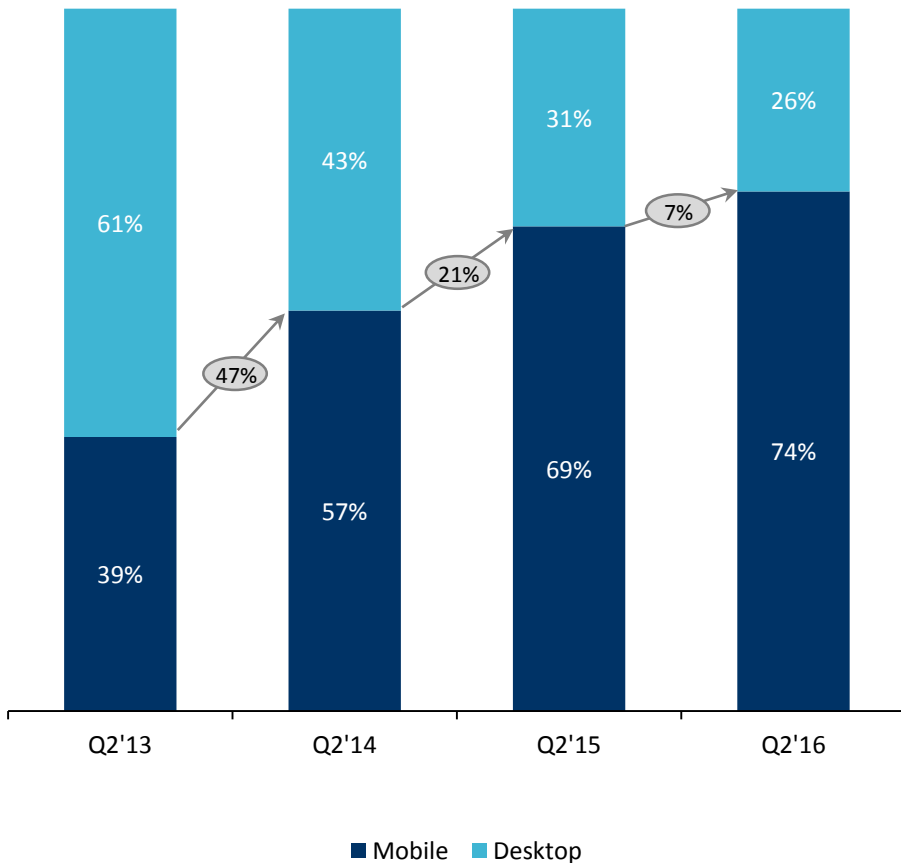


3 additional new products in incubation

# Match Group Conversion Highlights

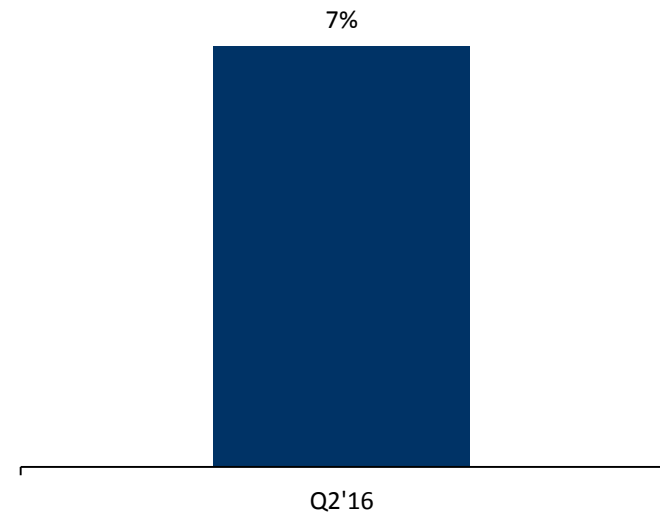
## Mobile Shift Slowing

Brand Regs<sup>1</sup> By Platform<sup>2,4</sup>



## Blended Conversion Improving

YoY Increase in Conversion<sup>2,3,4</sup>



Driven by higher mobile conversion rates



# Advertising Update

## Tinder

- 2016 Tinder ad revenue expected to be up year-over-year, but not as much as expected
  - Primary constraint is internal competition for scarce product and tech resources, which have been focused on Direct Revenue and other product initiatives – momentum attracts resources
- Now building dedicated product/tech team to achieve necessary threshold implementations

## Other Businesses

- Impressions down significantly year-over-year, due primarily to shift to mobile and product redesigns
- CPMs up nicely year-over-year, but not enough to offset impression decline

## Next Steps

- Implementation of data management platform
- Switch from Live Rail to new core ad server at Tinder
- Implement programmatic and 3rd party ad mediation on Tinder
- Optimize ad units for maximum ROI
- Implement native ad placements on mobile

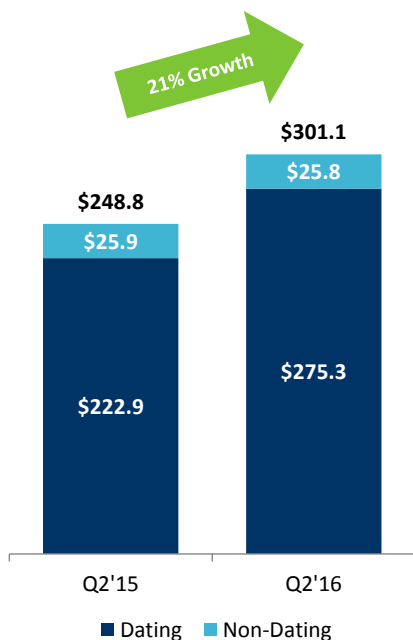
## Impact

- Revenue ramp has been slower than originally predicted leading to 2016 Indirect Revenue below prior expectations
  - 2016 shortfall expected to be fully offset on a consolidated basis by higher than expected Direct Revenue
- Substantial ramp in centralized ad sales and operations group (Q415 through Q216), increasing 2016 costs by approximately \$10M year-over-year
  - Expected to lead to meaningful revenue growth long term as we build advertising business

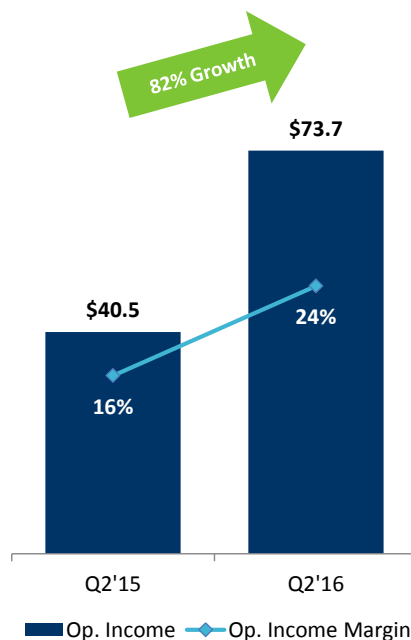
# Financial Overview and Outlook

# Q2 2016 Results

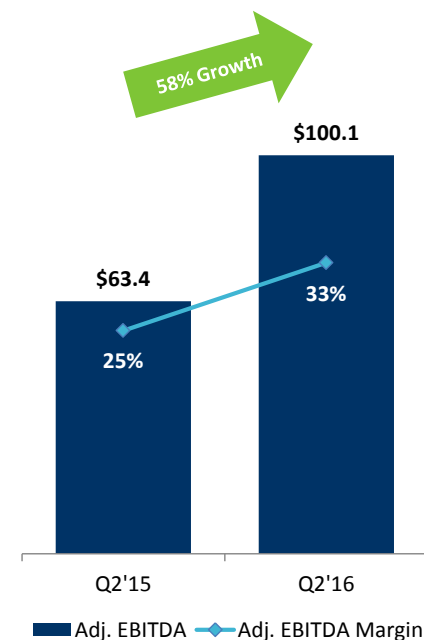
## Revenue (\$M)



## Operating Income (\$M)



## Adjusted EBITDA (\$M)



Dating +23%  
Non-dating Flat

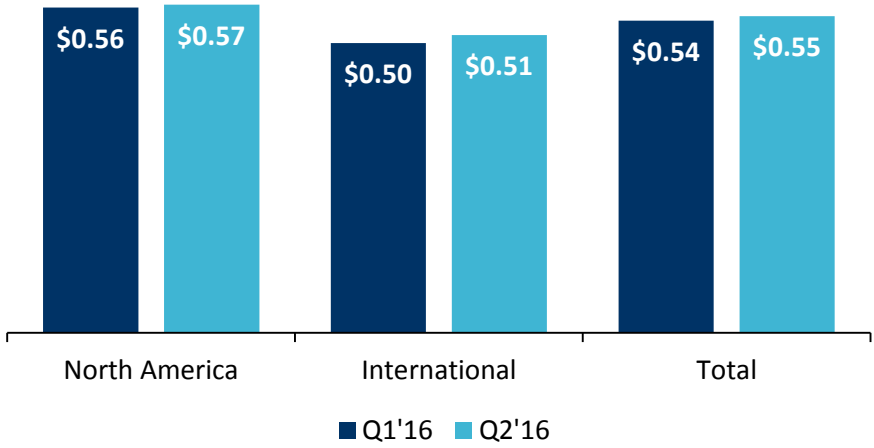
Dating +62%

Dating +52%

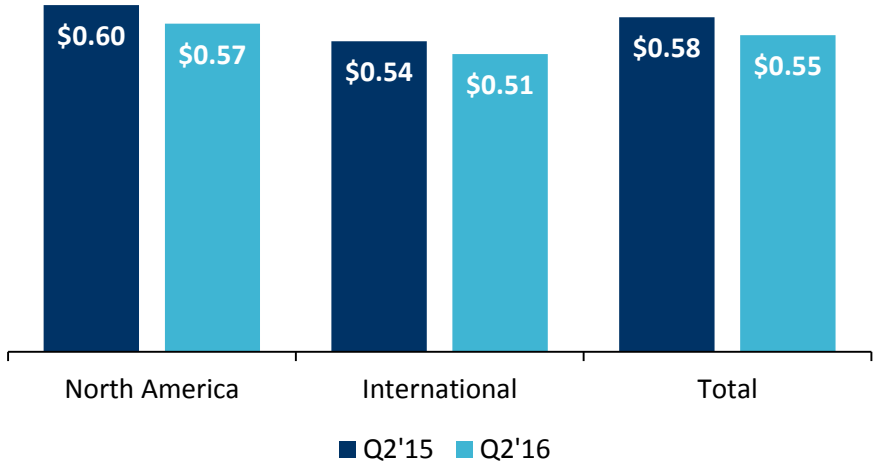
- Exceeded revenue expectations due to stronger performance at Tinder and Match NA, partially offset by weaker performance at Match Affinity, OkCupid and lower Indirect Revenue
- Exceeded Adjusted EBITDA expectations due to incremental revenue, marketing spend reductions (mostly at Match Affinity) and the shift of some marketing spend and certain Tinder costs from Q2 to Q3

# ARPPU Remains Stable Across the Portfolio

Sequential (Q2'16 vs. Q1'16)



Year-over-Year (Q2'16 vs. Q2'15)



International driven by improvement at Tinder

ARPPU moving slightly lower due to mix shift to Tinder and POF

# Outlook

## ▪ Forecast Updates

- Full year Dating Revenue expectation unchanged at \$1.10-1.14 billion
  - Reduction in expected 2H Indirect Revenue fully offset by increased Direct Revenue
- Full year Match Group Adj. EBITDA expectation of \$400-\$415 million
  - Reduced by approximately \$10 million of higher 2H expenses due to:
    - Increased investment in Tinder (headcount and other operating expenses to fuel continued product and tech advancement)
    - Increased IAP fees from the higher than expected Direct Revenue, primarily at Tinder

## Q3 2016

- 2-3% sequential Dating revenue growth, reflecting higher than expected Q2 Dating revenue and lower than expected Q3 Dating revenue, driven by reduced Indirect Revenue, reduced Match Affinity revenue, partially offset by increased Direct Revenue at Tinder
- Dating Adj. EBITDA margins of 35-37%

## Q4 2016

- 4-6% sequential Dating revenue growth, resulting in Dating revenue consistent with earlier expectations, driven by significant mix shift from Indirect Revenue to Direct Revenue
- Dating Adj. EBITDA margins in the mid 40s% range

## ▪ Non-Dating Forecast Updates

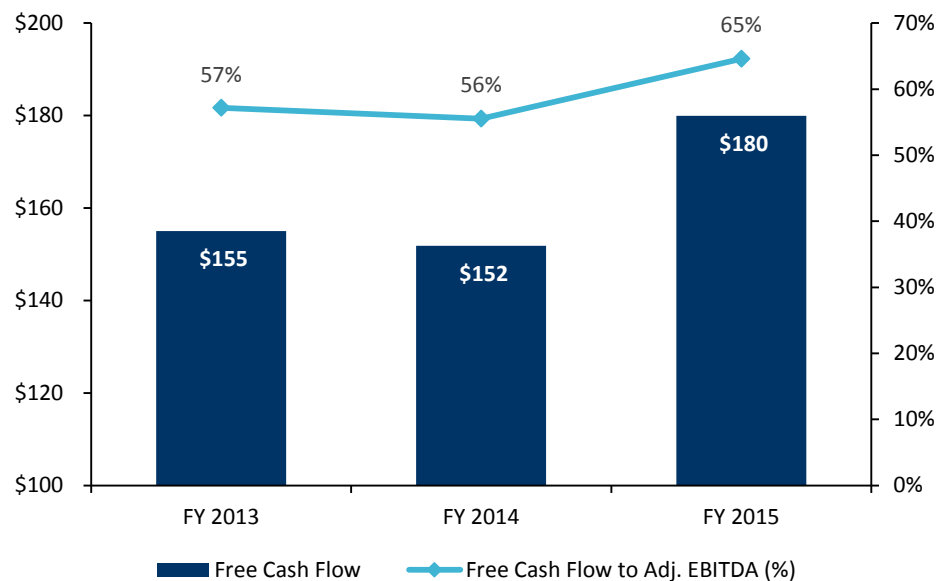
- Revenue for 2016 flat to up slightly over 2015, with Q3 the strongest quarter given seasonal business trends
- Aggregate Adj. EBITDA for 2H 2016 in the mid single digit range, modestly profitable as expected previously

## ▪ Other

- Some potential F/X impact given approximately 6% of revenue is from the UK and 17% from Euro zone countries

# Strong Free Cash Flow and Balance Sheet Position

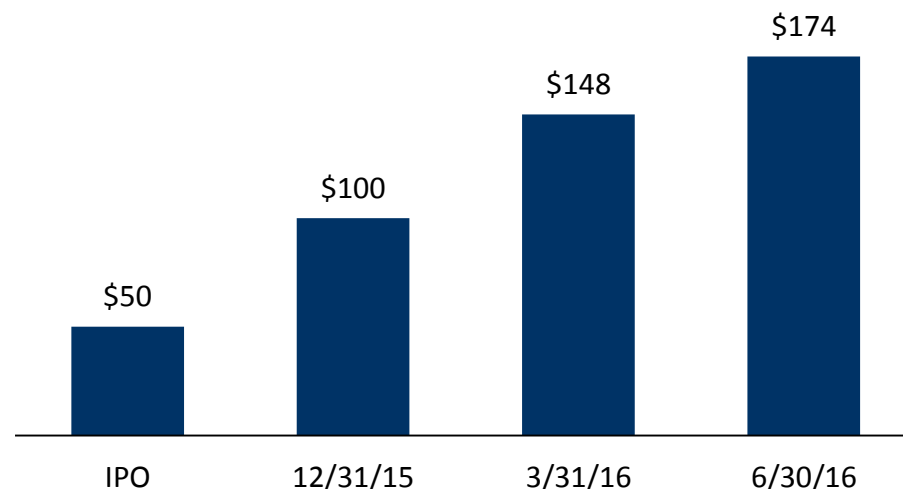
## Strong and Stable Cash Flow, On Pace for mid 50s% Adj. EBITDA to FCF Conversion Rate in 2016 (\$M)



Net Cash by Op Activities	\$175	\$174	\$209
Less: CapEx	\$20	\$22	\$29
FCF	\$155	\$152	\$180

## Building Cash, Positioned to De-Lever (\$M)

### Cash & Marketable Securities



Current Debt Balance (6/30/16)	\$1,215
Gross Leverage	3.5x
Net Leverage	3.0x

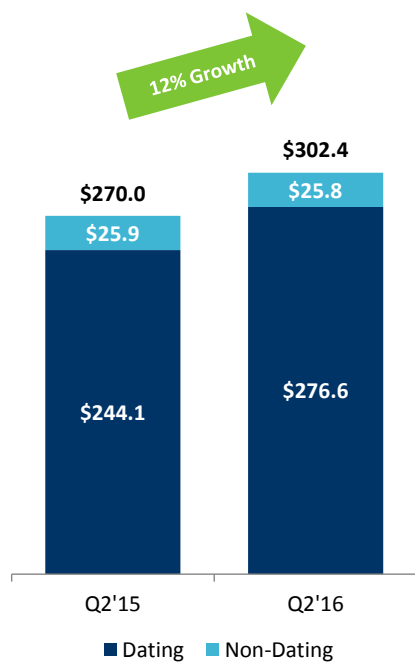
Projected 2016 Free Cash Flow Yield of ~5%<sup>1</sup>

Expect to use domestic cash to de-lever with target gross leverage of <3.0x

# Appendix

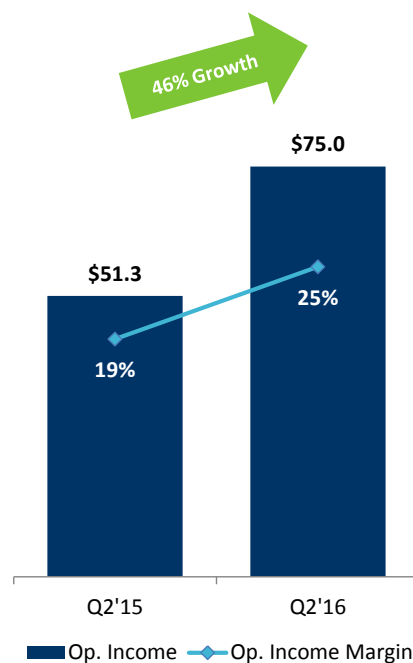
# Q2 2016 Results Pro Forma for PlentyOfFish Acquisition<sup>1</sup>

## Revenue (\$M)



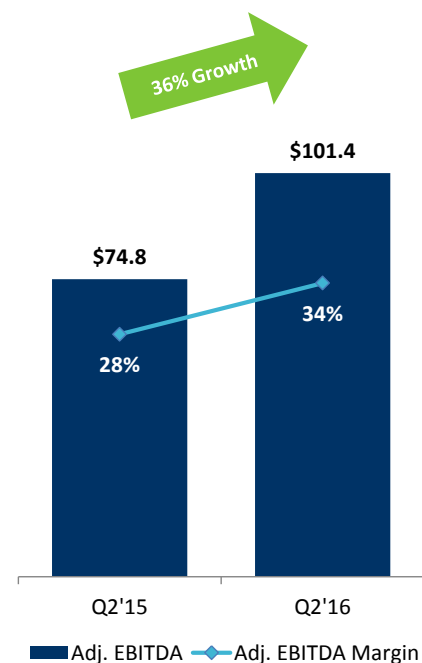
Dating +13%

## Operating Income (\$M)



Dating Op. Income +35%

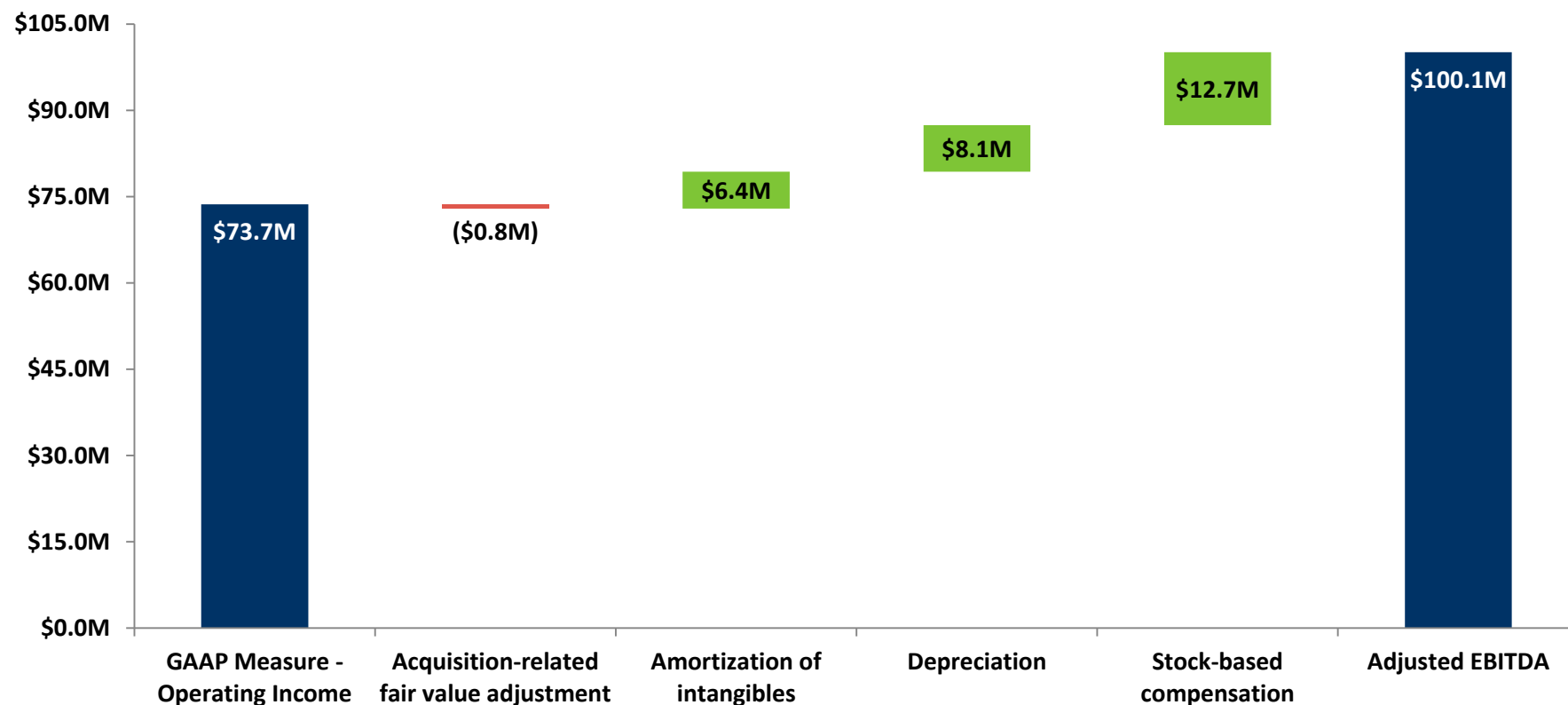
## Adjusted EBITDA (\$M)



Dating Adj. EBITDA +31%

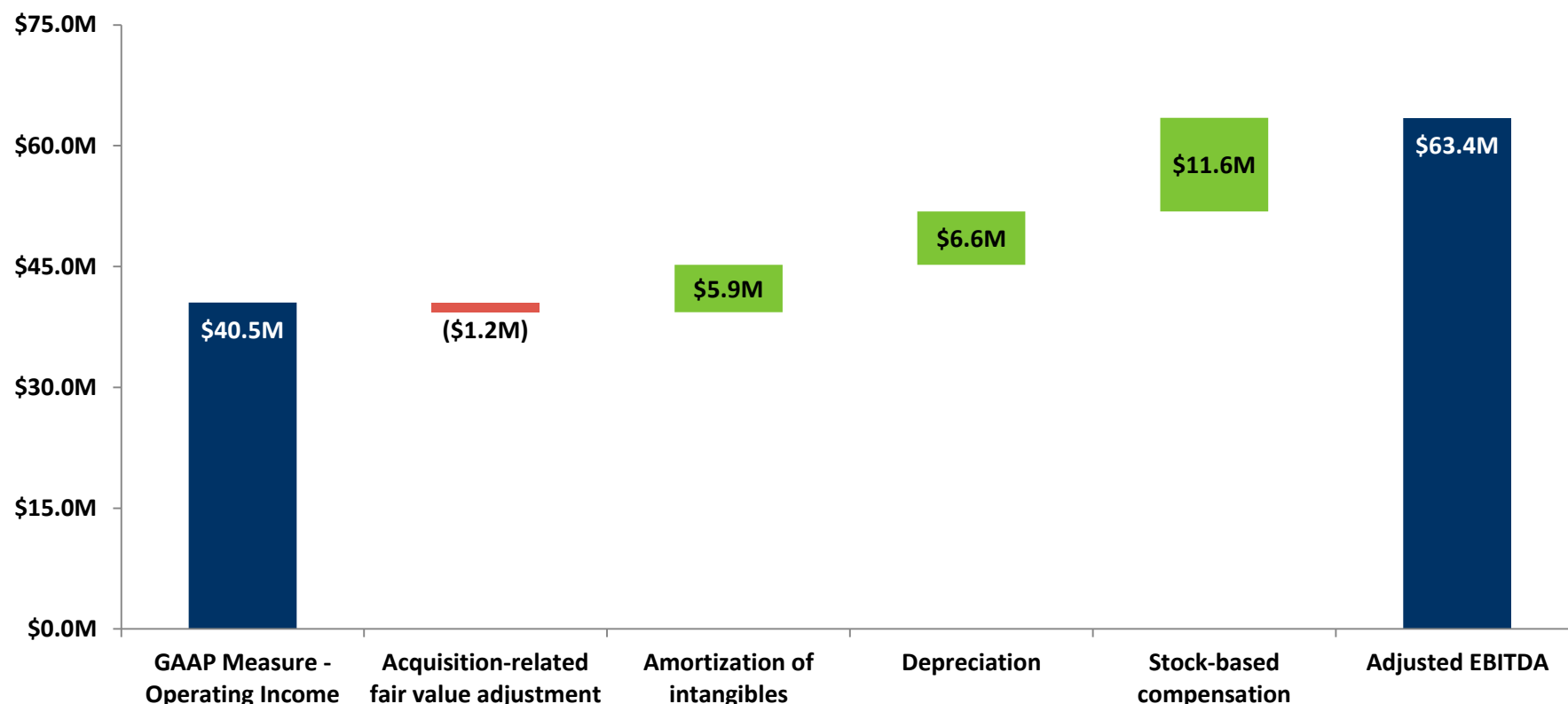


# Q2 2016 Operating Income to Adjusted EBITDA Walk



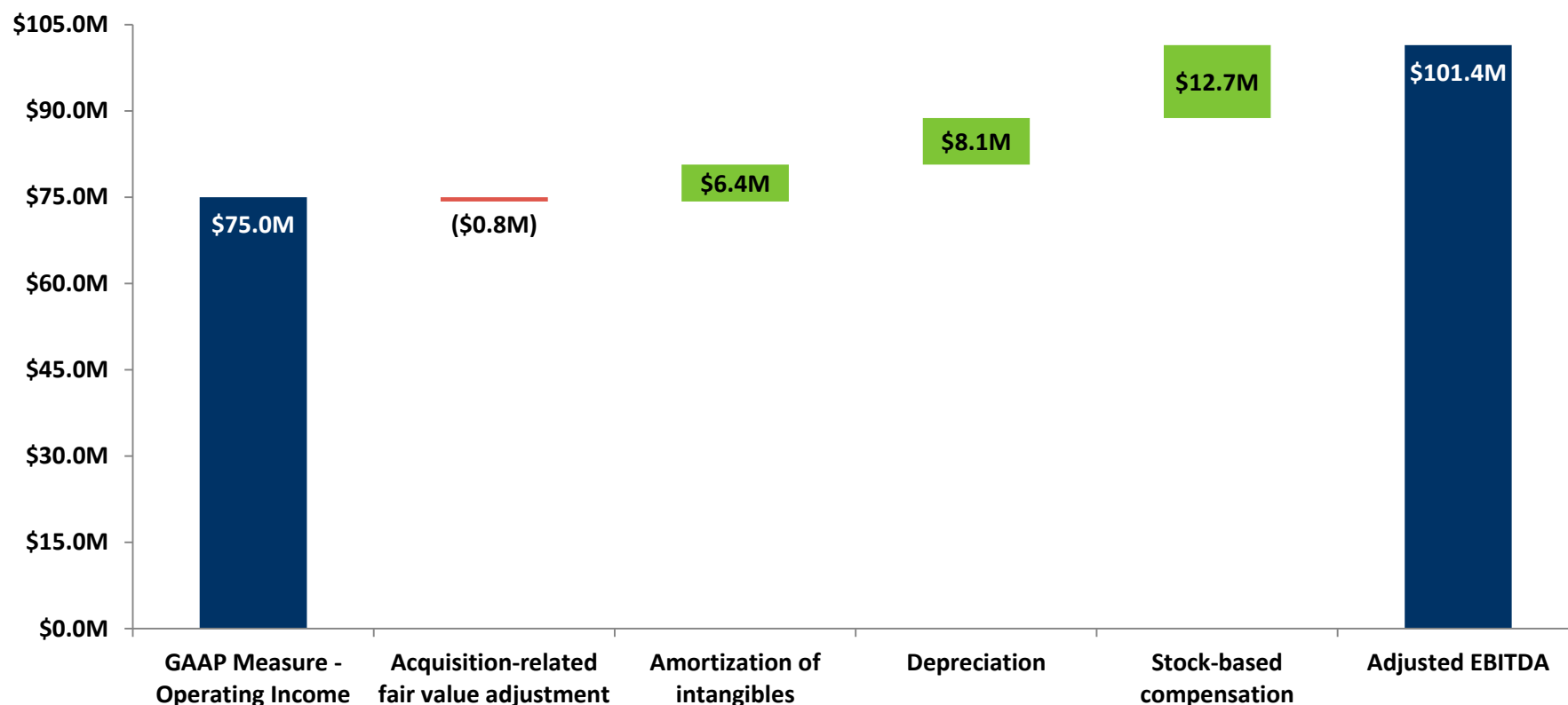
\$M	Operating income (loss)	Acquisition-related fair value adjustments	Amortization of intangibles	Depreciation	Stock-based compensation expense	Adjusted EBITDA	Revenue	Adjusted EBITDA Margin
Dating	\$ 77.5	\$ (0.8)	\$ 4.9	\$ 7.2	\$ 12.6	\$ 101.5	\$ 275.3	37%
Non-Dating	(3.8)	-	1.5	0.9	0.1	(1.3)	25.8	(5%)
<b>Total</b>	<b>\$ 73.7</b>	<b>\$ (0.8)</b>	<b>\$ 6.4</b>	<b>\$ 8.1</b>	<b>\$ 12.7</b>	<b>\$ 100.1</b>	<b>\$ 301.1</b>	<b>33%</b>

# Q2 2015 Operating Income to Adjusted EBITDA Walk



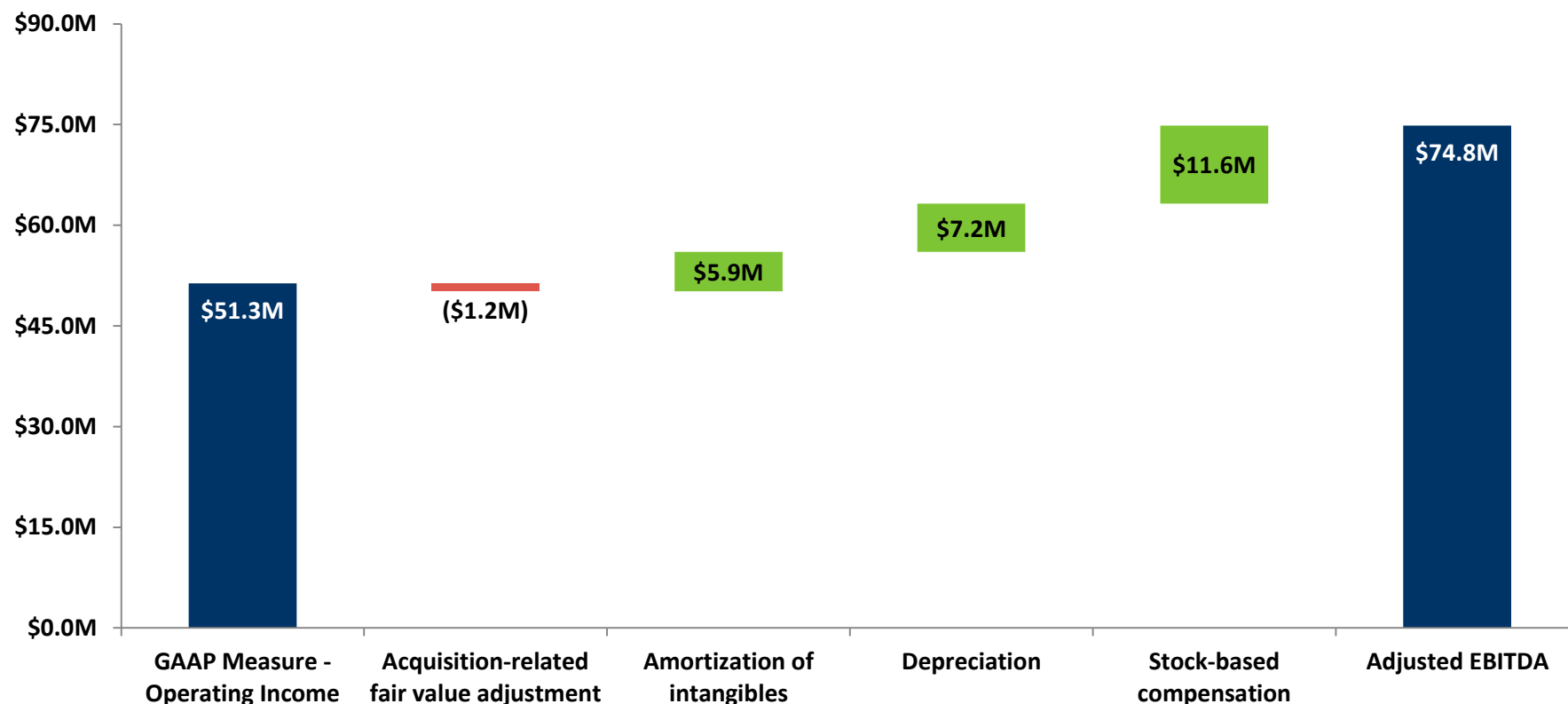
\$M	Operating income (loss)	Acquisition-related fair value adjustments	Amortization of intangibles	Depreciation	Stock-based compensation expense	Adjusted EBITDA	Revenue	Adjusted EBITDA Margin
Dating	\$ 47.8	\$ (1.2)	\$ 4.2	\$ 4.7	\$ 11.4	\$ 66.9	\$ 222.9	30%
Non-Dating	(7.2)	-	1.7	1.9	0.2	(3.4)	25.9	(13%)
<b>Total</b>	<b>\$ 40.5</b>	<b>\$ (1.2)</b>	<b>\$ 5.9</b>	<b>\$ 6.6</b>	<b>\$ 11.6</b>	<b>\$ 63.4</b>	<b>\$ 248.8</b>	<b>25%</b>

# Q2 2016 Operating Income to Adjusted EBITDA Walk Pro Forma for PlentyOfFish Acquisition<sup>1</sup>



\$M	Operating income (loss)	Acquisition-related fair value adjustments	Amortization of intangibles	Depreciation	Stock-based compensation expense	Adjusted EBITDA	Revenue	Adjusted EBITDA Margin
Dating	\$ 78.8	\$ (0.8)	\$ 4.9	\$ 7.2	\$ 12.6	\$ 102.7	\$ 276.6	37%
Non-Dating	(3.8)	-	1.5	0.9	0.1	(1.3)	25.8	(5%)
<b>Total</b>	<b>\$ 75.0</b>	<b>\$ (0.8)</b>	<b>\$ 6.4</b>	<b>\$ 8.1</b>	<b>\$ 12.7</b>	<b>\$ 101.4</b>	<b>\$ 302.4</b>	<b>34%</b>

# Q2 2015 Operating Income to Adjusted EBITDA Walk Pro Forma for PlentyOfFish Acquisition<sup>1</sup>



\$M	Operating income (loss)	Acquisition-related fair value adjustments	Amortization of intangibles	Depreciation	Stock-based compensation expense	Adjusted EBITDA	Revenue	Adjusted EBITDA Margin
Dating	\$ 58.4	\$ (1.2)	\$ 4.2	\$ 5.3	\$ 11.4	\$ 78.2	\$ 244.1	32%
Non-Dating	(7.2)	-	1.7	1.9	0.2	(3.4)	25.9	(13%)
<b>Total</b>	<b>\$ 51.3</b>	<b>\$ (1.2)</b>	<b>\$ 5.9</b>	<b>\$ 7.2</b>	<b>\$ 11.6</b>	<b>\$ 74.8</b>	<b>\$ 270.0</b>	<b>28%</b>

1) Derived from the historical unaudited financials for Match Group and PlentyOfFish

# FY 2016 GAAP to Non-GAAP Reconciliation

## FY2016 Reconciliation

\$M	Operating income (loss)	Acquisition-related fair value adjustments	Amortization of intangibles	Depreciation	Stock-based compensation expense	Adjusted EBITDA
Dating	\$295 to \$298	\$4	\$21 to \$23	\$30 to \$31	\$50 to \$54	\$400 to \$410
Non-Dating	(\$10) to (\$8)	\$0	\$6 to \$7	\$3 to \$4	\$0 to \$1	\$0 to \$5
<b>Total</b>	<b>\$286 to \$291</b>	<b>\$4</b>	<b>\$27 to \$30</b>	<b>\$33 to \$35</b>	<b>\$50 to \$55</b>	<b>\$400 to \$415</b>

## Q3 and Q4 2016 Reconciliation

- For Dating in Q3 and Q4, we expect depreciation & amortization to be approximately 4%, and stock-based compensation expense to be between 3% and 4%, of Dating revenue. We expect acquisition-related fair value accretion to be approximately \$1M per quarter
- For Non-Dating in Q3 and Q4, we expect depreciation & amortization to be between 12% and 14%, and stock-based compensation expense to be less than 1%, of Non-Dating revenue