

# matchgroup

**Q2 2017**

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*Investor Presentation – August 1, 2017*

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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.

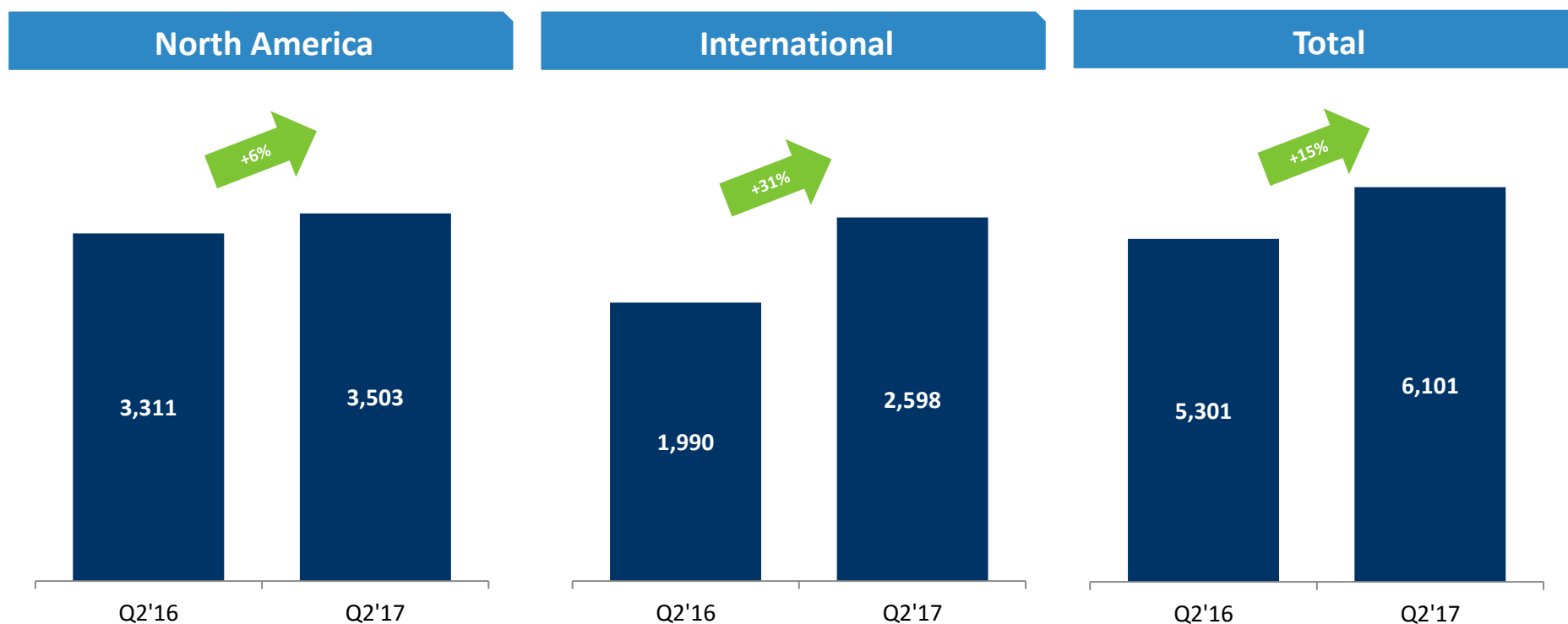
This presentation includes certain non-GAAP financial measures in addition to financials presented in accordance with U.S. GAAP. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. See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

"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. "Ending PMC" is calculated by taking the number of paid members, or paid member count, at the end of the relevant measurement period. "ARPPU" or Average Revenue per Paying User, is Direct Revenue from paid members in the relevant measurement period divided by the Average PMC in such period divided by the number of calendar days in such period. Direct Revenue is revenue that is directly received from an end user of our products. "North America" or "NA" as used in this presentation refers to the United States and Canada.

## Key Business Trends

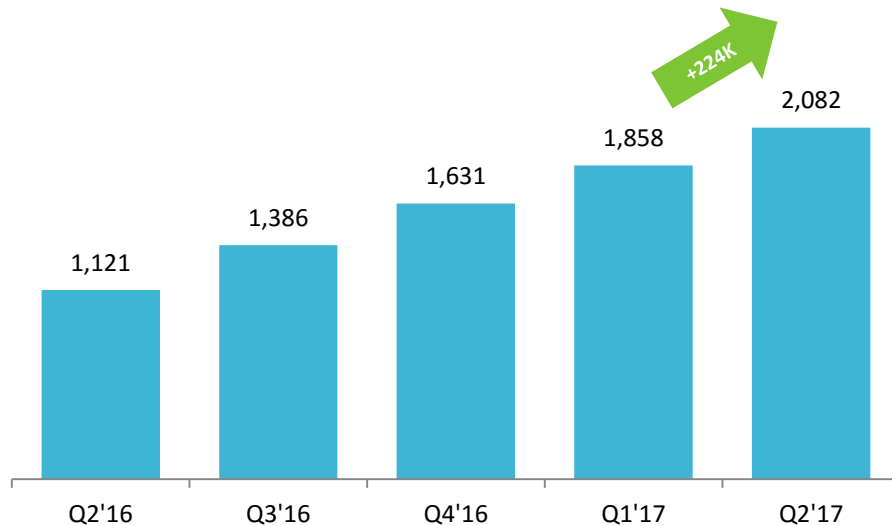
## Q2 2017 Average PMC Trends



- 15% Average PMC growth, in line with our expectations
- Growth continues to be led by Tinder and POF
- Right-sizing of Match Affinity and run-off of non-strategic brands<sup>1</sup> reduced North American Average PMC by ~140K vs. Q2'16

# Tinder Update

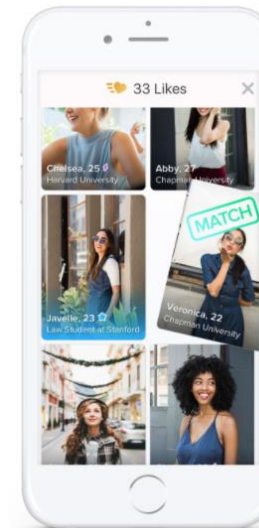
## Average PMC (in 000's)



- 86% YoY Average PMC growth
- Strong Q2 driven by:
  - Registration lifts from international marketing and product investments (SMS authorization and Tinder Online)
  - Improved app performance due to Android app re-release
  - Product and merchandising optimizations

## New Product SKU – Tinder Gold

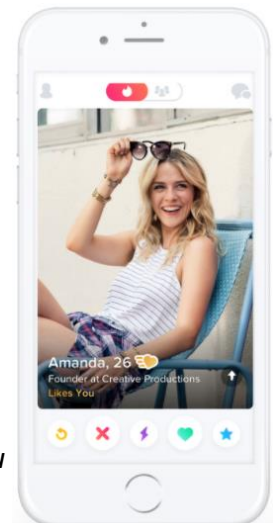
- Central feature 'Likes You' enables users to see who has already right-swiped (liked) them
- Tinder Gold subscription includes all of the existing Tinder Plus features plus Likes You
- Users can purchase a Tinder Gold subscription directly, or as an upgrade from Tinder Plus
- Currently testing in limited geographies, with global roll-out expected in September



'Likes You' Grid



Profiles with a Gold Heart 🏆 Have Liked You



# Tinder Product Update

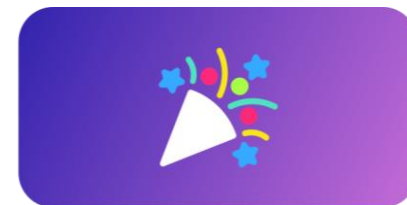
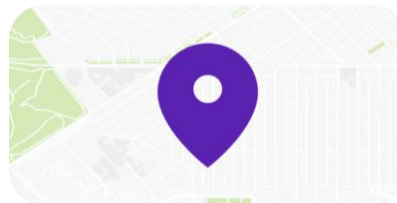
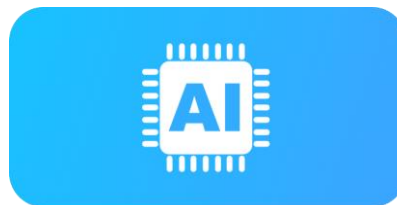
## Tech Debt Retirement

- Android and iOS rewrites complete
- Improved app performance
- Product iteration faster and more reliable



## Long Term Product Roadmap

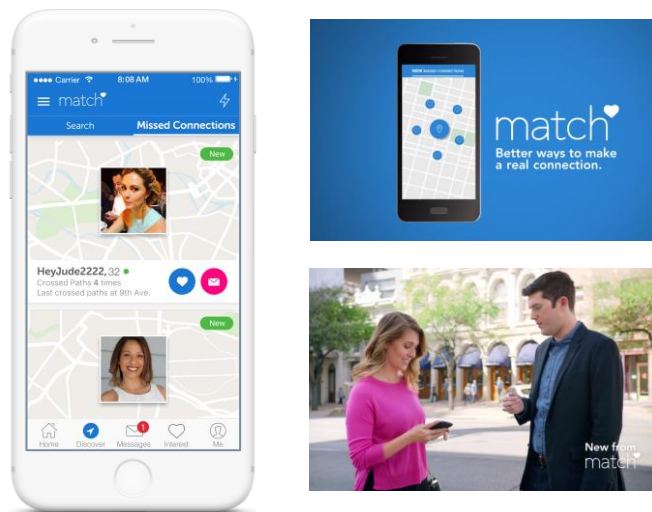
- Transform post-match experience
- Enhance in-app communication
- Integrate video into pre- and post-match experience
- Modernize navigation
- Location, location, location
- Artificial Intelligence
- Put the fun back in meeting people



# Match NA – Poised to Return to PMC Growth

- Net Adds improved YoY in four of the last five months and Q2 saw the biggest YoY improvement since Q1'15
- Mobile engagement continues to improve, leading to further gains in conversion
  - 14% YoY improvement in number of message initiations
- Ambitious product feature roadmap supported by robust TV ad campaign to drive top of funnel

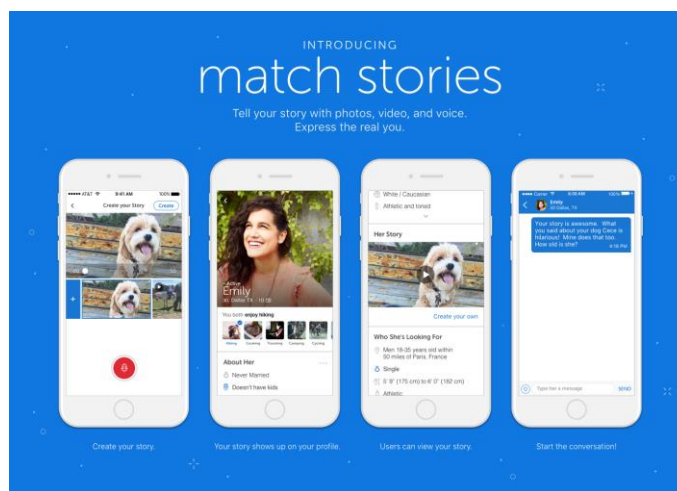
## H1'17 – Missed Connections



“Match launches a new way to locate love right in your back yard”

– **Mashable**

## Q3'17 – Match Stories (Video & Voice)



“Match is launching a video feature that could change the dating game”

– **Mashable**

## Q4'17

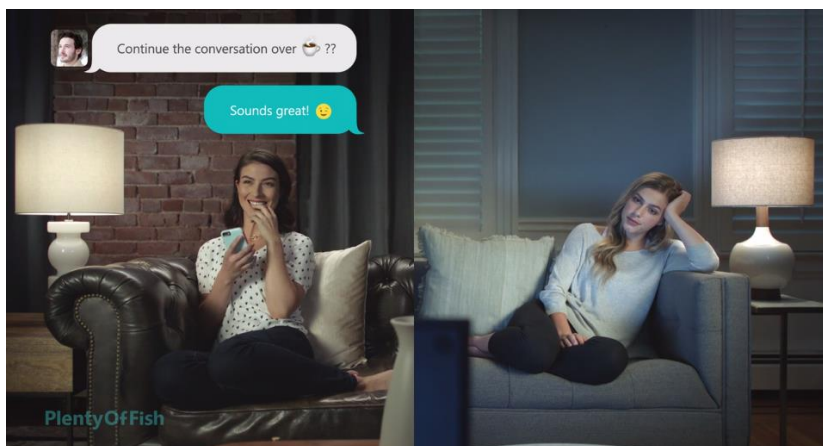
### Innovative New 1:1 Communication Feature

- Drive higher intent interactions
- Create stronger in-app connections
- Solidify Match brand premise – “Better Ways to Make a Real Connection”

# PlentyOfFish & OkCupid – Enhancing Viral Growth

## PlentyOfFish

- Increased online marketing spend while doubling ROI YoY
- Spark, the new conversation feature, showing 20%+ and 30%+ lift in reply rates on Android and iOS, respectively
- Completed design refresh on iOS and Android apps
- Launched new TV campaign in the US; early results promising

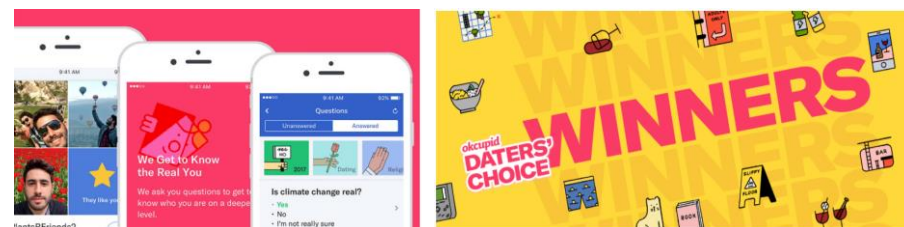


“How to start a text conversation that will guarantee you a response”

– BUSINESS INSIDER

## OkCupid

- Rolled out photo commenting feature to provide natural conversation starters
- Improved algorithm to enhance matching relevance
- Seeing material improvements in ecosystem metrics
  - 14% YoY increase in new user retention<sup>1</sup>
- Conversion at its highest level in over 3 years<sup>2</sup>



## Success of Recent PR Campaigns and Rebranding

“The Best Date Spots in America According to OkCupid Users”

– FOOD&WINE

“Want to Have ‘Hell Yes’ First Dates? OkCupid is the Perfect Wingman”

– HUFFPOST

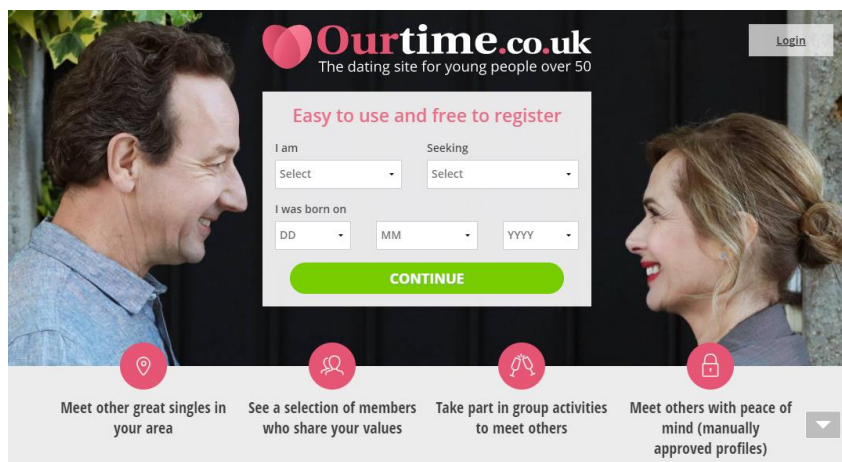


# Expanding Marketing ROI Through New Brands

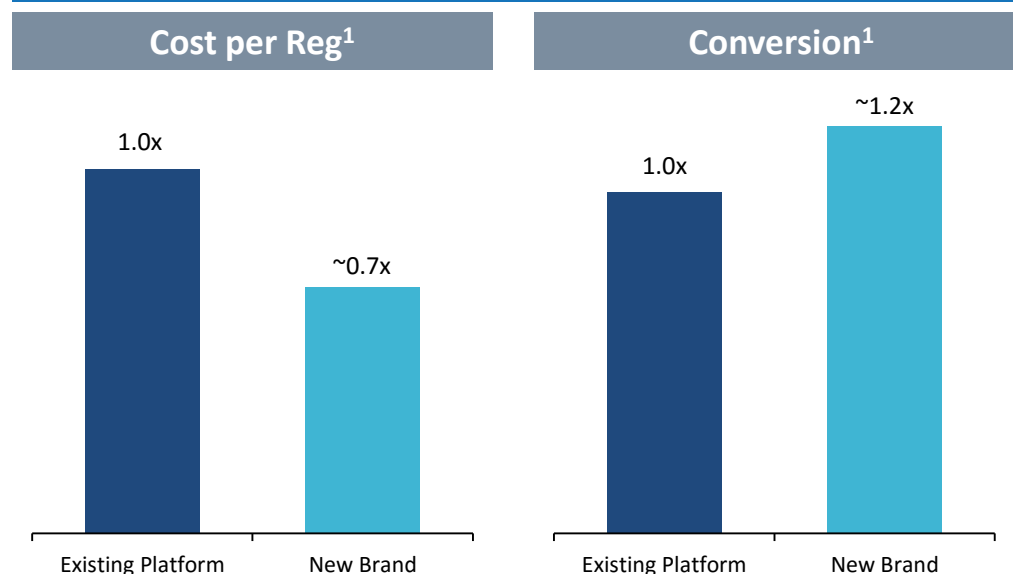
- Launching new brands with minimal tech and product effort, providing opportunity to implement meaningfully more targeted marketing at favorable ROIs
- Leveraging infrastructure, acquisition levers and know-how of existing brands

## Launch of Ourtime in Europe

- Executed successful launch of 50+ brand in France and UK, with plans for two additional countries by year end
- Delivered significant increase in registrations at favorable ROIs to new brand vs. registrations for age 50+ on existing platform



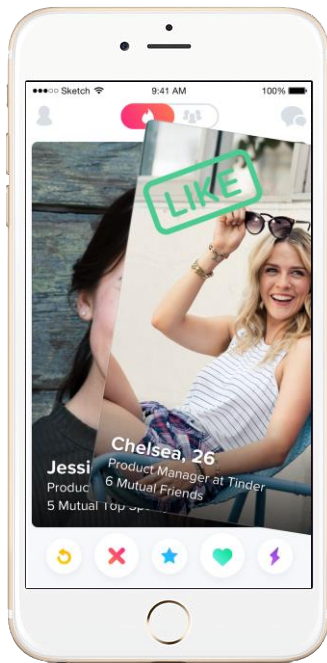
## Favorable CPR & Conversion at New Brand vs. Existing Platform



# Numerous Uses for AI Across Dating Ecosystem

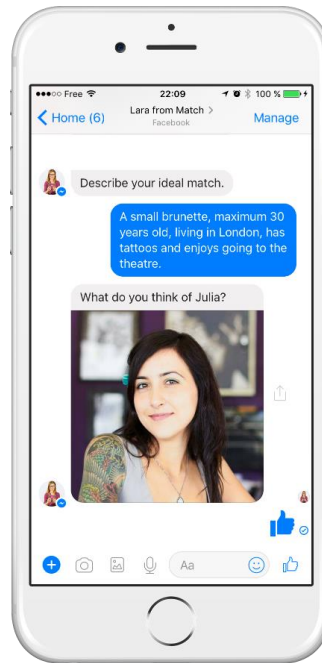
## Better Matching

### Machine Learning



Identify user preferences based on swiping history

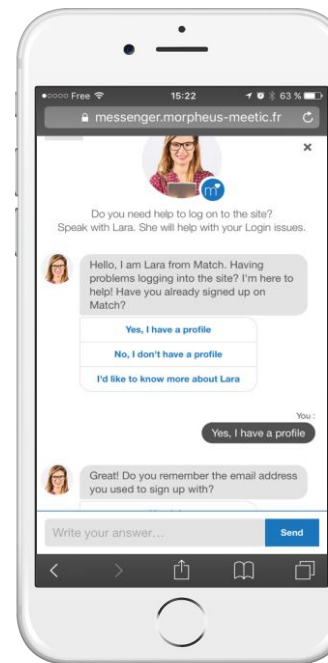
### Natural Language Processing



Recommend matches based on the content of profile essays

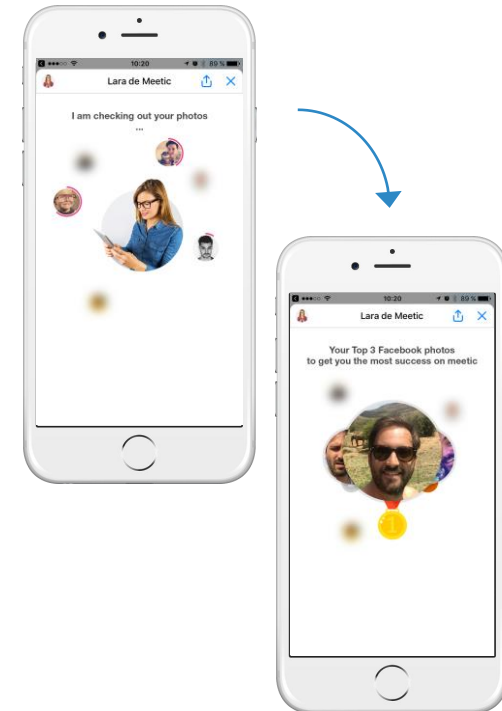
## Tailored User Experience

### Profile Creation



Help users create profiles through interactive bots

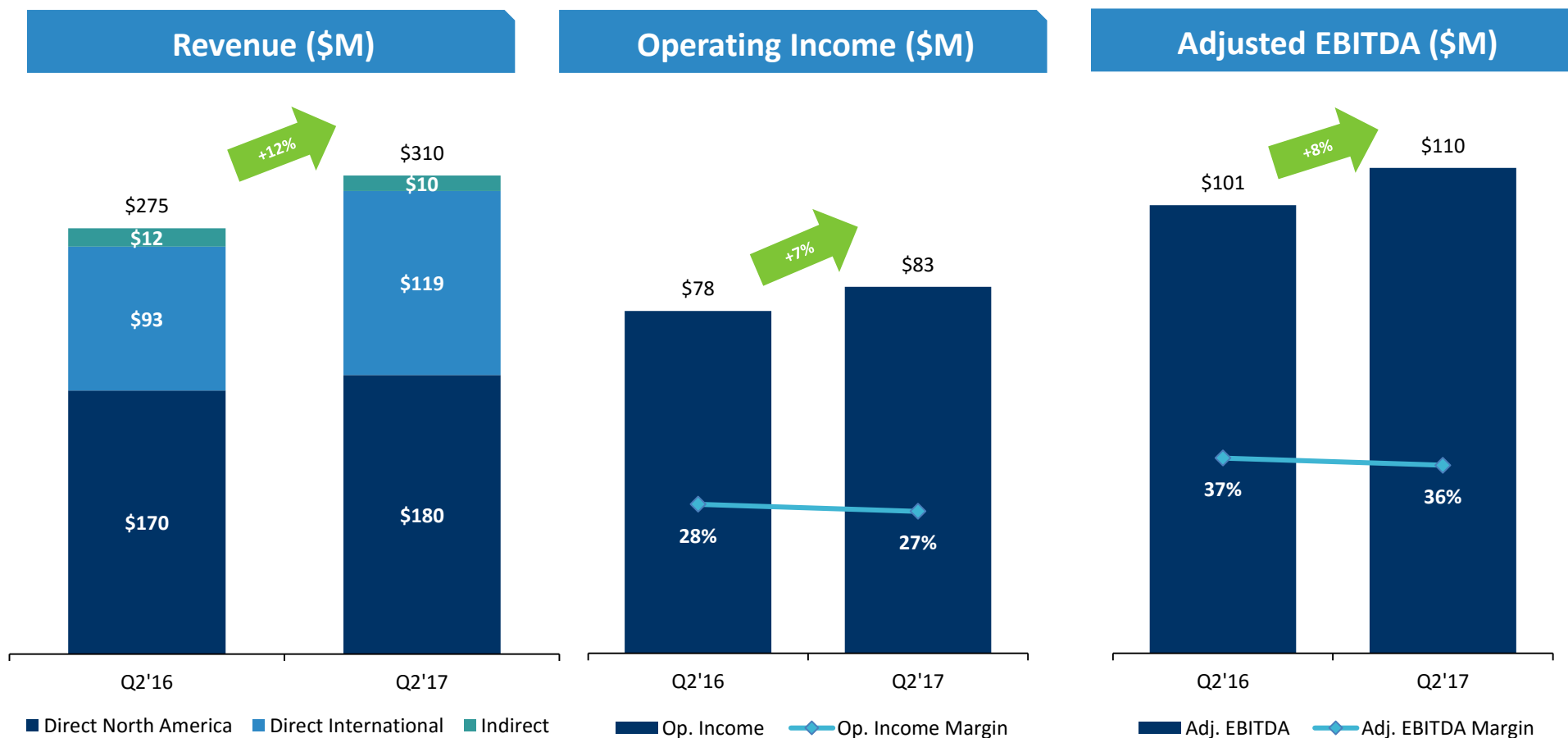
### Best Profile Picture



Coach users to choose their best profile picture

# Financial Overview and Outlook

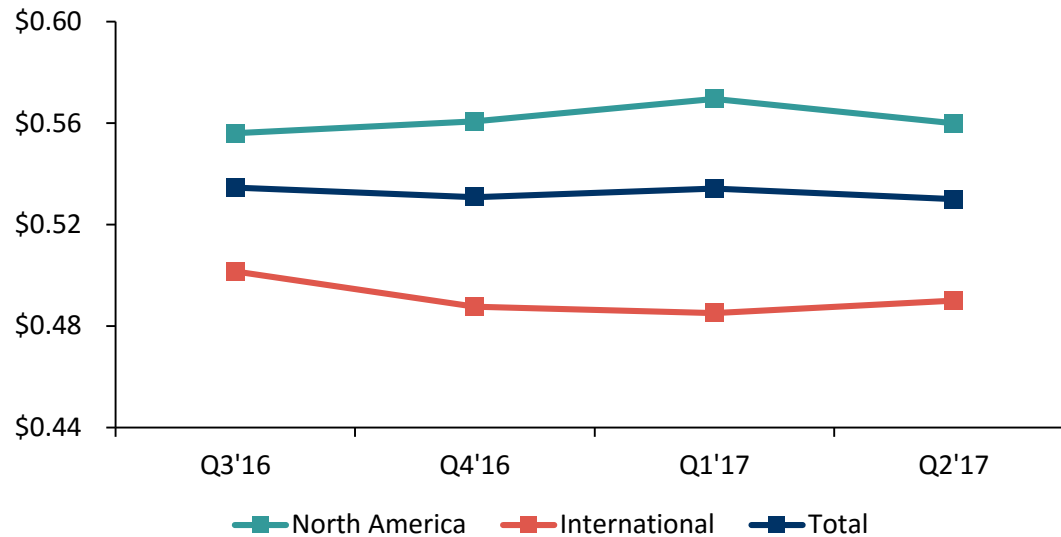
# Q2 2017 Results



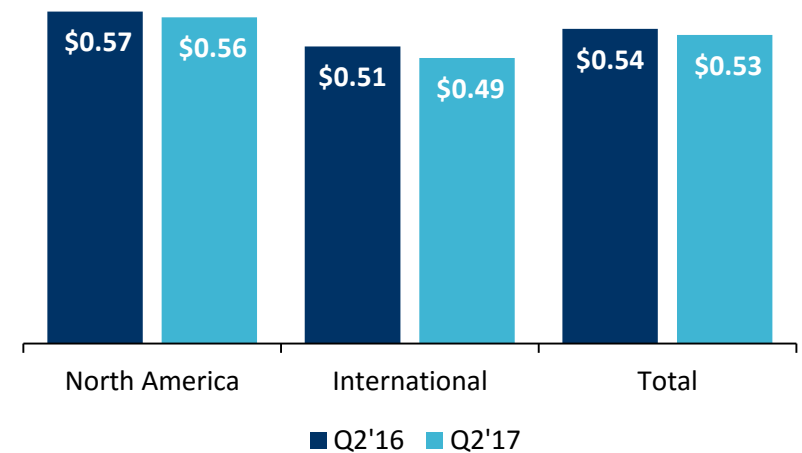
- Revenue impacted by ~\$5M of F/X effects (YoY growth of 14% excluding F/X)
- Margins impacted by Tinder hiring, marketing and transaction costs

# ARPPU Trends

## LTM Sequential ARPPU



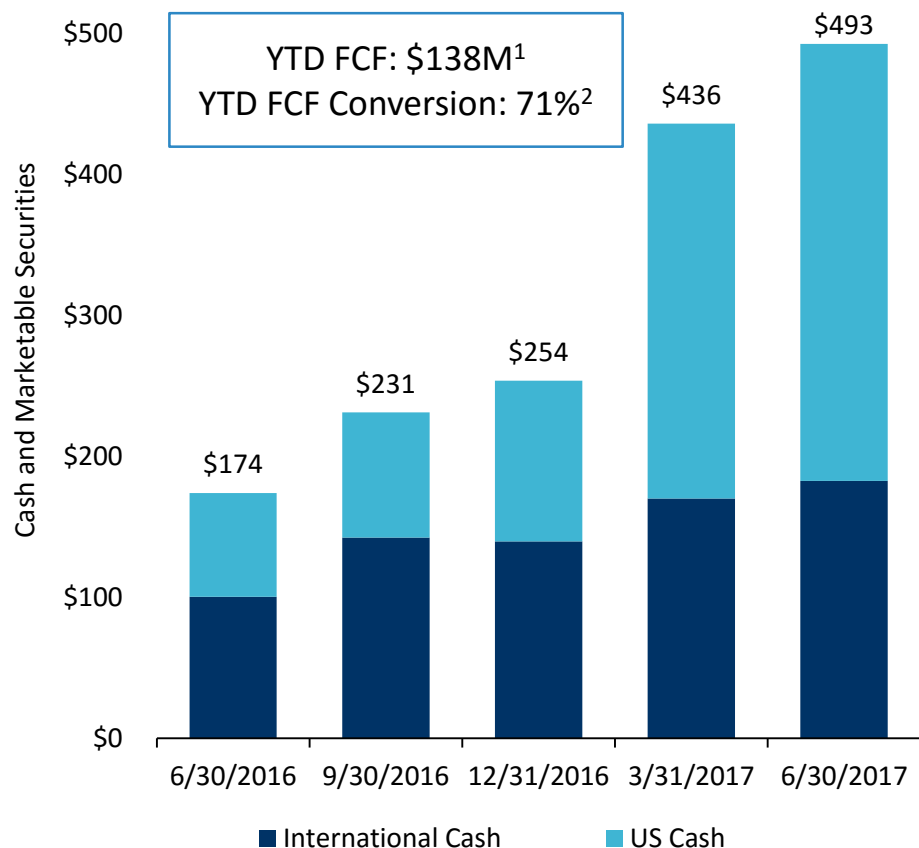
## Year-over-Year ARPPU



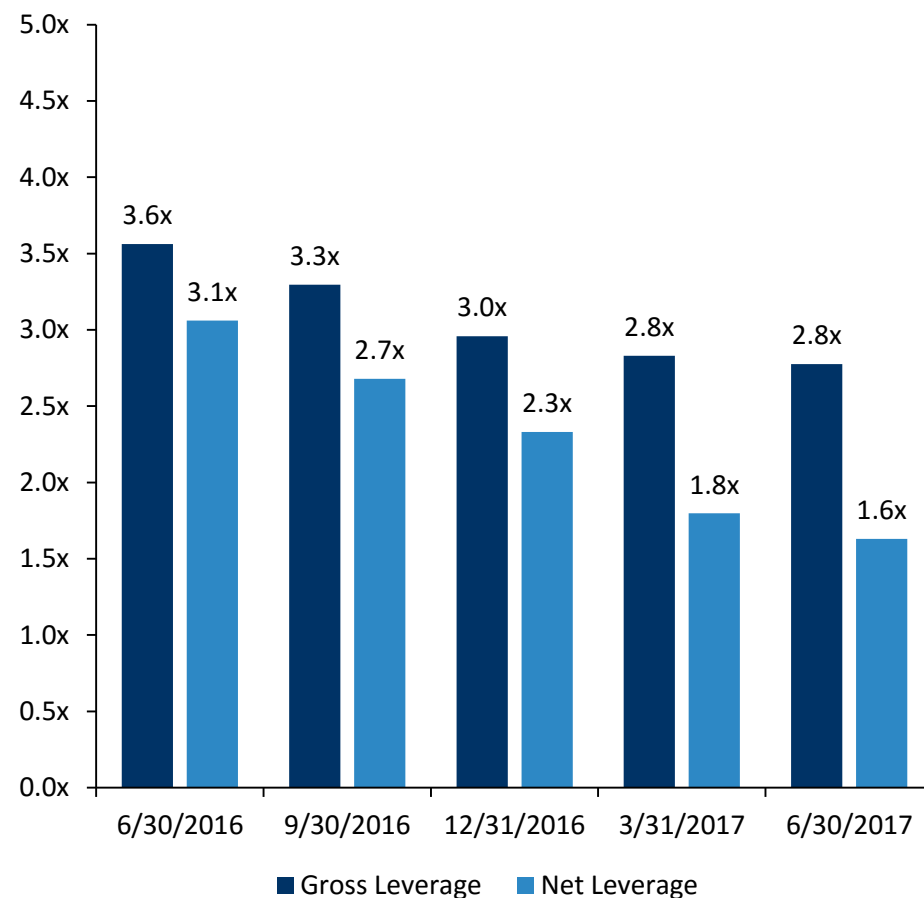
- ARPPU remains stable across brands
- North America ARPPU declined by half a penny, as Tinder comprised a larger portion of PMC but increased its rate driven by continued growth of a la carte
- International ARPPU flat at \$0.51 on a constant currency basis

# Strong and Growing Cash Position and Declining Leverage

## Cash Position (\$M)



## Leverage<sup>3</sup>



# Tinder Equity Plan Settlement

- Tinder employees and former employees held Tinder equity awards under the Tinder equity plan
- In May, we began a scheduled liquidity event for vested Tinder award holders
- As part of this process, all outstanding Tinder equity awards were converted into Match Group options and the Tinder equity plan was terminated
- The conversion to Match Group options was executed based on a Tinder valuation determined by two investment banks which resulted in:
  - A modest increase in fully diluted shares outstanding
  - More certainty regarding future dilution from Tinder incentive compensation
- Match continues to own 100% of Tinder

# Financial Outlook

## Q3 Commentary

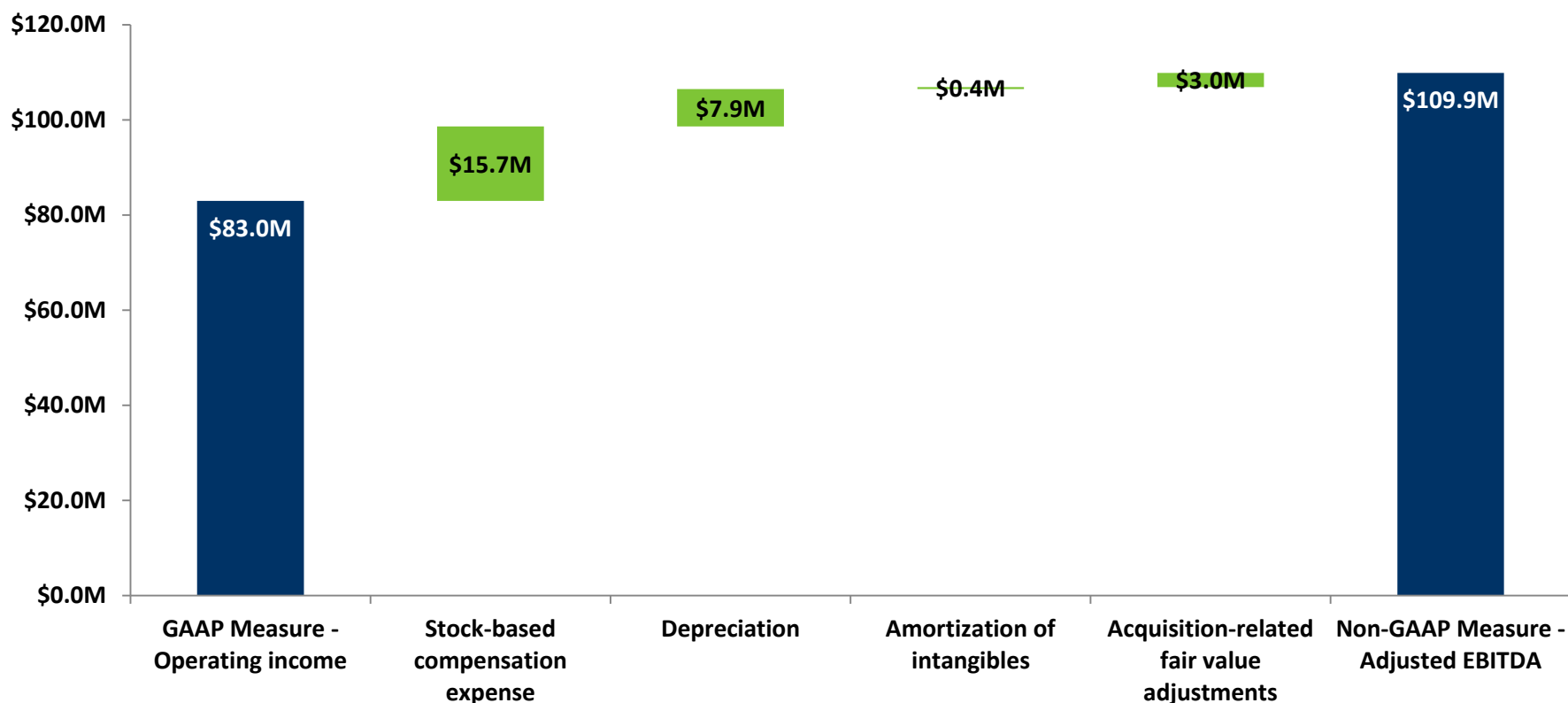
- Strong PMC momentum continuing at Tinder and Match
- Early results of Tinder Gold very promising, but launch timing was slightly delayed
- Higher data costs to support increased product complexity and hiring ahead of schedule at Tinder
- Taxes and professional fees associated with Tinder equity plan settlement slightly higher than expected

Metric	Q3 2017
Total Revenue	\$322 to \$332 million
Adjusted EBITDA	\$110 to \$115 million



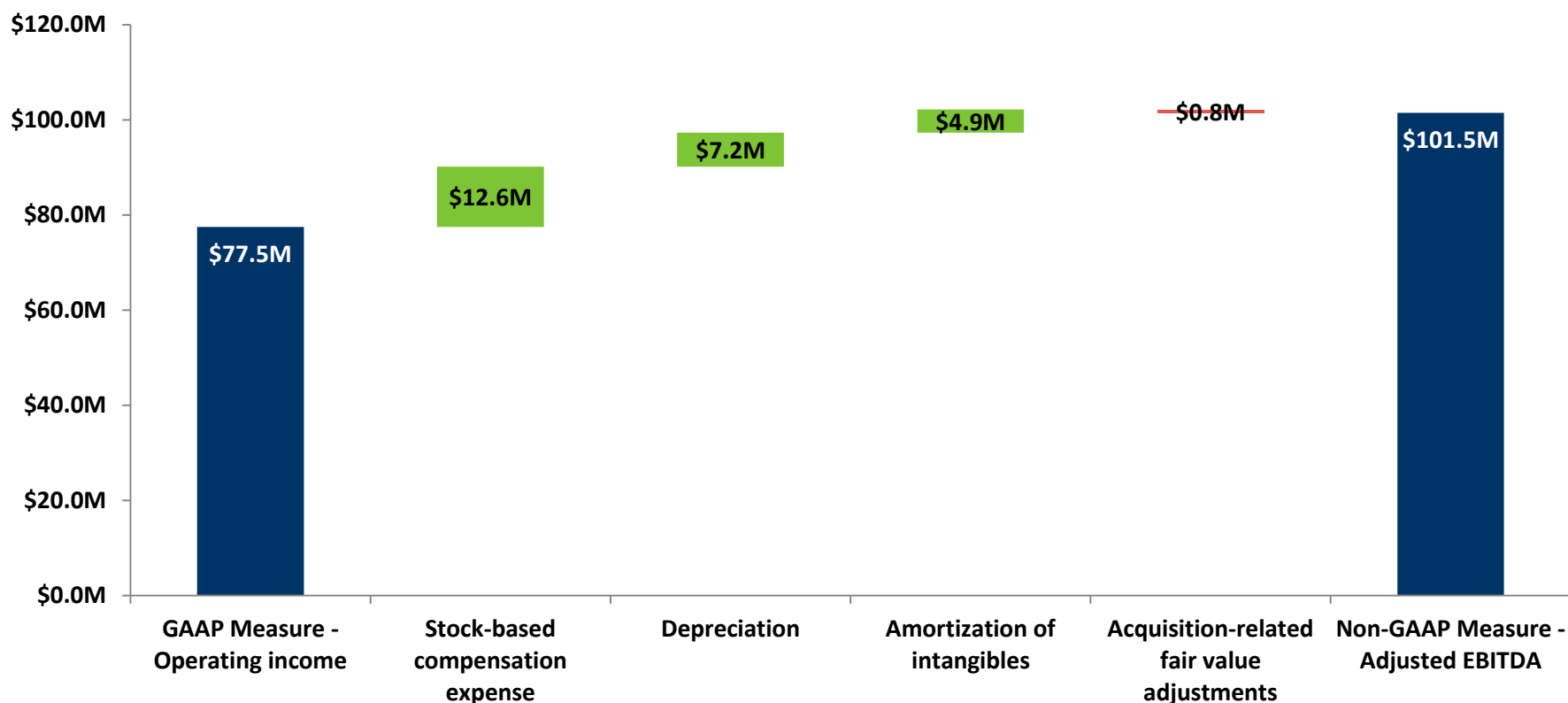
# Appendix

## Q2 2017 Operating Income to Adjusted EBITDA Walk



\$M (rounding differences may occur)	Operating income	Stock-based compensation expense	Depreciation	Amortization of intangibles	Acquisition- related fair value adjustments	Adjusted EBITDA	Revenue	Operating income Margin	Adjusted EBITDA Margin
Match Group	\$83.0	\$15.7	\$7.9	\$0.4	\$3.0	\$109.9	\$309.6	27%	36%

## Q2 2016 Operating Income to Adjusted EBITDA Walk



\$M (rounding differences may occur)	Operating income	Stock-based compensation expense	Depreciation	Amortization of intangibles	Acquisition- related fair value adjustments	Adjusted EBITDA	Revenue	Operating income Margin	Adjusted EBITDA Margin
Match Group	\$77.5	\$12.6	\$7.2	\$4.9	(\$0.8)	\$101.5	\$275.3	28%	37%

# Q2 2017 and Q2 2016 GAAP to Non-GAAP Revenue Reconciliation

## MATCH GROUP RECONCILIATION OF GAAP REVENUE TO NON-GAAP REVENUE, EXCLUDING FOREIGN EXCHANGE EFFECTS

(Dollars in thousands, except ARPPU)

	Three Months Ended June 30,			
	2017	Change	% Change	2016
Revenue, as reported	\$ 309,572	\$ 34,263	12%	\$ 275,309
Foreign exchange effects	5,028			
Revenue Excluding Foreign Exchange Effects	<u>\$ 314,600</u>	<u>\$ 39,291</u>	<u>14%</u>	<u>\$ 275,309</u>
(Change calculated using non-rounded numbers)				
International ARPPU, as reported	\$ 0.49		(4)%	\$ 0.51
Foreign exchange effects	0.02			
International ARPPU, excluding foreign exchange effects	<u>\$ 0.51</u>		—%	<u>\$ 0.51</u>

# Q3 2017 GAAP to Non-GAAP Reconciliation

## Q3 2017 Reconciliation

\$M	Operating income	Stock-based compensation expense	Depreciation & Amortization of intangibles	Acquisition-related fair value adjustments	Adjusted EBITDA
Match Group	\$81 to \$86	\$21	\$8	\$0	\$110 to \$115