

matchgroup

Q1 2020 - Letter to Shareholders

May 5, 2020

Dear Shareholders,

As nearly everything in life has changed since we last reported earnings, we are changing the structure of our earnings materials, hoping that this letter provides more upfront information and is easier to digest than slides. We will answer additional questions on our call tomorrow morning.

This is a remarkably challenging period. However, there are incredible things happening around the world and at our businesses that inspire us on a regular basis. Witnessing humans' resiliency, our collective commitment to protecting our communities, and the impact that our products are having in the lives of our users makes us very optimistic about the future. In a period of unprecedented isolation, the need for quality connections is more pronounced and crucial than ever before. We provide services that enable vital connections, and singles are increasingly turning to our products to find solace, comradery, relationships and a sense of normalcy.

Social distancing has required adaptations and pivots and has impacted our business because the manner in which singles engage with our products and start relationships has quickly evolved. We know that singles are adjusting their behaviors, and many are shifting to having dates virtually via phone or video.

Hinge

70% of users said
***they're open to a
phone or video date¹***

okcupid

94% of users said
***they plan to continue
dating virtually¹***

¹ Source: Match Group internal surveys

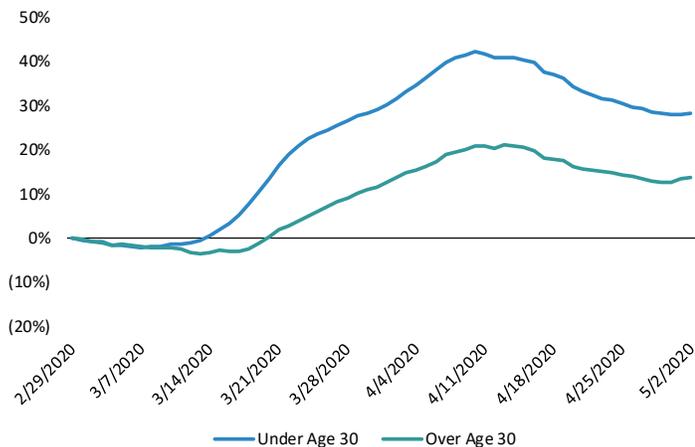
User activity, especially among young female users, has increased

Since the outbreak, we've seen a noticeable increase in activity among users, especially those under the age of 30, across all of our brands and all geographies. People are matching more frequently, sending more messages and engaging in longer conversations. The average number of daily messages sent across all of our products in the month of April was 27% higher than during the last week of February, and for users under the age of 30 it was 35% higher.

At Tinder, daily active users (DAU) and daily Swipes™ reached all-time highs in the depths of the crisis. Most notably, the biggest increase in usage and activity on Tinder is coming from female users under the age of 30, with daily average Swipes™ increasing by 37% for this demographic in the month of April compared to the last week of February. Female usage and engagement is a key driver for a dating product's success and we are constantly trying to improve these metrics. This shift in female behavior is an extremely positive development for our ecosystem.

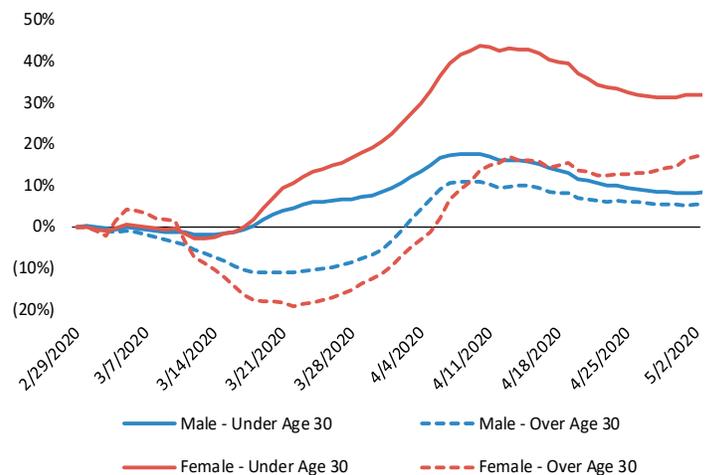
Messages Sent (All Brands)¹

Change in Daily Average Since Feb. 29



Total Swipes™ (Tinder)

Change in Daily Average Since Feb. 29



¹ Includes Tinder, Match, Meetic, Hinge, OkCupid, Plenty of Fish, Affinity and Pairs.

Moderate headwinds on new users and propensity to pay

We are seeing some headwinds to new users signing up and the motivation to pay. In aggregate, the initial impacts were most pronounced among older users and in markets where COVID-19 infection rates were highest. As the lockdowns have dragged on, we have seen some impact on younger male users, while there has been some recovery in the over 30 demographic. New sign ups and subscriptions are faring better among women than men as is the case for engagement.

On Tinder, this led to first-time subscriber declines sequentially from February to March before stabilizing in April, though first-time subscribers were up meaningfully year-over-year in each month. In addition to the age and gender-driven differences, we see rolling effects on Tinder because of its broad geographic footprint and the pandemic's varying impacts across different geographies. We are also seeing some headwinds to ARPU due to a shift to lower-priced subscriptions and fewer à la carte purchases.

Most of our non-Tinder brands also experienced sequential declines in first-time subscribers in March but saw meaningful improvement in April, particularly in North America. In fact, for nearly all of these brands, first-time subscribers in April 2020 were higher than in April 2019. The level of impact and subsequent recovery depended significantly on the brand's age and geographic focus.



¹ Preliminary results for April 2020. North America includes Tinder, Match, Hinge, OkCupid, Plenty of Fish, and Affinity. International includes Tinder, Match, Hinge, OkCupid, Plenty of Fish, Meetic, and Pairs.

Adapting our products to the current environment

As daters demonstrated strong willingness to video-date, our product and engineering teams around the world mobilized quickly to deploy one-to-one video chat capabilities on many of our platforms. We also accelerated the rollout of one-to-many live streaming video on Plenty of Fish, allowing users to connect with, and form, virtual communities around live video. Adoption rates for live streaming at Plenty of Fish thus far have exceeded our expectations.

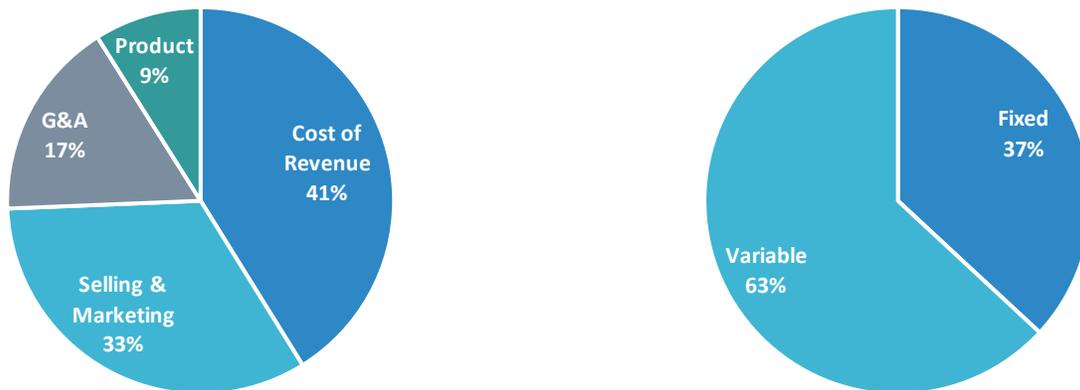
Additionally, our brands have launched features and services to help our users navigate these unusual times. Whether it is Tinder offering free Passport in reaction to people's desire to connect with other members in impacted areas during the depths of the pandemic, Match launching a coaching hotline, Hinge's "Dating from Home" prompts, VOD coaching and podcast on Meetic, or user community forums on Pairs, our brands have quickly reacted to help users through these times.

Tinder clearly remains a go-to app for meeting new people, which has become an even more critical service with so many people stuck at home, and Tinder plans to launch one-to-one live video late in Q2. Tinder's product roadmap for the year largely remains on track, and we remain committed to developing and testing a number of new revenue features in 2020, though priorities could shift quickly depending on how the crisis continues to unfold.

Highly variable cost structure provides operating flexibility

Nearly two-thirds of our expense base is variable in nature, providing significant flexibility. The key components of our variable costs are marketing spend and cost of revenue, which includes primarily IAP fees and credit card transaction fees that scale directly with revenue.

FY'2019 Operating Expenses as % of Total¹

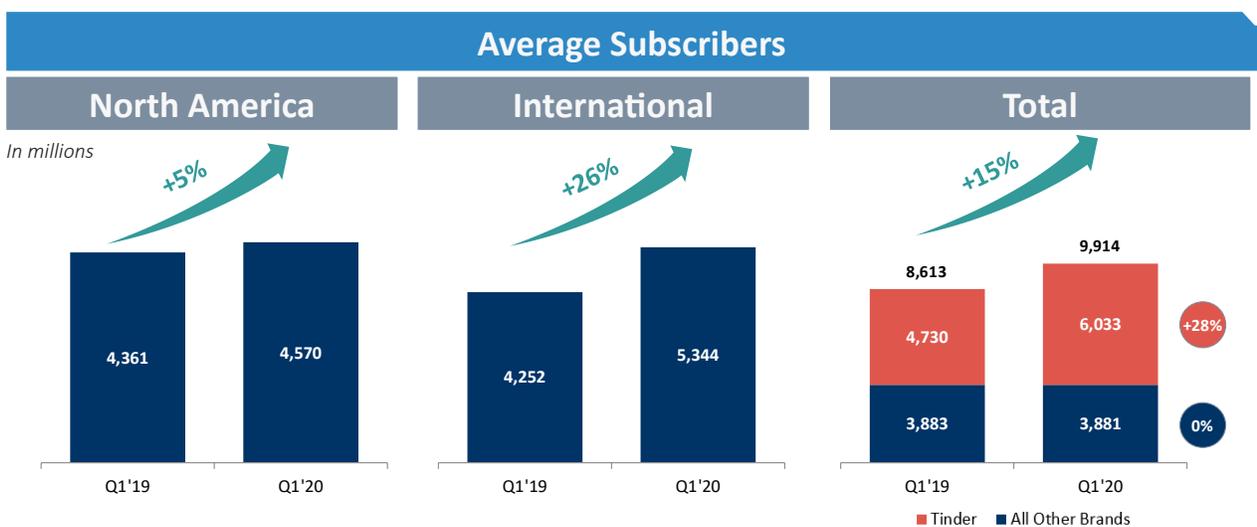
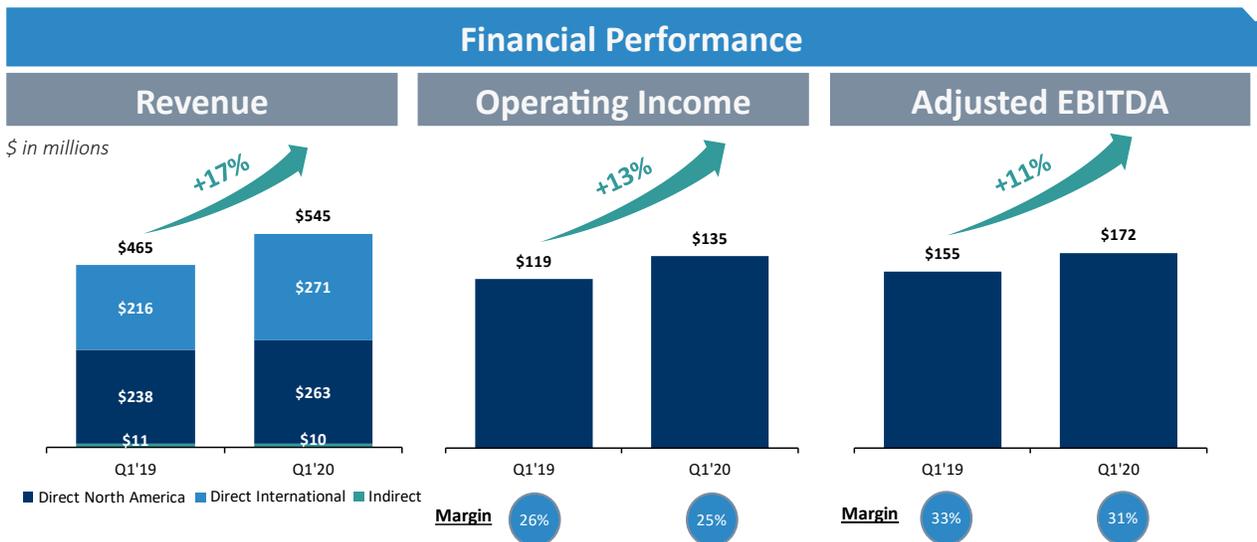


In terms of our marketing spend, we have very little firmly committed so we can adjust as the environment dictates. Only 12% of our second half 2020 marketing spend is already committed. In the current environment, TV viewership is up meaningfully but advertising rates have been declining, which means TV has become more efficient for us. The same is true of online ads, but out-of-home channels such as subways and radio have become less effective. In general, we have strong ability to analyze marketing returns and adjust spend accordingly, and we expect to be able to adapt quickly where appropriate.

¹ Excludes depreciation, amortization and stock-based compensation expense. Fixed costs include all Product and G&A expenses plus headcount and web ops costs in Cost of Revenue and Selling & Marketing.

First Quarter 2020 Financial Results

Despite the challenging environment that emerged late in Q1, we were able to grow Q1 revenue by 17% on a year-over-year basis, which would have been 19% without the impact of F/X. Tinder grew direct revenue by 31% year-over-year, with 28% year-over-year growth in Average Subscribers and 2% ARPU growth. Non-Tinder brands' Average Subscribers were essentially flat year-over-year and direct revenue was up by 2% year-over-year.



Second Quarter 2020 Financial Outlook

For nearly all companies, the impacts of the current environment are challenging to predict and we're not going to attempt to do that for the full year. We don't know how long the lockdowns will last in each geography or how quickly things like restaurants and bars, which are important in the dating world, will re-open. We also don't know if there will be a second wave of COVID-19 that could require further lockdowns. So rather than guess, here are the monthly trends we've seen through April:

YoY Growth %				
	Jan - 2020	Feb - 2020	Mar - 2020	Apr - 2020 ¹
Direct Revenue	18%	22%	14%	9%
Indirect Revenue	(36%)	4%	6%	(19%)
Total Revenue	17%	21%	14%	9%
Total Revenue (F/X Neutral)	18%	23%	17%	12%
Total Average Subscribers	16%	16%	13%	10%
Total ARPU	2%	1%	1%	(0%)

Absent a dramatic change relative to April trends, we expect revenue in Q2 to grow year-over-year, but decline sequentially on a percentage basis by low single digits. We expect adjusted EBITDA to be roughly flat year-over-year after adding back about \$7 million of expected separation-related costs in Q2 2020.

It's worth noting that we expect the strength in the US dollar versus most other global currencies to negatively impact our revenue by over \$10 million, or 2%, in Q2 2020 compared to the prior year quarter. F/X has been an increasing headwind as the year has progressed, with more significant pressure in March and April than in January and February.

¹ Preliminary results

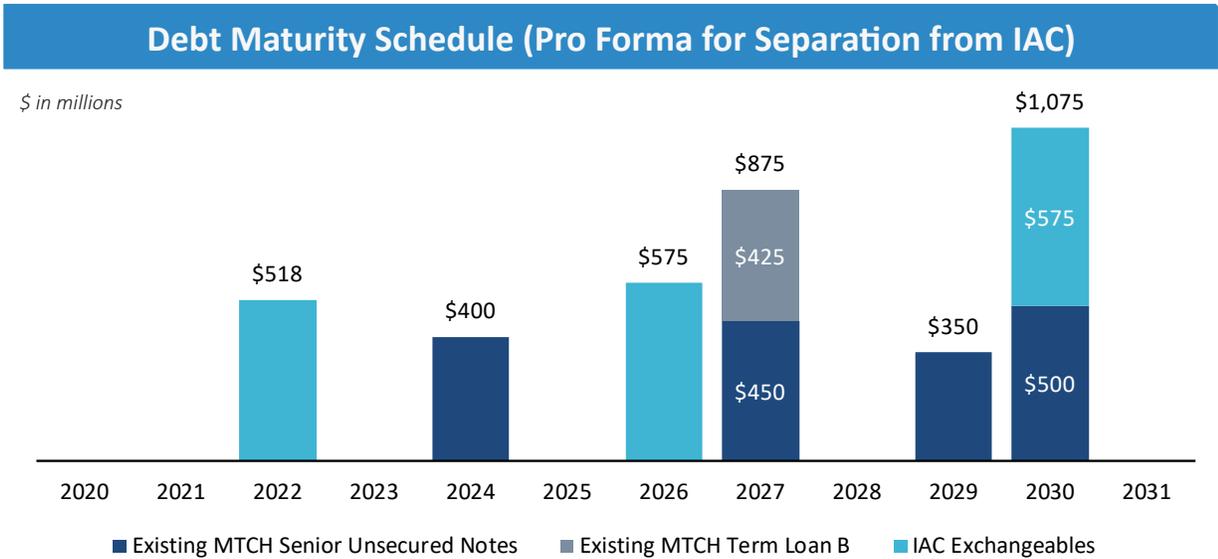
On the cost side, we anticipate pulling back some marketing spend in Q2 given the pandemic. As we've discussed, we've cancelled certain marketing launches and events, and reduced spending in certain badly affected markets and less effective out-of-home channels. We're also trying to be judicious with other costs, deferring non-critical hiring and other spend where we can without noticeable impact on the business. That said, given the favorable marketing environment for our brands, and given the continued strong engagement with our products, we expect to continue to spend where we see opportunities, even at the expense of some short-term margin compression.

IAC Separation

We have filed the proxy statement for the separation from IAC and expect to hold a virtual shareholder meeting on June 25th and close the transaction after satisfying the applicable closing conditions, including obtaining required shareholder approvals at both Match Group and IAC. As of April 30th we had cash on hand of nearly \$900 million. We will use our cash on hand to pay the \$3 per share consideration, or approximately \$850 million in aggregate, to Match Group shareholders and IAC under the terms of the separation. We can access our \$750 million undrawn credit facility should we need to.

We currently expect to have net leverage slightly below 5x when the separation closes, including assumption of the IAC Exchangeables. That is a little higher than we were initially expecting, in part because we now expect our adjusted EBITDA for the first half of the year to be a little lower. Given we expect to convert more than 70% of our adjusted EBITDA to free cash flow, we believe this leverage level remains very manageable for us. We also expect that we'll de-lever a little more slowly, as our adjusted EBITDA going forward likely will be lower than we had originally anticipated as the effects of the virus linger. That said, based on our current financial outlook, we remain confident that we will de-lever to under 3x net leverage within 18 months following the separation, absent any non-operating uses of cash such as M&A.

We also believe we have a balanced debt maturity schedule. As you can see from the chart below, the only debt maturities we will have prior to 2026 are one \$400 million senior notes maturity in 2024, and the IAC Exchangeables due in 2022 that will transfer in the separation. The IAC Exchangeables are currently in-the-money, meaning that at current share prices we retain the flexibility to settle them in cash or stock.



While there is still a lot unknown at this time, we prefer to focus on what we do know. We started the dating category and we have evolved and grown this category and our business for a quarter century. We solve the most fundamental of human needs. We are confident that demand for human connection will never dissipate and remain committed to fulfilling that need. This period of social isolation would have been much more dire for single people – who no longer have other avenues to meet and connect such as bars and concerts – if not for our products.

Our team is, hands down, the best in the business with a deep bench of institutional knowledge unique to this category. We are confident that we will not only weather this crisis, but that our business will emerge on the other side well positioned for the future with many opportunities to continue our strong growth. We have strong financial flexibility to go with our stable, recurring revenue, low cap ex and strong cash flow.

We don't know how long it will take or how bumpy it will be to get to the other side of this pandemic. But we're very much looking forward to our singles being able to meet that person they've been messaging with and video chatting with for the past 2 months, in real life, once they can.

Stay safe and all the best,



Shar Dubey
Chief Executive Officer



Gary Swidler
Chief Operating Officer
& Chief Financial Officer

Cautionary Statement Regarding Forward-Looking Information

This announcement may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements that are not historical facts are “forward-looking statements.” The use of words such as “anticipates,” “estimates,” “expects,” “plans” and “believes,” among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to: Match Group’s future financial performance, Match Group’s business prospects and strategy, anticipated trends, the completion of the separation of Match Group from IAC/InterActiveCorp, 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, certain risks relating to our relationship with IAC, the impact of the outbreak of COVID-19 coronavirus, and the risks inherent in separating Match Group from IAC, including uncertainties related to, among other things, the costs and expected benefits of the proposed transaction, the calculation of, and factors that may impact the calculation of, the exchange ratio at which shares of IAC capital stock will be converted into the right to receive new shares of the post-separation Match Group in connection with the transaction, the expected timing of the transaction or whether it will be completed, whether the conditions to the transaction can be satisfied, the occurrence of any event, change or other circumstance that could give rise to the termination of the transaction agreement (including the failure to receive any required approvals from the stockholders of IAC and Match Group or any required regulatory approvals), any litigation arising out of or relating to the proposed transaction, the expected tax treatment of the transaction, and the impact of the transaction on the businesses of IAC and Match Group. 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 Match Group’s 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 announcement. Match Group does not undertake to update these forward-looking statements.

Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures in addition to financial measures 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.

Definitions

“Average Subscribers” is the number of Subscribers at the end of each day in the relevant measurement period divided by the number of calendar days in that period. Subscribers as of any given time represent the number of users who purchased a subscription to one of our products at that time. Users who purchase only à la carte features are not included in Subscribers. Unless otherwise noted, Subscribers refers to Average Subscribers in this presentation. “ARPU” or Average Revenue per Subscriber, is Direct Revenue from Subscribers in the relevant measurement period (whether in the form of Subscription or à la carte) divided by the Average Subscribers in such period and further divided by the number of calendar days in such period. Direct Revenue from users who are not Subscribers and have purchased only à la carte features is not included in ARPU. Direct Revenue is revenue that is received directly from end users of our products and includes both subscription and à la carte revenue. “North America” or “NA” as used in this presentation refers to the United States and Canada. “Messages Sent” is the total messages sent between users on our platforms on a given day. “Total Swipes™” is the total profiles reviewed between users on Tinder on a given day. “First Time Subscribers” (“FTS”) is the number of users that purchase a subscription to one of our products for the first time. When this metric is given on a portfolio basis or across multiple brands, duplication of FTS can occur for each brand in which the user is determined to be a FTS for a given measurement period. We view FTS as a measure of future revenue. Leverage on a gross basis - is calculated as principal debt balance divided by Adjusted EBITDA for the period referenced. Leverage on a net basis - is calculated as principal debt balance less cash and cash equivalents divided by Adjusted

EBITDA for the period referenced. Our portfolio of brands includes Tinder®, Match®, PlentyOfFish®, Meetic®, OkCupid®, OurTime®, Pairs™, and Hinge®, as well as a number of other brands, each designed to increase our users' likelihood of finding a meaningful connection.

No Offer or Solicitation / Additional Information and Where To Find It

This communication is for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote or approval, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

This communication is being made in respect of a proposed transaction involving IAC, IAC Holdings, Inc. ("New IAC") and Match Group. In connection with the proposed transaction, IAC and New IAC have filed with the Securities and Exchange Commission (the "SEC") a joint registration statement on Form S-4 (the "Form S-4") that includes a joint proxy statement of IAC and Match Group, and IAC, New IAC, and Match Group may file one or more other documents with the SEC. The Form S-4 was declared effective by the SEC on April 30, 2020, each of IAC and Match Group has mailed or otherwise made available the definitive joint proxy statement to their shareholders as required by applicable law. This communication is not a substitute for any proxy statement or any other document that may be filed with the SEC in connection with the proposed transaction.

INVESTORS AND SECURITY HOLDERS OF IAC AND MATCH GROUP ARE URGED TO READ THE DEFINITIVE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.

Investors and security holders may obtain these materials and other documents filed with the SEC (when they are available) free of charge at the SEC's website, www.sec.gov. Copies of documents filed with the SEC by IAC may be obtained free of charge on IAC's website at www.iac.com. Copies of documents filed with the SEC by Match Group may also be obtained free of charge on Match Group's website at www.mtch.com.

Participants in the Solicitation

IAC and Match Group and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from their respective shareholders in favor of the proposed transaction under the rules of the SEC. Information about IAC's directors and executive officers is available in IAC's Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the SEC on February 28, 2020, and IAC's definitive proxy statement for its 2020 annual meeting of shareholders, which was filed with the SEC on April 30, 2020. Information about Match Group's directors and executive officers is available in Match Group's Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the SEC on February 27, 2020, as amended by Match Group's Amendment No. 1 to Annual Report on Form 10-K/A, which was filed with the SEC on April 29, 2020. Additional information regarding participants in the proxy solicitations and a description of their direct and indirect interests is included in the proxy statement/prospectus and the other relevant documents filed with the SEC.

GAAP to Non-GAAP Reconciliations

(\$Ms)	Three Months Ended March 31,	
	2020	2019
Net Earnings attributable to Match Group, Inc. shareholders	\$160	\$123
Add back:		
Net loss attributable to noncontrolling interests	\$0	-
Income tax benefit	(\$47)	(\$28)
Other (income) expense, net	(\$4)	\$1
Interest expense	\$25	\$22
Operating Income	\$135	\$119
Stock-based compensation expense	\$21	\$28
Depreciation	\$9	\$8
Amortization of intangibles	\$6	\$0
Adjusted EBITDA	\$172	\$155
Direct Revenue	\$535	\$454
Indirect Revenue	\$10	\$11
Revenue	\$545	\$465
Operating income margin	25%	26%
Adjusted EBITDA margin	31%	33%

Note: Rounding differences may occur

F/X Reconciliation

<i>(\$Ms, except ARPU)</i>	Three Months Ended March 31,			
	2020	Change	% Change	2019
Revenue, as reported	\$ 545	\$ 80	17%	\$ 465
Foreign exchange effects	8			
Revenue, excluding foreign exchange effects	<u>\$ 553</u>	<u>\$ 88</u>	<u>19%</u>	<u>\$ 465</u>
Direct Revenue, as reported	\$ 535	\$ 81	18%	\$ 454
Foreign exchange effects	8			
Direct Revenue, excluding foreign exchange effects	<u>\$ 543</u>	<u>\$ 89</u>	<u>20%</u>	<u>\$ 454</u>
International Direct Revenue, as reported	\$ 271	\$ 55	26%	\$ 216
Foreign exchange effects	8			
International Direct Revenue, excluding foreign exchange effects	<u>\$ 280</u>	<u>\$ 63</u>	<u>29%</u>	<u>\$ 216</u>
<i>(Change calculated using non-rounded numbers)</i>				
ARPU, as reported	\$ 0.59		1%	\$ 0.58
Foreign exchange effects	0.00			
ARPU, excluding foreign exchange effects	<u>\$ 0.59</u>		<u>3%</u>	<u>\$ 0.58</u>
North America ARPU, as reported	\$ 0.63		5%	\$ 0.60
Foreign exchange effects	0.00			
North America ARPU, excluding foreign exchange effects	<u>\$ 0.63</u>		<u>5%</u>	<u>\$ 0.60</u>
International ARPU, as reported	\$ 0.55		-1%	\$ 0.56
Foreign exchange effects	0.02			
International ARPU, excluding foreign exchange effects	<u>\$ 0.57</u>		<u>2%</u>	<u>\$ 0.56</u>

Note: Rounding differences may occur

F/X Monthly Reconciliation

(\$Ms)

	Month Ended January 31,			
	2020	Change	% Change	2019
Revenue, as reported	\$ 184	\$ 26	17%	\$ 158
Foreign exchange effects	1			
Revenue, excluding foreign exchange effects	<u>\$ 186</u>	<u>\$ 28</u>	<u>18%</u>	<u>\$ 158</u>

	Month Ended February 29,			
	2020	Change	% Change	2019
Revenue, as reported	\$ 177	\$ 31	21%	\$ 146
Foreign exchange effects	3			
Revenue, excluding foreign exchange effects	<u>\$ 180</u>	<u>\$ 34</u>	<u>23%</u>	<u>\$ 146</u>

	Month Ended March 31,			
	2020	Change	% Change	2019
Revenue, as reported	\$ 184	\$ 23	14%	\$ 161
Foreign exchange effects	4			
Revenue, excluding foreign exchange effects	<u>\$ 188</u>	<u>\$ 27</u>	<u>17%</u>	<u>\$ 161</u>

	Month Ended April 30,			
	2020 ¹	Change	% Change	2019
Revenue, as reported	\$ 175	\$ 15	9%	\$ 160
Foreign exchange effects	5			
Revenue, excluding foreign exchange effects	<u>\$ 180</u>	<u>\$ 20</u>	<u>12%</u>	<u>\$ 160</u>

Note: Rounding differences may occur

¹ Preliminary results