Q2 2020 - Letter to Shareholders

August 4, 2020

Dear Shareholders,

The second quarter was an eventful one for us as we became a fully independent company. We also made great strides in terms of business performance, crossing 10 million Average Subscribers globally, including over 6 million at Tinder. We saw a steady recovery in business trends through the quarter, with April marking a clear low as a result of the impacts of the pandemic. We are seeing improving trends and momentum across all major brands in our portfolio. After three more months operating in this challenging environment, we are able to look ahead at the year with a little more predictability (assuming no other curve balls come our way).

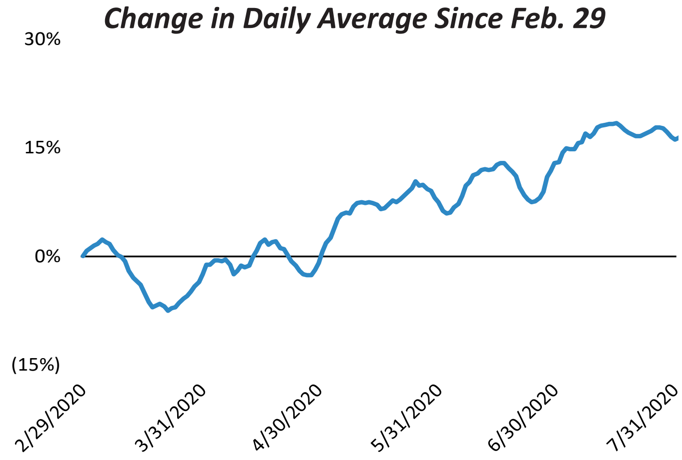
User activity remains above pre-COVID levels

As the pandemic took hold, we saw an increase in product usage, particularly among younger users and females. Usage levels for younger users and females remain above pre-COVID levels, although not as dramatic as at the height of the pandemic-related lockdowns in March and April. Additionally, usage among older demographics and males, which initially declined with the onset of the pandemic, has recovered and is now above pre-COVID levels. Total daily messages sent across all of our products and daily average swipes at Tinder are higher today than they were at the end of February. The increased user activity reinforces that humans need to connect and our products clearly fulfill that need.

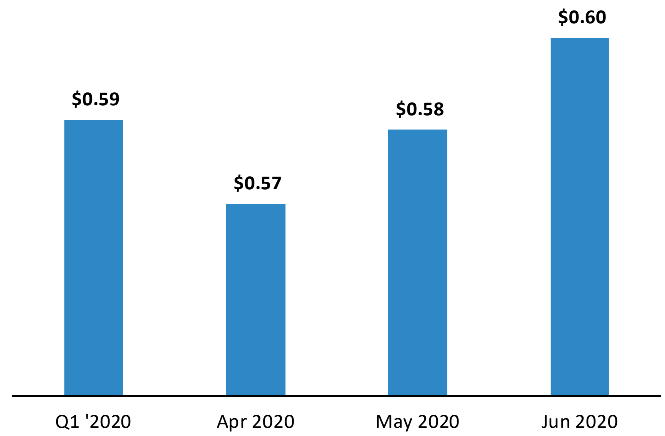
Propensity to pay rebounded across the portfolio

Since early May, we have seen a recovery in propensity to pay across the portfolio. Increases in both subscriber conversion and ARPU led to year-over-year revenue growth for almost all of our major brands in the second quarter. On top of 15% direct revenue growth for Tinder, for the first time since 2016 our non-Tinder brands delivered a second consecutive quarter of year-over-year direct revenue growth, increasing 9% in Q2.

Match Group First-Time Subscribers

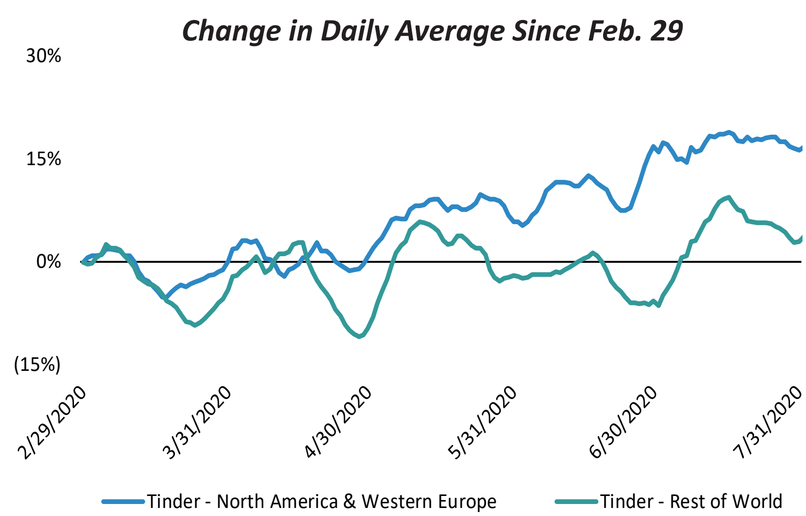


Match Group ARPU



Tinder's recovery in North America and Western Europe follows the trajectory of the rest of the portfolio, but the recovery has lagged in certain international markets, including large ones such as India, due to the ongoing effects of the pandemic. From April through June, à la carte revenue rebounded, driving Tinder ARPU 6% higher. We have also seen gains in subscriber conversion leading to continued increases in first-time subscribers at Tinder in Q2.

Tinder First-Time Subscribers



The non-Tinder brands also showed signs of strength in the second quarter. Our longest-standing brands, including Match, Meetic, Affinity, OkCupid and Plenty of Fish, collectively grew direct revenue for the first time in four years. Our newer and emerging brands also contributed to the incremental revenue growth: Pairs' growth continues to outpace the Japanese market overall and the monetization efforts at Hinge, Chispa and BLK collectively tripled their revenue compared to Q2 2019.

Key drivers of growth across the portfolio

Tinder's growth around the world continues to be a key area of focus for us. Additionally, our growth strategy for the Company includes building new experiences and value propositions for users, revitalizing our longest-standing brands and addressing new markets and new audiences.

Expansion of product surface areas, experiences and value

A powerful way to leverage our large user base to drive growth is to introduce new engaging experiences that complement core dating. Our one-to-many live streaming video products, especially at Plenty of Fish, are seeing healthy adoption and associated revenue generation. We have also introduced one-to-one video chat capabilities on most of our major platforms, including Face-to-Face at Tinder. Our current focus with one-to-one video is to evolve the user experience and provide users more tools to engage and connect on our platforms.

With continued strong engagement and the recovery in propensity to pay, we are now more comfortable testing and rolling out new product features. On Tinder, the roadmap remains robust and the team is executing well. Plans range from market-specific features for international growth to the foundational infrastructure necessary to build new experiences on Tinder that we are planning for 2021. We are also starting to test several revenue features targeting power users and expect to see a broader rollout by the end of 2020.

Revitalized growth at longest-standing brands

Our focus on differentiation and product execution across our older brands has driven a turnaround that continues to develop. The list of product wins is long but here are just a few examples: Match softened the paywall to drive higher engagement and improved retention of free users. It also drove higher subscriber conversion and ARPU by redesigning the app to deliver a premium experience for high-intent users. Both Meetic and Plenty of Fish have improved the user experience, leading to higher app store ratings for Meetic and a notable lift to subscriber conversion at Plenty of Fish.

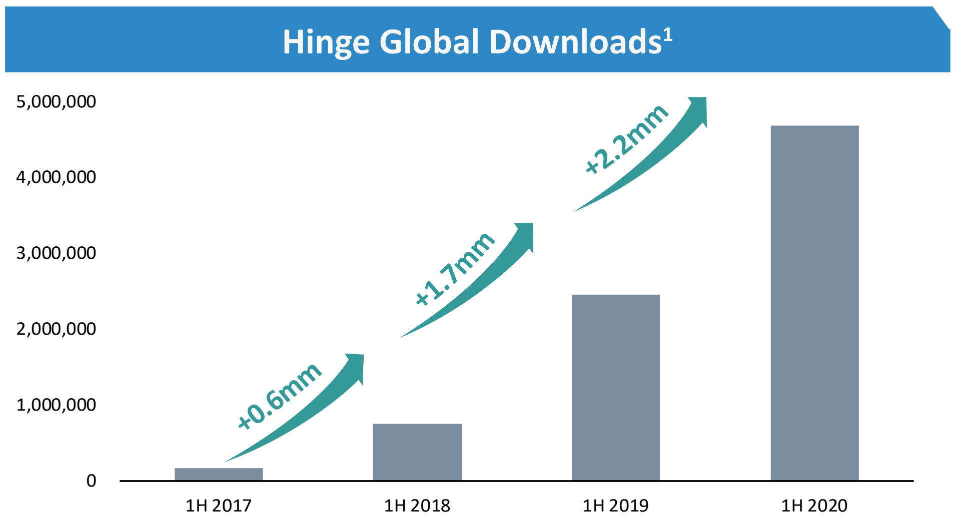
We supplemented product wins with new brand marketing campaigns. OkCupid and Plenty of Fish launched new TV and video campaigns, both clearly differentiating the brands from their competition. Brands that have traditionally been more reliant on TV marketing, such as Match, Meetic and OurTime, have benefitted from increased effectiveness of TV advertising, and all brands are benefitting from the current higher ROI environment.

Expansion into new markets and new audiences

We continue to leverage our capabilities and the shared learnings across our portfolio to inform our strategy around M&A, new brand incubation and geographic expansion.

Following the initial growth of Chispa and BLK, our Affinity business recently launched a third new brand focused on the Christian community. OkCupid is leveraging its successful go-to-market strategy, first deployed in India, as a blueprint for growth in markets such as Turkey, Germany and Israel, where it quickly became the most downloaded dating app.

Hinge has now grown users more than 10x since our initial investment in the company in 2017 and continues to execute on its plan this year to increase monetization while continuing to grow its user base, especially in large and medium-sized US markets. Hinge's ARPU was up over 60% on a year-over-year basis in Q2 while prior subscriber conversion levels held. Hinge also successfully launched its first à la carte feature, which we hope will further improve ARPU.



Hinge and Pairs are two great examples of our ability to acquire existing brands and drive growth by leveraging our portfolio best practices. We are now focused on doing the same at Hawaya, our Muslim-focused app (formerly called Harmonica), which has recently launched in 12 markets, mostly across the Middle East, Asia, and Western Europe. It is still early days but initial user growth has been strong.

Third Quarter Financial Outlook

We expect Q3 revenue of at least $600 million, which reflects our expectation of continued recovery across the portfolio. Due to favorable ROI in the current environment, we anticipate ~$50 million of incremental marketing spend in Q3 over Q2 (up ~$30 million year-over-year). We expect Q3 adjusted EBITDA of $215 - $225 million.

[1] Source: App Annie

In our first earnings release as a fully independent public company, we are pleased to report that despite the challenges presented by the pandemic, our business is performing well. We are taking advantage of an improved marketing landscape to make additional investments in user acquisition. We are also ramping up hiring to further strengthen our team and deepen our bench given reduced competition for talent, which doesn't happen very often. And what has been particularly exciting over these past few months is to see product wins impacting engagement and revenue across many of our platforms.

As we look ahead, we have a phenomenal portfolio of businesses addressing the fundamental human need for connections. We believe we have new growth vectors emerging in video-enabled and live experiences, both one-to-many and one-to-one, which we expect to develop over the coming years. We also expect to continue to pursue opportunities in new markets, particularly in Asia, which we can serve with multiple brands from our portfolio. We believe these opportunities will help us achieve strong top-line revenue growth while maintaining healthy levels of profitability and cash flow over the next five years, as we have over our first five years as a public company.

Stay safe and all the best,

Sharmistha Dubey

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, 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 post-separation, and the impact of the outbreak of COVID-19 coronavirus. 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 page 9 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. 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.

GAAP to Non-GAAP Reconciliation

($Ms)	**Q3'2020**
Operating Income	**$164 to $174**
Stock-based compensation expense	41
Depreciation & Amortization of intangibles	10
Adjusted EBITDA	**$215 to $225**