

# matchgroup

## *Q4 2020 - Letter to Shareholders*

---

February 2, 2021

Dear Shareholders,

We feel incredibly grateful for the way our businesses, and particularly our teams around the world, performed in 2020. We are delighted to offer an array of products that help people meet, form meaningful connections, and reduce the intense loneliness brought on by the pandemic. The myriad of lasting relationships created through our products during a very challenging time are our greatest achievements.

Overall for 2020, Match Group's total revenue was nearly \$2.4 billion and Adjusted EBITDA was just shy of \$900 million, up 17% and 15% over the prior year, respectively, demonstrating the value of our products and the resiliency of our business. Users continued to turn to dating products to meet people, especially as bars, restaurants, and schools closed. Our products are another example of an online service filling a void in the real world, much as video-conferencing has replaced in-person business meetings.

Tinder® generated nearly \$1.4 billion in revenue in 2020, up 18% over 2019, representing a fifth consecutive year of rapid revenue growth for our iconic brand. We are pleased with the overall return to growth of the non-Tinder brands, which grew direct revenue 16% in aggregate in 2020, including 28% in Q4. Hinge® continued to thrive, with full-year revenue up threefold and global downloads up 63% compared to 2019. We believe this is only the beginning of a long growth trajectory for the brand. Pairs®, Chispa™ and BLK® were also bright spots, as was the video live-streaming business at PlentyOfFish®, which burst onto the scene at exactly the right time. OkCupid® continued its expansion into new markets and Meetic® hit its highest number of average subscribers in the last five years.

And who could forget the *Match Made In Hell* commercial for Match®, which captured the cultural moment perfectly.



### *Q4 2020 Performance*

Our performance in Q4 highlights our ability to be nimble in the face of the pandemic and pull various levers to drive growth, reacting to specific market conditions. Similar to our quick pivot in the spring to roll out video, in the fourth quarter we shifted marketing spend and focus to markets experiencing less of an impact from the pandemic. This helped drive 19% year-over-year direct revenue growth in the quarter, with every major brand growing direct revenue year-over-year.

The portfolio performed strongly in Q4 despite headwinds from a second wave of COVID cases and related lockdowns. The impact varied greatly by market based on local conditions, including COVID case counts and in-market mobility (often dictated by local restrictions). In the United Kingdom, for example, the compounding effects of a lockdown and the impact from Brexit meaningfully impacted our first-time subscriber trends at several of our brands. By contrast, in markets like Japan where impact from the pandemic has been relatively muted, we have continued to see strong first-time subscriber growth. In other markets, like India, that were particularly hard hit by the pandemic, we have seen a marked improvement in first-time subscriber trends as COVID cases have declined by 80%. Clear recovery trends in markets like India give us optimism that as COVID factors abate, our subscriber trends should further strengthen.

## *Global Portfolio Strategy for Making Meaningful Connections*

We have been in this business for over 25 years and our ability to deploy learnings from across our portfolio, especially into newly acquired or incubated businesses, is a profound differentiator for us. Look no further than Tinder to see evidence of this. As we have discussed many times before, we brought much of our market knowledge and many of our innovations to Tinder, including the successful monetization features, helping drive the massive success of the brand.

Hinge is another great example. Following our acquisition, we scaled the business rapidly by deploying our media buying expertise and marketing analytics framework, as well as the capabilities of our international teams to expand the business into several new markets. We also leveraged our understanding of ecosystem balance, user engagement and safety tools to provide users a quality experience even as the community grew quickly. More recently, we have employed our monetization expertise to speed revenue growth.

We also bring deep global brand and performance marketing capabilities and disciplined focus on returns to all our brands. Since acquiring Pairs in Japan in 2015, we have opened new marketing channels, including outdoor and digital, and we are increasingly optimistic that broad TV brand campaigns will follow as online dating stigma continues to erode in the Japanese market. Success at Pairs has led to us having a one-two punch of leading dating apps in Japan with Pairs and Tinder, making Japan our second largest market, with revenue up over 600% in the last five years.

We continue to believe that developing markets present us with meaningful opportunities on which we are well positioned to execute. We remain optimistic about the potential for our Muslim-focused app, Hawaya, and for growth of our products in critical markets such as India and Southeast Asia, where we see solid initial traction.

2020 has been a year of step changes in so many behaviors, with more of our lives moving online. More of the dating journey is also happening online, through innovations like video dates. We are looking to continue to push our products beyond the traditional

profile discovery and expect to make further investments in tech capabilities to support this effort. As more of life moves online, we believe it creates opportunities to apply our expertise in making meaningful connections for dating to the growing space of online “social discovery”.

We plan to continue to extend our portfolio to capture these new, non-dating use cases. Our Ablo product, which enables people to make friends, share visual experiences and chat with people around the world, has shown tremendous user traction and provides people with a great sense of community and connection. We have also achieved success with video live streaming at PlentyOfFish and believe we can continue to meaningfully grow that business in 2021. Video usage exploded in 2020, and we believe this trend will continue, especially among Gen Z.

### *Leadership in Trust and Safety*

Creating environments where users feel secure is a core component of all our products and has been since the company started. Without it, online dating would have never displaced traditional forms of meeting people. Given our long history and leadership in the dating space, it is critical that we continue to play a leadership role when it comes to online safety. As part of this ongoing effort, we will increase our investment in new technologies, work closely with third-party experts such as those on our Match Group Advisory Council, and partner with regulators and law enforcement to keep our platforms safe for all.

On the regulatory front, we have gone on the record working with lawmakers to support smart reforms in many jurisdictions, including at the federal and state levels in the U.S. Recent domestic examples of this commitment include our support of the *EARN It* and *Protecting Our Kids Acts*, which would provide important safeguards for our users while protecting innovation.

We also consult with experts and look to implement new technologies to create safer communities. We recently partnered with the Rape, Abuse & Incest National Network (RAINN) to continue to improve our safety systems and tools. We have implemented key

tools like the personal alarm system from Noonlight, selfie verification, and ID verification in select markets to enhance the user experience and help users stay safe. While obviously important in the U.S., this work is critically important in emerging markets, where online dating stigma remains high and safety improvements can meaningfully improve product adoption.

In 2021, we intend to significantly expand our safety initiatives globally and hire additional personnel to deliver flagship safety features, add new capabilities, and partner with third parties building safety tools. We believe this increased investment will continue to improve brand perception and adoption. In addition, our ability to centralize safety efforts and standardize them across the portfolio is a competitive advantage given our scale.

### *Financial Outlook*

Accounting for business trends and expectations as best we can in today's uncertain environment, we believe we can achieve total revenue of \$2.75 – \$2.85 billion in 2021, representing mid-to-high teens growth over 2020. We expect strong growth from both Tinder and our non-Tinder brands to contribute to the company's performance. We expect to achieve this through a combination of both subscriber and ARPU growth.

We also expect to surpass \$1 billion of Adjusted EBITDA for the first time in 2021, achieving mid-to-high teens growth over 2020. Our expected Adjusted EBITDA reflects appropriate levels of investment across our long-standing and emerging businesses. These include increased product development and marketing spend to keep evolving our products and expanding penetration in our broad geographic footprint, as well as investment in trust and safety.

For Q1, we expect total revenue of \$645 – \$655 million and Adjusted EBITDA of \$210 – \$215 million. The revenue expectations reflect some impact from continued effects caused by the pandemic across the globe, both as we exited Q4 2020 and into Q1 2021. The outlook also reflects typically lower first quarter margin levels of about 33% at the midpoint of the ranges.

When we look ahead to the rest of the year, the macro trends for our business are extremely encouraging. Despite persisting lockdowns in certain markets, the vaccine is rolling out. Singles are already posting their positive antibody test results and vaccine confirmations on their dating profiles. We have adapted our products incredibly well throughout 2020, cementing their role in how people make meaningful connections. The value our apps provide will only accelerate when restaurants re-open and we return to a more normal – if still cautious – existence.

Happy Valentine's Day,



**Shar Dubey**

Chief Executive Officer



**Gary Swidler**

Chief Operating Officer  
& Chief Financial Officer

### **Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995**

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/InterActiveCorp (“IAC”) post-separation, 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 expected benefits of the separation, any litigation arising out of or relating to the transaction, the tax treatment of the transaction, and the impact of the separation on the businesses of 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 page 8 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. “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. “North America” or “NA” as used in this presentation refers to the United States and Canada. “International” as used in this presentation refers to countries other than the United States and Canada. 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

<i>(\$Ms)</i>	Q1 2021
<b>Operating Income</b>	<b>\$176 to \$181</b>
Stock-based compensation expense	23
Depreciation & Amortization of intangibles	11
<b>Adjusted EBITDA</b>	<b>\$210 to \$215</b>