

Match Group

See inline 4Q23 & '24 guide; Tinder trends & Match valuation have yet to inflect

Maintain Rating: BUY | PO: 54.00 USD | Price: 36.55 USD

Forecast inline results for 4Q23

Match (MTCH) will report 4Q23 results on Tuesday, January 30th AMC with a call following on January 31st 8:30am ET. We estimate revenue/EBITDA of \$862/\$309mn which is right inline with the Street and compares to guidance of \$855-865/305-310mn. Our estimates include total payers of 15.4mn (-4% YoY and +0.5% vs. Street) and includes Tinder payers of 10.1mn (-7% YoY and +0.5% vs. Street). We maintain Buy as we continue to see valuation as attractive relative to growth (9x EV/EBITDA vs. 11% EBITDA growth) and expect a steady improvement in payer trends through the year.

Expect preliminary 2024 guide to be maintained

For 1Q24, we expect guidance inline with our revenue/EBITDA ests. of \$866/\$306mn which is -0.4/+0.8% versus the Street. We assume only a modest improvement in Tinder payer trends to -6% YoY (-30bps vs. Street) but this could prove conservative on easier comparisons (300bps vs. 4Q), all else equal. We see some risk to topline trends from FX (MTCH has not hedged historically) on a weaker Yen and lapping Euro appreciation but not likely an issue that would weigh on shares. We do not expect changes to preliminary 2024 guidance of HSD revenue growth and EBITDA at least inline with 2023 (BofA & Street ests are both inline). Other key questions for the print include: 1) more detail on the Tinder turnaround plan for 2024; 2) whether Hinge payer momentum continued into 1Q23 following a 9ppt acceleration in 3Q, and 3) potential for increased buybacks given growing FCF, near trough valuation and no debt maturities until 2026.

Signs of Tinder stabilizing but inflection still in the works

Turning around Tinder (MTCH's largest brand at 58% of revs) is a top priority for mgmt. and a reacceleration in user trends would likely drive a meaningful improvement in valuation. Over the past three years, Match's EV/EBITDA multiple narrowed from the low 30's to ~9x now which corresponds with a significant deceleration in payer user trends (see ex 2) and very low investor confidence that the brand returns to growth, in our view. Recent Sensor Tower DAU data for Tinder shows a 1ppt improvement in trends from 3Q to 4Q (vs. a 1ppt deceleration for consensus payers) and lapping large US price increases taken in 1H23 should drive a moderation in declines. Mgmt. has taken important steps to improve performance including a new Tinder CEO as well as several product feature updates. However, we look for more substantive details on growth initiatives, timelines and evidence that user trends in 1Q have stayed consistent with 4Q. Our ests. factor in tinder payer trends improving from -6% in 1Q24 to +5% by 4Q24.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	0.91	1.23	1.93	2.24	2.70
EPS Change (YoY)	71.7%	35.2%	56.9%	16.1%	20.5%
Consensus EPS (Bloomberg)			2.05	2.39	2.77
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	40.2x	29.7x	18.9x	16.3x	13.5x
EV / EBITDA*	13.1x	12.4x	11.6x	10.6x	9.4x
Free Cash Flow Yield*	7.7%	4.4%	7.1%	8.4%	9.8%

* For full definitions of *IQmethod*SM measures, see page 5.

24 January 2024

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Stock Data

Price	36.55 USD
Price Objective	54.00 USD
Date Established	9-Jan-2024
Investment Opinion	C-1-9
52-Week Range	27.85 USD - 54.60 USD
Mkt Val (mn) / Shares Out (mn)	10,787 USD / 295.1
Free Float	99.5%
Average Daily Value (mn)	235.38 USD
BofA Ticker / Exchange	MTCH / NAS
Bloomberg / Reuters	MTCH US / MTCH.OQ
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

AMC – after market close

BMO – before market open

FCF – free cash flow

DAU – daily active user

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Timestamp: 24 January 2024 05:00AM EST

iQprofileSM Match Group

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	23.7%	12.2%	18.2%	19.0%	19.8%
Return on Equity	NM	NM	NM	NM	178.5%
Operating Margin	28.5%	16.2%	26.2%	27.0%	28.5%
Free Cash Flow	833	477	768	907	1,053

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	3.3x	1.5x	1.5x	1.5x	1.5x
Asset Replacement Ratio	1.1x	0.1x	0.7x	0.7x	0.6x
Tax Rate	NM	4.1%	23.4%	23.0%	23.0%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	337.2%
Interest Cover	1.4x	3.7x	6.3x	6.9x	8.3x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	2,983	3,189	3,360	3,627	3,978
% Change	24.8%	6.9%	5.4%	7.9%	9.7%
Gross Profit	2,150	2,235	2,360	2,539	2,784
% Change	22.2%	4.0%	5.6%	7.6%	9.7%
EBITDA	1,068	1,129	1,206	1,317	1,490
% Change	19.1%	5.6%	6.9%	9.2%	13.1%
Net Interest & Other Income	(596)	(138)	(141)	(141)	(137)
Net Income (Adjusted)	278	362	567	646	768
% Change	116.0%	30.3%	56.5%	14.0%	18.9%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	552	724	1,133	1,292	1,537
Depreciation & Amortization	70	410	102	105	115
Change in Working Capital	NA	NA	NA	NA	NA
Deferred Taxation Charge	(58)	(30)	57	(10)	NA
Other Adjustments, Net	348	(578)	(457)	(410)	(529)
Capital Expenditure	(80)	(49)	(68)	(70)	(70)
Free Cash Flow	833	477	768	907	1,053
% Change	11.6%	-42.8%	61.1%	18.2%	16.0%
Share / Issue Repurchase	(16)	(109)	(7)	(4)	(4)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	77	(108)	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	815	572	778	1,182	1,630
Trade Receivables	188	192	262	266	267
Other Current Assets	214	118	123	123	123
Property, Plant & Equipment	163	176	193	200	200
Other Non-Current Assets	3,682	3,124	2,927	2,937	2,947
Total Assets	5,063	4,183	4,284	4,707	5,168
Short-Term Debt	100	0	0	0	0
Other Current Liabilities	1,068	556	516	524	535
Long-Term Debt	3,829	3,836	3,841	3,841	3,841
Other Non-Current Liabilities	261	150	137	137	137
Total Liabilities	5,259	4,542	4,494	4,502	4,513
Total Equity	(196)	(359)	(210)	205	655
Total Equity & Liabilities	5,063	4,183	4,284	4,707	5,168

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Interactive Media

Company Description

Match Group is the global leader in online dating in terms of revenue, monthly active users, and paid members. Its portfolio of dating apps include several of the most popular brands including Tinder, Hinge & Azar, Match is led by CEO Bernard "BK" Kim who joined in May 2022 after previously serving as President of mobile gaming company Zynga. Match generates revenue from app subscribers with Tinder accounting for 57% of the total. As of 2022, Match had \$3.19bn in revenues and 10.9mn paying users

Investment Rationale

Match is a high margin and cash generative company with a near dominant position in the global online dating market. While trends in online dating have yet to inflect, we see Match as well positioned for a recovery. We expect new monetization efforts under CEO Bernard Kim, a continuation of strong Hinge growth and an improvement in Tinder user trends to drive an acceleration in revenue and EBITDA expansion in 2024.

Stock Data

Average Daily Volume 6,440,007

Quarterly Earnings Estimates

	2022	2023
Q1	0.59A	0.41A
Q2	-0.11A	0.47A
Q3	0.43A	0.56A
Q4	0.29A	0.50E

Match 4Q preview charts

Exhibit 1: BofA estimates versus the Street

We are 0.1% above the Street on total sales for FY24e

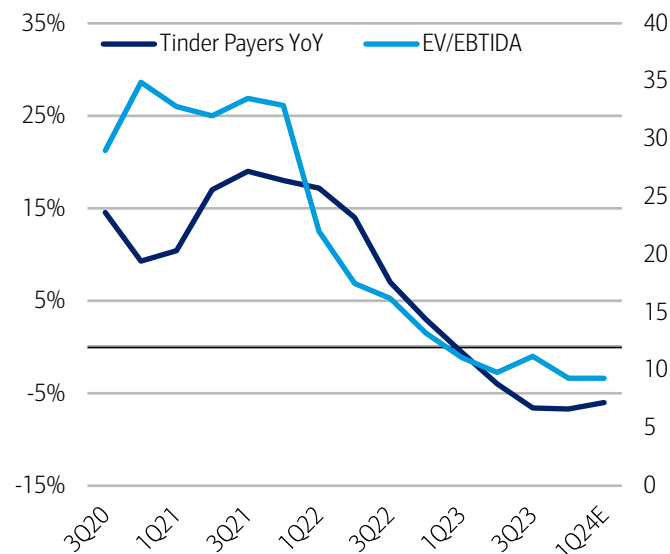
	4Q23			1Q24			FY24			FY25		
	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance
Direct Revenue	847	847.5	0.0%	852	855.5	-0.4%	3,567	3,564.3	0.1%	3,912	3,863.9	1.2%
Tinder direct revenue	495.1	492.9	0.5%	493.4	490.9	0.5%	2,054.7	2,047.7	0.3%	2,264.6	2,192.3	3.3%
Non-Tinder direct revenue	352.3	355.5	-0.9%	358.6	368.3	-2.6%	1,512.5	1,516.2	-0.2%	1,647.1	1,663.1	-1.0%
Payers	15,411	15,333	0.5%	15,351	15,338.7	0.1%	15,747	15,653	0.6%	16,551	16,311	1.5%
Tinder	10,106	10,085	0.2%	10,013.8	10,043.3	-0.3%	10,298	10,189	1.1%	10,861	10,477	3.7%
Non-Tinder	5,305	5,276	0.6%	5,336.9	5,345.0	-0.2%	5,449	5,513	-1.2%	5,690	5,882	-3.3%
RPP	18.3	18.4	-0.6%	18.5	18.6	-0.5%	18.9	19.0	-0.6%	19.7	19.8	-0.5%
Tinder	16.3	16.2	0.7%	16.4	16.3	0.8%	16.6	16.8	-1.1%	17.4	17.6	-1.0%
Non-Tinder	22	23.1	-4.1%	22	23.7	-5.5%	23	23.7	-2.4%	24	24.6	-1.8%
Indirect Revenue	14.4	14.3	0.8%	13.7	13.3	2.7%	59.3	57.7	2.7%	66.1	61.8	7.0%
Total Revenue	861.8	861.9	0.0%	865.7	869.0	-0.4%	3,626.5	3,622.4	0.1%	3,977.8	3,930.7	1.2%
Gross profit	603.2	608.8	-0.9%	606.0	607.2	-0.2%	2,538.6	2,537.3	0.0%	2,784.4	2,739.5	1.6%
Sales & Marketing	148.2	151.9	-2.4%	151.5	153.8	-1.5%	624.7	618.1	1.1%	668.3	666.6	0.3%
G&A	81.0	81.7	-0.8%	82.2	82.1	0.2%	329.9	337.5	-2.3%	345.3	358.4	-3.6%
R&D	64.6	65.9	-1.9%	65.8	70.1	-6.1%	267.2	280.3	-4.6%	281.2	294.4	-4.5%
Adjusted Operating Income*	309	309.3	0.0%	306	304.0	0.8%	1,316.7	1,303.8	1.0%	1,489.6	1,428.6	4.3%
Adj.Op Income Margin*	35.9%	35.9%	2	35.4%	35.0%	40	36.3%	36.0%	31	37.4%	36.4%	106

Source: BofA Global Research Estimates, Visible Alpha | *EBITDA

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Exhibit 2: Tinder payer user growth vs. EV/EBITDA

Match's valuation has been closely tied to Tinder payer trends

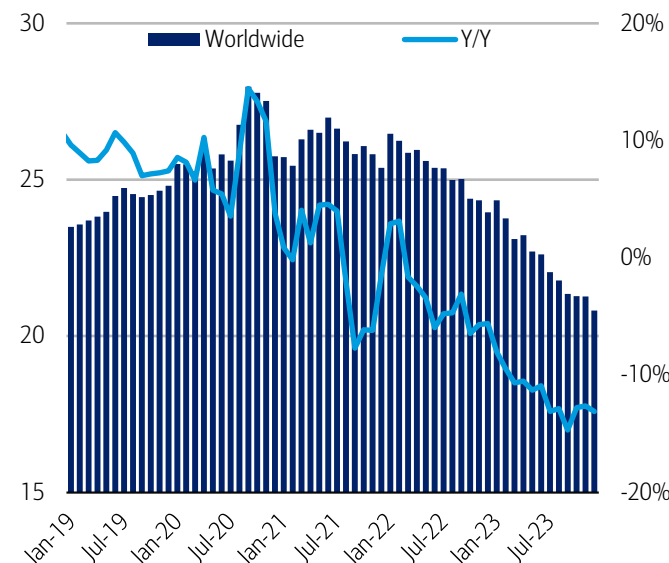


Source: Bloomberg, Company reports, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 3: Tinder global DAUs (millions)

User trends have shown some recent signs of stabilizing



Source: Sensor Tower

BofA GLOBAL RESEARCH

Price objective basis & risk

Match Group (MTCH)

Our PO of \$54 is based on 11x 2025E EV/EBITDA, a discount to subscription service comps which trade at 17x 2025 EV/EBITDA. While Match has higher margins and slightly higher projected revenue growth, we believe the discount is warranted on soft industry trends and uncertainty on when Tinder user/payer growth rebounds.

Upside risks are: 1) a greater than expected acceleration in global online dating trends, 2) stronger revenue contribution from monetization efforts and new AI based features, and 3) better than expected Tinder payer trends post platform improvements and the lapping of price increases in 1H23.

Downside risks are: 1) sluggish global online dating trends which have yet to inflect post a 2020/21 peak, 2) a continuation of weak Tinder trends and share loss to Bumble and Hinge (owned by Match), and 3) revenue pressure from a recent appreciation of the dollar given over 50% non-US exposure.

Analyst Certification

I, Curtis Nagle, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
UNDERPERFORM				
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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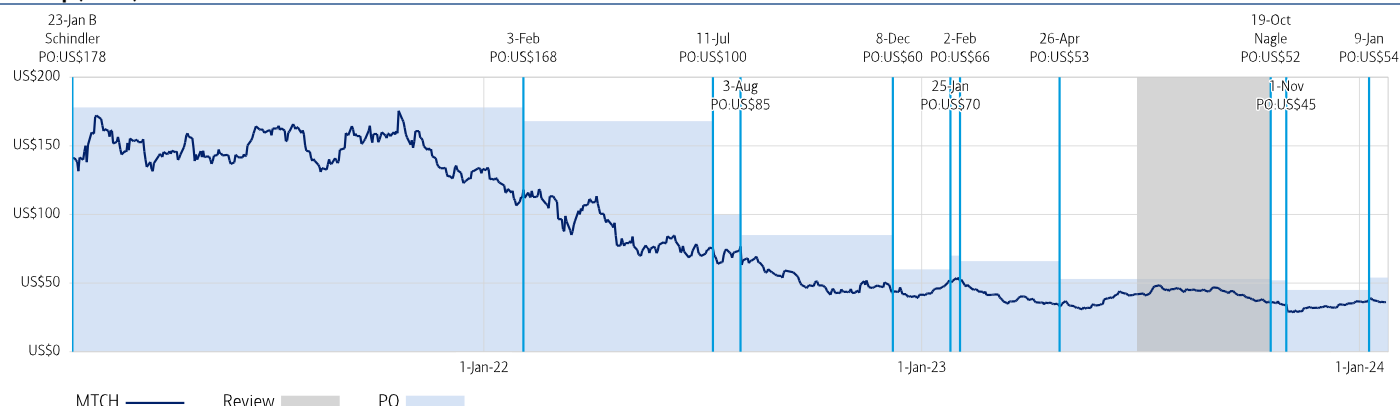
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Important Disclosures

Match Group (MTCH) Price Chart



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Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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