

## Match Group

# Mixed 4Q/1Q but still see 2H payer inflection with added buyback support

Reiterate Rating: BUY | PO: 54.00 USD | Price: 37.73 USD

## 4Q rev trends accelerated but Tinder user stay trends soft

MTCH reported 4Q23 revenue/EBITDA of \$866mn/\$362mn (up 10%/27% y/y) vs. Street's \$861mn/\$309mn aided partly by \$40mn returned after Google settlement. Tinder revenue was up 11% y/y as gains from price optimizations continued to be offset by softer-than-expected user trends (Tinder payers down 8% y/y vs Street at -7%). Hinge revenue continued to accelerate, growing 50% y/y in 4Q from 44% y/y in 3Q (though slightly below Street). MTCH repurchased \$101mn in shares in 4Q and \$546mn in 2023 (reducing share count by 3.5% net of SBC). 1Q24 revenue guidance of \$850-860mn was below Street est. of \$868mn. 2024 revenue outlook was in-line with Street at midpoint of \$3.62bn. 2024 EBITDA margin guidance was maintained at least 36%.

## 2024 to see spend in 3 major areas: Tinder, Hinge & AI

Management expects three major areas of incremental spend in 2024: 1) \$30-\$40mn in incremental Tinder expense from increased product innovation and marketing spend compared to '23, 2) AI related spend of \$20-\$30mn to roll out new AI-driven capabilities and feature enhancements within their existing apps and begin testing new AI-powered standalone apps in the marketplace, and 3) incremental \$40-\$50mn into Hinge's product and marketing in 2024. Mgmt. commentary suggests a long list of product features being rolled out at Tinder and Hinge as well as plans to test new and different products that leverage AI throughout 2024. A new ala carte offering is also expected in 2H24.

## Estimate changes: reduce 1Q, but 2024 mostly unchanged

We lower 1Q estimates (see Exhibit 2) to reflect higher spend and a still muted payer growth. For 1Q, our revenue/EBITDA estimate reduces to \$859mn/\$275mn from \$866mn/\$306mn. For 2024, we keep our revenue and EBITDA estimates almost unchanged, with revenue growing at 8% y/y and EBITDA margin est. of 36%.

## 2H inflection in Tinder should boost valuation; Buy

Turning around Tinder (MTCH's largest brand at 58% of revs) is a top priority for mgmt. and a reacceleration in user trends (mgmt. expects sequential payer net adds by 3Q and payer y/y growth by 4Q) would likely drive a meaningful improvement in valuation. We also remain constructive on Hinge (12% of revs growing at 40%) and monetization efforts. Match stock is now trading at 9.3x '25 consensus EV/EBITDA (but remains close to trough valuation of 8.3x). We see valuation as attractive relative to growth (we forecast 11% avg. EBITDA growth in 2024-26). We maintain our PO of \$54 on 11x 2025E EV/EBITDA multiple and maintain our Buy rating.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.23	2.22	2.19	2.58	4.69
EPS Change (YoY)	35.2%	80.5%	-1.4%	17.8%	81.8%
Consensus EPS (Bloomberg)			2.34	2.70	3.02
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	30.7x	17.0x	17.2x	14.6x	8.0x
EV / EBITDA*	12.3x	11.4x	10.5x	9.3x	8.4x
Free Cash Flow Yield*	4.3%	7.4%	9.7%	9.6%	10.6%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 7.

31 January 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
2024E Rev (m)	3,626.5	3,626.7
2025E Rev (m)	3,977.8	3,977.0
2026E Rev (m)	NA	4,319.5
2024E EPS	2.24	2.19
2025E EPS	2.70	2.58
2026E EPS	NA	4.69

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### Stock Data

Price	37.73 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)	11,136 USD / 295.1
Free Float	99.5%
Average Daily Value (mn)	236.63 USD
BofA Ticker / Exchange	MTCH / NAS
Bloomberg / Reuters	MTCH US / MTCH.QQ
ROE (2024E)	528.9%
Net Dbt to Eqty (Dec-2023A)	NA
ESGMeter <sup>TM</sup>	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"](#).

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Timestamp: 31 January 2024 05:05PM EST

AOI: Adjusted Operating Income

# iQprofile<sup>SM</sup> Match Group

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	12.2%	20.2%	18.0%	19.0%	19.9%
Return on Equity	NM	NM	528.9%	176.3%	169.5%
Operating Margin	16.2%	27.3%	25.6%	27.3%	28.5%
Free Cash Flow	477	829	1,084	1,073	1,176

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.5x	1.4x	1.8x	1.6x	1.0x
Asset Replacement Ratio	0.1x	0.6x	0.6x	0.6x	0.6x
Tax Rate	4.1%	16.1%	20.0%	23.0%	23.0%
Net Debt-to-Equity Ratio	NM	NM	NM	397.5%	198.1%
Interest Cover	3.7x	6.5x	6.5x	7.7x	8.7x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,189	3,365	3,627	3,977	4,319
% Change	6.9%	5.5%	7.8%	9.7%	8.6%
Gross Profit	2,235	2,416	2,544	2,794	3,034
% Change	4.0%	8.1%	5.3%	9.8%	8.6%
EBITDA	1,129	1,219	1,317	1,492	1,652
% Change	5.6%	8.0%	8.1%	13.3%	10.7%
Net Interest & Other Income	(138)	(140)	(142)	(142)	(142)
<b>Net Income (Adjusted)</b>	<b>362</b>	<b>651</b>	<b>629</b>	<b>726</b>	<b>1,286</b>
<b>% Change</b>	<b>30.3%</b>	<b>80.0%</b>	<b>-3.5%</b>	<b>15.5%</b>	<b>77.1%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	724	1,303	1,257	1,453	1,678
Depreciation & Amortization	410	110	105	115	121
Change in Working Capital	NA	NA	NA	NA	NA
Deferred Taxation Charge	(30)	27	31	NA	NA
Other Adjustments, Net	(578)	(542)	(250)	(431)	(552)
Capital Expenditure	(49)	(67)	(60)	(64)	(70)
<b>Free Cash Flow</b>	<b>477</b>	<b>829</b>	<b>1,084</b>	<b>1,073</b>	<b>1,176</b>
<b>% Change</b>	<b>-42.8%</b>	<b>74.0%</b>	<b>30.7%</b>	<b>-1.1%</b>	<b>9.7%</b>
Share / Issue Repurchase	(109)	(6)	(4)	(4)	(4)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(108)	0	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	572	862	1,268	1,586	1,959
Trade Receivables	192	299	228	248	272
Other Current Assets	118	110	110	110	110
Property, Plant & Equipment	176	195	191	186	184
Other Non-Current Assets	3,124	3,042	3,011	3,021	3,033
<b>Total Assets</b>	<b>4,183</b>	<b>4,508</b>	<b>4,808</b>	<b>5,152</b>	<b>5,558</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	556	532	556	589	612
Long-Term Debt	3,836	3,842	3,842	3,842	3,842
Other Non-Current Liabilities	150	153	153	153	153
<b>Total Liabilities</b>	<b>4,542</b>	<b>4,527</b>	<b>4,551</b>	<b>4,584</b>	<b>4,607</b>
<b>Total Equity</b>	<b>(359)</b>	<b>(19)</b>	<b>257</b>	<b>567</b>	<b>951</b>
<b>Total Equity &amp; Liabilities</b>	<b>4,183</b>	<b>4,508</b>	<b>4,808</b>	<b>5,152</b>	<b>5,558</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

## 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 6,271,773

## Quarterly Earnings Estimates

	2023	2024
Q1	0.41A	0.41E
Q2	0.47A	0.56E
Q3	0.56A	0.60E
Q4	0.80A	0.63E

## 4Q results: Positives vs Negatives

### Positives:

- **RPP growth:** RPP y/y growth saw a significant acceleration in 4Q at 17% y/y, compared to 15% y/y in 3Q, particularly at Tinder, due to the US price optimizations and weekly packages. 1Q outlook suggests continued strength in RPP.
- **EBITDA margin growth:** The EBITDA or Adj. Operating Income (AOI) of \$362mn in 4Q (includes \$40 million returned on settlement of the Google litigation), ex-Google implied margin of 37% (vs 36% margin in 4Q22). For 2024, margin is expected to be around 36% (same as 2023 ex-Google's settlement of \$40mn).
- **Capital return:** MTCH repurchased shares worth \$101mn in 4Q and \$546mn in 2023 (reducing share count by 3.5% net of employee stock plans). On January 30, 2024, the Board of Directors of Match Group approved a new program for the repurchase of up to \$1.0bn in aggregate value of shares. Match plans to repurchase more than the standard 50% of FCF and commentary that M&A is not a focus in 2024 suggest upside to buybacks.
- **New Ai-centric products in 2024:** Mgmt. guided to 2024 AI-related spend of \$20mn to \$30mn across Match Group. The company expects to make tangible progress in AI through 2024 and roll out AI-driven capabilities and feature enhancements within their existing apps and begin testing new AI-powered standalone apps in the marketplace.

### Negatives:

- **1Q outlook below Street:** Match Group guided to 1Q revenue in the range of \$850-\$860mn, much below Street est. of \$868mn. Similarly, for Adj EBITDA, mgmt. guided to \$270-\$275mn vs. Street est. of \$303mn on higher marketing spend.
- **Tinder payer growth continued to decelerate:** Tinder payers declined by 8% y/y, vs -6% y/y in 3Q23. Per management, Nov/Dec is seasonally weak for dating. For 1Q, mgmt. expects Tinder payers to continue declining in part due to daily new user softness. However, mgmt. expects sequential payer trends to turn positive in 3Q and y/y payer growth in 4Q.
- **Hinge slightly below 4Q Street estimates:** Hinge revenues of \$116mn in 4Q were \$4mn implied guidance for the quarter. Management called out some seasonality impacting trends (a first) as the brand as grown larger. However, trends reaccelerated in 1Q (in part due to marketing invests), the brand is performing well above peers and management continues to see Hinge as a \$1bn brand over the next few years.



# 4Q23 Actual results vs. estimates

## Exhibit 1: Match Group (MTCH) 4Q23 actuals vs. estimates

Match was slightly below our estimates on revenues but above on EBITDA

	4Q23		
	Act	Est	Diff
Direct	850,757	847,371	3,386
% y/y	10%	10%	0%
Indirect	15,471	14,391	1,080
% y/y	3%	-4%	7%
<b>Net Revenue</b>	<b>\$866,228</b>	<b>\$861,762</b>	<b>\$4,466</b>
% y/y	10%	10%	1%
Cost of Revenue (ex SBC)	206,689	258,529	(51,840)
as % Revenue	24%	30%	-6%
Gross Profit	659,539	603,234	56,305
% Margin	76%	70%	6%
<b>Operating expenses:</b>			
S&M	156,013	148,223	7,790
as % Revenue	18%	17%	1%
G&A	78,762	81,006	(2,244)
as % Revenue	9%	9%	0%
R&D	63,168	64,632	(1,464)
as % Revenue	7%	8%	0%
D&A	33,190	25,853	7,337
as % Revenue	4%	3%	1%
Total Operating expenses	399,287	379,270	20,017
<b>Operating Income</b>	<b>260,252</b>	<b>223,964</b>	<b>36,288</b>
% Margin	30%	26%	4%
Interest Expense	35,371	35,880	(509)
Income before Taxes	224,881	188,084	36,797
Income Taxes	(4,799)	43,259	(48,058)
% Tax Rate	-2%	23%	-25%
<b>Net Income</b>	<b>229,680</b>	<b>144,825</b>	<b>84,855</b>
EPS - Adj Basic (GAAP)	\$0.85	\$0.53	\$0.32
EPS - Adj Diluted (GAAP)	\$0.80	\$0.50	\$0.30
Shares Outstanding - Basic	270,576	273,240	(2,664)
Shares Outstanding - Diluted	288,205	290,397	(2,192)
<b>EBITDA</b>			
Operating Income (Loss)	260,252	223,964	36,288
D&A	33,190	25,853	7,337
Total Stock-Based Comp	68,154	59,556	8,598
Acquisitions	0	0	0
<b>Adj. EBITDA (ex SBC)</b>	<b>361,596</b>	<b>309,373</b>	<b>52,223</b>
% Margin	41.7%	35.9%	5.8%
<b>Key Metrics</b>			
Total Payers	15,186	15,411	(225)
% Y/Y	-5%	-4%	-1%
Total Revenue per Payer	\$18.75	\$18.328	\$0.43
% Y/Y	17%	15%	3%
FCF	\$258,727	\$197,124	61,603

Source: BofA Global Research Estimates, Company Financials

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# Estimate changes

## Exhibit 2: BofA MTCH estimate adjustments

Estimate changes for 2024-2025

	1Q24			2Q24			2024			2025		
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Direct Revenue	845,272	851,978	(6,707)	871,694	873,311	(1,616)	3,566,759	3,567,251	(491)	3,910,906	3,911,632	(726)
% y/y	9%	10%	-1%	7%	7%	0%	8%	8%	0%	10%	10%	0%
Indirect Revenue	14,094	13,677	416	14,534	14,200	334	59,952	59,257	694	66,140	66,145	(5)
% y/y	11%	8%	3%	8%	6%	2%	6%	7%	-1%	10%	12%	-1%
<b>Net Revenue</b>	<b>\$859,365</b>	<b>\$865,656</b>	<b>(\$6,290)</b>	<b>\$886,229</b>	<b>\$887,511</b>	<b>(\$1,282)</b>	<b>\$3,626,711</b>	<b>\$3,626,508</b>	<b>\$203</b>	<b>\$3,977,046</b>	<b>\$3,977,777</b>	<b>(\$731)</b>
% y/y	9%	10%	-1%	7%	7%	0%	8%	8%	0%	10%	10%	0%
Cost of Revenue	259,528	259,697	(168)	263,653	266,253	(2,600)	1,082,814	1,087,952	(5,139)	1,183,171	1,193,333	(10,162)
Gross Profit	599,837	605,959	(6,122)	622,576	621,258	1,318	2,543,898	2,538,556	5,342	2,793,875	2,784,444	9,431
% Margin	69.8%	70.0%	-0.2%	70.3%	70.0%	0.3%	70.1%	70.0%	0.1%	70.3%	70.0%	0.3%
<b>Operating expenses:</b>												
S&M	165,858	151,490	14,368	143,569	148,214	(4,645)	625,454	624,732	723	668,226	668,338	(112)
G&A	82,499	82,237	262	81,533	82,539	(1,005)	327,898	329,863	(1,965)	347,104	345,311	1,793
R&D	76,484	65,790	10,694	65,581	66,563	(982)	273,719	267,234	6,485	286,060	281,155	4,906
D&A	24,922	25,104	(182)	25,701	25,738	(37)	105,175	105,169	6	115,334	115,356	(21)
Total Operating expenses	414,325	368,184	46,141	387,021	385,691	1,330	1,616,345	1,558,498	57,847	1,708,824	1,649,660	59,164
<b>Operating Income (GAAP)</b>	<b>185,512</b>	<b>237,775</b>	<b>(52,263)</b>	<b>235,555</b>	<b>235,567</b>	<b>(12)</b>	<b>927,552</b>	<b>980,057</b>	<b>(52,505)</b>	<b>1,085,051</b>	<b>1,134,784</b>	<b>(49,733)</b>
Interest Expense	35,414	35,380	34	35,414	35,380	34	141,656	141,020	636	141,656	137,020	4,636
Income before Taxes	150,098	202,395	(52,297)	200,141	200,187	(46)	785,896	839,037	(53,141)	943,395	997,764	(54,369)
Income Taxes	30,020	46,551	(16,531)	40,028	46,043	(6,015)	157,179	192,979	(35,799)	216,981	229,486	(12,505)
% Tax Rate	20%	23%	-3%	20%	23%	-3%	20%	23%	-3%	23%	23%	0%
<b>Net Income</b>	<b>120,079</b>	<b>155,844</b>	<b>(35,766)</b>	<b>160,113</b>	<b>154,144</b>	<b>5,969</b>	<b>628,717</b>	<b>646,059</b>	<b>(17,341)</b>	<b>726,414</b>	<b>768,278</b>	<b>(41,864)</b>
EPS - Adj Basic	\$0.44	\$0.57	(\$0.13)	\$0.59	\$0.57	\$0.03	\$2.33	\$2.38	(\$0.05)	\$2.75	\$2.87	(\$0.13)
EPS - Adj Diluted	\$0.41	\$0.54	(\$0.12)	\$0.56	\$0.53	\$0.02	\$2.19	\$2.24	(\$0.04)	\$2.58	\$2.70	(\$0.12)
Shares Outstanding - Basic	273,489	274,137	(648)	270,742	272,452	(1,709)	269,669	271,791	(2,122)	264,503	267,439	(2,937)
Shares Outstanding - Diluted	290,750	291,280	(530)	288,004	289,595	(1,591)	286,930	288,935	(2,004)	281,764	284,583	(2,819)
<b>EBITDA</b>												
Operating Income (Loss) GAAP	185,512	237,775	(52,263)	235,555	235,567	(12)	927,552	980,057	(52,505)	1,085,051	1,134,784	(49,733)
D&A	24,922	25,104	(182)	25,701	25,738	(37)	105,175	105,169	6	115,334	115,356	(21)
Total Stock-Based Comp	64,563	43,563	21,000	70,637	62,637	8,000	284,099	231,501	52,598	292,099	239,501	52,598
Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
<b>EBITDA (ex SBC)</b>	<b>274,997</b>	<b>306,442</b>	<b>(31,445)</b>	<b>331,893</b>	<b>323,942</b>	<b>7,951</b>	<b>1,316,826</b>	<b>1,316,727</b>	<b>99</b>	<b>1,492,484</b>	<b>1,489,640</b>	<b>2,844</b>
% Margin	32.0%	35.4%	-3.4%	37.5%	36.5%	1.0%	36.3%	36.3%	0.0%	37.5%	37.4%	0.1%

Source: BofA Global Research Estimates

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## 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
<b>BUY</b>				
	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
<b>NEUTRAL</b>				
	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
<b>UNDERPERFORM</b>				
	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

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**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

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**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**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**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  
Basic EBIT + Depreciation + Amortization

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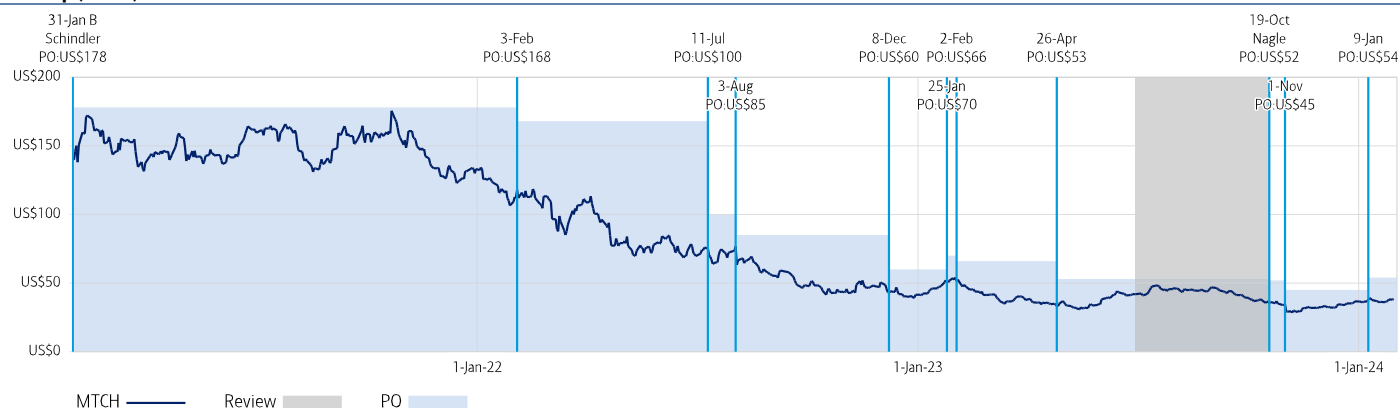
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### Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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