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# FAC,IITK

## Acquisition Considerations

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# Executive Summary (Bumble)

Acquisition will establish Meta's leading presence in the online dating industry, directly competing with Match Group

## Strategic Summary

The acquisition strategically enhances Meta's ecosystem and solidifies its leadership .

### Rationale for acquisition of Bumble by Meta :

- Significant Revenue and Cost Synergy Potential
- Diversify Revenue streams and decrease Business Risk
- Attractive Time to Acquire given Bumble's Market Performance
- Enhanced Algorithm and Metaverse Experience

## Financial Summary

Realistic and reasonable offer for Bumble

- **Premium** : At \$11 per share with a premium of 30%. Total acquisition cost: \$1.73 billion (157 million shares outstanding).
- **Transaction Financing** : 100% Cash Deal . Fully funded through Meta's \$44.40 billion cash reserves, utilizing 3.89% of available cash. No external debt or equity issuance, ensuring no dilution to Meta shareholders.

## Considerations Summary

Risks and mitigants and strategic alternatives

### Risks

- **User Retention:** Potential user backlash due to integration with Meta's platforms.
- **Cultural Misalignment:** Challenges in aligning Bumble's brand identity with Meta's ecosystem.
- **Regulatory Scrutiny:** Increased oversight due to Meta's dominant market position in social platforms.

### Mitigants

- **Enhanced User Engagement:** Meta's platform scale can drive significant user growth and retention.
- **Brand Autonomy:** Maintain Bumble as a standalone brand to preserve its culture and loyal user base.
- **Proven Integration Strategy:** Meta's successful acquisitions (e.g., Instagram, WhatsApp) demonstrate its ability to navigate regulatory scrutiny and extract value.

The Acquisition of Bumble by Meta Will Generate Significant Synergies, Positioning the Combined Entity to Solidify Its Leading Position the online dating and social media industry , and Drive Growth in Emerging Markets .

# Competitive Landscape

Bumble Competes in the Online Dating Industry



	<b>Bumble Inc.</b>	<b>Match Group</b>	<b>Kakao</b>	<b>Hello Group</b>
<b>Main Areas</b>	Women-focused networking	AI –based interactions	Messaging and Communication	Social Networking and Dating Services
<b>Key Brands</b>	Bumble Badoo Fruitz Official	Tinder Hinge OkCupid PlentyOfFish	Kakao Talk Kakao Entertainment Kakao Games	Momo Tantan SoulChill TieTie
<b>Geography</b>	North America (70%) International (30%)	North America (50%) International (50%)	South Korea (97%) International (3%)	Predominantly in China Has a presence in Hongkong, Singapore, and Japan
<b>Headquarters</b>	Austin, Texas, US	Dallas, Texas, US	Jeju, South Korea	Beijing, China
<b>Recent Events</b>	Acquired Geneva	Acquired HyperConnect	Acquired SM Entertainment	Acquired Tantan
<b>ESG Score</b>	<b>23.3</b>	<b>16.7</b>	<b>20.9</b>	<b>25.3</b>

Bumble is currently relatively smaller in the global dating industry and therefore needs to take strategic actions to gain market share

# Industry – Statistics (Online dating space)

## Industry Overview

### Industry Characteristics:

Total Debt/EBITDA	1-2
Total Debt/EV	<1
EBITDA margin	28-30%
EV/EBITDA	16-18x
Cash Ratio	1-1.5
Market share held by 5 major companies(in North America)	76.04%

### Regional analysis by revenue share:

North America	36%
Europe	20.04%
Asia(data for China and India)	20%
Latin America	7-10%
Africa and Middle-east	5-8%
Market share held by India,China,USA and Canada	39-44%

### Global Industry

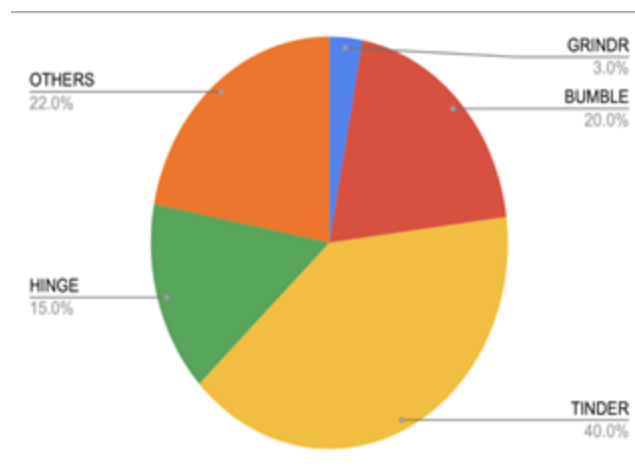
Total revenues	\$8.64bn
Forecasted 5-year revenue growth	7.6%

### Revenue Profile

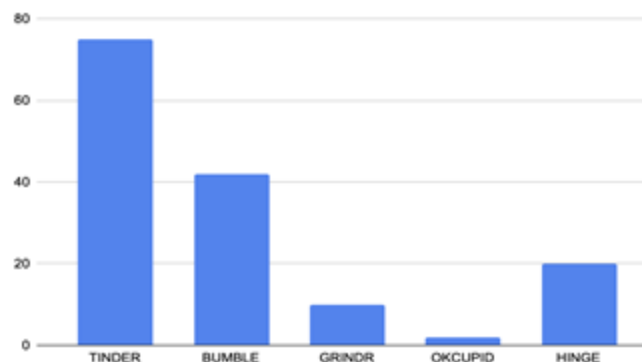
Covid-19 increased user engagement across all platforms. The social acceptance of online dating ever since, has lead to a steady increase in users ever since.

Resilience in revenue streams despite economic fluctuations, due to the freemium model and growing adoption of subscription-based features.

## Market share of the major companies by revenue:



## Total Users (in million)



Source: Grand Research View

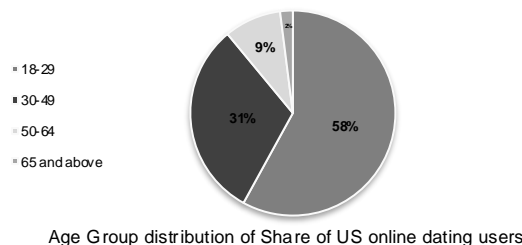
# Company – Overview

## Company Highlights

- History:** Founded in 2014 as Bumble by initial funding of \$10mn by MagicLabs (est. 2006).
- Valuation:** Bumble's market capitalisation is decreasing constantly and now it is at \$960.66 mm which is a decrement of nearly 52% from last year
- Strategy:** Empowering women with its unique 'women's first approach' by allowing women to message first in heterosexual matches.
- Corporate Finance Transactions:** was previously owned by MagicLabs; the majority of the shares were held by Blackstone in 2019; it released its IPO in Feb 2021 and started to buy back its shares.
- Ownership:** Blackstone (27.84%), Vanguard (9.84%), Blackrock (9.59%).

Content	Bumble In-App Net Revenue (e)
US	\$142.93 million
Germany	\$13.17 million
United Kingdom	\$11.77 million
Canada	\$9.94 million
Australia	\$7.95 million
France	\$4.3 million
Mexico	\$4 million
Switzerland	\$3.68 million
Netherlands	\$2.39 million

Revenue Mix	%	Gross FY24Q3(mm)
Badoo & others	19.5	\$53.4
Bumble	80.5	\$220.2

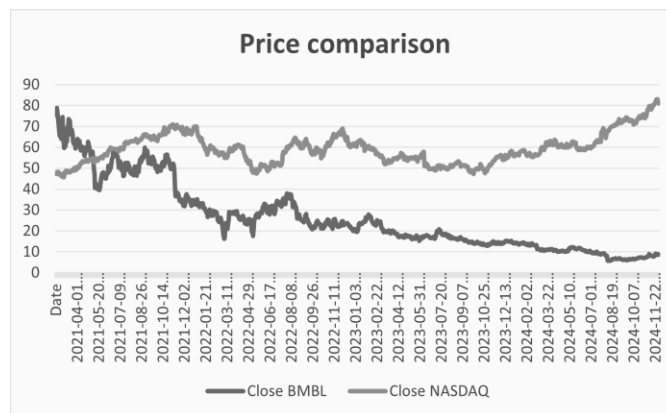


## Valuation & Share Performance

### Key Valuation Statistics (\$mm)

Enterprise Value	\$1.06B	Revenue (FY24Q3)	\$273.6
Market Cap	\$718.12	EBITDA (FY24Q3)	\$82.6
P/E	18.76	EBITDA Margin	30.2%
EV/EBITDA	5.27	Debt / EV	45.69%
Cash	\$252.1	Total Debt	\$618
Source: 2024 Q3 report			

Share Price Current: \$8.88 High/Low: \$75.4 / \$6.01

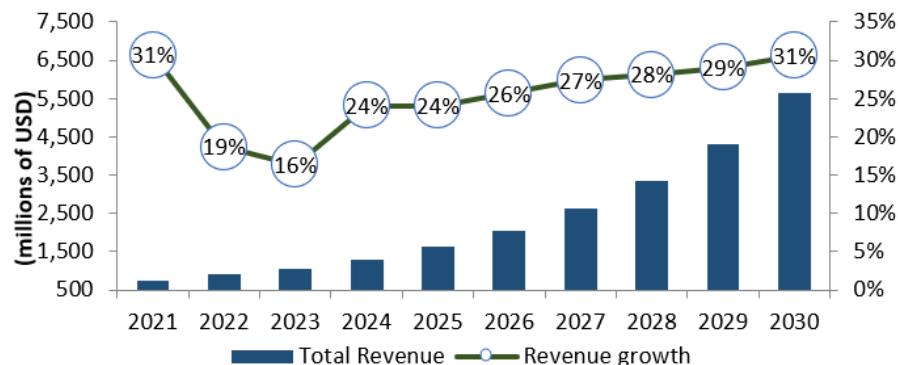


Revenue and EBITDA Forecast(mmn)	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	1052	1278	1562	1918	2384	2981	3751
Revenues Growth Rate	16.4%	21.5%	22.2%	22.8%	24.3%	25.0%	25.8%
EBITDA	228	104	62	97	164	245	256
EBITDA Margin	21.7%	8.2%	4.0%	5.1%	6.9%	8.2%	6.8%

# Company – Financial Forecast

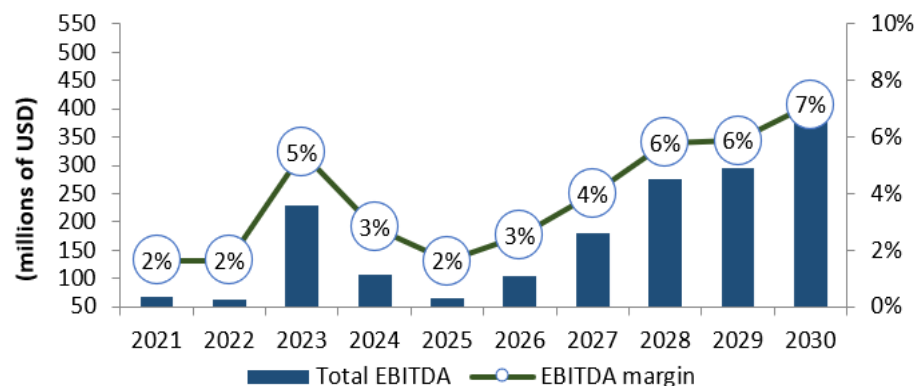
## Total Revenue and Growth

(Bumble Financial Forecast)



## Total EBITDA and Margin

(Bumble Financial Forecast)



## Trajectory

- **Significant growth in digital revenues:** Bumble has experienced substantial growth driven by digital subscription revenues, particularly from its core platforms like Bumble Date, BFF, and Bizz. However, challenges remain as Bumble navigates slower adoption or declining performance in legacy features or geographies.

## Positive Drivers

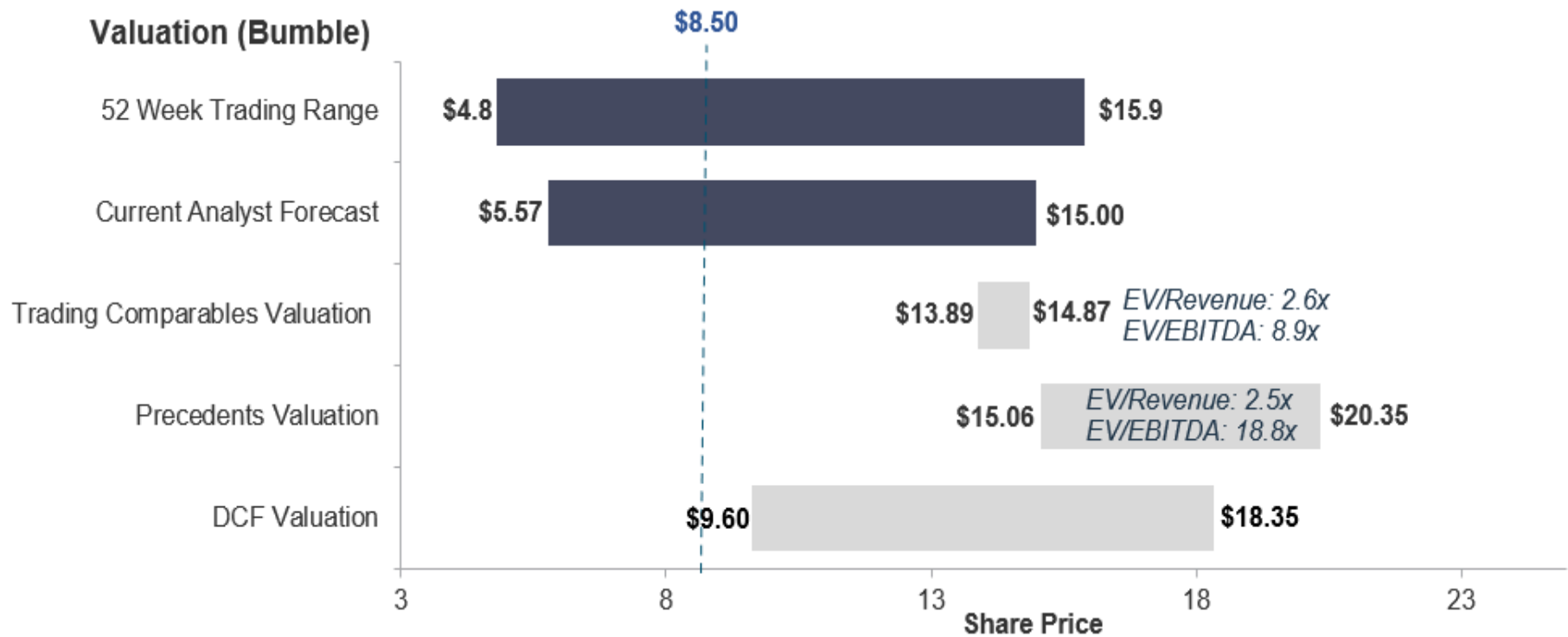
- **Cost Management:** Bumble's management has increasingly focused on cost-cutting measures, such as refining marketing expenditures through targeted campaigns and user acquisition strategies to improve margins.
- **Prioritization of Core Offerings:** Bumble focuses on optimizing its matchmaking platform and prioritizing resources for flagship features.
- **Growth in Online and Mobile Dating:** Bumble benefits from the continued rise in online and mobile dating adoption, particularly among younger demographics, where it holds a competitive advantage.
- **Integration of New Technologies:** Bumble leverages AI-based matching algorithms and deeper integrations with Apple and Google ecosystems to boost user growth and engagement.
- **Woman-Driven:** Bumble holds a strong position in the online dating market, especially appealing to women due to its unique "women-first" approach.

## Negative Drivers

- **Industry Competition:** Increasing competition from Match Group (Tinder, Hinge), new entrants, and niche apps poses challenges for Bumble to differentiate itself, maintain market share, and sustain pricing power.
- **Revenue Volatility:** Bumble's heavy reliance on premium subscriptions (Bumble Boost, Bumble Premium) creates volatile revenue streams, making it challenging for management to predict growth and allocate resources effectively.
- **Operational Expenses:** Higher costs associated with partnerships, app store fees (e.g., Apple and Google), and increased competition in paid marketing may weigh on margins and overall revenue growth.

# Valuation Football Field

















## Factors Affecting Bumble Stock Price



- **Peer Comparison:** Bumble is fairly valued compared to its peers, though peer valuations have declined in line with broader market trends in media and technology.
- **Stock Performance:** Bumble is trading near the lower end of its two-year range, driven by sector-wide weakness and declines in broader market performance.
- **Analyst Forecasts:** One-year projections indicate a slightly bearish trend, with a forecasted price range of \$5.75 to \$10.00, signaling limited upside potential.
- **Current Valuation:** Trading approximately 4.42% above its forecasted price, Bumble may be slightly overvalued, suggesting this is an opportune time to hold the stock.

# Overview of Strategic Alternatives Available to Bumble

## Meta acquires Bumble

Possible Initiatives	Overview	Improved Growth Prospects	Increase Profitability	Likelihood of Approvals	Riskiness of Implementation
<b>Status Quo- Make no Acquisitions</b>	<ul style="list-style-type: none"> <li><b>No Acquisition:</b> Bumble continues price competition with Match Group.</li> <li><b>Impact:</b> Revenue stays below potential, and debt levels rise.</li> </ul>				
<b>Restructuring</b>	<ul style="list-style-type: none"> <li><b>Cost Optimization:</b> Restructuring reduces expenses to boost profitability.</li> <li><b>Operational Efficiency:</b> Enhances margins while maintaining core operations.</li> </ul>				
<b>Strategic Initiatives</b>	<ul style="list-style-type: none"> <li><b>New Features:</b> Enhance customer retention through feature innovation.</li> <li><b>Management Restructuring:</b> Align employee feedback with organizational goals.</li> </ul>				
<b>Sell to Meta</b>	<ul style="list-style-type: none"> <li>Significant cost and revenue synergies through reduced marketing expenses(marketing through Facebook ads) and sharing of data centers.</li> <li>Expanding of user base and integrating with Instagram.</li> </ul>				

### Bumble

- Focus on authentic relationships and safe dating
- Strength in women first platform dynamics

### Meta

- Global leader in social networking and technology
- Advanced capabilities in AI, advertising and monetization

**Bumble's Sale to Meta Will Create a Global Social Networking Powerhouse, Enabling Unprecedented Synergies Between Dating, Community Building, and Social Connectivity.**



# Summary of Rationale for Sale to Meta

Meta's acquisition of Bumble aims to establish a leading presence in the online dating industry, directly competing with Match Group

## 1 Significant Revenue and Cost Synergy Potential

- **Revenue:** Geographic expansion, leverage Meta's humongous user base, build inter app connectivity with Instagram
- **Cost:** Decrease in marketing, tech infrastructure cost through using Meta's plentiful resources

## 2 Diversify Revenue streams and decrease Business Risk

- By acquiring Bumble, Meta can add another revenue stream as well test out Bumble's freemium model for its other offerings.
- This strategic expansion aligns with Meta's broader mission of connecting people while capturing users across various stages of their social lives.

## 3 Attractive Time to Acquire given Bumble's Market Performance

- Bumble stock prices are trading near its book value.
- Meta with a Debt to equity ratio of 0.3x and 21.85 Billion Dollars in net cash is in a healthy condition to acquire Bumble.

## 4 Enhanced Algorithm and Metaverse Experience

- **AI Integration:** Bumble's user data and behavior insights can help Meta further refine its AI algorithms and advertising targeting capabilities.
- Improving personalization across Meta's platforms while enhancing Bumble's matchmaking processes.

**By joining Meta, Bumble can realize a valuation uplift driven by enhanced profitability, reduced marketing expenses, and advanced AI integration.**

# Acquisition Considerations and Mitigants

Relatively Limited Downside With Bumble Acquisition Given Strong Strategic Rationale

## Acquisition Considerations

- A** User backlash due to integration with Meta platforms.
- B** Cultural misalignment risks between Bumble and Meta.
- C** Valuation concerns amid Bumble's recent performance.
- D** Risk of overlapping user base across Meta's platforms.
- E** Regulatory scrutiny due to Meta's market dominance.

## Mitigants

- A** Bumble will retain brand autonomy as a standalone entity to preserve user trust and brand loyalty.
- B** Meta's proven track record of seamlessly integrating acquisitions (e.g., Instagram, WhatsApp) ensures smooth alignment.
- C** The \$11/share cash offer reflects a fair premium based on intrinsic DCF valuation and market comparables.
- D** Synergies will enhance platform differentiation and create new monetization opportunities without cannibalization.
- E** Meta's success with prior acquisitions and favorable antitrust precedents reduce regulatory challenges.

Key Insight: The acquisition strengthens Meta's revenue diversification, preserves Bumble's value proposition, and unlocks meaningful synergies while mitigating associated risks.

# Transaction Overview

Meta acquires Bumble Inc at a premium of 30%

## Acquisition Financing Overview

### 1.Transaction Structure:

- **100% Cash Deal** at **\$11 per share** with a premium of **30%**. (Share price as of 15 November 2024)
- Total acquisition cost: **\$1.73 billion** (157 million shares outstanding).

### 2. Financing Source:

- Fully funded through Meta's **\$44.4 billion cash reserves**, utilizing **3.89%** of available cash.
- No external debt or equity issuance, ensuring no dilution to Meta shareholders.

### 3. Post-Acquisition Impact:

- **Bumble** will become a **wholly-owned subsidiary** of Meta.
- Bumble shares will be **delisted** from public markets.
- Bumble shareholders will receive **\$11 per share** in cash upon transaction close.

## Key Improvements

### • EBITDA Margins:

Projected to increase by **2.86x**.

### • EBITDA Growth:

Average improvement of **2.45x** over 5 years.

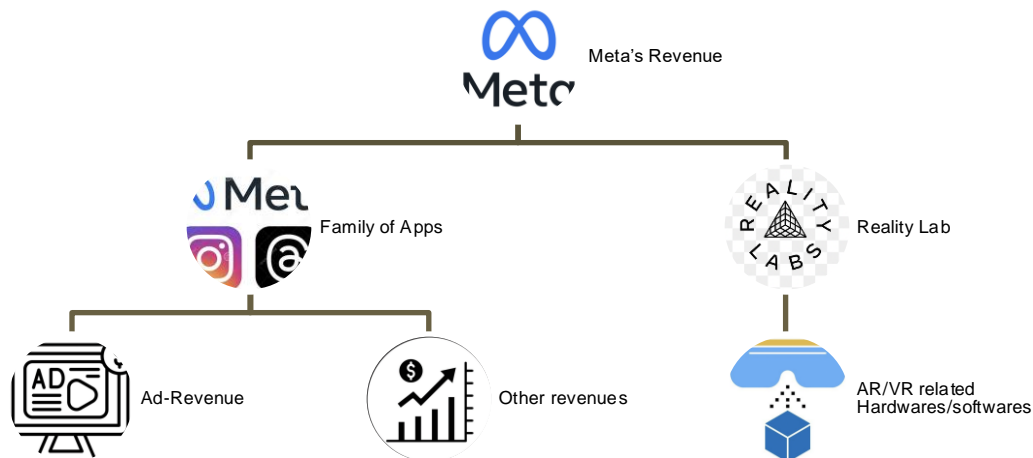
Pre-Synergies		(Numbers in US \$mm)					
Year	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenue	1052.0	1278.0	1562.0	1918.0	2384.0	2981.0	3751.0
Cost of Sales	308.0	364.0	460.0	577.0	727.0	917.0	1183.0
Marketing	270.0	326.0	388.0	460.0	553.0	678.0	825.0
G&A	222.0	400.0	540.0	634.0	765.0	918.0	1214.0
Product Dev	131.0	159.0	204.0	262.0	315.0	397.0	493.0
EBITDA	228.0	104.0	62.0	97.0	164.0	245.0	256.0
Post-Synergies							
Revenue		1469.7	1796.3	2205.7	2741.6	3428.1	4313.7
Cost of Sales		345.8	437.0	548.2	690.7	871.2	1123.9
Marketing		293.4	349.2	414.0	497.7	610.2	742.5
G&A		388.0	523.8	615.0	742.1	890.5	1177.6
Product Dev		147.9	189.7	243.7	293.0	369.2	458.5
EBITDA		294.6	296.6	384.9	518.3	687.1	811.2
EBITDA Improvement (%)		183.3	378.4	296.8	216.0	180.5	216.9

## Synergy Assumptions

1. **Revenue Synergies: 15%** growth from integrating Bumble's monetization model across Meta's platforms.
2. **COGS: 5%** reduction via Meta's infrastructure optimization.
3. **Marketing: 10%** savings through shared channels and lower acquisition costs.
4. **G&A: 3%** savings from streamlined operations.
5. **Product Development: 7%** improvement through shared R&D efficiencies.

# Revenue Diversification of Meta

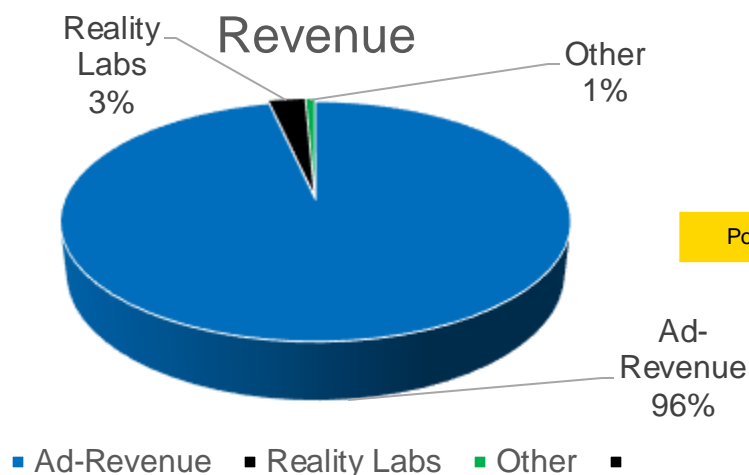
## Strategic Revenue Diversification: Reducing Ad Dependence Through Bumble's Subscription Model



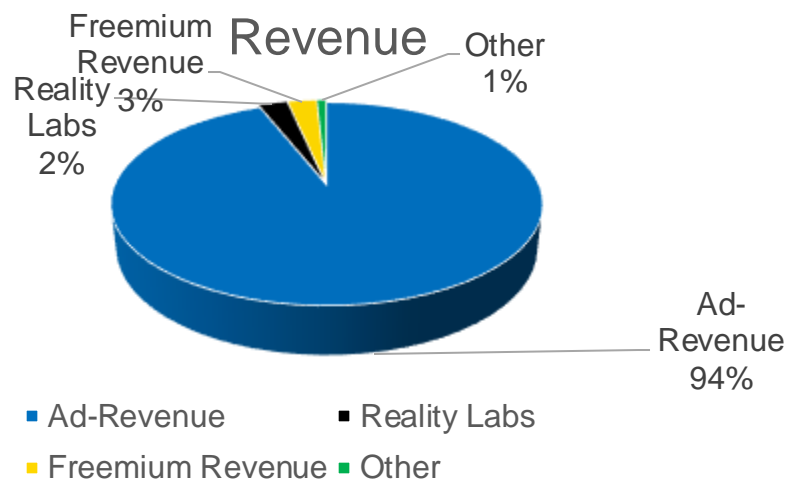
### KEY INSIGHTS:

- **Strategic Impact:** Bumble's subscription revenue will contribute ~\$200M annually, driving revenue growth and reducing Meta's advertising reliance by 10% over 5 years.

- Post-acquisition, Bumble's subscription model will **diversify** Meta's revenue streams, **reducing reliance** on advertising revenue (currently 97.8%)

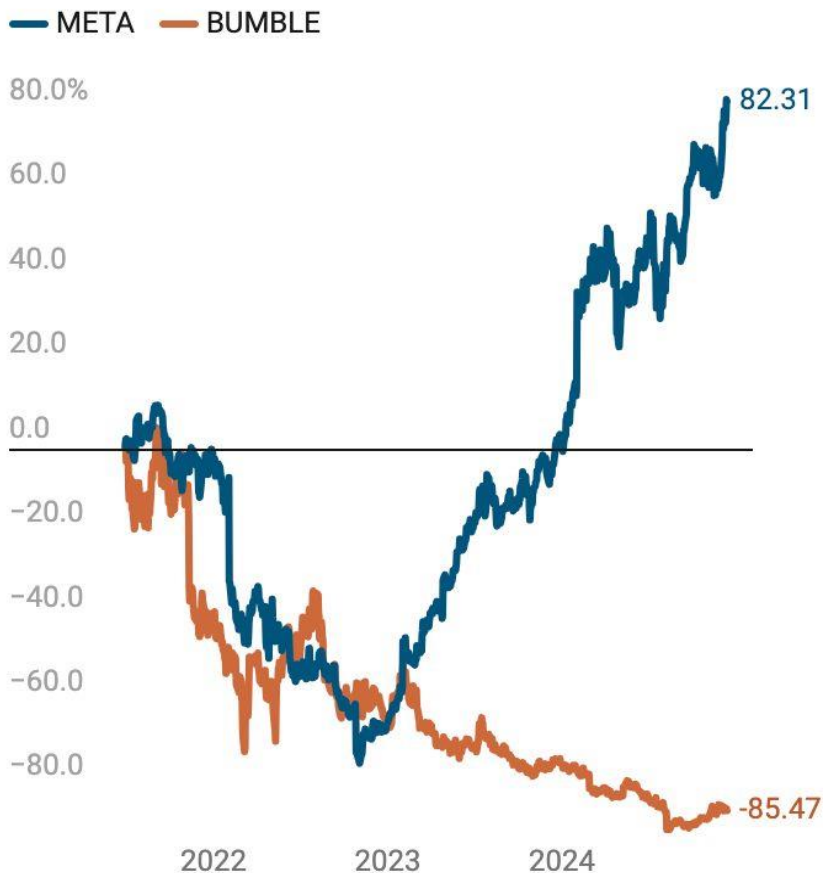


Post Acquisition



# Attractive Time To Acquire

Bumble Is Trading Near its Book Value Creating A Unique Opportunity for Meta to Expand its Presence in the Dating Industry.



## Financial Stability and Ample Cash Give Meta Capacity to Acquire

### 1 Bumble is trading close to its book value

Bumble is Trading at a premium of only 9% to its Book Value .

**\$8.27** Share Price

**\$7.57** Book Value per Share

### 2 Ample Cash Balance and Low Debt Levels

Meta would be able to acquire Bumble easily given their healthy financials.

**\$21.85B** Net Cash Balance

**0.3x** Debt/Equity Ratio

### 3 Meta is Financially Healthy

Meta is no Financial Distress given its high Altman Z-Score

**9.55** Altman Z-score

Bumble can benefit from integrating itself into Meta's Family of Apps

# Technological Improvements, Algorithm Enhancements, and Metaverse Synergies

## For Bumble

## For Meta Platforms

### 1 AI Algorithm

- **Personalized Matching:** Meta's advanced AI improves match accuracy using behavioral data, reducing churn rates.
- **Deception Detector:** Introduced in February 2024, Bumble's machine learning model blocks up to 95% of fake profiles, boosting user trust and safety.

- **AI-Driven Advertising:** Bumble's user data enhances ad targeting for travel, events, and experiences.
- **Cross-Platform Personalization:** Bumble insights optimize user recommendations across Instagram and Facebook.

### 2 Metaverse Integration

- **Virtual Dating Spaces:** Immersive 3D date experiences in Meta's Metaverse .
- **Avatar-Based Interactions:** Bumble users interact via avatars, reducing dating anxiety.

- **Scaling Virtual Connections:** Expands Metaverse into social and dating spaces.
- **Quest 3s** merges AI and Virtual Reality for Immersive User Experiences

### 3 Feature Improvement

- **Advanced Chat/Video:** Meta's real-time communication tools enable smoother video calls and chats.
- **AR Filters:** Introduce AR-enhanced photos, filters, and profile personalization.

- **Data Synergy:** Bumble's user data improves Instagram and Facebook algorithms, driving better engagement.
- **Monetization Boost:** Bumble's freemium model enhances Meta's monetization strategies and user retention via integrated dating features.

This acquisition enhances Bumble's platform with Meta's cutting-edge technology, exponentially scales its user reach, and reduces costs—transforming it into a market-leading, tech-enabled dating platform.

# Conclusion

Recommendation to Sell Bumble to Meta and Engage Team FAC, IITK as Advisors



## WHY HIRE FAC IITK

### Expertise in M&A

- Proven expertise in synergy implementation, revenue diversification strategies, and post-acquisition integration.
- Comprehensive expertise in Meta's acquisition strategy, coupled with the capability to drive seamless negotiations while safeguarding Bumble's autonomy as an independent brand.

### Technology Focused

- Strong domain knowledge in AI, social platforms, and subscription-based models.
- Demonstrated expertise in applying advanced financial technologies and AI-driven analytics to enhance transaction efficiency and deliver strategic insights.

### Strategic Valuation

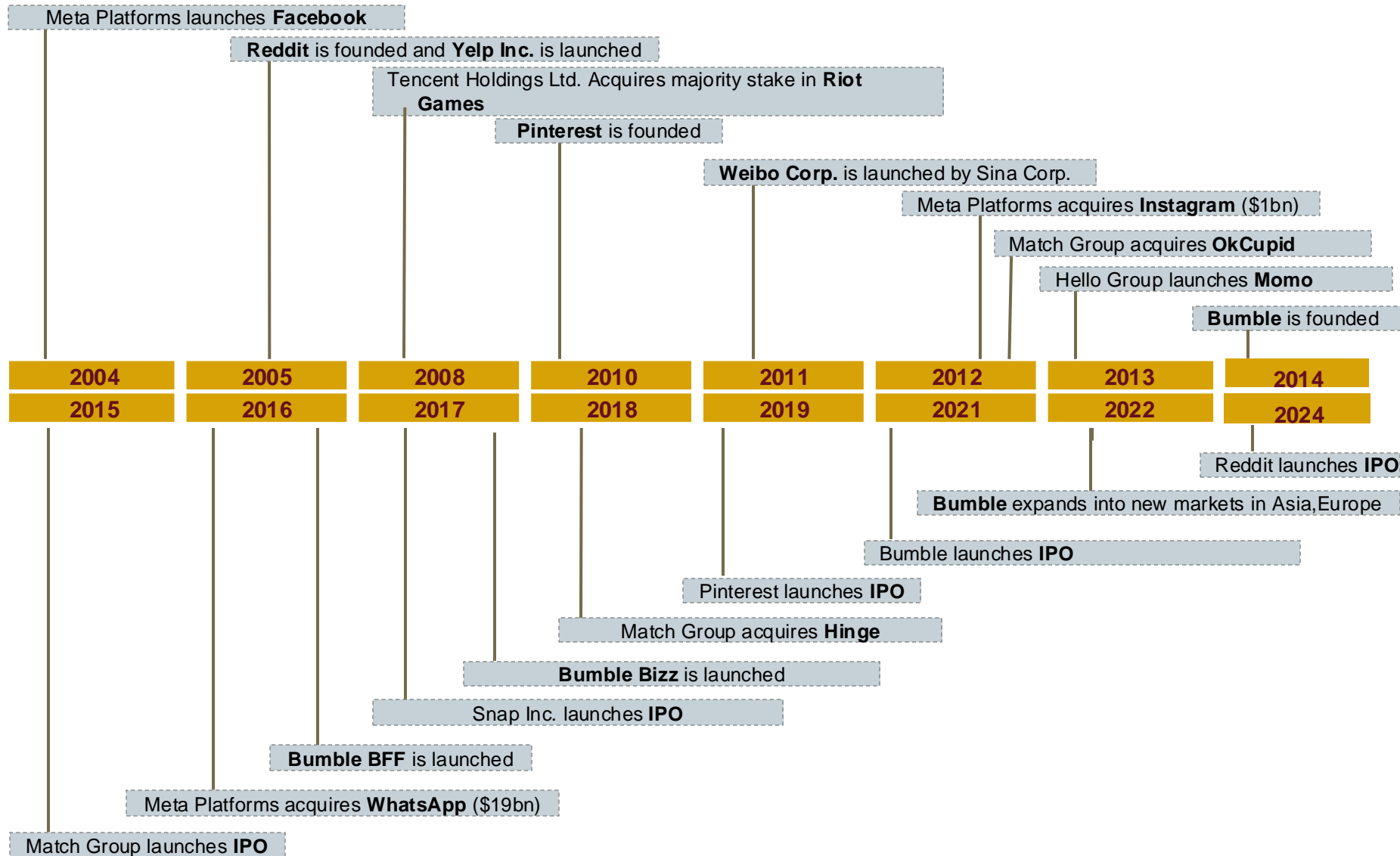
- Objective, conflict-free advisory to maximize shareholder value through a 100% cash deal at \$11/share.
- Robust valuation approach with a focus on DCF, market comparables, and precedent transactions.

Team FAC, IITK brings unparalleled technical expertise, strategic acumen, and a professional advisory approach, positioning us as the ideal partner to steer this transaction and deliver exceptional value to Bumble's stakeholders.

# APPENDIX









# Industry – Timeline (Online Dating and Social Media Industry)



# Business Models

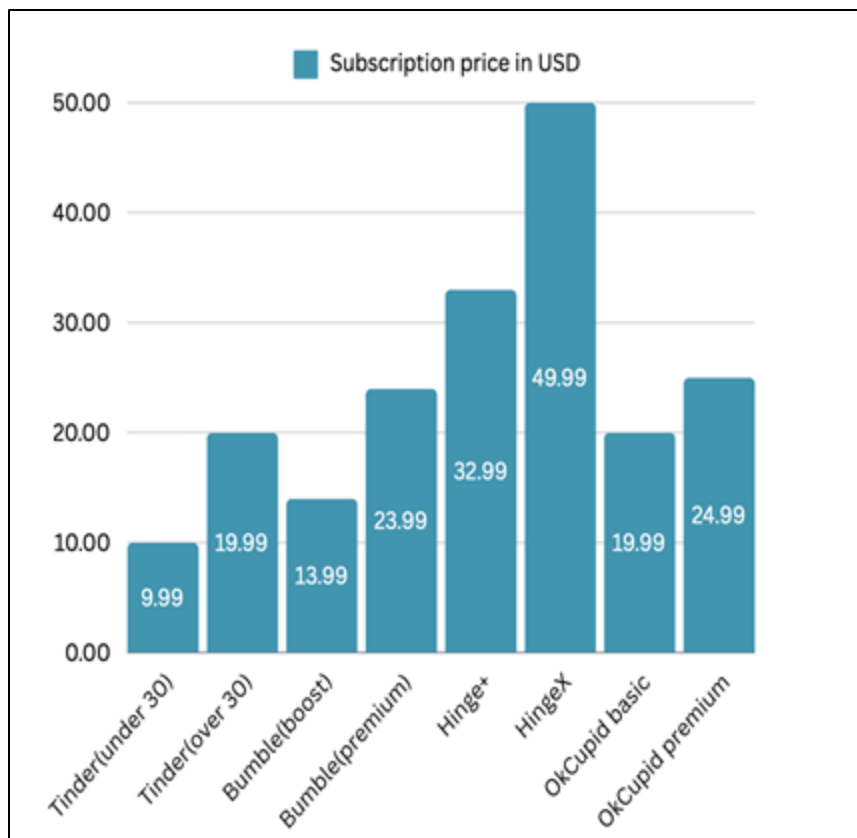
Each major player has focus on particular areas and channels with fairly significant variation in EBITDA margin; Bumble's cost structure has become more efficient with improvements in operational expenses, but its international revenue growth is challenged by lower monetization rates.

## Business Model

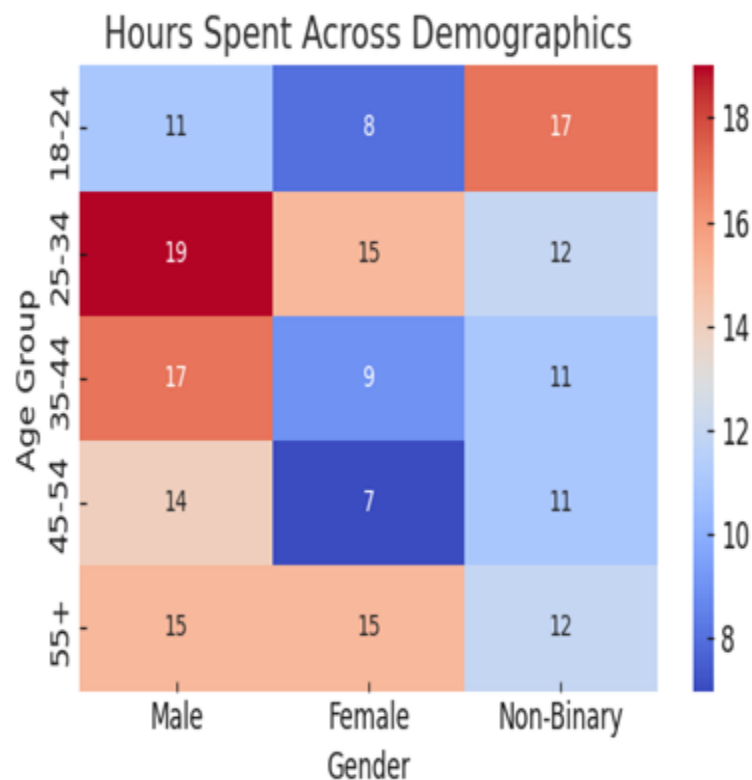
Company	LTM Revenues / EBITDA	Strategy	Main Areas	Geography (Revenue)
 Meta	\$156.5bn / \$79.1bn (61%)	<ul style="list-style-type: none"> <li>■ <b>Strategy:</b> Meta is diversifying from social media dominance into emerging technologies like the metaverse, AI-driven advertising, and VR/AR devices.</li> <li>■ <b>Strength:</b> Global scale with a massive daily active user base (over 3 billion). Advanced advertising tools and AI personalization drive high ROI for advertisers.</li> <li>■ <b>Weakness:</b> Heavy dependence on ad revenue (97% of total). Rising costs in developing the metaverse and regulatory pressures related to data privacy and monopolistic behavior.</li> </ul>	<ul style="list-style-type: none"> <li>■ Social networking, virtual reality.</li> <li>■ Instagram, WhatsApp, Oculus VR.</li> </ul>	<ul style="list-style-type: none"> <li>■ North America (43%)</li> <li>■ Europe (23%)</li> <li>■ Asia Pacific (21%)</li> <li>■ Other (13%)</li> </ul>
 MatchGroup	\$3.5bn / \$990m (37%)	<ul style="list-style-type: none"> <li>■ <b>Strategy:</b> Operates a portfolio of dating apps (Tinder, Hinge, Ok Cupid) to target diverse demographics globally, leveraging subscription models and premium features for monetization.</li> <li>■ <b>Strength:</b> Leadership in online dating, with Tinder being the most downloaded dating app globally. High user engagement and willingness to pay for premium features.</li> <li>■ <b>Weakness:</b> Dependence on North American markets and challenges in entering highly regulated or culturally resistant markets like China.</li> </ul>	<ul style="list-style-type: none"> <li>■ Online dating and AI-based interactions.</li> <li>■ Tinder, Hinge, Plenty of Fish, Hyper connect</li> </ul>	<ul style="list-style-type: none"> <li>■ North America (50%)</li> <li>■ International (50%)</li> </ul>
 Snap Inc.	\$5.23bn / \$-768m (11%)	<ul style="list-style-type: none"> <li>■ <b>Strategy:</b> Aims to enhance user engagement through AR/VR innovation, Snap Map, and ephemeral content while monetizing via ads and partnerships.</li> <li>■ <b>Strength:</b> Pioneering AR capabilities and a loyal Gen Z user base.</li> <li>■ <b>Weakness:</b> Struggles to achieve profitability due to intense competition from larger platforms.</li> </ul>	<ul style="list-style-type: none"> <li>■ Social media, and content creation.</li> <li>■ Bitmoji, Wave Optics</li> </ul>	<ul style="list-style-type: none"> <li>■ North America (69%)</li> <li>■ Europe (19%)</li> <li>■ Other (12%)</li> </ul>
 Pinterest	\$3.5bn / \$177m (28%)	<ul style="list-style-type: none"> <li>■ <b>Strategy:</b> A visual discovery engine for inspiration, Pinterest monetizes through e-commerce partnerships, shoppable pins, and targeted ads.</li> <li>■ <b>Strength:</b> Highly engaged female user base and strong alignment with e-commerce trends.</li> <li>■ <b>Weakness:</b> User growth slowing and struggles to compete against platforms with more robust video and social features like TikTok.</li> </ul>	<ul style="list-style-type: none"> <li>■ Visual content curation, e-commerce.</li> <li>■ Instapaper, VSCO's Team, The Yes</li> </ul>	<ul style="list-style-type: none"> <li>■ North America (82%)</li> <li>■ Europe (10%)</li> <li>■ Other (8%)</li> </ul>
 reddit	\$1.12bn / -\$596m (26%)	<ul style="list-style-type: none"> <li>■ <b>Strategy:</b> Focuses on niche, highly engaged communities ("subreddits").</li> <li>■ <b>Strength:</b> Deeply engaged user base driven by user-generated content.</li> <li>■ <b>Weakness:</b> Content moderation remains a significant challenge, impacting brand safety.</li> </ul>	<ul style="list-style-type: none"> <li>■ Social news aggregation, community forums</li> <li>■ Dubsmash, Alien Blue, Spell</li> </ul>	<ul style="list-style-type: none"> <li>■ North America (83%)</li> <li>■ International (17%)</li> </ul>
 bumble	\$1.1bn / \$190m (0.3%)	<ul style="list-style-type: none"> <li>■ <b>Strategy:</b> Differentiates by positioning itself as a women-first platform in online dating, while expanding into adjacent areas like friendship (Bumble BFF) and professional networking (Bumble Bizz).</li> <li>■ <b>Strength:</b> Unique approach empowers women, creating brand loyalty.</li> <li>■ <b>Weakness:</b> Faces competition from established players like Tinder and new entrants globally.</li> </ul>	<ul style="list-style-type: none"> <li>■ Online dating, women-focused networking</li> <li>■ Badoo, Chappy, Fruitz</li> </ul>	<ul style="list-style-type: none"> <li>■ North America (70%)</li> <li>■ International (30%)</li> </ul>

# Industry-Statistics(Online Dating space)

## Subscription price comparison



## Demographic heat-map on dating sites



# Industry – Overview(Online Dating space)

## Financial Aspects:

Revenue : As much as 62% of the total revenue in this industry comes from premium subscriptions. The remaining 38% is from other segments like advertisements. The average revenue per user (ARPU) varies geographically from between \$2 to \$10.

### Expenditure:

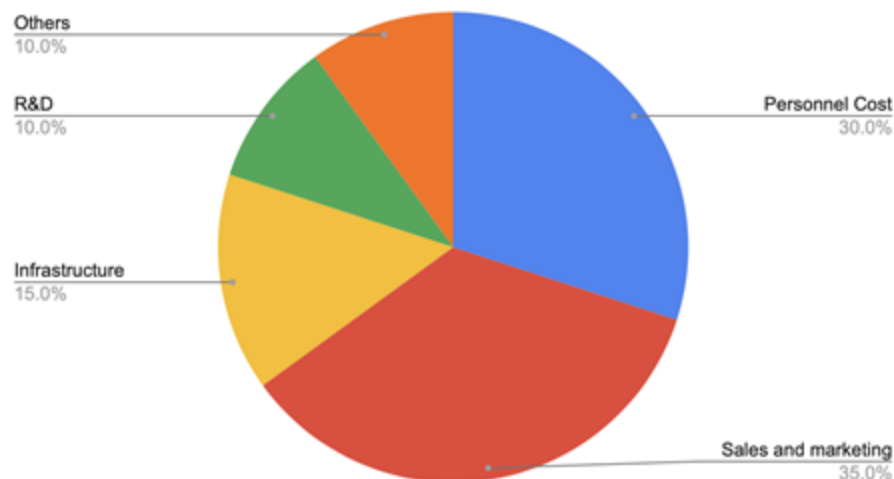
1. **Personnel cost** (Salary paid to staff) is almost **30%** of the total revenue.
2. **Total Sales and marketing cost** is as high as **35%**.
3. **Services and infrastructure cost** i.e the cost for database management, using cloud hosting services etc accounts for roughly **10-15%** of the total revenue cost on average.
4. Cost of **Research and Development** is around **10%**
5. Other expenses like **General administration and Legal and compliance** account for the remaining **5-10%**.

## Projected growth

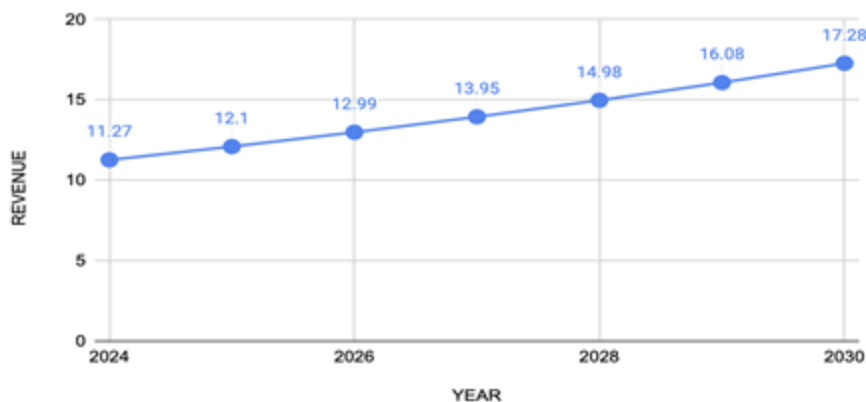
The industry has grown consistently at about **8-9%** on an average in the past.

It is expected to grow at 7.34% CAGR till 2030 reaching **\$17.28 billion**.

Costs as a percentage of revenue



REVENUE vs YEAR



# Competitors – Financial Overview

## (Online Dating and Social Media Industry)

Business Model		Regional Revenue		
Revenue Segments		N. America	Europe	Others
Meta	Advertising and Non-advertising including VR hardware	\$77,546.2	\$41,478	\$61,315
Match Group	Subscription revenue and In-app purchases	\$1,778.5	\$1,778.5	
Snap	Advertising and AR commerce tools	\$4,049.61	\$1,115.1	\$704.28
Pinterest	Advertising revenue and emerging shopping integration	\$3,289.02	\$401.1	\$320.88
Reddit	Advertising and Premium memberships	\$1,294.8	\$265.2	
Bumble	Subscription revenue and In-app purchases	\$732.2	\$313.8	

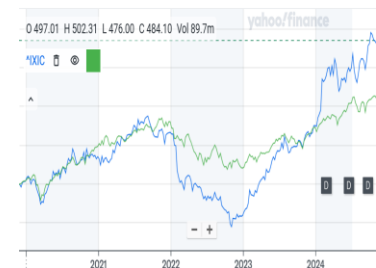
Operating Performance							
	Revenue	CAGR (5yr)	CAGR(NTM)	EBITDA	CAGR (5yr)	CAGR (3-5yr)	EBITDA
(US\$m)	NTM	Historic	Forecast	NTM	Historic	Forecast	Margin
Meta	\$1,80,340	19%	15.3%	\$1,10,747	19%	17%	61%
Match Group	\$3,557	12%	2.2%	\$1,315	12%	6%	37%
Snap	\$5,869	27%	12.2%	\$652	27%	15%	11%
Pinterest	\$4,011	28%	14.6%	\$1,123	28%	17%	28%
Reddit	\$1,560	N/A	39.1%	\$409	N/A	37%	26%
Bumble	\$1,046	24%	-4.2%	\$289	24%	2%	0.3%

Capital Structure and Valuation (LTM)							
(US\$m)	EV*	Market Cap*	Debt	Cash	Net Debt/EV	EV/EBITDA*	P/E*
Meta	\$13,76,916	\$13,98,769	\$49,047	\$70,900	1.6	17.4x	25.2x
Match Group	\$17,790	\$7,711	\$3,940	\$861	28.5	10.9x	12.4x
Snap	\$18,827	\$17,778	\$4,241	\$3,192	5.6	-24.5x	-18.6x
Pinterest	\$10,790	\$19,085	\$154	\$2,443	13.6	94.8x	88.4x
Reddit	\$20,191	\$21,909	\$27	\$1,745	8.5	-33.9x	-40.8x
Bumble	\$1,746	\$851	\$632	\$252	21.8	9.2x	1.4x

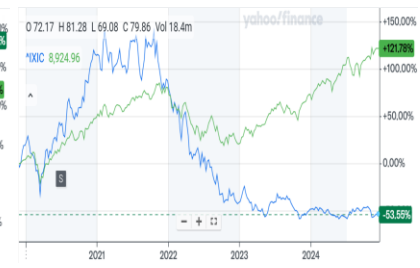
Source: Bloomberg, CapIQ

## 5-Year Share Price Performance NASDAQ -> green

Meta Platforms (META)



Match Group (MTCH)



Snap Inc. (SNAP)



Pinterest Inc. (PINS)



Reddit Inc. (RDDT)



Bumble Inc. (BMBL)



# Competitors – Financial Overview (Online Dating and Social Media Industry)

## Stock Price v/s S&P500

S&P500 -> pink

### Hello Group



### Kakao Corp.



### Weibo Corp.



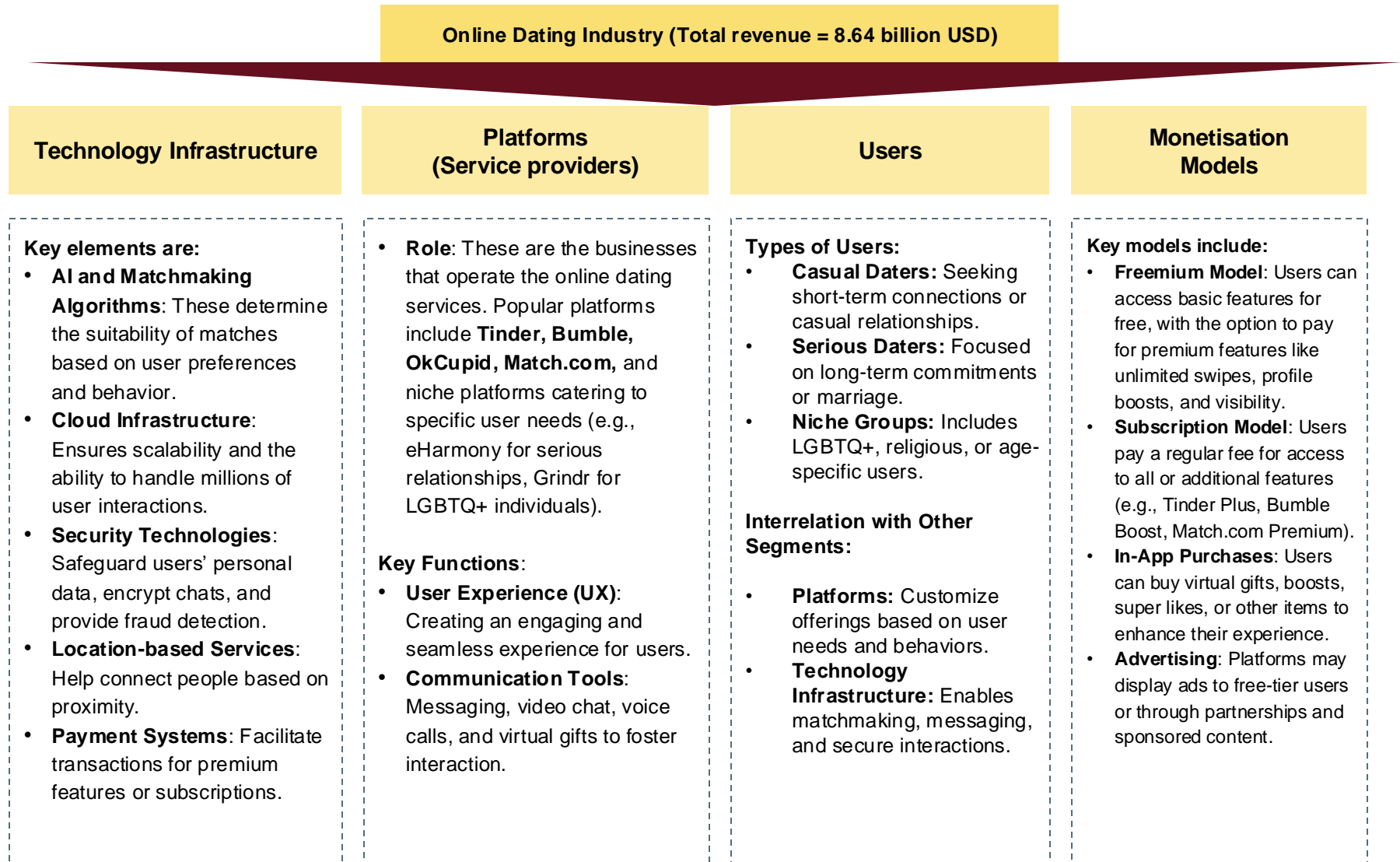
## Operating Performance

(US\$m)	Revenue NTM	CAGR (5yr) Historic	CAGR (NTM) Forecast	EBITDA NTM	CAGR (5yr) Historic	CAGR (3-5yr) Forecast	EBITDA Margin
<b>Hello Group</b>	\$1,450	-6%	-13.9%	\$225	-6%	-3%	15%
<b>Kakao Corp.</b>	\$10,55,778	21%	0.69%	\$1,80,592	21%	9%	17%
<b>Weibo Corp.</b>	\$1,748	29%	-0.84%	\$532	29%	2%	30%
<b>Yelp Inc.</b>	\$1,448	7%	0.55%	\$354	7%	6%	24%

## Capital Structure & Valuation

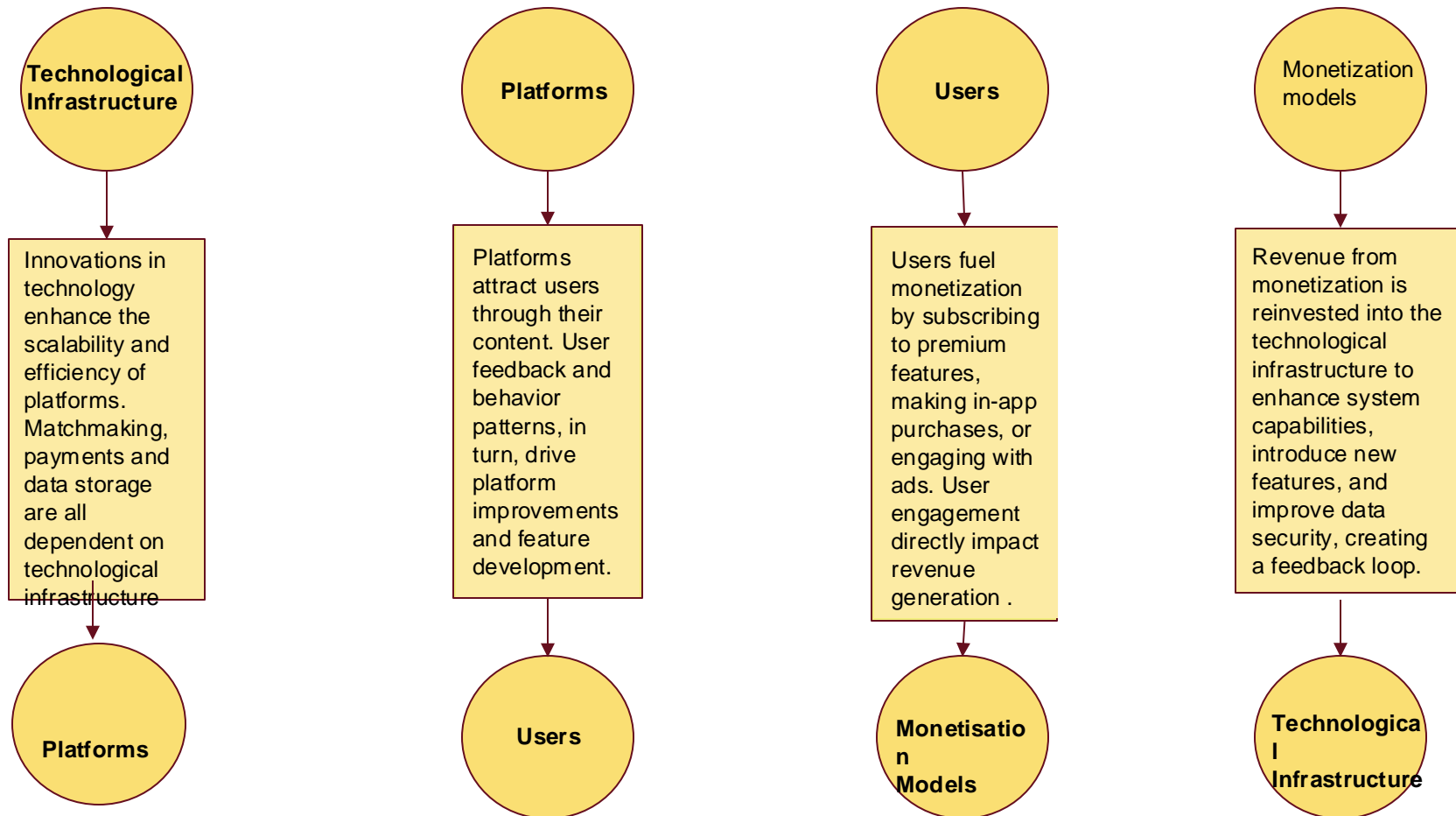
(US\$m)	EV	Market Cap	Debt	Debt/EV	EV/EBITDA (LTM)	P/E (LTM)
<b>Hello Group</b>	\$842	\$1,185	\$530	41%	2.8x	6.1x
<b>Kakao Corp.</b>	\$20,96,980	\$19,17,965	\$5,98,077	16.5%	12.2x	-16.3x
<b>Weibo Corp.</b>	\$1,939	\$2,032	\$2,657	9.3%	3.5x	6.3x
<b>Yelp Inc.</b>	\$2,016	\$2,366	\$54	17.4%	12.7x	20.1x

# Industry – Diagram (Online Dating Space)



# Industry – Diagram (Online Dating Space)

## Interrelationship between the various components of the relationship





# Company – Strategic & Financial Objectives

Strategic Objectives	Financial / Operational Objectives
<ul style="list-style-type: none"><li>• <b>Optimize user acquisition</b> through targeted marketing campaigns, strategic partnerships, and influencer collaborations.</li><li>• <b>Diversify platform offerings</b> by enhancing Bumble’s BFF (friendship) and Bizz (networking) segments alongside the core dating platform.</li><li>• <b>Enhance safety and trust</b> with continued investment in AI-powered moderation tools, profile verification, and women-first policies.</li><li>• <b>Grow international market share</b> by localizing features and campaigns tailored to emerging markets.</li><li>• <b>Innovate user engagement</b> through features like video calls, virtual dating options, and interest-based matchmaking tools.</li><li>• <b>Increase monetization opportunities</b> by optimizing subscription models, in-app purchases, and ad-based revenue streams.</li></ul>	<ul style="list-style-type: none"><li>• <b>Achieve sustainable revenue growth</b> by increasing premium subscription uptake and expanding freemium offerings.</li><li>• <b>Fund strategic platform enhancements</b> with reinvestment into technology, AI moderation, and new feature development.</li><li>• <b>Maintain profitability</b> through effective cost management and operational efficiencies.</li><li>• <b>Drive international expansion</b> to capture untapped markets with tailored marketing and user experience.</li><li>• <b>Build long-term brand loyalty</b> through safety-first initiatives, inclusivity campaigns, and user-centric innovations.</li><li>• <b>Pursue partnerships and acquisitions</b> that align with Bumble’s growth vision, such as niche apps and community-driven platforms.</li></ul>

# Company – Strategic Objectives

Building a strong user engagement platform with innovative features enhances Bumble's long-term competitive positioning

## *Development of Bumble's In-House Social & Dating Platform*

### Industry Trend

- **Online dating platforms** are rapidly growing due to increasing smartphone adoption and changing social norms.
- Shift towards **safety and inclusivity** in online dating spaces driven by user demand for respectful interactions.
- **Market shift** to relationship-focused platforms as opposed to casual dating.

### Differentiation

- **Bumble's key differentiator:** Women make the first move, creating a safer and unique environment for users.
- Expanding features like **Bumble BFF** and **Bumble Bizz** to diversify offerings.
- Investment in **AI** moderation and profile verification tools to ensure authenticity and safety

### Monetization

- ✓ **Premium subscription features** for added perks (e.g., Boosts, Spotlight, Super Swipe).
- ✓ **Freemium model:** Free access with paid upgrades for additional functionality.

# Company – Background

BUMBLE Inc.



## History and Strategy

- Bumble was founded in 2014 by Whitney Wolfe Herd, a former co-founder of Tinder, with Andrey Andreev, founder of Badoo.
- Ownership (initially): Andrey Andreev (79%), Whitney Wolfe Herd (21%).
- In its early phase, Bumble generated modest revenues primarily through subscription plans and in-app purchases.
- Bumble's primary strategy is the "Women's First Approach," i.e., in heterosexual matches, women make the first move.

## Operations

- Whitney Wolfe Herd, the founder and CEO of Bumble, has stepped down from her role and succeeded by Lidiane Jones from January 2024
- It operates through three modes: Bumble (for dating), BFF (for making friends), and Bizz (for professional networking).
- Planned acquisition of Geneva, Bumble Inc. aims to rapidly expand the Bumble For Friends experience from one-to-one connections to groups and communities to serve the many ways people seek friendships.

## Financial Stats/Performance

- Stock price has been declining since its launch (-88.97%).
- FY24E Revenue: \$1.3bn, FY24E EBITDA: \$107mm.
- Historic Revenue CAGR (5yr): 17.66% (as of September 2024)
- Total Capex: \$8.32mm (Last 12 months)
- Cash & Cash Equivalents: \$252.1mm

## Marketing Strategies

- "Find Them on Bumble" initiative, featuring their stories on billboards, on social media and through local events.
- In 2019, the company partnered with GLAAD to expand its gender options, allowing users to choose from more than 100 gender identities.
- "Queen Bee Program", which identifies and empowers local influencers to become brand ambassadors on college campuses.

## Corporate Finance Transactions

- Bumble IPO (2021)
- Acquisition of Fruitz (Feb 2022): At a valuation of \$69.7mm
- Acquisition of Official (May 2023): At a valuation of \$9.8mm

## Key Properties & Developments

- Bumble has its headquarters in London, UK and Texas, US.
- Includes intellectual property, trademarks, and brand value, particularly for its apps: Bumble, Badoo, Fruitz and Official.
- Extended its reach to Europe with the acquisition of Official.

# Company – Operating Cost

## Revenue Drivers

- Bumble's primary revenue source comes from subscriptions like Bumble Boost, Bumble Premium, and Badoo Premium.
- Features like SuperSwipes and Spotlights have increased the number of paying users.
- Heavy investments in AI safety features and innovation contributed to enhanced user trust, indirectly driving higher retention and conversions.
- The “woman-first” approach followed by Bumble attracts more female users and makes it the leading dating app in terms of female users.
- Expanding into emerging markets through acquisition provides bumble user growth and subscription revenue.
- Its expedition beyond dating through Bizz and BFF provided a wide range of platform to the users.

## Revenue and EBITDA Forecast

(\$MM)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
BUMBLE REVENUE	289	381	529	694	845	1110	1407	1783	2262	2879	3363
BUMBLE REVENUE GROWTH		31.834	38.845	31.191	21.758	31.361	26.757	26.724	26.865	27.277	16.811
BADDO REVENUE	199	214	220	185	183	169	155	135	122	102	88
BADDO REVENUE GROWTH		7.5377	2.8037	-15.909	-1.0811	-7.6503	-8.284	-12.903	-9.6296	-16.393	-13.725
TOTAL REVENUE	488	595	749	879	1028	1279	1562	1918	2384	2981	3451
TOTAL REVENUE GROWTH		21.926	25.882	17.356	16.951	24.416	22.127	22.791	24.296	25.042	15.767
TOTAL EBITDA	122	21	68	63	228	104	62	97	164	245	256
TOTAL EBITDA GROWTH		-82.787	223.81	-7.3529	261.9	-54.386	-40.385	56.452	69.072	49.39	4.4898

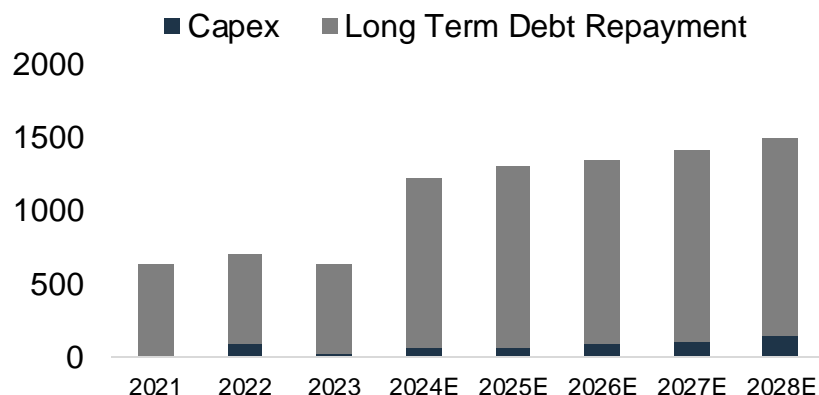
# Company – Capital Requirements

Capital requirements and development expenditures can comfortably be served from internal cashflows although Bumble retains significant cash on hand to opportunistically pursue acquisitions.

## Capital Requirements

- **Marketing and User Acquisition:** Significant spending on advertising campaigns, influencer partnerships, and local market strategies to attract and retain users.
- **Product Development:** Continuous investment in-app features, AI technologies, and safety measures like Deception Detectors.
- **Operational Infrastructure:** Ongoing costs for app store fees, cloud hosting, data centers, and fraud prevention.
- **Global Expansion:** Entry into new markets requires capital for localization, regulatory compliance, and infrastructure setup.

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Historical & Forecasted Capex (\$mm)	12	86	25	65	65	84	104	141	177	230
Capex/ Net Sales	1.6%	9.5%	2.4%	4.9%	3.9%	4.1%	3.9%	4.2%	4.1%	4.1%
Long Term Debt Repayment (\$mm)	620	619	615	1,163	1,235	1,268	1,307	1,355	1412	1463



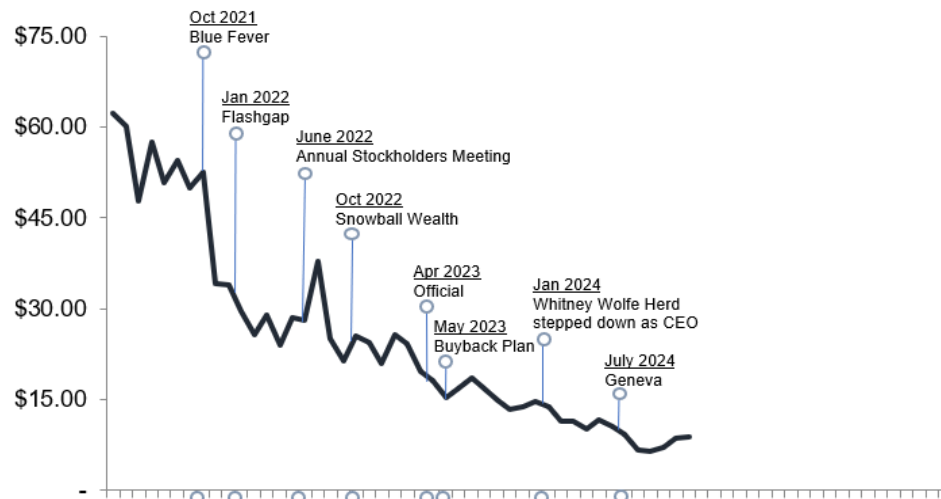
Year	Maturity amount
2024	5750.00
2025	5750.00
2026	5750.00
2027	609813.00
2028 and after	-
<b>Total</b>	<b>\$627,063</b>

Amount	Maturity amount
275 Million(\$)	8.21%
200 Million(\$)	8.71%

# Valuation – Share Price (Bumble)

## Key Events & Share Price Drivers

Stock Price Performance & Key Events (BMBL 2021-2024)



- **05-Oct-2021: Blue Fever** - Bumble's early-stage investment in Blue Fever, a supportive social platform for mental wellness, reflects a strategic move to integrate mental health and emotional support services into its offerings .
- **31-Jan-2022: Flash gap** - A time-delayed photo-sharing app, aligns with Bumble's focus on building creative social platforms.
- **18-Oct-2022: Snowball Wealth** - Bumble's participation in Snowball Wealth's seed round signifies an interest in integrating financial tools or resources into its ecosystem, particularly to support women-focused financial empowerment .
- **26-Apr-2023: Official** - It is a relationship management app that promotes connections among couples. Bumble's acquisition aimed at expanding its user base by offering tools to strengthen romantic relationships beyond initial matches.
- **01-Jul-2024: Geneva** - Bumble acquired Geneva, a platform known for fostering group communication and community management. This acquisition aligns with Bumble's focus on enhancing its social networking and community-building capabilities.

It can be noted that initial acquisitions incited a negative reaction from the market . Investors were unhappy with how the company was managing its profits . Bumble has a strategy of buying back its own stock , when the stock is undervalued.

# Discounted Cashflows Overview

DCF valuation in line with current price as upside from strong forecasted cashflows is slightly counteracted by low target gearing which increases WACC

- Strong cashflow forecasts are supported by record results achieved in 2023, reflecting solid financial performance and growth.
- A moderately conservative terminal growth rate translates to an 8.9x EBITDA multiple, ensuring a balanced long-term outlook.
- A WACC of 16.6%, driven by a beta of 1.63 and a pre-tax cost of debt of 7.9%, reflects the business's hit-driven nature and market sensitivity.
- EBITDA CAGR of 19.5% and Revenue CAGR of 24.5% highlight the company's strong growth trajectory and operational success.

## DCF Valuation Results

(\$ in millions of U.S. dollars except per share amounts)

Free Cash Flows	Projected Fiscal Years Ending March 31							
	2024	2025	2026	2027	2028	2029	2030	2031
EBIT * (1-tax rate)	37	49	60	60	72	99	127	156
Depreciation And Amortization	204	204	268	310	410	507	646	819
Stock based compensation	75	92	113	140	175	220	280	356
Other	0	0	-0	-0	0	0	0	0
Capex	(64)	(62)	(78)	(95)	(125)	(153)	(1)	(1)
Net Change in Working Capital	40	75	25	72	79	146	168	197
Free Cash Flows to Firm (FCFF)	117	124	104	201	271	348	4	539
Years to Discount	1	1	2	3	4	5	6	7
Cost of Capital	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%
Discount Factor	1	.86	0.74	0.63	0.54	0.46	0.40	0.34
PV Free Cash Flows to Firm (FCFF)	117	106	76	127	146	161	168	184

## Enterprise Value EBITDA Multiple Method

EBITDA Multiple	8.9x
Terminal Year EBITDA	434
Present Value of Terminal Value	1,318
Present Value of Forecast FCF	1,086
<b>Enterprise Value</b>	<b>2,404</b>
- Debt	632
+ Cash	2,52
<b>Equity Value (Market Cap)</b>	<b>1,510</b>
Shares outstanding	157
<b>Fair value share price</b>	<b>\$9.60</b>

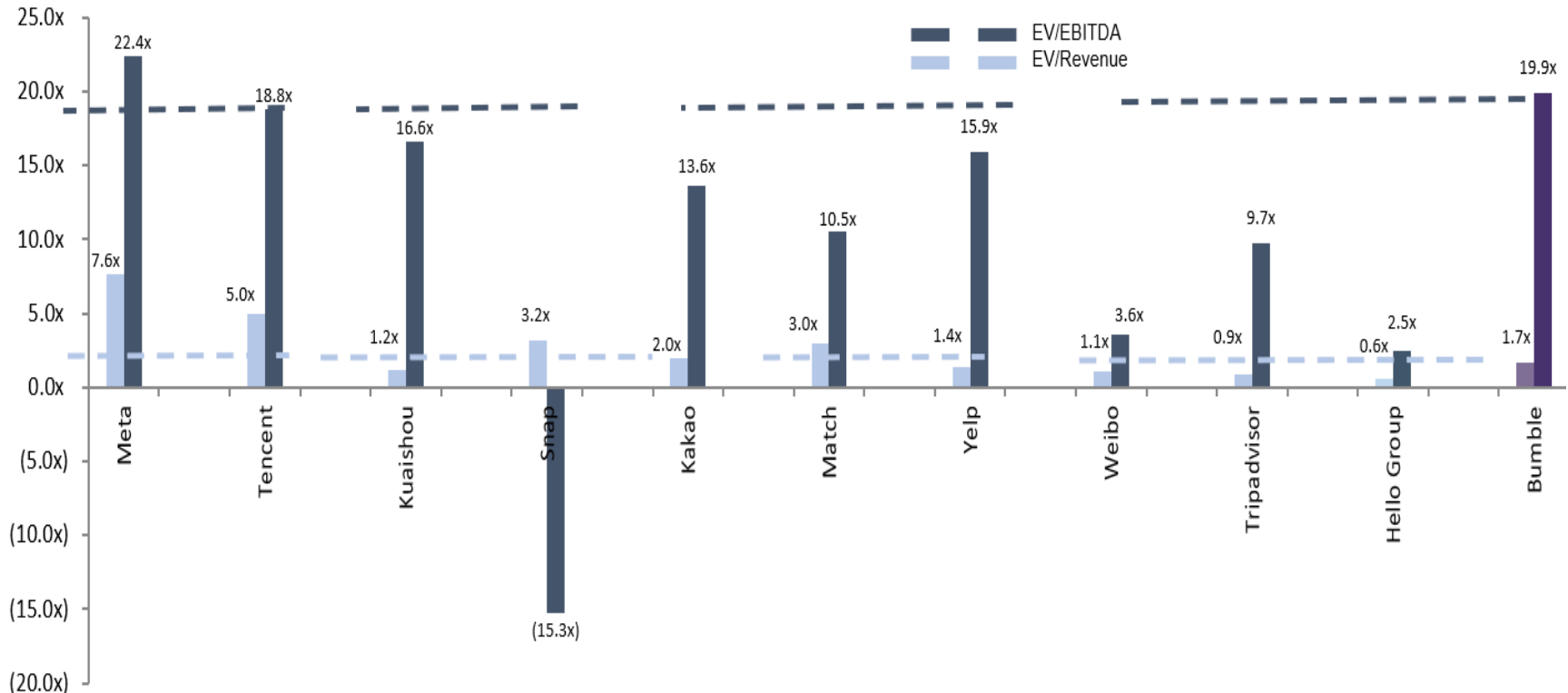
## WACC Assumptions

Valuation date	DEC-24
10-yr US government bond rate	4.25%
Expected market return	15.4%
Market risk premium	11.2%
Beta	1.63
<b>CAPM cost of equity</b>	<b>22.4%</b>
Cost of debt	7.9%
Tax rate	21.0%
<b>After tax cost of debt</b>	<b>6.2%</b>
Target gearing	36%
<b>WACC</b>	<b>16.6%</b>

# Trading Comparables Overview (Bumble)

## Trading Comparables Dataset (NTM Forward Multiples)

- Bumble is moderately valued compared to its peer group.
- Companies chosen for EV/Revenue multiple include Pinterest, Snap, Hello group, Match Group and Kakao Corp.
- Companies chosen for EV/EBITDA multiple include Hello Group, Match Group and Kakao Corp.
- Bumble is trading at a discount relative to its peers. This indicates undervaluation.





# Valuation – Trading Comparables (Bumble)

## Bumble business overview in brief:

- **Innovative Dating Platform:** Bumble empowers women by letting them make the first move in dating, friendships, and professional connections.
- **Global Reach:** Operates in over 150 countries with a diverse and growing user base.
- **Monetization Strategies:** Revenue driven through subscriptions, in-app purchases, and advertising.

### EV/REVENUE

#### Companies chosen:

**Pinterest:** With a multiple of **4.2x**, it is a good contender. Moreover, the ad-based revenue model is similar to bumble.

**Snap:** Similar target audience as bumble . Its multiple is **3.2x**. User-engagement and ad-based revenue are common themes to bumble.

**Hello:** Its industry multiple is **0.6x**. Though lower, the core business model is same as bumble. The company is exclusive to China.

**Kakao:** Its industry multiple is **2.0x**. Subscription and ad-based revenue generation. Some business models have similarity to bumble as well.

**Match :** With an industry multiple of **3.0x** Companies under match group (Tinder ,OkCupid) are outright competitors of bumble.



### EV/EBITDA

#### Companies chosen:

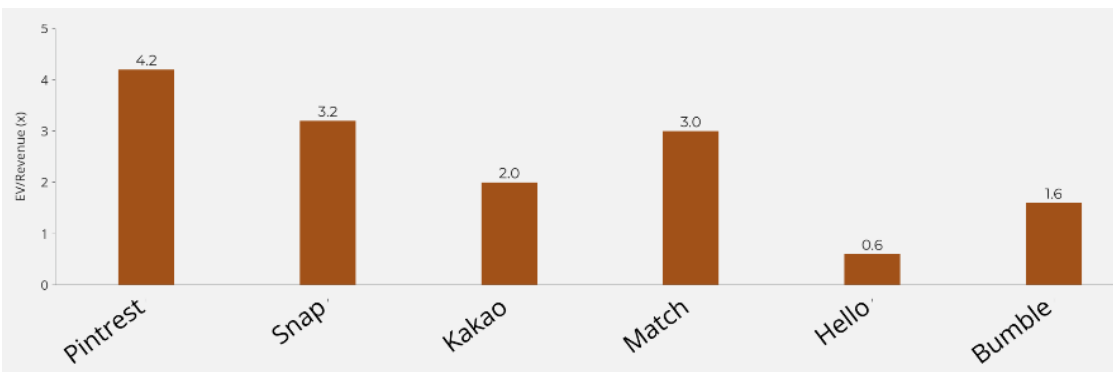
**Hello:** Its industry multiple is **2.5x**. Though lower, the core business model is same as bumble. The company is exclusive to China. EBITDA reflects the ability of the company to scale effectively, which is a useful comparator.

**Kakao:** Its industry multiple is **13.6x**..Highlights profitability across diversified revenue streams, useful for contextualizing Bumble's potential for expansion into related services.

**Match :** With an industry multiple of **10.5x**, near about bumble(9.2x) and being outright competitors, match group is an obvious choice for both multiples. Match also demonstrates profitability at a larger global scale, setting a benchmark for Bumble's growth potential.

# Valuation – Trading Comparables

Trading Comparables Peer Group (for EV/Revenue multiple)



- **Comparable Set:** Includes Match Group, Kakao, Snap, Pinterest, and Hello Group, representing companies in the digital social networking, communication, and content-sharing space.
- **Revenue Models:** These firms emphasize user engagement-driven revenue streams such as advertising, subscriptions, and in-app purchases.
- **Focus Areas:**
  - **Match Group & Hello Group:** Primarily focus on dating and social connections.
  - **Snap & Pinterest:** Cater to creative content sharing and advertising.
  - **Kakao:** Integrates messaging with broader ecosystems, including e-commerce and entertainment.
- **Purpose:** This diverse and well-rounded comparable set provides an effective basis for **EV/Revenue evaluation**.

## VALUATION CONCLUSIONS

- **Bumble is trading at a discount with respect to its peers.**
- This is indicative of undervaluation and skepticism in the market. Good time for investment into the company.
- Bumble depends on a single revenue stream, unlike its peers.
- Its revenue has also not increased as steadily as its peers.

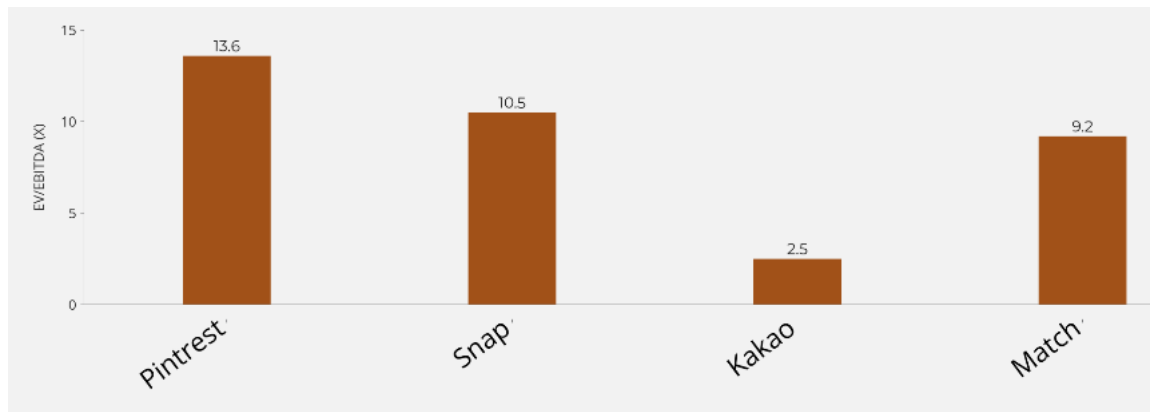
*Multiples are NTM*

## BUMBLE VALUATION

- Current Market Valuation  
EV/Revenue: **1.7x**
- Trading Comps Valuation  
EV/Revenue: **\$1.046 billion**

# Valuation – Trading Comparables

Trading comparable peer group(for EV/EBITDA multiple)



- **Comparable Set for EV/EBITDA:** Includes Hello Group, Match Group, and Kakao, focusing on companies in digital communication and social networking.
- **Operational Focus:** These firms demonstrate strong operational efficiency and profitability through scalable platforms and high user monetization potential.
- **Revenue Models:**
  - **Match Group & Hello Group:** Emphasize subscription-based revenue streams.
  - **Kakao:** Diversifies income through advertising and ecosystem services.
- **Purpose:** This comparable set is ideal for evaluating valuation based on core earnings and operational performance.

## VALUATION CONCLUSIONS

Bumble is trading at an **EV/EBITDA of 9.2x**, lower than Kakao (13.6x) and Match Group (10.5x), but significantly higher than Hello Group (2.5x). This indicates that Bumble is **moderately valued relative to its peers**, reflecting market skepticism about its profitability, yet not as undervalued as Hello Group. It could be a balanced entry point for investment, especially if operational efficiencies improve.

However, Bumble's EBITDA margins may lag behind higher-multiple peers like Kakao and Match, which benefit from **diversified revenue streams and operational scale**, while Hello's lower multiple highlights potential concerns around growth or profitability sustainability.

Note: *Multiples are NTM*

## VALUATION OF BUMBLE

### Current Market Valuation:

- **EV/EBITDA: 19.9x**

### Trading Comps Valuation

- **EV/Revenue: \$2.565 billion**

# Precedent Transaction Synopsis (Bumble)

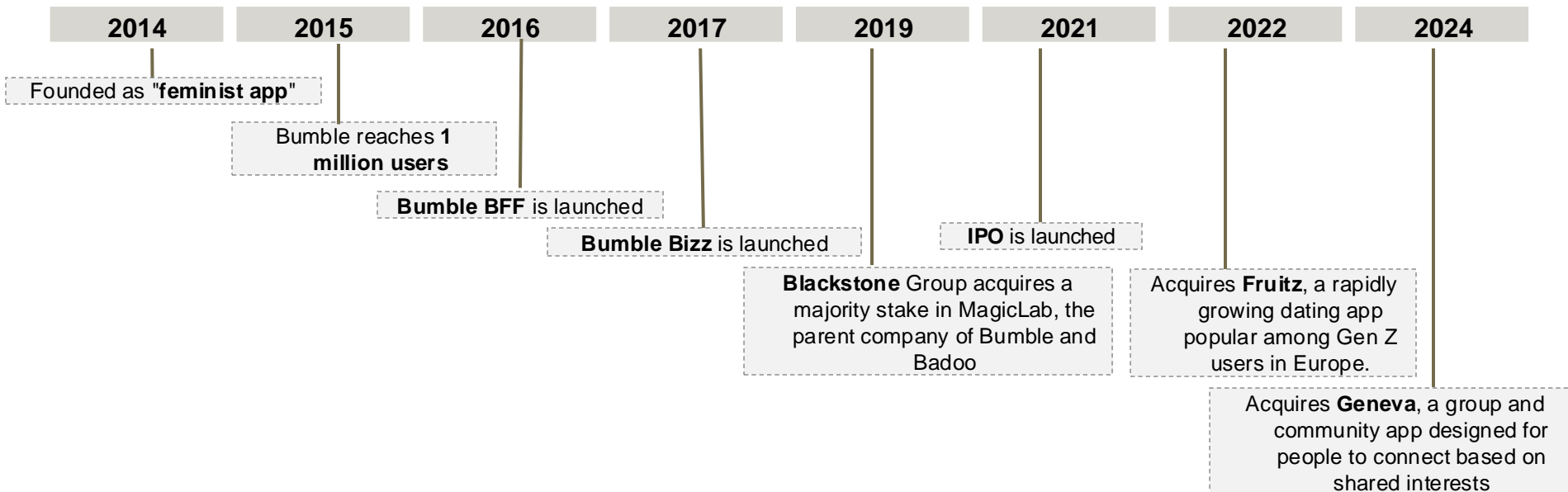
## Bumble Overview

### Description

- Bumble was launched in 2014 by Whitney Wolfe Herd as a dating app emphasizing **female empowerment** by requiring women to make the first move, distinguishing it as a **feminist alternative** to other dating platforms.
- The company expanded its offerings beyond dating to include professional networking and friendships through features like **Bumble BFF** and **Bumble Bizz**, and acquired complementary apps such as **Fruitz** and **Geneva** to appeal to younger demographics and foster community connections.
- Bumble went **public** in February 2021, raising over \$2 billion and achieving a market valuation exceeding \$13 billion, with steady revenue growth driven by increased paying users and international expansion.

### Lifecycle

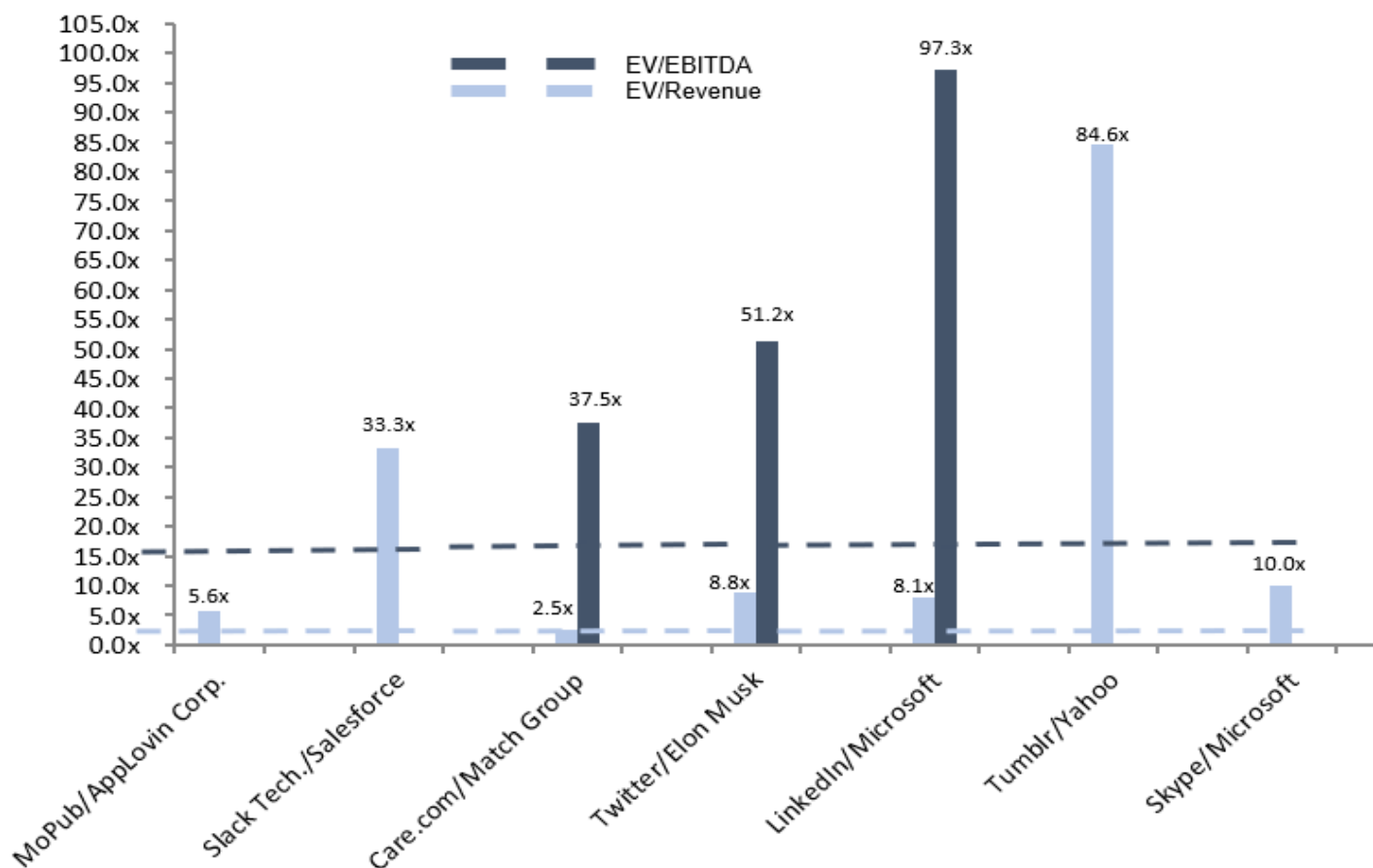
Timeline highlighting significant events throughout the lifecycle of Bumble



# Precedent Transactions Overview (Bumble)

## Precedent Transactions Dataset (LTM Multiples)

- Precedent Transactions Valuation multiples for EV/Revenue and EV/EBITDA are 2.5x and 18.8x respectively.
- The transactions chosen for valuation of Bumble are Care.com/Match Group and MoPub/AppLovin Corp.
- The fair value share price for Bumble according to precedent transactions valuation is \$15.06 - \$20.35.



# Precedent Transaction Synopsis (Care.com/Match Group)

## Match Group History & Background



Streams	Revenue
Tinder	\$1.92bn
Evergreen & Emerging	\$691.4mm
Hinge	\$396.5mm
Match Group Asia	\$302.6mm
Advertising	\$56.4mm

## Care.com Acquisition (Dec 2019)



Key Financials (LTM)		LinkedIn Acquisition (LTM)	
Revenue	\$207mm	Offer Price	\$15 per share
EBITDA	\$14mm	Implied EV	\$525mm
Net Profit	\$52.9mm	EV/Revenue	2.5x
Equity Funding	\$107mm	EV/EBITDA	37.5x

## History

- **1995:** Match.com, one of the **first online dating services**, was founded by Gary Kremen and Peng T. Ong.
- **2003:** Became part of **IAC's portfolio**.
- **2008:** Match Group was officially established under IAC to oversee online dating services.
- **2015:** Launched as a standalone **publicly traded** company under the ticker symbol MTCH on NASDAQ.
- **2019:** Match Group became **fully independent** from IAC after a spin-off.
- **M/A activities**
  - **2011:** Acquired **OkCupid** for \$50 million, expanding its presence in the dating industry.
  - **2014:** Acquired **Tinder**, a fast-growing dating app known for its swipe feature, becoming a dominant player in mobile dating.
  - **2016:** Acquired **PlentyOfFish**, a popular free dating platform, for \$575 million.
  - **2018:** Acquired **Hinge**, a relationship-focused dating app, which has since become one of its fastest-growing brands.

## Offer Process

- **December 19, 2019** -> IAC(InterActiveCorp), which also owns Match Group announced its agreement to acquire Care.com for \$15 per share in an all-cash deal valuing the company at approximately \$525 million. This marked the start of the tender offer.
- **January 13, 2020** -> IAC officially launched its tender offer to purchase all outstanding shares of Care.com.
- **February 10, 2020** -> The tender offer expired. By this date, IAC had acquired approximately 81.3% of Care.com's outstanding shares.
- **February 11, 2020** -> The merger was completed, making Care.com a wholly-owned subsidiary of IAC. Following the merger, Care.com shares were delisted from the New York Stock Exchange.
- This acquisition allowed IAC to integrate Care.com into its portfolio, leveraging its digital expertise to address growing family care needs alongside its other business units like Match Group.

# Precedent Transaction Synopsis (LinkedIn/Microsoft)

## Microsoft History & Background



Major Products	Revenue
Operating Systems (Windows)	\$22 bn
Office Software (Microsoft 365)	\$49 bn
Cloud Computing Services (Azure)	\$80 bn
Gaming Consoles (Xbox)	\$15 bn
Employment Listing Platform	\$15 bn

## History

- **April 4, 1975:** Microsoft founded by Bill Gates and Paul Allen in Albuquerque, New Mexico.
- **August 12, 1980:** IBM partners with Microsoft, leading to the development of MS-DOS.
- **March 13, 1986:** Microsoft goes public with an initial price of \$21 per share, raising \$61 million.
- **1999:** Microsoft becomes the most valuable company in the world.

## M/A activities

- **May 10, 2011:** Microsoft acquires Skype for \$8.5 billion.
- **June 13, 2016:** Announces acquisition of LinkedIn for \$26.2 billion.
- **October 26, 2018:** Completes acquisition of GitHub for \$7.5 billion.
- **January 18, 2022:** Announces plans to acquire Activision Blizzard for \$68.7 billion.
- **Pre-acquisition ownership of LinkedIn:** Before Microsoft's acquisition of LinkedIn, the company was publicly traded with significant institutional and individual ownership. Reid Hoffman, LinkedIn's co-founder, was one of the largest shareholders and played a key role in approving the deal.

## LinkedIn Acquisition (Dec 2016)



Key Financials (LTM)		LinkedIn Acquisition (LTM)	
Revenue	\$3,214mm	Offer Price	\$420.0mm
EBITDA	\$266mm	Implied EV	\$25,880mm
Net Income	\$166mm	EV/Revenue	8.1x
Debt to Equity	0.23	EV/EBITDA	97.3x

## Offer Process

- **June 13, 2016** -> Microsoft announced its intent to acquire LinkedIn for \$26.2 billion in an all-cash deal. LinkedIn's CEO, Jeff Weiner, would remain in his role and report directly to Microsoft CEO Satya Nadella.
- **July 2016** -> Regulatory filings began, and Microsoft outlined its strategic intent to integrate LinkedIn's professional networking capabilities with Microsoft's productivity tools.
- **August 19, 2016** -> LinkedIn shareholders approved the acquisition with 99.5% of votes in favor. This was a critical step in completing the transaction.
- **November 22, 2016** -> The European Commission approved the acquisition after Microsoft committed to maintaining competition.
- **December 8, 2016** -> The deal officially closed. LinkedIn maintained its brand, culture, and autonomy under Jeff Weiner's leadership while being fully integrated into Microsoft's broader enterprise portfolio.

# Precedent Transaction Synopsis (WhatsApp/Meta)

## WhatsApp Acquisition (Feb 19 2014)



### Key Statistics (User Base)

US	29%
Asia	50%
Other	21%

Key Financials (LTM)		Acquisition Valuation	
Revenue	\$10mm	Implied EV	\$20,071mm
EBITDA	\$-138mm	EV/Revenue	2007.1x
Debt to Equity	0.27	EV/EBITDA	145.4x

### Capital Structure

Implied EV	\$20,071mm	
Share	\$12 bn	In Facebook shares*
Cash Issued	\$4 bn	Cash for Acquisition
Employee compensation	\$3 bn	Restricted stock units for WhatsApp's founders and employees

**Accretion:** The deal was seen as **dilutive** to Facebook's earnings because WhatsApp did not generate significant revenue or profits at the time of the acquisition.

**Synergies:** Expanded Facebook's global user base and further solidified its position in global messaging and communications.

**Leverage:** Facebook financed the WhatsApp acquisition primarily through its **stock** (about \$12 billion) and **cash** (\$4 billion), with no significant debt involved. This structure minimized Facebook's financial leverage, meaning the acquisition was largely equity-financed.

## WhatsApp Background

- **Overview:** WhatsApp is a globally popular instant messaging platform that allows users to send text, voice, video messages, and make calls using internet connectivity. It has become a key communication tool in over **180** countries, with more than **2 billion** active users.
- **Ownership (Pre-Acquisition):** Jan Koum (Co-founder & CEO) (45%) , Brian Acton (Co-founder) (20%) , Sequoia Capital (18%) , Early Employees (17%) .

## Transaction Rationales

- **Expanding User Base** -> WhatsApp had over **450 million** monthly active users at the time of the acquisition, with **70%** daily activity. It was one of the fastest-growing apps globally.
- **Minimizing Competition** -> Acquiring WhatsApp neutralized a potential threat. WhatsApp was on a trajectory to grow into a significant competitor that could rival Facebook's dominance in the social and communication space.
- **Revenue Opportunities** -> Although WhatsApp had minimal revenues at the time, Facebook saw long-term monetization opportunities through premium features, business messaging, and integrating it into its ecosystem.

## Transaction Risks

- WhatsApp's **strong emphasis on user privacy** (e.g., end-to-end encryption and limited data collection) clashed with Facebook's data-driven business model.
- The **\$19 billion** valuation was a **massive premium**, especially for a company that had limited revenue streams at the time. This raised questions about whether the valuation was sustainable and if Facebook could generate a return on investment.
- **Integrating WhatsApp's infrastructure** with Facebook's systems posed challenges, particularly while maintaining privacy standards and complying with global regulations.



# Precedent Transaction Synopsis (Twitter/Elon Musk)

**April 14, 2022:** Elon Musk makes an offer to buy Twitter outright for \$44 billion, at \$54.20 per share, stating his intention to take it private and emphasizing his focus on free speech.

## Offer Process

Jan, 2022	Elon Musk begins acquiring Twitter <b>shares discreetly</b> .
Apr 4, 2022	Musk publicly discloses his 9.2% stake in Twitter, becoming the company's <b>largest shareholder</b> .
Apr 9, 2022	Musk <b>declines the board seat</b> , citing potential limitations on owning more than 14.9% of the company.
Apr 14, 2022	Musk makes an <b>offer to buy Twitter outright</b> for \$44 billion, at \$54.20 per share, stating his intention to take it private and emphasizing his focus on <b>free speech</b> .
Apr 25, 2022	Twitter's board accepts Musk's \$44 billion <b>buyout offer</b> .
July 8, 2022	Musk officially moves to <b>terminate the deal</b> , claiming Twitter failed to provide sufficient information about <b>spam bots</b> .
July 12, 2022	Twitter files a <b>lawsuit</b> in Delaware Chancery Court to force Musk to complete the acquisition.
Oct 27, 2022	Elon Musk <b>completes the \$44 billion acquisition</b> of Twitter. Musk enters Twitter headquarters carrying a sink, tweeting, "Let that sink in." This marks the official closing of the deal.
Oct 28, 2022	Musk dissolves Twitter's board of directors and becomes the <b>sole director</b> and later implements significant layoffs, cutting around 50% of Twitter's workforce, and begins making changes to Twitter's policies and subscription models.

## Analyst Comments

"Analysts were deeply divided on the Twitter acquisition. While some saw potential for Musk to bring innovation and dynamism to the platform, others expressed serious concerns about the financial, operational, and governance risks associated with his approach. "

"Musk is overpaying for Twitter given its inconsistent financial performance and stagnant user growth." — *Dan Ives, Wedbush Securities*.

"The debt burden will make Twitter's financial future precarious, especially in a high-interest-rate environment." — *David Trainer, New Constructs*

"Advertisers may flee if Musk's changes disrupt the platform's content moderation and user experience." — *Jessica Liu, Forrester*.

# Restructuring

Financial restructuring:	Operational restructuring
<p>1. Bumble's debt/equity ratio is 0.74 as of September 2024. 0.74 is healthy but slightly reducing debt could improve Bumble's financial stability, particularly as interest rates fluctuate.</p> <p>2. Bumble repurchased \$89.7 million in shares during Q3, signaling shareholder returns are a priority. However, balancing share buybacks with investments in product innovation and marketing could enhance long-term growth potential.</p> <p>3. According to their financial report, Revenue was adversely impacted by foreign currency fluctuations. Bumble can mitigate this by increasing localization efforts and diversifying its geographic revenue sources to stabilize international earnings.</p> <p>4. Despite a 10% increase in paying users on the Bumble app, the average revenue per paying user (ARPPU) declined from \$23.42 to \$21.17. There is a high need for Bumble to work on the revenue streams.</p>	<p><b>1. Diversify Revenue Streams</b> :Bumble's primary revenue source comes from users subscribing to its paid tiers , such as Bumble Boost and Bumble Premium. Heavy reliance on subscription revenue can make Bumble vulnerable to competitive pressures. Action that can be taken:</p> <p>1.Implement non-intrusive advertising for free users.</p> <p>2. Introduce new paid features, such as AI-powered dating insights, compatibility reports, or exclusive virtual dating events.</p> <p>3.Collaborate with lifestyle brands or travel companies to generate affiliate revenue.</p> <p><b>2. Acquire apps focusing on LGBTQ+ dating</b>, niche communities, or friendship-building to diversify offerings. This can help in increasing Bumble's can increase Bumble's user base and feature set.</p> <p><b>3. Bumble has to enhance its brand loyalty</b> as dating apps are not that much trusted in Asian countries, it can be done by collaborating with highly trusted brands among youth or by enhancing its privacy and safety using blockchain.</p>