

Match Group, Inc.(MTCH)

\$79.94 (As of 05/11/20)

Price Target (6-12 Months): **\$84.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/04/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: D

Growth: B

Momentum: A

Summary

Match Group reported stellar first-quarter results. Notably, earnings and revenues increased year over year. The company boasts a robust portfolio of online dating services and enjoys a first-mover advantage in the space. Increase in its average subscriber base, primarily driven by solid contribution from Tinder as well as Hinge and Pairs is a key catalyst. Moreover, activity across all brands has gone up since the COVID-19 outbreak, which is a tailwind. Growing usage of video dating among younger users also bodes well. Notably, shares of the company have outperformed the industry in the past year. However, the company witnessed a decline in new signups and propensity to pay since the outbreak. Further, unfavorable foreign exchange rates are likely to be a headwind for revenues in the near term.

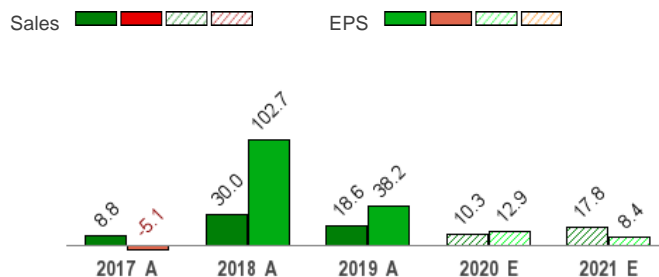
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$95.32 - \$44.74
20 Day Average Volume (sh)	2,198,822
Market Cap	\$22.5 B
YTD Price Change	-2.6%
Beta	0.52
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Services
Zacks Industry Rank	Top 11% (29 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	12.2%
Last Sales Surprise	-0.0%
EPS F1 Est- 4 week change	14.6%
Expected Report Date	08/04/2020
Earnings ESP	0.7%
P/E TTM	39.4
P/E F1	33.7
PEG F1	2.2
P/S TTM	10.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	610 E	622 E	698 E	718 E	2,666 E
2020	545 A	537 E	578 E	606 E	2,263 E
2019	465 A	498 A	541 A	547 A	2,051 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$2.57 E
2020	\$0.46 A	\$0.55 E	\$0.61 E	\$0.67 E	\$2.37 E
2019	\$0.49 A	\$0.49 A	\$0.57 A	\$0.51 A	\$2.10 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/11/2020. The reports text is as of 05/12/2020.

Overview

Headquartered in Dallas, TX, Match Group, Inc. is the world's foremost provider of dating products and operates a portfolio of more than 45 brands. Its biggest and best known brands are Tinder, Match.com, PlentyOfFish, Meetic and OkCupid. The company offers dating products in 42 languages in more than 190 countries.

Tinder which was launched in 2012 and is the world's #1 downloaded as well as top earning dating app. Tinder reflects the key catalyst for the company's year-over-year revenue growth. Revenues from Tinder direct grew 43% year over year in 2019 and came in at \$1.2 billion. Notably, in first quarter of 2020, Tinder added 1 million average subscribers.

Match was launched in 1995 and helps in generating the online dating category. Its unique features involve searching profiles, receive algorithmic matches and attend live events, promoted by Match, with other Subscribers.

PlentyOfFish launched in 2003 and was acquired in October 2015. Its unique features are also the capability to both search profiles and receive algorithmic matches.

Based in France, Meetic is a leading European online dating brand and was launched in 2001. It also has unique features to search profiles, receive algorithmic matches, and attend live events.

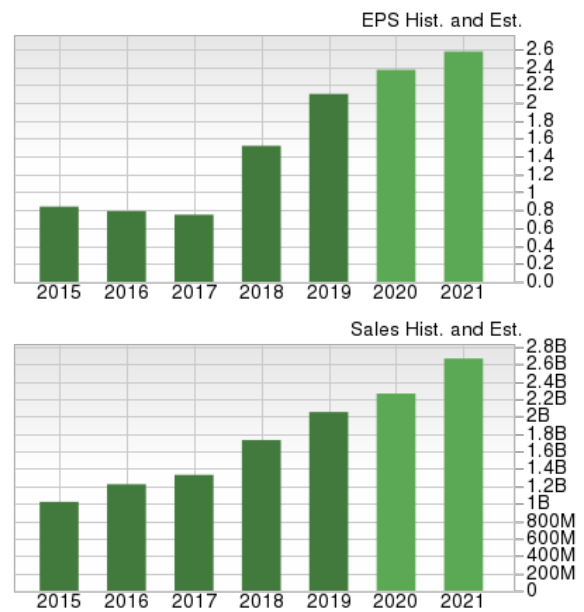
OkCupid launched in 2004 and attracts users through a mathematical and Q&A approach to the online dating category.

One of the largest brand, OurTime is a community of singles above the age 50 of any dating product.

Launched in 2012, Hinge was acquired by Match in December 2018. It is a mobile-only experience that focuses on users with a greater level of aim to enter into a relationship.

Match Group became a public company in 2015. Match Group earned revenues of \$2.1 billion in 2019. North America contributed 51.1% to total direct revenues, while international contributed 48.9%. In 2019, Tinder added 1.54 million average subscribers.

The company's revenue is primarily driven from users in the form of recurring subscriptions. The company is currently enjoying strong growth, driven by robust momentum at Tinder and solid performances from Meetic, Match, Pairs as well as PlentyOfFish.



Reasons To Buy:

▲ Online dating has been gaining traction because of the rising number of singles globally. According to reports, the marriage rate in the U.S. has decreased 40% in the last 25 years. This has led to a significant rise in the number of people looking for a match. Per Allied Market Research data, online dating services market is projected to hit \$9.2 billion by 2025 from \$6.4 billion valuation in 2017, at a CAGR of 4.7% between 2018 and 2025. Per Verified Market Research data, the online dating services market is projected to hit \$9.39 billion by 2026 from \$6.55 billion valuation in 2018, at a CAGR of 4.62% between 2019 and 2026. Match group is already a trusted dating site with over two decades of presence in the industry. Consequently, the statistic bodes well for the company and will help Match group to garner additional revenues.

Robust momentum at Tinder and solid performances from Meetic, Match as well as PlentyOfFish bodes well for the company.

▲ The company is considered to have pioneered the concept of online dating, which is why it enjoys a first mover's advantage in this market. Match Group has been benefiting from increasing subscriber addition in the form of membership subscriptions. Online dating has been expanding, as users from more demographics join the fray. The company's subscribers continue to grow at a significant pace driven by new features and tools that improve engagement. Its ARPU improved 1.7% in the first quarter of 2020, driven primarily by strength in North America, up 5% year over year. Tinder average subscribers increased 28% year over year in the first quarter of 2020 and came in at 6 million. Most of Match Group's users connect from mobile devices, where conversion to paid members is also higher. This momentum bodes well for top-line growth, going forward.

▲ Tinder is one of the key catalysts for Match Group, the world's #1 downloaded and top earning dating app. Tinder had launched a service for Apple TV. Gender diversification is an attraction for Tinder users, as the app includes more gender options like transgender. Per media reports, the update is available only in the United States, the U.K and Canada and is aimed at making the service more inclusive. Last year, Tinder launched a web based version of its popular mobile dating service called Tinder Online. Tinder also updated its app, which will allow its users to link their profiles with their respective Instagram profiles. Tinder reflects the key catalyst for the company's year-over-year revenue growth. Revenues from Tinder direct soared 31% year over year in first-quarter 2020. The company has a presence in about 196 countries with reportedly over 50 million users (who spend an average of 90 minutes on the app and keep coming back at least 11 times a day). Moreover, Match Group has introduced Tinder Lite, with an aim to expand international presence. The company also launched a credit card payment option on the Android version of Tinder. We believe that such initiatives can be strong growth drivers for if Match Group decides to monetize the same ever.

▲ Match Group has been reaping profits for the past three years and recording top-line expansion as well. The company is currently enjoying strong growth, driven by robust momentum at Tinder and solid performances from Meetic, Match as well as PlentyOfFish. Match group has 9.9 million subscribers worldwide and 6 million of them use Tinder — the most profitable segment of Match Groups business for advertising (In fact, as of fourth-quarter 2017, Tinder was the highest grossing app in Apple's App Store, edging out Pandora, Netflix and Candy Crush). With a combination of free features — which include advertising — and paid subscription-based premium services and options, Match Group took in \$2.1 billion in revenues in 2019, up 19% year over year.

▲ Of all places, India deserves special mention regarding user growth. India, the world's second most populated country, offers tremendous potential. It has more than 1.3 billion people, of which, only a little over 560 million use Internet, per Statista. Despite low internet penetration, India is already one of the largest markets for the company just after the United States, given its extreme popularity. Tinder was launched in the country in 2013, and with its rapidly growing mobile-friendly demographic, the app saw a 400% increase in downloads in the country in 2015. Moreover, India holds the biggest market in Asia in regard to this dating app. Tinder stated it gets 7.5 million daily swipes in India. This bodes well for Match Group. A burgeoning well educated middle class, increasing spending power and rapid adoption of smartphones will boost Match Group's prospects in the country.

Reasons To Sell:

- ▼ Match Group currently faces stiff competition from other big and small players in the dating industry, with a constant stream of new products and entrants. Additionally, within the dating industry, cost for users to switch between the products is usually very low and consumers have a tendency to try new ways to connect with people. Consequently, new entrants, new products and business models are emerging at a high rate which may pose a huge threat to Match Group's profitability.
- ▼ Facebook poses a potential threat on Match Group. Due of its sheer size, anything Facebook does is rightly viewed as a potential threat to anyone currently occupying the space. Facebook's 2.6 billion user count dwarfs Match Group's 9.9 million average subscribers, suggesting that if Facebook Dating (launched in the United States on Sep 5, 2019) gains traction, Match Group could witness widespread defections and consequently its earnings. If successful this can be a huge hindrance to Match Group to retain its customers. Although Match Group has started distributing ads on other websites, we believe that Facebook continues to have a significant competitive edge due to its scale and diversified product offering. Weaker-than-expected advertising revenue growth trends might dent the company's top-line, going forward.
- ▼ Tinder is the major source of revenues for Match Group. Revenues from Tinder direct grew 31% year over year in first-quarter 2020. Tinder, launched in 2012, is a location based dating service. It is basically labeled as more of a hook up/sexting app. Although, over the past few days, Tinder has updated its app to include more gender options like transgender. Per media reports, the update is available only in the United States, the U.K and Canada and is aimed at making the service more inclusive. Reports further add that Tinder is likely to face hurdles when it tries to roll out this feature in other "not so liberal parts" of the world.
- ▼ The company has a highly leveraged balance sheet. Match Group had a net debt position of \$1.308 billion as of Mar 31, 2020, compared with \$1.134 billion as of Dec 31, 2019. Consequently, it has to constantly generate adequate amount of operating cash flow to service its debt. Moreover, total debt to total capital of 83.4% is much higher than industry's figure of 10.1%. Further, times interest earned is 7, compared to the industry's figure of 141.4.

Stiff competition from Facebook, uncertainty around Brexit & a leveraged balance sheet are major concerns.

Last Earnings Report

Match Group Q1 Earnings and Revenues Improve Y/Y

Match Group reported first-quarter 2020 adjusted earnings of 55 cents per share, which increased 31% from year-ago quarter's figure.

Revenues of \$544.6 million increased 17% year over year on robust momentum at Tinder as well as solid performances of Hinge and Pairs. Excluding the effect of foreign exchange, the top line rose 19% year over year. The upside was primarily driven by rise in average subscriber base and average revenue per user (ARPU).

Notably, activity across all brands has increased since the COVID-19 outbreak, especially among users below the age of 30. However, rate of new signups and propensity to pay has declined since the outbreak.

Quarter Details

Average subscriber base increased 15% to 9.9 million and ARPU increased 1.7% to 59 cents at the end of the reported quarter.

North America subscriber base increased 5% to 4.6 million, while International advanced 26% to 5.3 million. Increase in subscriber base in North American and internationally was driven by the solid performance of Tinder as well as Hinge and Pairs.

North America ARPU increased 5% to 63 cents, while International ARPU dropped 1% to 55 cents. North America ARPU was driven by increased purchases of à la carte features at Tinder, while International ARPU was affected by strength of the U.S. dollar compared with Euro and other currencies.

Moreover, robust Tinder average subscriber increased 28% year over year came to 6 million, which contributed to the quarterly results.

Direct revenues from Tinder increased 31% year over year, while direct Tinder ARPU growth was 2% during the quarter.

Adjusted EBITDA was \$171.5 million, up 11% year over year. Adjusted EBITDA margin contracted 200 basis points (bps) year over year to 31%.

Total cost and expenses, as a percentage of revenues, expanded 100 basis points (bps) on a year-over-year basis and came in at 75% in the reported quarter. This was driven by an increase in general and administrative expense owing to legal expenses of \$10.7 million and costs of \$3.5 million related to the separation from InterActiveCorp (IAC).

Operating income advanced 13% from the year-ago quarter's tally to \$134.7 million. Operating margin contracted 100 bps to 25%.

Balance Sheet

Match Group had cash and cash equivalent balance of \$791.3 million as of Mar 31, 2020 up from \$465.7 million as of Dec 31, 2019. The company had long-term debt of \$2.1 billion as of Mar 31 compared with \$1.6 billion as of Dec 31, 2019.

As of Mar 31, the company generated operating cash flow of \$74.7 million compared with \$658 million in the previous quarter. Free cash flow came in at \$64.9 million compared with \$620 million in the previous quarter.

The company stated that cash flows were negatively impacted by the timing of a cash receipt, which the company received in the previous quarter instead of first-quarter 2020.

During the reported quarter, the company repurchased 1.3 million shares at an average price of \$64.57 per share. The company has 8.6 million shares remaining under the previously announced share repurchase program.

Guidance

Due to COVID-19 related uncertainties prevailing in the market, the company hasn't provided any concrete figures for revenue guidance.

Notably, Match Group expects second-quarter revenues to grow year over year, but decline sequentially on a percentage basis by low single digits. The company had generated revenues of \$498 million in second-quarter 2019.

Moreover, strength in the U.S. dollar compared with other international currencies is expected to negatively impact revenues by more than \$10 million or 2% in the second quarter.

Adjusted EBITDA is anticipated to be flat year-over-year after including about \$7 million of expected cost pertaining to its separation with InterActiveCorp/IAC. Adjusted EBITDA in second-quarter 2019 was reported at \$203 million.

Quarter Ending **03/2020**

Report Date	May 05, 2020
Sales Surprise	-0.03%
EPS Surprise	12.20%
Quarterly EPS	0.46
Annual EPS (TTM)	2.03

Recent News

On Jan 23, Match Group announced partnership with Noonlight to roll out the latter's advanced safety technology to U.S. users across its various brands, beginning with Tinder on Jan 28.

Valuation

Match Group shares are down 2.6% in the year-to-date period while up 15.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and in the Zacks Computer & Technology sector are down 5.4% and 1.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 3.4% and 17.6%, respectively.

The S&P 500 index is down 9% in the year-to-date period and up 3.9% in the past year.

The stock is currently trading at 33.22X forward 12-month earnings, which compares to 31.83X for the Zacks sub-industry, 23.77X for the Zacks sector and 21.15X for the S&P 500 index.

Over the past three years, the stock has traded as high as 52.28X and as low as 22.01X, with a 3-year median of 35.9X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$84 price target reflects 35X forward 12-month earnings.

The table below shows summary valuation data for MTCH

Valuation Multiples - MTCH					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	33.22	31.83	23.77	21.15
	3-Year High	52.28	37.6	23.77	21.15
	3-Year Low	22.01	22.38	16.86	15.19
	3-Year Median	35.9	29.62	20.02	17.45
P/S F12M	Current	9.32	6.39	3.64	3.3
	3-Year High	11.68	11.51	3.64	3.44
	3-Year Low	3.26	5.02	2.62	2.76
	3-Year Median	7.32	7.02	3.21	3.16
EV/Sales TTM	Current	11.16	5.84	3.95	2.81
	3-Year High	14.56	10.74	4.43	3.45
	3-Year Low	4.36	4.28	3.05	2.23
	3-Year Median	9.36	6.37	3.79	2.99

As of 05/11/2020

Industry Analysis Zacks Industry Rank: Top 11% (29 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Facebook Inc (FB)	Neutral	3
Alphabet Inc (GOOGL)	Neutral	3
Spark Networks Inc (LOV)	Neutral	3
Meet Group IncThe (MEET)	Neutral	3
Snap Inc (SNAP)	Neutral	3
Twitter Inc (TWTR)	Neutral	3
Yelp Inc (YELP)	Neutral	3
Zillow Group Inc (ZG)	Neutral	2

Industry Comparison Industry: Internet - Services				Industry Peers		
	MTCH	X Industry	S&P 500	FB	LOV	MEET
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	B	B	A
Market Cap	22.47 B	605.48 M	19.55 B	607.37 B	3.95 M	445.18 M
# of Analysts	5	3	14	12	1	1
Dividend Yield	0.00%	0.00%	2.13%	0.00%	0.00%	0.00%
Value Score	D	-	-	C	A	B
Cash/Price	0.02	0.13	0.06	0.10	NA	0.06
EV/EBITDA	35.05	1.53	11.85	18.22	NA	13.47
PEG Ratio	2.24	2.31	2.60	1.45	NA	0.38
Price/Book (P/B)	75.90	2.14	2.71	5.77	NA	2.24
Price/Cash Flow (P/CF)	39.02	14.79	10.71	25.10	NA	10.28
P/E (F1)	33.88	29.93	19.55	29.39	NA	9.12
Price/Sales (P/S)	10.54	2.36	2.01	8.28	NA	2.05
Earnings Yield	2.96%	1.08%	4.85%	3.40%	-4.62%	10.97%
Debt/Equity	7.09	0.10	0.76	0.09	NA	0.17
Cash Flow (\$/share)	2.05	0.12	7.01	8.49	-0.86	0.60
Growth Score	B	-	-	B	B	A
Hist. EPS Growth (3-5 yrs)	31.78%	21.93%	10.82%	48.20%	NA	14.35%
Proj. EPS Growth (F1/F0)	12.86%	9.36%	-9.99%	12.82%	56.25%	36.00%
Curr. Cash Flow Growth	33.96%	10.73%	5.83%	-8.33%	NA	33.96%
Hist. Cash Flow Growth (3-5 yrs)	26.39%	19.91%	8.52%	38.21%	6.47%	123.34%
Current Ratio	2.65	1.75	1.27	4.60	NA	1.72
Debt/Capital	87.63%	11.49%	44.41%	8.28%	NA	14.76%
Net Margin	26.84%	-6.14%	10.59%	28.57%	NA	3.53%
Return on Equity	199.73%	-2.99%	16.36%	21.54%	NA	13.07%
Sales/Assets	0.86	0.62	0.55	0.57	NA	0.80
Proj. Sales Growth (F1/F0)	10.34%	0.69%	-2.41%	8.10%	27.08%	9.59%
Momentum Score	A	-	-	C	F	A
Daily Price Chg	-0.06%	0.00%	-0.95%	0.39%	1.34%	0.00%
1 Week Price Chg	7.17%	5.07%	3.23%	4.98%	-5.08%	-0.16%
4 Week Price Chg	16.74%	9.09%	4.49%	21.96%	-7.34%	2.82%
12 Week Price Chg	4.50%	-7.16%	-20.09%	-0.47%	-52.28%	0.98%
52 Week Price Chg	15.45%	-17.09%	-7.00%	17.43%	-77.41%	51.59%
20 Day Average Volume	2,198,822	101,507	2,530,553	24,196,242	111,825	1,804,580
(F1) EPS Est 1 week change	12.74%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	14.58%	0.00%	-6.07%	-4.46%	-118.92%	0.00%
(F1) EPS Est 12 week change	0.57%	-21.74%	-15.69%	-21.83%	-118.92%	16.20%
(Q1) EPS Est Mthly Chg	13.10%	0.00%	-12.45%	-11.75%	NA	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	B
Momentum Score	A
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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