

Match Group, Inc.(MTCH)

\$73.26 (As of 04/14/20)

Price Target (6-12 Months): **\$79.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/04/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:C

Value: F

Growth: A

Momentum: B

Summary

Match Group boasts of a robust portfolio of online dating services and enjoys a first mover's advantage in the space. The company's increase in its average subscriber base, driven primarily by solid contribution from Tinder is a key catalyst. Sturdy synergies from Meetic, Match and PlentyOfFish bode well for the company. Increasing adoption of Tinder Gold subscription package is enabling Match Group to bolster subscriber growth. Notably, shares of the company have outperformed the industry in the past year. However, higher investments in Tinder amid competition from Facebook Dating are likely to limit margin expansion. Notably, the company is noticing a decline in new users above the age of 30 owing to the coronavirus pandemic, which is a headwind. Nonetheless, growing usage of video dating among younger users bodes well.

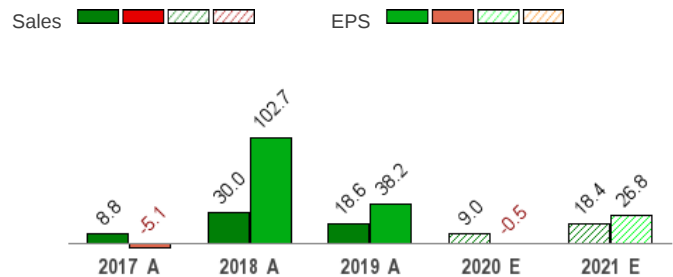
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$95.32 - \$44.74
20 Day Average Volume (sh)	2,872,927
Market Cap	\$20.6 B
YTD Price Change	-10.8%
Beta	0.42
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	2.0%
Last Sales Surprise	-1.0%
EPS F1 Est- 4 week change	-11.8%
Expected Report Date	05/05/2020
Earnings ESP	1.3%
P/E TTM	35.6
P/E F1	35.1
PEG F1	2.3
P/S TTM	10.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	610 E	622 E	698 E	718 E	2,648 E
2020	538 E	523 E	570 E	605 E	2,236 E
2019	465 A	498 A	541 A	547 A	2,051 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$2.65 E
2020	\$0.40 E	\$0.50 E	\$0.55 E	\$0.64 E	\$2.09 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 04/14/2020. The reports text is as of 04/15/2020.

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.

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.

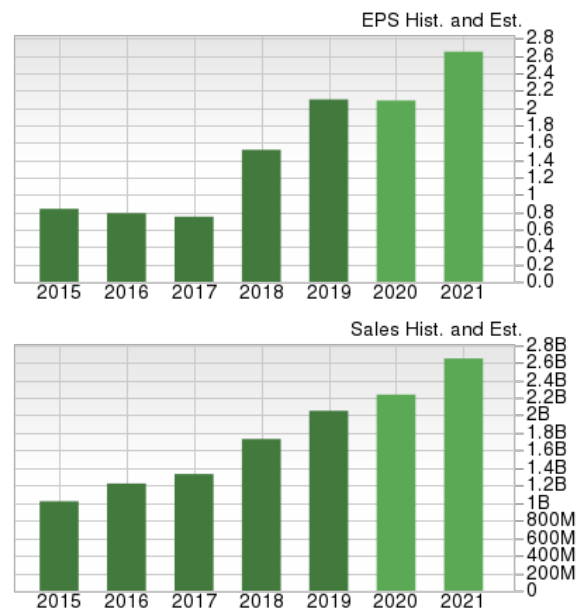
OkCupid launched in 2004 and attracts users through a mathematical and Q&A approach to the online dating category.

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% in the fourth quarter of 2019, driven primarily by strength in North America, up 5% year over year. Tinder average subscribers increased 36% year over year in the fourth quarter of 2019 and came in at 5.9 million. Renewal rates for Gold were better than expected in the fourth quarter. 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 39% year over year in fourth-quarter 2019. 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 7 million subscribers worldwide and 3 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 525 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.
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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 2.49 billion user count dwarfs Match Group's 9.6 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 39% year over year in fourth-quarter 2019. 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 long-term debt position of \$1.6 billion while had a cash and cash equivalents of just \$466 million at the end of fourth-quarter 2019. Consequently, it had to constantly generate adequate amount of operating cash flow to service its debt.
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Stiff competition from Facebook, uncertainty around Brexit & a leveraged balance sheet are major concerns.

Last Earnings Report

Match Group Beats on Q4 Earnings & Revenues

Match Group reported fourth-quarter 2019 adjusted earnings of 45 cents per share, which increased 15% from year-ago quarter.

Revenues of \$547.2 million climbed 20% year over year driven by robust momentum at Tinder and solid performances of Meetic, Match and PlentyOfFish.

The Zacks Consensus Estimate for earnings per share and revenues was pegged at 50 cents and \$555 million, respectively. Excluding the effect of foreign exchange, the top line was up 21% year over year. The increase was primarily driven by rise in average subscriber base and average revenue per user (ARPU).

Notably, on Dec 19, 2019, Match Group entered into a definitive agreement to separate from its parent company — InterActiveCorp/IAC.

Quarter Ending **12/2019**

Report Date	Feb 04, 2020
Sales Surprise	-1.02%
EPS Surprise	2.00%
Quarterly EPS	0.51
Annual EPS (TTM)	2.06

Quarter Details

Average subscriber base increased 19% to 9.6 million and ARPU increased 1% to 59 cents, at the end of the reported quarter.

North America subscriber base increased 9%, while International advanced 30%. Growth in ARPU was driven primarily by strength in North America (up 5% year over year), offset by 1% decline in International subscribers year over year.

Moreover, robust Tinder average subscriber growth of 36% year over year came to 5.9 million, positively impacted the quarterly results.

Direct revenues from Tinder grew 39% year over year, primarily on the back of higher number of Gold subscribers and a la carte revenues from subscribers.

Adjusted EBITDA was \$214.7 million, up 22% year over year. Adjusted EBITDA margins expanded 80 basis points (bps) year over year to 39%.

Total cost and expenses as a percentage of revenues expanded 10 bps year over year and came in at 67.1% in the reported quarter.

Operating income advanced 20.1% from the year-ago quarter to \$180.2 million. Moreover, operating margin contracted 10 bps to 32.9%.

Balance Sheet

Match Group exited the fourth quarter with cash and cash equivalent balance of \$466 million, up from \$366.4 million reported in the previous quarter. The company had long-term debt of \$1.6 billion, flat sequentially.

As of Dec 31, 2019 the company generated operating cash flow of \$658 million compared with \$472.9 million in the previous quarter. Free cash flow came in at \$620 million compared with \$442.8 million in the previous quarter.

During the reported quarter, the company repurchased 0.4 million shares at an average price of \$72.57 per share. The company had 9.9 million shares remaining under the previously announced share repurchase program.

Note: *The EPS data mentioned in the text of this section differs from the rest of report due to the difference in calculation or consideration of one-time items.*

Recent News

On March 31, 2020, Match Group provided an update regarding the impact of the global coronavirus pandemic on its business. Notably, the company stated that it expects first-quarter 2019 results to be in the low end of its previous guidance range of \$545-\$555 million.

On Jan 23, 2020, 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.

On Dec 19, 2019, Match Group entered into a definitive agreement to separate from its parent company — InterActiveCorp/IAC.

Valuation

Match Group shares are down 10.7% in the year-to-date period and up 26.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and in the Zacks Computer & Technology sector are down 7% and 9.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are down 13.9% and 1%, respectively.

The S&P 500 index is down 14.4% in the year-to-date period and 5.6% in the past year.

The stock is currently trading at 32.57X forward 12-month earnings, which compares to 25.43X for the Zacks sub-industry, 20.31X for the Zacks sector and 18.03X for the S&P 500 index.

Over the past three years, the stock has traded as high as 52.28X and as low as 12.11X, with a 3-year median of 31X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$79 price target reflects 35.26X 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	32.57	25.43	20.31	18.03
	3-Year High	52.28	43.46	21.92	19.34
	3-Year Low	12.11	22.00	16.71	15.19
	3-Year Median	31.00	35.13	19.21	17.45
P/S F12M	Current	8.23	5.54	3.19	3.04
	3-Year High	11.68	14.07	3.58	3.44
	3-Year Low	1.80	5.02	2.32	2.54
	3-Year Median	5.69	9.66	3.09	3.01
EV/Sales TTM	Current	10.60	5.24	3.76	2.83
	3-Year High	14.56	13.40	4.44	3.46
	3-Year Low	3.27	4.24	2.57	2.16
	3-Year Median	7.46	9.40	3.55	2.83

As of 04/14/2020

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



Top Peers

Facebook, Inc. (FB)	Neutral
Alphabet Inc. (GOOGL)	Neutral
Spark Networks, Inc. (LOV)	Neutral
Meet Group, Inc.(The) (MEET)	Neutral
Snap Inc. (SNAP)	Neutral
Twitter, Inc. (TWTR)	Neutral
Yelp Inc. (YELP)	Neutral
Zillow Group, Inc. (ZG)	Neutral

Industry Comparison Industry: Internet - Services				Industry Peers		
	MTCH Neutral	X Industry	S&P 500	FB Neutral	LOV Neutral	MEET Neutral
VGM Score	C	-	-	C	A	A
Market Cap	20.60 B	629.83 M	19.79 B	507.86 B	4.47 M	433.64 M
# of Analysts	5	2	14	13	1	2
Dividend Yield	0.00%	0.00%	2.16%	0.00%	0.00%	0.00%
Value Score	F	-	-	C	A	B
Cash/Price	0.02	0.21	0.06	0.11	NA	0.06
EV/EBITDA	31.60	3.37	11.74	15.14	NA	13.16
PEG Ratio	2.27	2.61	2.15	1.18	NA	0.42
Price/Book (P/B)	64.37	2.14	2.65	5.03	NA	2.22
Price/Cash Flow (P/CF)	35.76	15.77	10.40	20.98	NA	10.12
P/E (F1)	34.34	27.18	17.72	23.47	4.64	10.00
Price/Sales (P/S)	10.04	2.25	2.06	7.18	NA	2.05
Earnings Yield	2.85%	0.99%	5.46%	4.26%	21.57%	10.00%
Debt/Equity	5.01	0.09	0.70	0.09	NA	0.18
Cash Flow (\$/share)	2.05	0.12	7.01	8.49	-0.86	0.60
Growth Score	A	-	-	B	B	A
Hist. EPS Growth (3-5 yrs)	31.27%	24.26%	10.92%	53.35%	NA	14.78%
Proj. EPS Growth (F1/F0)	-0.57%	0.00%	-2.65%	18.09%	331.25%	22.00%
Curr. Cash Flow Growth	33.96%	9.86%	5.93%	-8.33%	NA	33.96%
Hist. Cash Flow Growth (3-5 yrs)	26.39%	20.51%	8.55%	38.21%	6.47%	123.34%
Current Ratio	1.62	1.59	1.24	4.40	NA	1.68
Debt/Capital	83.36%	9.66%	42.36%	8.61%	NA	15.24%
Net Margin	26.07%	-6.34%	11.64%	26.15%	NA	5.35%
Return on Equity	237.44%	-3.84%	16.74%	19.97%	NA	13.54%
Sales/Assets	0.88	0.62	0.54	0.58	NA	0.78
Proj. Sales Growth (F1/F0)	9.03%	2.86%	0.00%	9.69%	NA	10.52%
Momentum Score	B	-	-	F	A	D
Daily Price Chg	6.98%	1.83%	2.56%	1.93%	4.89%	1.16%
1 Week Price Chg	6.92%	3.35%	16.01%	13.63%	26.80%	1.86%
4 Week Price Chg	28.48%	12.84%	11.39%	19.24%	38.31%	15.97%
12 Week Price Chg	-18.37%	-19.97%	-19.33%	-19.54%	-31.67%	9.71%
52 Week Price Chg	26.73%	-31.80%	-11.64%	-0.39%	-75.02%	19.14%
20 Day Average Volume	2,872,927	127,526	3,452,738	25,744,878	131,301	2,314,729
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-0.36%	0.00%	0.00%
(F1) EPS Est 4 week change	-11.80%	-2.55%	-6.42%	-17.98%	0.00%	-2.88%
(F1) EPS Est 12 week change	-3.77%	-15.42%	-8.69%	-16.22%	0.00%	0.56%
(Q1) EPS Est Mthly Chg	-14.71%	-1.07%	-11.08%	-22.32%	NA	0.00%

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	F
Growth Score	A
Momentum Score	B
VGM Score	C

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.

Disclosures

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