Match Group Reports Third Quarter 2018 Results and Announces Special Dividend

Dallas, TX—November 6, 2018—Match Group (NASDAQ: MTCH) reported third quarter 2018 financial results today and separately released an investor presentation, which is available on the Investor Relations section of its website at https://ir.mtch.com.

"Match Group delivered another quarter of strong top and bottom line growth, with Tinder continuing as our growth engine," commented Mandy Ginsberg, Match Group CEO. "We are making product and marketing investments in our brands to drive growth across our portfolio. Even with these investments, Match Group is generating significant free cash flow and reducing leverage levels, and we have returned a meaningful amount of capital to shareholders. Today, we are announcing that our Board has declared a special dividend of $2.00 on each share of Match Group common stock and class B common stock. We remain on the lookout for strategically compelling M&A and have the financial flexibility to acquire companies when we find innovative products with long-term potential."

Q3 2018 HIGHLIGHTS

- Total Revenue grew 29% over the prior year quarter to $444 million, driven by 23% Average Subscriber growth and 6% ARPU growth.
- Average Subscribers increased to 8.1 million, a 23% increase over the prior year quarter.
- Operating income was $140 million, an increase of 54% over the prior year quarter, while Adjusted EBITDA increased 38% over the prior year quarter to $165 million.
- Operating Income and Adjusted EBITDA margins increased 5.0 and 2.4 points to 32% and 37%, respectively, as we continue to benefit from operating leverage in our business.
- For the nine months ended September 30, 2018, Operating Cash Flow increased 85% to $425 million, and Free Cash Flow increased 94% to $404 million, over the prior year period.

Key Financial and Operating Metrics

(In thousands, except EPS and ARPU)	Q3 2018	Q3 2017	Change
Revenue	$ 443,943	$ 343,418	29%
Operating Income	$ 139,895	$ 91,008	54%
Operating Income Margin	32%	27%	5.0 pt
Net earnings attributable to shareholders	$ 130,159	$ 287,688	(55)%
GAAP Diluted EPS from continuing operations	$ 0.44	$ 0.98	(55)%
Adjusted EBITDA	$ 165,039	$ 119,564	38%
Adjusted EBITDA Margin	37%	35%	2.4 pt
Average Subscribers	8,090	6,559	23%
ARPU	$ 0.57	$ 0.54	6%
YTD Operating Cash Flow	$ 425,243	$ 229,656	85%
YTD Free Cash Flow	$ 403,963	$ 208,018	94%

See reconciliations of GAAP to non-GAAP measures starting on page 6.

Special Cash Dividend

Today we are announcing that our Board of Directors has declared a special cash dividend of $2.00 per share on Match Group common stock and Class B common stock, payable on December 19, 2018, to stockholders of record as of the close of business on December 5, 2018. The special dividend will be funded with cash on hand and incremental debt, as necessary.

Net Income and Income Taxes

In the third quarter of 2018, Match Group recorded a GAAP income tax benefit of $6 million compared to $226 million in the third quarter of 2017, both driven by excess tax benefits generated by the exercise and vesting of stock-based awards. The decrease in excess tax benefits in the third quarter of 2018 compared to the third quarter of 2017 is the result of significant exercises of stock-based awards in the year ago quarter, primarily related to Tinder. The resulting decline in the income tax benefit drove the 55% decline in net earnings attributable to shareholders and diluted earnings per share from continuing operations.

See page 7 for a reconciliation of GAAP EPS to Adjusted EPS, a non-GAAP measure, which excludes the impact of stock-based awards and other non-cash items on our consolidated results.

Liquidity and Capital Resources

We net settled all stock options that were exercised and restricted stock units that vested during the nine months ended September 30, 2018, utilizing $182 million of cash to pay employee withholding taxes, and we issued 4.2 million fewer dilutive shares as a result, at an effective price of $42.94. We also repurchased 2.0 million shares during the nine months ended September 30, 2018 at an average price of $42.85, further mitigating the dilutive impact from stock-based compensation activity. Additionally, from October 1 to November 2, we purchased approximately 400,000 shares for approximately $20 million. A total of 3.6 million shares remain available under the previously announced repurchase program. As of September 30, 2018, Match Group had 278.4 million common and class B common shares outstanding.

As of September 30, 2018, the Company had $403 million in cash and cash equivalents and $1.3 billion of long-term debt. The Company has a $500 million revolving credit facility, which was undrawn as of September 30, 2018 and currently remains undrawn.

Match Group's trailing twelve-month leverage as of September 30, 2018 is 2.0x on a gross basis and 1.4x on a net basis.

As of September 30, 2018, IAC's economic ownership interest and voting interest in Match Group were 80.9% and 97.5%, respectively.

Conference Call

Match Group will audiocast a conference call to answer questions regarding its third quarter financial results on Wednesday, November 7, 2018 at 8:30 a.m. Eastern Time. This call will include the disclosure of certain information, including forward-looking information, which may be material to an investor's understanding of Match Group's business. The live audiocast will be open to the public, and the investor presentation reviewing the results has been posted, on Match Group's investor relations website at http://ir.mtch.com.

GAAP FINANCIAL STATEMENTS

MATCH GROUP CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Revenue	$ 443,943	$ 343,418	$ 1,272,506	$ 951,754
Operating costs and expenses:				
Cost of revenue (exclusive of depreciation shown separately below)	107,512	72,044	298,790	193,557
Selling and marketing expense	108,374	94,870	316,806	289,706
General and administrative expense	45,187	49,940	130,113	137,721
Product development expense	34,027	27,008	98,531	73,089
Depreciation	8,513	8,147	25,059	23,619
Amortization of intangibles	435	401	914	1,208
Total operating costs and expenses	304,048	252,410	870,213	718,900
Operating income	139,895	91,008	402,293	232,854
Interest expense	(18,376)	(19,548)	(54,458)	(57,570)
Other income (expense), net	894	(9,925)	4,677	(25,453)
Earnings from continuing operations, before tax	122,413	61,535	352,512	149,831
Income tax benefit	5,537	226,236	6,474	214,039
Net earnings from continuing operations	127,950	287,771	358,986	363,870
Loss from discontinued operations, net of tax	(378)	(85)	(378)	(4,647)
Net earnings	127,572	287,686	358,608	359,223
Net loss (earnings) attributable to noncontrolling interests	2,587	2	3,787	(52)
Net earnings attributable to Match Group, Inc. shareholders	$ 130,159	$ 287,688	$ 362,395	$ 359,171
Net earnings per share from continuing operations:				
Basic	$ 0.47	$ 1.08	$ 1.31	$ 1.39
Diluted	$ 0.44	$ 0.98	$ 1.22	$ 1.22
Net earnings per share attributable to Match Group, Inc. shareholders:				
Basic	$ 0.47	$ 1.08	$ 1.31	$ 1.38
Diluted	$ 0.44	$ 0.98	$ 1.22	$ 1.21
Basic shares outstanding	277,492	267,487	276,634	260,876
Diluted shares outstanding	296,789	293,060	297,317	297,307
Stock-based compensation expense by function:				
Cost of revenue	$ 493	$ 430	$ 1,768	$ 1,246
Selling and marketing expense	745	1,146	2,526	3,253
General and administrative expense	8,567	12,669	23,817	35,740
Product development expense	6,336	5,704	21,699	13,388
Total stock-based compensation expense	$ 16,141	$ 19,949	$ 49,810	$ 53,627

MATCH GROUP CONSOLIDATED BALANCE SHEET

	September 30, 2018	December 31, 2017
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 402,598	$ 272,624
Accounts receivable, net	138,167	116,751
Other current assets	66,902	55,369
Total current assets	607,667	444,744
Property and equipment, net	57,286	61,620
Goodwill	1,252,745	1,247,644
Intangible assets, net	235,827	230,345
Deferred income taxes	145,263	123,199
Long-term investments	10,169	11,137
Other non-current assets	15,798	11,457
TOTAL ASSETS	$ 2,324,755	$ 2,130,146
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Accounts payable	$ 12,103	$ 10,112
Deferred revenue	221,884	198,095
Accrued expenses and other current liabilities	139,086	110,566
Total current liabilities	373,073	318,773
Long-term debt, net	1,255,088	1,252,696
Income taxes payable	6,638	8,410
Deferred income taxes	28,272	28,478
Other long-term liabilities	12,947	14,484
Redeemable noncontrolling interest	—	6,056
Commitment and contingencies		
SHAREHOLDERS' EQUITY		
Common stock	71	64
Class B convertible common stock	210	210
Additional paid-in capital	(48,582)	81,082
Retained earnings	894,606	532,211
Accumulated other comprehensive loss	(121,814)	(112,318)
Treasury stock	(86,239)	—
Total Match Group, Inc. shareholders' equity	638,252	501,249
Noncontrolling interests	10,485	—
Total shareholders' equity	648,737	501,249
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,324,755	$ 2,130,146

MATCH GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended September 30,	
	2018	2017
	(In thousands)	
Cash flows from operating activities attributable to continuing operations:		
Net earnings from continuing operations	$ 358,986	$ 363,870
Adjustments to reconcile net earnings from continuing operations to net cash provided by operating activities attributable to continuing operations:		
Stock-based compensation expense	49,810	53,627
Depreciation	25,059	23,619
Amortization of intangibles	914	1,208
Deferred income taxes	(23,821)	(239,796)
Acquisition-related contingent consideration fair value adjustments	265	4,397
Other adjustments, net	(100)	16,578
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	(21,456)	(42,902)
Other assets	(22,059)	(8,984)
Accounts payable and other liabilities	32,167	15,399
Income taxes payable and receivable	1,233	11,923
Deferred revenue	24,245	30,717
Net cash provided by operating activities attributable to continuing operations	425,243	229,656
Cash flows from investing activities attributable to continuing operations:		
Net cash acquired in a business combination	1,136	—
Capital expenditures	(21,280)	(21,638)
Proceeds from the sale of a business, net	—	96,144
Purchases of investments	(3,000)	(9,076)
Other, net	39	41
Net cash (used in) provided by investing activities attributable to continuing operations	(23,105)	65,471
Cash flows from financing activities attributable to continuing operations:		
Term Loan borrowings	—	75,000
Debt issuance costs	—	(1,814)
Proceeds from issuance of common stock pursuant to stock-based awards	—	57,705
Withholding taxes paid on behalf of employees on net settled stock-based awards	(181,756)	(228,978)
Purchase of treasury stock	(86,239)	—
Purchase of redeemable noncontrolling interests	(3,503)	(436)
Purchase of stock-based awards	—	(272,459)
Acquisition-related contingent consideration payments	(185)	(23,429)
Other, net	(616)	(165)
Net cash used in financing activities attributable to continuing operations	(272,299)	(394,576)
Total cash provided by (used in) continuing operations	129,839	(99,449)
Net cash used in operating activities attributable to discontinued operations	—	(6,061)
Net cash used in investing activities attributable to discontinued operations	—	(471)
Total cash used in discontinued operations	—	(6,532)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	133	9,923
Net increase (decrease) in cash, cash equivalents, and restricted cash	129,972	(96,058)
Cash, cash equivalents, and restricted cash at beginning of period	272,761	253,771
Cash, cash equivalents, and restricted cash at end of period	$ 402,733	$ 157,713

RECONCILIATIONS OF GAAP TO NON-GAAP MEASURES

MATCH GROUP RECONCILIATION OF NET EARNINGS TO ADJUSTED EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in thousands)			
Net earnings attributable to Match Group, Inc. shareholders	$ 130,159	$ 287,688	$ 362,395	$ 359,171
Add back:				
Net (loss) earnings attributable to noncontrolling interests	(2,587)	(2)	(3,787)	52
Loss from discontinued operations, net of tax	378	85	378	4,647
Income tax benefit	(5,537)	(226,236)	(6,474)	(214,039)
Other (income) expense, net	(894)	9,925	(4,677)	25,453
Interest expense	18,376	19,548	54,458	57,570
Operating Income	139,895	91,008	402,293	232,854
Stock-based compensation expense	16,141	19,949	49,810	53,627
Depreciation	8,513	8,147	25,059	23,619
Amortization of intangibles	435	401	914	1,208
Acquisition-related contingent consideration fair value adjustments	55	59	265	4,397
Adjusted EBITDA	$ 165,039	$ 119,564	$ 478,341	$ 315,705
Revenue	$ 443,943	$ 343,418	$ 1,272,506	$ 951,754
Operating income margin	32%	27%	32%	24%
Adjusted EBITDA margin	37%	35%	38%	33%

MATCH GROUP RECONCILIATION OF OPERATING CASH FLOW FROM CONTINUING OPERATIONS TO FREE CASH FLOW

	Nine Months Ended September 30,	
	2018	2017
	(In thousands)	
Net cash provided by operating activities attributable to continuing operations	$ 425,243	$ 229,656
Capital expenditures	(21,280)	(21,638)
Free Cash Flow	$ 403,963	$ 208,018

MATCH GROUP RECONCILIATION OF GAAP EPS TO ADJUSTED EPS

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	2018	2017	2018	2017
Net earnings attributable to Match Group, Inc. shareholders	$ 130,159	$ 287,688	$ 362,395	$ 359,171
Stock-based compensation expense	16,141	19,949	49,810	53,627
Amortization of intangibles	435	401	914	1,208
Acquisition-related contingent consideration fair value adjustments	55	59	265	4,397
Discontinued operations, net of tax	378	85	378	4,647
Impact of income taxes and noncontrolling interests	(30,585)	(252,218)	(94,101)	(283,105)
Adjusted Net Income	$ 116,583	$ 55,964	$ 319,661	$ 139,945
GAAP Basic weighted average shares outstanding	277,492	267,487	276,634	260,876
Stock options, RSUs, and subsidiary denominated equity awards, treasury method	19,297	25,573	20,683	36,431
GAAP Diluted weighted average shares outstanding	296,789	293,060	297,317	297,307
Impact of RSUs and other	1,280	2,049	1,788	1,411
Adjusted EPS weighted average shares outstanding	298,069	295,109	299,105	298,718
GAAP Diluted EPS	$ 0.44	$ 0.98	$ 1.22	$ 1.21
Adjusted EPS	$ 0.39	$ 0.19	$ 1.07	$ 0.47

For GAAP diluted EPS purposes, RSUs, including performance-based RSUs and market-based awards to the extent the applicable performance or market condition(s) have been met, are included on a treasury method basis. For Adjusted EPS purposes, the impact of RSUs on shares outstanding is based on the weighted average number of RSUs outstanding, including performance-based and market-based RSUs outstanding that the Company believes are probable of vesting.

The impact of income taxes and noncontrolling interests in the table above adjusts for items excluded from Adjusted Net Income, including income tax deductions from the exercise or vesting of equity awards.

MATCH GROUP RECONCILATION OF GAAP REVENUE TO NON-GAAP REVENUE, EXCLUDING FOREIGN EXCHANGE EFFECTS

(Dollars in thousands, except ARPU)	Three Months Ended September 30,			
	2018	Change	% Change	2017
Revenue, as reported	$ 443,943	$ 100,525	29%	$ 343,418
Foreign exchange effects	8,020			
Revenue Excluding Foreign Exchange Effects	$ 451,963	$ 108,545	32%	$ 343,418
(Change calculated using non-rounded numbers)				
International ARPU, as reported	$ 0.55		7%	$ 0.52
Foreign exchange effects	0.02			
International ARPU, excluding foreign exchange effects	$ 0.57		11%	$ 0.52

(Dollars in thousands, except ARPU)	Nine Months Ended September 30,			
	2018	Change	% Change	2017
Revenue, as reported	$1,272,506	$ 320,752	34%	$ 951,754
Foreign exchange effects	(16,998)			
Revenue Excluding Foreign Exchange Effects	$1,255,508	$ 303,754	32%	$ 951,754
(Change calculated using non-rounded numbers)				
International ARPU, as reported	$ 0.56		13%	$ 0.50
Foreign exchange effects	(0.02)			
International ARPU, excluding foreign exchange effects	$ 0.54		9%	$ 0.50

DILUTIVE SECURITIES

Match Group has various tranches of dilutive securities. The table below details these securities and their potentially dilutive impact (shares in millions; rounding differences may occur).

	As of 11/2/2018
Share Price	**$52.15**
Absolute Shares	**278.1**
Vested Options and Awards	
Match Group Options	2.3
IAC Equity Awards	0.3
Total Dilution - Vested Options and Awards	**2.6**
Unvested Options and Awards	
Match Group Options	8.5
Match Group RSUs	1.8
Total Dilution - Unvested Options and Awards	**10.4**
Total Dilution	**13.0**
% Dilution	4.5%
Total Diluted Shares Outstanding	**291.1**

The dilutive securities calculation in the above table is different from GAAP dilution, which is calculated based on the treasury method.

Options — The table above assumes the option exercise price and the estimated income tax benefit from the tax deduction received upon the exercise of options (both vested and unvested awards) is used to repurchase Match Group shares.

Match Group is currently net settling all exercised options net of both the exercise price and employee withholding taxes. If the table above assumed options were also net settled for employee withholding taxes at a 50% withholding rate, the dilution shown above would be reduced by 1.6 million and 5.5 million shares for vested and unvested options, respectively, and the withholding taxes paid by the Company on behalf of the employees would be $77.3 million and $289.4 million for vested and unvested options, respectively.

RSUs — The table above assumes RSUs are settled net of withholding taxes, as is our practice, and the dilutive effect is presented as the net number of shares that would be issued upon vesting assuming a withholding tax rate of 50%. Withholding taxes paid by the Company on behalf of the employees upon vesting would have been $177.4 million, assuming the stock price in the table above and a 50% withholding rate. The table above also assumes the estimated income tax benefit from the tax deduction received upon the vesting of Match Group RSUs is used to repurchase Match Group shares.

IAC Equity Awards — IAC Equity awards represent options and market-based restricted stock units denominated in the shares of IAC that have been issued to employees of Match Group. Upon the exercise or vesting of IAC Equity awards, IAC will settle the awards with shares of IAC, and Match Group will issue additional shares of Match Group to IAC as reimbursement. The table above assumes the estimated income tax benefit from the tax deduction received upon the exercise or vesting of IAC denominated equity awards is used to repurchase Match Group shares.

PRINCIPLES OF FINANCIAL REPORTING

Match Group reports Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow, Adjusted Net Income, Adjusted EPS, and Revenue Excluding Foreign Exchange Effects, all of which are supplemental measures to U.S. generally accepted accounting principles ("GAAP"). The Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow, Adjusted Net Income, and Adjusted EPS measures are among the primary metrics by which we evaluate the performance of our business, on which our internal budget is based and by which management is compensated. Revenue Excluding Foreign Exchange Effects provides a comparable framework for assessing how our business performed without the effect of exchange rate differences when compared to prior periods. We believe that investors should have access to, and we are obligated to provide, the same set of tools that we use in analyzing our results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. Match Group endeavors to compensate for the limitations of the non-GAAP measures presented by providing the comparable GAAP measures with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measures. We encourage investors to examine the reconciling adjustments, which we describe below, between the GAAP and non-GAAP measures. Interim results are not necessarily indicative of the results that may be expected for a full year.

Definitions of Non-GAAP Measures

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA) is defined as operating income excluding: (1) stock-based compensation expense; (2) depreciation; and (3) acquisition-related items consisting of (i) amortization of intangible assets and impairments of goodwill and intangible assets and (ii) gains and losses recognized on changes in the fair value of contingent consideration arrangements. We believe Adjusted EBITDA is useful for analysts and investors as this measure allows a more meaningful comparison between our performance and that of our competitors. The above items are excluded from our Adjusted EBITDA measure because they are non-cash in nature. Adjusted EBITDA has certain limitations in that it does not take into account the impact to our consolidated statement of operations of certain expenses.

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenues. We believe Adjusted EBITDA margin is useful for analysts and investors as this measure allows a more meaningful comparison between our performance and that of our competitors. Adjusted EBITDA margin has certain limitations in that it does not take into account the impact to our consolidated statement of operations of certain expenses.

Free Cash Flow is defined as net cash provided by operating activities from continuing operations, less capital expenditures. We believe Free Cash Flow is useful to investors because it represents the cash that our operating businesses generate, before taking into account non-operational cash movements. Free Cash Flow has certain limitations in that it does not represent the total increase or decrease in the cash balance for the period, nor does it represent the residual cash flow for discretionary expenditures. Therefore, we think it is important to evaluate Free Cash Flow along with our consolidated statement of cash flows.

We look at Free Cash Flow as a measure of the strength and performance of our businesses, not for valuation purposes. In our view, applying "multiples" to Free Cash Flow is inappropriate because it is subject to timing, seasonality and one-time events. We manage our business for cash and we think it is of utmost importance to maximize cash – but our primary valuation metrics are Adjusted EBITDA and Adjusted EPS.

Adjusted Net Income generally captures all items on the statement of operations that have been, or ultimately will be, settled in cash and is defined as net earnings attributable to Match Group, Inc. shareholders excluding, net of tax effects and noncontrolling interests, if applicable: (1) stock-based compensation expense, (2) acquisition-related items consisting of (i) amortization of intangibles and impairments of goodwill and intangible assets and (ii) gains and losses recognized on changes in the fair value of contingent consideration arrangements, and (3) discontinued operations, net of tax. We believe Adjusted Net Income is useful to investors because it represents Match Group's consolidated results taking into account depreciation, which management believes is an ongoing cost of doing business, as well as other charges that are not allocated to the operating businesses such as interest expense, income taxes and noncontrolling interests, but excluding the effects of any other non-cash expenses and discontinued operations.

Adjusted EPS is defined as Adjusted Net Income divided by fully diluted weighted average shares outstanding for Adjusted EPS purposes. We include dilution from options in accordance with the treasury stock method and include all restricted stock units ("RSUs") in shares outstanding for Adjusted EPS, with performance-based RSUs included based on the number of shares that the Company believes are probable of vesting. This differs from the GAAP method for including RSUs, which are treated on a treasury method, and performance-based RSUs, which are included for GAAP purposes only to the extent the applicable performance condition(s) have been met (assuming the end of the reporting period is the end of the contingency period), which increases shares outstanding for Adjusted EPS purposes. Market-based awards are included in both GAAP and Adjusted EPS only to the extent that the market condition(s) have been met (assuming the end of the reporting period is the end of the contingency period). We believe Adjusted EPS is useful to investors because it represents, on a per share basis, Match Group's consolidated results, taking into account depreciation, which we believe is an ongoing cost of doing business, as well as other charges, which are not allocated to the operating businesses such as interest expense, income taxes and noncontrolling interests, but excluding the effects of any other non-cash expenses, and is computed in a manner that is generally consistent with management's view of dilution. Adjusted Net Income and Adjusted EPS have the same limitations as Adjusted EBITDA. Therefore, we think it is important to evaluate these measures along with our consolidated statement of operations.

Revenue Excluding Foreign Exchange Effects is calculated by translating current period revenues using prior period exchange rates. The percentage change in Revenue Excluding Foreign Exchange Effects is calculated by determining the change in current period revenues over prior period revenues where current period revenues are translated using prior period exchange rates. We believe the impact of foreign exchange rates on Match Group, due to its global reach, may be an important factor in understanding period over period comparisons if movement in rates is significant. Since our results are reported in U.S. dollars, international revenues are favorably impacted as the U.S. dollar weakens relative to other foreign currencies, and unfavorably impacted as the U.S dollar strengthens relative to other foreign currencies. We believe the presentation of revenue excluding foreign exchange in addition to reported revenue helps improve the ability to understand Match Group's performance because it excludes the impact of foreign currency volatility that is not indicative of Match Group's core operating results.

Non-Cash Expenses That Are Excluded From Our Non-GAAP Measures

Stock-based compensation expense consists principally of expense associated with the grants of stock options, RSUs, performance-based RSUs and market-based awards. These expenses are not paid in cash, and we include the related shares in our fully diluted shares outstanding using the treasury stock method; however, performance-based RSUs and market-based awards are included only to the extent the applicable performance or market condition(s) have been met (assuming the end of the reporting period is the end of the contingency period). We view the true cost of stock options, RSUs, performance-based RSUs and market-based awards as the dilution to our share base, and such awards are included in our shares outstanding for Adjusted EPS purposes as described above under the definition of Adjusted EPS. To the extent stock-based awards are settled on a net basis, the Company remits the required tax-withholding amounts from its current funds.

Depreciation is a non-cash expense relating to our property and equipment and is computed using the straight-line method to allocate the cost of depreciable assets to operations over their estimated useful lives, or, in the case of leasehold improvements, the lease term, if shorter.

Amortization of intangible assets and impairments of goodwill and intangible assets are non-cash expenses related primarily to acquisitions. At the time of an acquisition, the identifiable definite-lived intangible assets of the acquired company, such as customer lists, trade names and technology, are valued and amortized over their estimated lives. Value is also assigned to acquired indefinite-lived intangible assets, which comprise trade names and trademarks, and goodwill that are not subject to amortization. An impairment is recorded when the carrying value of an intangible asset or goodwill exceeds its fair value. We believe that intangible assets represent costs incurred by the acquired company to build value prior to acquisition and the related amortization and impairment charges of intangible assets or goodwill, if applicable, are not ongoing costs of doing business.

Gains and losses recognized on changes in the fair value of contingent consideration arrangements are accounting adjustments to report contingent consideration liabilities at fair value. These adjustments can be highly variable and are excluded from our assessment of performance because they are considered non-operational in nature and, therefore, are not indicative of current or future performance or the ongoing cost of doing business.

DEFINITION OF OPERATING METRIC TERMS USED

Direct Revenue - is revenue that is received directly from end users of our products and includes both subscription and à la carte revenue.

Indirect Revenue - is revenue that is not received directly from end users of our products, substantially all of which is advertising revenue.

Subscribers - are users who purchase a subscription to one of our products. Users who purchase only à la carte features are not included in Subscribers.

Average Subscribers - is the number of Subscribers at the end of each day in the relevant measurement period divided by the number of calendar days in that period.

Average Revenue per Subscriber ("ARPU") - is Direct Revenue from Subscribers in the relevant measurement period (whether in the form of subscription or à la carte) divided by the Average Subscribers in such period and further divided by the number of calendar days in such period. Direct Revenue from users who are not Subscribers and have purchased only à la carte features is not included in ARPU.

OTHER INFORMATION

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This press release and our conference call, which will be held at 8:30 a.m. Eastern Time on November 7, 2018, may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as “anticipates,” “estimates,” “expects,” “plans” and “believes,” among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to: Match Group’s future financial performance, Match Group’s business prospects and strategy, anticipated trends and other similar matters. These forward-looking statements are based on management’s current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Actual results could differ materially from those contained in these forward-looking statements for a variety of reasons, including, among others: competition, our ability to maintain user rates on our higher monetizing dating products, our ability to attract users to our dating products through cost-effective marketing and related efforts, foreign currency exchange rate fluctuations, our ability to distribute our dating products through third parties and offset related fees, the integrity and scalability of our systems and infrastructure (and those of third parties) and our ability to adapt ours to changes in a timely and cost-effective manner, our ability to protect our systems from cyberattacks and to protect personal and confidential user information, risks relating to certain of our international operations and acquisitions and certain risks relating to our relationship with IAC/InterActiveCorp, among other risks. Certain of these and other risks and uncertainties are discussed in Match Group’s filings with the Securities and Exchange Commission. Other unknown or unpredictable factors that could also adversely affect Match Group’s business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, these forward-looking statements may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of Match Group management as of the date of this press release. Match Group does not undertake to update these forward-looking statements.

About Match Group

Match Group (NASDAQ: MTCH) is a leading provider of dating products. We operate a portfolio of brands, including Tinder, Match, PlentyOfFish, OkCupid, OurTime, Meetic, and Pairs, each designed to increase our users’ likelihood of finding a meaningful connection. Through our portfolio of trusted brands, we provide tailored products to meet the varying preferences of our users. We currently offer our dating products in 42 languages across more than 190 countries.

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