

more active role.

- *Convenience:* The nature of the internet and the proliferation of mobile devices allow users to connect with new people at any time of the day, regardless of where they are.

Depending on a person's circumstances at any given time, dating products can act as supplement to, or substitute for, the traditional means of meeting people. When selecting a dating product, we believe that users consider the following attributes:

- *Brand recognition:* Brand is very important. Users generally associate strong dating brands with a higher likelihood of success and a higher level of security. Successful dating brands typically depend on large, active communities of users, strong algorithmic filtering technology and awareness of successful usage among similar users.
- *Successful experiences:* Demonstrated success of other users attracts new users through word-of-mouth recommendations. Successful experiences also drive repeat usage.
- *Community identification:* Users typically look for dating products that offer a community with which the user most strongly associates. By selecting a dating product that is focused on a particular demographic, religion, geography or intent (for example, casual dating or more serious relationships), users can increase the likelihood that they will make a connection with someone with whom they may identify.
- *Product features and user experience:* Users tend to gravitate towards dating products that offer features and user experiences that resonate with them, such as question-based matching algorithms,

104

Table of Contents

location-based features, offline events or searching capabilities. User experience is also driven by the type of user interface (for example, swiping versus scrolling), a particular mix of free and paid features, ease of use and security. Users expect every interaction with a dating product to be seamless, intuitive and secure.

Our competitive advantages

We believe the following attributes provide us with competitive advantages in the dating business:

- *Strong brand recognition:* A strong brand is one of the primary factors people consider when choosing a dating product. Brands drive organic traffic, significantly affect ranking in search engines and app stores and increase the efficiency of paid marketing. Strong nationally recognized brands in the dating category traditionally take many years to build. According to data obtained from Research Now, four of the top five dating brands by unaided awareness in North America are owned by us, and 89% of singles in North America recognize at least one of our brands when shown a list of dating brands. According to this same data, 70% of singles in Western Europe recognize at least one of our brands when shown a list of dating brands. And in other countries, 20% of singles recognize, on an unaided basis, at least one of our brands. In fact our products rank highest in aided brand awareness among all dating products in 13 different countries across North America and Western Europe.
- *Scale:* Significant scale of users in the local markets in which a dating brand operates is an advantage in providing the most effective user experience. Large scale offers more opportunities for potential connections and leads to better outcomes for a brand's users. This in turn drives a higher frequency of word-of-mouth recommendations from satisfied users, which is then multiplied across a broader base of users, creating a reinforcing loop in which scale drives further scale. We currently own and operate four of the top five brands in North America measured in terms of unaided awareness. Our members sent an average of more than 75 million messages to other members on our products each day during the quarter ended September 30, 2015, and on our Tinder product, during the month ended September 30, 2015, our users "swiped" through an average of more than 1.4 billion user profiles each day. Our products have led to the start of approximately 8.4 million relationships, and approximately 2.5 million marriages, in North America over the last four years alone, each pro forma for PlentyOfFish. We believe that this scale is one of the big competitive advantages for our principal brands.
- *Multi-brand approach to customer acquisition:* We currently have more brands than any other participant in our category. Based on a study by Research Now commissioned by us in July 2015, we own and operate (pro forma for PlentyOfFish) the top four brands used by respondents in North America in the 30 days preceding the survey; the fifth most used brand had less than 50% of the usage of our fourth most used brand. Our multi-brand approach allows us to provide dating products that appeal to a wide spectrum of users. By positioning what we believe to be the most relevant brand to each user segment, we are able to achieve greater reach at lower overall customer acquisition costs. Additionally, we are increasingly placing advertisements for our products within our other products. When such an advertisement is successful and a user of one of our products becomes a user of another of our products, the second product has acquired a new customer for no incremental cost. Because the second product would otherwise have had to engage in its own marketing efforts to acquire the customer, we are able to decrease the average cost of customer acquisition across our entire portfolio. For the quarter ended September 30, 2015, our Match brand and affinity brands in North America generated approximately 11% of new registrations via this type of cross-promotion.
- *Scale-driven customer acquisition competency:* We efficiently utilize online and offline advertising to increase brand awareness and drive new user registrations. Our long history and significant scale has

105

Table of Contents

allowed us to develop analytical and operational approaches that we believe are more sophisticated than any of our single brands would be able to