The Deal

Starboard, Anson Build Stakes in Tinder-Parent Match

The Jeff Smith-led fund is the third activist to arrive at the Dallas-based dating app company this year, and its involvement suggests that pressure to improve or sell the company is building.

By Jean Haggerty

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Jeff Smith-led Starboard Value LP launched an activist campaign at Match Group Inc. (MTCH), a dating app company with at least two other activist investors in its stock.

A Monday, July 15, securities filing revealed that Starboard built a roughly 6.6% equity stake in Match, while Anson Funds Management LP, another activist investor, has been accumulating a position in since the first quarter.

Anson's share position is likely below 5% as the fund hasn't filed a 13D at Match. But a source who reviewed Anson's quarterly letter to investors issued Tuesday said that the shareholder has continued to build out its position in the online dating app company behind the Tinder, Hinge, Match and Plenty of Fish apps.

In addition, Match on March 25 announced that it appointed two directors to its board following conversations with Paul Singer's Elliott Management Corp., which in January accumulated a $1 billion position, or a roughly 10% stake, in the company. Elliott reported in May owning 4.1 million shares, about 1.6%, as of March 31.

Anson never publicly disclosed its strategy for Match, but the source said the fund is eager to see the company refresh its classified board, ramp up its integration of artificial intelligence and divest non-core assets in Asia. In Asia, Match owns assets, including the Japanese dating app Pairs and the South Korean social media chat application developer Hyperconnect Inc., which it bought in June 2021for $1.75 billion.

Starboard, meanwhile, said in a statement issued Tuesday that it wants the online dating app to focus on improving its revenue growth, margins and capital allocation, while remaining open to strategic alternatives, including a sale, if a turnaround proves challenging.

"As the board evaluates the go-forward plan to create value as a public company, it must also fully understand the potential value creation opportunity available through a sale of the company and compare the alternatives on a risk-adjusted basis," Starboard's Smith wrote in a July 15 letter to Match's CEO, CFO and board. "Match is a unique and highly valuable asset that may be well-suited to operate as a private company," he noted.

According to Smith, opportunities for a turnaround exist. "We believe Tinder's issues are driven, in large part, by a lack of innovation at the product level after years of viral growth," he said, adding that CEO Bernard Kim's experience in the gaming industry should provide transferable insights that could aid product improvements at Tinder.

At Match, opportunities to rationalize costs in the company's General and Administrative function and in other areas also exist, Smith wrote. Smith added that he appreciated Match's commentary that it plans to generate $60 million of savings through technology platform consolidations. "These opportunities present a clear opportunity for Match to increase its adjusted operating margins to over 40%," he said, underscoring that this "highly achievable goal" should be a primary focus.

Additionally, given the strength of its balance sheet, Match should embark on a more aggressive and systematic capital return program, Smith wrote. "There is no better use of cash for Match than repurchasing its own shares at this level," he added.

Match's stock, which traded above $169 per share twice in 2021, was trading at $34.40 per share midday on Tuesday, down 4.7% year to date and 28.4% from a year ago.

Match Group in an emailed response after Starboard’s letter said it looks forward to continuing its dialogue with its investors.