

measurements. This is driven primarily by a higher concentration of advertising spend in the first quarter, when advertising prices are lowest and demand for our products is highest, and a lower concentration of advertising spend in the fourth quarter, when advertising costs are highest and demand for our products is lowest.

**International markets.** Our products are available in over 190 countries. Our international revenue represented 35% and 31% of our total revenue for the fiscal year ended December 31, 2014 and nine months ended September 30, 2015, respectively. We vary our pricing to align with local market conditions and our international businesses typically earn revenue in local currencies, primarily the Euro. As foreign currency exchange rates change, translation of the statements of operations of our international businesses into U.S. dollars affects year-over-year comparability of operating results.

**Business combinations.** Acquisitions are an important part of our growth strategy, and we expect to make additional acquisitions in the future. Since January 2009 we have invested approximately \$1,284.0 million to acquire 25 new brands for our dating portfolio including OkCupid, Meetic, Twoo and PlentyOfFish. As a consequence of the contributions of these businesses and acquisition-related expenses, our combined results of operations may not be comparable between periods.

**Public company expenses.** Prior to completion of this offering, IAC has provided to us significant corporate and shared services related to corporate functions such as executive oversight, risk management, information technology, accounting, audit, legal, investor relations, tax, treasury and other services. Following this offering, we expect IAC to continue to provide many of these services for a fee pursuant to the services agreement described in "Certain relationships and related party transactions." While we expect to incur additional expenses as a public company, including pursuant to the services agreement with IAC, we do not expect these expenses to materially affect our overall profitability or to impede our growth prospects.

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### **Non-dating business**

In addition to our Dating business, we also operate a Non-dating business in the education category through our ownership of The Princeton Review. The Princeton Review provides a variety of test preparation, academic tutoring and college counseling services. We acquired this business because it relies on many of the same competencies as those relied upon by our Dating business, such as paid customer acquisition, a combination of paid and free business models, a deep understanding of the lifetime values of customers and a strong expertise in user-interface development. The Princeton Review's revenue consists primarily of fees received for in-person and online test preparation classes, access to online test preparation materials and individual tutoring services.

### **Key Dating metrics**

In connection with the management of our businesses we identify, measure and assess a variety of key metrics. The principal metrics we use in managing our Dating business are set forth below:

#### **Operating metrics**

- **Direct Revenue** is revenue that is directly received from an end user of our products.
- **Indirect Revenue** is revenue that is not received directly from an end user of our products, substantially all of which is currently advertising revenue.
- **Average PMC** is calculated by summing the number of paid members, or paid member count, or PMC, at the end of each day in the relevant measurement period and dividing it by the number of calendar days in that period. PMC as of any given time represents the number of users with a paid membership at that time. Users who purchase à la carte features from us do not qualify as paid members for purposes of PMC by virtue of such purchase, though often such purchasers are also paid members. At present, the number of users purchasing à la carte features who are not otherwise paid members is not material, and the mechanisms necessary to accurately track these users are not in place across our portfolio. Over time, as this cohort of users grows and we develop and implement the ability to accurately track these users, we may change this metric to include such users.
- **Average Revenue Per Paying User, or ARPPU**, is Direct Revenue in any measurement period divided by the Average PMC in such period divided by the number of calendar days in such period.

Historically, there has been an inverse relationship between Average PMC and ARPPU. Increases in prices tend to lower the percentage of users who convert to paid members, while lowering prices tend to increase the percentage of users who convert to paid members. Since we seek to optimize the Company's business, both for financial performance and user experience, rather than seeking to maximize Average PMC or ARPPU, our brands are continuously engaged in calibrating between pricing and the impact of changes in pricing on the number of paid members.

#### **Geographical metrics**

Our Dating business consists of a portfolio of individual brands. Some of these brands operate within a single geographic territory while others operate across multiple geographies. While we do not organize our management around geographic territories, from a consumer perspective, our brands tend to be local, competing for local users with some, but not all, of the global competitive set. Accordingly, we provide our key metrics geographically to enable investors to understand our portfolio performance in key geographic markets in which we compete, even though it does not reflect the way that we manage the business.

### **Key components of results of operations**

#### **Revenue**

Substantially all of our Dating revenue is derived directly from users in the form of recurring membership fees.

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