

should not be considered as a substitute for, nor superior to, GAAP measures.

Quantitative and qualitative disclosures about market risk

Equity price risk

At December 31, 2014 and September 30, 2015, we have one investment in an equity security of a publicly traded company. This available-for-sale marketable equity security is reported at fair value based on its quoted market price with any unrealized gain or loss, net of tax, included as a component of "Accumulated other comprehensive loss" in the accompanying combined balance sheet. Investments in equity securities of publicly traded companies are exposed to significant fluctuations in fair value due to the volatility of the stock market. During 2013 and 2014 and for the nine months ended September 30, 2015, we did not record any other-than-temporary impairment charges related to this available-for-sale marketable equity security. During 2012, we recorded an \$8.7 million other-than-temporary impairment charge related to this available-for-sale marketable equity security. The other-than-temporary impairment charge is included in "Other (expense) income, net" in the accompanying combined statement of operations.

Foreign currency exchange risk

We conduct business in certain foreign markets, primarily in the European Union. For the nine months ended September 30, 2015, international revenue accounted for 31% of combined revenue. Our primary exposure to foreign currency exchange risk relates to investments in foreign subsidiaries that transact business in a functional currency other than the U.S. Dollar, 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. The average Euro versus the U.S. Dollar exchange rate was 18% lower in the first nine months of 2015 than 2014. The decrease had a significant impact to revenue. Total revenue, Dating revenue and International Dating Revenue would have increased approximately 22%, 13% and 18%, respectively, as compared to the reported increases of 16%, 7% and less than 1%, respectively, had the foreign currency exchange rates been the same as the first nine months of 2014.

Foreign currency exchange gains and losses included in our earnings for both the nine months ended September 30, 2014 and 2015 are gains of \$6.5 million. Included in the September 30, 2015 amount is a foreign currency exchange gain of \$5.2 million related to our €53 million 5.00% Note that was issued to an IAC subsidiary on April 8, 2014 in connection with the financing of the purchase of the remaining publicly-traded shares of Meetic. This related party debt is a liability of one of our subsidiaries with a U.S. dollar functional currency and the gain is due to the significant strengthening of the U.S. dollar versus the Euro in 2015. This related party debt is our primary exposure to foreign currency exchange transaction risk and will be repaid in connection with this offering.

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The impact on foreign currency exchange gains for the nine months ended September 30, 2015, assuming a 10% increase in the Euro to the U.S. dollar would increase foreign currency exchange gains by \$0.5 million. Assuming a 10% decrease in the Euro to the U.S. dollar, foreign currency exchange gains would decrease by \$0.5 million. Such potential increase or decrease is based on certain simplifying assumptions, including a constant level and rate of debt and an immediate across-the-board increase or decrease in the exchange rate with no other subsequent changes for the remainder of the period.

Historically, we have not hedged any foreign currency exposures. Our continued international expansion increases our exposure to exchange rate fluctuations and as a result such fluctuations could have a significant impact on our future results of operations.

Critical accounting policies

The following disclosure is provided to supplement the descriptions of our accounting policies contained in Note 2 to our combined financial statements in regard to significant areas of judgment. Management of the Company is required to make certain estimates, judgments and assumptions during the preparation of its combined financial statements in accordance with GAAP. These estimates, judgments and assumptions impact the reported amount of assets, liabilities, revenue and expenses and the related disclosure of contingent assets and liabilities as of the date of the combined financial statements. Actual results could differ from those estimates. Because of the size of the financial statement elements to which they relate, some of our accounting policies and estimates have a more significant impact on our combined financial statements than others. What follows is a discussion of some of our more significant accounting policies and estimates.

Business combinations

The purchase price of each acquisition is attributed to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, including identifiable intangible assets that either arise from a contractual or legal right or are separable from goodwill. The fair value of these intangible assets is based on detailed valuations that use information and assumptions provided by management. The excess purchase price over the net tangible and identifiable intangible assets is recorded as goodwill.

In connection with some business combinations, the Company has entered into contingent consideration arrangements that are determined to be part of the purchase price. Each of these arrangements are recorded at its fair value at the time of the acquisition and reflected at current fair value for each subsequent reporting period thereafter until settled. The contingent consideration arrangements are generally based upon earnings performance and/or operating metrics. The Company generally determines the fair value of contingent consideration using probability-weighted analyses over the period in which the obligation is expected to be settled, and, to the extent the arrangement is long-term in nature, applies a discount rate that appropriately captures the risk associated with the obligation. Significant changes in forecasted earnings or operating metrics would result in a significantly higher or lower fair value measurement. Determining fair value is inherently difficult and subjective and can have a material impact on our combined financial statements. The changes in the remeasured fair value of the contingent consideration arrangements each reporting period are recognized in "General and administrative expense" in the accompanying combined statement of operations. See Note 6 to our combined financial statements for a discussion of contingent consideration arrangements.

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