

including market comparables and discounted cash flow projections.

Certain risks and concentrations

The Company's business is subject to certain risks and concentrations including dependence on third-party technology providers, exposure to risks associated with online commerce security and credit card fraud.

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of cash and cash equivalents. Cash and cash equivalents are principally maintained with international financial institutions that are not covered by deposit insurance.

Recent accounting pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and develops a common standard for all industries. In July 2015, the FASB decided to defer the effective date for annual reporting periods beginning after December 15, 2017. Early adoption is permitted beginning on the original effective date of December 15, 2016. Upon adoption, ASU No. 2014-09 may either be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently evaluating the new guidance and has not yet determined whether the adoption of the new standard will have a material impact on its combined financial statements or the method and timing of adoption.

Note 3—Income taxes

Match Group, Inc. is a member of IAC's consolidated federal and state income tax returns. In all periods presented, current income tax provision and deferred income tax benefit have been computed for Match Group, Inc. on an as if stand-alone, separate return basis. Match Group, Inc.'s payments to IAC for its share

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of IAC's consolidated federal and state tax return liabilities have been reflected within cash flows from operating activities in the accompanying combined statements of cash flows.

U.S. and foreign earnings before income taxes and noncontrolling interests are as follows:

| | Years ended December 31, | | |
|---------|--------------------------|------------|------------|
| | 2012 | 2013 | 2014 |
| | (In thousands) | | |
| U.S. | \$ 128,746 | \$ 152,645 | \$ 147,210 |
| Foreign | 20,967 | 34,598 | 68,426 |
| Total | \$ 149,713 | \$ 187,243 | \$ 215,636 |

The components of the provision for income taxes are as follows:

| | Years ended December 31, | | |
|---|--------------------------|-----------|-----------|
| | 2012 | 2013 | 2014 |
| | (In thousands) | | |
| Current income tax provision: | | | |
| Federal | \$ 44,651 | \$ 49,140 | \$ 53,579 |
| State | 3,718 | 3,856 | 6,045 |
| Foreign | 14,353 | 11,271 | 13,557 |
| Current income tax provision | 62,722 | 64,267 | 73,181 |
| Deferred income tax provision (benefit): | | | |
| Federal | 3,550 | 722 | (4,188) |
| State | 158 | 197 | (159) |
| Foreign | (6,998) | (4,570) | (1,557) |
| Deferred income tax benefit | (3,290) | (3,651) | (5,904) |
| Income tax provision | \$ 59,432 | \$ 60,616 | \$ 67,277 |

The current income tax payable was reduced by \$8.4 million, \$10.8 million and \$5.3 million for the years ended December 31, 2012, 2013 and 2014, respectively, for excess tax deductions attributable to stock-based compensation. The related income tax benefits are recorded as increases to invested capital.

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The tax effects of cumulative temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below. The valuation allowance is primarily related to deferred tax assets for net operating losses.

December 31,