Have a fling with some of these shares

123RF/Igor Sapozhkov

February is the month of love. It's a time to celebrate Valentine's Day and, for some, a time to renew the search for greater human connection. These days, there is a growing probability that couples will make their first contact via an online dating service, rather than the more traditional way of being introduced at an in-person event. I will leave the social and psychological commentary about this trend to others, but let's have a look at the investment opportunities on offer thanks to online dating:

Match Group
The largest player in the online dating industry is Nasdaq-listed Match Group, which has a market cap of $15bn. Its brands include Tinder, Hinge, Match.com, OkCupid, PlentyOfFish and The League. Tinder is the most popular and profitable of all online dating apps, with more than 50-million active users worldwide, of which 11-million are paying users. It was created in 2012 and soon introduced the innovative system of swiping left (no) or right (yes) on potential matches. Tinder was the overall highest revenue-earning mobile app for 2019, but has been sliding down the rankings since.

The app has been criticised for being a "romance killer" and focusing more on casual physical encounters rather than on igniting long-term meaningful relationships. In response, apps such as Hinge (which says it is "designed to be deleted") have grown in popularity. Hinge is now Match Group's fastest-growing dating app. The group's full-year results for 2022 will hit the press around the same time as this column, with pretax adjusted operating income expected to be $1.1bn. This translates to a p:e of roughly 30, which is on the expensive side, given Match Group's slowing revenue growth profile. Still, we would swipe right on the stock, given its strong market position.

Bumble
Founded by CEO Whitney Wolfe Herd (an ex-Tinder employee) in 2014, this parent company of dating apps Bumble, Badoo, and Fruitz was listed on the Nasdaq in 2021 and has a market cap of $5bn. Almost 80% of the group's revenue is generated by the Bumble app, which has more than 2-million paying users.

Its distinctive feature is that, for heterosexual matches, only women users can make the first contact with matched male users. For same-sex matches, though, either person can send the first message. The feature seeks to mitigate the chauvinism which has been associated with some other dating apps, and has proved so popular that Bumble now ranks highest among all dating apps in the latest mobile download rankings. Both revenue and adjusted earnings before interest, tax, depreciation and amortisation (ebitda) have historically been growing at more than 30% year on year, but the group is still operating around breakeven on a bottom-line basis. Like all platform businesses, scale counts. We wouldn't permanently commit to Bumble shares until its number of paying users increases substantially.

Grindr
Grindr is the number one social network for the LGBTQ+ community. It listed on the NYSE late last year, and has a market cap of roughly $1bn. Grindr is a pioneer of location-based social networking (so-called geosocial apps), having introduced the feature in 2009. With roughly 11-million active users, of which fewer than 1-million are paying users, Grindr generates less revenue than the other apps discussed so far. Still, it is solidly profitable, mostly due to not spending much on marketing, because of the sustained word-of-mouth popularity among its target community.

Between 2016 and 2020, Grindr was owned by a Chinese technology firm. After this was flagged by the US government as a security risk, an ex-hedge fund manager from Illinois put together a consortium to buy Grindr, and he still owns 45% of the group. If Grindr is successful in its quest to become a super-app, satisfying more of its target community's needs, its shares are worth courting.

ProSiebenSat.1
Frankfurt-listed ProSiebenSat.1 Media is primarily a TV broadcaster, with a market cap of €2.3bn. It has been trying to diversify away from traditional TV ad revenue, which is a shrinking market. In 2016 ProSiebenSat.1 bought control of German online matchmaking group Parship Elite, which offers an online service of bringing like-minded couples together, based on a questionnaire and profile-matching algorithm. In 2018, the group acquired eHarmony, which has a similar business model in the US. In 2020, ProSiebenSat.1 acquired The Meet Group, which specialises in social video livestreaming. Despite its efforts, TV advertising still generates almost three-quarters of its ebitda. We're not keen on settling for the group's shares, and prefer to hold out for a more attractive investment. As the saying goes: never fall in love with a stock. x

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