



# EQUITY RESEARCH



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# INVESTMENT SUMMARY

- The company benefits from network effects
- recognized and effective platform for meeting people online.
- Valuation is attractive.
- High level of debt.
- Some difficulty in analysing its corporate structure.
- New CEO with relevant experience and an interesting strategy.
- The company faces some execution risk, but industry and social trends are in its favour.
- Certain litigation risk.

## Catalysts

- Debt refinancing (Short-term)
- Litigation resolution (medium-term)
- Corporate Structure Changes (Long-term)

## Capital Structure

Market Cap (MM) **US\$819.98**

Enterprise Valu... **US\$1,810.65**

Shares Outstandi... **126.54 MM**

LTM Net Debt (M... **US\$345.60**

LTM Net Debt/EBITDA **1.97x**

## Efficiency

LTM Gross Margin **70.5%**

LTM EBIT Margin **6.4%**

LTM ROA **1.2%**

LTM ROE **1.5%**

LTM ROIC **2.4%**

LTM ROCE **2.1%**

## Growth

Fwd 2-Yr Rev. CAGR **1.1%**

Fwd 2-Yr EBITDA CAGR **4.6%**

Fwd 2-Yr EPS CAGR **181.3%**

Last 3-Yr Rev. CAGR **21.8%**

Last 3-Yr EBITDA CAGR **24.4%**

Last 3-Yr EPS CAGR **-**

## Valuation

Street Target Price **US\$7.13**

NTM EV/Revenues **1.71x**

NTM EV/EBITDA **6.10x**

NTM P/E **5.93x**

NTM MC/FCF **2.90x**

LTM EV/Revenues **1.67x**

**6.48** USD

-0.0100 (0.15%) ↓ today

Closed: 22 Aug, 17:45 GMT-4 • Disclaimer

Pre-market 6.47 -0.010 (0.15%)

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Bumble Inc. was founded in 2014 by Whitney Wolfe Herd, who was previously a co-founder of Tinder. After leaving Tinder, Wolfe Herd launched Bumble, focusing on empowering women to make the first move in interactions. In 2019, Bumble acquired Badoo, one of the world's largest dating platforms, significantly expanding its reach and resources. Bumble Inc. also includes the apps Bumble for Friends, Fruitz, and Official, promoting healthy and equitable connections in various areas.

## Business Model

Bumble Inc. generates revenue through various premium services and features within its apps. Users can purchase virtual coins (Bumble Coins) to access features like Spotlight, which highlights their profile, and SuperSwipe, which shows special interest in another user. It also offers premium subscriptions such as Bumble Boost and Bumble Premium, which allow for more interactions and additional benefits. Bumble operates globally, with a strong presence in markets such as the United States, Europe, and parts of Asia. Bumble Inc.'s average revenue per paying user (ARPPU) is approximately \$23.03 worldwide. Bumble Inc. has over 100 million registered users globally. Of these, around 58 million are active users, and approximately 2.4 million are subscribers to its premium features.

## Business Segments

- **Bumble App:** Focused on romantic dating, friendships (Bumble BFF), and professional networking (Bumble Bizz). This segment generated \$844.8 million, representing approximately 80% of the revenue.
- **Badoo:** A dating platform focused on a diverse and global user base. This segment generates the remaining 20% of total revenue.
- **Other Segments:** Includes additional apps and services like Fruitz, which encourages honesty in dating, and Official, designed to help couples build healthy habits in their relationships.

**Unique Value Proposition:** Bumble's platform is specifically designed to empower women by allowing them to make the first move in heterosexual matches. This unique approach addresses issues related to online harassment and creates a safer and more comfortable environment for women, which attracts a significant user base.

**Strong Brand Identity:** Bumble has successfully built a strong and recognizable brand that emphasizes female empowerment, inclusivity, and social change. This brand positioning appeals to a broad demographic, particularly younger users who value these principles.

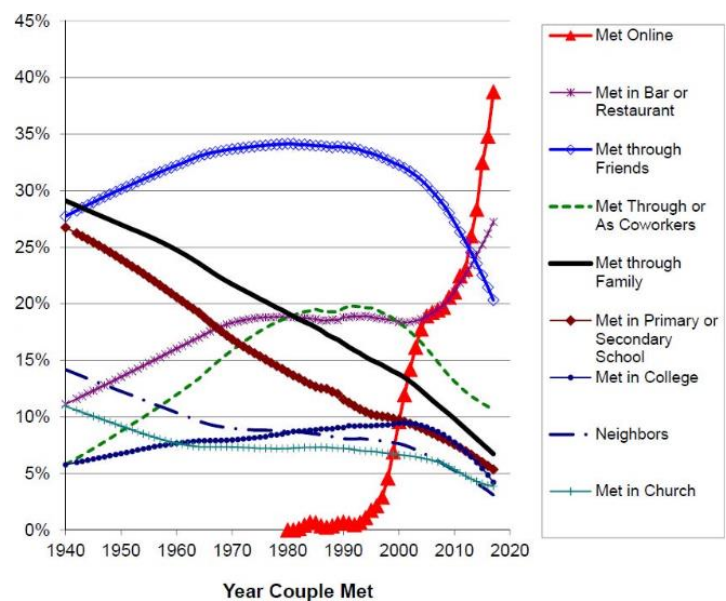
**Diversified Product Offering:** Beyond dating, Bumble has expanded its services to include Bumble BFF (for finding friends) and Bumble Bizz (for professional networking). This diversification allows the company to attract users for various purposes, increasing user engagement and retention across different aspects of their lives.

**Large and Engaged User Base:** Bumble has millions of active users worldwide, providing a strong network effect. The more users there are on the platform, the more valuable it becomes for each individual user, creating a self-sustaining growth cycle.

**Scalability of the Business Model:** Bumble's business model is highly scalable. As the company adds more users, the incremental costs per user tend to decrease, enabling profitable growth on a large scale. Scalability is also supported by the underlying technology and infrastructure that can handle an increasing number of users without requiring proportional increases in costs.

**Industry Growth:** The online dating industry is rapidly growing and shows significant potential for the future (6%-9% CAGR, 2020-2030). More than 55% of people under 30 have been in serious relationships through apps like Tinder, which has been downloaded 530 million times and has generated over 75 billion matches. Younger generations, especially millennials and Generation Z, have widely adopted these platforms, normalizing their use. The increasing comfort with technology and the integration of these platforms into daily life ensure an expanding market.

**Structural Trends:** Dating apps are redefining social norms. Most relationships now begin virtually, followed by bars and restaurants, which have also seen significant growth, increasing from 10% to over 25%. Nearly 40% of marriages in 2020 began online. Trends show that younger generations value authenticity and mental well-being in their interactions. Additionally, 88% of singles are interested in having alcohol-free dates, reflecting a preference for more genuine and healthy connections. The use of dating apps has allowed users to meet people outside their immediate social circles, fostering more diverse connections.



**Outlook:** The future of the online dating industry is promising, with a trend toward greater inclusion and authenticity. Younger generations, who now make up the majority of dating app users, are challenging traditional norms and embracing a more open and diverse view of relationships. Additionally, dating apps will continue to expand globally, facilitating cross-cultural connections. The industry is well-positioned for sustained and significant growth.

# COMPETITORS

Comparative data between Bumble Inc. and Match Group reveal significant differences in several key financial and operational aspects. In terms of operating margins, Match Group stands out with 27% compared to Bumble Inc.'s 2%, indicating superior cost management and profitability. Regarding share dilution over the past eight years, Bumble Inc. has reduced its shares by 30%, which could increase the value per share for existing shareholders. In contrast, Match Group has increased its shares by 54%, which could dilute the value per share. Match Group dominates the market with a 55% share, compared to Bumble Inc.'s 31%. Additionally, Match Group has 25 million monthly active users, significantly more than Bumble Inc.'s 4 million, suggesting a greater ability to generate revenue from subscriptions and advertising. Both companies have similar net debt to EBITDA ratios, though Match Group shows a slight advantage with a ratio of 2.36 compared to Bumble Inc.'s 2.7. In terms of valuation, Bumble Inc. has a next twelve months (NTM) market cap to free cash flow multiple of 3.91, compared to Match Group's 7.69, which might indicate higher growth expectations for Match Group. Finally, the return on capital employed (ROCE) is notably higher in Match Group at 23%, compared to Bumble Inc.'s 2%, reflecting greater efficiency in using capital to generate profits.

These data highlight Match Group's dominant position in the dating app market, with better margins, greater efficiency, and a significantly larger user base.

	Bumble Inc	Match Group
Operating Margings	2%	27%
Shares Dilution (8years)	-30%	54%
Market share	31%	55%
Net Debt /EBITDA	x2.7	x2.36
NTM Market Cap/FCF	x3.91	x7.69
ROCE	2%	23%
Monthly Active Users	4m	25m



## **Chief Executive Officer (CEO): Lidiane Jones**

Lidiane Jones will assume the role of CEO of Bumble Inc. starting January 2, 2024. Jones has over two decades of experience in product and business innovation, having previously served as CEO at Slack, a Salesforce company. Her expertise spans product development, machine learning, and enhancing consumer experiences, positioning her to drive growth and innovation in artificial intelligence at Bumble.

## **Executive Chairwoman: Whitney Wolfe Herd**

Whitney Wolfe Herd, the founder of Bumble, transitioned to the role of Executive Chairwoman in January 2024. She previously served as CEO from the company's founding in 2014 until the leadership transition. Under her leadership, Bumble became a global brand known for advocating women's safety and creating an empowering online dating space.

## **Chief Financial Officer (CFO): Luke Tait**

Anuradha B. Subramanian is the CFO of Bumble Inc., bringing extensive experience from her previous roles at Univision Communications, VICE Media, and Scripps Networks Interactive. Her financial expertise has been crucial in managing Bumble's fiscal strategies and growth. Recently, Subramanian also joined the board of directors at The New York Times Company, highlighting her recognized leadership in financial roles across various industries.

### **Basis for Stock Based Compensation**

- Revenues
- EBITDA Margin
- Number of paying users, Refinancing and investor relations (CFO)

# VALUATION

## Pesimistic Scenario

	2024e	2025e	2026e	2027e	2028e	5 Year CAGR
FCF estimado	0.80	0.87	0.95	1.04	1.14	7%
Precio Objetivo	£3.98	£4.35	£4.76	£5.20	£5.69	-3%

## Moderate Scenario

	2024e	2025e	2026e	2027e	2028e	5 Year CAGR
FCF estimado	0.80	0.87	0.95	1.04	1.14	7%
Precio Objetivo	£7.17	£7.83	£8.56	£9.36	£10.24	10%

## Optimistic Scenario

	2024e	2025e	2026e	2027e	2028e	5 Year CAGR
FCF estimado	0.80	0.87	0.95	1.04	1.14	7%
Precio Objetivo	£9.56	£10.45	£11.42	£12.48	£13.65	16%



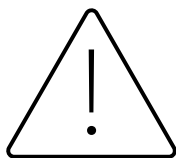
# CONCLUSION

This investment has higher risk than usual, although it has some quite clear catalysts:

1. Debt Refinancing: The maturity dates for the \$600 million in debt on its balance sheet are set for January 2027. The amount of free cash flow generated by the company annually is optimistically estimated at \$100 million per year.
2. Litigation Resolution: The resolution of ongoing litigation could free up approximately \$25-50 million in free cash flow.
3. Improving Corporate Structure: If the company succeeds in buying back the minority interests in the "Common Shares," the portion of profits attributable to Bumble Inc.'s shareholders would proportionally increase. Currently, only 70% of the economic benefits are realized by Bumble Inc.

The company has been repurchasing shares when it could have been paying down debt. However, this might indicate confidence in their ability to refinance the debt over a longer term. It is important to understand and normalize the results, considering the company's corporate structure and any changes that may arise. The catalysts are clear, and the company has potential if they execute well. On the operational side, one positive aspect I like is their strategy to improve the user experience. The company has realized that without improving the free version of the app, long-term growth would not be sustainable. This pause seems wise, but it will take time to see the fruits of this decision.

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