

Why IAC/InterActiveCorp Stock Lost 14% Last Month

Description

What happened

Shares of IAC/InterActiveCorp (NASDAQ: IAC) were slipping in September in tandem with Match Group (NASDAQ: MTCH), its biggest holding, after Facebook (NASDAQ: FB) launched its own competing product, Facebook Dating, at the beginning of the month. As a result, IAC shares finished down 14%, according to data from <u>S&P Global Market Intelligence</u>.

IAC fell almost in lockstep with Match Group; its holdings in Match make up the majority of its value.

So what

More specifically, IAC owns about 80% of Match Group, meaning the media conglomerate's fortunes are largely determined by its stake in the leading <u>online dating</u> company, though it also owns Dotdash, Vimeo, and an 83% ownership in **ANGI Homeservices**, as well as a newly acquired stake in Turo, a car-sharing company.

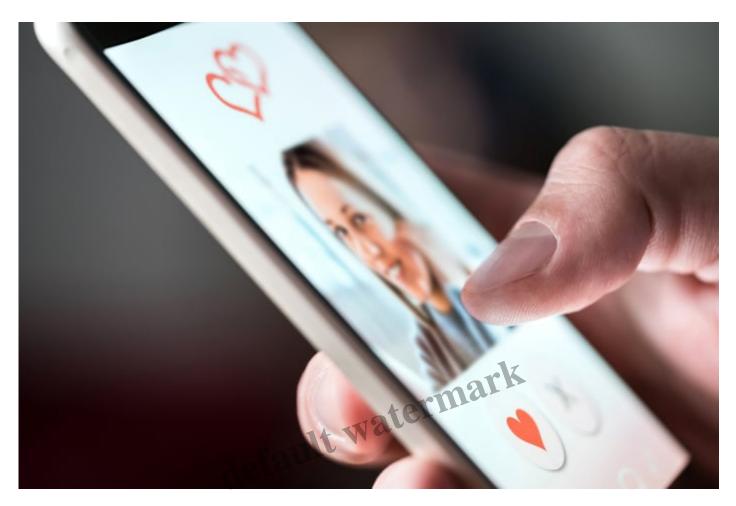


Image source: Getty Images.

IAC shares dropped 4% on Sept. 5, after Facebook announced the new product, and it continued to slide in the following days, perhaps a sign that investors believed Match to be overvalued. The move was reminiscent of Match's plunge back when Facebook first announced plans for an online dating product last May, however, Match shares have doubled since then as the company, led by Tinder, continues to put up impressive growth.

It would be foolish to ignore the threat from Facebook, given the company's social network of over 2 billion users. However, the company's history of testing user privacy and the negative media coverage surrounding incidents like the Cambridge Analytica scandal may keep most of Match's users on its sites.

Toward the end of the month, Match and IAC stocks fell again after the Federal Trade Commission filed a lawsuit, alleging that Match.com used "fake love interest advertisements" to trick users into signing up for paid subscriptions.

Now what

The relationship between Match and IAC may not last forever. IAC management said in its most recent earnings call that it was thinking about separating Match from its business, which would free up the

company to focus on newer investments like Turo. IAC also said it may spin off ANGI Homeservices.

Given that Match is a clearly successful business that can stand its own, a separation could make sense, since IAC could deliver more value for shareholders by developing smaller businesses, again like Turo.

Looking ahead, any decision about separating from Match as well as Match's own success should be key to determining the stock's future.

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- 3. NASDAQ:MTCH (Match Group, Inc.)

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