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PRESENTATION

Douglas R. Lebda *- LendingTree, Inc. - Founder, Chairman & CEO*

Good morning. I'm Doug Lebda, Founder and CEO of LendingTree. I appreciate you spending time with us today to hear an update on our company. We wish it could be in person, but we hope everyone is staying safe, and we look forward to having a live event again soon.

It has been a little over 2 years since we last had the opportunity to hold our Investor Day, and to say that quite a lot has happened since then is an understatement. We have a great agenda lined up.

You will hear from several key members of our leadership team to walk you through our business in detail. We're going to share our updated corporate strategy, which we have put a lot of work into to craft over the last few months. I am really excited about our plan as it provides the company with focused growth initiatives which will speed our flywheel. Adithya Yaga will lay out the plan in detail following my remarks. J.D. will then tell you about how our marketplace business will continue evolving in this new strategic framework and introduce you to Jorge de Castro, the new Head of My LendingTree and Partnerships. Jorge will speak about the central role the development of our My LendingTree platform will have as part of our growth strategy.

Our Head of Sales, Will Adams; and Ramses Meijer, Head Of GMs will provide updates on our Home and Consumer segments. Scott will take a deeper dive on recent performance of the QuoteWizard Insurance business and touch on the strategic investments that we're making there. We are also pleased to be issuing our 2022 annual guidance, which you should have seen in the press release that went out this morning. Trent, our CFO, will speak to it in more detail later today.

And before we take your questions at the end, I want to introduce you to our new CMO, Shiv Singh. He comes to us from Expedia, and we are very excited about the actions he's already taking to drive some of our key initiatives.

Shiv Singh - *LendingTree, Inc. - Chief Marketing & Customer Experience Officer*

Hello. My name is Shiv Singh, and I'm thrilled to join LendingTree as the Chief Marketing and Customer Experience Officer. Having built my career in Fortune 500 companies and at the intersection of financial services, consumer packaged goods and online marketing places, I'm truly excited about the potential at LendingTree. As I get up to speed on the opportunity ahead, I've already noticed some key marketing strengths that LendingTree has that is really just there for us to leverage in new and exciting ways.

First and foremost, I've discovered, we have a brand that has extremely high levels of aided awareness, levels of aided awareness that other fintech companies would die to have. We also have a trusted and secure legacy of serving hundreds of millions of customers over its 26-year history. Consumers recognize us. They know what to expect from us. We also have deep consumer insights and first-party data on how consumers approach personal and the personal finance, how they interact with LendingTree and what they expect from us as we move them down the funnel. We have best-in-class brand, digital marketing, editorial and communications teams that really know how to harness and build marketing to really have breakthrough impacts. Last but not the least, we also have a very strong and important legacy on guiding America on financial literacy, helping people truly understand their personal finance and how that can contribute to better lives.

We see this in the way our experts are every day quoted in publications like the Wall Street Journal, The New York Times and USA TODAY.

So with all of this as a strong foundation, some of the execution strategies that we are already considering include, one, being even more customer-obsessed with our customers, really thinking about how we can serve them in new and different ways for all of their financial needs; two, further strengthening the LendingTree brand so that consumers know exactly what you expect from us, return organically more frequently and are incented to move down the funnel into that My LendingTree experience as well.

Next, we are also thinking about how we can drive the performance marketing machine even more aggressively to reduce customer acquisition costs, drive customer loyalty and customer lifetime value with better targeting, better personalization and better cross-sell across the LendingTree suite of offerings.

And then last but not the least, building on what Doug has already shared. We are also seeing an incredible opportunity to truly, truly focus on building phenomenal customer experiences, customer experiences where every pixel, every design element, every punctuation mark and every interaction with that end user makes a difference.

All in all, with the team already exploring new performance channels, unpacking new ways to integrate the LendingTree brand into culture, enhancing the CRM experience and driving towards greater post submission customer experiences. Work is already accelerating against that strategy that has been outlined.

I look forward to sharing more of our results and our progress as it unfolds in the weeks, the months and quarters and the years ahead. Thank you.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

I want to start off giving you all an overview of how we performed through the pandemic over the last 2 years, what worked, what didn't work and how we have set up the business for success in 2022 and beyond. Clearly, the pandemic had a profound impact on our business, our employees, our customers and our partners. Our disciplined diversification strategy that we've pursued over the last 5 years set our business up well to weather this downturn as an example of just how severe some parts of our business were impacted, our Consumer segment went from the fastest-growing, highest-margin business segment for us to down 80% year-over-year in May of 2020 as our partners simply stopped spending.

In the face of numerous headwinds, our company still generated $69 million of free cash flow in 2020 and $58 million through the first 9 months of 2021. We remain cash flow positive without taking any drastic expense actions or layoffs and while investing $42 million on the build-out of our new headquarters space that I am talking to you from today. It is an excellent example of our variable marketing model at work. We did -- and we did this while still investing in key product and technology initiatives. We rolled out our TreeQual platform late last year to provide consumers shopping for a credit card or a personal loan with preapproved offers from our partners in real time. The initial results with conversion rates 4 to 6x higher than our normal off-platform experience serve as an example of the step-change improvement in consumer fulfillment we are harvesting from our previous investments in product and tech.

Our Home and Insurance segments performed well, continuing to grow throughout the pandemic period. Once our mortgage lending partners increased staff to handle the wave of refinance applications, they leaned on us heavily to provide them with new customers looking to lower their monthly mortgage payments. Our marketplace model saw a continuously increasing demand, pushing our revenue per lead hire and helping us to drive record Home results for us in 2021. Insurance was the countercyclical buffer we expected it to be in 2020, growing revenue 17% while operating in line with its historic margin level.

Our finance group has also been hard at work. Last year, we issued a new credit facility that has provided us with more flexibility to execute our plan and allocate capital efficiently. We resumed our share repurchase, buying back $40 million worth of stock in the fourth quarter with our stock trading at what we view to be an attractive valuation we remain in the market today. This new facility, combined with positive operating results, has helped us to delever significantly and allow us to remain on offensive while some of our other competitors still struggle to be profitable.

So what were the challenges? The Consumer business struggled at the pandemics outset as our lending partners were quick to cut spend until they could determine how their existing loans would perform. Although our personal loans business has since recovered to 2019 levels, a really significant achievement in my view, credit card has been slower to mend. As we attract more partners to our TreeQual platform, we should generate much better results in this business.

Insurance, despite performing very well in 2020, has suffered from macro issues more recently. Unit economics, as measured by revenue per lead, remains steady from the pandemics outset. However, a pullback in overall partner spend across the industry due to carrier profitability issues in the second half of 2021 created a headwind that we see as temporary. Like every company today, we are involved in the war for talent. We have made some great impact hires, such as our recent addition of Shiv as CMO and Jorge, to run partnerships in My LendingTree.

We recently announced a reorganization of some senior leadership positions to focus on our growth strategy. J.D. Moriarty has been promoted to President of Marketplace and COO. He will now oversee sales and the general management team as well as most of his previous responsibilities. We are also excited to increase Jorge's responsibilities to include My LendingTree. In his short time with us, Jorge has proven to be an incredible asset to the company, and we can't wait to see him succeed in his increased role. We have also centralized all product responsibility under Scott Totman, our CTO.

I'd like to end my remarks with some of our focused growth initiatives on which our strategy, going forward, is based. We've already spoken about TreeQual which we see as a great customer experience that will benefit tremendously from our partner network. Our Insurance segment is investing in its agency business with the goal of providing bindable quotes from carriers directly to customers without needing to fill out additional forms. The digital adviser platform On My LendingTree will create a curated experience, presenting the best offers from our partner network when and where the customer wants them. And our new marketplace CRM initiative will improve the customer experience post application, providing follow-up to improve satisfaction and increase conversion. We have a lot on our plate but are attacking all of these new opportunities every day with energy and enthusiasm.

And the main takeaway I want to leave you with today is that our business has tremendous growth potential. We've spent over $3 billion marketing our brands since the company's founding, becoming one of the most trusted platforms in consumer finance. Our brand advantage positions us uniquely to lever the monumental digital transformation and personal financial decision-making that continues to gain speed. We are harnessing the power of our brand and our deep partner network to create a curated and frictionless platform for customers to address their financial needs in a digitally native experience. It is the key focus of our business strategy, and there are distinct initiatives we've been working on to create the best consumer journey in the market. This is an exciting time for LendingTree, and I think we have the right leadership team and plan in place to generate very attractive growth and positive operating leverage for investors.

Now I'd like to turn the presentation over to Adithya Yaga to discuss our strategy in more detail. Thank you.

Adithya Yaga - *LendingTree, LLC - Chief Strategy Officer*

Thanks, Doug, and good morning, everyone. I'm Adithya Yaga, Chief Strategy Officer and Head of our Analytics and Data Science teams at LendingTree. I joined LendingTree at the end of 2019 from Amazon, where I led the global operations integration team for our retail business. The team I led designed and launched operations for the retail business ideas that went from early testing to full general availability. Prior to Amazon, I spent most of my career in management consulting with McKinsey & Company, where I was a leader in their supply chain practice and helped build the supply chain analytics team there.

When I was first recruited for the opportunity to work at LendingTree, a few things stood out for me. I love the idea of working for Doug at a founder-led company that has innovation as part of its DNA, helping the company develop the strategy that will drive the next phase of growth.

I also liked how involved I'd be on the execution side of things. I get to lead the improvement of execution capabilities of the company at a really important time after we've grown so quickly, both organically and through acquisitions. And of course, I was excited about being able to work with my counterparts in data and tech in data and tech to strengthen our analytics capabilities, which I believe is a tremendous opportunity for us.

I'd like to start by reflecting on where we are today as a company and how we got here. Beginning in 2016, we embarked on a corporate development strategy focused on channel and product diversification. The acquisitions we completed since then have served us really well. We broadened our product offerings to consumers while driving both revenue and expense synergies at the companies we acquired.

Our revenue in 2016 was $384 million, which we grew at an annualized rate of 38% to over $1 billion in just 3 years. We went from a company with 3 product verticals to 9 and significantly expanded our presence in SEO marketing. This diversification has been benefit -- has been notable with the Home segment moving from 54% of revenue in 2016 to around 25% in 2019, roughly back to 40% this past year despite generating record performance. During this time, we also invested in organic growth initiatives, such as the My LendingTree platform, the personal loans product and our insurance agency programs. These investments have helped us tremendously at the outset of the pandemic in early 2020, allowing us to generate positive free cash flow and adjusted EBITDA, even in one of our most challenging years.

So why did we feel now is the right time to do a strategy refresh? Well, we always want to think about our strategy and the evolving environment making adjustments as needed in real time. Strategy shouldn't be a static thing but something that recognizes and corporates relevant changes, and the last 2 years certainly held a lot of changes.

We also recognized within the company that our position as a valuable performance marketing channel for our partners is a distinct, competitive advantage, but it's left a lot of room for improvement in our customer experience. We approached the strategy development process from a 3-sided framework. First, we had to recognize what's not going to change. This provides a solid basis for us on which to set our strategy because it's what we can count on remaining constant. These are the things we've identified as constant for our industry and our brand.

Our consumers' desires to save money and get the best deal; our consumers' desire for choice, both in the financial service provider they're searching for as well as the experiences they'll unlock; our consumers' need for education and support as they navigate the expanding landscape of not just financial products but also different engagement models; and finally, our history as a company with the first marketplace of its kind in the industry. We're still a great brand that resonates with our consumers. As the largest and deepest partner network, we're poised to win in the space.

Now the second part of our framework was to figure out where things are evolving in the industry. We're seeing a continued migration to digital channels and an ease of switching products which can make brand loyalty less sticky and make it more important than ever to create excellent experiences for our customers. We need to be top of mind for consumers and create positive associations with our brands. We're also seeing consumers demand increasing personalization and better experiences in the products they're offered and the choices they're presented with. And finally, we're seeing consumers expect the fulfillment of their needs in a, seamless friction-free way, especially as technology platforms are increasingly available to accomplish just that. Think about Plaid, Blend and Galileo as examples.

The third part of our framework was identifying what we need to leverage in order to meet the demands of an evolving industry. We have tremendous advantages available to us, namely our roster of financial partners and our brand which gives us the right to win. We invested heavily over the past 2 years in our people and technology and in our analytics and data capabilities. We plan to continue to develop our internal capabilities on how we govern and how we innovate, so we can continue to be a leader in the industry.

Once we had this 3-pronged framework in place, we synthesized our goals into 4 governing aspirations. The first is to provide great experiences for consumers and fulfill their financial needs beyond just matching them with partners. Consumers are demanding better experiences, and we want to hold ourselves accountable for their success. We need to look at metrics like NPS for customer experience and close rates and conversion rates for fulfillment.

The second is to own the consumer relationship from first touch through subsequent transactions. We want to be there when the consumer needs us, which means getting distribution right. And when a consumer interacts with us, we want to make them ours, whether it's through My LT sign-ups or continuous engagement via our traditional channels like CRM. Metrics for these include My LT sign-ups, My LT active user base and CRM engagement metrics.

The third is to find the best consumers at attractive economics for our partners in a seamless way. We are deeply invested in the success of our partners. Matching consumers with the financial service providers they need at the right time in their lives is our core purpose. Our partner success goes hand in hand with our own. The metrics for this include partner satisfaction and close rates.

The fourth is to execute with speed, efficiency and tenacity to make sure we're creating positive operating leverage that comes with being a tech company and also to ensure that we're directing our resources to innovate quickly and relentlessly on behalf of our customers. The metrics for this include operating leverage, product and tech efficiency metrics.

A new set of aspirations will imply an evolving flywheel. Where in our traditional lead gen flywheel, we will take consumers, match them with lenders that drove monetization that allowed us to spend more, we now move to a flywheel where we continue to leverage our marketing strength to drive more consumers to LendingTree. More consumers means more data, which we can combine with our analytics and data science capabilities to deliver a meaningful and personalized consumer experience that moves them towards fulfillment, closed loans, closed policies, improved credit score and delivered in a way with an experience that drives loyalty. Improving fulfillment allows us to attract more partners and offer more selection which drives unit economics which we can then reinvest in marketing that drives LendingTree awareness. While the earlier flywheel was the right one for its time, the new LendingTree flywheel is what will drive our business going forward.

Armed with these aspirations, we did a series of deep dive working sessions over the second half of the year that was authored by leaders across the company at different levels. We did this to bring a balance of ambition and realism as we developed a set of core strategic initiatives that we organized into 4 pathways. Now these 4 pathways weren't merely dictated by our leadership team. They were carefully considered, tested, revised and considered again. It was an iterative process that allowed us to fine-tune our way to creating the clearest possible pathways forward.

Now our 4 pathways are, first, strengthen our roots; second, drive foundational growth; third, build a next generation of digital experiences that will fulfill the consumers' needs; and fourth, expand our capabilities as a service, in other words to take the capabilities that we've already built, to meet consumers where they are and exactly when they need us.

Now let's elaborate on these 4 pathways. The first one is to strengthen our roots. Our strategy starts with strengthening our core capabilities and how we operate to provide strong roots from which our tree will grow. We identified a few key ways we'll do this. First, we need to improve the speed, quality and consistency of our decision-making by putting a structure in place for execution, that includes planning, goaling and OKRs. Second, we'll assign ownership at the right level, empowering fast decision-making, especially when those decisions are reversible.

Next, we will promote continuous improvement through a newly established operations management group that will instill a culture of continuous improvement and allow us to be a learning organization. We also need to establish more efficient scaling and cost discipline and put mechanisms in place to ensure we are investing aggressively but efficiently. We need to strengthen the product and technology foundations that will allow us to innovate and execute with focus on speed and efficiency. For example, we've established a pod structure to staff and execute discrete projects, and we have a burn the ships initiative to address legacy tech issues to reduce tech debt and reduce the overhead and delays needed to deliver new products. To do this, we also need to invest in our data and analytics infrastructure, which will be foundational to understanding our consumers and partners and allowing us to deliver exceptional, personalized experiences. Most importantly, we need to invest in our people, so they feel supported, challenged and encouraged to make a daily impact.

The next pathway focuses on continuing to innovate and drive growth in our core business through a combination of standardization, automation and optimization of the businesses. Key initiatives for this include TreeQual, SEO investment, insurance calls platform, marketplace CRM, marketing optimization, among others, and in addition, a series of BU-specific investments. You'll hear more details about these initiatives later in the presentation.

The third pathway is to build the fulfillment and engagement platform where consumers not only get choice, education and support, but they also get exceptional experiences where we jointly hold ourselves and our partners accountable for the fulfillment of consumers' needs. Examples of initiatives already underway are the P&C and Medicare agencies and digital adviser as the next iteration of My LT.

And our final pathway is to increase our capabilities as a service. As we build and innovate, we want to take these capabilities to consumers wherever they are and whenever they need us. We will design our solutions, so they can easily be integrated into partner experiences. Some of you already know the work we're doing with Powered by LendingTree and some of the partnerships we spoke about in our last Investor Day. Initiatives in these pathways will build on that. Again, J.D. and Jorge will tell you more about these initiatives as well.

Now all of this is a tall order with lots of work to be done. Our strategy won't end until execution finishes. So how are we going to get this done? The answer is focus and discipline. We're going to start with an ambitious set of goals that the rest of the leadership team will review regularly and in detail with a focus on moving fast, removing roadblocks and holding people accountable, starting with ourselves. We believe that with the strategy in place, we're firmly set on the path to success. Thank you.

John Moriarty

Good morning. I'm J.D. Moriarty, President of Marketplace and Chief Operating Officer here at LendingTree. You heard Doug give his perspective on our business over the last 2 years. While we were clearly impacted by the volatility, we also learned a lot about how resilient our core business is and how our diversification served us well. We weathered a real storm in our Consumer segment, but we were also able to take stock of our core assets and make some very important investments to better position the business moving forward.

Adithya walked through some of the major takeaways from the strategy work that we completed in the second half of 2021. When we announced a realignment last spring, our intent was to take a hard look at My LendingTree and how we might invest in that platform and the logged-in experience to drive the business moving forward. It was an organizational bet on an enhanced consumer experience, and that remains a key focus of our company. While the strategy work was going on, we embarked on a lot of work to improve our understanding of our consumer and their needs. While that work is ongoing, we have some very good initial consumer insight that informs the strategy we will embark on for the evolution of My LendingTree. And while we're excited about My LT's future state, there's also some very good news about My LT's current state.

2021 was actually a very good year for the existing My LT business in terms of growth in membership and contribution, and we're very confident that we have a good asset from which to build. Jorge de Castro joined us in August from Equifax, and he's going to lead this evolution, along with our product and tech teams, moving forward. I'm really excited to have Jorge on our team to lead both My LendingTree and partnerships.

You'll find that we're in a unique competitive position given our core business. We can build a great product aligned with consumer needs and not force the consumer to a singular product or experience that needs to monetize at a particular level. In short, we're uniquely positioned to invest in improving the consumer experience, and we intend to do exactly that. And working with partners, both to enhance the core platform and to distribute our assets, may be a key pillar to that strategy. Our recent investment in earn-up is a great example of that, and we look forward to speaking with you about how that could impact both My LendingTree and our core business. Jorge will walk you through the strategy to evolve My LendingTree into a digital adviser, so you have a sense for how that will improve our relationship with the consumer and our business over time.

Another thing we learned during this time and through our strategy work is that our most important strategic initiatives do not fit cleanly into one division at LendingTree. In order to maximize our opportunity, we need to work as one business. The marketplace business needs to work closely with each of My LendingTree and our insurance division to make the most of our opportunity and deliver on each of our strategic initiatives. The examples are many. TreeQual is a product that first was in marketplace and is sold to our issuer and lender partners, but it will be critical to improving the consumer experience in My LendingTree over time. The Marketplace CRM work will inform the way that we evolve and personalize the communication with all LT consumers, both in the marketplace and in My LendingTree.

The P&C agency evolution that Scott will speak to will We'll not only improve the experience for both sides of our insurance marketplace, but it will also be critical to delivering the sort of seamless consumer experience we strive for in My LendingTree.

Lastly, we know that there is one additional huge opportunity in front of us if we work together, and that's that each of our individual businesses can help make others better through a multitude of cross-sell opportunities. Our market position in mortgage needs to help us grow in home insurance. Our market position in personal loans should help our credit services businesses. Those opportunities are very important objectives for me moving forward. I am confident that we have the right organizational structure in place to execute on our strategic initiatives and improve the core business.

I'm also really pleased that you're going to hear from some new faces today. In some cases, they're new colleagues, like Jorge. In others, there are people like Will Adams, who have been with us for over a decade, but not spoken at Investor Day in the past. Will is our Head of Sales, and he has extensive experience in the mortgage business. He'll speak to you about our Home segment. We had a great year in the Home business in 2021, and we're excited about the opportunity in '22 despite the impact of rising rates. Will will explain our strategy to increase our relevance for partners moving forward.

You'll also hear from Ramses Meijer, who leads our general management group, regarding the performance of some of the top businesses in our Consumer segment. He'll also explain the investment in TreeQual, the prequalification platform we've built and how it should impact our business moving forward.

Before I hand it to Jorge to walk through our My LendingTree strategy and the evolution to become a true digital adviser, we thought it might be beneficial for you to see one of our more recent My LendingTree commercials.

(presentation)

Jorge de Castro

Hi. I'm Jorge de Castro. This is a very exciting time to be at LendingTree. Today, many fintechs focus on delivering single-point experiences. Although consumers have many different apps for a variety of situations, they stop short from helping when monetization overshadows the moment. As we look at the market, there has never been more opportunity in our space to help consumers. And while there are tons of options, too many consumers are continuously working, and in many cases, failing to improve their financial situation. And while much of the ecosystem seems focused on trying to educate consumers, consumers just aren't enrolling.

However, we do know consumers are resilient. They are very willing to continue trying. They often provide their data in exchange for meaningful help, and there has been little change in the steps they take to borrow, save or invest their money. It's easy to see how excited we become as we focus growth and innovation on building deeper and richer experiences that help consumers achieve financial progress.

Our path forward starts with My LendingTree, our financial wellness platform. Very few fintechs have reached the scale in membership and revenue so quickly. In fact, this is a key reason why I came to the company. While monetization continues to be healthy, we see opportunity to improve as with any business. As we've mentioned a moment ago, given the market gaps and customer needs, this is a unique moment to help consumers evolve our platform. At its core, My LendingTree's strength is its scale and momentum. While our base of consumers is large and growing, we recognize they tend to be concentrated in terms of credit quality and borrowing needs. So while we are eager to continue leveraging our strength, we are conscious that the next wave of growth contemplates a wider spectrum of consumers, their needs and likely a very different experience.

Strategically, we can't sink into this current sea of sameness. We need to leverage it and cut through and create meaningful relationships and value for members. So our goal for 2022 and beyond is simple: drive meaningful experiences that translate into value and loyalty. Our efforts are focused in 3 key areas: evolve the My LendingTree experience into a digital adviser, leverage our reach and lending ecosystem to expand the business model's capacity and tackle and solve deeper financial needs of different consumers.

Our My LendingTree team is quickly crafting and testing our role as a digital adviser that automates and enables financial decisions that help consumers achieve financial progress. Earlier today, a DTN JD spoke about our strategy work. You can imagine our team has been listening to both LendingTree and our competitors' consumers, learning about where they want help in their financial journey. We identified 3 groups of consumers based on their personal financial outlook and needs. These conversations uncovered 8 to 10 drill sites where consumers are continuously seeking help. While some of these areas are not new to LendingTree or the market, the fact that consumers are still seeking help only validates that there's a race to getting this right. We have built a core My LendingTree platform on a few of these close-to-home areas almost 5 years ago. So we won't drive major departures in our current focus. It's been successful.

On the contrary, we're taking a moment to tackle additional areas that complement our core strategy. These are spaces where LendingTree can bring more meaningful innovation, more relevant support to a consumer's financial situation, and ultimately, anchor their ability to feel confident that they're building progress. So while others in the market are focusing on digitizing basic consumer behaviors, we'll be leveraging those behaviors to digitizing benefits. As we come to market, our members will notice an evolving experience that monitors, rewards, reinforces, and in key moments, automates behaviors that benefit their financial progress.

Our experiences will connect content and behavioral signals to key financial events and decisions that help the consumer build momentum in their financial situation. For example, refinance opportunities are often promoted as savings opportunities. The challenge is bringing those savings to life and rewarding and reinforcing those actions. So imagine automating savings from a successful mortgage refinance to a destination savings account that collects the monthly additional savings from their desired account and rewards consumers for their progress in building their nest egg. Today, that opportunity is often prescribed passively in content as one option for consumers to pursue. Tomorrow, we'll leverage data of the consumer and products from our network to present these experiences and help members put their cash flow, their payments and borrowing to work for them.

Doug started LendingTree in 1996 as a flywheel business. Earlier today, we spoke about how our initiatives reinforce, strengthen and evolve the flywheel in different areas. Intensifying how we engage with our platform consumers helps the network and the consumer take more value from My LendingTree. A natural implication is that the complementary flywheel emerges as we integrate a digital adviser into the platform, one that generates data as we achieve deeper reach with consumers and services new avenues for our networks offerings to help our consumers. We envision these flywheels working together, strengthening each other as data about our members, their needs and their progress continuously improves the vitality of our network.

So innovating and integrating our digital adviser is our strategic move towards meaningful financial services personalization for members who need help demystifying finance in the moment. Our lens towards personalization opens the door to new capabilities that fold into our platform. We'll explore business models that more deeply reflect the value to the consumer and our growing network of partners. An integrated digital adviser will help strengthen our consumers' financial confidence as well as LendingTree's financial profile.

Thank you for your time.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Thank you, everyone, again, for joining us today. We are here in our new headquarters, and I have with me some members of our leadership team that you're hearing from today. I am very excited about the strategy we have put in place and the growth initiatives that we are executing upon.

Now we'd like to take a few questions. And after we finish up our presentation this morning, we have also set aside time for more Q&A this afternoon. So fire away.

QUESTIONS AND ANSWERS

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

Guys, we'll do about 15 minutes of questions now, and then we will do a longer session at the end. I think the first question will come from John Campbell at Stephens.

John Robert Campbell - *Stephens Inc., Research Division - MD*

The headquarter looks great. Appreciate you guys hosting this session. On TreeQual, I'm sure we're going to get a lot more of this later, but just 2 kind of high-level questions here. First, it sounds like that's mostly tied, at least at this stage, to personal loans and credit cards. So maybe you could talk about the potential to extend that across the whole product set.

And then I'm also curious about the unit economics. I would imagine from a VMM standpoint, that's probably created some efficiencies for you guys as you can keep folks in the funnel. But I'm curious, I mean, obviously, you're helping save your partners some money across the application and the approval process, so I'm curious if there's a positive impact to revenue per card or revenue per loan as well?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

So first off, and then anybody else can chime in. This is strictly for credit card and personal loans. The premise of it is that we can have bindable offers as opposed to click-outs into those businesses where you have to then reapply. And the unit economic differences in our -- among our test group, and we put a press release out yesterday about this as well, too, adding more lenders to it, have been significantly higher. Who else -- anybody?

John Moriarty

John, the only thing I would emphasize on TreeQual is, obviously, it leads to a better consumer experience because the consumer is not clicking and going through a whole process that is then leading to disappointment, right? And then for our partners, whether that be a credit card issuer or a personal loan lender, clearly, there's a marketing efficiency that is gained there, right? Ultimately, that is less marketing spend that falls to the floor in their mind, and so we all benefit. Like any marketplace business, what we're looking for is things that drive benefit on both sides, and so we're really excited. And if you'd think about how that ties into My LendingTree over time, we want to be able to provide the consumer in My LendingTree with a definitive offer, something that we know has value, not an application to potentially be denied. So that's the idea with TreeQual, and we're really excited about it.

John Robert Campbell - *Stephens Inc., Research Division - MD*

Okay. And one more, just on credit cards. You guys -- I guess it's a pandemic. You've talked pretty consistently about lower-than-average card margin, breakeven at times. You're investing for growth. I'm thinking with the VMM guidance you guys just provided for the year, you're probably expecting a recovery in margin there, so I just want to get an update on just how you're kind of thinking about managing through recovery and spend there and if you expect margins to pick up on the card side.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Trent?

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

Yes, John. Certainly, in the guidance, we do expect margins in that business specifically to improve. I mean, as you know, the Consumer segment broadly is our highest-margin segment. Within that, the card business has been running at a lower margin than we've seen historically. Certainly, we think with TreeQual and the unit economic benefits that come with that, margins in that business will improve as the year moves on.

And looks like the next one is from Youssef Squali at Truist. Youssef?

Youssef Houssaini Squali - *Truist Securities, Inc., Research Division - MD & Senior Analyst*

Thank you again for organizing this. The -- so I just have a couple of clarifications more than anything else. So you talked a little bit about the old flywheel versus the new flywheel and how, obviously, with a greater diversified product, you're able to make, hopefully, the flywheel spin faster. But can you just go back and again just describe the main -- 2 or 3 differences between the old flywheel, the new flywheel and whether you need -- you have all the elements or the assets in place to kind of get to where you need to get to?

And then I think, Doug, you talked a little bit about the new marketplace CRM initiative. I was wondering if you can maybe expand on that a little bit, timing for when that basically kind of gets implemented and potential impacts?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. Let me hit the second part first, and then I'll turn it over to Adithya. Marketplace CRM is up and running right now and in terms of an initiative with an amazing leader enjoys pool and a cross-functional group of people. It's -- and what it's really focusing on is in the marketplace, how can we continually improve the user experience, which dovetails into what I'll call the old flywheel is if you can improve the lenders' conversion rate, which also is what consumers want because they want to close a loan, you'll get higher RPLs, higher revenue per user, which can then fuel the marketing that we can then go do to drive the business. And that's been the traditional flywheel as we thought about it. I think this year's strategy is really doubling down on customer experience, knowing that, that also improves economics, and it improves the lender experience and improves the entire business. And as part of our strategy process, we refined it a little bit this -- more this year which -- Adithya, take it over.

Adithya Yaga - *LendingTree, LLC - Chief Strategy Officer*

Absolutely. And I think the key differentiator between the old flywheel and the new flywheel are a couple of things. The first is our focus on fulfillment, right? We want to be -- we're holding ourselves accountable to fulfilling the consumer's need beyond matching them with partners.

The second piece is better leveraging our -- the tremendous amount of data that we have with all of the hundreds of millions of consumers that we've serviced over the years, right? And then the third is what Doug just mentioned about, doing that with exceptional consumer experiences that we're continuing to drive loyalty. So once -- every time we interact with the customer, we want to create the experiences that drives to fulfill also make them ours. The combination of these 3 things will drive better unit economics driven by higher fulfillment. Does that make sense, Youssef?

Youssef Houssaini Squali - *Truist Securities, Inc., Research Division - MD & Senior Analyst*

Yes, it does.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

Looks like the next one is coming from Jed Kelly at Oppenheimer.

Jed Kelly - *Oppenheimer & Co. Inc., Research Division - Director & Senior Analyst*

Great. You talked earlier about creating more personalization, using financial education to help the consumer improve their credit score, improve their financial outlook. I guess my question and kind of looking at that commercial you showed, how do you create a platform that the consumer sees is truly differentiated from some of your 2 key competitors who are kind of using the same message?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

It's funny. I was talking with our marketing group yesterday about something similar to that and make it -- and from the standpoint that I was seeing, I'll call them pseudo competitors who don't really give you choice, don't really give you competition, several banks that are taking the position that we're here to help you, and we're here to give you the best deal in all circumstances, which, by definition, banks and lenders aren't positioned to do. So I think by having hundreds of lenders and every lender trying to compete in a marketplace that we create establishes that we're different than the lender providing you that loan.

And with that, I'm going to turn it over to Jorge.

Jorge de Castro

Thanks, Doug. Simply, in the marketplace today, what we're seeing is a lot of players basically display state of positions for consumers but really avoid helping consumers see the progress or the outcome that they're seeking. So Adithya's comment on bringing more experiences focused on fulfillment is where the experience is going to go. So for example, we're not going to stop at just providing rate tables or pricing on a loan. We're going to try and take consumer straight through to acquiring the loan themselves and making it part of their new financial life. Financial education in the current state, very static and passive, very content-dependent. We want to take that content and help consumers make the right decisions for themselves and then reinforce that those decisions bring confidence to everyday life.

Shiv Singh - *LendingTree, Inc. - Chief Marketing & Customer Experience Officer*

And if I could just add to that, Jed, I've built my career in marketing over 25 years, and one thing that I've seen time and again is when it comes to consumer education, you have to be able to marry the right content with having an incredibly trusted brand and being able to articulate a story of one of trust and confidence and reputation over the 25-year history or 26-year story that we have. I think the mix together and through the lens of phenomenal customer experiences that take a user down the funnel post conversion into My LT is the way we know we are going to be able to differentiate ourselves from anyone who's playing in that consumer education game.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

I think we have time for maybe one more in this session. And then again, we'll have more at the end.

We'll take one from Melissa Wedel at JPMorgan.

Melissa Marie Wedel - *JPMorgan Chase & Co, Research Division - Analyst*

I really appreciate your efforts today to put all this together. I really wanted to clarify 2 things. First on TreeQual and then also on My LendingTree but very similar clarifications. In terms of rolling out these efforts, the TreeQual, and pushing that out to all of the financial service providers within the categories that that's available, how long should that take? Is that something you can just push out? Or do people have to opt in? And then similarly, for My LendingTree, this evolution into the digital adviser, what's the time line for that?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

So I'll start off with TreeQual and then hand it over to Jorge. TreeQual is live today with 3 lenders and will be live with more over the coming year. And I would guess that by -- probably the end of the year, maybe a little bit into next year that, that will be the very dominant, if not the only way, to interact with us. We've always, in those products, wanted to get closer and now we can get actually to giving the consumer the ability to comparison shop with offers that they can actually act on. That's been LendingTree's promise since day 1, and we chose to do it in a really innovative way where we don't need lenders to give us all their underwriting criteria, and we can work with third parties and work inside of their existing marketing algorithms. So that has worked very well early on for both us -- not both us, consumers and lenders, and we expect to see that continuing on My LendingTree.

Jorge de Castro

Sure. Well, we're already working on it as we speak and understanding the new experiences that we want to integrate into the current My LendingTree app and experience. And so when we think about that from a time perspective, we're really thinking in 2022 to roll out our first integrations where you're going to see consumers see impacts to their financial lives that go beyond just describing to them their cash flow. We're going to leverage what we've gained there, but we're also going to try and put that to work for them in payments as one example. We're also going to start working in deeper fulfillment schedules with some of our network partners to see where we can drive forward.

And frankly, as we roll out TreeQual, that will be part of our strategy as well is that really helps us get deeper and deeper into helping consumers get what they want. In the case of TreeQual, it's making sure that they get the loan that they're really seeking.

PRESENTATION

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

All right. Well, thanks. Thank you all for those questions. We're now going to hear from the leaders of our marketplace and in our insurance businesses, followed by trends update in our financial position and details around our guidance for 2022, and then we will take more of your questions after that.

We're going to kick it off with Will Adams, our Head of Sales, who's going to give you an update on our Home segment.

Will Adams

Hello. My name is Will Adams, and I'm the Senior Vice President and Head of Sales here at LendingTree. Today, I'm going to provide some context around the Home segment.

I want to start out by thanking our partners. We pride ourselves on having the deepest relationships in the industry and aim to add the most value to our partners' business. Whether in home, insurance or consumer, our goal is to help our partners acquire new customers, scale their businesses and hit their production goals. If our services deliver value, they'll continue to invest in our network, and LendingTree will grow and gain market share as a result.

In Home, we have over 300 active mortgage lenders, and we are confident that we have the most diverse set of partners which provides the best products and most choice for consumers. We thought that it might be beneficial for investors to hear directly from one of our lender partners to understand how they work with us to grow their business amid the challenges of the mortgage cycle. So you're going to hear from one of our most valued partners in just a bit. But before we do that, I wanted to give you a sense for what drove our Home business in 2021 and how we think about our drivers in 2022.

LendingTree enjoyed a record year within our Home segment as mortgage lenders really leaned into new customer acquisition. We were up 37% in revenue year-over-year and 65% compared to pre-COVID 2019. What drove this extraordinary performance? Mortgage companies staffed up in 2020 to meet the surge in refinance volume as most homeowners could benefit from reducing their interest rate. However, much of that organic volume dried up in 2021 and mortgage lenders relied on new customer acquisitions channels to maintain or grow originations.

LendingTree was in the ideal position to help mortgage lenders grow originations due to our diverse products and advanced filtering capabilities. Examples of this customization includes highly efficient products for originators with capacity issues and additional volume for those companies looking to scale. We also target existing customers for servicers interested in portfolio retention and identifying consumers at different points of the home buying journey.

I'm often asked how purchase business performs in a rising rate environment, like the one we are facing now. Over the last couple of years, we are focused on using data to identify the consumer more effectively based on certain signals. Purchase is a really good example of this. We have been more effective in identifying those purchase mortgage borrowers who are later in the home buying journey. The consequence, the demand for this late funnel consumer has increased the revenue per lead more than 100% when comparing January 2021 to December of that same year. Based on this success, we are already seeing the shift to purchase.

Historically, purchase volume does not monetize as well as refinance volume, and we expect that delta to remain given the relative conversion rates, but we are very happy to see our efforts. To better segment consumer traffic results in a more effective solution for our lender partners. As we look to 2022, we do expect to rate and term volume to slow down, and mortgage partners will look to us to help maximize originations.

Let's hear from one of those value customers now.

Unidentified Participant

So LendingTree and loanDepot have been partners for at least 10 years. So for most of the life span of loanDepot, LendingTree has been a trusted partner. LendingTree has helped loanDepot in these different changing market conditions, particularly in a rising rate environment. LendingTree has the experience and the history to be able to identify who those consumers are that want to transact, that need to transact. An important piece of that is the trusted brand that LendingTree has. The consumer trusts that brand. And then when that customer comes over to us through LendingTree, by extension, they trust our brand as well.

The relationship between loanDepot and LendingTree is continually and constantly evolving. We're trying new products. We're testing things out. We're growing. The marketplace is shifting. There's a change in dynamic in the consumer, whether it's demographics, age groups, so we're on the front edge of the curve. We're not sitting back and being reactive. We're being proactive and defining the space, not reacting to it. We do that together as a partnership. With that partnership and that drive, together, we have a great partnership for the future.

Will Adams

LendingTree plans to grow our share of the remaining rate and term volume by opening up new marketing sources and partnerships, but we will also take steps to grow our cash out and home equity business, similar to ever-rising rate cycles. We plan to grow our purchase business by continuing to lean into segmenting consumers through the home buying experience. As a company, we're very focused on growing our consumer base within My LendingTree, providing a personalized experience to increase engagement and better identify opportunities to cross-sell additional products to maximize lifetime value.

While total volume will likely go down year-over-year, we have a history of growing our share in a rising rate environment. 2018 is a great example of where we were able to grow share with our top partners in a tough market and capitalize on that share in 2020 and 2021. As you can see here, our focus on market share in difficult times has allowed us to significantly grow our home business.

In conclusion, we feel very confident in our network of lenders. We have grown with our largest partners and the partner network around them. We will continue to focus on strengthening our purchase product and focus on growing market share to position us for maximum growth. Thank you.

Ramses Meijer

Hello, I'm Ramses Meijer. I joined the LendingTree team 2.5 years ago in the capacity of credit cards GM. Most recently, I have transitioned into the role of general manager for all of marketplace. I'm excited to talk to you today about our Consumer segment.

When looking at our Consumer business, we'll first review the accomplishments in 2021. Across credit cards, personal loans and business loans, we believe consumer demand has returned for the latter 2, very strong and close to 2019 levels, where that's not the case for credit cards. Our analysis predicts this to be at 80% pre-COVID levels around July of 2021, and it has plateaued since that time.

Balance transfer, airline and travel themes have seen a slower recovery. What is consistent across these 3 verticals is the appetite for acquisition of consumers, rich accompanying budgets and product offerings that have seen changes or upgrades to get the consumer's attention. As a company, we anticipated this well, and we grew our issuer and lender network in all 3 business units in double-digit year-over-year percentages but most impactful our current lineup of 50-plus partners in personal loans.

Business loans in 2021 had its strongest year ever in terms of revenue and VMD. While in personal loans, our marketing efforts, combined with our advanced lead-to-lender matching capabilities, drove our close rates in all segments higher versus 2020 and 2019. This is particularly evident when reviewing our NPS for personal loans.

Here, you can see that we are in a solid multiyear growth trajectory as we continue to add lenders, match the consumers more effectively, improve the experience and acquire consumers more likely to get offers. On the outlook for 2022, we are well positioned to take advantage of what we think will be continued growth in consumer demand, again, participating this to be slower in cards but more robust when looking at PL and business loans. Our focus on the consumer experience, getting new partners to join our network and the strength that Shiv will bring on the marketing front have us really set up for a strong year and growth in all 3 areas.

I am most excited today to introduce TreeQual as one of our difference makers in 2022. When reviewing the competitive landscape, it is no surprise that offering preapproved financial products is driving success for others in the space, and we are thrilled to now be offering a unique consumer experience on our platform. TreeQual, our preapproved engine, enables LendingTree to generate win-win scenarios for our partners and for borrowers alike by removing friction and by bringing the right financial solutions to the right consumers at the exact right time.

Let's take a moment to hear from the CEOs at Avant and Mercury Financial about their excitement of joining the TreeQual platform and how it ties in to the mission that they're creating for their consumers.

Matt Bochenek - *Avant, LLC - CEO*

Avant was founded in 2012 with a mission of lowering the cost of barriers of borrowing for the millions who are underserved and under banked. LendingTree has been a valued partner of ours from the very beginning, back when our personal loan product was the only offering on the platform. However, as Avant has expanded, so is our partnership with LendingTree, which now includes the Avant credit card.

We are excited to expand our partnership with LendingTree even further by joining the TreeQual platform. TreeQual will enable us to quickly and responsibly evaluate consumer credit inquiries via a seamless digital experience, which is really a clear game changer. TreeQual also provides a significantly more targeted approach, helping to reduce customer frustration and improve experience. By providing a pre-screen personal loan or credit card offer, we expect we will be able to increase our origination volume and ultimately serve a larger portion of our target consumer base through TreeQual. We anticipate that Avant's involvement with TreeQual does not only improve customer satisfaction and engagement, although that's most important, but will also strengthen our relationship with LendingTree.

We're excited about what has to come. We greatly value this partnership. So thanks to the LendingTree team, look forward to more innovation and great things ahead.

James Peterson

Mercury Financial is a young company. We're a financial inclusion technology company that exclusively serves the near-prime customer, the near-prime market. Those are hard-working Americans, 36 million of them, where they've often had a financial difficulty in their life and have struggled with access to unsecured credit. Our mission is to provide these hard-working Americans credit and a premium digital experience and credit offering that usually has only been reserved for prime or super prime customers.

LendingTree is one of the first frontrunners in the whole digital revolution and bringing different lending options to the consumer. They're one of the first and most well established. We were delighted to work with them as their first partner on TreeQual. We had started the dialogue with them. We didn't know that they were actually launching this platform, but what we found out was that we could work together to our benefit and their benefit and get the product out to market. We've recently launched with a lot of success, and my team tells me there are a lot of hours, a lot of hard work and just a great collaborative partnership between the 2 teams.

So on behalf of Mercury Financial, every one of my 185 employees and myself, I want to thank LendingTree for their partnership. I also am very excited about the opportunity to grow with LendingTree, especially in their state-of-the-art platform in TreeQual. And having such a collaborative, open, hard-working partner just is the way you want to do business.

Ramses Meijer

TreeQual is now live in my LendingTree for both the credit cards and personal loan products with first movers Mercury and Avant to be the initial products featured. Initial results are very promising with 6x the lift on click-through rates and approval rates around 90%, meaning 9 out of 10 consumers are actually getting approved through this experience. We're very excited about 2022 and what it will hold. Thank you very much.

Scott Peyree - *LendingTree, Inc. - President of Insurance Business*

Hello, everyone. I'm Scott Peyree, the President of the insurance division of LendingTree. So 2021 was really, honestly, a tale of 2 halves, as I would call it. The first half of the year was a very good half. We generated, January to June, our all-time high revenue in the Insurance division. In fact, March and June as 2 individual months were our biggest revenue months of all time. Overall, first half revenue was up approximately 28% versus 2019. So -- and that was even dealing with some SEM market share challenges we're having. We're just having so much growth in all parts of the business, we were able to overcome those challenges and still grow pretty significantly.

Now the second half of the year was a much different story. As has been well reported, the P&C carriers pulled back significantly on marketing budgets with ourselves and all of our competitors in the industry. It was a challenging time profitability-wise for carriers as there was an abrupt change from profitability to unprofitability, specifically in the property and casualty world, that the carriers needed to adjust and deal with, and they really slowed down the amount of new consumers they were taking on policies for while they were going through that transition period.

All of that said, our revenue was roughly equivalent to 2020 and 14% higher than in 2019. So we feel we're still positioned really well in the industry and for growth in the future.

Carrier profitability had very large and abnormal swings over the past 2 years, in 2020 and 2021. Starting in 2020, it was an extremely profitable year for carriers. Mainly due when the country went into lockdown, people stopped driving, and so carriers were just -- there was no loss ratios, no car accidents. Carriers were making a lot of profit. Because of that, for -- they started providing rebates and started dropping rates to maintain competitiveness in the marketplace. So unfortunately, then you get to '21, there was a huge swing back to normalcy from a miles-driven perspective of consumers miles are driving on a daily basis. So the pendulum quickly swung to unprofitability for a number of reasons that kind of snowballed on themselves.

First off, due to all the rate reductions they gave, those reductions weren't based off of normal driving, normal miles driving. You've got supply chains and labor issues, which were driving up repair costs. It's more expensive to get parts, and it's more expensive to pay the people to repair the car. There was macro changes in driving behavior, increasing severity of claims. Perfect example is drunk driving was way up last year over normal years. A lot of people think that is a psychological impact based off of COVID.

Finally, say, replacement costs for used cars have gone way up over the past year. And when you look in the insurance world, oftentimes when a car is totaled, they commit to paying the replacement cost of the car to a consumer. So if a used car cost is up 20%, that's 20% more expensive for a carrier to replace.

So you had all of these things happening in '21 that really moved really rapidly and quickly from the carrier's perspective. They weren't expecting all of these things to snowball on themselves, and so they really backed off of writing insurance, in general, in the second half of last year. And so for a company like ours, they reduced marketing budgets pretty dramatically.

Let's talk about '22 expectations. First off, the good news. Carriers have fixed a lot of the profitability problems, and we are already seeing increased spend in early Q1. Our average daily spend from our property and casualty category and insurance is just under 30% higher than what it was in the -- compared to our non-holiday run rates in Q4. So a lot of carriers have already come back and have already increased budget, not quite back to where we were in the first half of last year, but it's moving along. We're very excited where we're at and where it's going.

We expect the aggressive recovery to continue throughout the first half of '22. And I would also add on is the vast majority of our carrier partners, they're communicating positive outlook to us and expectations of increased marketing spend. It will take a little time to completely roll out.

A number of examples of why it's going to take a little time to completely roll out is that, first off, due to all the large losses they were taking, they have to be a little cautious when they update their rates, and they have to submit rates to all of the states. So first off, when -- before they even submit to the states, they've got to be comfortable that the updated rates are both competitive and will remain profitable for their business. Secondly, they have to get the rates that they submit approved by the states. Some states are being slower than other states in approving all of the rates. Thirdly, there are certain states for all of these carriers that they're generally more cautious in, whether it's due to regulations or due to even above-abnormal loss rates as they've seen in the past, and so it's a step-by-step approach as the carriers come back. But we do expect to see a consistent return back to normal. And our hope at QuoteWizard is by June of this year were pretty similar to where we were in June of last year, which was the strongest RPLs we were seeing across the board.

I would also say the consumer demand is -- remains extremely strong. We saw an 11% increase in consumer volume in the second half of '21, and that was even with the reduction in RPLs that we saw from our clients. So increased consumer demand, combined with rate increases, we think, will have a positive snowball effect for our business because as consumers are getting rate increases from the carriers they currently buy insurance from, that will drive shopping behavior for new policies. So we do feel like '22 will be a year that consumer shopping goes up in the property and casualty insurance space.

So I would also add on, as we're looking at '22, there's best -- if I call that the legacy business and getting back to normalcy in the legacy business, normal CN growth, there's additional areas that we've been investing in over the past year, 1.5 years, that I think will now provide outsized growth on top of just a return to normalcy.

First off, SEM growth. We've made significant inroads in recapturing market share in the SEM marketplaces. It's still very early in the year. But in the first 14 days of January, we have seen a 41% increase in consumer lease generated off of SEM compared to the same period in '21. So as RPLs return to normal over the next 6 months, that higher volume of consumers will translate in a much higher revenue.

Now secondly, I'll call -- what I'm calling new to QuoteWizard products. We've been investing in our platforms to offer additional, what I'll call well-established products in the insurance performance marketing industry. So these aren't brand-new products we're trying to bring to market. These are products that a lot of our -- are big products for other competitors, and they make a lot of revenue from. We haven't been in those businesses very much in the past, and we've started to get into them over the past 6 to 9 months, and we feel there's a lot of growth opportunity.

First one I'll call out is inbound calls. So just a quick explanation of inbound calls. We have a calls platform where we generate calls by calling on our own data that we generate off our lead forms and warm transferring those consumers to our carrier clients and our internal agency. While inbound calls is essentially doing the same thing, except for taking calls in from third-party sources and not outbounding on our own data. It's a big business that we haven't really touched in the past because we've mainly been focused on our own data. We started -- we've built off our calls platform, built a concierge service to take these inbound calls. We're already doing $1 million a month in revenue there. That compares to $0 a month of revenue in the first half of '21.

Secondly, direct to click. This is also a very large product for some of our competitors. So we have a large click platform called the Delty platform. It generates a lot of revenue. But how all of our clicks are generated are typically on the back of our full funnel form that the consumer goes through and then we match to carriers, and they can click off to a progressive or a nationwide or whoever it is to get insurance directly from those carriers' websites. So a lot of our competitors have what they call direct to click, so it's not a full funnel, and then it goes straight to click. And there's a lot of publishers that prefer using method for their own consumers. So we have started building our Delty platform to offer that as a product to our publisher partners as well. Again, we were doing no revenue in the first half of '21 here. We grew to about $300,000 a month in revenue in Q4 of '21. We're projecting $750,000 a month in revenue in the first quarter this year on that product. Lots of growth in front of us. That industry, I estimate to be $40 million to $50 million a month in revenue it generates industry-wide.

So you just take those 2 categories, inbound calls and direct to click. I strongly believe for us in the next 18 to 24 months, that will be an $8 million to $10 million a month business, those businesses combined as we get inroads into those specific products.

So you can -- we're expecting to get back to normalcy, plus growth, in our legacy business with all of the products we currently sell to our clients, plus we have this large opportunity of these products that are already ingrained in the industry and that we just haven't built out ourselves yet, so very excited about that and the future prospects of revenue growth in the near term with those products.

Now moving on to long-term strategy for the Insurance division, which aligns directly with the overall LendingTree vision and is quite simple, is to get closer to and develop deeper relationships with the consumer, thus creating higher long-term value.

So the initial basis of what we're doing to get closer to the consumer is build our agencies. We have 2 agencies currently: Our Medicare agency and our property and casualty agency. First off, let's start with the Medicare agency. We invested in a lot of growth in our Medicare agency this year, mainly via the brute force of growing the amount of agents we have to generate more policies and more revenue. All in all, we had an excellent year in the Medicare agency. It was a challenging time in COVID, hiring and training employees in a virtual world wasn't fully what we were expecting to do all year, but we adjusted and we did it. Moving into '22, it's going to be more of a focus on unit economics and working out the kinks of all the issues we found on growing the agency rapidly. We're excited about the areas that we're going to improve next year. And then '23, we'll look to get back to aggressive growth and quantity of agents.

Our P&C agency. We opened our P&C agency in June of '21. In our P&C agency, we have built a lot of direct carrier integrations where we're pulling rates directly from the carrier. We've started growing our agent base in early '21 and have been growing it throughout the year. It's been very solid performance. We've generated over $11 million in written premium in '21. We're going to -- we're projecting over $28 million in '22.

A big focus is on continuing more carrier integrations, so we can provide more rates from more carriers to more demographics, doing additional state expansion. So we're covering a wider swath of consumers that can buy insurance from us. Very happy with where we're at right there, and it's growing very aggressively for the business.

Overall, our agency revenue has grown from just under $5 million in 2020 to $14 million in '21 and projecting over $27 million in '22. So it's a big growth area for the business. Still a fairly small percentage of the overall business, the insurance business specifically, but it has gone from 1% of our insurance business to over -- projected over 7% during '22. So it is growing as a bigger piece of the pie for the Insurance business over time. I am a believer, long term, that this business, the agency business, in and of itself, could be as big as the rest of our Insurance business combined.

Another great by-product of all of this work in the agencies is our ability to now provide embedded insurance rates. And when I say embedded insurance rates, it's -- what I mean is when we develop that consumer information or we receive consumer information from third parties, we can now generate an insurance rate and provide it to the consumer. So this goes down to our path of, again, getting closer to the consumer and to the fulfillment side of things and providing the consumer exactly what they're looking for when they're coming through our network.

By improving the consumer experience and providing the rates in real time, it should not only benefit our own agency's ability to grow, but we feel it will benefit the over quality of the consumer in general. You're giving them what they want, so whether they end up buying from us or from the local State Farm agent that calls them or going to progressive.com or GEICO and getting a rate directly from them, we feel, giving them the rates, we're giving them the perception that this is the place to be and to buy product through.

So just using a generic example of, say, 10 out of every 100 consumers that come to [quotas] or buy insurance right now through us. If by providing just a better experience, we can increase that to 15 out of 100 or 20 out of 100, that not only improves the consumer experience but in the long run will dramatically improve our monetization we're making on each consumer that comes through our network.

Another great benefit to the embedded insurance technology we've built over the past year is to be able to access consumers in new places, consumers that aren't necessarily where we traditionally access via online marketplaces. One perfect example of that, that we rolled out last year is called Elm. What Elm is, is a dealership app that we present to auto dealers where they can provide rates in real time, so the consumer can not only get rates but can get full bindable coverage in real time as they're at the dealership purchasing cars.

We rolled this out initially in Washington state in the second quarter of '21. It has been extremely well received by dealerships. We're in just under 100 dealerships right now. We will be expanding into Texas and California in '22, also focusing on continuing product development to make it an easier and slicker process for everyone to use from a GM at a dealership, to the receptionist e-mailing out quotes, to the finance manager, the sales guy that's providing it via the phone to the consumer.

We're also interested in looking for additional places of distribution. So we're point of sale at car sales right now, but we also want to start getting into service departments to the dealerships which have actually a much higher quantity of consumers coming through on a daily basis compared to the car sales.

We're going to be building out a home insurance version of Elm which we're excited about. That product, we're going to take the real estate agents, mortgage brokers, LT clients. So that's a whole another big group of consumers that we're not actively targeting now, that with these embedded insurance rates, we're going to be able to open up those new marketplaces over the long term.

Finally, in our long-term strategy, a big focus in '22 is going to be the cross-sell and upsell that we're doing to our consumers that are buying product directly from us. Our goal is to professionalize and expand our ability to match products, both insurance and financial, to consumers that we are selling directly via our agencies.

What I would like to say is we have significantly more cards in our hand than most of our competitors. Being that between QuoteWizard and LendingTree, we have -- we operate in so many industries and have deep relationships with so many clients in the industries. It gives us the ability to create a product set of financial services and insurance products to offer the consumer unlike any other. So we really want to professionalize building those algorithms on how to properly match the products to the consumers and then also how we present and sell those products to the consumers.

Long term, I believe that we could be making as much, if not more, money from the consumer from products, other than what they were initially seeking. So you sell the -- you provide a great experience. You sell the auto insurance to them upfront. But then over the next 2 years, you end up actually making more money than you made on that auto insurance sale, just by providing a great experience and matching and selling other products that the consumer is interested in, to spend more for higher-quality consumers upfront because we know we can make a lot of money long term on each consumer. Thank you.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

Good afternoon. I'm Trent Ziegler, LendingTree's Chief Financial Officer. I want to echo Doug's comments and thanking you all for joining us today, and I want to reiterate that we're thrilled to be hosting this event again after what's certainly been an interesting couple of years. We look forward to continuing the dialogue with many of you who have followed our company closely for some time as well as developing relationships with those of you who may be newer to our story.

This morning, in addition to providing our outlook for 2022, we also provided updated guidance on where we expect our 2021 financial results to land. Given the unusual couple of years that we've had, I'd like to spend some time putting our results in perspective. In 2019, prior to the pandemic, our company delivered $1.1 billion of revenue and almost $200 million of adjusted EBITDA. Like so many companies, our business performance was adversely impacted by the onset of the pandemic. But thanks to the diversification of our business, our highly flexible variable cost model and the strength of our brand and partnerships, we navigated the crisis incredibly well. 2 years later, we will exit '21 at a similar level of revenue with plenty of visible growth runway in front of us. The last 2 years have certainly been challenging, but I remind myself that our company has a strong, multiyear track record of delivering sustained growth in revenue and adjusted EBITDA. We're confident that the past 2 years will represent a little more than a speed bump on our path to new heights.

Obviously, a lot has happened in the external environment during the last 2 years that has impacted our business. The onset of the pandemic in early 2020 led to drastic measures taken by the Federal Reserve and the federal government to bolster the economy. Initial concerns over consumer and small business credit were amplified and then largely assuaged as it became clear that stimulus measures proved largely sufficient. Mortgage rates plummeted to historic lows, kicking off, at first, massive disruption in the mortgage market, followed by then a long period of unprecedented origination volumes and profitability for mortgage lenders.

In the property and casualty insurance category, carriers spent much of 2020 enjoying incredible profitability as people hunkered down at home and claims activity was de minimis. In 2021, as folks began to reenter the world, miles driven began to climb, claims accelerated and supply chain disruptions, combined with labor shortages, caused claims costs to spike, negatively impacting carrier profitability and lowering their appetite for new customer acquisition.

Our diversified portfolio of businesses has continued to improve despite those headwinds.

Revenue in our Consumer segment was depleted at the onset of the pandemic, but our other businesses helped bolster our results. Unlike several companies, we avoided having to take drastic cost-cutting measures to sustain profitability. And in fact, we continued to invest strategically into our business. We made significant progress in improving several of our businesses and the product experiences that go with them.

In the fall of 2020, we introduced connected bank accounts in My LendingTree through an integration with Plaid. This development was a huge product milestone, enabling us to vastly improve the recommendations that we provide for our users. More recently, we announced the launch of TreeQual, which you've heard a lot about today, and we believe will vastly improve the efficacy of our consumer loan marketplaces.

We've advanced our market-leading position in the Home segment with continued product enhancements and differentiation, enabling us to take advantage of the strong mortgage market and deliver record levels of Home revenue and segment profit well above any prior annual totals. Sustained investment into our personal loans and small business verticals have accelerated a speedy recovery from the depths of the crisis. with each of those businesses rising to and surpassing the levels that we saw in 2019.

So where does all that leave us as we head into 2022? First of all, I'm thrilled to be in a position today to reinstitute our annual guidance for investors. We suspended our annual guidance in April of 2020 for good reason, given the tremendous uncertainty at that point in time. We're pleased at this point to be able to provide investors with better context as to our own internal expectations.

As stated in this morning's press release, we expect to grow revenue in 2022 by roughly 10% to 15% to a range of $1.2 billion to $1.25 billion. The provided range assumes that the Home segment will decline considerably as refinance activity slows due to rising interest rates. We expect variable marketing margins to improve from 35% in 2021 to the high 30% range due to product mix shifts toward our higher-margin Consumer segment and generating more curated offers through our growing installed user base to drive higher conversion rates. We expect adjusted EBITDA to grow 20% to 35% to a range of $160 million to $180 million as we generate positive operating leverage to expand EBITDA margin substantially from 2021 levels.

I'll speak more about our cost structure in just a minute. But in the context of planning for 2022, please note that slowing the rate of acceleration on expense growth was among our top priorities. Shortly after reorganizing our leadership last spring, we instituted a broad-based hiring pause on the opening of new positions, and we began to evaluate the backfilling of resignations with much greater discipline.

We have since done a very thorough assessment of existing roles and open positions and eliminated approximately $15 million of annual compensation expense. While our cost structure is expected to grow again in 2022, the growth will mainly be driven by focused investments in the initiatives that you've heard about today and in part due to the inflationary pressures that all companies are enduring.

Looking deeper into our segment level expectations for 2022, I'd remind everyone again that there remains a fair amount of uncertainty across our various end markets. In Home, interest rate fluctuations and the corresponding impact to refinance volumes are far from certain. We use industry projections to guide our forecast, and we gather firsthand feedback from our large network of partners to inform our expectations in real time.

Refinance volumes have slowed across the industry over the last few weeks as interest rates have increased. You can see that in the weekly industry data. That said, as you heard from Will earlier today, we believe our Mortgage business can outperform the broader market as we continue to grow share in a declining market, thanks to the consistent value that we provide for our lenders.

We expect substantial growth from our Consumer segment as several of those businesses continue to recover to pre-COVID levels and beyond. We generated great results in our personal loans and small business marketplaces throughout the last several quarters, and we expect that growth to continue. Coupled with a slower but sustained rebound in our credit card business, we're expecting growth of approximately 50% in the Consumer segment this year. The robust growth in this high-margin segment is a major contributor to the overall profitability growth that we expect in 2022.

And finally, in Insurance, we expect to resume double-digit growth in a business that has been incredibly strong for us since we entered it in 2018, although the headwinds that emerged in the second half of the year are something we're keeping a close eye on. Insurance carrier profitability challenges and the downstream effect on performance marketing partners like us and others have been well publicized recently. Based on our conversations with partners, we believe that those dynamics will gradually normalize and recover throughout the first half of 2022 as carriers pass premium increases through to drivers.

In addition to expectations for top line and variable marketing margin going forward, I also want to provide some context on our operating expenses, which we acknowledge have grown considerably over the last 2 years relative to the growth in our various businesses. My goal today is to ensure you that we've been very thoughtful about the investments that we've made, and we're being very intentional about our cost structure moving forward.

As a company, we tend to look at our fixed cost base as the wedge of expenses between what we report as variable marketing margin and adjusted EBITDA. That base of expenses has grown by nearly $50 million in the last 2 years from just shy of $200 million in 2019 to a little less than $250 million in 2021. So where is that investment going? As you've heard throughout the day, the prominent theme in our strategy going forward is to elevate and differentiate the customer experience across our platform. Our investments are targeted to support those efforts in a few key areas.

We have invested heavily in our product and technology organizations. We have invested and we continue to invest heavily in our data infrastructure and our data science and analytics capabilities. The vast amounts of data that we collect is a huge asset, and effectively harnessing that data can unlock massive opportunity for us going forward. We've made significant investments in our agency capabilities across the Insurance business. We believe that those capabilities are going to be critical as we progress to providing consumers with live bindable offers.

In addition to supporting these various areas of growth, we've also made some necessary corporate investment in areas like information security and compliance. The regulatory and the operating environment that we find ourselves in continues to evolve and become more dynamic, and we're taking all the necessary steps to ensure that our customers and our businesses are not compromised.

We've also made a significant investment in our new Charlotte headquarters, which we're getting a few glimpses of today. This was a project that we kicked off well before the pandemic, and we feel fortunate to have this space to return to as we continue our gradual reentry. This place is really special, and it's one that we're all incredibly proud of as a company. We feel like it's going to be an asset for us in recruiting and in collaboration for many years to come, and I look forward to hosting many of you here in the not-too-distant future.

As we move into 2022, we expect the rate of growth in our cost base to slow. We're confident that many of the investments we've made over the last few years have us well positioned to execute on the strategy that you've heard about today. We will continue to invest in and support key growth initiatives moving forward.

However, we do not expect notable growth in our employee base. We're conscious of the labor market that we find ourselves in, and our guidance for 2022 contemplates a competitive market for talent and wage inflation. We've made the decision to resume paying cash bonuses to our employees in 2022 after paying those bonuses and equity for the last 2 years, and that will have an impact on our adjusted EBITDA when comparing to prior years. At the end of the day, we're committed to hiring, incentivizing and retaining top talent, and we're prepared to manage the cost of doing so appropriately.

Last but not least, I want to reiterate the strength of our balance sheet. The debt on our balance sheet and our ability to service it has never been an issue for us. We did run into some flexibility challenges in late 2020 and in early 2021 due to the nature of our prior credit agreement and the impact that COVID temporarily have on our trailing EBITDA profile.

As you can see, in the first quarter of 2021, our net leverage ratio went to almost 5.5x as our trailing 12-month EBITDA troughed after 4 quarters of COVID-impacted results. That forced us to seek relief from the covenants within our credit facility and, for a period of time, significantly hampered our ability to explore M&A, strategic investments and capital return plans.

In September of 2021, we renegotiated that credit agreement to provide for much greater flexibility, taking into account the fact that virtually all of our debt is in the form of unsecured very low-cost convertible notes. We raised an additional $250 million in a delayed draw term loan facility that fully addresses the one near-term maturity that we had coming due in May of this year.

And additionally, in the fourth quarter, we monetized a portion of our minority investment in Stash Financial, adding another $46 million of cash to our balance sheet. With that renewed flexibility, we took the opportunity to begin repurchasing our stock in the fourth quarter of last year, buying back 334,000 shares for approximately $40 million in that period. And we remain in the market in the first quarter as well.

So as we sit here today, we ended the year with approximately $250 million in cash, and we continue to generate substantial free cash flow. With our headquarters project largely complete, we expect capital expenditures to normalize well below the $35 million to $40 million annually that we've seen in the last 2 years. The increased capital flexibility that we've created, along with no additional debt maturities until 2025, leave us incredibly well positioned to use our balance sheet as a strategic advantage.

In closing, I'd like to recap and firmly reiterate our financial priorities moving forward. First, we expect to sustain double-digit revenue growth for many years to come. The tailwinds of digital acceleration and marketing sophistication, combined with our own execution, will support sustained growth and enable us to endure the temporary headwinds that we will inevitably encounter across our diversified business segment.

We expect to expand gross margins or variable marketing margins by consistently growing and engaging our base of organic customers. We commit to delivering ongoing operating leverage. You can expect nonmarketing operating expenses, which were approximately 23% of revenue in 2021, to move to less than 20% over the next few years.

And finally, it's incredibly important that we maintain the balance sheet strength that we've worked hard to create. M&A has been a key component of our growth over the last several years, and we intend to keep our options open through prudent capital allocation, balancing leverage with shareholder capital returns as we continue to grow free cash flow.

Thank you all for your continued interest and support of our company, and thank you for joining us today. At this time, we'd like to open it up for questions.

QUESTIONS AND ANSWERS

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Okay. Okay. That concludes our prepared remarks, and we're happy to take your questions that you have now.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

We'll allow about 30 minutes for questions, and we can go longer as warranted. As a reminder, we do have Scott Peyree on the line with us in Seattle. So to the extent we have questions on Insurance, we can kick it to him as well. First question, we'll take is from Rob Wildhack at Autonomous.

Robert Henry Wildhack - *Autonomous Research LLP - Analyst of Payments and Financial Technology*

Thanks for hosting the Investor Day here. I'll start with 1 on TreeQual. Could you just walk us through how that product and your version compares to the competing products that are already in market?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

I'll take the early part of that, and then anybody can chime in that you'd want. By competing products, I think you're probably referring to LightBox. The major differentiation between ours and theirs is that we don't need lenders to upload all of their underwriting criteria into a situation where they need to keep them up to date, and then we would just be approving people on our side of the fence, if you will.

Instead, we're leveraging direct marketing technologies that already exist and where lenders have preapproved lists sitting with credit bureaus, et cetera, leveraging a partnership with Acxiom and then enabling us to give the same result as -- the result is the same for the consumer, but it doesn't have the barrier of having to upload your credit policy to LendingTree. Anybody else?

John Moriarty

No, that's the biggest thing, Rob. What we did was we did a listening tour with partners and said, what don't you like about the existing offerings? And a lot of it was just a point of friction around their underwriting models. And so this alleviates that. Now we certainly have some partners who still want us to work with an existing API, and we will work with those partners as well. We'll work with them however they want.

But the solution that we've come up with that works with Acxiom, as Doug points out, will enable speed to market. There was a question earlier from Melissa with respect to the onboarding period. There is an onboarding period, always. And we've got to work with each of these partners. As we said to our teams, this is hard to set up. But hard is good, hard is a barrier to entry. And so we're really excited about TreeQual and what it could mean for each of credit cards and personal loans.

Robert Henry Wildhack - *Autonomous Research LLP - Analyst of Payments and Financial Technology*

Got it. And then if I could ask 1 more on My LendingTree and the new digital adviser model, what kind of opt in is required from consumers for that new model? Is this something you can just turn on? Or does it require consumers to provide you with some more information, linking accounts, more access before it really starts working?

Jorge de Castro

All right. Thanks for the question, Robert. The short answer is within our current permissions from consumers, we're able to do a lot, not just through their linked accounts, but also with any of the new integrations we're working with partners on right now. So we're not going to create additional friction for the consumer to get the benefit out of the digital adviser. We're actually leveraging all the permissions that they've already given to us and are aware of so we can bring them better outcomes.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

And the next question comes from Jed Kelly at Oppenheimer.

Jed Kelly - *Oppenheimer & Co. Inc., Research Division - Director & Senior Analyst*

Great. As I was looking at your full year guidance, and what's interesting is your VMM guidance for this year is actually similar to what you laid out in your 2019 Analyst Day a couple of years ago. However, the EBITDA is still lower. So how are you -- can you just expound on like the operating expenses and how you're justifying those investments? Because looking at it, on your VMM, it seems that like some of these costs are discretionary. You could get back to like over a $200 million EBITDA level over the next 2 years.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

Yes, Jed, I mean I tried to lay out a lot of the moving pieces within the cost structure throughout the presentation. There are a lot of moving pieces, right? Some of those things are just inflationary pressures in the war for talent as we try to build out our capabilities around product, technology, marketing, analytics. We're obviously investing in the insurance agency capability, which is somewhat capital-intensive in terms of just hiring people and infrastructure to support those businesses.

There have been necessary corporate investments in information security and compliance that are kind of nonnegotiable. So there's a lot of things that are different in the environment today relative to 2 years ago. And we're obviously doing the best we can to manage through those things. But it's a point of emphasis that we're doing everything we can to drive operating leverage from here going forward.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. And the only thing I would add is that the more we can tie direct investments, whether it be technology, marketing, et cetera, to initiatives and then be able to be honest about, hey, "This one worked, let's do more. This one didn't, let's adjust," and we'll be very transparent with you on all of that. And right now, we're both -- we both, as Trent talked about, been really watching costs and, at the same time, being very, very discrete about where we're placing our investment pets, which we think should pay dividends not just this year, but hopefully pay massive dividends in the future.

Jed Kelly - *Oppenheimer & Co. Inc., Research Division - Director & Senior Analyst*

And then just one more for me. Looking at the -- the Consumer segment guidance implies hit back about 95% of 2019 levels. Where is the credit card business? What's your expectations? And have you seen -- I mean, we've gotten this question from a lot of investors, but have you seen any real material change to the competitive dynamics in credit cards over the past 2 years?

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

I don't know that we've seen a great deal of change in the competitive dynamic. As you think about our guidance as we head into next year, I mean, our expectation would be that each of the personal loans and small business categories are up considerably relative to '19 levels and credit card starts to get there as we exit '22. I think the -- TreeQual is hopefully upside optionality. There's not a lot of upside from traction that we expect there baked into the guide.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Anybody else on credit card?

John Moriarty

I would just say credit card is the business that needs probably the most marketing wins, right? We -- that is the business where we have dependence on paid search that we don't like. So to your point, Jed, competitive dynamic, it manifests itself there. It's not new players. It's just we need to diversify and create more areas where we can find consumers for our partners. And that, relative to our other businesses, that's what you see in that margin profile, and that's something that we need to work on.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

Next one comes from Mike Grondahl at Northland Securities.

Michael John Grondahl - *Northland Capital Markets, Research Division - Senior Research Analyst & Head of Equity Research*

Two questions. One, where do you see LendingTree sort of in the competitive environment today versus a couple of years ago? And then maybe secondly, what kind of visibility do you have today in the business versus a couple of years ago?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Let me start on the competitive environment, and then I'll let anybody from finance or elsewhere in the business talk about visibility and anybody chime in on the competitive environment. I feel like we are incredibly well-positioned competitively right now. If you look at other aggregators or comparison shopping providers, we're the only one that has a brand advantage and a monetization advantage.

Now the last couple of years have been a struggle because if all of your lenders pull back, obviously, you have to pull your advertising back. And then you've had the rise and fall over the last probably 5 years of individual lender models that get excited that -- the markets get excited about because they're going to do something different. And you saw that in the personal loan space, and now you see it in some of the other spaces around. And then you see that, very quickly, that those things can get commoditized, too.

But the thing that can't get commoditized is having hundreds of lenders competing for the consumers business. And we need to upgrade how we're doing that from a consumer standpoint. But those lenders still want volume from you. And now they're going to want volume from us at much higher levels than they had in the past. And we could only innovate as fast as those providers do.

So now that they're over refi boom land, they're over COVID, they figured out what their underwriting policies are, now they're going to be looking for volume. And we can give them the volume that they want and they expect and that can actually add value to their business. And if they want to make money, they can be on the platform. If they don't, they don't need to be. So competitively, I feel fantastic.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

Second question? Or anybody?

Adithya Yaga - *LendingTree, LLC - Chief Strategy Officer*

Yes. I just wanted to add 2 things in there. In addition to what Doug said, our deep integrations with our lender network and the depth and breadth of our lender network is a true advantage. And the second part is the data that we have on the hundreds of millions of consumers who come to LendingTree and comparison shop across a broad set of product lines is a core advantage that we can use to drive these better experiences, drive fulfillment in a way that we -- I don't think our competitors can.

Jorge de Castro

Yes. I would only add 1 piece. A lot of our competitors tend to lack the diversification that we have currently. And one of the things that we're really excited about is we bring in more authenticated users into the platform as we have more solutions to help them. And so we're using our muscle, not just on core marketplace, but also using that data that Adithya just described to help our lenders get access to a variety of different types of customers. And we're seeing that in how our membership is starting to diversify as well.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. The only thing I think I'd add, as I've looked at other Internet companies within and with outside of the category, you hear a lot of times that we've got a CAC problem. We've got it -- or not us, but a company has a customer acquisition problem. We don't have that. We have a fundamental true brand advantage without a customer acquisition problem, where we can get millions of people to come to us. And we need to work better and better at fulfillment, which is what our lenders want and ultimately what the consumer wants, too.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

And the second question?

John Moriarty

Second part of the question on visibility. I mean, Mike, I guess my answer to that would be, obviously, there's some degree of uncertainty in all of the end markets that we play in. We play in a lot more of them today than we did 4 or 5 years ago, and we play in a lot more of them than many of our competitors. That said, I mean, I think we have as good of information as anybody. There's obviously industry projections that we can rely on. We're getting real-time feedback from our broad network of partners. And so we feel good about our forecast, and we've been proven right more times than not.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

The only thing, Mike, that I would add to that on the visibility point is I spend a lot of time looking at each of our individual businesses in terms of the health of the network, right? And if you look at some of the businesses that we don't profile quite as much a small business as part of consumer. That's a far more substantial business than it was a couple of years ago, and that provides some visibility for our Consumer segment, right?

Personal loans, the number of lenders on the network relative to a couple of years ago, that was a mid-30s. We're now over 50 lenders on the network. It's a healthier business, right? We look at mortgage and we look at the concentration of the top 2 or 3 lenders, and we've diversified there as well.

So if you look at each of the individual businesses and that health, the diversification under the hood is something that we track internally and don't talk about as much externally. So relative to a couple of years ago, I think each of those businesses is much healthier than it was. And as a result, our visibility should be much, much better.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

We'll go back to John Campbell at Stephens.

John Robert Campbell - *Stephens Inc., Research Division - MD*

On the mortgage business, I mean, you guys have talked kind of the evolution of the products. It seems like it's been a 2-year process. I think you said a more diversified offering. You've got a new filtering option. You guys have called that out in shareholder letters. I think Will talked about that a little bit, but it's kind of at high levels. So I'm hoping you guys maybe are able to unpack that for us a little bit. What are those major changes? And how has that kind of diversified the offering relative to others in the marketplace?

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

We're going to let J.D. take that.

John Moriarty

Sure. So this is subtle product innovation. It's product innovation that the consumer does not necessarily see, but our partner does. -- each of our partners in something like mortgage are somewhat different, right, John? So the solution that might work for a loanDepot, who is profiled here, might be very different than the solution that works best at a point in the cycle for a smaller player.

So what we've done is used signals at the top of the funnel as to what type of consumer this is, what type of borrower is it, what do we know about the borrower, where are they in the purchase mortgage cycle. That's why we've seen great progress with respect to the RPL for late funnel purchase. The very fact that we can identify where somebody is in the home purchase journey is valuable information for that partner. A couple of years ago, it just wasn't that refined.

So it's an example of us using data, using signals to ultimately deliver something that converts better. And this is what we talk about internally all the time. At the end of the day, this is about conversion rate for the partner. And the conversion rate for the partner also, by the way, leads to a good experience for the consumer.

But for mortgage, in particular, that has been a real source of strength. So there are people who buy, there are partners who buy exclusive leads. We know that for certain consumers, that's a better experience, and it's going to convert better. There are some who want to buy what we call Express, which is not a lot of information value about the consumer, a much lower price point, but it works for their loan officers.

So essentially, what we're doing is wringing that efficiency out from our funnel and delivering it to our partners. Over time, that's the strategy to gain market share, and that's how you build a business over time through cycles, right? So we went through a difficult period in 2018, as you know, in the mortgage business.

We rebased the business, we became more relevant for our partners and the product improves suddenly over time. It's not announced to the market as a new product, the way something else might be. It's just gradual product innovation, improving the product over time for our partners. That's been the strategy in mortgage. It's worked very, very well. And there are extensions of that in each of our other businesses.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. And if I could -- the only thing I'd add, if you abstracted that and thought of a LendingTree as a search engine, everything that J.D. talked about is working on those algorithms in the middle, where you're using more data that you know from the consumer to give them a better matching experience and being responsive to your partners, whether that's an -- to your advertisers to give them a better conversion experience and matching that traffic in a better way than you have before.

John Robert Campbell - *Stephens Inc., Research Division - MD*

Okay. That makes a lot of sense. I appreciate that. And then last one for me. On the Insurance revenue, if I'm doing my math right, it looks like that was down, I think, 24% year-over-year in 4Q. I'm guessing all that decline was on the auto side of things. So maybe if you guys could talk about the non-auto business, how that fared?

And then on the combined ratio, it looks like things have gotten better, at least, in the back half of the -- the last kind of stages of last year. I don't know if you guys are able to provide, but kind of talk about how that carry out -- that might have picked up a little bit in January.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Scott, do you want to start that? Scott Peyree?

Scott Peyree - *LendingTree, Inc. - President of Insurance Business*

Yes, sure. I'll start with the -- the combined ratios are definitely improving for carriers. It's -- some carriers are improving dramatically. Some carriers have some work to do still. When I was talking earlier in my talk, there are certain states the carriers have been really cautious in. So what we're seeing early January is carriers are getting aggressive again with a preferred type of consumer and states really historically have been very profitable in with marketing sources that have historically brought in very good CPAs and lifetime value of consumers.

So that's where the initial momentum has started. And we expect, over the next 6 months, as carriers get more comfortable -- because there is still a level of cautiousness out there with these carriers as they are trying to get back into the black -- under that 1.0 combined ratio, they're not full force until they have high levels of confidence that they've gotten there and are sustainable, but there's definitely a lot of momentum.

And yes, you're correct, the fourth quarter being down was largely due to auto insurance. That was 99% of the reason it was down in the fourth quarter. The other businesses like the Medicare business grew a lot year-over-year, mainly because we grew that agency a lot. Our under 65 health insurance business is very strong. I think that the revenue was about the same year-over-year, but I believe our VMD was higher there year-over-year. It's become more profitable. And then the home insurance business, it continues to be very strong for us as well.

John Robert Campbell - *Stephens Inc., Research Division - MD*

One quick one, just to tack on to that. I guess this is a question for both sides for you guys. But as you shift the focus on mortgage, more to purchase, would you expect the coinciding kind of impact? Was it a rising tide lifts all boats on the Home and Insurance side as you are able to attach that?

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

On Home, let me just sort of say what typically happens. You'll see lenders shift their filters to take more purchase volume. If you've got a set number of loan officers, you're going to want to fill their ability to talk to consumers. And you'll do that through lower loan amounts. You'll do it through different loan to values. You'll raise your bids up. And yes, you'll take more purchase volume. Anything to add to that, you think?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

No. I mean, I'll let Scott chime in, but there's a concerted effort to think about cross-sell and integrating those across all of our businesses. That's an ongoing effort.

Scott Peyree - *LendingTree, Inc. - President of Insurance Business*

Yes. That's a huge byproduct of the embedded insurance rates that we're building. And home insurance is a very important part of that for us this year. And one of the big reasons being there are so many LendingTree customers on the finance side that would be a target for that product.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

We'll go back to use of Youssef Squali at Truist.

Youssef Houssaini Squali - *Truist Securities, Inc., Research Division - MD & Senior Analyst*

Excellent. I actually have a couple of follow-ups on some of these questions that were just asked. So maybe going back to Scott on the insurance and the double-digit growth expectations for 2022. I was just wondering if maybe you can expand on what kind of assumptions are we making in terms of, I guess, car insurance growth versus the growth in other products?

Arguably, at least from what we're hearing, supply chain issues remain pretty bad out there. So maybe kind of expand on how easy or how achievable is the -- or how the low bar or high bar is the double-digit number is. And I have a couple of good follow-ups.

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

Yes. Maybe I'll just start by saying, I mean, obviously, we're going to be working off of fairly weak comparables in the back half of '21, right, which makes achieving those growth rates imminently doable. There is obviously some embedded assumptions and some risk as to how quickly the core auto business recovers. But given all of the product enhancements and new markets that we're going into in Insurance, we feel like we can drive that growth. Scott, would you add on to that?

Scott Peyree - *LendingTree, Inc. - President of Insurance Business*

Yes. Yes, absolutely. The second half of the year comparables, there will just be a lot of growth by default of just the insurance carriers getting back to some level of normalcy. I would say our health in Medicare -- both the Medicare and the E65 health, we're expecting a lot of percentage growth out of those businesses this year. Those are both very healthy businesses for us.

But I do agree, a big driver is going to be the auto insurance business. And those big carriers and huge clients of ours getting back to spending. And as I talked earlier, both the legacy business getting back to normalcy, but also those growth initiatives we have, like on the inbound call side and the direct click side, which will largely be a beneficiary of the auto insurance more than any other insurance category.

Youssef Houssaini Squali - *Truist Securities, Inc., Research Division - MD & Senior Analyst*

Okay. Then within Home, remind us again what the -- this play or the mix of refi to purchase was last year? And then just I noticed that that's the 1 area where you didn't provide guidance. So -- other than to say that refi is down 60%. So a little decline in terms of purchase.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

So let me just take this in overall, first, and then let Trent or anybody chime in on specific numbers. Something that people have gotten wrong with LendingTree over the years will be in years where you see a reliance on refi. So last year, for example, the business is massively trending refi because if you're a mortgage lender, I call it, you fish where the most fish are.

And if you're in a low interest rate environment where people -- and a rising home price environment, you want to fish in the cash-out refi bucket because those are a lot of people right there who are really easy to catch. Then -- and you'll self-select into higher credit scores. You'll select into lower loan to values and higher loan amounts. Then when -- as refi goes down, you'll fish in farther and farther away ponds, including purchase.

So refi never goes away. That's always the thing that lenders want most because it converts the easiest. It's got very good margins. They know the loan is going to close, but then they'll naturally shift into the purchase market. So you'll see those things naturally shift. But because of conversion rates and unit economics, you always see a fairly high percentage of our revenue coming from refinance, but it also converts 3, 4, 5x higher than a purchase leads us. The numbers?

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

Yes. In terms of numbers, I'd say, given the environment that we've been in for the last couple of years, the mix is skewed to about 85% refi as you look into '22 and what's -- what we're thinking about relative to the guidance industry projections are for refinance volumes to be down 60% next year. We feel like our refinance revenue stream will be down substantially less than that because we're able to take share in a declining environment because we can maintain RPLs. And we expect revenue in both purchasing and home equity to grow pretty considerably next year as you see some of that substitution effect that Doug was talking about.

Youssef Houssaini Squali - *Truist Securities, Inc., Research Division - MD & Senior Analyst*

Okay. That's helpful. And I guess, lastly, on -- with all the changes and the cost containment efforts that you just talked about, Trent, you've historically talked about long-term margins in this business -- that this business could support. I'm talking about EBITDA or adjusted EBITDA margins in the mid-20s or slightly higher. Has anything changed to make you think that's too high or too low or just right?

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

Absolutely not over the long term, right? We've obviously been through a strange environment and a strange couple of years. Look, ultimately, the biggest driver of our EBITDA margins is going to be what happens in that VMM line and in our gross margins. And that's where we're working really hard to continue to build out that engaged user base, and that's ultimately where the leverage is going to come from.

As you think about the fixed piece of the cost structure, there's absolutely leverage to be had in that piece of it. We've seen some deleverage, obviously, over the last couple of years, and we've talked a lot about where that has gone. But you should continue to expect us to drive operating leverage from that piece of the cost structure as we go forward.

Then it looks like our last one is from Jamie Friedman at Susquehanna.

James Eric Friedman - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

A good presentation here. Trent, any comments specifically on the Q1?

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

No. I mean, at this point, we're not guiding for Q1. We will when we report fourth quarter earnings in, I think, late February.

James Eric Friedman - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Okay. Scott, you made some comments that are on Page 69 of your presentation, if you need to look at it. But specifically about the trends quarter-to-date, you're saying you're seeing an aggressive rebound in carrier marketing spend ramping throughout the first quarter. Is there any other intra-quarter, first quarter commentary you want to revisit?

Trent Ziegler - *LendingTree, Inc. - CFO & Treasurer*

Scott, take it away.

Scott Peyree - *LendingTree, Inc. - President of Insurance Business*

Yes.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

We can't wait to hear from you.

Scott Peyree - *LendingTree, Inc. - President of Insurance Business*

Yes. I would say, I mean, we are -- can you hear me?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes, go ahead.

Scott Peyree - *LendingTree, Inc. - President of Insurance Business*

All right. All right. I don't know if there's a bunch of additional other than we are seeing an increase in consumer shopping behavior, which is generally expected in a raising -- rising insurance premium environment as consumers get their new -- their bills that are higher than they're expecting to that drives shopping behavior. We do have headwinds we're dealing with. It's just -- and I think someone mentioned it earlier, number of car sales, both new and used car sales that are at really depressed levels just because of supply chain issues and costs. And that -- on the flip side, it has a negative impact on the number of consumer shopping because that's a big driver of shopping behavior for insurance as well.

But obviously, our carriers, in general, were just -- it's a generally positive trend, but there's still ups and downs on a weekly basis. So cautiously interested, but they'll -- then they'll back off bids on like high-risk consumers. And we're just -- we're seeing that with all of our carriers. But what I will communicate is just -- is still, what I would call, a positive overall arching trend.

James Eric Friedman - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

If I could just sneak in 1 more. This is from Will Adam's presentation, Slide 46. But I think J.D. you also talked to it -- you got this slide here that says that the RPL on purchase, I think this on purchase, is up 100% from January of last year to January this year. I think what -- could you just like -- that seems important. So what's that about? And could you kind of elaborate on that?

John Moriarty

So recognize that there are a bunch of things contributing to that. One is the shift that Doug was talking about. This move from refinance to purchase for a lender, okay? So that's in part driving it. The other is, we're obviously in a very strong market -- housing market, right, with respect to new home sales. So ultimately, that RPL is a function of our lender demand for purchase volume. It is a function of the efficacy of the product, right?

So if we are selling them purchase leads that are converting at higher rates, that RPL will drive higher. It's a reflection of that conversion, but also this switching effect from refinance to purchase, right, Jamie? So ultimately, and just to be clear, when we're talking about that, we're not talking about all purchase. We're talking about late funnel purchase. These are consumers we have identified to be later in their home-buying journey, and we're using signals to know where they are in their process and sending those consumers to our lender base, right? If we're doing that well, they're going to pay more for it. And that's ultimately what's happening, the macro factors that are influencing it.

So we're happy with the product efficacy, but there are macro factors. It's the movement from refi to purchase, and it's a very strong housing market right? So that's the way that I would think about that. Now we obviously have to monitor that because that's a very high RPL. So now what do we have to do? We have to drive conversion rates, right? Because if they're going to pay that much for that lead volume, it needs to work. And so that's what we're working on.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. And the only thing I would add is J.D. hit the substitution effect. You'll get -- through product improvement and conversion improvements, lenders will expand filters and upbeats. But keep in mind, the mortgage business, unlike the other financial businesses, operate in somewhat of a capacity-constrained environment, where you've got a certain number of people, whether they're loan officers and processors, and you can only take so much through your plant.

So in a refinance boom, if you're getting all your volume from phone calls from your past customers, you really reduce your buys on LendingTree. Through a lot of our product innovation that I referred to last year and the year before was actually pretty good for mortgage and that lenders were able to keep those bids up and keep taking volume from LendingTree. And we had a pretty solid mortgage business despite rising or despite low interest rates.

Now you're seeing the opposite effect, which is lenders saying, "Wow, my volume is now dried up, my free volume. Now I need volume from you all. And I still want much refinance volume as I can take, but now I'd also like purchase volume," or a year ago, they might have bid nothing for it or not wanted it. And now they're saying, "Okay, give me a purchase in this state. Give me a purchase in that state. Let me expand the number of states, et cetera," and purchase just -- and home equity also functions in a very similar pattern. And it's because of that capacity-constrained nature of a mortgage company that, over time, with technology, is getting relieved, but that still very much does exist.

Well, I think that's our last question, and thank you all for the great questions. In closing, I just want to say this. I have never personally been more excited about the opportunity that we have to grow the business of LendingTree ahead of us. Leveraging our brand and our partner network to provide a best-in-class consumer experience will enhance our flywheel, aligning us with where our customers are today and where they're going.

Thank you again for spending time with us today, and we look forward to speaking with you again soon.