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EDITED TRANSCRIPT

TREE.OQ - Q2 2021 LendingTree Inc Earnings Call

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the LendingTree, Inc. Second Quarter 2021 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

(Operator Instructions) I would now like to hand the conference over to your speaker today, Mr. Trent Ziegler, CFO. Please go ahead.

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

Great. Thanks, operator. Good morning, everyone, and thanks to everybody for joining the call this morning to discuss LendingTree's Second Quarter 2021 Financial Results.

On the call with me today are Doug Lebda, LendingTree's Chairman and CEO; and J.D. Moriarty, President of LendingTree Next. As a reminder to everyone, we posted a detailed letter to shareholders on our Investor Relations website earlier today. And for the purposes of today's call, we will assume that listeners have read that letter, and we'll focus on Q&A.

Before I hand the call over to Doug to give his remarks, I want to remind everyone that during today's call, we may discuss LendingTree's expectations for future performance. Any forward-looking statements that we make are subject to risks and uncertainties, and LendingTree's actual results could differ materially from the views expressed today. Many, but not all of the risks we face are described in our periodic reports filed with the SEC.

We will also discuss a variety of non-GAAP measures on the call today, and I refer you to today's press release and shareholder letter, both available on our website at investors.lendingtree.com for the comparable GAAP measures, definitions and full reconciliations of non-GAAP measures to GAAP.

And with that, Doug, go ahead.

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

Thank you, Trent, and welcome to your first earnings call as CFO, and thank you to everyone else for joining the call. The second quarter results demonstrate the sustained momentum we're seeing across all aspects of our business. We once again substantially exceeded our prior guidance, and our prior perspective on the remainder of the year is improving as we execute against our strategic growth initiatives and our COVID impact businesses return to health.

In our Consumer segment, which has been the most impacted by the pandemic, the recovery is well underway as consumer credit markets begin to normalize, and we deliver increasing value for our partners.

Our personal loans business, which is particularly profitable for us due to its alignment with My LendingTree, was especially strong in the quarter. We have cultivated a deep network of lenders that is as strong as it's ever been. And as consumer demand for this product returns, we're well positioned to win. Inquiry volume in personal loans was up 40% sequentially over the first quarter and revenue increased 70%.

In credit cards, where we've been consciously endeavoring to rebuild that business at lower margins than we've historically seen, those efforts are paying off in continued revenue growth and expanded margins.

In Home, the strength of our market-leading position was on full display in Q2. Despite the fact that refinance activity in the broader market was down considerably relative to Q1, our Home segment delivered segment profit that was in line with our first quarter results. The resiliency of our mortgage business is a testament to the longstanding relationships we've built with our lenders and the value that we add throughout any cycle.

And our Insurance business continues to perform consistently well as a market leader at scale and is clearly less susceptible to macroeconomic conditions, such as credit risk or interest rate cycles. We continue to diversify and strengthen our insurance business by expanding into new traffic acquisition channels, expanding our carrier network and growing into adjacent categories, further adding to the durability of our business as a whole. And finally, we continue to pull all of these businesses together into a more holistic consumer-centric offering in My LendingTree.

While new user adoption has remained strong throughout the pandemic, we're encouraged to see an uptick in engagement and usage of the platform as demand for many of our core offerings return. Our efforts to syndicate the My LendingTree platform as well as our core marketplace assets in what we're dubbing Powered by LendingTree are also gaining traction. We've launched 5 managed marketplace integrations in Q2, and our integrated My LendingTree partnerships accounted for more than 50% of new sign-ups for the quarter.

In closing, we're very proud of this quarter's results, and our confidence is only increasing as we enter the back half of the year. Our leadership realignment is helping to crystallize our priorities, and we're executing very, very well. Our business continues to become more diversified and more durable, and we intend to fully capitalize on those competitive advantages to drive future growth. And with that, operator, we can open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Jed Kelly from Oppenheimer.

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

Two, if I may. Just one, maybe for you, Doug. Just on the amount of hiring you plan on doing in the next couple of quarters. Is that a sign that you actually feel that the business is coming back and you're able -- you're willing right now to support more employees at a lower VMM amount than you were in 2019?

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And then just can you talk about the dynamic with personal loans and credit cards? One would think credit cards would come back first because people spend credit cards -- people spend money on their revolving balance and then will refinance with a personal loan. So can you just talk about some of the dynamics between the growth in personal loans and credit cards?

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

Sure. Let me take the first point on hiring. So we were confident in continuing to hire in Q2. And going forward, I would say, hiring will be probably more selective. We were confident in that the business would come back due to macro factors, and we're confident in our own initiatives driving our core underlying metrics. So we were able to continue to invest in some growth initiatives that are going to set us up for the future. One of them, for example, is continuing to hire insurance agents as we move our insurance product more and more to an agency model across all products. So we were very confident in our ability to hire. And I would expect that to be tapering off because I -- in terms of new costs, we were able to keep our pedal on the gas with very, very smart managing of our metrics and our projects. And -- but I would expect to see that tapering off going forward. A lot of our product work has been accomplished, and now we still have those people who can go on to do other things.

In terms of the second question, the relationship between personal loans and credit cards, was that -- can you repeat that one?

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

Yes. Just -- it would seem like intuitively, credit cards would come back first because people spend on the credit card and then refinance on the personal loan. So just the dynamics on why your personal loans business is coming back quicker than credit cards.

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

I'm going to have J.D. answer that one.

John David Moriarty - *LendingTree, Inc. - President of LendingTree Next*

Jed, it's a great question. It does seem intuitive. I think you have to think about the behavior of the partners in each case. So in the case of credit cards, we definitely are seeing signs of the credit card issuers coming back, not just on our network, but really with their own brand and their own spend first. They're investing in their own brand before they move more aggressively to the affiliate channel.

Now one of the things we've talked about in personal loans is that the personal loan lenders, they were back in full before the end of 2020, and the driver that we needed in personal loans was demand from consumers. So what you're seeing now, I agree with you. It does seem like you would think, okay, the credit card business comes back in terms of balances and then the personal loan business follows. This is not unlike mortgage where we have a little bit different cycle than the product itself. So what you're seeing now is clearly, credit card balances built up a bit. But more importantly, consumers are being a little bit more aggressive with their spend levels there, right? So it's -- And as we've talked about, the number one use is credit card debt consolidation, but it's also, you're planning a vacation, you're planning a wedding, you're planning small home repair, one of those things for personal loans. So what you're definitely seeing in the step-up in personal loan activity is consumer demand. And we're finally seeing that come through. The lenders have been there since call it the third, fourth quarter of last year.

In terms of credit card, it's a little counterintuitive, but I think we'll see the spend from the credit card issuers in terms of the affiliate channel lag a bit their investment in their own brand. So I think the credit card balances have built up, but we've just got different behavior with respect to marketing spend.

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

Yes, that lag, I think, I would echo what J.D. said, and I think you'll see the personal loan refinancing of credit card come along slightly later, and it is truly lender behavior, all which are good.

Operator

Your next question comes from the line of Youssef Squali from Truist.

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

Two questions, if I may, as well. So starting with the investment side of the business, I think you guys highlighted Medicare agency is one area that you guys are going to be putting some money into in Q3. I was wondering if you can maybe flesh out your kind of vision there, kind of maybe quantify the investments required to make it happen.

And second, maybe, Doug, as you kind of -- as we all come out of this pandemic, it seems like some of the smaller players kind of got hurt in the meantime in the midst of it. I was wondering how you guys see your position coming out of it. The Quarter was certainly pretty solid, so looking around as to what some of your peers have done, do you feel that you've gained share, that you've lost share, just kind of your state of the industry as you're at this point.

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

Got it. So first off, on Medicare agency. And then Trent, you can please fill in with some numbers on that, and then I'll come back to kind of share. The Medicare agency is part of a broader trend at LendingTree, which is having clicks, calls and leads going to providers, whether they be a lender or insurance company and how can we move deeper into the funnel to give the customer more definitive offers, still continue to give them choice and give them a more curated and concierge experience, particularly inside of My LendingTree, where we can really differentiate a user experience.

And the Medicare, and so we're doing that in P&C, property and casualty, homeowners and auto, and expansion into Medicare is one, too, where you have to hire agents in Q2 and Q3 who are getting up to speed and getting prepared. And then in Q4, when open enrollment season begins for Medicare supplements and -- Medicare settlement policies, and we can come in, and we'll be fully at ramming speed. So there's definitely an investment of [hiring] and getting people up to speed, but we can very definitively predict what those expenses are going to be versus what the revenue is going to be. And we fully anticipate that that's going to be an exciting new business for us.

Trent, do you want to fill in any numbers there in terms of investment dollars or anything?

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

Yes, happy to. Yes. And I think this goes to Jed's question a little bit, too. I mean, just as you look at the trends in OpEx throughout the year, we saw about a $2 million increase from the first quarter into the second. A lot of that new hiring to support investments, the Medicare agency being a big one, has taken place throughout Q2, and you're obviously seeing that run rate fully burdening in Q3 where we expect at the midpoint of guidance, the OpEx piece of the P&L to step up about another $5.5 million.

It's the hiring that has taken place in the first and second quarters to support the growth initiatives. That should moderate going forward, but a big chunk of that increase from Q2 into Q3 is to support the Medicare agency. And so on a full year basis, I mean, we're going to invest about $8 million or $9 million in building out that capability. We're going to -- we intend to have 125 licensed agents on the phone and productive as we head into the fourth quarter open enrollment period, right? And so we're bearing the cost of that in the early part of the year, and we're going to reap the benefit of it in the fourth quarter would be the expectation.

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

And then on the market share, J.D. and I are going to tag team that one for you. I think versus aggregator competitors, our market share is going to depend loan type by loan type with some lag. So we're very certain we're gaining share in mortgage as mortgage -- as we're coming off of a season where we outperform mortgage in a refi boom. For probably the first time in our history, a lot of that capacity we've talked about in quarters past is absolutely sticking. And so our Mortgage business is feeling very healthy.

And then in some of the other loan types, there's a bit of a lag effect. J.D. already talked about that in card, potentially in personal loans, where lenders are going to first go give loans to their existing customers or their pent-up demand or as people come back then get them for free and then, over time, those lenders turn to people like us to supplement their volume. So I'd say the mortgage companies right now are very focused on expansion, and we see the early stages of things coming back and some of the other loan types and also insurance. J.D.?

John David Moriarty - *LendingTree, Inc. - President of LendingTree Next*

Yes. It's -- we've talked about investment in card, for instance, right? That's all intended to grow market share over time. And so when we were operating in the last couple quarters, and we said that the card business was operating at below normal margin, that was very deliberate to gain wallet share with those card issuers. So we think that will pay off as the year progresses. [Treequal] will be live here in the second half, which we're thrilled with. That will enable us to gain wallet share with card and personal loan lenders.

And then an insurance thing that we're most happy about is the diversification. And that's nothing short of incredible what's happened there to -- so that's actually where we say, across the business, we think we are gaining influence and share because -- or carrier and product offering. And so it's a long-term view towards gaining share, but we're pretty confident that each of the major businesses were doing exactly that.

Operator

Your next question comes from the line of James Friedman of Susquehanna.

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

It's Jamie, Susquehanna. Good results here. I did want to start with a big picture. I realized that the medium-term guidance from the Analyst Day may not be germane anymore. But is there any reason structurally that the company cannot return to its historic EBITDA margins that were in the mid- to high teens?

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

Yes. Absolutely no reason we can't. And we -- If you think about LendingTree at a very simple level, it's the interplay between what it costs us to get a customer. And what our revenue is from those transactions, you look at the efforts that we're doing, it's both increasing conversion rates. And J.D. just talked about Treequal what we're doing in credit cards, increasing conversion rates of people who are coming through a transaction and that importantly, getting you to sign up for My LendingTree, which you can think of as our premium offering, or LendingTree Plus or LendingTree Prime and -- where we then don't need to continually spend marketing dollars to acquire you back.

It's interesting, even a number of people who sign up for My LendingTree today, we still get them for second and third transactions based on paying for search and display ads as opposed to just being able to alert them. And as that is getting better [and better], we're seeing more propensity to come back to LendingTree as we continue to differentiate those user experiences in My LendingTree, now start to break the back of paid marketing as well. But you also get a lot of natural lift just from the fact that we have invested in expenses, what -- expense that we've invested in product and tech and continuing to build out the company, knowing that we were going to recover once lenders came back online. And so yes, I

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think we will definitely see returns to increasing margins going forward. We just have to be very cognizant of competitive situations, et cetera, and that we can still invest when it makes more.

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

Okay. And then I didn't see a call-out in the shareholder letter about student loans in the Q3, and that historically has been seasonally relevant. So how are you thinking about the student loans set up for next quarter?

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

J.D., Trent? Any -- we're all (inaudible)

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

Yes -- no, let me take that, Jamie. It's -- in that business, as you point out, obviously, it's a big Q3 contributor historically. It contributed in a really meaningful way in 2019, much less so in 2020, just given what was going on with quarantine and otherwise. So our expectation for that business this year is kind of somewhere in the middle between -- we do expect it to be up from 2020 levels, but not -- certainly not anywhere near where we were at in 2019. You're just seeing less aggressive behavior from many of the lenders in that space, right? It's more of a niche product. There will be a handful of lenders who compete in that space aggressively, and we're just not seeing the same type of behavior that we've seen in prior cycles. Some of the lenders that play in multiple products or have deprioritized that business relative to some of the other businesses like credit card and personal loan throughout the cycle, and so we expect it to be up a little bit from where it was last year but not a massive contributor to the quarter.

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

Okay. If I could just sneak in one more. Doug, in your prepared remarks, you talked about launching 5 managed marketplaces in Q2. I apologize, but what's that about?

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

Yes. So I'm actually going to let -- have J.D. answer that because Powered by LendingTree in addition to My LendingTree sits under his new purview.

John David Moriarty - *LendingTree, Inc. - President of LendingTree Next*

Yes. So Jamie, we've talked about this a little bit. And right now, think about kind of 2 things, we have partners from a business development perspective, some of which we -- periodically, you'll see us put out a press release around those. We've talked about H&R Block in the past. We've talked about others. Sometimes we don't necessarily put out press releases on those partnerships.

We talked about managed marketplaces. These are people who want to have a financial product, shopping experience inside their client experience, right? And so they don't want to build that themselves, right? There's a lot involved there. That has evolved for us over the last few years. Part of the reorganization is we're putting real effort behind that, and we want to develop effectively embedded marketplaces and the product offering.

So it's really a B2B business. You could see somebody who says, I want a personal loan in the credit card marketplace, but for whatever reason, I don't want mortgage. Okay. Great. We can provide that. There are also partners who want a white-labeled My LendingTree offering, right? They want to be able to provide the functionality that we do for consumers in My LendingTree but have it be personalized for their consumers.

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And so we're seeing real traction there, and we're going to put resources behind it. So it's not just taking My LendingTree. It's actually taking some of the marketplace assets that we have. And so in the last quarterly announcement, we talked about the reorganization, we talked about the next organization building off of the core assets of LendingTree, right? Those core assets are our marketplace business and our My LendingTree platform. So when we talk about [PDLC], it's extending that to various partners, and it's pretty clear to us that there's a great market opportunity there that we're going to go after.

And the way I think about this is the old days of Google Syndication, where after they had built out their owned and operated site, they also went and syndicated not only to their competitors but also to other partners tens of thousands of websites around the web, which helped to block it -- help to build a moat around their own search business.

So there's many use cases here. You could imagine us going to mortgage lenders with big servicing portfolios and saying, let us help you refinance your customers to improve their credit. J.D. mentioned H&R Block. We've got relationships with at least one major credit bureau where you can imagine if you've got a free credit report offering, you also love to give people alerts to save the money on loans. And there are -- among our lender network, among third-party providers, among other financial services companies, even among staff where we have an investment, we also help them monetize via personal loans and some other things.

So there's lots of companies out there where we can do this. And it's part of our growth strategy going forward. It also helps to not have to take marketing risk to acquire those customers because they're typically focused on our revenue share.

Operator

Your next question comes from the line of John Campbell from Stephens Inc.

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

Nice work just kind of managing your way through those somewhat choppy waters over the last year. It seems like you guys got the ship firmly pointing in the right direction, so congrats there. My first question relates to refi. I mean, obviously, the average kind of 30 years backed up a little bit. And then we've got looks like the announcements from the FHFA on the 50 basis point reduction or the elimination of that fee, it looks like the volumes from our end, it's perked up a little bit over last week so just curious if you guys have seen anything kind of different in the channel. And then bigger picture, kind of how you're thinking about mortgage or maybe just refi volumes or revenue over the next couple quarters?

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

Yes. So refi volume was starting to tail off a little bit and then, very, very recently, it's kind of perked back up. But I think the more important trend is that you see mortgage companies coming off of a period of time where they had all the volume they could handle. And we were trying to keep them -- keeping their LendingTree volume on, which we were very successful at doing, which I said, we outperformed, I think, what we would have expected in this last cycle. And now we're starting to see, despite any short-term vagaries, lenders really wanting to come back in a big way. So that will push up the expected value of a mortgage lead and a closed loan, and then we're going to market right into that.

Trent, J.D. anything else to add?

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

I think we got it.

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

Great.

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

Yes. And then yes, one more. And then staying on homes. If you take out the mortgage revenue, it looks like a $10 million gain year-over-year. So I'm guessing that maybe HELOC or maybe reverse mortgage, I think both of those are pretty high-margin products for you guys. Maybe that helped in the -- on the segment profit in the quarter, but just curious about what kind of drove that other revenue jump?

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

Trent?

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

Yes, I can take that one, John. Yes, look, we've seen over the last quarter, particularly in Q2, we've seen pretty good strength in both purchase mortgages as well as home equity, and that's a pretty natural dynamic that we would expect as you kind of work through the cycle, and refi volumes start to fade. Great lenders who have been flush with refi volume for the last 12 months come to the realization that they've got to start paying more attention to purchase than home equity. And so each of those was up meaningfully quarter-to-quarter.

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

Okay. And then HELOC, I think you guys were running that at maybe a $60 million or so run rate in the past. And again, that's a very high-margin business for you guys. Any sense for kind of where you can take that? It feels like that's recovering. I mean clearly, home equity levels have picked up dramatically. So just curious about the kind of outlook there.

John David Moriarty - *LendingTree, Inc. - President of LendingTree Next*

Yes. I mean -- go ahead, Doug.

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

No, you go first.

John David Moriarty - *LendingTree, Inc. - President of LendingTree Next*

So I would say you could -- more broadly speaking, I think home equity is still very, very untapped. Well, we have not yet seen the correspondent mortgage lenders coming back into home equity in a big way. And I would hope and expect that'll happen. It'll typically happen later. It's typically a bank refinance product. And I think it will lend itself very easily for My LendingTree, but I would say that home equity for us, sort of it's the same lag effect that we talked about with credit card and some ways insurance. I think lenders will do their own customers first. And you're starting to see some recovery there, but it still dwarfs what it was.

And if you go back a number of years, but home equity used to be our highest converting product in the low 20s, the highest-expected value, and the highest consumer satisfaction rate. And after 2008, that kind of changed, but I think we'll be -- as lenders get better at underwriting and more technology comes in, I would expect that'll lag a little bit, but we remain hopeful and expectant on home equity.

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Operator

Your next question comes from the line of Mayank Tandon from Needham.

Kyle David Peterson - *Needham & Company, LLC, Research Division - Associate*

This is actually Kyle Peterson on for Mayank. Just wanted to start on the card market. Obviously, good to see things picking back up in there. Are there any pockets of the card market that have been either leading or lagging, whether that's rewards or balance transfer, what have you guys been seeing kind of under the hood there in card?

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

Trent?

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

Yes, I mean, I don't know if there are any specific pockets to call out. I think one of the things that has been just a little bit of a limiting factor in terms of that business accelerating in the same way that personal loans has been, it just -- while it's pretty clear that card issuer's appetite for new customers is improving and they're starting to step on the gas from a marketing perspective, I think there remains some uncertainty as to how profitable this new cohort of cardholders will be from the perspective that -- we've all seen consumer balance sheets are in much better health today than they were 15 months ago, right? Revolving balances are down, savings rates are up, right?

And so if you think about what drives the profitability of every card that gets issued, there's some uncertainty as to the likelihood of consumers continuing to get out in the economy and spend on their cards, travel picking up, people getting back to restaurants and bars. But I think more importantly, our consumers are going to continue to pay down those balances every month, or are they going to continue to revolve them. And so that obviously informs the unit profitability of cards that get issued, and that informs what card issuers are willing to pay someone like us to deliver them new borrowers.

And so just the unit economics in our business are down a little bit relative to where they were prepandemic, but we're seeing it get better and better every month, every quarter, and we would expect that trend to continue, but that's been one of the things that's held back some acceleration there.

Kyle David Peterson - *Needham & Company, LLC, Research Division - Associate*

Got it. That's helpful. And then wondered if you could provide a little bit of an update on the M&A pipeline, specifically, how's it looking right now? And are there areas, whether it's to help kind of scale the health insurance vertical? Or I know you guys talked a little bit about the asset side of the balance sheet and looking for ways to get more penetration in there? Like how should we think about with the acquisition pipeline and kind of the build versus buy strategy?

John David Moriarty - *LendingTree, Inc. - President of LendingTree Next*

Sure. It's J.D. I'll answer that. Listen, we obviously -- because we've been an acquisitive company, the benefit that we get is that we see a lot more things. And so that's been great. We're being prudent. Depending on the subsector, there are some pretty heady valuations out there. We continue to -- the areas of focus for us, because of the scale of our insurance business, we see a lot of insurance that are in adjacencies, right? You're seeing us -- we build the agency internally. That's a decision, right, was the build versus buy decision.

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But we see a lot in insurance. That's one area where we'll continue to look just because we have such a good business there that we can bolt things on small things to real benefit. We continue to look at small business because we think that's a great business, and we'll continue to look there. We see a lot of things in and around mortgage. Some of those are because of those are companies that have kind of benefited from the cycle, and so we're very conscious of that. We're probably less likely to add there.

And then yes, the asset side of the balance sheet is interesting to us. We've obviously seen in that arena over the last year with COVID a real escalation of values. And so, we're going to be very conscious of that, right? I think in general, we continue to look, but it's not going to be a huge driver for us in the immediate term. we're going to be prudent. And we don't have a great urgency to get into -- there's not an area that we're not in that we need to address right then. And we can generate pretty substantial growth just in our existing verticals through execution. And so those are -- certainly, the focus areas remain the same, but I wouldn't really expect anything substantial near term.

Operator

Your next question comes from the line of Rob Wildhack from Autonomous Research.

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

Just a question or 2 on insurance. I think this segment this quarter came in a little lighter than we had thought. Can you speak to the performance there and if there's been any change in carrier behavior preferences or any of the other drivers in that business.

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

Yes, this is Trent. I'll take that one. Yes. Look, in insurance, we acknowledge that we have seen a little bit of a headwind in the form of competition in the search auctions. We're seeing just kind of less traffic, less search volume, broadly speaking, costs are going up moderately, and we're trying to sustain margins there. But one of the things we're really excited about in insurance is all the diversification that's taken place. When we got into that business, the vast majority of it was search driven on the consumer side, and the monetization of it was auto and particularly with concentrated in a handful of carriers.

So if you think about the diversification of that business in terms of new channels that we've gotten into, whether it's the publisher platform that we've talked a lot about and has been pretty successful or the turndown network that we've built out or the diversification of the client base in auto and, furthermore, the diversification into new categories, whether it's Medicare or the strength that we've seen in home insurance, there's a lot of really good things happening there. And if you kind of isolate some of the headwinds that we're seeing in that one channel, the progress in insurance has been tremendous. I think that's the one thing I've just been holding my breath a little bit.

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

Yes. And the only thing I would add to that is, on the longer arc of insurance, and we talked about credit card and personal loans, We're moderating more of a purely clicks, calls and lead business to [into it] insurance carriers to having our (technical difficulty).

Operator

Pardon the interruption, Mr. Lebda and Mr. Moriarty, your line is cutting in and out.

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

Right. I will repeat that answer. Operator, can you hear me now?

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Operator

Yes, it's better.

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

Okay, I'll repeat that question. If you -- look, if you think about insurance, think of migrating from what we bought with QuoteWizard, which is clicks, calls and leads going to individual carriers to migrate in that, not only in Medicare but also in property and casualty to an agency business where we get 3 effects. Number one, because we control the customer experience more deeply, we get higher conversion rates. Number two, we then end up more deeply in the repeat business stream as people renew, and #3 because it's a slight vertical integration, we get higher margins. And then the last thing I would say is you also get a big uptick in consumer satisfaction. (inaudible)

John David Moriarty - *LendingTree, Inc. - President of LendingTree Next*

Rob, I think the only thing I would add is you do have to consider -- I mean, Doug and Trent are speaking to the insurance business as it relates to (technical difficulty) how they spend versus in a year ago was pretty extraordinary because during COVID, they were experiencing very consistent premiums and very low claims. And so we're back to a little bit more normalized environment. The good news for us is, for our business, we've become, we think, a more diversified and credible partner across that period of time. But they certainly had a bit of excess profitability a year ago, that if you look at the results of most carriers, has normalized somewhat, and you have to be conscious of that, and we're certainly conscious of it as we go forward.

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

Okay. And you hit on it a little bit earlier, but I imagine that the Medicare initiative has a pretty big seasonal component. Can you just give us some more color there and maybe some more detail on how you think the Medicare push or how much you think it could contribute for the rest of the year, both on the revenue and on the margin or EBITDA side?

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

Yes, Rob, it's Trent. I mean, I gave some indication, I think earlier in the call as to the level of investment that we're making there. It's going to end up being $8 million or $9 million in terms of cost structure that we're putting in place to support that business. Obviously, much of the benefit of that investment we expect to realize in the fourth quarter. To give you some sense, without getting too specific, we sort of expected that investment to be at or around EBITDA breakeven this year with obviously benefits as we continue to go forward.

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

And just on the revenue side of that business, is it very lumpy in the fourth quarter?

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

Yes. We do expect most of the revenue to take place in the fourth quarter.

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

With the open enrollment being in the fourth quarter.

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Operator

Your next question comes from the line of Melissa Wedel from JPMorgan.

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

I wanted to circle back to something that you put in your shareholder letter about the adoption of link bank accounts in My LT being a little bit more challenging than initially expected. I was hoping you could elaborate on that a little bit.

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

Trent, do you want to take that?

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

Sure. Yes, I can. And J.D. can add on to it.

John David Moriarty - *LendingTree, Inc. - President of LendingTree Next*

Go ahead. Sorry.

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

Yes, I was just going to say, I mean, yes, we've talked a lot about the rollout of that functionality and the benefits that it will ultimately bring in terms of just the level of insights that it provides for us on our users and our ability to make much smarter, more targeted recommendations over time. We have seen really good adoption of that in terms of users linking up their bank accounts with that functionality from new users. So as people are signing up and downloading the app and then signing up to the platform, the adoption of it has been really good. Where we've lagged a little bit is just in terms of existing users and providing them a call to action to bring them in to create that linkage. That's been a little bit harder, and we've got to just continue to focus on that.

John David Moriarty - *LendingTree, Inc. - President of LendingTree Next*

No, no, it's J.D. I apologize. I didn't quite understand the question at first. The -- I really didn't quite hear the question at first, I should say. The -- getting the new users to sign up, like it's certainly proving out. I think as we develop a more refined -- over the next year, I think you're going to see a more clear value prop for the My LendingTree consumer in terms of why they want to be there, and it's going to start to feel different than the existing LendingTree experience, meaning, you're not going to feel like you're filling out a form, and we're going to evolve the shopping experience.

We're then going to have more of a call to action for somebody to sign up. The hard part has been getting the legacy My LendingTree user to link their accounts. There's not a clear value prop for them. New users are signing up. And the good news is that the retention of those people is pretty dramatically different. And so we're thrilled with the behavior of the new user with respect to that integration. It's just getting the core to get there. So I think over the next year, we've invested in putting that onto the platform, and I think it will benefit us as we roll it out across the base.

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

Okay. Great. That's really helpful. And then just as a follow-up, there is a reference in the letter to credit services sort of fully growing its contribution within the consumer segment to more than 1/4 of the segment profit. I was hoping you could just remind us what sort of margin that particular category offers.

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

Trent, you got that?

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

Yes. Yes. Sure thing. Yes, I mean, as a reminder, we bought a business called Ovation credit services back in 2017, and that's a business that offers credit repair for consumers. And the rationale there was we have a lot of consumers that come through our ecosystem for various products. And they're ultimately -- they don't get the results that they're looking for because their credit score is not where it needs to be. And so about 30% of our traffic goes unmatched where we can't provide a solution for them. And so rather than just saying sorry, we can't help you, that business fits in really nicely where we actually can help them and put them into a scenario where we can help them improve their credit profile and ultimately graduate into the other products that we offer.

So the margin profile of that business is pretty high because it effectively drafts off our other products, right? Those are coming to us for a certain solution. We're dropping them into a different solution that monetizes well for us but also helps the consumer. And so the margin profile of that business is well north of 50%.

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

Yes, basically, as Trent said, there's really not a lot of marketing costs that are up to get those customers because the marketing cost is burdened by other loans (inaudible) We haven't been able to get matched to that and (inaudible) make it up.

Operator

(Operator Instructions) Your next question comes from the line of Mike Grondahl from Northland Securities.

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

Congratulations on the progress. I'm curious, is a 20% EBITDA margin possible or likely? And then wherever your margins fall out in a year, what products offer the most upside to margin kind of incrementally kind of from where we're at now?

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

I'll take the first one, and then I'm going to let all three of us answer the second one because we might actually have different opinions on that. So the answer to your first question is absolutely yes. While we don't -- well, we know percentages don't pay the bills in dollars to do, that operating margin is certainly very, very attainable. And once you strip out (inaudible)

and opportunity is actually in the Home just because it's the -- I think the biggest opportunity for increased conversion rate as lenders are included (inaudible) locate for volume and really focused on maintaining on capacity, but I'd love to hear what J.D. and Trent think, too.

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

Yes. Let me -- Mike, I mean I just sort of realize where we've been. Obviously, we were in and around 20% EBITDA margins in 2019. In 2020, when COVID hit, right, our revenue opportunity, particularly in consumer, contracted by as much as 30%. So you're operating in the same business in a scenario where your revenue opportunity is temporarily down 30%. Obviously, that has an impact on your EBITDA margins. We held firm in not taking any drastic measures throughout last year. And in fact, we continue to invest in the business to support key initiatives. And so a lot of the margin expansion will come naturally just as the consumer business continues to recover. And clearly, we're seeing the obvious signs there. But to give you some sense, I mean the contribution margin from that consumer segment is still at about half of where it was in 2019. And so there's just a natural runway of incremental profitability that's not going to require a whole lot of incremental investment to achieve it. And so some of this will just take place naturally in terms of operating leverage on our fixed cost structure. But I think the bigger point will be as we continue to get smarter and smarter around the marketing and building out My LendingTree and building out an installed base of users. That's where the real margin potential is going to come from, and that can lead to EBITDA margin at 20% or substantially north of that.

John David Moriarty - *LendingTree, Inc. - President of LendingTree Next*

Yes, Mike, it's J.D. I -- well said. I think historically, the way that we've looked at or answered a question like that is to say, look at our personal loan business. And boy, if we could just get half the traction that we have in personal loans from My LendingTree benefit -- My LendingTree benefits the other products, the structural benefit to our margin profile is pretty obvious, right? I still think that holds as a way to think about the core marketplace business benefiting from My LT.

Having said that, as we evolve the My LT platform, I think you're going to see us do some things that in the short run for -- in the short run are going to probably monetize on the My LendingTree side, not for the marketplace business. From the My LendingTree side, you're going to see us invest in some things that are going to be great consumer experiences. And so it might suppress a natural margin that I actually think is higher than 20%. I think 20% is very achievable.

I think the natural margin is higher than that. I think strategically, you should expect us to invest some of that in the business for the long term. But I think the natural margin is higher. And I think if you look at personal loans' construct for the other businesses, that's the way to think about it.

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

And the only thing I'd add on top of that, if you think of a company that's spending roughly -- if you think of just the transaction of loans and insurance, this is not something that consumers do every couple months. So the LendingTree marketplace is spend 70% of your revenue on getting a customer to come in for a fairly infrequent transaction. But as we move more and more members over to My LendingTree, we're able to -- and we get better at interacting with those customers, we will reduce our dependence on paid marketing. And if you just reduce that a little bit, you're already back to your 20s. And as J.D. said, you'd still invest as part of -- in some of that going back because you're building a lifetime value business.

Operator

Your next question comes from the line of Nat Schindler from Bank of America.

Nathaniel Holmes Schindler - *BofA Securities, Research Division - Director*

You guys talked a lot about the lag effect. And Doug, you've talked about it many times, the lag effect in your -- particularly your Mortgage business on how, when rates change, capacity is what really drives your business of less consumer demand. It looks like this cycle, you really got moving within a quarter of the real rush on mortgages. So just basically 1 quarter off the rest of the industry.

The industry is calling for pretty steep declines next year. As rates begin to rise, they're certainly already above where they were. How do you think that will play out in your business? And then secondly, related to that, you talked a little bit about gaining share in the mortgage business. Specifically,

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I want to ask more about online gaining share. Do you have any data or evidence of yet that shows a real change? And was there a sea change in this industry like there was in so many other industries during the pandemic, where people just started looking for their product online instead of using older traditional channels? And has that really changed? And do you think that would continue.

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

Got it. So in just broader refinance -- so in mortgage, I think what we are seeing has been during COVID because of product improvements that we've made plus a lot of fintech tech investment, lenders had more capacity and were able to stay on more than they would have. So I would say, while our share declines in a refi environment, we outperformed what we would have normally expected. And mortgage definitely helped us through that.

The -- and now as you sort of pick up a tailwind in mortgage, you've now got that capacity. And as volume in the industry drives up, then you'll have lenders, expanding filters, moving from refinance, adding on purchase, adding on other states where they might not be as profitable upping their loan-to-value ratios, et cetera. And you've also always got a certain amount of refinance volume particularly as people have adjustable rate mortgages, those things sunset, and you've got credit improvement.

So we talked about our credit services business before. Imagine somebody's a homeowner's got a 650 credit score. We help them improve. Then they can refinance and get dramatic credit improvement. So that's -- so we think our market share is better than it would be coming out of a refi boom. Our lenders are very, very economically strong, and now you'd expect to see them trying to keep their capacity as long as possible and then increasingly turning to people like us, which will then increase our expected value, and then we would go market into that. Did that answer your question? Or is there anything else that I could hit?

Nathaniel Holmes Schindler - *BofA Securities, Research Division - Director*

Well, I think that got there, and then I wanted to pivot to another question on consumer. Obviously, things have come back from the bottom as the world changed during the pandemic. But if I really look at that business, it was doing $130 million a quarter back a couple years ago or before the pandemic. What would -- not to guidance on when this will occur, but what would be what would the macro environment look like for that business to be back at that level with the similar economics?

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

(inaudible) yes, I think it would be -- I think you'll see it in the -- you're seeing some of it in the online lenders who, as consumer volume comes back, and they've got capacity to lend, meaning that I mean if you think about this what happened during COVID, once any lender sees an economic shock, the sources of their capital, everybody wants to freeze and then see what happens.

And then once they can readjust, then they're going to come back in. So as you see the so-called secondary investors on the lending clubs, and the prospers and the traditional banks come back into the consumer businesses, then that'll naturally flow forward on a slight lag basis because, just like any lender or just like LendingTree, right, we're going to first close the customers who have 0 marketing costs, and then we're going to venture further afield. So there's some pent-up demand. these lenders are going to do that first. But as they continue to expand, then they have to come looking for us, and we just have to make sure that we're their preferred partner in that.

Operator

I am showing no further questions at this time. I would now like to turn the conference back to Mr. Doug Lebda, CEO.

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

Fantastic. Well, thank you all for your time today and your continued patience, encouragement and engagement with our company. We recognize that COVID interrupted a growth trajectory of our company, and at the same time, I want our shareholders to know that we outperformed that financial crisis like we have outperformed any other financial crisis due to the diversity of our business, the fact that we know this business so well, our diversity of lenders and obviously bringing in insurance.

When I look at the industry today, there's obviously lots going on in what we're all calling fintech. We love the fact that we were one of the first, and we're 25 years into this, and I want our shareholders to know that we are absolutely not resting. We are performing -- we're very encouraged on how we performed this last quarter. We are extremely disciplined about how we're going to get growth. We're extremely focused on unit economics. And I believe we're now organized for success.

And then when I think about the next thing, which is how we're positioned for the future. Our brand is very strong. Our team is strong. The monetization of our business is coming back. My LendingTree continues to grip. All of the investments that technology fintech companies are making to help lenders be more successful, a lot of that accrues to our benefit. And we've got a very large diversified lender network with lenders who are very focused in succeeding on this.

So when I add all of that up, I feel very encouraged about our future. And hopefully, you're seeing that come home in our numbers, and we would certainly hope to be able to show you more encouraging signs in the future and expect us to go into next year very, very strong, and we look forward to rolling out our more detailed version of our strategy coming out of COVID in the months ahead. And thank you very much for your time and attention today.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

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