FINAL TRANSCRIPT

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TREE - Q1 2010 Tree.com, Inc. Earnings Conference Call

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PRESENTATION

Operator

Good day, everyone, and welcome to today's Tree.com first quarter 2010 earnings conference. Just as a reminder, today's call is being recorded. At this time, I would like to turn the conference over to your host for today, Mr. Doug Lebda, Chairman and CEO. Please go ahead, sir.

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

Thanks, Operator, and thank you to everyone for joining us today for Tree.com's Q1 2010 earnings conference call.

First, a quick disclaimer. During this call, we may discuss Tree.com's plans, expectations, outlook, or forecast for future performance. These forward-looking statements typically are preceded by words such as "we expect," "we believe," "we anticipate," "we are looking to," or similar statements. These forward-looking statements are subject to risks and uncertainties, and Tree.com's actual results could differ materially from the views expressed today.

Some of the risks we face have been set forth in our earnings release and in greater detail in our periodic reports filed with the SEC.

We will also discuss certain non-GAAP measures such as EBITDA. I refer you to today's press release for all comparable GAAP measures, definitions, and full reconciliations of adjusted EBITDA and EBITDA to operating income.

Overall, we are cautiously pleased with this quarter. Revenue was virtually flat quarter over quarter at $48 million, with lower loan loss settlements in the period helping to offset lower closing and referral revenue. The Company did experience a 16%, or $9.3 million, decline in revenue year over year, and yet we still posted our second consecutive quarter of positive adjusted EBITDA.

We are particularly pleased with the quarter in light of the fact that it began with such a weak January and February. Our March results were significantly better, with increased closings on the Lending Exchange and of LendingTree loans. In fact, the combination of the Lending Exchange and LendingTree loans saw 55% more loan closings in March than in February. We anticipate a seasonal uptick, but were pleasantly surprised by the additional lift brought on by the surge of consumers taking advantage of government stimulus programs before the expiration of those programs.

Before I turn the call over to Matt, let me provide some highlights from our individual lines of business. At LendingTree Loans, we continued the strong bottom line performance we've seen since early 2009, delivering another quarter of positive adjusted EBITDA. In an environment of rising interest rates, which in turn is leading to lower conversion of leads to funded loans, we continue to look for ways to improve this important part of our business. In fact, I'd say Q1 was a quarter of investment in the lending segment.

The LendingTree Loans business continues to invest in hiring new loan officers in an environment where many might be compelled to throttle back. In this quarter, the segment added nearly 20 new loan officers, a greater than 10% increase from the prior quarter. While the hiring of LOs requires a substantial upfront investment for licensing and training and may have a short-term adverse effect on conversion rates, we strongly believe in the importance of growing capacity, as we are showing we can continue to grow our lead volume.

On the marketing front, we have invested in testing and implementing new sources of volume which deliver customers directly to our loan officers. We are encouraged by the initial results of our new short-short form, which captures limited customer information like name, phone number, and email. We are also pleased with the 1-800 number banner ads, which are driving significant volume.

In Q1, the 1-800 number ads generated over 9,000 leads, delivering live customers to our licensed loan officers. More importantly, these live customer leads are being converted into closed loans, benefiting the customer with a great consumer experience and the Company with positive bottom line impact.

In the Lending Exchange, the average revenue generated from each loan request stabilized and remained at a relatively high level after two consecutive quarters of greater than 20% growth. In fact, the average revenue from a home mortgage lead in Q1 is 63% higher than one year ago, admittedly comparing against a low comp, but one that shows substantial improvement. This improvement over the last several quarters has enabled us to increase marketing going forward in an effort to grow our market share.

In our non-mortgage verticals, we continue to make progress against our strategy of diversification, and we're looking forward to the launch of the new Tree.com site this summer. While the ramp-up in our new verticals, like education, home services, auto, and insurance, is a bit slower than we would like, these verticals are gaining traction and generating revenue growth.

Overall, we generated around 50,000 non-mortgage leads in Q1 over the previous quarter, and those leads generated $1.1 million of additional non-mortgage revenue, a 43% increase quarter over quarter.

Looking to the future, we are constantly evaluating strategic opportunities to grow this segment, both organically and by acquisition of small tuck-in businesses that will generate revenue and new verticals.

Our real estate business continues to operate in a very difficult market. In our last call, I mentioned that sustaining the positive EBITDA we had in Q4 '09 would be a challenge given current market conditions, and indeed it is. Consumer interest in real estate transactions is high, with Q1 lead volume to our realestate.com realtors' business 46% greater than the previous quarter. However, average home prices, and therefore revenue we were able to generate with each closed transaction, are down, as there is more home-buying activity in the lower price ranges.

Q1 average home prices for realestate.com realtors are down 10% quarter over quarter and down 12% year over year. Despite the obvious difficulties, after much hard work in reducing costs, the real estate business is poised to take advantage of an industry recovery in rising home prices whenever that happens.

And now let me turn it over to Matt to take you through the detailed financial results.

Matt Packey - *Tree.com, Inc. - SVP, CFO*

Thanks, Doug, and good morning to all those on the line today. As you see in our release, we reported $835,000 of positive adjusted EBITDA, slightly better than the prior quarter, on revenue that was just ahead of Q4 of '09. On a GAAP basis, our net loss was $6.1 million, including the $2.6 million of restructuring, largely all for the building consolidation we announced last year.

For LTL, revenue improved $2.8 million, or 10% over Q4, largely due to Q4 including $4.8 more in loan losses, reflecting the settlements in that quarter. Closed loan unit volume was flat at about 2,700 units. Despite the revenue improvement, LTL adjusted EBITDA was $2.8 million, slightly down from the prior quarter, reflecting higher marketing costs.

As we look forward for LTL, consumer interest rates and the wind-down of some of the government initiatives will likely put pressure on conversion rates for the remainder of 2010.

Moving on to our Exchanges. Quarter over quarter, the Exchange segment revenue was up $4.8 million on 21% more in matched requests and an increase in the inter-segment sales to LTL, reflecting both an expansion of the consumer volume LTL takes to include direct consumer calls and a higher transfer price due to increased marketing costs to acquire the leads.

Exchange's adjusted EBITDA was flat at $3.7 million on higher revenue, reflecting the reinvestment of marketing margins from new Tree.com verticals back into advertising to grow these new businesses. Revenue from these new consumer verticals grew by $1.1 million and accounted for more than 50% of the transmitted requests from the Exchanges.

Operating costs increased $3.7 million, largely reflecting higher marketing costs associated with the new verticals and expanded ad spending for the lending Exchanges.

Looking forward, we anticipate higher interest rates and list to loan products will cause us to continue to invest more in marketing to explore alternative lead sources while the network demand for leads is still high.

In our real estate segment, we continued to see the difficult market influences--low home prices, short sales, and agents leaving the business having a negative influence on our revenue and margins. Revenue was down $3 million quarter over quarter on 500 fewer closings. The average value of the closing in Q1 was $206,000 versus $214,000 in the prior quarter, and our agent count has decreased 21%, reflecting consolidation of two small, unprofitable markets and high seasonal agent turnover.

Although within the quarter we saw March transaction volumes pick up, we have not yet seen the slow recovery or even the stability in housing prices that we need in order to hit our real estate guidance for the year.

Our corporate operating expenses improved $1.8 million, or 30% quarter over quarter, reflecting lower G&A and product development costs due to our prior restructuring efforts. Consistent with our announcement last quarter, we did complete our building consolidation efforts in Q1 and booked a restructuring charge of $2.5 million.

As it relates to our full year guidance, we expect that the increasing interest rates and declining government initiatives will put pressure on the lending businesses, but we'll be able to largely offset that with marketing and other cost cuts. The Tree.com launch in late summer will delay some of the revenue we anticipated in our guidance, but there will be little impact on the bottom line given our expected low margins as we heavily market to invest in those businesses.

In real estate, we expect a more significant downturn in the top line revenue due to the persistent declines in housing prices and agent count. We'll pull back on marketing accordingly and have trimmed other costs, but we won't be able to prevent a hit to our bottom line expectations.

Putting all of this together, we would now expect our consolidated revenue in 2010 to be down about 10% from 2009, but we'll keep our marketing and operating expense guidance, expressed as a percentage of revenue, the same. And as a result, we'll still work to hit our $10 million of adjusted EBITDA for the year. Most likely, that is now the top end of our range.

Briefly turning to our balance sheet, we ended the quarter with approximately $85 million in cash, including $12 million in restricted cash. It's down about $13 million from the end of Q4, principally reflecting the outflows for payments on the litigation matters and loan settlement discussions we had last quarter. We have about $8.1 million outstanding remaining to pay on those matters.

We ended the quarter with 11.1 million common shares outstanding and another 1.1 million in options and 850,000 in RSUs. Under our previously announced $10 million share repurchase program, which began in February with the opening of our trading window, we repurchased about 80,000 shares at an average price of $8.43 in open market transactions, and we have approximately $9.3 million of repurchase authorization remaining.

And with that, I'd like to hand it back over to the operator for Q&A. Thank you.

QUESTIONS AND ANSWERS

Operator

Thank you. (OPERATOR INSTRUCTIONS.) We'll go first to George Askew of Stifel Nicolaus.

George Askew - *Stifel Nicolaus - Analyst*

Yes, good morning, thank you.

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

Good morning, George.

George Askew - *Stifel Nicolaus - Analyst*

Let's see here. Two questions. It seems to us that the weakness in real estate was more than just the economy and seasonality. Our calculations suggest that national existing home sale units were up about 11% sequentially, while your units fell 38%, setting aside pricing. Aside from the reduction in agents, is there something else going on here affecting that level of productivity? And what can you do to reverse that?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

It's certainly a good question, and I think it's safe to say, George, we're not pleased with the status of our real estate business. Obviously, the reduction in agents has taken people out of the self-generated business, which a lot of people depend on, has taken that out of the equation.

Some of that loss of agents, by the way, is by design. We've shut down a couple of markets, we've combined a couple markets. And whenever that happens, you're going to lose agents and have some choppiness in the numbers.

In addition to that, what we're also seeing is--what's really moving for us is the low end of the market, smaller-priced homes. That's going to have a direct impact on our commission rates, which has a direct impact on our ability to market. So the good news about real estate is the traffic is coming in essentially organically. We're not doing a lot of paid advertising.

The bad news for that is you're going to see that decrease in the level of volume, because keep in mind, while most real estate companies are an agent-generated business, where if the whole market rises, then you're going to see growth in the market. Ours is a Company-generated business driven through lead generation, and so that reduction in the agent base really constrains our ability to grow with the market unless we can grow agents.

I think there's also some market-by-market things in there, and I'll have Tamara take a look at that and see how it breaks down by market. It wouldn't surprise me if the markets that we're in, that the market's not turning yet. So we've got offices in some areas, particularly LA and some others, that are not--where we either are bottoming or hitting a bottom, but we're certainly not coming back out yet.

George Askew - *Stifel Nicolaus - Analyst*

Is there any reason to suggest that that may not be a core business of Tree.com?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

Here's what I would say. I would say we would like everything to be a core business. At the same time, everything's core and nothing's core. So if there were--real estate should, theoretically, tie very closely with mortgage. There is some good synergy there. At the same time, we're really confident in the team. I'm very, very pleased with what they've done to get this business back to breakeven. And it would also be, probably not, may not be the best of times to do something more strategic with real estate if it wasn't core.

We do--and just to put a finer point on that--if you look at just average commission rates alone have gone from over $7,000 to right around $5,000, just with the decreases in home prices. If we had $1,000 more per transaction, this business would look fantastic, and we'd be marketing back into growth again and really be talking about stepping on the growth lever.

So just by virtue of the fact of home price appreciation over time, this business will get a lot better. So I would never want to make any decisions that didn't make sense if we thought that just the market could lift it.

All that said, we're always open to do what's right by shareholders, and if somebody had a good deal, we'd certainly be willing to listen, but it would have to be a good deal.

George Askew - *Stifel Nicolaus - Analyst*

Right. Okay. And then shifting a little bit, there have been some changes in your marketing group over the last quarter, and you, I guess, both your comments and Matt's comments address marketing a bit. But can you just tell us, given new management, given the focus on the emerging verticals, how are you approaching marketing spending going forward, recognizing it sounds like it's going to come down a bit versus earlier expectations?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

Let me give you the marketing philosophy, and Matt can fill in with numbers if needed, and obviously follow up if I don't nail this. Marketing for us is, in a lot of ways, the Company. Our need to, and we are a direct marketing organization, which means until we have massive amounts of organic traffic, which really depends on diversification and lifetime value of our customers--all of which we're working on--we need to spend money to make money. And in a perfect world, I'd like to be spending a lot more, because we'd be spending into higher average revenue, higher expected values.

What we're seeing in marketing on the mortgage side today is it's harder to market. As rates move up a little bit, as consumers are not eligible for refinancing, it's harder to get in customers that you can actually refinance today. And so that makes your marketing a little less efficient.

There is a notion in the Exchanges as well, too. For example, in Q1 you saw that a lot of that effect is on the home services business. Some of that is online, but a good bunch of that is actually offline, where we drop literally guidebooks into the market. And we spend that marketing dollar that has an annuity over up to 15 months. And so we had a large book drop in Q1 which affects that as well.

In the new verticals--and the reason I'm not too worried about revenue coming down in there--we're basically spending advertising at essentially breakeven in those businesses. So the more revenue you have, the more you're going to spend, and so that's not going to have a big EBITDA effect. But long-term, long-term what I've said is this--LendingTree needs to have one of the best marketing engines on the Internet across search, display, offline, ad exchanges, ad networks, et cetera. Right now, a number of our channels are really working, but there's a few of our channels that are not working, and we're working on turning them around.

I would also say that I am beyond thrilled with our new head of marketing and with the direction that she's taking the business. Mona's been working on the business for three years with Mullen and has put in place a lot of initiatives, in particular, as I talked about the short-short form, the direct 800 number leads. Last week we rolled out our low price guarantee. We've got another product rollout coming here shortly. Centralized the marketing between Tree.com and LendingTree.

So over time, as we build out our marketing technology, we have a couple of new technology things in the pipeline there. But as we build that out, marketing should get much more efficient and in line with the real leaders in the online space.

George Askew - *Stifel Nicolaus - Analyst*

Okay, great. Thank you.

Operator

Mark Mahaney of Citi has our next question. Please go ahead.

Mark Mahaney - *Citigroup - Analyst*

Thanks. Two questions, please. One, Matt, can you comment on the gross margin trends? Those seemed inflection-y positive. Is that sustainable? And then, Doug, I know you've had this question before, but could you comment on any new thoughts on

Google, what they're doing as they get deeper into the conversion funnel and they roll out more of a, with their comparison ads, rolled out mortgage products and how you think that could impact your business? Thank you.

Matt Packey - *Tree.com, Inc. - SVP, CFO*

Hey, Mark. Good morning. Yes, I do believe our gross margin trends are sustainable. The costs that we have in the COGS line are largely variable. There are some fixed costs, but they really don't have to scale up as the business grows back. The variable costs will move upward, but I think it will not impact the margins in a negative way as the businesses grow back. So we're pretty happy with what we achieved in Q1 and expect that to continue going forward.

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

On the Google front, what I hear from the market, from our lenders, is that the Google comparison ads are not having a material impact on their business, and I'm actually hearing a good bit of displeasure on the lead quality front. Mortgage is a unique animal. Lenders are very sensitive to conversion rate and the quality of leads.

So the good news is, I don't think in terms of volume or quality, it's a major competitive threat today. Certainly the challenge is these guys are Google, and we have a lot of spend with Google. And certainly, they have all the resources in the world, and if they want to make it great, I have no doubt that they can make this a great product.

It was interesting for me to note that one of the product managers working on this has left and gone to another company, which I found, I would say, optimistic from the standpoint of a competitor. But the other thing I would say is this, is that over time, the strategic thing for companies like us is that you can't have a dependency on one place for your traffic.

I actually--the silver lining for us of not being great at search engine optimization is we're seeing that a lot of businesses, at the end of the day, if your traffic is SEO'd from Google, you might want to call that organic, but it's not consumers who really seek you out. It's people tripping across you on Google. And at the end of the day, Google is taking organic links and putting more stuff up in the paid section and taking paid links and turning them into lead gen, and that's going to have an impact on so-called aggregators across the industry. And strategically, one of the things we need to do is to make sure that our traffic is coming because of our brand and because people want to come there, not because they happened to find you in a search engine.

And so I think we have less vulnerability than most on this mortgage product. I am more optimistic at present. At the same time, long-term, we need to make sure that we're not dependent on anybody for our revenue.

Mark Mahaney - *Citigroup - Analyst*

Thanks, Doug. Thanks, Matt.

Operator

Reed Meyer of Stifel Nicolaus has the next question.

Reed Meyer - *Stifel Nicolaus - Analyst*

Hey, good morning, guys. Can you please frame the revenue contribution from the emerging verticals for us?

Matt Packey - *Tree.com, Inc. - SVP, CFO*

Yes. So the revenue read has been improving nicely. If you look back a year ago, the emerging verticals, as a percentage of total Exchange revenue, was in the low to mid single digits as a percentage. Last quarter, Q4, it was in the low teens as a percentage of total Exchange revenue. And now it is in the high teens as a percentage of revenue.

We haven't broken it out specifically yet. It's not material to the bottom line, clearly. As Doug mentioned, we are reinvesting the margin back into marketing to grow those businesses. But we are seeing a lot of traction we're happy with. You saw in the release the match volume represents about half of the Exchange's matches at this point. So that's a very nice trend for us.

It is largely driven by the three we've talked about in the past--education and home services and auto--and insurance is starting to get a little bit of traction as well.

Reed Meyer - *Stifel Nicolaus - Analyst*

Great. Thanks. How does revenue from match requests on the emerging verticals compared with matched revenue on the traditional mortgage business? Is it much lower and are you--?

Matt Packey - *Tree.com, Inc. - SVP, CFO*

No.

Reed Meyer - *Stifel Nicolaus - Analyst*

Good?

Matt Packey - *Tree.com, Inc. - SVP, CFO*

It's pretty consistent. The new verticals have probably less variability than the mortgage products do. We have a lot more price points on the mortgage products. But on average, when we look at it in aggregate, the emerging verticals are right in the same zip code as your average mortgage refi.

Reed Meyer - *Stifel Nicolaus - Analyst*

Got you. And then are you seeing a mix shift in mortgage originations and requests from refis to more purchases? And then, as purchases increase as a percentage of total originations, how do you expect this to impact the LTL and the Exchange business?

Matt Packey - *Tree.com, Inc. - SVP, CFO*

Yes, I'll answer the first part, Reed. We have seen an increase year over year as well as quarter over quarter in the purchase leads as well as the revenue we're getting from purchase, which is both expected and something we planned for. When we developed our 2010 budget and our guidance, we anticipated purchase to become a larger part of the Exchange revenues, and it has. And we do expect that to continue as refi, I wouldn't say dries up, but starts to diminish. We're aware the government initiative programs will start to go away, interest rates will likely start to rise somewhat, and purchase will have to become a larger part of both the Exchange and LTL take.

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

And to give you the good news/bad news on purchase more broadly, the good news is you can generate a lot of purchase leads at very low cost. The bad news is, for online mortgage lenders, they're hard to fulfill, so you end up--they're hard to close, because you've got local people who are in the mix.

So the offshoot of that is they don't pay a lot for those leads, and so your revenue per lead is lower. And if you're an online lender and you can get refi leads from either us or competitors, you'll do the refi leads before you do the purchase leads. So as refi slows down, there will be a natural move towards purchase, but the economics of purchase are not as good as refi.

So what we need to do is both, and we've been working on it. It is a challenge to fix. You need to figure out how to close purchase transactions at scale with good economics and a centralized call center environment and also still figure out, in a market of rising rates, you need to increase your share of refi.

The good news is, there is always refi in the market due to ARM recess, people who have higher rates coming down, et cetera, et cetera, et cetera. So there's plenty of refi. But you need to grow share in order to make it work. So you have to have both.

Reed Meyer - *Stifel Nicolaus - Analyst*

Got you. Thanks. And then the final question. Can you please discuss the factors that led to the year-over-year decrease in average revenue per loan at LTL?

Matt Packey - *Tree.com, Inc. - SVP, CFO*

Yes, Reed. Last year in Q1, you may recall, we were in the midst of the refi boom. Rates were dramatically lower, and dramatically lower from the period before Q4. And there was a lot of government and media attention on the rates, really urging people to refi.

The key to that is you get the consumer in the door, they're highly motivated. You don't have to discount your pricing as much. And at that time, the secondary market was also hungry for high-quality products. So we were seeing origination fees, as well as secondary marketing fees, several basis points higher in Q1 of '09 versus this current period. Rates are still low, but there's not as much froth in the marketplace, so we're not able to draw as much out of the consumer or the secondary market.

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

In the mortgage business, any time you've got constraints in the ability to fulfill mortgages--I mean you've got a huge amount of consumer demand and you have constraint with loan officers and appraisers, et cetera--your margins just balloon. And that was Q1. So now we're seeing the market is more normalized and, if anything, there's probably a little excess capacity.

Reed Meyer - *Stifel Nicolaus - Analyst*

Got you. All right, well, thanks, Doug, thanks, Matt.

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

Thank you.

Operator

(OPERATOR INSTRUCTIONS.) From Senvest, we'll go to Brian Gonick.

Brian Gonick - *Senvest Partners - Analyst*

Hi, good morning. Can you talk about how much cash is effectively tied up related to tangible net worth covenants on your warehouse lines and what the opportunities might be to renegotiate those terms as they come up for renewal?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

Sure, Brian. In the period just ended, the tangible net worth covenant, which is at the home loan fair level, required about $45 million of cash to be tied up from a calculation perspective. It's not something where we have to deposit the cash in a certain account or restrict it in any way. But it is, for calculation purposes, on the balance sheet, encumbered for meeting that covenant.

Going forward, we do anticipate having some ability to improve that. You might have seen in our release today, in the liquidity section, that the Bank of America line was just extended with a lower tangible net worth requirement, down around the $25 million level. So that will help us.

We still have a covenant with another warehouse lender that doesn't come up for renewal until October, but the market itself is improving, so we believe we'll have additional leverage there.

Brian Gonick - *Senvest Partners - Analyst*

So on the other lender, we have to get to a point where they're both lined up at $25 million, right? To have one at $25 million and one at, whatever, $40 million, doesn't really help, right?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

Correct. Other than they tend to follow each other in the market. So it would be hard for one to stay at a much higher level.

Brian Gonick - *Senvest Partners - Analyst*

So when you factor in your views on cash available for the business and for purposes of thinking about a $10 million stock buyback, were you presuming that you'd got to this $25 million cash requirement level? Or was that calculation based on the higher levels you had to retain?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

When we put the original plan in place, the $10 million plan, we factored in the $45 million, the higher level, not knowing where our current arrangements would end up. We're much more bullish about that now.

Brian Gonick - *Senvest Partners - Analyst*

Right. So to the extent now, it looks like we're freeing up about $20 million of cash. I'm not suggesting you go from $10 million to $30 million on a buyback, but you have flexibility. If you found that the opportunities to use the cash in the business versus buying back stock, and you made that assessment, no matter what you do, you have more flexibility to make those decisions. Is that correct?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

That is absolutely correct. The only other thing I would add, though, about a buyback is the way we're currently doing the buyback, given volume limitations of being able to only buy 20% of any day's trading volume and not being able to be the first trade and the last trade, et cetera, et cetera, at current volume levels, it's tough to get a lot of stock in off the market. But certainly, freeing up more cash changes the calculation, and we've got a lot of cash.

Brian Gonick - *Senvest Partners - Analyst*

Right. I guess by buying back stock at these levels, or levels that you were buying back stock, you believe it's very attractive. If you do free up more capital, say, $20 million, and you have more capital available, would you contemplate perhaps a Dutch tender because you have these volume restrictions, obviously, and it's tough to buy back. But a Dutch tender for some amount?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

I think we would, what I would say is this. I don't want to talk about our plans, but I would say we think our stock is--like most management teams, I guess--we think our stock is more than attractively priced. Our Board is committed to--our Board agrees with that. They put this plan in place, and over time, to the extent, we have a view that the stock, at any given time, the stock is cheap. We want to be buying it in a size where we can get as much of it at that price as we can.

Brian Gonick - *Senvest Partners - Analyst*

Right. Right. And so I guess on a final note, then, if we do more get more capital freed up, and we feel very good about the business and maybe the stock is only here for a short period of time before you start delivering on some of these new initiatives, there may be a short window of opportunity to buy the stock at attractive prices. And if your concern is not being able to buy it because of limitations on liquidity and volume, then a Dutch tender kind of would make sense.

Matt Packey - *Tree.com, Inc. - SVP, CFO*

It could. The only thing, though, I would add is it gets into short-term versus long-term, which is--and I know you and others are long-term shareholders--I think, I do, we are, as I said, we're bullish on our business. Certainly over the long term, we're bullish on our stock. We think it's valued low, although it's obviously been valued lower in the past.

But I would also say that in the short term, we're facing some things here. So when we planned the year in the fall, it's harder in this environment than we obviously thought it was then. Freeing up cash is good. At the same time, gosh, I wish all of our marketing channels were hitting with ramming speed right now, and I wish I had a couple hundred more real estate agents, and the real estate business weren't there.

So we're working hard to hit these numbers, and in a rising interest rate environment, it's not shooting fish in a barrel. So things are, I would say, like me personally, I'm very, very, very bullish long term, but I'm also seeing rockiness in the short term, which is reflected in our numbers. And any time you're floating right around this soily positive breakeven level, things can swing you one way or another. So we focus on the short--so in the short term, things are bumpy; long term, we're very confident in our people and our marketing, the brand, et cetera. So we want to be selective about where we're buying it, I guess, is the long story short.

Brian Gonick - *Senvest Partners - Analyst*

Got you. Okay. Thanks, guys.

Operator

Jack [Fonince] of Great Gable Investment has our next question. Please go ahead.

Jack Fonince - *Great Gable Investment - Analyst*

Hi, can you hear me?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

Yes, I can.

Jack Fonince - *Great Gable Investment - Analyst*

I just had one question. At the beginning part of the conference call, you mentioned that January and February got off to a weaker-than-expected start, but then you saw a March-to-April pickup. And you alluded to the tax credit being a driver of that pickup. Anything else besides the tax credit that might have helped you get the March-to-April boost?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

Well, certainly, it was, I think, more March than--I would say March and early April are, as I just alluded to in my call with Brian, we did a lot of work in April, too. So we had LTL working, and Matt will touch on a couple of other things, but we really dialed up conversion-rated LTL. I think we got much better at our marketing and our advertising in March. Rates were lower in general at that time, so we saw a little bit of a natural pickup in volume. We basically worked our tails off to have a really good March, and as I said, there's a lot of work this year. So Matt, do you want to touch on anything else?

Matt Packey - *Tree.com, Inc. - SVP, CFO*

Yes. I would say out of that, January and February were likely depressed somewhat. We had a pretty bad weather system throughout the country in a lot of places where we have our real estate offices. But also, we tend to believe the mortgage market was somewhat held back in those timeframes as well, which made March shine even more.

Jack Fonince - *Great Gable Investment - Analyst*

Okay. Just big-picture geographic color. Any trends you're seeing? West Coast, East Coast, or brighter spots or not?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

In the real estate market, I would say, which dovetails over into the mortgage market, I'll give you one what I think is a bright spot. It's market-dependent. So some markets, if you look at, the best thing I saw from our economist is certain markets where you really relate unemployment and housing prices, it seems like some markets are on the way back, where the employment picture is pretty good and house affordability is low.

In other markets--Las Vegas is one in particular--it doesn't feel like you're getting a turnaround. It feels like you're probably on the bottom, but things are not necessarily coming back yet. So it really is market-dependent.

One thing that I took as a very positive signal this week was you had your first jumbo mortgage securitization in probably a couple of years. Now, it was a small one, but what I'm hearing from our secondary market folks is that bond investors are, given that the government has basically been buying all the mortgage securities over the last year and a half or so, that bond investors are overweight Treasuries and underweight mortgages. If we can get not only conforming securitizations going, but more importantly, nonconforming in particular, jumbo securitizations, and that market starts to come back, that could have a very positive impact for us.

And the reason is, we're still running at 50% of our volume. We can't get any offers to, and some of that's because it's jumbos and some of it's because it's just falling right outside of loan-to-value guidelines. So any expansion beyond Fannie, Freddie, and FHA would be very, very good for our business.

Jack Fonince - *Great Gable Investment - Analyst*

On that note, you work with a lot of different partners and banks and so forth. On the top of thawing, any more thawing in terms of the credit look, or not?

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

I think so. I think we are seeing--and look, it will be driven by the secondary investors more than it will be by the banks. But I think the positive signs on the warehouse line are certainly one indication of thawing, where you start to see banks coming back into the warehouse lending business who were previously there. And we have one warehouse line which keeps getting extended. I take that as a positive sign. We've got a number of other warehouse lenders entering back into the market, saying, "Hey, you guys are one of the survivors, one of the leaders. We'd like to talk with you." Obviously, the BofA extension at better terms is another sign of life. And I think that market, we've got banks competing for our business on that front, which I think I'd take as positive.

The securitizations on jumbos, I think, are very positive. And I think in general, you hear people saying, "You know what? Let me dip my toe in the water," back in some all-day type stuff. So I don't think we're going to go back to the heyday, but it does feel like there's a thawing.

And it's not just credit. It's LTV and loan size. It's really anything. Right now, mortgages are essentially Fannie, Freddie, and FHA. Anything that is outside of that box is essentially not getting done. As that opens back up in any small measure, it's all good.

Jack Fonince - *Great Gable Investment - Analyst*

Great. Thank you.

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

Thank you.

Operator

And it appears we have no further questions at this time. I would like to turn the conference back to Mr. Lebda for closing remarks.

Doug Lebda - *Tree.com, Inc. - Chairman, CEO*

Wonderful. Thank you all very much for your time and attention, and really appreciate all the continued support on the business. As I said, long-term we are very bullish on where things are headed. Short-term, we are going to manage our way through this, and I feel like we've got a great team, I feel like I've got a number of great initiatives and a wonderful brand. And stick with us over the long term, and we think we can do right by you all, and we look forward to talking again in a couple of months.

Operator

And that does conclude today's conference. We thank you all for joining us.