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TREE - Q1 2019 LendingTree Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the LendingTree, Inc. First Quarter 2019 Earnings Conference Call. (Operator Instructions) As a reminder, this call will be recorded. I would now like to introduce your host for today's conference, Mr. Doug Lebda, Chief Executive Officer. Please go ahead, sir.

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

Thank you all for joining LendingTree's First Quarter 2019 Conference Call today. I couldn't be more thrilled to be discussing our first quarter results this morning. I need to give the usual disclaimer, and then I'll provide my thoughts on the business and why I'm particularly confident in our market position. I'll then hand it over to J.D. to talk through the quarter's financials and provide some color on our revised guidance.

First, the disclaimer. During today's call, we may discuss LendingTree's plans, expectations, outlooks or forecasts for future performance. Forward-looking statements are typically preceded by words such as we expect, we believe, we anticipate or other similar statements.

These forward-looking statements 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 LendingTree's periodic reports filed with the SEC.

On this call, we will discuss a number of non-GAAP measures, and I refer you to today's press release 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, let's get to it. The first quarter's results were -- kicked off what we expect to be another transformational year for LendingTree. The virtues of our diversified portfolio and businesses could not be clearer. Between our recent QuoteWizard and ValuePenguin acquisitions, our insurance business has exceeded our own expectations early on in its tenure. Our mortgage business has stabilized after a challenging 2018. Thanks to great execution by our team, growth in credit cards reaccelerated in the quarter. Personal loans continues to generate solid growth.

And several of our "other businesses" continue to scale, driving meaningful revenue and margin contribution. I can't stress enough how much the diversification of the business not only enhances its durability and resiliency but is now clearly fueling growth. When we combine the inherent flexibility in the business model with our increased ability to surround customers with choice, education and support for now more than 20 financial products, we have a unique ability to deliver outsized near-term growth while continuing to invest in and position the business for long-term benefit.

You'll hear from J.D. in a moment about our updated guidance, but we're ecstatic that we put the company in a position to deliver roughly 40% revenue and adjusted EBITDA growth this year while committing real dollars to some key strategic priorities that could continue to catalyze growth in the years to come.

First, the My LendingTree platform continues to build momentum with revenue contribution of 66% year-over-year, driven by better merchandising of credit cards; vastly improved mobile engagement through the app; and our increased syndication partnerships, 3 of which launched in Q1 alone.

I'm personally thrilled to announce that we're closer than ever to rolling out broad-based advertising against this platform, and we anticipate doing so by the second quarter. Expect to hear more on this in the coming months.

Second, and speaking of advertising, we spoke at our Investor Day about our plans to reaccelerate investment in our brand. And I'm happy to report that in just the first quarter, we nearly doubled our off-line brand spend compared to all of 2018.

While it's way too early for us to be discussing definitive KPIs as brand momentum takes a few quarters to build, we are seeing encouraging signs of general awareness metrics and end in our ability to reach our target audience. We fully intend to continue to invest in our brands at elevated levels throughout most of the remainder of the year.

Central to both of these initiatives and another competitive advantage resulting from diversification is the increasing use of data and analytics to power all aspects of our business. We're making real investments in our team and in our infrastructure to accelerate the flywheel by leveraging the vast amount of data we collect to inform smarter, more targeted and more efficient advertising. We're working towards more curated customer journeys, intelligent product recommendations and broadly improving users' financial well-being.

And for our partners, we continue to explore innovative pricing models, serve up highly targeted referrals and consistently improve lead quality and conversion. This is a huge priority. And while I'm happy with the progress we've made, we are just beginning to scratch the surface of what's possible.

With that, I want to touch briefly on what we're seeing in a few of our larger businesses. As you saw in this morning's press release, our insurance business had a terrific quarter. I'd like to extend a huge thank you and congratulations to the QuoteWizard team for their passion and execution in grabbing increased market share in what is clearly a burgeoning opportunity. The integration of the ValuePenguin business has realized synergies earlier than expected, and that is clearly reflected in our results. For the time being, we continue to see untapped demand from top carriers and other carriers are increasingly investing in this channel.

In credit cards, where growth accelerated to 18% over the prior year, the team is executing at a high level. We've been able to garner higher payouts from several issuers, particularly our traffic generated through My LendingTree, which demonstrates our ability to deliver high-quality volumes at scale. We continue to round out the offers available to consumers as we added 10 new subprime cards and also added 2 new major issuers.

Now switching gears to our mortgage business, which stabilized in the first quarter after a challenging 2018. The quarter's results were generally in line with our own internal expectations, and we feel increasingly confident in our ability to achieve our stated goal of returning to sequential growth as we move through the year.

With interest rates modestly lower to start the year and dipping even further near the end of March, I want to provide some context for how that's impacting our business. First, it's important to emphasize that rates were only slightly lower throughout the majority of the first quarter and didn't move meaningfully lower until the last 2 weeks of March.

Before discussing the dynamics of the recent move, I want to highlight that one of the benefits of the more stable rate environment has been improved lender health, a challenge and focus for us over the last few quarters and a topic that we've discussed frequently with investors. To that end, we're definitely seeing many of our lenders in a healthier, more profitable place to start the year.

Now as I'm sure many of you have noticed, interest rates dropped more sharply in the last couple weeks of March. It's important for you to understand how that is rippling through our business as well. As you know, refinancing drives the majority of our mortgage business. And in the last week of March, the MBA Association's weekly applications index reached its highest level since November 2016. We absolutely saw a similar dynamic at our own mortgage traffic, but an inherent challenge in monetizing that increased traffic is that many of our lenders also became suddenly flushed with their own organic volume.

At the same time, recall that many lenders have been reducing capacity over the last several quarters and thus are not necessarily equipped to handle the abrupt spike in traffic that we've experienced. So while we've seen increased volume at generally lower costs, our average unit revenues have also come under pressure. It's this exact same supply and demand dynamic that we have been accustomed to managing over the last 20 years.

So while we view the development in the rate outlook as generally positive for our business, we do expect the tailwinds to take some time to develop. I'd also note that rates are already moving higher from recent lows, so we remain cautiously optimistic and will continue to monitor any developments in Fed policy or other macro drivers and continue the close dialogue with our partners and execute appropriately. We know how to do this.

More importantly, we'll continue to execute on what's within our own control. We've made great strides in improving the mortgage experience. One clear benefit of the recent rate environment is that it has given us a better testing ground for experimentation. For a certain cohort of high-intent eligible refi candidates, for example, our borrower selection model is close to reaching monetization parity with the legacy experience and to the substantially improved positive Net Promoter Score. And in purchase, we're very focused on curating the right experience for early frontal shoppers, whether partnering with realtors, creating an improved prequel product or simply enhancing our approach to lead incubation in CRM.

Despite the healthy diversification we've put in place, we continue to view the mortgage business as among our biggest long-term opportunities and where we continue to maintain a dominant market position.

And with that, I'll turn it over to J.D. to provide details on the financials.

J. D. Moriarty - *LendingTree, Inc. - CFO*

Thanks, Doug, and thank you all for joining the call this morning. And I want to take just a few minutes to walk through the first quarter's financial performance and provide some context for our updated guidance.

Our financial results in the first quarter were terrific and set us on a path to exceed our original outlook for the year. As Doug mentioned, our recently acquired insurance businesses clearly led the way.

But I want to highlight how our diversified portfolio is enabling us to invest strategically in the businesses while continuing to post outstanding results for shareholders.

Total revenue in the quarter of $262.4 million was up 45% over the first quarter of '18. 45% growth is remarkable considering that our mortgage-related revenue declined 37% in the same period. In mortgage, we're pleased with the fact that revenue of $46 million stabilized, declining a mere 1%

relative to the fourth quarter. As Doug discussed, our stated goal for the mortgage business is to return to sequential growth from this point forward, and the trends we're seeing give us confidence in our ability to do so.

In non-mortgage, insurance was clearly the star as revenue of just over $67 million represents our largest contributing segment. The QuoteWizard team is executing flawlessly, and the integration of ValuePenguin has been seamless.

The credit card business also executed extremely well as revenue growth accelerated to 18% year-over-year and more than 40% sequentially to $54.5 million.

In personal loans, we continue to experience solid growth as revenue of $32.5 million grew 25% over the prior year. And while personal loan growth slowed modestly from the fourth quarter, I should note that as some lenders are tightening underwriting standards, we're able to better serve consumers and capture incremental monetization opportunities by routing some traffic through our credit services platform, which is now becoming a real contributor.

Speaking of the smaller businesses that comprise our Other segment, the collection of businesses excluding mortgage, insurance, card and personal loans, that bucket collectively grew 76% year-over-year and contributed roughly 1/4 of our total revenue. Recognizing that each mortgage -- each of mortgage and insurance are introducing some noise to the overall growth profile, revenue growth from the sum of the businesses, excluding those 2 products, was 39% in the quarter.

Now moving on to profitability. In total, we generated a record $92.5 million of variable marketing margin in the first quarter, up 47% year-over-year. That includes $10.5 million of broadcast advertising expense and another nearly $2 million of nonbrand digital spend related to our Charlotte Hornets sponsorship and other brand opportunities. And importantly, the performance of that brand spend and our ability to measure that performance continues to exceed expectations.

Beneath variable marketing margin, we posted adjusted EBITDA of $43 million, up 36% year-over-year and well ahead of our prior guidance. As we previewed on the last call, our operating expenses, aside from variable marketing spend, have rebased at a higher level than last year. This is in part due to acquisitions, but also from the accelerated hiring throughout 2018.

As we move forward, we expect growth in staffing to be more measured, and we should see operating leverage as the year progresses.

Looking at GAAP profitability, we reported net income from continuing operations of $550,000. Our GAAP results in Q1 were adversely affected by certain noncash charges, including $13.4 million related to increases in the carrying value of earnout obligations and increased amortization expense due primarily to increased intangible assets associated with the QuoteWizard and ValuePenguin acquisitions.

On a non-GAAP basis, adjusted net income in the quarter was $15.6 million or $1.10 per diluted share. Our diluted share count increased notably in the first quarter, primarily driven by appreciation in our stock price and the corresponding dilutive effect of our outstanding convertible bonds.

Now let's shift to our updated guidance. We're introducing guidance for the second quarter as follows: Revenue is anticipated to be in the range of $260 million to $270 million; variable marketing margin is expected in the range of $92 million to $97 million, indicating a similar level of brand spend and investment and margin profile as experienced in Q1; and adjusted EBITDA is expected to be in the range of $45 million to $47 million.

Now for the full year 2019, given the trends we're seeing particularly in insurance, we are raising revenue guidance to $1.60 billion to $1.90 billion, an increase of nearly $50 million at the midpoint.

I want to take a moment to put this increased revenue guidance into perspective relative to the business-level commentary we provided along with our initial guidance at our Investor Day in December. We initially said that mortgage revenue was anticipated to be down 5% to 15% on the full year, returning to positive year-on-year growth in the back half of 2019. We still believe that range to be appropriate. We initially said that insurance should grow 20% or more on a pro forma basis. That was before we layered in the ValuePenguin acquisition for which we updated our own guidance in February. The reality is that the collective insurance business is simply performing well ahead of our initial expectations and is the primary driver for today's increase. While we're still early in our tenure with insurance, we're confident that growth rate is more likely in excess of 30%. I'd also note that the insurance business did experience some benefit from tax season in the first quarter as consumers used refunds to purchase vehicles.

And finally, we suggested the remainder of nonmortgage excluding insurance should grow 25% plus, with the 2 primary drivers here being credit cards and personal loans. We continue to think that guidance is appropriate, although we remain cautious given the potential volatility of those businesses.

Now for VMM, we are raising our full year outlook to $400 million to $415 million, an increase of approximately $15 million. We're clearly seeing positive top line trends and so we want to preserve some flexibility to invest in the brands and in other marketing initiatives to continue growing market share across the categories.

And in a similar vein, we're raising our adjusted EBITDA guidance for the full year to $210 million to $220 million, which implies roughly 20% EBITDA margin and 40% growth on the year. We feel strongly that it's prudent to take advantage of favorable top line trends we're seeing and to give ourselves the opportunity to invest in the brands, technologies, people and processes that will take this company to the next level while still delivering exceptional results for shareholders. We believe this outlook appropriately balances those important goals.

With that, operator, we can turn to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Jed Kelly with Oppenheimer & Co.

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

On the insurance segment, I guess, you're seeing like good, good performance on immediate synergies from integrating ValuePenguin. I mean, how much of the growth would you classify as these revenue synergies you're seeing versus solid execution at QuoteWizard? And I guess once these onetime benefits dissipate, should we expect insurance to return to the normal growth rate of 20% to 25% that you called out at your Analyst Day?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Jed, it's J.D., I'll take it. It is mostly QuoteWizard executing. It's really hard to untether those 2 things. So one, what we're seeing is more spend from our top 3 carriers, which is great to see. And so we're just seeing a healthier network in insurance, and that's due to the execution of that team. Two, we closed QuoteWizard -- or pardon me, we closed ValuePenguin early in the quarter. We had -- we thought it would take time to integrate ValuePenguin into the mix with QuoteWizard. And kudos to both teams because they got there quicker. So I would say it's mostly QuoteWizard outperformance and simply us hitting that integration point and getting some value from the ValuePenguin content within QuoteWizard sooner.

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

And this is Doug. The only thing I'd add is kudos to our SEO team for being able to integrate that so quickly and to be able to get real synergies there. That's just an example of how we're getting synergies on top of synergies. And then the only other thing I would say is that the integration with LendingTree on insurance is still very early.

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

And then last year, you called out that the segment percentages that were contributing to My LendingTree and I think personal loans was 66%. Is there any way you can give us an update in what credit cards are now contributing to My LendingTree?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. So credit cards were up dramatically. And to give you some sense, pretty much every recent quarter, personal loans has been between 65% and 70% of total My LT attributed revenue. In the most recent quarter, it dipped below. It was in the mid-50s, Jed, and that's largely credit card is our -- now I think our third largest product on the network. It goes personal loans, then refinance, then card. And so we're really thrilled with the progress in card and there's a lot still to do there.

The nice thing about our card business, when you see it, we talked a lot about the external environment in card. That didn't necessarily improve. The Q1 performance is really just execution. And so we're still in take share mode there. We're opening new doors, as Doug pointed out in his script, and we're getting more mind share from the issuers. And so My LendingTree is part of that strategy for sure.

Operator

And our next question comes from the line of John Campbell with Stephens.

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

So very, very good results. Doug or maybe J.D., back to the insurance side. You mentioned that you guys are seeing some, I guess, uncapped budgets out there so that's good to hear. And then, J.D., I think you just said that you're seeing really good lift coming from the top 2 or 3 carriers. If that's all true, how would you characterize the spending from the carriers outside the top 3? Are you seeing pretty broad-based strength?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. We're seeing broad-based strength. Keep in mind, we've talked about the difference in that model, right? So candidly seeing other carriers see the value that our top carriers are getting from interacting with QuoteWizard and now the combined entity is what we're excited about, right? So I think we're going to continue to push to get to a healthier network. But yes, we are seeing broad-based interest in the space and clearly, this move online from carriers more broadly. But I mean, I always look at, obviously, as we talked about in the past, how broad is the support. It's better than it was a quarter ago, and that's the trend that we're excited about.

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

And the one thing that -- the only other thing that I would say is this really shows the relationships with our carriers, how much we care about them, how much we care about the customer experience and how honest we are with them. And so that's why they continue to increase their buys.

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

Okay. And then I don't know if you're able to decouple this, but is there any particular call-out as far as strength from a CPC versus CPL side?

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

In insurance?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Which business, John?

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

Oh, in insurance, yes.

J. D. Moriarty - *LendingTree, Inc. - CFO*

No. We haven't really disclosed any metrics specifically on that in that business. So no, we're -- that's not how we disclose around that business. We're happy to discuss it, but it's not a metric that we've gone out with, nor is there a trend that's notable in the quarter.

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

Yes. And I would say -- only add that with the way we do pricing and the way we work with carriers to make sure that it works for them, it's not a metric that I think is relevant. I'd be focused more on the overall revenue or the overall revenue per customer. And between clicks and leads and calls, those will vary based on what carriers are good at what.

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

Okay, makes sense. And the last one for me. It's nice to see you guys back on the kind of brand building front with the broadcast spend. Doug, I think you talked about expectations for, obviously, like a continued boost. Any sense or kind of updated range for the spend for the full year? And then maybe at a higher level, just a broad sense for the degree of lift over the long run, is there basically a targeted percent of rev that you'd like to be at over time?

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

So we want to spend as much as we can as long as it's making us money. And we believe that, that is helping to make us money. We did a lot of work last year. Obviously, it doesn't make money in-quarter. It makes money over time. But as we can step on the gas, particularly maybe around My LendingTree, I think as we are getting better and better with both the consumer experience, monetization and the economics, that's something we may lean into later in the year, but it'll be a positive for us. Right now, I think the way to say it is we're maintaining our brand spend, which we continue -- which we view as a very good thing.

Operator

And our next question comes from the line of Hamed Khorsand with BWS Financial.

Hamed Khorsand - *BWS Financial Inc. - Principal & Research Analyst*

So could you just talk about the insurance carriers? Are you grabbing more dollars from a competitor? Or is it really just a carrier's willingness to be more on the Web with QuoteWizard?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. Hamed, if you look at the strength in it, it has to be both. It's obviously challenging to know exactly what we're taking in-period from a competitor. We certainly think that QuoteWizard is better positioned to take share as part of LendingTree. If you think about the assist that ValuePenguin gives them, not to mentioned as Doug points out, we're in the early days of the overall integration with LendingTree. We think it's both. We think that the carriers and -- the carriers are seeing the value prop more and more. We see it in their spend. So we think that more of that spend is moving online and we're taking it from competitors.

Hamed Khorsand - *BWS Financial Inc. - Principal & Research Analyst*

And then what kind of response are you seeing from your subscriber base from these subprime credit cards that you've added on?

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

I'm sorry. Can you restate? What kind of subscribers were you saying?

Hamed Khorsand - *BWS Financial Inc. - Principal & Research Analyst*

Yes. The -- I mean, your My LendingTree users, right, subscribers, I mean, they're responding to it in some capacity for you to sign up so many subprime cards, right?

J. D. Moriarty - *LendingTree, Inc. - CFO*

No, no, no. Those are sort of separate points, Hamed. So one of the things we talked about in card was adding major card issuers. And then we said that we added 10 subprime issuers. It's early days in terms of subprime. I would argue that we were probably underindexed in terms of subprime representation in our card network, but that's not a big driver of our card network today at all. It's just that we added them in the quarter and we're happy to be adding new issuers to the network. So that's in subprime. The My LendingTree point is separate.

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

Yes. And on the My LendingTree point, keep in mind, while we're offering a consumer a subprime card, in some instances, we're doing it because behind the scenes there's an engine that actually is saying it's better for them. Maybe they're paying off a payday loan, moving into a subprime card and we've got demonstrated evidence of how we can help people move up the credit spectrum and be smart about lending, and that's the goal of My LendingTree. And we just give you what's right for you.

Hamed Khorsand - *BWS Financial Inc. - Principal & Research Analyst*

And then last question. Was there anything specific as to personal loans declining from Q4?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Sure. Two things. One, in general, the lenders are being a little bit more -- a little tighter, and we would call it smart growth. They're much more focused on the type of consumer that they're getting. Now interestingly, what we're really thrilled with is we've been able to create a better experience for the borrower by routing some of that traffic that comes into our personal loan funnel into our credit services business. And so we saw nice growth there. That's in that other bucket, right? But in the quarter, we definitely saw similar trends in PL that we saw really in Q4. The business in aggregate was essentially flat to Q4. But if you look at it in terms of the metrics both in terms of volume and RPL, it is similar. Now we did spend money in that business as part of a long-term strategy. Part of our brand spend was for personal loans. We're still confident in that business. And what we see is lenders just being a little bit more judicious as to who they're interested in acquiring as a customer.

Operator

And our next question comes from the line of Mark Mahaney with RBC Capital Markets.

Shweta R. Khajuria - *RBC Capital Markets, LLC, Research Division - Assistant VP*

It's Shweta for Mark. A question on mortgage revenue. So you reiterated your full year guide to negative 5%, negative 15% decline in mortgage. Could you talk a little bit about the cadence through the year? That would mean on a year-over-year basis, material improvement as well as you talked about sequential growth. So what gives -- what signs are you seeing -- or what gives you confidence to get to that from this point on?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Sure. Sure thing. Good question. So if you go back to our Investor Day, most of that down 5% to 15% is a function of the comparison that we have to Q1 of last year. So recognize that's just -- that was sort of a peak quarter at $71.4 million of revenue in Q1 of last year. Our goal was to have the network stabilized. Our goal was to see signs of lender health. We did that in Q1. We obviously -- our broader goal was to get to sequential growth. Doug talked about a pickup in volume late in the quarter, which we did see, but we have this supply-demand aspect. Just as we saw a pickup in volume, so did all of our lenders, and it takes a little bit of time for that lender capacity. And keep in mind, that's capacity in their network. But in turn, it's capacity for our products, right? So we've got to see that. So there's typically a bit of a delay there. We saw a pickup in volume. That helps us a great deal. Now we've got to actually get to the point where we have sufficient lender capacity that will in turn drive revenue. Now that's largely on the refinance side, which is the more productive part of our mortgage business.

So our view in terms of mortgage progress throughout the year is not -- we're not giving -- we're not assuming that this rate environment is the driver. We are assuming that we are going to execute on some of our internal initiatives and get better revenue growth in mortgage. So we just haven't had a period of -- we haven't had a sufficiently long period of low rates to have a different view on mortgage for the year. We'll see how that plays out through the second quarter

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

And the only things I would add are J.D. hit the supply and demand. That is very important. And for people fairly new to the stock, remember that while -- that revenue may go down, but profits generally continue to move up or VMM continues to move up. And the other thing I would just add is to increasingly focus -- mortgage, we've got -- there's capacity constraints. It's the only product we are constrained by physical capacity, and all the investments that lenders are making into digital mortgage experiences will over time make that capacities constraint go away and mortgage will function more like other financial products.

Operator

And our next question comes from the line of Stephen Sheldon with William Blair.

Stephen Hardy Sheldon - *William Blair & Company L.L.C., Research Division - Analyst*

I guess first on the insurance side. Can you maybe talk through -- you've talked about it some, but just expectations in that business through the remainder of the year. And relative to the $67 million in revenue generated in the quarter, should we think about that level being relatively sustainable even with the tax boost that you mentioned that might have helped some in the first quarter?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. Steve, and we -- just as we were somewhat cautious with guiding on a business that's new to us at the Investor Day, we remain that way. We're hesitant to give a projected growth rate in excess of 30% probably for any business. We certainly see very healthy signs in the insurance business and there's no reason to think that our current performance should abate. But we are cognizant of the fact that there is always this little bit of a -- we talked about seasonality in the insurance business. There's always a little bit of a benefit in the first quarter because of tax refund season. It has typical comparison or affiliate marketing fourth quarter seasonality, albeit it's a little bit offset by health care in the fourth quarter. And that segment of the business, the nice thing about insurance is we don't have the rate sensitivity. So what do we look to in terms of drivers? We look at how enthusiastic our top carriers are, and what we're seeing there is broad-based support and we're seeing great opportunities to integrate that business further with not only ValuePenguin, but with LendingTree. So we're thrilled with not only the performance, but the prospects for the year.

Stephen Hardy Sheldon - *William Blair & Company L.L.C., Research Division - Analyst*

Got it. That's helpful. And then in credit card, I think you talked some about seeing higher monetization with traffic from My LendingTree. So can you talk about that trend some and how it could impact the variable marketing margin as you continue to gain traction there at a high level? How much of a differential is there on VMM between your normal credit card business and the normal process versus those sourced -- the lead source from My LendingTree members?

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

So on My LendingTree, one -- the first -- there are several questions in there. I think we can unpack that the first one is that we -- the answer I think is that we have -- are just -- we integrated credit cards within My LendingTree later than our competitors. So we're getting a benefit by just putting the product in better integration. And the VMM notion there is obviously anything that comes from My LendingTree theoretically would be 100% variable marketing margin. However, what you do is you -- we're baking in the revenue from My LendingTree into our other marketing aspects so that we can continue to market and feel -- and so almost think of My LendingTree as another product that we're able to market that will have its own VMM structure. That one will come over time. So it'll cost you a certain amount if you're marketing that to acquire a member. And then over time, that will pay back similar to brand advertising.

Operator

And our next question comes from the line of Youssef Squali with SunTrust.

Youssef Houssaini Squali - *SunTrust Robinson Humphrey, Inc., Research Division - MD & Senior Analyst*

A couple questions. Maybe J.D., on the guidance. The Q1 '19 outperformance I think contributed nearly half of the upside to revenue in VMM to your new 2019 annual guidance and I think nearly all of the upside to adjusted EBITDA maybe. Can you just speak to that? Are there any things that are not necessarily sustainable in the outperformance you saw in Q1 that gives you a bit of a pause? Or just your typical conservatism? And then, Doug, you mentioned earlier in talking about My LendingTree a broad-based advertising within that platform. Maybe can you flesh that out a little bit, just explain what's going on?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Sure, I'll start. Yes. I wouldn't even just call it broad conservatism. What I would focus on is we're operating a portfolio of businesses. We're not -- we're going to run the business in this environment to garner market share and revenue. We're not going to manage it for margin. And so if you think about our EBITDA guide, it reflects the 20% margin, which we think is appropriate. That profile gives us the ability to make investments, right? We're making investments right now in brand, but it's not just brand. It's things that will come up throughout the year and we'll continue to invest in the business. But as you look at it, the -- yes, we push more through in terms of revenue than we did in terms of EBITDA, but it's not out of concern. It's out of giving ourselves the flexibility to invest more than anything else.

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

And on My LendingTree, first off, we think that free credits for advertising is probably played. There's too much of it out there. But we're increasingly comfortable with the product. We encourage you to download it in the App Store. We're increasingly confident of how we're able to generate customers through the App Store. The product is very, very good. We think it's better than any of our competitors. It gets great Net Promoter Scores. So the value proposition to consumers is great. And we're starting -- we're understanding the metrics more and more of how the revenue will come from different cohorts of customers. And like we've always said, at some point, when we're confident in that monetization, we think we've got a great product, we're going to go advertise and tell people about it. And advertise inside the App Store, we do some of that now. So advertise with TV with a great value property. We could do something online. We also benefit, obviously, from the halo effect because people sign up based on all of our other products for this as well. So at some point this year, my hope is that you're going to see ads, advertising are logged in My LendingTree product.

Operator

And our next question comes from the line of Eric Wasserstrom with UBS.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

Just a couple of questions on some of the product areas. In card, I think some of the challenge that you guys faced last year reflected the movement in the end market from promotional card to more rewards card, which is -- whereas, historically, promotional card was obviously a very good product for LendingTree. So J.D., in my understanding, you correct me, that the end market has started to shift more back in your direction. Or is there something about the execution of LendingTree that's doing in a rewards cards environment that's a bit better?

J. D. Moriarty - *LendingTree, Inc. - CFO*

No. Yes. To be clear, that environment has not really changed. It's really execution against a tough backdrop. So that's what we're thrilled with. We can only imagine how well this team can -- that team can perform inside of a better and more constructive market environment, for instance, for balance transfer. So we're just really happy with the execution, and it gives us confidence that there's still just a lot of room to take market share there.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

And when you say execution, can you just help me understand maybe more granularily what that means?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. Getting payouts. We've talked about some of the levers that we have. One is simply getting more mind share with card issuers. You have to give them certain visibility on the quality of the traffic that you're bringing them. You also have to give them -- so it's, one, giving them volume and quality assurance, and that's just an ongoing selling process. Now we've also added more automation to our process. And so automation is literally things, Eric, like card sort order. So -- and optimizing in real time in an automated way which cards you're showing to which consumer. And so as we do that more effectively, what happens? Our results improve with the issuers. And as a result, when they look back on their performance on the LendingTree network relative to our competition, they increase our payouts because they like what they're getting from us. So that's the execution that we're talking about.

Now the other piece of that strategy is My LendingTree. As we get more content or more traffic coming to them from My LendingTree, we also have to sell them on the merits of that and getting payouts that are appropriate for that consumer that we know that much more about. And so we're in the early days of that. We talked about this last year in the second half of the year and we said to you that, that was an opportunity and we're seeing that play out. But it's really early days and there's a lot of room ahead for that.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

Great. That's super helpful. And on personal loan, you talked to it a moment ago, but can you again maybe give us a little more granularity on end market conditions? You highlighted the underwriting -- maybe a bit of underwriting tightening that we're seeing in many places. But are lenders coming on, going off? What else is occurring in that space?

J. D. Moriarty - *LendingTree, Inc. - CFO*

We don't see broad-based change in terms of number of lenders or number of active lenders on the network. We see them exercising a little bit more discipline in terms of filters and what type of consumer they want. We also see more competition for the prime consumer. And keep in mind, there are some lenders who are -- there are some lenders who simply pay more than others for acquisition on our network. And depending on what their volume is in a given period, we're going to have revenue that's simply higher because of who is most active in the network.

But there's no broad-based change there. The person who runs that business would refer to it as kind of smart growth. They still want to grow. They're trying to be judicious in terms of with -- what type of borrower, simply put.

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

And Eric, on the lender side, I would just characterize it, since I know you've been doing financial stuff for as long as I have. I would characterize it as just normal figuring out how to grow and what your investors are willing to take. But the other thing I would say is that personal loans is a great example where we're really trying to get people on a single path focused on the best product for them. And so we're going to increasingly try to get you guys focused on totals because in some instances, we have people coming in for personal loans and then they end up getting a mortgage or they end up getting a credit card. They end up getting something that's actually better for them and so therefore, that revenue is going to be sitting in our other products.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

Great. No, that would be great. And if I could just follow up on just on Youssef 's question a moment ago. You guys have always been very, very clear that what's motivating you is dollars of revenue and dollars of margin rather than any kind of ratio outcome. But I think one of the criticisms has been that, that contrary to sort of what you might intuitively expect from the model, like profitability doesn't particularly expand in what seemed like should be robust conditions. But it seems like based on your guidance, the dollars aren't actually changing very significantly as well, right? The changing guidance basically captured the change in the first quarter. And so I'm just wondering if there's any broad-based change here in terms of how you're thinking about the financial model.

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. Just to clarify. The $50 million increase in revenue, your point being that we didn't promise an accelerating beat effectively relative to the revenue beat in Q1. And then as it relates to EBITDA, obviously, we beat the high end of our guide by $3 million and we upped our overall EBITDA guidance for the year by $5 million.

Is your point that we just haven't pushed through enough? Or is it on the margin line, Eric, that you're asking a question?

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

Well, so it's sort of -- so again, if we just back up historically, the margins have remained in a fairly stable range and what you've seen is increases in dollars. And obviously, that's been fantastic, right, and compounding over time. I guess my question now is it seems that the former scenario is still the case. But in terms of the very significant increases in -- that we're seeing in revenue, actually incrementally less of that is now falling even in dollar terms, right, to the dollar margins? And I'm just trying to understand if that's part of the new go-forward model or if this is part of the cyclical investment phenomenon that you guys have highlighted?

J. D. Moriarty - *LendingTree, Inc. - CFO*

I think throughout the year, Eric, we're constantly adjusting for the environment that we're in. If you look at our margin profile by quarter last year, you'll see a progression that's not dissimilar to what we -- albeit low -- our EBITDA margins are modestly lower than they were in Q1 of last year. The seasonal progression is fairly discernible. And I don't -- we're basically managing a business to take market share and grow revenue and deliver a predictable margin profile for shareholders. That's the goal. We don't see any reason to accelerate the EBITDA margin at this point given the growth opportunity that we have. We're going to continue to keep going after VMD.

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

And the only thing -- the thing I would add there is that as we continue to focus on VMD, that means that we -- and bottom line, that means that we can spend more money in marketing. And off-line is obviously having an impact there, where that takes longer to pay back. But if we can step on the gas and deliver better VMD than we've promised, we're going to continue to invest and do that.

Operator

And our next question comes from the line of Mayank Tandon with Needham & Company.

Mayank Tandon - *Needham & Company, LLC, Research Division - Senior Analyst*

A question on insurance. Just wanted to dig into a little bit more in terms of the various types. Is it really all auto that drove the outsized growth? Or are you seeing traction within the other product types as well? And then maybe on that same topic, if you could talk about other insurance area that you might be targeting going forward.

J. D. Moriarty - *LendingTree, Inc. - CFO*

Sure. It's J.D. No, the mix is similar to what the mix has been. So just to give you some context, in QuoteWizard, we -- when we talked about this at Investor Day, about 79% of the business is in auto. That mix continues to be roughly the same. And obviously, the balance there is home and health. And so there's no discernible change there. We do view both home and health to be great opportunities, particularly as QuoteWizard gets integrated with LendingTree. Over time, there will be a huge advantage in home just because of the adjacency to our mortgage funnel. And one of the recurring themes you're hearing through this discussion today is our -- is how much opportunity there is if we route the consumer appropriately at the beginning of the process. And what we're really excited about is if you look across the business and you see scenarios where we're doing that. So that's personal loans, consumers ending up in credit services. That's a benefit. If we end up seeing great connectivity between insurance and mortgage, that will be another source of upside for us.

It ties back to the last question, which is managing the business for gain in market share and expansion. Obviously, if you have those opportunities in front of you that are all about execution and routing the consumer appropriately, you would just try to grow the size of the business as much as humanly possible to maximize that benefit, which is coming down the road. So as we look at insurance, the great opportunity in front of us is to marry that business with our mortgage business and grow the home piece of insurance the way that none of our competitors could. But that's a go-forward strategy. Right now, that mix is very similar to when we acquired QuoteWizard.

Mayank Tandon - *Needham & Company, LLC, Research Division - Senior Analyst*

That's helpful. And then if I can just squeeze one more in. J.D., in terms of capital allocation, I'm assuming M&A is still the focus. If you could maybe just speak to are you looking to expand your products or is it more about targeting new product areas? Just maybe your broad thoughts on M&A opportunities going forward.

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. Sure. So we're obviously thrilled with the diversification that we put in place. There is not a -- we spent a lot of time last year comparing QuoteWizard in our foray into insurance to CompareCards and our foray into card. Those are 2 very large wallets, very large opportunities. The only -- the 2 areas that we have been consistent that we're focused on from an M&A perspective, we spend a decent amount of time looking at what's going on, on the asset side of the balance sheet. So markets for -- emerging market for leads for financial products, right? Keep in mind we do have a very good deposits business, and that gives us some insights into the opportunity that exists there. So whether that's leads for financial advisers, leads for robo-advisers, things like that, we think that's coming down the road and that's something that we look at. Now whether that ends up being acquired or organic remains to be seen.

The other area where we spend a little bit of time is just looking at the opportunity in and around real estate. And so we look at that just because there's great connectivity going on between real estate and lending, and we need to pay attention to that ecosystem and so we spend time there as well. But as an overall M&A strategy, we've put in place so much diversification at this point that it's not an urgent need to diversify. It is literally businesses that we just -- that we know we can make grow faster. There may be a diversification theme to it, but it's not like it was a year ago. We have so much opportunity in the existing verticals that we don't necessarily need to go out and become more diversified. We'll buy good businesses that we can make grow faster.

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

And I would add that our analytics investment that we've put in place, plus the fact that we've got now 20 financial products, makes it easier to justify M&A and also makes it easier to not have to do big transactions because of our brand investment as well. So I'm thrilled with what our team has done in M&A. Our Board is totally supportive of the strategy, and we're actively looking and we're also, with the investments in product and the great product team we've got here, we're also actively building.

Operator

And our next question comes from the line of Rob Wildhack with Autonomous Research.

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

I think you mentioned that performance in the insurance business was driven at least in part by synergies earlier than expected. If we're looking out past 2019, is this more of you pulling forward some of the synergies you expected to realize in years 2 and 3? Or is the overall long-term growth profile of the business turning out to be faster than you expected?

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

So I'll take the synergy part. The synergies are coming with the ValuePenguin acquisition, and that is happening because we put the SEO teams together and now we've got 2 insurance brands so we can accelerate the flywheel. And that happened earlier and better than expected. And that also could enable us to look at other SEO businesses, and we're also really investing in that area. In terms of longer-term growth and percentages, what was your question again? Or J.D., did you get it?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. No. I think what you're asking is essentially how much of the guide adjustment was a pull forward of synergies and...

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

Yes. Exactly.

J. D. Moriarty - *LendingTree, Inc. - CFO*

And I'd go back to the earlier question, which is how much of this is just QuoteWizard outperforming. And the majority of it is that, right? The synergy -- I mean, ValuePenguin is a great business. It's a smaller business than QuoteWizard, right? So QuoteWizard was performing extraordinarily well. They get a great benefit from ValuePenguin for sure. But the majority of the uplift in insurance is not a pull forward of synergy as much as it's an outperformance of QuoteWizard.

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

And don't forget what J.D. just said about integrating insurance into our home equity product -- into our home products at LendingTree. That's -- we haven't begun to fight that yet and that's going to be wonderful.

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

Right. Right. And you mentioned that -- just on credit card, you mentioned that the external environment hasn't gotten that much better but the business is performing well. So to what degree, if at all, is your outlook for credit card dependent on the broader environment strengthening? Or do you think, if that does strengthen, that's just upside for this year?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. So we -- when we set our guide at the beginning of -- at our Investor Day, we assumed a neutral environment for card and we did not assume any improvement in the macro there. So we've outperformed, which is great. And obviously, if there's a better market environment for card, we'll revisit that in terms of the overall growth rate. But we're thrilled with the performance to date.

Operator

And our next question comes from the line of James Friedman with Susquehanna.

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

Great results here. It's Jamie at Susquehanna. I was hoping to ask -- so a couple of things. Doug, in your prepared remarks, you'd called out the innovated pricing model as a huge priority. I was just trying to -- I was hoping you can elaborate on what you were talking about there.

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

Sure. Particularly in our mortgage products, we've got -- and we've always had several different, call them, ad units. Clicks, leads, calls, and then you can also get deeper in the funnel. So we've been using -- and we don't want to disclose our secret sauce. We've got different consumer experiences for different advertising areas. We've got much tighter in our analytics in those areas. And so we can give lenders, for example, who might want clicks to their website. We're better at doing that or they might want to scale their call program. And as I mentioned, our RULO, or new mortgage experience, which is a selection-based model, that's moving along well. So in all of our products, what we seek to do across the board is to deliver the advertiser, or the lender or the insurance company, or the company helping a customer with something else, or the auto loan company, et cetera, we just want to deliver them the value that they expect. And as long as we do that, they continue to buy more from us. And then as the markets change a little bit, we can adjust very easily.

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

Okay. So similar to what you were talking about at the Analyst Day in December. I want to ask next -- oh, so on insurance, just J.D. or Doug. But could you talk a little bit about the linearity -- I mean, not on insurance mortgage. I'm sorry, mortgage. Could you talk a little bit about the linearity across the quarter? And if you don't mind, is April better than March?

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

Well, we're not going to tell you about April and March because that's baked in there. Generally, though, I can say that lenders are healthier. And also -- and so that is really what is giving us optimism. The lenders are healthier, therefore, they can increase their buys and increase their spends, however, offset against the capacity constraints that we just talked about.

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. I mean, I guess all I would tell you is that we obviously can't comment on April. However, when you look at March at the end of the quarter as volume goes higher, right, the result is that our cost to acquire the customer will drop. And we've got to get paid for that customer on the other side, and there's that mismatch and timing mismatch effectively. So while we're encouraged by the trend in volume at the end of the quarter, we emphasize that it really was at the end of March. And so the ability to benefit in terms of revenue was somewhat compromised. If that trend continues, that's a good thing for our mortgage business. But I would look throughout the quarter, to your point on linearity, one of the things that we talked about was at the beginning of the quarter, we had a better rate environment. That was largely better because it was just breathing room for lenders and lender health. It was an external stimulus to lender health that we were trying to solve for, for 3 out of 4 quarters last year or for an entirety of 2018, to be candid.

So getting that rate environment for lenders was a good thing. But it didn't mean that we were suddenly back in a go-go refi environment. Only at the very end of the quarter did rates dip to a point where there's a significant number of Americans who can benefit from a refinance. That number is up dramatically. That's a better environment that you got to keep watching rates to see whether that plays out for our benefit.

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

And then remember, as lenders increase or decrease advertising, that impacts our spend. So there is an offset. There's always an offset but generally moving better.

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

I know it's weird to ask about April, but Visa and Mastercard, just so you know, had a lot of conversation on their calls about April. Let me just try one more. So in your prepared remarks, Doug, you called out on the card side adding 2 -- I thought you said 2 new issuers and 10 subprime. I may have messed that up, I apologize if I did. But what is subprime? Like is that a private-label card? Or is that a co-brand card? Or is that like just a low FICO general-purpose card or something else?

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

Really all of it. And you can go check it out on the website. But think of it -- I think of it as just being able to expand the credit spectrum down. You get some companies who that's all they do, is focus on subprime. And you have companies that are in the prime space that expand and maybe add another card in there. And I'm looking at my team here to see if we have secured cards up. Do we? We don't have secured cards yet. So there's more opportunity. We've always viewed the subprime opportunity as a big thing for us and potentially for lenders. Obviously, lenders are very cautious moving back into that still since 2008 when it went away. But that's just really -- any time you had a card issuer that's covering something you weren't covering before, it expands your expected values and your ability to market.

Operator

And our last question comes from the line of Kunal Madhukar with Deutsche Bank.

Kunal Madhukar - *Deutsche Bank AG, Research Division - Research Associate*

Great results. A couple of quick ones on the insurance side. One, can you remind us what the revenue base in 2018 was from where you expect like 30-plus percent growth in 2019? And then on the insurance side, the way I kind of understood it was that insurance carriers are still not giving like bindable quotes. How is the user experience different versus every other product that you offer? And how are you managing that consumer experience?

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

So it is -- So I'll take the second part first. This is Doug. The insurance carriers in the U.S. generally don't offer bindable quotes in a competitive situation where they are head to head next to each other. However, the clicks, leads and calls model, where we can get close to -- where we can recommend the right carrier that we think is going to give you a very good deal, that is effectively the business.

And over time, we think that bindable quotes will become -- it'll be easier to do in some of our -- in all of our other products or most of them. Credit card, by the way, functions very similar to insurance. You click out to an application of another credit card company. But in mortgage, for example, those are offers that you can get because we've pulled credit against you and those lenders are making those offers in a competitive environment, and that's generally the same across all -- most of the other loan products.

J. D. Moriarty - *LendingTree, Inc. - CFO*

And Kunal, your first question was insurance year-on-year. We did not publish a release -- a full year number for QuoteWizard. We have with this quarter indicated what the growth is from Q1 of '18 to Q1 of '19 in insurance of 63%. So you can see that. But we did not go out with a full year number for '18.

Operator

Thank you. And that does conclude our question-and-answer session. I would now like to turn the call back to Mr. Doug Lebda, Chief Executive Officer, for any further remarks.

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

Thank you very much, and thank you, everybody, for coming today. Thank you for all of the great questions and the engagement on our company. It's something we're just very, very happy to see and very proud of what we built.

A couple things I would encourage and highlight in trends are, number one, increasingly look at LendingTree and all of our products together. Things will move individually inside of any individual market. Things will move individually for supply and demand. Marketing costs go up and down. But we've always focused -- we're giving the consumer a single path. But we always focused on VMM and the bottom line.

And to that end, we also are investing this year. We're investing smartly, obviously, in brand, but also product and we are seeing it pay off. We will always give you some of that in an increased EBITDA, and we will also continue to invest.

Our team is doing phenomenally well. Across the board, people are executing, people are hitting numbers, beating numbers, hitting deadlines, beating deadlines, and I can't thank them enough for that.

And then the last thing I would do is just close with one statistic. For those of you who've been around a while, in less than 5 years, LendingTree's revenue -- LendingTree's EBITDA this quarter exceeded the revenue from the same quarter 5 years ago. And I'm incredibly proud to see that we actually are able to continue to grow, continuing to grow profitably, invest, and we'll talk to you next quarter. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Everyone, have a great day.
