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CORPORATE PARTICIPANTS

Andrew N. Wessel *LendingTree, Inc. - Head of IR*

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

John David Moriarty *LendingTree, Inc. - COO & President of Marketplace*

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

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

CONFERENCE CALL PARTICIPANTS

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

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

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

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

Ryan John Tomasello *Keefe, Bruyette, & Woods, Inc., Research Division - Analyst*

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

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the LendingTree Second Quarter 2022 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Andrew Wessel, Vice President of Investor Relations. Please go ahead.

Andrew N. Wessel - *LendingTree, Inc. - Head of IR*

Thank you, and good morning to everyone joining us on the call this morning to discuss LendingTree's Second Quarter 2020 Financial Results.

On the call today are Doug Lebda, LendingTree's Chairman and CEO; J.D. Moriarty, President of Marketplace and COO; Trent Ziegler, CFO; and Scott Peyree, President of Insurance.

As a reminder to everyone, we posted a detailed letter to shareholders on our Investor Relations website earlier today. And for the purposes of today's call, we will assume that listeners have read that letter and we'll focus on Q&A.

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

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

With that, Doug, please go ahead.

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

Thanks, Andrew, and thank you all for joining us today. The current volatility in the economy has obviously caused pressure on consumer demand for loans and lender demand for new borrowers. Our company has operated through difficult stretches like this in the past and consistently emerged as a stronger and more profitable business. We are in a much better position today than ever before to manage our day-to-day business in this cycle and also be able to make strategic investments that we committed to earlier in the year, including to dramatically improve our customer experience, drive higher brand awareness and draw new customers to our platform at a time when others are scaling back. .

Our updated guidance acknowledges the financial impact of a slowdown in borrower, lender and insurance carrier demand. Despite these headwinds, we are forecasting that segment-level profit ex brand spend will be roughly flat in the third quarter compared to the second quarter which speaks to the resiliency of our business model. Our leadership team has remained focused on managing expenses having reduced headcount since the peak of mid-2021 by nearly 15% through a targeted workforce reduction, a restricted hiring plan and backfilling vacant positions sparingly when they occur. These actions helped limit operating expense growth to 3% over last year despite the current inflationary environment.

This is a unique period for us as a company when 2 of our 3 segments are generating trough-like revenue due to significant macroeconomic headwinds. However, we are managing the business with a focus on helping our partners when they need it the most, while taking purposeful steps to position ourselves to win on the other side of this cycle. For example, in our Home segment, we are actively working with our largest mortgage partners to roll out home equity loan products that historically have not been a high priority for them. We know homeowners with historically high levels of equity today or learning to efficiently borrow against it. We see that desire in the 62% increase in consumer volume for quotes in the second quarter. By helping our partners pivot during a challenging point in the cycle, we're improving outcomes for both constituencies.

The standout performer again for us during the quarter was the consumer segment as personal and small business loans grew revenues 68% and 81% over the prior year, respectively. Our pipeline of new TreeQual partners continues to grow, and we expect to have a few new partners to announce that are going live with us in the third quarter.

The insurance business has been negatively impacted as carrier partners continue chasing inflationary trends with premium increases. While the business performed relatively flat quarter-over-quarter, based on ongoing discussions with our partners, we are dialing back our expectations for material growth through the end of this year. However, when insurance companies finally believe they've repriced their policies appropriately for the economic environment, we expect to see a super cycle of consumer shopping emerge. Historically, in such periods, our business tends to generate returns well above normal for a period of time. We thus remain very optimistic about the future at QuoteWizard.

Finally, I'm very excited about our new omnichannel marketing campaign we launched recently. We chose this time to draw attention to the ongoing work of improving the customer experience as we laid out in our Investor Day. Our financial resilience is allowed for this investment, while the steep decline in advertising rates has allowed us to return to brand advertising at a time when it is much more efficient to do so. It is still early, but we're seeing promising signs of engagement driven by the campaign, and we look forward to benefiting from this investment in the months and quarters ahead.

Now operator, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

So your first question comes from the line of Ryan Tomasello from KBW.

Ryan John Tomasello - *Keefe, Bruyette, & Woods, Inc., Research Division - Analyst*

Help contextualize the earnings power of the business. And I was hoping to put a finer point around that, specifically when you talk about 4Q being trough earnings capacity, does that comment still hold if the macro backdrop weakens and the implications that, that would have for the consumer segment beyond just the current headwinds in mortgage and insurance? And I guess, taking a bigger step back, realizing the company has operated through numerous cycles. But the business in its current form with the added diversification is a bit more untested. So it would be helpful to get your thoughts around the puts and takes of a recession performance for the business in its current form.

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

I'm going to like to Trent, J.D. Start on the first one, and we can all sort of comment on a recession posture. And unfortunately, we've lived through that a few times.

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

Yes. Ryan, I guess what I'd say is -- as we thought about guidance 3 months ago, right, when we obviously revised our initial guide down a little bit, at that point, we retain some optimism with regard to the macro. And I think our posture around the outlook for the remainder of the year has sort of removed any sense of optimism from a macro outlook standpoint. And so we feel like we've got mortgage and insurance sort of already operating at near trough levels, and middle consumer has continued to perform well throughout the first half of the year. But I think we've obviously got to be mindful of the risks that are present as we think about the recessionary outlook for the rest of the year. And so we've certainly done our best to account for that in our outlook for the remainder of the year.

I think as it relates to what we're seeing in the consumer segment, in personal as in particular, it's interesting, right? What we're seeing is balance sheet lenders in that space continue to be active, right, and desirous of origination. Some of the lenders in that space that are more reliant on external capital partners are starting to dial back a little bit with regard to their appetite for credit risk. And so we're starting to see some of that -- and I guess what I'd say is -- we're conscious of that. The possibility for that to get a little bit harder is reflected in our current outlook. What I don't think we're going to see is what we saw in the teeth of the pandemic, where basically, the appetite for risks just evaporated overnight. We feel like we've got a little bit better line of sight into sort of how that will trend over the next 6 months in terms of appetite for risk.

John David Moriarty - *LendingTree, Inc. - COO & President of Marketplace*

Yes. Ryan, I think Trent summarized it well. As we said at the outset, 2 of 3 sectors going through a historically bad time. It shouldn't be lost on everybody that this consumer segment having a very good year, right? Each of personal loan, credit card and small business -- second quarter revenue year-on-year up 40%, up 22%, up 81%. Those businesses are having a good year, but as we think about the prospect of a recession in light of the dynamic -- the credit tightening dynamic that Trent was just talking about, we have to adjust our forecast for that segment, and that's kind of the only one that doesn't have quite the headwinds, right? So we've tried to adjust our expectations.

To put this in context, if a personal loan lender increases their APRs as some of them have recently. What's going to happen there is just our close rates will go down because the consumer pull through, the borrower pull-through will not be there. And as a result, our economic opportunity will shrink a bit. So that's what we're adjusting for in that guide. It doesn't mean that the PL business is not a healthy business. We're just a -- as we look at the back half of the year, and we think that's the right thing to do. As it relates to Home, we're thrilled with progress in something like Home equity, it's just really hard when the refi pool, the eligible refi pool is as small as it is. We're trying to push on purchase because that's a good opportunity, but it's hard to make up for the paucity of refi.

And then in insurance, and Scott can certainly speak to this, we just know that for the remainder of the year, given the inflation struggles, it's not likely to recover. And so we're just going to execute and try to do all the right things to be in a better position when that spend comes back. As you think about each of Home and insurance, we do spend a lot of time internally trying to compare it to previous periods. The most recent period for Home would be 2018 when our lenders were laying off loan officers but certainly, the spike in rates was not as significant. And so it's not a perfect comparison. And Scott can expand on the last time the cures had difficulty here, but it wasn't necessarily tied as much to inflation as it was to operating performance.

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

And the only thing I'd add on the recession stuff and Scott, if there's anything as you've been through cycles and recessions and insurance, I love to hear what happens. But typically, what you would see is -- in the consumer segment, lenders would be demanding less volume as they tighten up their credit spectrum and are lending less. However, A lot of that has already happened in the market as you look at the digital lenders who have been adjusting underwriting criteria, and you see that reflected even though they're doing that, our numbers are obviously doing well. So I think that would hold up better than it normally would. And then in Home in a recessionary environment, you see a huge spike in consumer demand because rates go down and you get a huge refi bump.

At the same time, our lenders will moderate their need for us a little bit, but your cost per lead, if you will, if your RPL is staying the same and your cost per lead is going down dramatically and the volume chugging through the system is up dramatically, your Home business typically does very, very well. And then the thing I'd add that J.D. alluded to in conversion rates, that's why our initiatives or so -- the strategic initiatives are so important. Just hitting on 2 there, TreeQual at scale and our ongoing digital initiatives to interface more with the major personal loan and credit card lenders. If that works, that's going to have a dramatic improvement in conversion rates. We'll just have dramatic pull-through on unit economics. And then on mortgage, the Marketplace 24 project, which we had laid out at the beginning of the year, that now being mostly done and being optimized from here on out, makes our consumer experience in mortgage much, much better. And I'm actually proud to say I don't normally say this to folks like you, but go check it out. It's actually a really good, if you go to our homepage and a lot of times in the past, we haven't been able to be as proud of our mortgage experience as we are right now.

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

Yes, to hit on insurance real briefly. The insurance industry, it's much more resilient against recession than it would be against inflation. You look at the major product lines, whether it's auto or home or health, the government and/or lenders require consumers to have insurance on all those products. So those keep going even in a recessionary environment. Inflation is just where we're at right now, and that's the top one where the carrier is just do not have a lot of confidence in the rates that they're charging consumers and whether those rates are profitable or not which they have not been for quite some time. So the current environment is the trough point for insurance.

Ryan John Tomasello - *Keefe, Bruyette, & Woods, Inc., Research Division - Analyst*

I appreciate all that detail. And then on home equity, is there a way to frame how much upside there could be there relative to 2Q levels based on the existing partners that you're mentioning that you're working with to onboard? And I guess for purchase, with mortgage rates trickling down from their near 6% highs in late June, has there been any incremental signs of strength there as home buyers settle into the new environment?

John David Moriarty - *LendingTree, Inc. - COO & President of Marketplace*

Sure. So Ryan, we spent a lot of time internally just talking about home equity. Just to put this in context, the most recent quarter, recent 2 quarters. There are levels for us that we've just not seen historically. So we've seen a real spike there. And so then when we look under the hood, we say, okay, how many of our partners are buying home equity? And that's up meaningfully in the last 2 quarters, which is great to see. Now as we've talked about in the past, we certainly have some lenders who buy a home equity lead, meaning a consumer who is inquiring about home equity, and they may try to actually talk them into a different product. We recognize that. They may try to talk about the merits of cash out refinancing. And that is some of what is going on. It makes it a little bit more challenging to identify the size of the market opportunity there. Now certainly, I think what is going to occur. What is a little bit different about this cycle is the amount of equity that people have in their homes. And so we are seeing examples of lenders who are in other product lines who are adding a home equity product, adding a second lien product, things like that. That would be a great development for us because it's a better product for the consumer or might be a better product for the consumer. It's just very hard to identify a size of market for you. There are a bunch of traditional home equity lenders, credit unions, et cetera, who are not typically our core customer. They don't do quite as well with those customer introductions. But I mean, we're already at levels that I don't think -- 2 years ago, we would have thought we would have seen in home equity. So just to give you some sense, we're not forecasting as if it can grow to the sky. We're being somewhat conservative there.

Now as it relates to purchase, the revenue per lead in purchase is very, very strong, so we're thrilled with that. We need to deliver more on the volume side right now. In previous cycles, we've done a better job of getting to volume and purchase. So that is something that we need to work on. And Doug just talked about the improved consumer experience, we think that will be part of it. If you go through that experience, it's intended to be a bit of a more of an advisory experience, what you should expect in the next stage of this process. And so we're putting a little bit of friction into the process of filling out your form to make the consumer think about it a little bit more and understand what's coming up next. We think that's a better consumer experience. We think it will lead to a better purchase experience. One of the headwinds that we've had in purchase is declining inventory, right? And so recognize that even though the purchase market is strong, if inventory is low, the ultimate conversion rate will be weak for our purchase lenders. And so that has been a headwind. So as you see signs of inventory loosening up in the housing market, probably net a good thing for us in our purchase business.

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

And the only thing I would add on J.D. made the point about RPL increasing, lenders will switch from refi to purchase as refinance volume goes down, but we're also obviously making concerted efforts there. And as that RPL goes up, then at some point, you'll be able to actually market come to LendingTree for purchases it will be profitable. Today, most of that traffic comes in largely sort of drafting off of, mostly just broader mortgage stuff. And then on home equity, as J.D. alluded to, with these lenders getting back into it. I'm old enough to remember a time when home equity was as big as refinance in our business and the RPLs were significantly higher. Now that was in 2005 to '08 when obviously, credit was sloshing around a little bit. But importantly, it was more related to automation and the fact that -- these lenders had sunk a lot of money into automating and to be able -- and which improved conversion rates dramatically, which improved RPL. So I would expect it as it comes back with the automation that's happened in the last 10 years. These lenders just need to -- the loan depots and others just need to remember how to do that, but they did that highly, highly successfully in the past cycle.

Operator

And your next question comes from the line of Youssef Squali of Truist Security. .

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

A couple of questions. I guess in the letter, Doug, I think you talked about consumer segment prospects increasingly and certain. That's 1 of the 3 businesses that continues to do well for you. So I'm just trying to get a sense of are you seeing anything tangible in your business quarter-to-date? Or is that just based on the macro concerns that we're all aware of? And then maybe stepping back and -- and looking at the kind of the -- just all the pressures on the home and insurance. I was wondering if maybe you can help us delineate between macro pressures and perhaps any kind of competitive pressures that are out there? And any kind of sense of whether how the market share has kind of been moving at least in the last, call it, 6 to 9 months?

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

I'm going to let these other guys handle the market share, and I'll just start with the Consumer segment. And I alluded to this a little bit, and we know this, you can see it from the public personal loan lenders. They have all pulled in their horns, so to speak, by as they change their underwriting criteria to make up for past sins. And by the way, you see that and that will happen time to time and all lenders are not the same, and that's what makes a marketplace. But if they pull their horns in, they raise their APRs, they raised their rates that they're going to charge and they reduced the -- they increased the FICO score that it requires, for example, and they upped the credit quality. And all of that then is the negative pressure that you would allude to in that business. If people were running at wide open filters and giving subprime borrowers 6% loans, it would be a different story. So you just see that at the margins as lenders adjust their underwriting criteria. Once they get certain of things and as their outlets for loans are there, then they open it up. They want to all just originate profitably, and we want to help them. But basically, as they pull in, the increase in price and the decrease in people that they're willing to offer it to. And that's the pressure. But by the way, like it's -- I think you're seeing it now, and I think we've mostly seen it, and that's why I said, even in a recession, I'd be -- it wouldn't surprise me that things would come in more. And at times in personal loans, you had the entire capital markets (inaudible). And then obviously, it's a different story. But even then the business is pretty resilient to weather through that. But I don't see anything like that necessarily happy. J.D.?

John David Moriarty - *LendingTree, Inc. - COO & President of Marketplace*

Yes. All I would add is, I mean, if we look for -- we look for the signs of it, right? We've seen some tangible signs as Trent pointed out, there's some behavior differences between type of lender. So as Trent pointed out, like there's a little bit of tightening of credit box with a couple of key lenders. They're still active. They're still looking to grow. It's just -- they're going to tighten the credit box, you're going to take up the pricing. And keep in mind, in personal loans -- the majority of our compensation is on the back end based off of a close rate. So we have to prepare for that close rate to be worse. That's one.

In credit card, we watch approval rates, that's not quite as transparent, but we watch the approval rates, and that's something we'll look at there. And so that's implied certainly in our guide as well. And I guess I should just emphasize late in the second quarter, early in here in the third that we've seen this, and it's the beginning of that. It is not at all, as Trent pointed out, I think, well earlier, like the last time that business went through a difficult period because of capital markets concerns. It is a very rational kind of tightening, which is pretty healthy. But we have to prepare for how that rolls through our mix, right? The consumer business has been positively affecting our mix. It is a high-margin business for us for the most part. And so we have to prepare for that.

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

And on the -- on market share, I'll just -- I don't have specific information at my fingertips, maybe somebody else does, just couple of anecdotes. Obviously, in mortgage, as the market shrinks, we're going to have a rising share of the overall market. However, we don't like to take that to the bank and pat ourselves on the back too much more. But what we do like are seeing the signs when, for example, one of our major lenders recently cut-off all of the other -- all of our other competitive aggregator/marketplace sources except for LendingTree, which also -- which goes to show that if we can provide enough volume at the right price, and they can actually convert it and make money, they're going to -- as they shrink their marketing budgets just like in times we shrink hours, we love to be the place that they shrink to last. And that now -- that helps our competitive position massively. And I think that's where you'll see the share gains. Now we've got to wait and see how some other companies report. But -- and in addition to that, when you're driving volume through TV in a new brand campaign that has a -- not only are you driving high-quality volume there, but it also has a halo effect on search, which is also high quality, which means it converts for the lenders. And that's where our brand enables us to do those things where some of our competitors because their unit economics aren't that high. They can't go do that. So then they're stuck in affiliate land and a little bit of search.

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

And Doug, I'll hit on insurance, real quick, just to comment because we're very confident that in a in a world where the marketing dollar pie is shrinking in property and casualty insurance that our piece of the pie is growing by quite a bit. Our paid search traffic is up 78% year-over-year. Our SCO traffic is up year-over-year. Some of the initiatives I talked about at Investor Day, our agency business is up 140% year-over-year. Our direct-to-click product is -- the volumes way up year-over-year. Our inbound calls product volumes way up year-over-year. So we are highly confident that we've been gaining a lot of market share in this environment and that we're set up very well that when the pie starts increasing, which is inevitably will, we'll have a much bigger piece of that pie.

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

That's great. Maybe just one last one, if I may. In terms of capital allocation, can you speak to the buyback and potential. How much of it can you do at this point? And any interest in even having some insider buying to kind of send the right signal down here?

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

Let Trent handle that one. It's -- we're not thrilled with it because we'd love to be buying back stock, but take it away, Trent.

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

Yes, I'd just say, I think we alluded to this a little bit last quarter, but we obviously, struck a new credit agreement last fall that enabled us to issue the term loan and pay back the convert maturity that we took care of in the second quarter. As part of that credit agreement, there are certain restrictions around things like buybacks and other investments that -- we basically have unlimited capacity buying back the stock, if and when our net leverage is sub 4x. As of the end of the quarter, we're a little bit above that threshold. And so we get into sort of a restricted payments bucket that would enable us to be buying back the stock, and we have exhausted that capacity in Q4 of last year and Q1 of this year. And so our hands are a little bit tied with regard to the buyback.

Now that said, we're happy with the fact that we're sitting here today with nearly $300 million of cash on the balance sheet. We're actively looking at ways to deploy that cash. Unfortunately, the buyback option is not really available to us, but we're important ways to think about how to deploy that cash, whether it's M&A, whether it's delevering a little bit. And so stay tuned on that front.

Operator

Your next question comes from the line of Jed Kelly from Oppenheimer.

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

I guess -- can you talk about the strategic decision to invest in brand and kind of looking at the numbers, it kind of implies you're going to spend about $25 million or so, which, I guess, given the net leverage with the EBITDA is a pretty big decision. So can you talk about the strategic -- the strategy behind that? And then when should we expect that TV spend to start to benefit the revenue and margin?

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

I'll take the first part and then let Trent take the second part. And just -- I'll hit the second part a little bit. Whenever you spend money on TV, you have an expected return over a period of time, and we're tracking that now. It's too early to know. But we will -- I think we'll keep you posted, but it's typically a 6-month period as it builds. And -- but on the strategic reason, I've said in the previous call, you guys have probably heard me say 100 times in investor meetings that when we have a customer experience that we're proud of, and the economic support it that we're going to go tell the world about it. And one of our major initiatives this year was called MarketPlace 24, which was a complete revamp of our mortgage experience on the marketplace side and we got it done. We tested it. Consumers loved it, liked it a lot more than what we had. It was a really interesting thing and that it embraced our phone calls and help consumers negotiate as opposed to trying to eliminate them, which I thought was -- which was a really interesting innovation of product design. The product looks great. And so we said, all right, can we afford it and we can, and ad rates were extraordinary low. And as we all looked around it, we said, now is the right time. And in addition to that is it hits all of the other strategic levers, too, because I already mentioned the high-quality volume for lenders.

And then in addition to that, on the consumer side, as rates go up, the notion of comparison shopping is even that much more important. So it's highly, highly relevant in a rising rate environment. And -- the media buying, as I said, was favorable. And when we tested these ads, they scored as high as anything that we've ever run. And then interestingly, we tested 50 different taglines, and when banks compete, you win, still came out on top. So you'll see that on the ad. And they're doing really, really well. So we think that it's a breakthrough campaign as monetization improves. We think it's a great basis to do more. And inside of that $20 million, all have it, give or ish, maybe a little less is fixed cost that you expensed onetime. So I wouldn't expect that our production costs would be as high in the future. We also have a personal loan spot out of this too at a time when that business is doing pretty well. So that was -- and it wasn't a huge number, right? But we also wanted to do it at a level of -- when you run media you've got to do it at you can't just trickle it. You got it. We have to do it at a level over a period of time, which we're doing that you can measure it and see it have an impact, and we thought that roughly $10 million in media spend was the right number. And if it works, we'll keep doing it, but it will -- as RPLs go up, at some point, that -- back in the old days, all we did was TV and it made us money every month. So you just got to get your RPLs to a point where it's profitable because all we did was TV and it made us money every month. So you just got to get your RPLs to a point where it's profitable. And we and -- nice thing is when you look at all the other fintechs doing TV advertising and losing money over it, we only do we're confident that it's actually going to hopefully fully pay back at least breakeven and help all of our other channels. And so we can do that way profitably than any other fintech.

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

And then just as a follow-up, how much branch should we expecting in 4Q?

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

Yes. So Jed, we're -- as Doug said, right, I mean, the number that's affecting Q3 is about $20 million, nearly half of which is really onetime in nature to produce the ads and some of the launch expenses and some of the ancillary media around the launch. The media itself is intended to be very heavy in July and August, where we think we're going to get the biggest bang for the buck around it, and then we'll back off of it into Q4, right? I mean, very intentional in the period of time in which we're spending the media. Q4 we think historically about when we've been on air with campaigns. It's very light in the fourth quarter because the cost of media tends to go up because you're competing with retail and other things around the holidays. And so the current guide doesn't contemplate much, if any, media spend at all in the fourth quarter.

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

We currently don't run a lot of TV in Q4 for exactly as Trent said. .

Operator

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

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

Back to the mortgage business. I think you guys said you group purchased maybe 6%. That's obviously implying that refi is down pretty sharply. I think we can probably back into this, but I'm hoping maybe you could shortcut it, but what is the overall mix of purchase versus refi today, maybe what that looked like last year? And what you guys expect that make to look like going forward?

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

Do you want -- I have it in front of me. I'm just not sure how much we give away.

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

It's a little bit challenging, John, because we don't to give you a sense we disclose that number -- the reason I'm pausing is that 6% number.

Yes, what's the 6%, John, right?

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

The 6% that was the purchase mortgage growth, I think, that you guys called out in the shareholder letter.

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

Yes. So purchase up 6% year-on-year, that's right. I think what you're -- Okay. So I apologize. They're 2 different 6%. So we were talking about 6% around home equity RPL. But you're right, purchase revenue grew despite volumes being down from a year ago. And that's the home scarcity that we've talked about. That's right.

Unidentified Company Representative

Yes. I mean, John, the declines and the weakness that we're seeing in mortgage is obviously driven by refi, right? The purchase business remains reasonably resilient relative to, obviously, the activity that we're seeing in refi. We think the opportunity going forward is in purchase for obvious reasons, right? The rate environment is not going to do us any favors from a refi standpoint. And so we've got to lean in on purchase and on home equity, and that's what you've heard us talk about so far.

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

And I'm sorry, we can't be more precise there. If we get a little more precise, you can back into all kinds of fun numbers that we wouldn't want our competitors do.

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

Understood. I mean, I think at one point, there was something -- I can't remember if it was an Analyst Day or maybe in a filing, but it seems like it was obviously, very, very -- very refi heavy a couple of years ago. I guess the question is, do you think you can take purchase over 50% of the mix going forward?

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

Yes. Refi is still roughly, I believe, 3x what purchases, but that -- and that is because the RPL is roughly twice as much. But as I said, but the RPL in refis will come down, as J.D. said, because fewer and fewer borrowers are going to qualify and the RPL and purchases going up as a combination of both lenders switching over, plus it getting better, plus we think then you layer on that. We hope our new mortgage experience helps it even more. but that's for the future. But yes, you could -- I'd want to see that, though, on growth of purchase as opposed to reduction in refi. And so they operate somewhat independently, but when you can advertise, you pick up both, but it really comes down to as RPL's climb, and that's why we're in our strategic initiatives, conversion rates go up and then we can advertise like that we can drive a lot more volume in ever it's profitable, we're going to do it.

John David Moriarty - *LendingTree, Inc. - COO & President of Marketplace*

John, to give you a sense, though, we're happy that purchase RPLs are where they are. They've increased nicely, which is great. To give you a sense, Q1 refi was approximately 3x purchase, okay. Q2 refi was, call it, 2x purchase overall. Now the one notable thing is that home equity was actually bigger than refi. And so we would love to see purchase move in that direction and become the contributor that home equity is, and that's actually an opportunity, but that's -- that scarcity of inventory is a headwind that we've been managing for.

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

Okay. Makes a lot of sense. I appreciate that. And then on the higher investment spend and obviously, a little bit of a reset on EBITDA. I mean, given where the kind of investor sentiment is and given, I think, Doug, what you mentioned about the cost of media. It seems like now is the time to kind of pounce on that. So I totally get that. But maybe for Trent, how should we be thinking about the free cash flow from here? I don't know if you -- maybe a free cash flow conversion off of your adjusted EBITDA, is there a way to kind of frame that up?

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

Yes. I mean our adjusted EBITDA that we report is actually a really good representation of cash flow, started an adjusted EBITDA back out CapEx, which is a pretty small number, right, sub-$5 million a quarter, and that gives you a pretty good proxy for free cash flow, right? And so I mean again, as we look into the back half of the year, based on that math, Q3 might be closer to breakeven. But as we get back into Q4 with -- in the absence of the onetime brand spend, we fully expect to continue to generate positive free cash flow.

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

So basically a reset in EBITDA, but you're still pretty cash unitive.

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

That's right.

Operator

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

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

Just to start on credit card. I saw that revenue per approval was up 26%, but revenue itself was only up 22%. That implies approvals were down. Is that an inflection into a decline in this quarter? And then how do you think about both the volume and the price side of that business going forward?

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

I wouldn't read too much into that. We mentioned earlier, though, that we obviously are watching approvals. We've seen a bit of an approval rate dip in certain -- with certain of our issuers. Recognize that as we go into the third quarter, we've got some issuers who try to launch new travel-centric cards and that opportunity is something that's a big trend. So that does tend to -- when there's a launch of a new card or a new orientation for an issuer with a card that has real merit, that will be more contributory than just a straight readthrough of -- okay, revenue grew 22%, but RPA was up 26%.

I would focus a little bit more on the opportunity to grow with our issuers and our key issuers, that's more important to us. But we did mention there have been a couple of instances of approval rates that have been a bit lower. And so that does factor into our guide. That and what we've seen in personal loans that is accounted for here.

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

Okay. Got it. And then -- yes. And bigger picture, I'm hearing that the strategy is one of continued investment to come out better on the other side when trends are better in home and insurance? And in consumer, you kind of did that when you spent through the pandemic, and that business has definitely been growing, but also hasn't really gotten back to 2019 levels. So I'm wondering if there's anything that you learned or can take away from the decision and strategy in consumer during the pandemic that you can apply to home and insurance, which are maybe having a tougher time right now?

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

Do you want me to start? Yes, so it's interesting we talk about investment, and I think that word gets tossed around, not by you or us, hopefully, but by some other people. When we're talking about an investment, it actually means typically that we're going to lose money on something for a period of time, and we expect that to have a return. I can -- and by the way, like you could break it down to each of our key strategic initiatives on Tech are all investments -- chew up a large amount of our tech and product spend that you see on the -- on our income statement. And by the way, at some point, some of that work ends and then hopefully, new ideas come in. So -- but then through the pandemic and in all of our marketplaces, you market to the last profitable dollar that typically gets you to that 30% overall margin. So if lenders are asking for borrowers and we can source them profitably from any of our marketing channels, that's what happens. So it's not like we went negative in personal loans to -- through that -- because through the pandemic, there might have been times where we will go slightly negative on marketing in some particular area, in some particular subsegment, but it's really not our practice. We run the marketplace to get every customer in that we can profitably and deliver the volume to lenders that they can actually close. Does that make sense?

John David Moriarty - *LendingTree, Inc. - COO & President of Marketplace*

Yes. I mean, listen, Rob, part of the question, we're happy with the recovery in our consumer segment. There are a bunch of businesses under the hood there. And you have to recognize as I go through them, the progress in personal loans and small business and credit services is pretty extraordinary. We're actually really thrilled if you look at those businesses on a monthly basis and you look at the size of the network, we're really happy there. Card is the one big business that -- it's having a good year. We're on better footing. But when you compare it to 2019, it's just a tough comparison. And by the way, that's true of some of our competitors as well just because of the environment for card.

And then the other business that's materially behind 2019 is student and that's for reasons that are candidly related to government intervention and student debt situation, right? So what have we learned from that experience in spending through the pandemic. We've learned that you've got to weather the period, you got to be making investments, don't freeze. Assess whether it's a good business. We knew that the personal loan business, the credit card business and small business, in particular, were good businesses, and we're thrilled with the investment that we put behind them. That's what we're doing in home, and that's what we're going to -- and we're doing in insurance. And so honestly, I guess what we learned, it is -- don't get rattled when the market goes away. If you think about what happened in the second quarter of '20, we had every reason to be very concerned about those businesses and the investment has paid off.

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

Yes. I have one other learning as I got to think about it here, which is during the pandemic, and this is somewhat boring, but operationally, we got better at managing each individual marketplace of whatever loan type and subsegment it is. So like when we talk to you guys about home, underneath that is purchase mortgage, refinance mortgage and home equity and underneath home equity, underneath purchased, you have found a home and not found a home. And underneath refi, you've got different subsegments of that. And the ability for us in choppy waters in any one of those things, whether it's a credit card -- and so let's take credit card, which J.D. was just talking about. The marketplace there is literally down to the card. So as J.D. said, somebody wants to put more travel rewards cards out, then we make a market for those cards. And managing that on a minute-by-minute, day-by-day basis, not entirely automated, but much of it is with a great analytics group and a lot of communication and process, that's what's helping us. And insurance, by the way, Scott could talk to it, does that extraordinarily well. And I think that marketing and marketplace discipline between the 2 sides, I think, has enabled us to do better than others in this environment and maximize our earnings. And by the way, that's how marketplaces work, right? You just got to keep finding. You got to manage each of those areas so that you can grow the whole pie. Scott, anything to add on that?

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

Yes. I would just say the focus in downturns like -- you just really want to control as many high-intent consumers as possible that are searching for the products that our clients are buying. And that's what we're really focused on doing. I think in an advantage of being part of LendingTree compared to other competitors that may be single lane products is you can make these decisions of like, I'm going -- and monetization has gone down, I'm going to make some sacrifices on gross margins to make sure I'm continuing to control more and more high-intent traffic. And that's I am positioned extremely well with the clients because they -- that's what they want to spend their money on. And then investing in and building the products and improving the products that the clients want to spend money on over the long run. And I think that's what we're very good at focusing on. So yes.

Operator

Your next question comes from the line of Cristopher Kennedy of William Blair.

Unidentified Analyst

This is Mark on for Chris. Just wanted a little more clarity with TreeQual. So during the Analyst Day, it was kind of alluded to that by end of this year, early 2023, TreeQual is going to be the main form of interaction between LendingTree and lenders. So I just wanted to see what the current progress, if that remains on track? And if not, with preventing that and what would put the company on track to accomplish it?

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

Yes. So a couple of things. We still have -- we have 3 issuers on board. I'm hopeful that by Labor Day, we should have 3 more, 2 of whom are in personal loans, I emphasize hopeful. It tends to be lumpy. We have to work through contracts with issuers and ways of working with issuers. And so I think the most notable thing is that suddenly we will unlock capacity there in the personal loan space, not just in credit card. Now we've also talked about TreeQual as mining our base of -- my LendingTree consumers, but it needs to be more than that. It needs to actually affect cross-sell. So for instance, we're testing some things right now where it won't be entirely dependent on MyLT. There could be a consumer who comes in for personal loan, they are either under matched or the max that they get with a personal loan lender is not as attractive as they would like. And we might be able to say in a credit card available to you through TreeQual is a better alternative. That's the promise of it. I think that we have to -- the current solution with TreeQual where we work with both the issuer and a third party is one solution. I think as we go through 2023, you're going to see other methods to better authenticate who that consumer is for the issuer. We have many issues in the pipeline, some of whom have said to us, we'd rather work this way, direct with you, and that's fine. That's the way the product is going to evolve. So I think it is on track with respect to our internal road map, it is slightly behind with regard to issuer count. But I think going into the year, we knew that the lumpiness was one of the biggest challenges with it. And that's fine.

It is a multiyear strategy to better identify who the consumer is. And there's a theme here, right, which is, as Scott just referred to high-intent traffic. With TreeQual, what are we doing? We're increasing that intent by saying to a consumer, you are preapproved for this. This is available to you. Don't just come shop. We've already shopped for you. So if you think on a multiyear basis, this is part of improving that intent and improving what we deliver for our partners. We have no shortage of partners who want higher intent traffic. It's just a method of working with them, that is what we're working through.

Unidentified Analyst

Great. And then one follow-up with the new experience regarding insurance and the insurance check up. I just wanted to see how that's driving insurance volumes for the business overall. .

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

Scott, why don't you take that?

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

Yes. Yes, we're in the process of implementing and other things, I would say it's just very early innings in that. It is -- we're proactively engaged in it and driving the insurance checkups, and it is driving volume into our both our call centers and we're distributing out, both to our internal agency and to our external client call centers, carrier call centers as well. So it's been a pretty smooth implementation, but it's very early in the snowball rolling phase.

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

Yes. And J.D. alluded to cross-sell earlier, and this was one where for better or for worse, I think I had this idea but it was built on something that we had done years ago in the mortgage space. But basically, when we're thinking about our new experience and thinking about how we can integrate insurance, like wouldn't you just say to ask somebody going through the homeowners or auto flow, would you like a free insurance checkup by the LendingTree Insurance Agency. And even if somebody doesn't end up closing transaction with us, at least they might get an insurance policy from our agencies. So we move that direction instead of down the integration of rates and that stuff, which will happen as well. But we thought this is a really great flow, but it's -- honestly, it's so early days. I have nothing to report yet. But it should be cool.

Operator

And your next question comes from the line of Melissa Wedel from JPMorgan.

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

A lot of them have already been asked, but I was hoping to circle back on insurance. And given some of the optimistic comments that you've made about sort of a rebound in that cycle. I'm curious, I guess the question would be for Scott. It would seem that the cycle is a bit different, particularly impacted by persistent inflation and some of supply chain issues that could take a couple of years to shake out. I guess I'm curious how you think the cycle compares to previous cycles? And does this impact sort of the level of confidence that you could have in the time line of a significant rebound in this division?

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

Yes. Thanks, Melissa. Yes, I'll start just comparing to previous cycles. The last big cycle was 2016, a big downturn in the insurance industry. And I would say, yes, this is officially way worse than 2016 was, and it's mainly just due to inflation. In 2016, there was specific catastrophic events around some major weather events that persisted 12 to 18 months that just -- they were able to work through those losses and it's a short -- pull back short term on marketing, and then it was right back to normality, where the inflation has just been a real shock to the industry, I would say. And they've just late last year, when the driving behavior returned back to normal much quicker than the industry was expecting and they needed to increase the rates back to prepandemic levels. They went through that, and then they just weren't prepared for the inflationary metrics that have now hit in the first half of this year.

You look at some of the key metrics like cost of used cars, cost of car parts, labor costs and prepare shops, time to repair cars. All of those things just increase very heavily. Now is it going to take 2 years for that to normalize, it's more of the carriers being comfortable that they're increasing the rates at a similar level to the cost of repairs increasing. So it's more of being comfortable with that they're staying in line with things rather than inflation has to stop for it to get back to normal. So it's bad right now. And for most of what our carriers are telling us. It's one of 2 levels. Certain carriers are just being very cautious through the end of the year and saying it's probably going to be 2023 before they start increasing budgets again. And then we've got another category of carriers that are more -- they're looking at the weather -- this is a storm season right now, whether you're looking at hurricanes or forest fires and stuff. So there's a lot of -- what the inflation combined with -- hopefully, no catastrophic events happen this summer. They're taking a really cautious approach and hoping that we're not -- don't have any major catastrophic events this summer, and then they would come back maybe even a little bit earlier, maybe even the fourth quarter, if major weather events didn't happen. But I don't think we're looking at a 2-year recovery here. But I do think it's going to take some time, 6-plus months before carriers are comfortable that their premiums are consistently running at profitable levels for the consumers are bringing on. Did that answer your question?

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

It does. It does. .

Operator

All right. And that's all the questions we have. I would now like to turn the conference back to Doug Lebda for closing remarks.

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

Thank you very much for your time today. And just to close, I just want to say that we really pride ourselves to LendingTree as a company that can both walk and chew gum. Operationally, we are navigating in one heck of a storm. It is not often that you see demand from our partners down across almost all of our products. However, the stuff that we've done operationally and our marketing and brand advantage that helps us win in digital and off-line channels, enables us to keep making money even as some of our competitors might get more challenged. And in addition to that, at the beginning of the year, we were able to lay out a strategy that several key initiatives that we committed to as a team and committed to our shareholders. You heard about Marketplace 24 in the last couple of weeks, and that's a big win for our company. We -- the process was at times contangorous, but it got done, and we're going to continue to improve that process as we move into our other major projects. TreeQual, you've heard a lot about today is moving and J.D. is hosting a 3-hour meeting after this to go even deeper on it.

You heard a little bit about the insurance agency from Scott. That is the unit economics are solid. It makes sense. And now it's a matter of scaling, which obviously takes time and making sure that the volume is there. And -- My LendingTree and a couple of others, you're going to hear about shortly as we committed to. There's a lot more to come for us.

We thank you for your support of LendingTree. Please know that you've got a team of 1,000 people here who are grinding and working hard every single day to operate this business as efficiently as we can and commit to with our promises to you and we look forward to talking to you in the next quarter.

Operator

Thank you, presenters, and thank you, participants for joining us today. This concludes today's conference call. You may now disconnect.

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